

# An Overview of Pradhan Mantri Mudra Yojana

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**Abstract:** *Entrepreneurs of the nation play an important role in developing an economy. They are considered as the backbone of the nation. Majority of the entrepreneurs face the problem of lack of availability of credit options for their business. After identifying the role of entrepreneurs and Micro, Small & Medium enterprises, government of India has started Pradhan Mantri MUDRA Yojana for providing credit facility. Under this scheme, entrepreneurs can take loan of upto ₹10 Lakh depending upon their requirements. This paper aims to highlight the benefits, rules & regulations, procedure of Pradhan Mantri MUDRA Yojana.*

**Keywords:** MUDRA, Entrepreneurs, MSME

## 1. Introduction

Micro, Small & Medium Enterprises play a crucial role in Indian economy. It not only contributes in GDP but also in generating employment opportunities in the country. Supporting the small entrepreneurs of India is the biggest way to help the Indian economy grow. The biggest bottleneck in the way of development of entrepreneurs is the lack of financial support. To remove this problem, MUDRA Scheme was introduced. The focus of this scheme is provide financial support to entrepreneurs and funding the unfunded population. MUDRA stands for Micro Units Development & Refinance Agency. It is also known as Mudra loan. One can avail the loan from all the bank branches par India. The main aim of Pradhan Mantri MUDRA Yojana is to support Micro, Small & Medium enterprises and to develop entrepreneurial passion among budding entrepreneurs. Thus, MUDRA bank hopes to facilitate financial inclusion through refinance and development support for the benefit of micro, small and medium enterprises (MSME).

### Objectives

- 1) To understand MUDRA scheme.
- 2) To study the product offerings of MUDRA Scheme.
- 3) To understand the procedure of MUDRA Scheme.
- 4) To understand the legal framework required to avail benefit under this scheme.

## 2. Review of Literature

(Singh, 2018) focused on PMMY Scheme, present status of scheme and relevant suggestions. The researcher explained that the major problem in the growth of Non-Corporate Small Business Sector is the dearth of financial support from organized sector. By providing financial support, MUDRA Banks are playing a crucial role in improving standard of living, increasing job opportunities, increasing national income and reducing poverty.

(Kumar S., 2017) explained the key objectives of Micro Units Development and Refinance Agency (MUDRA) Scheme. In a developing country like India most of the people are engaged in small businesses. Small businesses face financial problem as a major problem on their way to development. After identifying the contribution of small businesses in Indian economy, Government of India launched MUDRA Scheme to overcome the financial

problem. The main focus of MUDRA Scheme is to support small businesses and entrepreneurs.

(Patil & Chaudhari, 2016) emphasized that scarcity of finance is the major obstacle for small and micro business sector. To solve this problem, Government of India launched MUDRA Scheme. Through this scheme, Government of India is supporting small and young entrepreneurs. This scheme will be helpful in supporting small and micro sector by providing financial assistance at reasonable rates.

(Gupta S., 2015) conceptualized that Pradhan Mantri Mudra Yojana (PMMY) was launched with the aim of 'Funding the unfunded'. The problem in the path of Non-Corporate Small Business Sector (NCSBS) is the scarcity of financial support. Through PMMY Government of India is trying to bring the NCSBS in the formal banking channel. It is set up for the development and refinancing activities relating to micro units.

## 3. Research Methodology

The research is based on Secondary data. The researcher has made an attempt to study the Pradhan Mantri MUDRA Yojana. The secondary was gathered from websites, research papers, articles and annual reports of Pradhan Mantri MUDRA Yojana.

### Mudra Scheme

MUDRA Scheme was set up as a public limited company in terms of Companies Act 2013 by Government of India. It was registered as a Non-Deposit taking Non-Banking Financial Institution (NBFI) with Reserve Bank of India (RBI). On April 8, 2015, Honourable Prime Minister Narendra Modi started MUDRA Scheme as a refinancing agency. Initially, it has a corpus of ₹20,000 Crore. The main objective behind the idea of MUDRA was to "fund the unfunded". MUDRA is playing an important role in fulfilling the credit gap of by providing loan of up to ₹10 Lakh. The aim of MUDRA is to provide the loan without any collateral security to secure the loan. Thus, MUDRA loans are collateral security free loans. It was mainly introduced to give support to those entrepreneurs who are running micro, small & medium enterprises.

**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**

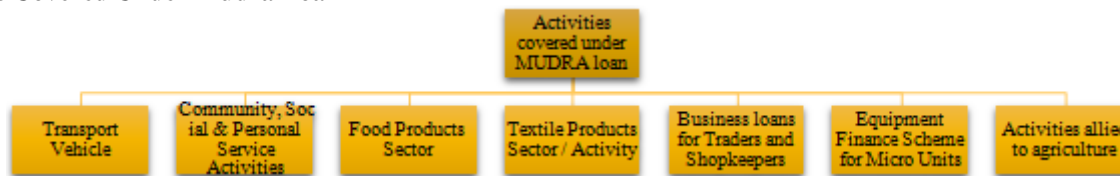
“To create an inclusive, sustainable and value based entrepreneurial culture in collaboration with our partner

institutions in achieving economic success and financial security”

Under the Pradhan Mantri MUDRA Yojana, there are three categories of loan namely, ‘Shishu’, ‘Kishore’, ‘Tarun’. This categorization denotes the stage of growth and requirement of fund needed by enterprises.

Type of Loan	Amount	Eligibility	Interest Rate	Processing Fee	Repayment Period
Shishu	₹ 50,000/-	entrepreneur who either are looking to start a new business or are in the initial stage of business.	1% per month	no processing fee	5 years
Kishore	₹50,001/- to ₹5,00,000/-	entrepreneurs who need additional capital for their existing business for buying machinery, raw material etc.	depends on the banks keeping in view terms & conditions of the MUDRA scheme	no processing fee	depends on the banks keeping in view terms & conditions of the MUDRA scheme
Tarun	₹5,00,001/- up to ₹10,00,000/-	entrepreneurs who have well established business and need funds for expansion or diversification of their business.	depends on the banks keeping in view terms & conditions of the MUDRA scheme	0.5%	depends on the banks keeping in view terms & conditions of the MUDRA scheme

**Activities Covered Under Mudra Loan**



As a part of Pradhan Mantri Mudra Yojana, government is targeting Non-Corporate small business sector covering small manufacturing units, shopkeepers, fruits & vegetables vendors, truck and taxi operators and many others.

**Eligibility Criteria for Mudra Scheme**

- MUDRA loans are provided to all those whose credit need is up to ₹10,00,000 for non-farm income generating micro units in trading, manufacturing & services.
- Applicants’ age limit should be minimum 18 years and maximum 65 years.
- Any Indian citizen who has a business plan.
- Individuals and MSMEs
- Business owners
- Traders
- Retailers
- Manufacturers
- Small Industrialists
- Individuals involved with Agricultural activities
- Startup entrepreneurs

**Partner Institutions of Mudra Scheme**

MUDRA enrolled 203 institutions including banks (15 Co-operative Banks, 18 Private Sector Banks, 21 Public Sector Banks, 36 Regional Rural Banks, 6 Small Finance Banks), 25 Micro Finance Institutions, 35 Non-Banking Financial Company, 47 NBFC-MFI as partners for refinancing against their lending to micro entrepreneurs.

**Documents required for availing Mudra Scheme**

- Identity proof
- Proof of residence

- 2 recent passport size photographs
- Last 6 months Bank statement
- Business ID proof and address proof
- Rental agreement if any
- Clearance certificate from Pollution Control Board
- Small Scale Industries registration from Ministry of Micro, Small & Medium Enterprises
- Partnership Deed if any
- Memorandum of Association
- Quote for machinery & other items
- KYC documents

**4. Findings & Conclusions**

The main focus of MUDRA Yojana is to “fund the unfunded”. This scheme has been implemented to provide support to entrepreneurs. MUDRA Scheme will definitely help the Micro, Small & Medium Enterprises as it involves less documentation to take the loan at reasonable rate. This scheme will help to reach the small entrepreneurs who are not in the general banking system. MUDRA will create confidence in the small scale entrepreneurs and it also boost young, educated or skilled workers to become new entrepreneurs and to expand business activities.

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