



ISSN 2249-894X

Impact Factor : 3.1402 (UIF)

Volume - 5 | Issue - 4 | Jan - 2016



## MUDRA BANK :A STEP TOWARDS FINANCIAL INCLUSION



**Dr. Vineet Jain**

Associate Professor in Commerce, S.A..Jain College,  
Ambala City.

---

### ABSTRACT:

*Non- Corporate Small Business Sector (NCSBS) is the economic foundation of India and is recognized as one of the fastest growing sectors of the Indian economy. It plays a pivotal role in the growth and development of the country, generates employment for more than 100 million people and produces more than 6000 products. According to the annual report of the Ministry of MSMEs (2013-14), the sector contributes around 8% in India's GDP, 45% of the manufacturing output and 40% in exports. Supporting the small entrepreneurs of India is the biggest way to help the Indian economy grow and prosper. It is expected that the next level of growth will have to come from the NCSBSs and it is the NCSBSs sector which can propel India's growth rate from the current level of around 7.4% (Advance estimates of GDP for FY2015) to a sustainable double digit growth rate in the medium term. To fulfill 'Make in India' vision of Prime Minister Narendra Modi and to give required push to the manufacturing sector, NCSBSs' growth is must. Going ahead, NCSBSs could be the best vehicle to push economic growth on the high road. The launch MUDRA(Micro Units Development and Refinance Agency Ltd) Bank, is the biggest policy initiative for this non- corporate small business sector of the country.*

**KEY WORDS:** Enterprises, Economy, GDP, Growth rate, Employment.

### INTRODUCTION:

NCSBS have emerged as a dynamic sector of the Indian economy over the last five decades. The role of NCSBS has been crucial in terms of skill development and employment generation. The sector facilitates socio-economic development of the country as a whole and thus considered as a strategic asset for the Indian economy. This segment has enhanced production possibilities and helped to achieve higher growth trajectories for the industry sector. Although various initiatives have been taken to encourage NCSBS since

independence, the sector is witnessing several challenges in terms of access to finance, access to modern technology and infrastructural bottlenecks. The biggest bottleneck to the growth of entrepreneurship and NCSBS in the country is the weak financial support. It may be mentioned that although the percentage of credit by the scheduled commercial banks to NCSBS increased marginally from 15% in FY2014 to 16% in FY2015; it is still in the lower trajectory which asserts the need of creation of a financial institution which could address the much needed financial access to NCSBS. The majority of these small businesses are informal and unregistered enterprises which have not been covered by the formal banking sector. Thus, the sector demands a supportive financial policy framework in order to address the financial concerns and upscale the sector's productivity, going forward. With the need to provide finance to micro and small businesses, "fund the unfunded", promote entrepreneurship and self employment in the country, the Prime Minister launched MUDRA (Micro Units Development and Refinance Agency Ltd) Bank, with a corpus of Rs.20,000 crore. Another Rs. 3,000 crore would be provided to the MUDRA Bank from the budget to create a Credit Guarantee corpus for guaranteeing loans being provided to the micro enterprises. Since the enactment for MUDRA is likely to take some time, it is proposed to set up MUDRA as a subsidiary of Small Industries Development Bank of India, SIDBI, but later it would be converted into a full-fledged institution to be set up through a statutory enactment.

### ROLES AND RESPONSIBILITIES OF MUDRA

MUDRA would primarily be responsible for:

- 1) Laying down policy guidelines for micro enterprise financing business
- 2) Registration of MFI entities
- 3) Supervision of MFI entities
- 4) Accreditation /rating of MFI entities
- 5) Laying down responsible financing practices to ward off over indebtedness and ensure proper client protection principles and methods of recovery
- 6) Development of standardized set of covenants governing last mile lending to micro enterprises
- 7) Promoting right technology solutions for the last mile
- 8) Formulating and running a Credit Guarantee scheme for providing guarantees to the loans/portfolios which are being extended to micro enterprises
- 9) Supporting development & promotional activities in the sector
- 10) Creating a good architecture of Last Mile Credit Delivery to micro businesses under the scheme of Pradhan Mantri MUDRA Yojana

Micro Finance is an economic development tool whose objective is to provide income generating opportunities to the people at the bottom of the pyramid. It covers a range of services which include, in addition to the provision of credit, many other credit plus services such as savings, pensions, insurance, money transfers, counseling, financial literacy and other social support services.

### The players in the Micro Finance sector can be qualified as falling into 3 main groups:

- The SHG-Bank linkage model through Commercial Banks and Regional Rural Banking channels,
- The Non Banking Finance Company and
- Others including Section 8 (formerly Section 25) Companies, Trusts, Societies, etc.

### THE GENESIS OF MUDRA

The biggest bottleneck to the growth of entrepreneurship in the NCSBS is lack of financial support to this sector. The support from the Banks to this sector is meagre, with less than 15% of bank credit going to NCSBS.

A vast part of the non-corporate sector operates as unregistered enterprises. They do not maintain proper Books of Accounts and are not formally covered under taxation areas. Therefore, the banks find it difficult to lend to them. Majority of this sector does not access outside sources of finance.

It is in this backdrop that Government of India (GoI) is setting up a Micro Units Development & Refinance Agency (MUDRA) Bank through a statutory enactment. This Agency would be responsible for

developing and refinancing all Micro-finance Institutions (MFIs) which are in the business of lending to micro / small business entities engaged in manufacturing, trading and service activities. The Bank would partner with state level / regional level co-ordinators to provide finance to Last Mile Financiers of small / micro business enterprises.

## PRODUCTS AND SCHEMES

Under the aegis of Pradhan Mantri MUDRA Yojana, MUDRA has already created its initial products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth to look forward to :

- **Shishu** : covering loans upto 50,000/-
- **Kishor** : covering loans above 50,000/- and upto 5 lakh
- **Tarun** : covering loans above 5 lakh and upto 10 lakh

It would be ensured that at least 60% of the credit flows to Shishu Category Units and the balance to Kishor and Tarun Categories.

The products initially being launched under MUDRA are sector specific or activity specific schemes, such as schemes for business activities in land transport, Social & Personal Services, Food Product and Textile Product sectors. Further, Micro Credit Scheme (MCS), Refinance Scheme for Regional Rural Banks (RRBs) and Scheduled Cooperative Banks, Mahila Uddyami Scheme, Business Loan for traders & shopkeepers, Missing Middle Credit Scheme and Equipment Finance for Micro Units are the other schemes which have been launched under MUDRA Yojana.

## PROGRESS

The idea of MUDRA Bank is not just based on meeting the credit and financial needs of small enterprises. Rather than just providing credit, it is based on the "Credit Plus" approach under which access to credit will be combined with various enterprises development and welfare related services. MUDRA Bank is providing much needed financial access to NCSBSs, promote growth of small businesses, help boost the country's GDP and create jobs in the coming times.

So far in India total 17333109 no. of sanctions have been made involving sanction of Rs.75438.67 crores and disbursement of Rs. 71592.78, crores by January 8,2016.Position of Haryana and other nearby states is shown in the table below.

**Table: 1**

State	No. of Sanctions	Sanctioned Amount(crores)	Disbursement Amount(crores)
<b>Haryana</b>	335357	1696.45	1606.93
<b>Punjab</b>	442315	2325.63	2229.11
<b>Himachal Pradesh</b>	250417	1014.67	988.60
<b>Chandigarh</b>	15075	136.75	129.02
<b>Delhi</b>	178456	1652.66	1569.16

Source: www.mudra.org.in

Table shows the figures of 4 states and one UT and it shows that by January 8, 2016 Punjab state is leading in disbursement of credit to the needed.

## CONCLUSION

MUDRA Bank is heading towards the achievement of its mission **'To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security.'**It is going ahead in catering the financial problems of NCSBS. It is also providing vast pool of young population to materialize their dreams of becoming an entrepreneur.

## REFERENCES

- "MUDRA to help 5.7 crore very small businesses access cheaper finance". The Hindu Business Line 8 April 2015. Retrieved 9 April 2015.
- "Micro Units Development and Refinance Agency (Mudra) Bank". Press Information Bureau 11 March 2015.
- "MUDRA Bank holds promise for MSME sector". The Hindu 8 March 2015.
- "11 things you must know about Mudra Bank". DNA India. 8 April 2015.
- [www.mudra.gov.in](http://www.mudra.gov.in)