

Mudra Bank - A New Way toward Financial Inclusion



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Abstract

Finance is very important tool for economic development and for removing poverty. Financial inclusion is much more important in Indian economic policy to driven the sustainable development and inclusive growth. Y.V.Reddy the former RBI governor introduce the concept of finance inclusion in 2005 first time. Financial inclusion mean that financial services has been provided all the weaker section and low income group of the society an affordable cost in transparent manner. The hon'ble Prime Minister Shri Narender Modi Ji start **Micro Units Development and Refinance Agency Ltd.** (MUDRA) Bank Yojana on 8th April 2015 with a corpus of 20,000 crore Rs. and a credit generation of 3,000 crore. This scheme is opened in all the bank branch all over the country to meet the finance inclusion in India. The Prime Minister Employment Generation Programme (PMEGP) look to create more than four lakh jobs in the fiscal year 2016-17. It has been assumed that (PMEGP) can be a credit linked subsidy Programme that is essential a combination of Rural Employment Generation Programme (REGP) and the Prime Minister Rozagar Yojana (PMGR). The aim of Prime Minister Employment Generation Programme (PMEGP) in rural and urban region, by the way of self-employment in micro enterprises and other eligible project. The aim of this Programme to provide employment continuously and sustainable to make sure the benefits per curing capacities for enhanced.

Keywords: Finance Inclusion, Sustainable Development, Shishu, Kishor, Tarun, Small Industries Development Bank of India (SIDBI), Micro Units Development and Refinance Agency (MUDRA)

Introduction

Indian Prime Minister Shri Narender Modi Ji announced Prime Minister MUDRA scheme on 8th April 2015 along with MUDRA bank. The **Micro Units Development and Refine Agency Ltd.**(MUDRA) is set-up by the Government of India (GOI). PMMY is a new financial inclusion initiative of GOI. It aim to increase funding gap to micro enterprises and help to the existing micro units enhance their activities. Government of India (GOI) makes rules and regulation and Guidelines relating to PMMY to all banks. MUDRA Bank was registered as a company in March 2015 as per company Act 2013. MUDRA Yojana is a Non- banking financial institution with RBI support for supporting the micro enterprise segment in the country. It is not a full- flagged bank but it is a refinancing agency. It provide refinance support to the bank to generating the micro enterprises having loan necessity up-to 10 lakhs. It facilitates refinance under Prime Minister MUDRA Yojana. MUDRA bank has been basically formed as wholly owned subsidiary of Small Industries Development Bank of India (SIDBI) with 100% capital being devoted by it. The authorized capital of MUDRA bank is Rs.1000 crores and paid up capital is Rs.750 crore, subscribed by the SIDBI.

Role of Mudra Yojana In Financial Inclusion To Remove Poverty

The Government of India (GOI) had set-up a committee under the Sh. Deepak Mohanti to look the path for finance inclusion. This committee discussed on issued regarding credit and insurance to the financially excluded groups toward achieving the goal of financial inclusion across credit and insurance. There is a crucial requirement for enhancing the economic engine is MUDRA bank. Enterprises of many micro enterprise belong to the economically weak so that they are unable to access financial services. So MUDRA bank provide refinance and credit for the lenders those finance further in such type of activities. MUDRA yojana grant loan such micro enterprises which engaged in trade, manufacturing and other service sector upto loan 10 lakh. Micro enterprise provide large employment and income opportunity after the agriculture in India. Micro

finance is a tool economic development and its objective is to provide income opportunities to the people and covers a verity to financial services in addition to the provision of credit plus services and other social support services. PMMY provided Rs.5000 overdraft credit as a part financial inclusion to increase the opportunities for credit requirement.

Mudra Yojana A Game Changer To Remove Poverty

Most of the Indian poor people live in rural, semi-urban and interior part of the country. Most of them has low slandered and has very poor facilities of life. Most of poor population do not have access of farmland and the absence of jobs and are left their own creativity to survive. Most of these people belonging to SC, ST & other Backward class of the society. Most of the micro enterprises belong to Cotton, Jute and retail activities are owned by women. Most of them women are without training, skill and formal education. Which is not possible without the banking support. If Indian government harness the spirit of enterprise and offer some support and guidance, training and financial assistance the potential to get rapid growth in GDP.

MUDRA bank is a step by the (GOI) to give birth to a new set of entrepreneur some of them may scale highest not imagined today. It is far better than giving subsidy which may seem welcoming at first. But does little help individual to strive for a better life. The MUDRA Yojana continue to retain focus on a bigger success story after then the Grameen Bank of Bangladesh. The functioning of MUDRA bank are in place and it has been divided the funding activity in micro finance institutions and the small business have to wait to get the full information on Mudra Bank and have a clarity on those who are eligible for loans and get the benefit of this scheme.

Major Features of Mudra Bank

MUDRA stands for 'Micro Units Development and Refinance Agency Ltd'. This bank has been set up through a statutory enactment. It is start for refinance for leading to micro businesses under the agencies of Prime Minister MUDRA Yojana. This plan has been established by the government with a refinance corpus of Rs. 20,000 crore, and credit guarantee corpus of 3000Rs. MUDRA Bank provided three type of loan facilities.

1. Shishu loans covering up to 50,000Rs.
2. Kishor loans covering up to 50,000 to 5 lakh Rs.
3. Tarun loans covering up to 5 lakh to 10 lakh Rs.

It has been noted that 60% of the loans distributing under Shishu category which can be very useful for extreme poor population including SC & STs and these poor population priority in homemade processing units. The remaining 40% loan is distributed under Kishor and Tarun loan category. All public & private sector commercial bank and other micro finance institutions are eligible for refinance under PMMY. All banks have been mandated for collateral security in case of loan capital up to Rs.10 lakh extended. The loan facilities provides to new projects that have been sanctioned by the authorities. The applicant those are older than 18 year can apply for MUDRA loan and his demand fit to receive

assistance under the Programme. There is no upper age limit as far as granting loan. The applicant needs to have studied till least 8th class standard and in case of manufacturing sector projects that his worth are more than INR 10 lakh Rs. And in service sector projects are in excess of INR 5 lakh Rs. Self-help group can receive assistance under the Programme. This is especially applicable to BPL families. If they are not beneficiary of any similar Programme.

Primary Function of Mudra Bank Yojana

1. Framing policy and guidelines for micro and small enterprise MFIs.
2. Registration and regulation of MFIs.
3. Promoting and regulating responsible for finance in favours of client welfare, remove indebtedness and provide proper protection principles and recovery methods.
4. Promoting right technology solution for problems faced by MFIs and borrowers.
5. Framing a robust architecture for last mile credit delivery to MSMEs under the umbrella of PMMY.
6. Women Enterprise Programme.

Hence MUDRA bank will be a powerful step to provide Refinance to last Mile financiers and borrowers. It may promote shadow banking and channelize MFIs away from the mainstream banking system.

Challenges Concerning to Prime Minister Mudra Yojana

1. The poor grievance is one of the major problem of government scheme where the govt. scheme end it seem the failurities without success. The government created new scheme and institutions for special focus on business by passing the existing mechanism, but it remain depends on the same mechanism of grievance which is universally poor in India.
2. The idea of connecting last mile financiers might only be limited to banks because to register with MUDRA, finance have to pass a number of bureaucratic documents and further need to comply with RBI guidelines which is not feasible for the most of small financiers.
3. It is criticized that Prime Minister MUDRA Yojana a new refinance agency has no need as we have already NABARD & SIDBI to refinance purpose of agriculture and other business obligation.
4. In the present global world it is already in a path to discourage shadow banking and it is replace with main line banks as far as possible like as RRB in India. It does not make much sense to establish a new refinance agency as it will not solve the purpose, but remain the cause of tussle between many agencies regarding regulation.

Conclusion

The small business from the economic development needs to be strengthened and supported. MUDRA yojana is the most recent scheme to boost up the small and micro business units in India. This scheme has taken focus exclusively on entrepreneur. This scheme will boost the confidence of our young educated and skilled worker those are able to become the first generation entrepreneur and existing small businessman. MUDRA is a step in right

direction for funding the unfunded but government shall set up a re-boost monitoring and grievance mechanism to take cognizance problems arrived under this scheme. RBI has to create a single platform to check past record of person applying for loan and if never defaulted then provide loan to person as fast as possible. Hence MUDRA yojana highly benefit to small manufacturing units and self-employed individuals in rural and semi- urban area.

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