



MUDRA-A helping hand of small scale industries

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ABSTRACT:

When Indian banks are competing with each other to provide loans to the multinational companies the question is who will give financial aid to the small scale industries in the country? In order to address this issue, the central government has come forward with MUDRA bank. A number of people living in rural and interior part of India have been excluded from the availing benefit from

WHY MUDRA BANK

MUDRA (Micro Units Development and Refinance Agency) bank is not a regular lending banker. It is to formulate lending norms and set financing practices for micro finance institutions so that the small business does not face hardship over indebtedness, while getting a fair environment for repayment. It will facilitate credit to small entrepreneurs, benefiting small manufacturing units, shop keepers, fruit and vegetable sellers, hair saloon, beauty parlors, truck operators, hawkers, artisans, in rural and urban areas- the very sectors that get a raw deal from the formal banking sector. Providing access to institutional finance to such micro, small business unit or enterprises will not only help in improving the quality of life of these entrepreneurs but also turn them into strong instrument of GDP growth and employment generation. Till the MUDRA bank gets statutory status through an act, it will be a subsidiary of the Small Industries Development bank of India (SIDBI) and will be registered as an NBFC (Non Banking Financial Corporation)

the formal banking system .They do not have any type of insurance, credit, loans and financial facilities to formulate and run their micro units. So, they depend largely on assorted group of entities which include unincorporated bodies or money lenders who charge high rate of interest and often with unbearable condition. If the unit fails, the borrowers never be free from the strong arm tactics of money lenders.

Launching phase of MUDRA

Mudra bank launched with a corpus of Rs 20000 crores and credit guarantee of Rs.3000 crores. The bank will responsible for refinancing and credit support to micro finance institutions (MFIs) and agencies.

OBJECTIVES OF MUDRA

- ❖ To regulate the lender and the borrower of micro finance and bring stability to the micro finance system through regulation and inclusive participation.
- ❖ To Extent finance and credit support to micro finance institutions (MFIs) and agencies that lend money to small businesses, retailers, self help groups (SHGs) and individuals.
- ❖ To Register all MFIs and introduces 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.
- ❖ To provide structured guidelines for the borrowers to follow and to avoid failure of business or take corrective 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.

- ❖ To develop the standardized convenience that will form the backbone of the last mile-business in future
- ❖ To Offer a credit guarantee scheme for providing guarantees to loans being offered to micro businesses
- ❖ To introduce appropriate technology to assist in the process of efficient lending, borrowing and monitoring of distributed capital.
- ❖ To build a suitable framework under the pradhan mantri MUDRA yojana for developing an efficient last-mile credit delivery system to small and micro business.

When Indian banks are competing with each other to provide loans to the multinational companies the question is who will give financial aid to the small scale industries in the country? In order to address this issue, the central government has come forward with MUDRA bank. A number of people living in rural and interior part of India have been excluded from the availing benefit from the formal banking system. They do not have any type of insurance, credit, loans and financial facilities to formulate and run their micro units. So, they depend largely on assorted group of entities which include unincorporated bodies or money lenders who charge high rate of interest and often with unbearable condition. If the unit fails, the borrowers never be free from the strong arm tactics of money lenders.

Apart from this many people do not have any accessibility to farm land and unemployment forces then on depend on their own creativity to feed themselves and survive. Most of these people belong to scheduled caste, scheduled tribe and other backward classes. It is a real fact that most of the micro units which conduct trading or retail activities are promoted and controlled by women with no exposure to education, formal trading and banking support.

The survey conducted by National Sample Survey Organization (NSSO) in 2013, there are approximately 5.77 crore small units, mostly sole trading concern which undertake trading, manufacturing, retail business and other small scale activities. As compared with large companies and other organized sector, small scale unit employ 1.25 crore individuals. The central government recognizes the need to secure the potentialities of small scale units. At present this sector is unregulated and does not get any type of financial support from formal banking system. MUDRA will also act as a regulator for micro finance institutions (MFIs)

The prime thrust of this bank to ensure uninterrupted financial support to small scale industries. In addition to this the bank also aims at generating plenty of employment by making use of the banks liberal policy of financing small scale sector. The financial aid ranges from Rs 5000 to 10 lakh. The initial products and schemes under this umbrella have already been created and interventions have been named Shishu, Kishor and Tarun to signify the stages of growth or development and funding needs of the beneficiary micro unit or entrepreneur. The Shishu scheme is intended for nascent entrepreneurs. The maximum finance available in this scheme is Rs.50000. The Kishor scheme makes available Rs 50000 to 500000. However Tarun scheme loans out a sum ranging from 5 lakh to 10 lakh.

Young people, entrepreneur, people who have an aptitude for small scale industrial project, women entrepreneurs etc are given priority in rendering financial assistance through MUDRA bank. In the state level co-coordinators are appointed for the implementation of this scheme. The MUDRA banks works towards the promotion of “make in India”, “skill India” and “digital India” in indirect manner. Suggestion for sustainable employment as well as strengthening this small scale industries embodied in the bank policy will help multiple employment opportunity and jack up the GDP in the country. In spite of playing such an important role in the economy,



the credit available to unincorporated enterprises from formal banking channels is actually shrinking. So it is estimated that the demand for loans from the sector outstrips the supply by more than Rs.30 lakh crore.

MUDRA OFFERINGS IN FUTURE

1. MUDRA card
2. portfolio credit guarantee
3. Credit enhancement

CONCLUSION

The Mudra bank can be different from existing system if it will be more relationship based and not just rule based. It should involve less paper work, enabling easy accessibility to finance. 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 to focus more on income generated rather than fixed assets.