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A STUDY ON THE ROLE OF MUDRA BANK ON INDIAN ECONOMY

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ABSTRACT

MUDRA Bank is a one of the scheme under Pradana mantri Yojana. This study "A Study on the Role of MUDRA Bank on Indian Economy" helps to, make a conceptual framework of MUDRA Bank and to find out the Role of MUDRA Bank in Indian Economy. This study reveals that if it is implemented well, it will help to the growth and promotion of many of these small business entrepreneurs. And also it lead s to the development of Indian economy.

KEYWORDS: *MUDRA Bank, lower income, capital*

INTRODUCTION

In India, most of the individuals living in rural and interior areas of India and they have been excluded from the benefits of formal banking system. So that, they never had access to insurance, credit, loans and other financial instruments to help them establish and grow their micro businesses. So, most these individuals depend on local money lenders for credit. The loan comes at high interest and often with unbearable conditions, which make these poor unsuspecting people fall in a debt-trap for generations. When businesses fail, the borrowers become vulnerable to the lender's strong-arm tactics and other forms of humiliation.

As per NSSO Survey of 2013, there are close to 5.77 crore small-scale business units, mostly sole proprietorships, which undertake trading, manufacturing, retail and other small-scale activities. Compare this with the organised sector and larger companies that employ 1.25 crore individuals. Clearly, there is potential to nurture these micro businesses is vast and the government recognizes this. Today, this segment is unregulated and without financial

support or cover from the organised financial banking system. About 5.77 crore (57.7 million) small business have been identified as target clients using the NSSO survey of 2013. Only 4% of these businesses get finance from regular banks.

II.OBJECTIVES

- To provide a Conceptual Framework of MUDRA Bank
- To find out the Role of MUDRA Bank in Indian Economy

III.RESEARCH METHODOLOGY

This study done through a descriptive analysis. Through this it describe the Pradhana manthri Yojana MUDRA Bank.

IV.A CONCEPTUAL FRAMEWORK OF MUDRA BANK

- **Meaning :-**

→ **MUDRA Bank** is an abbreviated form of *Micro Units Development and Refinance Agency Bank*

→ It is a public sector financial institution in India which provides loans at low rates to micro-finance institutions and non-banking financial institutions which then provide credit to MSMEs.

→ The Main Aim – This measures is to be taken up by MUDRA are targeted towards mainstreaming young, educated or skilled workers and entrepreneurs including women entrepreneurs.

• **Definition -:**

Micro Units Development and Refinance Agency Bank (MUDRA Bank), is a new institution setup by the Government of India for development of micro units and refinance of MFIs to encourage entrepreneurship in India & provide the funding to the non -corporate small business sector.

• **Objective of MUDRA Bank -:**

- To help small entrepreneurs get loans for their businesses
- Change India to a country of job creators.
- Creating structured policy guidelines for micro/small enterprise financing businesses.
- Registering & Regulating Micro-Finance Institutions (MFI) entities
- Introduce a system of performance rating and accreditation.
- Create an entrepreneurial and promote the number of small and medium scale industries goes up in the country
- Assisting lower income groups for developing and growing their small businesses.
- “Funding the unfunded” - provide financial & otherwise assistance to non-corporate and Small Business Sectors which don't have any other external assistance.
- Set up financing practices that help prevent over indebtedness.
- Offer a credit guarantee scheme to provide guarantees to the mudra loans that are given to micro-enterprises.
- Build suitable framework for develop an efficient credit delivery system to small micro businesses

• **MUDRA Vision**

"To be an integrated financial and support services provider par excellence benchmarked with global best practices and standards for the bottom of the pyramid universe for their comprehensive economic and social development."

• **MUDRA Mission**

"To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security."

• **Set up -:**

- ✓ The MUDRA banks were set up under the Pradhan Mantri MUDRA Yojana scheme
- ✓ It initially announced by earlier by the Finance Minister Arun Jaitley in his FY 15-16 Budget speech.
- ✓ It launched in April8, 2015 by Prime Minister Narendra Modi
- ✓ Its Headquarters is at New Delhi
- ✓ It will initially set up as a Non-banking financial company and a subsidiary of the Small Industries Development Bank of India (SIDBI). Later, it will be made into a separate company.
- ✓ It has an Initial capital - ₹200 billion & a credit guarantee fund of ₹30 billion

• **Features of MUDRA Bank -:**

- The word “Mudra” in Hindi means **currency**.
- The main Product of MUDRA Bank are **Microfinance and refinance**
- It was act as regulator of MFIs, earlier; but now, it will be done by RBI.
- It will **provide its services to small entrepreneurs outside the service area of regular banks**, by using Last mile agents.
- It provides finance to **"Last Mile Financiers"** of small/micro businesses.
- The bank will cater to **5.77 crore** small business units that are spread all across India who currently find it difficult to access credit from the regular banking system.

→ Recovery method - Mudra Bank will ensure clients are properly protected and they follow the principles and methods of loan recovery in case of a default and follow "*responsible financing practices*" so deter borrowers from indebtedness.

• **MUDRA Loan –:**

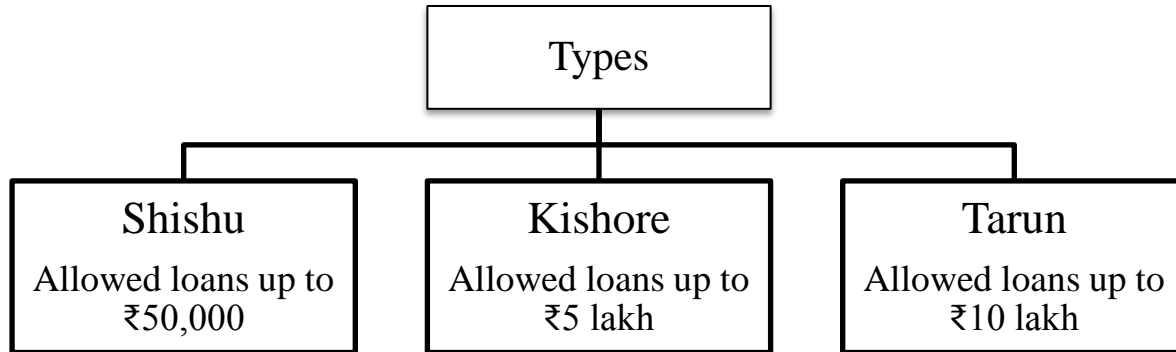
→ **Meaning -:**

It is the loan available under the scheme of PMMY and it is planned to be provided to the micro units,

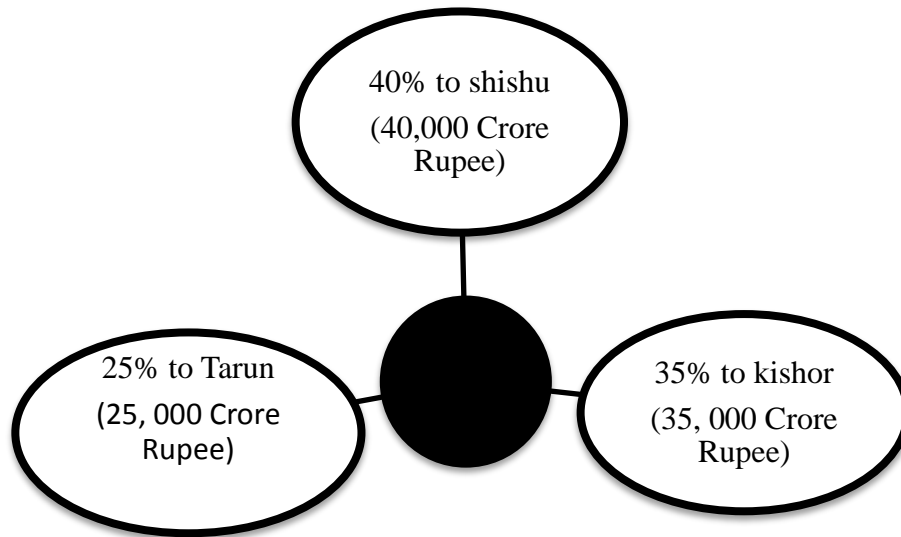
small businessmen and entrepreneurs so as to help them to set up their business or to extend it. The Mudra credit given in the form of loan can be repaid in easy installments. It is available at all bank branches across the country.

→ **Types of MUDRA Loan -:**

The bank will classify its customers into three categories on the basis of the maximum amount of loan allowed in to the category.



→ **Government has decided to provide an additional fund of ₹1 trillion to the market and will be allocated as**



→ **Applying for MUDRA loans**

➤ Procedure for applying MUDRA Loan same as applying for conventional loans under the guidance of RBI. The decision of whether to ask for collateral security will also be made based on the RBI guidelines.

➤ You can apply through the application forms online on the Mudra website or get one from any of the intermediaries.
 ➤ Eligibility Criteria / Documents required for MUDRA Loan

- **Proof of identity** – *Self certified copy of Voter’s ID card / Driving License / PAN Card / Aadhar Card/Passport.*
- **Proof of residence** – *Recent telephone bill, electricity bill, property tax receipt (not older than 2 months), Voter ID card, Aadhar Card & Passport of Proprietor/Partners/Directors.*
- **Proof of SC/ST/OBC/Minority.**
- **Proof of Identity / Address of the Business Enterprise** -*Copies of licenses/registration certificates/other documents pertaining to the ownership, identity and address of business unit.*
- **Applicant should not be defaulter in any Bank/Financial institution.**
- **Statement of accounts** *(for the last six months), from the existing banker, if any.*
- **Last two years balance sheets of the units along with income tax/sales tax return etc. (Applicable for all cases from Rs.2 Lacs and above).**
- **Projected balance sheets**
 - *For one year - In case of working capital limits*
 - *For the period of the loan - In case of term loan*
- ✓ **Sales achieved during the current financial year up to the date of submission of application.**
- **Proposed project containing details of technical & economic viability.**
- **Memorandum and articles of association of the company/Partnership Deed of Partners**
- **Asset & Liability statement** from the borrower including Directors& Partners may be sought to know the net-worth - *In absence of third party guarantee*
- **Photographs (two copies) of Proprietor/ Partners/ Directors.**

→ **Interest rate of MUDRA Loan**

- Interest rate of MUDRA Loan is no fix Interest rate yet decided by the government and it is decided various banks. So banks fixed their own interest as per the rule of RBI

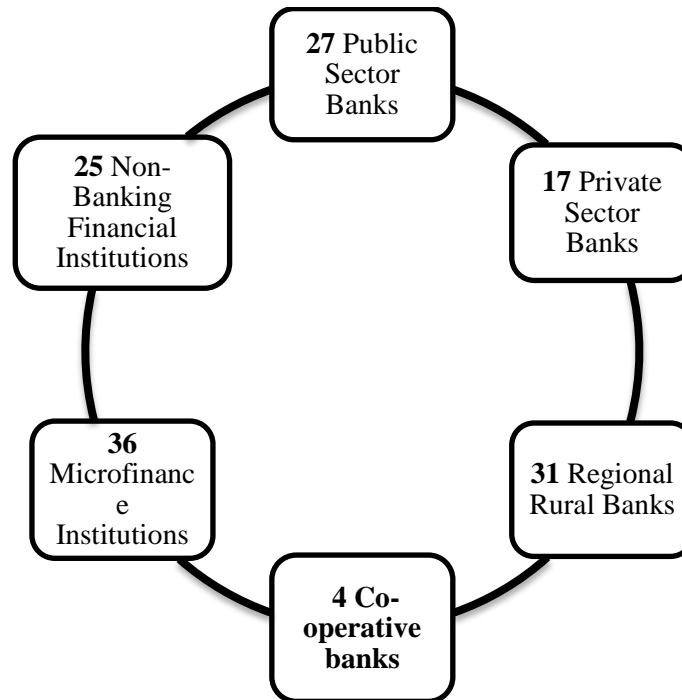
- Mudra loans interest are different from different financial institutions because of here MUUDRA loans are unsecured in nature as no collaterals are required to avail the loan. This is a reason why interest rates vary from institution to institution as every organization calculates the risk factor on its own and establishes rates accordingly.

Type of loan	Loan amount	Interest rate	Repayment Period
Shishu	INR 50000	1% per month or 12% per annum	5 years
Kishore	50000 to 5 lakhs	Dependent on the bank, in accordance with the schemes guidelines,	Based on the discretion of the bank
Tarun	5 to 10 lakhs	Dependent on the bank, in accordance with the schemes guidelines	Based on the discretion of the bank

→ **Banks to selected to allow disbursement of MUDRA Loan**

The Department of Financial Services (DFS) has already sent advisories to Public Sector Banks, Scheduled Commercial Banks and Regional Rural

Banks for bringing all loans up to Rs.10 lakhs disbursed for non-farm income generation activities after April 7th 2015 under the Mudra Scheme. The DFS has also instructed all banks to provide loans under the scheme and put targets per branch



→ **Other product offered by MUDRA Bank**

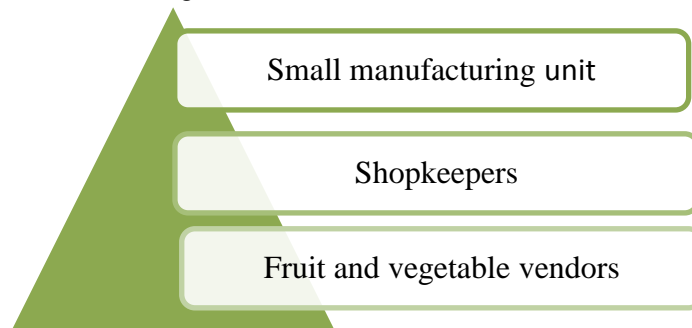
- MUDRA Card- a debit card based on Rupay platform, which are being issued by banks or in association with MFI.
- Portfolio Credit Guarantee - focused to protect banks against possible defaults by loan borrowers. Also, a default will get

guarantee based on its portfolio, which will be up to 50 percent of the total Mudra portfolio of banks.

- Credit Enhancement Guarantee Scheme

• **Beneficiaries of MUDRA Bank**

The persons who are eligible for borrow from MUDRA bank are



V. ROLE OF MUDRA BANK IN INDIA

- Lay down policy guidelines for micro enterprise financing business
- Registration of MFI entities
- Accreditation/rating of MFI entities
- Lay down responsible financing practices to ward off over indebtedness and ensure proper client protection principles and ways of recovery
- Development of standardized set of covenants governing last mile lending to micro enterprises
- Promoting right technology solutions for the last mile

- Formulating and running a Credit Guarantee scheme for providing guarantees to the loans/portfolios which are being extended to micro enterprises
- Support development & promotional activities within the sector
- Creating a decent architecture of last mile Credit Delivery to micro businesses under the scheme
- It would partner with State/Regional level coordinators to supply finance to last mile Financiers of small/micro business enterprises.

VI. CONCLUSION

The MUDRA Bank has an important role in Indian economy and it estimated that there are around 5.77

crore Small scale businesses (mostly under individual proprietorship) which run small manufacturing, trading or service businesses in India. These entrepreneurs of Small & Medium Enterprises difficult to get credit / finance from the financial institutions and end up acquiring loans at very high interest rates from financiers or money-lender. So MUDRA Bank has an important role in Indian scenario. It will help to growth small scale business

owners and through this India can develop rapidly. If it runs efficiently, it will lead the growth of development.

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