

Mudra Scheme And Financial Inclusion

[Micro Units Development and Refinance Agency Bank]

Lavanya. P
St. Ann's college for Women, Visakhapatnam
Lecturer In Commerce
lavanya1ryali@gmail.com

Abstract

Inclusive growth is possible only through proper mechanism which channelizes all the resources from top to bottom. Financial inclusion is an innovative concept which makes alternative techniques to promote the banking habits of the rural people. Financial inclusion aims in providing banking and financial services to all people in a fair, equitable and transparent manner.

Financial inclusion is one the most treasured strategies in India. Our monetary arrangement has dependably been driven by a basic plan of a practical and comprehensive development. India is considered as largest rural people consist in the world so, to promote banking habits financial inclusion come into exitance to promote innovative concepts to make alternative techniques. Pradhan Mantri Mudra Yojana is one of the initiatives taken by government of India to provide the credit requirement to small business up to 10 lakhs. This scheme is launched by the union government on 8 April 2015 by another hearable Prime Minister Mr.NarendraModi.

It provides loans to the Non corporate, Non-farm small/micro enterprises. MUDRA provides refinance to all banks seeking refinancing of small business loans given under PMMY MUDRA has real created three products i.e. Shishu, Kishore and TarunShishu c111¹overs loans up to 50,000, Kishore 50,000-5 lakhs and Tarun 5 lakhs -10 lakhs. The borrower who wishes to avail of loan under PMMY may approach any of the public/private sector Commercial Bank, RRB or co-operative bank branches with proper business idea and loan application. To begin with MUDRA has enrolled 27 public sector banks 17 private sector banks,27 Regional Rural Banks and 25 Micro Finance institutions as partner institutions for channelizing assistance to the ultimate borrower. MUDRA has identified 97 Nodal officers at various Small Industries Development Bank of India (SIDBI). Regional offices/ Branches offices to act as "first contact persons "for MUDRA. Its Head quarters is located at Mumbai.

MUDRA Vision is "To be an integrated financial and support services providers par excellence bench marked with global best practice and standards for the bottom of the Pyramid Universe for their comprehensive economic and social development.

MUDRA mission is “To create and inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institution in achieving economic success and financial security.

1.Introduction

Financial inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet their needs and are delivered in a responsible and sustainable way. Financial inclusion is defined as the availability and equality of the opportunities to access financial services to all the sections of the society in general and vulnerable groups such as weaker sections and low income groups.

MUDRA [Micro units development and refinance agency] is a new institution set up by government of India to provide funding to the non – corporate small business sector [NCSBS], non – form sector income generating activities of micro and small enterprises whose credit needs are below 10lakh. It is a scheme launched by the honourable prime minister on 8th April 2015 for NCSBS in India which includes street vendors, repair shop owners, small scale industries and artisans.

2.Features and Characteristics of P.M Mudra Yojana

1. Loan amount offered:

The scheme has three categories under which loans are disbursed.

Shishu - For loan amount up to Rs. 50,000

Kishor - For loan amount up to Rs. 50,001 -Rs. 5lakhs.

Tarun - For loan amount more than 5lakhs to 10lakhs.

2. Who can borrow:

Any business person who has not been a defaulter on any loan repayment previously is eligible to borrow under PMMY (Pradhan Mantri Mudra Yojana).
Eg: Individual business person, private limited companies, public sector companies, proprietary forms or any other legal business entity.

3. Purpose of loan assistance:

Mudra loan is a business loan it cannot be used for personal needs. Business can utilize MUDRA loan for marketing purpose, increasing working capital, for acquiring capital assets to grow the business.

4. Interest rates:

As per existing interest rate norms from November- 2015 onwards the rates are applicable.

5. Maximum tenure:

As per existing rules of the PMMY, the maximum repayment period for a Mudra loan can extend to 5 years however, the repayment period can be shorter, if the lender decides so when sanctioning the loan.

3. Types of PMMY:

1. Micro Credit Scheme:

Under this scheme financial support is extended through micro financial institutions (MFI's). So, that they can provide business loans up to Rs. 1lakh. Typically for individuals engaged in specific micro enterprise activities, as well various joint liability groups (JLG's) and self-help groups (SHG's).

2. Women Enterprise Programme (MahilaUddayamiYojana):

This scheme is specifically at for women entrepreneurs like Women's joint liability groups and self-help groups to set up various micro enterprises. Special concessions may be afforded in interest rates up to 0.25% on loans granted.

3. Refinance Scheme for Banks:

MUDRA allows banks including scheduled co – operative banks, Regional Rural Banks to easily refinance loan amount (up to 10lakhs per unit). These refinance loans are available only if the business loans are of micro enterprise activities.

4. MUDRA Card:

It is an innovative credit product which makes credit easily accessible to small business. It can be used as a credit card with over draft(loan) limit and also used as a debit card with the facility of ATM withdrawals. It is used by businesses to obtain working capital.

5. Credit Guarantee Fund:

It is also known as the portfolio credit guarantee, this involves the creation and use of a special fund termed as the credit guarantee fund for micro units (CGFMU). This fund is managed by the National Credit Guarantee Trustee Company Limited.

6. Equipment Finance Scheme:

This scheme enables small entrepreneurs to avail loan to finance the purchase of equipment/ machinery. This scheme encourages the enterprises to improve their productivity and efficiency of business.

7. Credit to Micro Enterprises:

One of the basic motives of MUDRA is to maximise both the quantum of benefits and the number of beneficiaries from the scheme. A large proportion of India's population is currently involved in specific sector including but not limited to land transport, food production, textile production and community services.

4. Sectors Covered Under the Scheme:

1.Land Transport Sector/ Activity:

Auto Rikshaw, Small goods transport vehicle, 3 wheelers, E – rikshaws, passenger cars, taxis etc.

2.Community, Social and Personal Service Activities:

Such as saloons, beauty parlours, gymnasium, boutiques, tailoring shops, dry cleaning, cycle and motorcycle repair shop, DTP and Photo copying facilities, medicine shops, courier agents etc.

3.Food Products Sector:

Support is available for undertaking activities such as papad making, achar making, jam/jelly making, agricultural produce preservation at rural level, sweet shops, small service food stalls and day to day catering.

4.Textile Products Sections/activity:

Support to handloom power loom, chekan work, zari and zardozi work, traditional embroidery and hand work, traditional dyeing and printing, apparel design, knitting, cotton ginning, computerized embroidery stitching and other textile non garment products such as bags, vehicle accessories, furnishing accessories etc.

5.Advantages:

1. To provide banking and finance services in rural as well as urban areas to the needy people.
2. It is a financial banking for empowerment of micro – small businesses as well as to start ups.
3. People can get business loan for small amounts from legitimate lenders on normal interest rates.
4. Government is the credit guarantee for the borrower. That means if the loan borrower fails to pay off the loan, government bears the loan's loss responsibility.
5. Smallest business units like shop keepers and food vendors can also get benefits.
6. Repayment tenure of PMMY loan is 5-7 years.
7. To increase the ratio of women entrepreneurs and for their empowerment.
8. PMMY loan is a multipurpose loan.
9. The funds given under PMMY are to be used for business purpose only.

6.Disadvantages:

1. There are a number of already existing refinancing agencies like NABARD, SIDBI etc.
2. There is a potential of conflict of interest due to the nature of roles and responsibilities of MUDRA bank.
3. MUDRA bank seems to promote shadow banking which leads to global GISIS because its operations are not under administration and regulation of RBI.
4. There is a better solution to finance micro and small businesses.

7.How It Can Help Indian Economy:

The Mudra Bank initiative is expected to help at least 5.77 crore small business entities in India. This is a major help considering that these organisations hardly get banks that provide loans to them and other financial assistance. Mudra bank will work in association with co-ordinators who would work locally and provide finance to its intended beneficiaries.

Mudra bank will also help the jobs scenario in this sector, which at present, employs around 12crore workers across India. Each unit in this segment incurs debts of only INR 17,000. Self-employed people are also supposed to be benefited

by the Mudra bank programme. At present, there are 5 crore and 75 lakh such people in India and they work with an aggregate fund of Rs.11 lakh crore.

8. Conclusion:

The study concluded that PMMY is a great initiative taken by the government of India. Due to it, there is a big change in the area of micro finance. The scheme will help the weaker section, low income group and unfunded population and also will increase the competition. Financial inclusion through PMMY increases the opportunities for credit requirement and refinance.

The introduction of the national plan PMMY with other type of financial inclusion initiative, yield a valuable result. The PMMY conspire is certain to take our country forward to the future. MFI's contributed significantly for the financing women under PMMY. If it can be implemented properly, it may work as a game changing financial inclusion initiative of government of India and may boost the Indian economy.

9. Recommendations:

1. Women entrepreneurs should be more encouraged to wipe up difficulties faced by them.
2. Mudra card can be used more intensively in the future.
3. There should be more concentration on the minority sector.
4. Proper advertisement should be provided to PMMY. So, that many people get benefits out of it.
5. Schemes can be extended to personal loans.

10. References:

1. Verma S. Chandra (2015) – Mudra Bank to “Fund Small Businesses”.
2. Manish Agarwal – Amity Business School, Amity University. manish234agarwal2gmail.com
3. Google
4. Wikipedia
5. Vikaspedia.in