

## MUDRA GENESIS

- According to the NSSO survey of 2013, there are 5.77 crore small business units, mostly proprietorship, which run small manufacturing, trading or services activities. Most of these 'own account enterprises' are owned by people belonging to Scheduled Caste, Scheduled Tribe or Other Backward Classes. Majority of such units do not get institutional finance. Providing access to institutional finance to such micro/small business units would turn them into strong instruments of GDP growth and also employment generation.
- Mainstreaming these enterprises will not only help in improving the quality of life of these entrepreneurs but will also contribute substantially to job creation in the economy thereby achieving higher GDP growth.
- Gol is setting up a Micro Units Development & Refinance Agency (MUDRA) Bank through a statutory enactment. This Agency would be responsible for regulating and refinancing all Micro-finance Institutions (MFIs) which are in the business of lending to micro/small business entities engaged in manufacturing, trading and service activities. The Bank would partner with State /Regional level co-ordinators to provide finance to Last Mile Financier of small/micro business enterprises.
- To begin with MUDRA will start functioning from 8th April, 2015 as a subsidiary of Small Industries Development Bank of India [SIDBI].



### 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."

### MUDRA PURPOSE

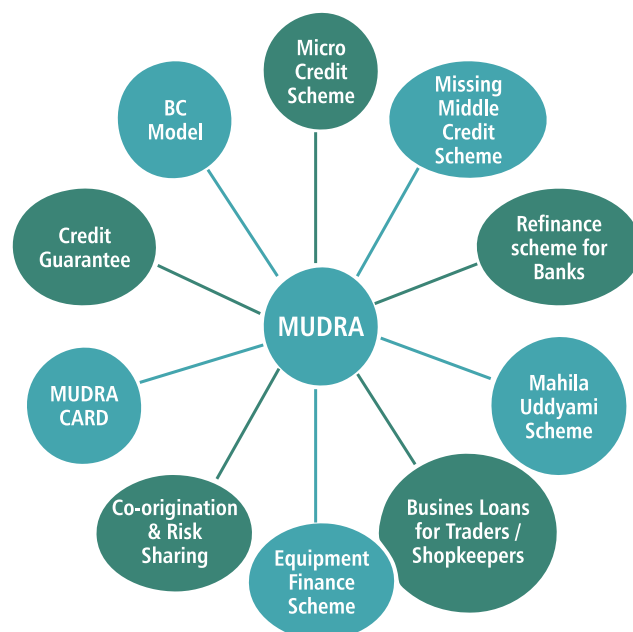
Our basic purpose is to attain development in an inclusive and sustainable manner by supporting and promoting partner institutions and creating an ecosystem of growth for micro enterprises sector.

## MUDRA ROLES AND RESPONSIBILITIES

- MUDRA would primarily be responsible for:
  - 1) Laying down policy guidelines for micro enterprise financing business
  - 2) Registration of MFI entities
  - 3) Accreditation/rating of MFI entities
  - 4) Laying down responsible financing practices to ward off over indebtedness and ensure proper client protection principles and methods of recovery
  - 5) Development of standardised set of covenants governing last mile lending to micro enterprises
  - 6) Promoting right technology solutions for financial delivery to the last mile
  - 7) Formulating and running a Credit Guarantee scheme for providing guarantees to the loans/portfolios which are being extended to micro enterprises by Banks, NBFCs and MFIs
  - 8) Creating a good architecture of Last Mile Credit Delivery to micro businesses under the scheme of Pradhan Mantri MUDRA Yojana.

## Product/Offerings of MUDRA

- To start-with, MUDRA will need two categories of products; viz; refinance product for the micro units having loan requirement in the range of ₹50,000/- to ₹10 lakh and support to MFIs for onlending etc. MUDRA will be providing refinance to micro business under the Scheme of Pradhan Mantri MUDRA Yojana. The other products are for development support to the sector. The bouquet of offerings of MUDRA is depicted below. The offerings would be targeted across the spectrum of beneficiary segments.



- Under the aegis of Pradhan Mantri MUDRA Yojana, MUDRA has already created its initial products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth to look forward to :

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 goes 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 under:

- ✓ 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

- The salient features of the schemes and innovative products, being worked upon, which will be offered by MUDRA going forward, are as below:

### • Sector / Activity Focussed Schemes

To maximize coverage of beneficiaries and tailor products to meet requirements of specific business activities, sector / activity focused schemes would be rolled out. To begin with, based on higher concentration of businesses in certain activities / sectors, schemes are being proposed for:

**Land Transport Sector / Activity;** which will inter alia support units for 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.



- **Community, Social & Personal Service Activities** 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.

• **Food Products Sector;** support would be available for undertaking activities such as papad making, achaar 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.

• **Textile Products Sector / Activity,** to provide support for undertaking activities such as 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.

**Going forward, schemes would similarly be added for other sectors / activities as well.**

### • Micro Credit Scheme

Financial support to MFIs for on lending to individuals/ groups of individuals /JLGs/ SHGs for creation of qualifying assets as per RBI guidelines towards setting up / running micro enterprises as per MSMED Act and non-farm income generating activities.

### • Missing Middle Credit Scheme

Financial support to financial intermediaries for on lending to individuals for setting up / running micro enterprises as per MSMED Act and non-farm income generating activities with beneficiary loan size of ₹50,000/- to ₹10 lakh per enterprise / borrower.



### • Refinance Scheme for RRBs / Co-operative Banks

Enhancing liquidity of RRBs / Scheduled Co-operative Banks by refinancing loan extended to micro enterprises as per MSMED Act with beneficiary loan size upto ₹10 lakh per enterprise / borrower for manufacturing and service sector enterprises.

### • Mahila Uddyami Scheme

Timely and adequate financial support to the MFIs, for on lending to women / group of women / JLGs/ SHGs for creation of qualifying assets as per RBI guidelines towards setting up / running micro enterprises as per MSMED Act and non-farm income generating activities.

### • Business loans for Traders and Shopkeepers

Timely and adequate financial support for on lending to individuals for running their shops / trading & business activities / service enterprises and non-farm income generating activities with beneficiary loan size of upto ₹10 lakh per enterprise / borrower.

### • Equipment Finance Scheme for Micro Units

Timely and adequate financial support for on lending to individuals for setting up micro enterprises by purchasing necessary machinery / equipments with per beneficiary loan size of upto ₹10 lakh.

### • Products for the Transport Sector

Refinance for innovative products in the Small Road Transport Sector whereby constraints such as lack of capital requirements of the micro unit for meeting margin money for asset acquisition is met by the financing NBFC / MFI.

## FAQS

### 1. What is MUDRA?

- MUDRA, which stands for Micro Units Development & Refinance Agency Ltd, is a new institution being set up by Government of India for development and refinancing activities relating to micro units. It was announced by the Hon'ble Finance Minister while presenting the Union Budget for FY 2016. The purpose of MUDRA is to provide funding to the non corporate small business sector.

### 2. Why MUDRA has been set up?

- The biggest bottleneck to the growth of entrepreneurship in the Non –Corporate Small Business Sector (NCSBS) is lack of financial support to this sector. More than 90% of this sector does not have access to formal sources of finance. Govt is setting up MUDRA Bank through a statutory enactment for catering to the needs of the NCSBS segment or the informal sector for bringing them in the mainstream. To begin with it is being set up as a subsidiary of SIDBI.

### 3. What will be roles and responsibilities of MUDRA?

- MUDRA would be responsible for refinancing all Last Mile Financiers such as Non Banking Finance Companies of various types engaged in financing of small businesses, Societies, Trusts, Section 8 Companies [formerly Section 25], Co-operative Societies, Small Banks, Scheduled Commercial Banks and Regional Rural Banks which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities. The Bank would partner with State/Regional level financial intermediaries to provide finance to Last Mile Financier of small/micro business enterprises.

### 4. What are the offerings of MUDRA? How will MUDRA function?

- Under the aegis of Pradhan Mantri MUDRA Yojana, MUDRA has already created its initial products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth to look forward to :

a. Shishu : covering loans upto ₹50,000/-

b. Kishor : covering loans above ₹50,000/- and upto ₹5 lakh

c. Tarun : covering loans above ₹5 lakh to ₹10 lakh

- MUDRA will be operating as a refinancing institution through State/Regional level intermediaries. MUDRA's delivery channel is conceived to be through the route of refinance primarily to NBFCs / MFIs, besides other intermediaries including banks, Primary Lending Institutions, etc.
- At the same time, there is a need to develop and expand the delivery channel at the ground level. In this context, there is already in existence, a large number of 'Last Mile Financiers' in the form of companies, trusts, societies, associations and other networks which are providing informal finance to small businesses.

### 5. Who are the target clients of MUDRA/ What kind of borrowers are eligible for assistance from MUDRA?

- Non –Corporate Small Business Segment (NCSB) comprising of millions of proprietorship / partnership firms running as small manufacturing units, service sector units, shopkeepers, fruits / vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors and others, in rural and urban areas.

### 6. Are Regional Rural Banks (RRBs) eligible for assistance from MUDRA?

- Yes, MUDRA will be extending refinance support to RRBs for enhancing their liquidity.

### 7. What is the rate of interest charged by MUDRA?

- MUDRA will be a refinancing agency which will extend its funds to Last Mile Financiers to enable them to reach out to the sector. Access to finance in conjunction with rational price is going to be the unique customer value proposition of MUDRA. It will use a variety of innovative financing means to bring down the cost of funding for the ultimate borrower.

### 8. I have a small business dealing in paper goods. Can MUDRA help me?

- Yes. MUDRA will offer smaller loans up to ₹50,000/- under the 'Shishu' category and beyond ₹50,000/- and up to ₹5 lakh under the 'Kishor' category. These products have been designed to cater to customers operating at the lower end of the enterprise spectrum. The loans will be extended through MFIs, NBFCs, Banks etc.

### 9. I have graduated recently. I want to start my own business. Can MUDRA help me?

- MUDRA offers smaller loans up to ₹50,000/ under the 'Shishu' category and beyond ₹ 50,000 and up to ₹ 5 lakh under the 'Kishor' category. It also offers loans beyond ₹ 5 lakh and up to ₹ 10 lakh under the Tarun category. Depending on your nature of business project requirement you can access finance from one of the intermediaries of MUDRA as per the norms.

### 10. I have diploma in food processing technology. I want to start my own unit. Please guide me.

- Food Processing is an eligible activity for coverage under one of the MUDRA schemes. You can avail assistance under MUDRA schemes as per your requirements.

### 11. I am an artisan specialising in Jari work. I want to start my own work instead of doing job work for others. Can MUDRA help me?

- You can avail assistance under the 'Shishu' category of Micro Credit Scheme of MUDRA through any of the MFIs operating in your region for setting up your own enterprise.

### 12. I have done a course on fashion designing. I want to open my own boutique and develop my own brand. What help can MUDRA offer to me?

- MUDRA operates a special scheme for women entrepreneurs; viz; Mahila Uddyami Scheme. Assistance will be provided under all three groups, viz. 'Shishu', 'Kishor' as well as 'Tarun'.

### 13. I intend to work on franchisee model and open an ice cream parlour. Can MUDRA help me?

- MUDRA operates a special scheme 'Business loans for Traders and Shopkeepers'. You can avail the facilities under the scheme as per your requirements.

### 14. I want to expand my pottery business by adding more variety and designs. What help can I get from MUDRA?

- You can avail assistance under the 'Shishu' category of Micro Credit Scheme of MUDRA through any of the MFIs operating in your region for setting up your own enterprise.

## Excerpts from the Budget Speech of Shri Arun Jaitley, Hon'ble Finance Minister on February 28, 2015

“Madam Speaker, our government firmly believes that development has to generate inclusive growth. While large corporate and business entities have a role to play, this has to be complemented by informal sector enterprises which generate maximum employment. There are some 5.77 crore small business units, mostly individual proprietorship, which run small manufacturing, trading or service businesses. 62% of these are owned by SC/ST/OBC. These bottom of the pyramid, hard-working entrepreneurs find it difficult, if not impossible, to access formal systems of credit. I, therefore, propose to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of ₹ 20,000 crore, and credit guarantee corpus of ₹ 3,000 crore. MUDRA Bank will refinance Micro-Finance Institutions through a Pradhan Mantri MUDRA Yojana. In lending, priority will be given to SC/ST enterprises. These measures will greatly increase the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activities. Just as we are banking the un-banked, we are also funding the un-funded.”



"Millions of common men and women of this country, who run small business, have almost remained outside the net of formal institutional finance, in spite of their large contribution to the economy. MUDRA is our innovation of funding the unfunded"

- Hon'ble Prime Minister Shri Narendra Modi

## MUDRA - Nurturing the aspirations of the informal sector



Funding the unfunded

Micro Units Development &  
Refinance Agency Ltd. (MUDRA)