

Pradhan Mantri MUDRA Yojana

The Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Union Government on April 8, 2015 for providing loans upto ₹ 10 lakh (around US\$15,000) to the non-corporate, non-farm small/micro enterprises.

Under PMMY, all banks are required to lend to non-farm sector income generating activities below ₹10 lakh.

These loans are classified as MUDRA loans under PMMY.

PMMY was announced through Union Budget 2015-16, which proposed to **create MUDRA bank with a corpus of ₹ 20,000 crore made available from the shortfalls of priority sector lending**, to refinance Micro-Finance Institutions through Pradhan Mantri Mudra Yojana.

Further, **budget supported a credit guarantee corpus of ₹3,000 crore for guaranteeing loans being provided to the micro enterprises.**

The purpose of PMMY is to provide funding to the non-corporate small business sector.

One of the biggest hurdles to the growth of entrepreneurship in the Non-Corporate Small Business Sector (NCSBS) is lack of financial support to this sector and a vast majority belonging to this sector do not have access to formal sources of finance.

Loan offerings under Pradhan Mantri MUDRA Yojana

Under the aegis of PMMY, the MUDRA has already created its initial set of products/ schemes. The interventions have been named '**Shishu**' (meaning infant), '**Kishor**' (meaning child) and '**Tarun**' (meaning adolescent) to signify the state 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/- provided with no collateral, @1% rate of interest/month repayable over a period of 5 years
- **Kishor:** covering loans above ₹50,000/- and upto ₹ 5 lakh
- **Tarun:** covering loans above ₹ 5 lakh to ₹ 10 lakh

Approach of Pradhan Mantri MUDRA Yojana

- **A minimum of 60% of support would flow to enterprises in the smallest segment.** Partner intermediaries of MUDRA Bank have to endeavor to adhere to the following broad framework :
- **In this scheme, the First time entrepreneurs, youth entrepreneurs** (i.e. entrepreneurs aged upto 30 years) and women entrepreneurs shall be encouraged and special schemes shall be designed for such entrepreneurs,

Micro Units Development Refinance Agency (MUDRA) Bank

Micro Units Development and Refinance Agency Ltd. [MUDRA] is an NBFC supporting development of micro enterprise sector in the country. MUDRA provides refinance support to Banks / MFIs for lending to micro units having loan requirement upto 10 lakh. MUDRA provides refinance to micro business under the Scheme of Pradhan Mantri MUDRA Yojana.

- **Mohammed Mustafa** – Chairman of MUDRA Bank
- **Aalok Gupta** – MD & CEO
- **Pankaj Jain** - Government Nominee Director

The MUDRA Bank is primarily be responsible for –

- Laying down policy guidelines for micro/small enterprise financing business
- Registration of MFI entities
- Regulation of MFI entities
- Accreditation /rating of MFI entities
- Formulating and running a Credit Guarantee scheme for providing guarantees to the loans which are being extended to micro enterprises
- Creating a good architecture of Last Mile Credit Delivery to micro businesses under the scheme of Pradhan Mantri Mudra Yojana.

And, Government has decided to provide an additional fund of ₹1 trillion (US\$15 billion) to the market and will **be allocated as**

- 40% to Shishu
- 35% to Kishor
- 25% to Tarun

Those eligible to borrow from MUDRA bank are

- small manufacturing units,
- service sector units,
- shopkeepers,
- fruits/ vegetable vendors,
- truck operators,
- food-service units,
- repair shops,
- machine operators,
- small industries,
- artisans,
- food processors

About Mudra Card

The **MUDRA Card** is an innovative product which provides working capital facility as a cash credit arrangement. MUDRA Card is a debit card issued against the MUDRA loan account, for working capital portion of the loan.

And, **National Payment Corporation of India (NPCI)** has given **RuPay branding to MUDRA Card** and also separate BIN / IIN for the same, by which credit history can be tracked.

Other Important Information

GOI while announcing the formation of MUDRA also announced a refinance corpus for MUDRA at 20000 crores, to be allocated by RBI from the Priority Sector lending shortfall.

In the case of Banks, RBI has also put a cap on the interest rate at Base rate/ MCLR for lending micro units by Commercial Banks by availing of MUDRA refinance. Similarly, the RRBs and Cooperatives have been given a interest cap of 3.50% over and above MUDRA refinance rate, while lending to MUDRA loan by availing of MUDRA refinance.

In case of NBFCs, RBI has also stipulated a interest cap of 6% over and above MUDRA refinance while their lending to MUDRA segment.

Important Terms related to Pradhan Mantri Mudra Yojana:

- **PMMY** - Pradhan Mantri MUDRA Yojana
- **MUDRA** - Micro Units Development and Refinance Agency Ltd.
- **NCSBS** - Non-Corporate Small Business Sector
- **MFI** - Micro Finance Institutions
- **NBFC** - Non-Banking Finance Companies