



# A Study and Review of Pradhan Mantri Mudra Yojana

Dr. Sanagapati Venu

Associate Professor, KGR Institute of Technology and Management  
mail Id: hemanth.s.venu@gmail.com

## To Cite this Article

Dr. Sanagapati Venu. A Study and Review of Pradhan Mantri Mudra Yojana. International Journal for Modern Trends in Science and Technology 2023, 9(05), pp. 125-130. <https://doi.org/10.46501/IJMTST0905018>

## Article Info

Received: 28 March 2023; Accepted: 23 April 2023; Published: 07 May 2023.

## ABSTRACT

India has a large population. The Indian government's most difficult responsibility is to create jobs. Without small, medium, and micro businesses to generate work for Indians, India cannot survive. Small, micro, and medium-sized businesses provide job prospects to more over 20% of the population. Hence, the government should promote small businesses by giving them access to loans, training, marketing resources, and visibility. Due to financial illiteracy, a lack of knowledge, a lack of infrastructure, and expensive startup costs, small and micro businesses in today's business environment have a very tough time surviving. The Indian government took the initiative in 2015 to promote small businesses by introducing MUDRA loans and providing collateral-free loans. This plan works wonders for providing loans to the non-corporate small company sector. This study clarifies the Mudra Yojana programmes in India.

**Keywords:** Mudra Yojana, Non-corporate Small Business sectors (NCSBs), Pradhan Mantri Mudra Yojana (PMMY), Bank, Micro Finance Institutions (MFIs), Schemes

## 1. INTRODUCTION

Through generating income and employment, providing goods and services, and collecting taxes for the government, entrepreneurs influence the economic future of their countries. Because of this, entrepreneurship and economic growth have been strongly associated in the literature on the subject. Through innovations, entrepreneurs turn ideas into business prospects, which are regarded as a vital source of competitiveness in a world economy that is becoming more and more globalised. Thus, the majority of governments work to increase the number of capable and globally competitive entrepreneurs in their respective nations. While the supply of entrepreneurs is reasonably strong in rich countries, this is not the case in the majority of developing nations.

MUDRA (Micro Units Development and Refinance Agency Limited) Bank was established in April 2015 as a result of the Indian government's Union Budget. It intends to offer integrated financial support to the micro enterprises sector, which includes, among other things, small industries, food service businesses, and manufacturing businesses. The primary goal of MUDRA's establishment is to provide small business enterprises engaged in diverse manufacturing, trading, and service activities with access to institutional financing. The PMMY (Pradhan Mantri MUDRA Yojana) was also introduced at the same time as MUDRA. Everyone in the non-farm income generating industry is eligible to apply for loans up to Rs. 10 lakhs under the PMMY scheme.

The Pradhan Mantri MUDRA Yojana has the following salient traits and features: Amount of loan offered: Loans are distributed under one of the following three categories: 1. Shishu - Up to Rs. 50,000 in loans 2. Kishore: For loans between Rs. 50,001 and Rs. 5 lakhs 3. Tarun: For loans of up to Rs. 10 lakhs and more than 5 lakhs who may borrow: Every business owner or organisation that has never missed a loan payment is qualified to borrow under the PMMY (Pradhan Mantri MUDRA Yojana). As a result, any legal business entity, including sole proprietors, private limited companies, public sector enterprises, proprietary firms, and more, may qualify for a Mudra loan. The goal of loan aid is: The MUDRA loan cannot be utilised for personal purposes because it is a business loan. It is offered to small enterprises engaged in particular production, service, or trading activities. Companies can use the money they receive from a MUDRA loan for marketing, expanding their pool of available working capital, or investing in capital equipment to expand. Maximum Tenure: According to current PMMY regulations, a MUDRA loan's maximum repayment term is five years; however, the lender may elect to shorten the term while approving the loan.

## 2. REVIEW OF LITERATURE

The summary of some of the literature is pertinent to this investigation. The study focused on the significance of the Pradhan Mantri Mudra Yojna or Mudra Bank for national development.

Nonetheless, almost all definitions place a high priority on having access to capital and using financial services. Some researchers have additionally taken into account factors like the standard of financial services that are offered.

(Singh, 2018) concentrated on the PMMY Scheme, its current state, and pertinent recommendations. The lack of financial support from the organised sector, according to the researcher, is the main obstacle to the expansion of the non-corporate small business sector. MUDRA Banks are playing a critical role in raising living standards, expanding employment possibilities, raising national income, and lowering poverty by offering financial support. The main goals of the Micro Units Development and Refinancing Agency (MUDRA) Program were described by

P.A.Ibrahim (2018) conducted a study to assess the performance of MUDRA scheme region-wise,

category-wise as well agency wise. The scheme has widely reached among women entrepreneurs and new entrepreneurs. Northern states have participated less in availing benefits under the scheme compared to other regions. Also, Shishu category performed better than other categories of the scheme and private sector banks have outperformed the loan sanction and disbursement process.

Kumar S. (2017). Most individuals work in tiny enterprises in underdeveloped nations like India. Small firms encounter financial issues as a significant barrier to growth. By identifying the contribution of small enterprises in Indian economy, Government of India created MUDRA Program to alleviate the financial crisis. MUDRA Scheme's primary goal is to support entrepreneurs and small companies..

(Patil & Chaudhari, 2016) It was noted that the main barrier for the small and micro business sector is a lack of financing. The Government of India introduced the MUDRA Program to address this issue. The Indian government is assisting new and small business owners through this programme. This programme will promote small and micro businesses by providing financial support at affordable rates..

(Soni, 2016) The research paper is an effort to understand the MUDRA: Development of Micro Units and refinancing agency. The main objective of this paper is to understand the Mudra scheme, its need and the legal structure required to benefit from it. To examine the Government's recommended solutions for the successful completion of this project. This research is of descriptive in nature as well as secondary data has been used from which the website has been taken from newspapers government website, publication and reports by institutes. The author eventually concluded that the currency would create new confidence in small-scale enterprises and encourage young, educated, or skilled people to scale up their operations. Also, MUDRA Yojana has an important contribution in women empowerment.

(Gupta S., 2015) envisioned that the Pradhan Mantri Mudra Yojana's (PMMY) stated purpose of "Funding the Unfunded" was its motivation for creation. Lack of financial support is the obstacle in the way of the Non-Corporate Small Business Sector (NCSBS). The Indian government is attempting to integrate the NCSBS into the established banking system through PMMY. It is



designed for micro unit development and refinancing activities.

### 3. OBJECTIVE OF THE STUDY:

The followings are the objectives of the study:

1. To understand the Mudra Yojan's meaning, vision, mission, and purpose.
2. To research the eligibility for Mudra bank loans as well as the documents needed.

### 4. RESEARCH METHODOLOGY

This paper's study is descriptive in nature. Secondary data is gathered from a variety of published sources, including articles in newspapers, magazines, annual reports from Mudra Bank, and websites.

### 5. MUDRA YOJNA

What is MUDRA Bank?

Micro Units Development and Refinance Agency Bank (MUDRA Bank) is a new institution setup by the Indian government to promote entrepreneurship in the country and supply funds to the non-corporate small business sector for the development of micro units and refinancing of MFIs. During the Union Budget for FY 2016, the Finance Minister had unveiled the MUDRA Yojana in Parliament. MUDRA Bank will require two types of products, including refinancing for micro units with loan requirements ranging from Rs.50, 000 to RS. 1, 000,000 and on boarding assistance from Micro Financial Institutions (MFI). Under the Pradhan Mantri MUDRA Yojana programme, MUDRA will refinance to micro business.

What is MUDRA Scheme/ Yojana?

MUDRA Bank has introduced its three-initiative product under the guidelines of the Pradhan Mantri MUDRA Program. Its names, SHISHU, KISHOR & TARUN, denote the stage of growth and finance requirements of the micro units or entrepreneur. MUDRA Bank will disburse the loan through NBFCs, MFIs, Rural Banks, District Banks, Nationalize Banks, Private Banks, Primary Lending Institutions, and other intermediaries. MUDRA Bank is refinancing through State level institutions.

MUDRA Vision, Mission and Purpose

#### **MUDRA Vision:**

To succeed as an integrated financial and support services provider for the bottom of the pyramid

universe's holistic economic and social growth, benchmarked against global best practices and standards.

#### **MUDRA Mission:**

To establish an inclusive, long-lasting, and value-based entrepreneurial culture in cooperation with our partner institutions in order to achieve financial security and success in business

#### **MUDRA Purpose:**

The main goal is to achieve development that is both inclusive and sustainable through the support and promotion of partner institutions and the establishment of an ecosystem for the micro business sector.

#### **What is the Interest Rate of MUDRA Bank Loan?**

The interest rate on a MUDRA loan is not fixed. Banks are reportedly charging between Base Rate + 1% and 7% minimum. According to risk and customer profile, the interest rate may be greater and vary across all institutions. Thus, before applying for the MUDRA Bank Loan, please examine all of your nearby bank branches. The loan provided under the PMMY is not subsidized. Nonetheless, the loan proposal will also be qualified under PMMY if it is related to some government programs where the government is giving capital subsidies.

For the purpose of obtaining loans under PMMY, the standard terms and conditions of the lending agency may need to be adhered to. The interest rates are in accordance with the RBI's periodic instructions made in this regard.

The principal objectives of the MUDRA Bank are

- Regulate the lender and the borrower of microfinance and bring stability to the microfinance
- System through regulation and inclusive participation.
- Extend finance and credit support to Microfinance Institutions (MFI) and agencies that lend money to small businesses, retailers, self-help groups and individuals.
- Register all MFIs, and for the first time, implement a system of performance grading and accreditation. This will make it easier for last-mile loan borrowers to assess and contact the MFI that best suits their needs and whose track record is most encouraging. Also, this will increase competition among the MFIs. The borrower will be the final beneficiary.
- Set up clear criteria that borrowers can adhere to in

order to avoid business collapse or promptly take corrective action. MUDRA will assist in establishing standards or accepted practices that lenders must adhere to in order to recover money in cases of default.

- Create the standardized covenants that will eventually serve as the last-mile industry's skeleton.
- Provide a programme of credit guarantees for securing guarantees for loan being offered to micro business.
- Embrace the right technology to support effective lending, borrowing, and dispersed capital monitoring.
- Create a framework that is appropriate for the Pradhan Mantri MUDRA Yojana to establish a

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

last-mile loan delivery system that is effective for small and micro companies.



#### Activities Covered Under Mudra Loan

#### Who is eligible for MUDRA Bank Loan?

Under the Pradhan Mantri Mudra Yojana, any Indian citizen who is engaged in an income-generating industry, such as manufacturing, processing, trading, or the service sector, and whose credit demand is less than 10 lakhs, may contact one of the following: banks, MFIs, financial institutions, or NBFCs (PMMY). MUDRA Bank is covering traders of vegetables and fruits under MUDRA Bank Schemes rather than refinancing the agriculture industry under PMMY..

#### 6. 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

#### 7. DOCUMENTS REQUIRED FOR AVAILING MUDRA SCHEMES

- 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

For income-generating small business activity in the manufacturing, processing, and service sectors or trading, MUDRA loans are made available. The Project cost is decided depending on business plan and the investment provided.

#### 8. BENEFITS OF MUDRA YOJANA:

- SC/ST businesses and loans for their start-ups.
- Groups with lower incomes — through assisting them in growing their small businesses.
- To support hawkers, self-help organizations, etc.
- To make it easier for those who don't yet have bank accounts to access financial aid.
- Reduce the price of financing.
- Managing a legitimate government microcredit programme to encourage entrepreneurship and small businesses.

THE FUNDING SUPPORTS FROM MUDRA ARE OF FOUR TYPES

**A) Micro Credit Schemes:** Micro Financial Institutions (MFIs), which provide loans up to Rs. 1 lakh for various smaller scale venture activities, are the main providers of



micro scale credit schemes. Even if the distribution mechanism may involve associations like SHGs or ILGs, loans are still issued to individuals with the express purpose of generating small-scale business venture activity. The MFIs must MUDRA by occasionally adhering to some of the requirements as instructed by MUDRA in order to profit from money-related assistance

**B) Refinancing Programs for Banks:** A variety of banks, including commercial banks, rural regional banks, and cooperative scheduled banks, are eligible to receive refinance assistance from MUDRA to finance microenterprise activities. Term loans and working capital loans up to a total of 10 lakh per unit are eligible for refinancing. The qualified banks that have joined MUDRA by adhering to the announced conditions. Can use MUDRA to refinance loans provided under the Shishu, Kishor, and Tarun categories..

**C) Women Enterprise Programs:** The financing/MFIs may think about opening additional offices and lowering their credit interest rates in order to encourage women entrepreneurs. Currently, MUDRA increases a reduction of 25 bps to its greatest benefit speeds of MFIs/NBFCs, who are providing credits to women entrepreneurs.

**D) Securitization of Loan Portfolio:** MUDRA also helps banks, non-bank financial institutions, and microfinance institutions (MFIs) raise money for financing small businesses by taking part in the securitization of their loan assets against micro business portfolios, by offering a second loss default guarantee to improve credit, and by taking part in the investment of pass-through certificates (PICs) as a senior or junior investor.

## 9. FINDINGS

"Fund the unfunded" is the MUDRA Yojana's principal goal. This programme has been put in place to aid entrepreneurs. Micro, Small, and Medium-Sized Businesses will unquestionably benefit from MUDRA Plan because it requires less paperwork to obtain a loan at a competitive rate. This programme will assist in reaching the small business owners who do not use the conventional banking system. MUDRA will instill confidence in small business owners and encourage young, educated, or skilled individuals to start new businesses and expand existing ones.

The small enterprises that are the backbone of the economy need to be developed and encouraged. The most current programme to help India's small and micro business units is called MUDRA Yojana. The Mudra scheme is making every effort to raise the status of women and other underprivileged members of society, particularly those who lack a formal education and possess just rudimentary skills. This programme will improve the quality of life for those working in small businesses, which will help the economy as a whole advance. Across the nation, mudra is proving to be a very beneficial financial tool in its early phases. This will undoubtedly change drastically and contribute to India becoming a developed nation.

## SUGGESTIONS:

- The government should exert more effort to raise knowledge of the MUDRA programme and inspire people to engage in entrepreneurial endeavors.
- The government should take initiative to make sure whether this scheme is reaching to the intended people i.e. weaker sector of the community.

## 10. CONCLUSIONS

Mudra Loan Programs MUDRA is still in its infancy and is not yet a full-fledged bank. In cooperation with regional banks and financial organisations, Mudra Bank will work to finance "Last Mile Financiers" of small and micro firms. The program's goal is to promote micro and small businesses; hence the program's product categories also reflect this. If you do them. Shishu category loans are offered to those who desire to start a small business or other type of venture. For expansion and technological upgrading, the next level of loan or product will fall under the Kishore and Tarun Loan Program.. Here is a description of them. Shishu Loan Scheme: This is for beginning or small business owners, and the maximum loan amount is Rs. 50,000. This means that everyone who wishes to launch a small business would be eligible for a loan of up to Rs. 50,000. Kishor Loan Scheme: This programme is designed for mid-sized businesses. If your firm is established, MUDRA may grant you a term loan between Rs. 50,000 and Rs. 5 lakhs for future development and growth. The Tarun Loan

Scheme is the most advanced programme available for businesses Manufacturing companies that want a better and bigger business structure (in terms of automation). The loan amount covered by this programme would range from Rs. 5 lakh to Rs. 10 lakh. All of these programmes are expressly designed to help small businesses, including those that provide manufacturing and services, in order to empower individuals and increase job prospects for young people. They will undoubtedly affect the entire Indian economy. It will be ensured that those who want and are qualified to launch new ventures receive the most benefits and promotions. A small business entity. This is taken into consideration when allocating 60% of the loan flows to Shishu Category Units and the remaining 40% to Kishor and Tarun Categories. The products that MUDRA is currently offering at the rollout stage have been designed to meet the requirements of various sectors / business activities as well as business / entrepreneur segments, all within the framework and overall objective of development and growth of Shishu, Kishor, and Tarun Units.

#### **Conflict of interest statement**

Authors declare that they do not have any conflict of interest.

#### **REFERENCES**

- [1] S. Gupta (2015). MUDRA: The Missing Middle's Financial Inclusion. V (11), 277–279, Indian Journal of Applied Research.
- [2] S. Kumar (2017). Mudra Yojana's Effect on Financial Inclusion. The sixth international conference on contemporary issues in science, engineering, and management (pp. 861-865).
- [3] S. G. Patil, P. T. Chaudhari, & Co. (2016). MUDRA Supports Small Businesses in the Non-Corporate Sector (NCSBS). III (3), 126–128, Splint International Journal of Professionals.
- [4] Singh, K. (2018). MUDRA Loans for the Development of Micro, Small, and Medium Businesses with Particular Reference to Manipur. Research in Commerce & Management: Abhinav National Monthly Refereed Journals, VII (1), 55–61
- [5] Anup Kumar Roy (2016), "Mudra Yojana: A Strategic Instrument for Small Business Funding," International Journal of Advanced Research in Computer Science and Management Studies, Vol. 4, No. 1, January, ISSN 2321-7782, pp. 68–72.
- [6] Performance of Mudra Bank: A Study on Financial Help to the MSME Sector, Venkatesh J. and Kumar R. L. (2015), International Journal of Research in Economic and Social Sciences, Vol. 5, Issue- 7, July, ISSN 2249-7382, pp. 185–191.
- [7] The International Journal of Multifaceted and Multilingual Studies, Vol. 3, Issue-4, June, pp. 1–5, contains Aparna's (2016) article, An Evaluatory Analysis of MUDRA Program.
- [8] MUDRA - Micro Units Development & Refinancing Agency, by Kumari Seema (2015), in International Journal in Commerce, IT & Social Sciences, Vol. 2, Issue-10, October, pp. 23–27.. [www.irjmsh.com](http://www.irjmsh.com)
- [9] <https://www.academia.edu/512454/A>
- [10] <https://www.mudra.org.in/>
- [11] <https://www.bajajfinserv.in/mudra-loan> .
- [12] <https://www.lendingkart.com/mudralon>