

Role of Mudra Bank In The Growth of Msmes

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Abstract: *The Micro, Small and Medium Enterprises (MSMEs) sector has acquired a prominent place in the growth of the Indian economy. This sector is a nursery of entrepreneurship often driven by individual creativity and innovation. Indian MSME sectors a reality by launching a dedicated bank for MSME sector is known as MUDRA bank will spur the growth of Indian MSME sector and help them to increase their contribution to Indian GDP. The new apex bank would channelize funds from formal sources and provide it to the needy units or individuals in a timely manner with rational cost of borrowing. This paper highlights the role of MUDRA bank in the growth of MSME sector. The study also covers objectives of MUDRA bank and the various schemes or products offered by the bank.*

Keywords: *MUDRA bank, MFI, Roles & objectives, MSMEs*

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I. INTRODUCTION

Indian Micro, Small and Medium Enterprises (MSMEs) contribution is highly remarkable in the overall industrial economy of the country. MSMEs contribute around 8% to GDP. More than 80% of the MSME sector comprises micro enterprises/ small business units. Indian small entrepreneurs were used to exploitation at the hands of money lenders so far, but MUDRA would in still new confidence in them. MUDRA stands for Micro Units Development & Refinance Agency Ltd. Micro Units Development and Refinance Agency or also known as MUDRA bank is a development finance agency that will promote and finance those micro industrial units in the country which could not be reached out to by SIDBI and all other formal financial institutions.

Setting up of the MUDRA Bank was announced as part of the Union Budget proposals for financial year 2015-16, while its conceptual vision was announced earlier by the Indian Prime Minister as part of PM MUDRA Yojana a scheme for funding the unfunded. 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 „funding the unfunded“. MUDRA is still not a fully-fledged bank and is in its initial stages. Mudra Bank will associate with local coordinators and provide finance to “Last Mile Financiers” of small/micro businesses. It is envisaged that the measures to be taken up by MUDRA shall be targeted towards mainstreaming skilled workers educated youth and entrepreneurs, apart from NCSBS, who lie between the very poor small borrowers like farmers, low income households, and migrant work force at one end and very poor small borrowers like low income households, farmer, migrant work large industrial credit seekers force at the other end of financing spectrum. It is not a direct lending institution but provides loans at low rates to banks, microfinance institutions and non-banking financial institutions, which then provide credit to MSMEs or informal enterprise sector.

The small businesses, with a little help, have the prospective to grow assorted. The MUDRA scheme is planned at “funding the unfunded”. The money lenders exploit the small entrepreneurs of India so far, but MUDRA will in- still a new self-confidence in them that the country is ready to support them in their efforts that are contributing so strongly to the task of nation building. It is established as a subsidiary of SIDBI, which has been supporting India’s small scale industry since last 26 years.

OBJECTIVES OF THE STUDY

- *To find out objectives of MUDRA bank*
- *To analyse the role played by the MUDRA bank*
- *To identify the major products and schemes offered by the MUDRA bank*
- *To analyse the performance of MUDRA bank in the state of Kerala*

II. METHODOLOGY OF THE STUDY

The study is based on secondary data. The data is collected from various sources such as journals, annual reports and internet websites.

MSMEs – AN OVERVIEW

India is one among very few countries which has a legal framework for the MSME sector in the form of MSMED Act 2006 which has established provision under which issues like public procurement and delayed payments. The sector is largely unorganized but employs a sizeable labour force, second only to agriculture. The Micro, Small and Medium Enterprise (MSME) sector in India is diverse in terms of its size, levels of technology employed and range of products and services produced starting from grass root village industries, the products from the sector spans to auto components, micro processors, electronic components and electro medical devices. The significance of MSME is attributable to their calibre for employment generation, low capital and technology requirement, promotion of industrial development in rural areas, use of traditional or inherited skills, use of local resources, mobilisation of resources and exportability of products. MSMEs have shown constant growth rate of over 10% in recent years much ahead of the large scale corporate sector. This sector contributes 45% of the manufactured output and 40% of its exports. In order to enhance the capabilities of MSMEs, Ministry of MSME has been implementing a number of programs and schemes in the areas of finance, infrastructure, technology, marketing and skill development to address the problems confronting the sector.

MUDRA BANK ---- AN OVERVIEW

The Micro Units Development and Refinance Agency Bank or also known as MUDRA Bank is one of the latest yojana launched by the Prime Minister of India Narendra Modi. "Funding the unfunded" is the main motive for which Micro Unit Development and Refinance Agency (MUDRA) has been setup. This new scheme launched on 8th April, 2015 according to which the latest scheme is to look forward to the development of small entrepreneurs. There are remote places in the country where people are unable to use the regular bank services like loans and credit cards. The scheme is targeting over five crore users who are unable to receive the correct financing in order to grow their business. It was established through a statutory enactment which would be accountable for developing and refining MFIs which are in the business of lending to micro and small business units engaged in manufacturing, trading and service activities. Through Pradhan Mantri Mudra Yojana (PMMY), MUDRA Bank will also refinance Micro -Finance Institutions (MFIs). The main aim to set up Mudra Bank is, to encourage small business units and entrepreneurs to expand their competences and operations, to provide formal and easy system of credit and to diminish over indebtedness.

III. OBJECTIVES OF MUDRA BANK

The principal objectives of the MUDRA Bank are:

- Regulate the lender and the borrower of micro finance and bring stability to the micro finance system through regulation and inclusive participation.
- Extend finance and credit support to Micro Finance Institutions (MFI) and agencies that lend money to small businesses, retailers, self help groups and individuals.
- Register all MFIs and introduce a system of performance rating and accreditation for the first time. This will help last mile borrowers of finance to evaluate and approach the MFI that meets their requirement best and whose past record is most satisfactory. This will also introduce an element of competitiveness among the MFIs. The ultimate beneficiary will be the borrower.
- Provide structured guidelines for the borrowers to follow to avoid failure of business or take steps in time. MUDRA will help in laying down guidelines or acceptable procedures to be followed by the lenders to recover money in cases of default.
- Offer a Credit Guarantee Scheme for providing guarantees to loans being offered to micro businesses
- Introduce appropriate technologies to assist in the process of efficient lending, borrowing and monitoring of distributed capital.
- Build a suitable framework under the Pradhan Mantri MUDRA Yojana for developing an efficient last mile credit delivery system to small and micro businesses.
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ROLE PLAYED BY MUDRA BANK TOWARDS MSMEs

Micro Finance is an economic development tool whose objective is to provide income generating opportunities to the people at the bottom of the pyramid. The important role played by MUDRA Bank includes:

- Laying down policy guidelines for micro units financing business.
- Registration, supervision, accreditation or rating of MFIs.

- MUDRA Bank will provides credit of up to Rs.10lakh to small entrepreneurs, benefiting small manufacturing units, shop keepers, fruits and vegetable sellers in rural and urban areas.
- MUDRA Bank will act as a regulator for micro finance institutions and be responsible for refinancing MFIs in the business of lending to small entities.
- Promoting right technology solutions to micro businesses under the scheme of Pradhan Mantri MUDRA Yojana.
- Supporting development and promotional activities in the sector.
- Formulating and running a credit guarantee scheme for providing guarantees to the loans which are being extended to micro enterprises.
- MUDRA Bank will also formulate lending norms of micro-finance institutions so that small businesses do not face hardships over indebtedness, while getting a fair environment for repayment.

MUDRA PRODUCTS AND OFFERINGS

The initial products and schemes have already been created and the interventions have been named “Shishu”, “Kishor” and “Tarun” to signify the stage or development and funding needs of the beneficiaries.

- Shishu (Child) Category: This is the scheme for starters. Covering loans up to Rs.50000/-
- Kishor Category: This is the scheme for the mid-level organisation. Covering loans above Rs.50000/- and up to Rs. 5 lakhs.
- Tarun Category: This is the scheme for the next level organisation helping them to grow. Covering loans above Rs.5 lakh and up to Rs.10 lakhs.

Apart from these products, the other products are initially being launched as sector/activity specific schemes are like business activities in Land Transport, Community, social and personal services, Food product and textile product sectors. Schemes would similarly be added for other sectors/activities which are as follows:

- Micro Credit Scheme (MCS): Financial support to MFIs for on lending to individuals/groups of individuals or self help groups. It is for the creation of qualifying assets as per RBI guidelines towards setting our running micro enterprises as per MSMED Act.
- Refinance scheme for Regional Rural Banks(RRBs)/Scheduled Co-operative Banks: This is for enhancing liquidity of RRBs or scheduled Co-operative banks by refinancing loan extended to micro enterprises as per MSMED Act with beneficiary loan size up to Rs.10 lakh per enterprise/borrower for manufacturing and service sector enterprises.
- Mahila Uddyami Scheme: This scheme is to provide timely and adequate financial support to the MFIs, for on lending to women or self help groups for creation of qualifying assets.
- Business Loan for Traders& Shopkeepers: Timely and adequate financial support for lending to individuals for running shops, trading and business activities, service and non-farm income generating activities with beneficiary loan size of up to Rs.10 lakh per enterprise or borrower.
- Missing Middle Credit Scheme: It is to give financial support to financial intermediaries for on lending to individuals for setting up or running micro enterprises as per MSMED Act and non- farm income generating activities with beneficiary loan size of 50000 to 10 lakh per enterprise /borrower.

MUDRA BANK FOR MICRO ,SMALL AND MEDIUM ENTERPRISES

The MSME sector has hailed the establishment of Micro Units Development Refinance Agency (MUDRA) Bank with an allocation of Rs.20000 crore for micro and small units. It has also granted of Rs.3000 crore for sanctioning loan to the MSME sector without collateral security or third party guarantee with a cap of Rs.1crore.Micro Unit Development and Refinance Agency or MUDRA to fund and promote Micro Finance Institutions (MFIs), which would in turn provide loans to small sections of businesses which will have an initial corpus of Rs.20000crore and a credit guarantee corpus ofRs.3000 crore. Small business can avail loan up to Rs.50000; businesses that are a little bigger could avail loan up to Rs.5 lakh; the highest bracket of loans available to the MSME sector would be up to Rs.10 lakh. For further financing, the MSME sector affiliated entrepreneurs would be given a ‘ MUDRA card’ which could provide further credit of up to Rs.20000.MUDRA Yojana, will provide much-needed financial access to MSMEs, promote growth of small businesses, help boost the country’s GDP and create jobs.

Performance of MUDRA Bank in Kerala

Table 1

PRADHAN MANTRI MUDRA YOJANA(Amount in Crores)			
Year	SHISHU(Loans Up to 50000)		
	No. Of Sanctions	Sanctioned Amount	Disbursement Amount
2015-2016	707492	1430.63	1414.08
2016-2017	222577	476.73	466.49

Source: PMMY Report

Table 2

PRADHAN MANTRI MUDRA YOJANA(Amount in Crores)			
Year	KISHORE(Loans from 50000- 500000)		
	No. Of Sanctions	Sanctioned Amount	Disbursement Amount
2015-2016	107975	2251.71	2194.29
2016-2017	23995	527.94	512.94

Source: PMMY Report

Table 3

PRADHAN MANTRI MUDRA YOJANA(Amount in Crores)			
Year	TARUN(Loans from 500000-1000000)		
	No. Of Sanctions	Sanctioned Amount	Disbursement Amount
2015-2016	14944	1175.34	1119.01
2016-2017	3718	295.79	279.87

Source: PMMY Report

IV. CONCLUSION

The small businesses form the foundation of the economic development needs to be strengthened and supported. A large number of schemes have been taken in the past few years are a step in the right direction. It is believed that creating a bank like MUDRA Bank will hugely benefit small manufacturing units and self employed individuals in rural and urban areas with financing requirements up to Rs. 10 lakh. MUDRA Yojana is the most recent scheme to boost up the small and micro business units in India. This scheme has been taken to focus exclusively on entrepreneurs. This scheme will add to the well-being of the individuals engaged in small scale industries which will positively contribute to the progress of the economy as a whole. This type of schemes increase the confidence of young educated and skilled workers who are able to become the first generation enterprises, and existing small businesses will be able to expand their activities. Just as banking the unbanked, MUDRA banks main aim is funding the unfunded.

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