

**MICRO UNITS DEVELOPMENT AND REFINANCE AGENCY (MUDRA)
YOJANA : THE MOST INNOVATIVE WAY FOR UPLIFTMENT OF
MICRO INDUSTRIES**

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ABSTRACT

Hon'ble Prime Minister Shri Narendra Modi launched Micro Units Development and Refinance Agency(MUDRA) Yojana on 8 April, 2015 with a corpus of Rs. 20,000 crore and a credit guarantee corpus of Rs. 3,000 crore. The scheme was an implementation of the earlier pronouncement made by the Finance Minister Arun Jaitley in his FY 15-16 Budget Speech. Most individuals, especially those living in rural areas and interior parts of India are not yet benefited with the existing banking system as they are unaware, about the banking services such as insurance, credit, loan and other financial services which can establish and also grow their micro businesses. These people usually depend on local lenders who provide them money on very high interest rates, to improve this weaker section of the society Prime Minister launch this scheme (MUDRA). As per NSSO survey of 2013, there are approx 5.77 crore small-scale business units, most of them under sole proprietorships. Organised and large scale companies employ only 1.25 crore individuals so there is an enormous need for upliftment of these micro business houses.

Keywords: MUDRA, Implementation, Financial services, Insurance, Credit, Micro business, Upliftment

1. INTRODUCTION

The aim to launch MUDRA Yojana was “funding the unfunded”. Micro Units Development and refinance Agency (MUDRA) is a social upliftment scheme which aims to bring up the people living in rural areas and interior parts of the country where the approach of formal banking is not possible for them. Most of them belong to schedule caste, schedule tribe and backward classes in the absence of jobs, they are left with their own creativity to feed themselves and survive. Even after 68 years of Independence and 45 years of nationalization of Banks this segment of country is totally neglected of financial services. The small entrepreneurs of India are often exploited in the hands of money lenders. The MUDRA will instil a new confidence in them and make them believe that the country is ready to support them in their efforts which are deeply linked to the task of nation building. Mudra Yojana is an initiative by the government which can prove to be a great a transformer by giving birth to new entrepreneurs.

1.1 Major Product Offerings

Micro, small and medium enterprise cater to the vital needs of the economy in terms of their two specific roles i.e as a support base to large industry and as a stand-alone provider of goods and services. Infact they form the backbone of the industrial sector in terms of numbers and provide the largest share of the employment.

Mudra Yojana has rightly classified the borrowers into three segments: the starters, the mid stage finance seekers and the next level growth seekers.

As per the above requirement MUDRA Yojana launched three schemes:

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- Shishu : covering loans upto 50,000/-
- Kishor : covering loans above 50,000/- and upto 5 lakh
- Tarun : covering loans above 5 lakh and upto 10 lakh

It would be ensured that at least 60% of the credit flows to Shishu Category Units and the balance to Kishor and Tarun Categories.

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 follows:

- 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

2. OBJECTIVES OF THE STUDY

- To study the requirement of MUDRA Yojana
- To find out the areas covered under schemes of MUDRA
- To study the proposed strategies for successful completion of scheme
- To understand the legal framework required for the scheme

3. METHODOLOGY

The present paper is primarily based on secondary sources of data consisting of government publications, websites and news papers.

4. IMPLANTATION OF MUDRA IN INDIA

MUDRA has enrolled 27 Public Sector Banks, 17 Private Sector Banks, 27 Regional Rural Banks and 25 Micro Finance Institution for channelizing loan assistance to the end borrowers. Sanction of assistance shall be as per the eligibility norms of lending institution. The loan will be released to undertake small business activities/ micro enterprise. These lending institutions will then approach Mudra Bank for financial assistance for refinancing the sanctioned loan.

List of industries which are eligible for MUDRA Yojana loan.

- Non – Corporate Small Business Segment (NCSBS) comprising of millions of proprietorship / partnership firms running as small manufacturing units.
- Service sector units :- Such as saloons, beauty parlours, gymnasium, boutiques, tailoring shops, dry cleaning, cycle and motorcycle repair shop, DTP and Photocopying Facilities, Medicine Shops, Courier Agents, etc.
- Shopkeepers
- Fruits / vegetable vendors
- Truck operators: - purchase of transport vehicles for goods and personal transport such as auto rickshaw, small goods transport vehicle, 3 wheelers, e-rickshaw, passenger cars, taxis, etc.

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- Food-service units
- Repair shops
- Machine operators
- Small industries:- handloom, powerloom, chikan 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.
- Artisans
- Food processors :- papad making, achar making, jam / jelly making, agricultural produce preservation at rural level, sweet shops, small service food stalls and day to day catering / canteen services, cold chain vehicles, cold storages, ice making units, ice cream making units, biscuit, bread and bun making, etc.
- Lots of others in rural and urban areas.

4.1 Legal Frame work of MUDRA

List of some important documents required

Identity proof

Residential Proof

SC/ST/OBC certificate

Projected Balance Sheet

Project Report

5. RECENT DEVELOPMENTS OF MUDRA YOJANA

The following table shows the number of accounts, amount disbursed and its average in SBI & its Associates and Other Public Sector Banks under different schemes (Shishu, Kishor, Tarun) of MUDRA

Table1 : Number of Accounts and Amount Disbursement

S.No	Bank Category	Shishu			Kishor			Tarun		
		No. of Accounts (in Lakhs)	Disbursement Amount (Rs. In Lakhs)	Average (Disbursement/Account)	No. of Account (in Lakhs)	Disbursement Amount (Rs. In Lakhs)	Average (Disbursement/Account)	No. of Accounts (in Lakhs)	Disbursement Amount (Rs. In Lakhs)	Average (Disbursement/Account)
1	SBI and Associates	5.06854	32,999	6,511	0.56163	1,23,264	2,19,475	0.20898	1,53,285	7,33,491
2	Public Sector Commercial Banks	21.54760	2,73,253	12,681	4.58497	8,14,926	1,77,739	0.71039	4,91,020	6,91,198
	Total	26.61614	3,06,252	11,506*	5.14660	9,38,190	1,82,293**	0.91937	6,44,305	7,00,811***

$$* 3,06252/26.61614 = 11,506$$

$$** 9,38,190/5.14660 = 1,82,293$$

$$*** 6,44,305/0.91937 = 7,00,811$$

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Computation of Mean, Standard deviation & Co-efficient of standard deviation for SBI and Associates (No. of Accounts)

Table2: Mean, S.D. & Coefficient

Name of Scheme (X)	No. of Accounts (in Lakhs)	X- Mean	(X-Mean) ²
Shishu	5.06854	3.12216	9.74789
Kishor	0,56163	-1.38475	1.91753
Tarun	0.20898	-1.73740	3.01855
Total	5.83915		14.68397

$$\bar{x} = \frac{\sum x}{n}$$

Mean or $\bar{x} = 5.83915/3 = 1.94638$

$$\text{std dev} = s_x = \sqrt{\frac{\sum_{i=1}^n (X_i - \bar{X})^2}{n}}$$

$$\text{Std. dev.} = \sqrt{14.68397/3} = 2.2124$$

Co-efficient of S.D. σ/\bar{x}

$$2.2124/1.94638 = 1.137$$

Computation of Mean, Standard deviation & Co-efficient of standard deviation for Public Sector Commercial Banks (No. of Accounts)

Table 3: Mean, Standard deviation & Co-efficient

Name of Scheme (X)	No. of Accounts (in Lakhs)	X- Mean	(X-Mean) ²
Shishu	21.5476	12.59995	158.75874
Kishor	4.58497	-4.36268	19.03298
Tarun	0.71039	-8.23726	67.85245
Total	26.84296		245.64417

$$\bar{x} = \frac{\sum x}{n}$$

Mean or $\bar{x} = 26.84296/3 = 8.94765$

$$\text{std dev} = s_x = \sqrt{\frac{\sum_{i=1}^n (X_i - \bar{X})^2}{n}}$$

$$\text{Std. dev.} = \sqrt{245.64417/3} = 9.0488$$

Co-efficient of S.D. σ/\bar{x}

$$9.0488/8.94765 = 1.011$$

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Computation of Mean, Standard deviation & Co-efficient of standard deviation for SBI and Associates (Disbursement Amount)

Table 4: Mean, Standard deviation & Co-efficient (Disbursement Amount)

Name of Scheme (X)	Disbursement Amount (Rs.in Lakhs)	X- Mean	(X-Mean) ²
Shishu	32,999	-70,184	4,92,57,93,856
Kishor	1,23,264	20,081	40,32,46,561
Tarun	1,53,285	50,102	2,51,02,10,404
Total	3,09,548		7,83,92,50,821

$$\bar{x} = \frac{\sum x}{n}$$

Mean or $\bar{x} = 3,09,548/3 = 1,03,183$

$$\text{std dev} = s_x = \sqrt{\frac{\sum_{i=1}^n (x_i - \bar{X})^2}{n}}$$

$$\text{Std. dev.} = \sqrt{7,83,92,50,821/3} = 51,118$$

Co-efficient of S.D. σ/\bar{x}

$$51,118/1,03,183 = 0.4954$$

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Computation of Mean, Standard deviation & Co-efficient of standard deviation for
Public Sector Commercial Banks(Disbursement Amount)

Table 5: Mean, Standard deviation & Co-efficient (Disbursement Amount)

Name of Scheme (X)	(Disbursement Amount) (Rs.in Lakhs)	X- Mean	(X-Mean) ²
Shishu	2,73,253	-2,53,146	64,08,28,97,316
Kishor	8,14,926	2,88,527	83,24,78,29,729
Tarun	4,91,020	-35,379	1,25,16,73,641
Total	15,79,199		1,48,58,24,00,686

$$\bar{x} = \frac{\sum x}{n}$$

Mean or $\bar{x} = 15,79,199/3 = 5,26,399$

$$\text{std dev} = s_x = \sqrt{\frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n}}$$

$$\text{Std. dev.} = \sqrt{1,48,58,24,00,686/3} = 2,22,547$$

Co-efficient of S.D. σ/\bar{x}

$$2,22,547/5,26,399 = 0.4277$$

Table6: Bank wise Mean, S. D. and Coefficient

	No. of Accounts			Disbursement Amount		
	Mean	Standard deviation	Coefficient of S.D.	Mean	Standard deviation	Coefficient of S.D.
SBI & Associates	1.94638	2.2124	1.137	1,03,183	51,118	0.4924
Public Sector & Commercial Banks	8.94765	9.0488	1.011	5,26,399	2,22,547	0.4277

6. INTERPRETATION

As per table 2 the mean of No. of accounts is 1.94638 so Kishore and Tarun is below mean and shishu is greater than mean. In table 3 the mean of No. of accounts is 8.94765 so Kishore and Tarun is below mean and shishu is above mean. In table 4 the mean of disbursements is 1, 03,183 so Kishore and Tarun is above mean and shishu is below mean. In table 5 the mean of disbursements is 5, 26,399 so Shishu and Tarun is below mean and Kishor is above mean.

As the limit of sanction amount under Shishu is Rs. 50,000, Kishor 50,000 to 5, 00,000 and in Tarun is 5, 00,000 to 10, 00,000. The average of disbursement amount under Shishu is least as compared to Kishor and Tarun, although Tarun has the maximum average disbursement and the limit of Tarun is also maximum but the number of accounts under Shishu is greater than kishor and Tarun. It shows MUDRA is really beneficial to poor people as they actually need fund. These are the weaker sections of society who really want to do something but due to the lack of funds fails to do so.

In this short span of time the above table shows the actual implementation of the scheme. Thus it means it will defiantly show excellent results after some time. The sanctioned amount and Number of accounts in Public sector and commercial banks are

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greater than SBI and its Associates it means they are performing well for the success of MUDRA.

7. CONCLUSIONS

- While the initial launching of the initiative sounds encouraging, its overall success will rely on its sustainability in the long term.
- The major aspect to note is that Mudra bank (Yojana) is not going to lend to business directly. Instead it has been given a huge corpus of funds to refinance the various micro-finance institutions that lend to such entities.
- The last-mile lenders will have to ensure they run a profitable venture. They will have to be diligent while checking the credibility of the businesses they are lending to and their ability to pay back.

MUDRA Yojana may play a crucial role in the viability and success of the newly licensed small finance banks, which are mandated to lend the bulk of their funds to priority sector borrowers, a large proportion of which will qualify as micro enterprises. So, a much more viable architecture is emerging. Of course, with such large amounts of money being talked about, great care has to be taken with risk assessment and management. Going forward, this should become a significant institutional capability in MUDRA Yojana. The Mudra Yojana can be different from existing system if it is more relation based and not merely rule based. It should involve less paper work and also enable easy access. In addition, it should deal with cash flow based lending rather than asset based lending. After all, most of the target borrowers are in the service sectors and hence the need is to focus more on income generated assets rather than fixed assets.



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