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**EPRA International Journal of
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**AN INNOVATIVE APPROACH TO SMALL INDUSTRIES:
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ABSTRACT

MUDRA is launched with a motive to boost the small business in the country so that a large number of people can get employed and self-employed and to contribute in the GDP of the country. MUDRA is still not a fully-fledged bank and is in its initial stages. It will provide its services to small entrepreneurs outside the service area of regular banks, by using last mile agents. MUDRA will be operating as a refinancing institution through state or regional level intermediaries such as Non-Banking Finance Companies of various types engaged in financing small businesses, societies, trusts, section 8 companies even cooperative societies, small banks, scheduled commercial banks and regional rural banks, which are in the business of lending money to micro and small business entities engaged in manufacturing, trading and service activities. MUDRA Bank is an indigenously designed modern financial engine to alien the non-formal financiers and informal micro businesses and formalize both. It holds lot of promises to the future. This paper tries to describe MUDRA, Schemes, products and offering and analyze the performance to small business units in our nation and Kerala state.

KEY WORDS: *MUDRA Schemes, Products and Offering, Scope for Small Business Enterprise.*

INTRODUCTION

Entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism. Transforming ideas into economic opportunities is the decisive issue of entrepreneurship. In a developing country like India, small businesses play an important role not only in contributing to nation GDP but also by providing employment to a large number of people. The main problem prevailing in these fields are lack of credit and financial supportiveness. In India over 6000 products are manufactured by around 5.77 crore units and employ 460 million people in the country, of which 262 million people are self-employed. Micro Small and Medium Enterprises (MSME) contributes around 8 per cent to GDP. In order to remove the financial difficulties faced by micro and small business units the government of India launched a scheme on 8th April 2015 called Micro Unit Development and Refinance Agency, or MUDRA to 'fund the unfunded'. MUDRA bank will provide credit of up to ₹. 10 lakh to small entrepreneurs and act as a regulator for Micro-Finance Institutions (MFIs) and also refinance MFIs through Pradhan Mantri Mudra Yojana (PMMY). The main motive behind set up of Mudra Bank is, to encourage entrepreneurs and small business units to expand their competences and operations, to diminish over indebtedness and to provide formal and easy system of credit. MUDRA is still not a fully-fledged bank and is in its initial stages. It will provide its services to small entrepreneurs outside the service area of regular banks, by using last mile agents.

OBJECTIVES OF THE STUDY

- 1) To know MUDRA and objectives.
- 2) To depicts Schemes, products and offering under PMMY.
- 3) To analyze the performance to small business units.

METHODOLOGY

The present paper is theoretical in nature primarily based on secondary sources of data consisting of government publications, websites and newspapers.

MICRO UNIT DEVELOPMENT AND REFINANCE AGENCY (MUDRA)

MUDRA is a financial initiative announced by the Finance Minister in Parliament during Union Budget for financial year 2016 created in order to facilitate the micro units by providing them sufficient funds to develop and refinance of MFIs to encourage entrepreneurship. Prime Minister MUDRA Yojana programme (PMMY) created by Central government to make available loans through Micro Financial Institutions (MFIs) and Non-Banking Financial Companies (NBFCs) for promoting small scale

enterprises. The bank will refinance MFI through PMMY and will have a corpus of ₹ 20,000 crores, and credit guarantee corpus of ₹ 3,000 crore. Priority is to be given to SC/ST enterprises while lending. There are some 5.77 crore small business units, mostly individual proprietorship, which run small manufacturing, trading or service businesses. As mentioned MUDRA is not a bank, not providing any direct banking services. The main objective of the bank is to make a good credit guarantee system and refinancing to banks, RRB and MFIs.

MUDRA focused to

- 1) Regulation of lender and borrower of micro-finance and to provide stability by ensuring regulation and inclusive participation in micro-finance system.
- 2) Laying down policy guidelines for micro enterprise financing business.
- 3) Registration, supervision and rating of Micro Finance Institution (MFI) entities.
- 4) To cooperate in financing and lending activities of microfinance institutions (MFIs), and other lending agencies who provide credit to small traders, retailers, self-help groups and individuals.
- 5) Development of standardized set of covenants governing last mile lending to microenterprises.
- 6) Promoting right technology solutions for the last mile.
- 7) Formulating and running a Credit Guarantee scheme for providing guarantees to the loans/portfolios which are being extended to microenterprises.
- 8) Supporting development and promotional activities in the sector.
- 9) Laying down responsible financing practices toward off over indebtedness and ensures proper client protection principles and methods of recovery.
- 10) Creating a good architecture of Last Mile Credit Delivery to micro businesses under the scheme of PMMY.

The funding supports from MUDRA

The major funding supports coming under MUDRA are categorized under following four heads.

A. Refinance Schemes for Banks:

Different banks like Commercial Banks, Regional Rural Banks and Scheduled Cooperative Banks are eligible to avail of refinance support from MUDRA for financing micro enterprise activities. The refinance is available for term loan and working capital loans, up to an amount of 10 lakh per unit. The eligible banks, which have enrolled with MUDRA by complying with the requirements as notified, can avail of refinance

from MUDRA for the loan issued under Shishu, Kishor and Tarun categories.

B. Micro Credit Schemes:

Micro Credit Scheme is offered mainly through Micro Finance Institutions (MFIs), which deliver the credit up to ₹.1 lakh, for various micro enterprise activities. Although, the mode of delivery may be through groups like SHGs/JLGs, the loans are given to the individuals for specific income generating micro enterprise activity. The MFIs for availing financial support need to enroll with MUDRA by complying to some of the requirements as notified by MUDRA, from time to time.

C. Women Enterprise Programmes:

In order to encourage women entrepreneurs the financing banks / MFIs may consider extending additional facilities, including interest reduction on their loan. At present, MUDRA extends a reduction of

25bps in its interest rates to MFIs / NBFCs, who are providing loans to women entrepreneurs.

D. Securitization of Loan Portfolio:

MUDRA also supports Banks / NBFCs / MFIs for raising funds for financing micro enterprises by participating in securitization of their loan assets against micro enterprise portfolio, by providing second loss default guarantee, for credit enhancement and also participating in investment of Pass Through Certificate (PTCs) either as Senior or junior investor.

MUDRA- Product and Offering

To start-with, MUDRA will need two categories of products; viz; refinance product for the micro units having loan requirement in the range of ₹ 50,000 to ₹ 10 lakh and support to MFIs for on lending etc. MUDRA will be providing refinance to micro business under the Scheme of Pradhan Mantri MUDRA Yojana (PMMY).

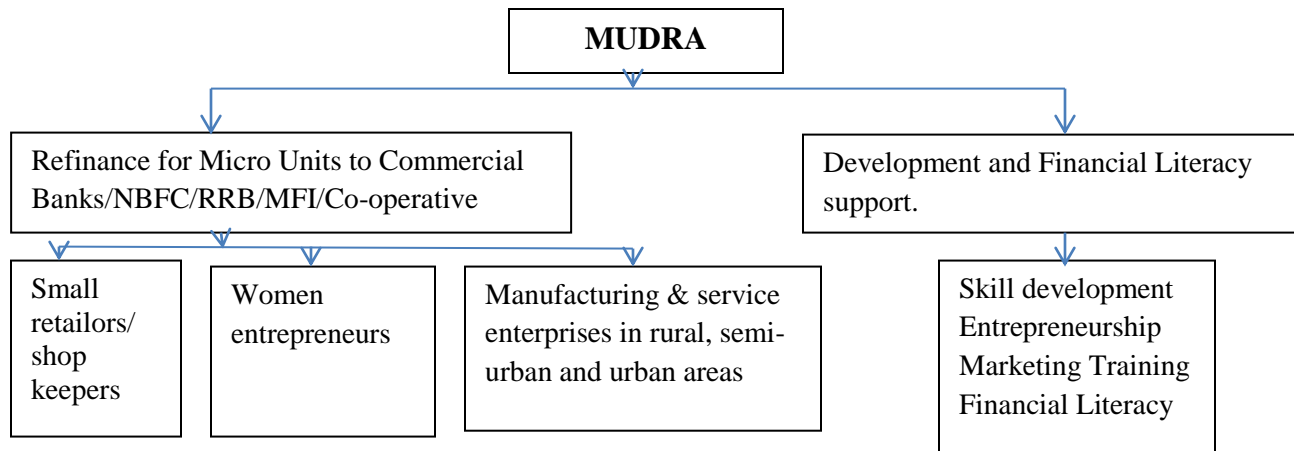
Table: 1 Details of MUDRA Schemes

Schemes MUDRA	Loan amount and description
Shishu	This is targeted towards startups and sanctioned loan amount will be up to ₹. 50000/-. The idea is to provide enough financial support to cover the expenses for business set up. The rate of interest charged under this scheme by the banks is around 10% to 12%. And public sectors banks are charging at lower rate.
Kishore	This is targeted towards already existing business that lack exposure. The sanctioned loan amount will be between ₹. 50000 - ₹ 5 lakh. This scheme will help businesses to gain exposure by expanding their supply segment, which will in turn help to reach out to more customers. The rate of interest is in between 14% to 17% depends on bank to bank.
Tarun	This is for those businesses which have grown to a certain level and have enough exposure but need help to take the business to a new level. The sanctioned loan amount will be between ₹ 5 lakh – ₹ 10 lakh. The rate of interest starts at 16% under this scheme.

Within the framework and overall objective of development and growth of Shishu, Kishor and Tarun Units, the products being offered by MUDRA at the rollout stage have been designed to meet requirements of different sectors / business activities as well as business / entrepreneur segments. Brief particulars are as under:

- Sector / activity specific schemes

- Micro Credit Scheme (MCS)
- Refinance Scheme for Regional Rural Banks (RRBs) / Scheduled Co-operative Banks
- Mahila Uddyami Scheme
- Business Loan for Traders & Shopkeepers
- Missing Middle Credit Scheme
- Equipment Finance for Micro Units.



Source: www.mudra.org.in

SCOPE FOR SMALL BUSINESS ENTERPRISES

Micro enterprises constitute an important pillar of Indian economy as they account for more than 90% of total number of enterprises, as also 90% of non-agriculture employment. The sector continues to grow despite issues like non-availability of credit, limited market linkages, technology obsolescence, etc. Further, the Economic Forecast Summary by Organisation for Economic Co-operation and Development indicates that economic growth is projected to remain strong and India will remain the fastest-growing G20 economy. Private investment will recover gradually as excess capacity diminishes and the landmark Goods and Services Tax (GST) and other measures to improve the ease of doing business are being implemented.

The major constraints of development of small business are unavailability of credit at required time, lack of skill development, knowledge gaps, lack of financial literacy, lack of growth orientation etc. One of the most significant constraints in formation and growth of small business units is the unavailability of credit or difficulty process to avail credit facilities. The average debt of Small business enterprises in India is around ₹. 17,000. If lending is increased to ₹. 5 or 10 lakh, the sector would benefit immensely and may generate lot of self-employment opportunities. Small business units generally face lot of challenges to get loans from Banks. So, they required to taking high-cost loans from financiers or money lenders. For getting loan under MUDRA Yojana business units or entrepreneurs have to contact their nearest public or private banks or RRBs or other authorized NBFCs/MFIs with their business plan. After sanctioned the loan from MUDRA Yojana, Business

units/ entrepreneurs will get a MUDRA Card like credit card which can be used for purchasing business raw materials etc. The Card's limit will be 10% of the loan amount subject to maximum ₹. 10,000/-.

MUDRA- Small Business Financing – India, Kerala

As per Department of Financial Services, Ministry of Finance, Govt. of India's letter No.27/01/2015-CP/RRB dated May 14, 2015 loans given to non-farm income generating enterprises in manufacturing, trading and services whose credit needs are below Rs.10 lakh by all the Public Sector Banks, Regional Rural Banks, State Cooperative Banks and Urban Co-operative Banks will be known as MUDRA loans under the Pradhan Mantri MUDRA Yojana (PMMY). All such loans can be covered under refinance and/or credit enhancement products of MUDRA. In addition to these Banks, NBFCs and MFIs operating across the country can also extend credit to this segment, for which they can avail financial assistance from MUDRA Ltd., subject to their conforming to the approved eligibility criteria. During the year, MUDRA enrolled 33 additional partner institutions taking the total number of enrolled partner institutions to 193 as on March 31, 2017, comprising 27 Public Sector Banks, 18 Private Sector Banks, 31 Regional Rural Banks (RRBs), 13 State / Urban Co-op Banks, 73 MFIs and 31 NBFCs. The sanctions and disbursements of funding support made during the FY 2017 stood at ₹ 3,708.94 crore and ₹ 3,525.94 crore, as against ₹ 3,783.20 crore and ₹ 3,337.20 crore respectively, during the previous financial year. The following table exposes fund allocation for business operation under MUDRA.

Table: 2 Details of MUDRA Fund allocation for Business operation- India

Particulars	FY 2015 - 2016 (Amount in Crore)		FY 2016 - 2017 (Amount in Crore)	
	Amount Sanctioned	Amount Disbursed	Amount Sanctioned	Amount Disbursed
Banks	2432.00	2432.00	1886.73	1886.73
MFIs	812.00	616.00	820.00	787.00
NBFCs	250.00	0.00	549.00	399.00
RRBs	239.25	239.25	181.79	181.79
Sub Total	3733.25	3287.25	3437.52	3254.52
PTCs*	49.95	49.95	271.42	271.42
Total	3783.20	3337.20	3708.94	3525.94

Source: PMMY Report. *Pass Through Certificates (PTC) are high quality debt instruments that represent ownership in a pool of assets and derive monthly principal and interest payments from those assets.

Eleven Public Sector banks availed of refinance support from MUDRA during the year. The sanctions/disbursement to Commercial Banks during the year was at ₹ 1,886.73 crore, as against that of ₹ 2,432 crore availed of during the previous financial year. The downward availment of refinance during the year was on account of ample liquidity with the Banks, especially post demonetization. Refinance to RRBs amounted to ₹ 181.79 crore, as against ₹ 239.25 crore refinanced to RRBs in the previous financial year.

Refinance assistance aggregating to ₹ 820 crore was sanctioned to 20 MFIs, of which ₹ 786.99 crore was disbursed during the year. The corresponding figures for the previous year were ₹ 812 crore & ₹ 616 crore respectively. NBFCs are a major channel for providing financial support to Micro enterprises and transport operators in the country. MUDRA has identified this important channel to provide greater support.

Table: 3 Category- wise Analysis of PMMY Scheme

Category	No. of loan Accounts		Loan sanctioned (in Crore)		Average loan size (Amount in ₹)*	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Shishu	32401046	36497813	62894.96	85100.74	19411.40	23316.67
Kishore	2069461	2663502	43052.55	53545.14	208037.50	201032.85
Tarun	410417	539732	31501.76	41882.66	767554.95	775989.94
Total	34880924	39701047	137449.27	180528.54	39405.28	45471.98

Source: PMMY Report. * Average loan size is calculated, loan sanctioned amount divided with number of accounts in each scheme.

As per latest interview conducted by Roshan, R. (2017) describing the opinion of CEO of Mudra Bank Mr, JIJ MAMMAN a Keralite, in the financial year (2015-16) there were 3.49 crore entrepreneurs utilizes a total of 1.33 lakh crore rupees as loans. The 2016-17 financial year, so far, 1.5 crore entrepreneurs have received about 90,000 crore rupees as loans. That means within 21 months nearly ₹ 2.20 lakh Crore given. Nearly 5 crore entrepreneurs have benefited. Most of the loans

were distributed through the State Bank of India. The same report also mentioning Kerala scenario the financial year (2015-16), ₹ 4857.68 crore rupees was allotted to 8.30 lakh number of enterprises across this state. During 2016-17 financial years, so far, loans to the tune of 2970.49 crore have been sanctioned. 5.36 lakh entrepreneurs stand to receive these loans. SBT, Canara Bank, Federal Bank and Union Banks have been doing good work in Kerala.

Table: 4 Details of Loan Sanctioned and disbursed under MUDRA Yojana- Kerala

Scheme	Year	No. of Sanctions	Sanctioned Amount in Cr	Disbursement Amount in Cr
Shishu	2015-2016	707492	1430.63	1414.08
	2016-2017	222577	476.73	466.49
Tarun	2015-2016	107975	2251.71	2194.29
	2016-2017	23995	527.94	512.94
Kishore	2015-2016	14944	1175.34	1119.01
	2016-2017	3718	295.79	279.87

Source: PMMY Report

MUDRA Bank is an indigenously designed modern financial engine to alien the non-formal financiers and informal micro businesses and formalize both. It holds lot of promises to the future.

CONCLUSION

The major benefit of the PMMY scheme lies for the development of small and independent entrepreneurs in our country. Thus Pradhan Mantri Mudra Yojana (PMMY) continues to be a major initiative of the Government providing credit to millions of unfunded micro units in the country. The programme has benefited 7.42 crore loan accounts with a sanction of nearly ₹ 3.17 lakh crore in the last two years. It has also resulted in benefiting about 2.25 crore new loan accounts/ entrepreneurs, thereby providing employment to a large number of people across the country. MUDRA bank are to encourage entrepreneurs and small business units to expand their capabilities and operations to reduce over indebtedness and to provide formal system of banking, loans, insurance and other financial products that are often considered the back born of any business. These products and offerings will greatly increase the confidence of young, educated or skilled workers who will now be able to aspire to become first generation entrepreneurs. Existing small business, too, will be able to expand their activities.

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