

MUDRA LOANS

MUDRA stands for Micro Units Development & Refinance Agency. It was set up as a wholly owned subsidiary of Small Industries Development Bank of India (SIDBI) with an authorised capital of Rs.1000 cr & paid up capital of Rs.750 cr. The primary objective of MUDRA is to develop Micro enterprise sector by extending various support including financial support by way of refinance to financial institutions so as to achieve the goal of funding the unfunded.

PMMY

The Pradhan Mantri Mudra Yojana (PMMY) was launched by Govt. of India on 8th April 2015 to provide collateral free loans upto Rs.10.00 lakhs to small/micro enterprises which are outside the formal banking fold.

PMMY has created 3- products/schemes viz- Shishu, Kishore & Tarun to signify the stage of growth/development and funding needs of micro enterprises.

1. **Shishu**- covering loans upto Rs.50000/- (For Start-ups & first time entrepreneurs)
2. **Kishore**- covering loans above Rs.50000/- upto Rs.5.00 lakhs (For entrepreneurs with existing business)
3. **Tarun**- covering loans above Rs.5.00 lakhs and upto Rs.10.00 lakhs (For businessmen, loan amt to be used for business expansion)

PMMY

- As on July 2019, financial institutions in India have sanctioned 22.24 crore MUDRA Loan accounts amounting to total of Rs.11.52 lakh crores.
- Average loan size in PMMY is around Rs. 54000/-
- State Bank of India has sanctioned Mudra loan amounting to Rs.2.10 lakh crores upto July 2020 (Cumulative)
- SBI has sanctioned Mudra Loans amounting to Rs.34000/- lakh upto Aug 2020.(FY 2020-21)
- Overall NPA of Scheduled Commercial Banks & RRB in MUDRA Loan portfolio as on March 2019 was Rs.17250.73 crores.
- 2.00% Intt subvention scheme for Mudra Shishu loans- e cir – NBG/SMEBU-PMMY/30/2020-21 dt. 20.07.2020.

Existing and revised definition of MSME- Post Covid-19

Existing MSME Classification			
<i>Criteria- Investment in Plant & Machinery or Equipment</i>			
Classification	Micro	Small	Medium
Manufacturing Enterprise	Invest < Rs.25.00 lacs	Invest < Rs.5.00 cr.	Invest< Rs.10.00 cr.
Service Enterprise	Invest < Rs.10.00 lacs	Invest < Rs.2.00 cr.	Invest < Rs.5.00 cr.
Revised- MSME Classification (Notified on 01.06.2020 effective from 01.07.2020)			
<i>Composite criteria- Investment & Annual Turnover</i>			
Classification	Micro	Small	Medium
Manufacturing & Services	Invest < Rs.1.00 cr. & Turnover < Rs.5.00 cr.	Invest < Rs.10.00 cr. & Turnover < Rs.50.00 cr.	Invest < Rs.50.00 cr. & Turnover < Rs.250.00 cr.

Mudra Loans- Basic Features

<u>Primary Security</u> <u>Collateral Security</u>	<p>TL: Hypothecation of Plant, Machinery or equipments purchased out of bank finance or mortgage of land /property created out of bank finance.</p> <p>CC: Hypothecation of all stocks & receivables</p> <p>NIL. To be covered under Credit Guarantee fund for Micro Units (CGFMU)</p> <p><u>e-circular No : : NBG/SMEBU-CGFMU/47/2016-17 dt.01.09.2016</u></p>
<p>Margin</p> <p>Working capital/ Term Loan</p>	<p>Not Applicable for Shishu Loans</p> <p>10% - for Kishore & Tarun (As per guidelines of PMMY scheme)</p> <p><u>Simplified loan appraisal as per e-circular: NBG/SMEBU-SME/30/2017-18 dt.01.08.2017</u></p>
Documents	SME series documents

Mudra Loans- Basic features

Stock Statement	Yearly. To be obtained as on 31 st Dec every year, other than at the time of sanction
Validity	WC/TL to be reviewed annually
Insurance	Comprehensive insurance for stocks/ equipments with Bank's clause (110% of value)
Inspection	Half Yearly
Repayment	WC/TL- In 3-5 years including moratorium upto 6-months depending upon activity/income generation
Upfront fee/ Processing charges	Nil - for Shishu i.e upto Rs.50000/- For Kishore/ Tarun - 0.50% of Loan Amount (Plus applicable Taxes)
Rejection of loans under PMMY	SOP for rejection of loans under PMMY has been advised vide circular No : N BG/SMEBU-PMMY/23/2016-17 dated 16.06.2016. “If applications in respect of SCs / STs are to be rejected, it should be done at the next higher level instead of at the branch level. Further, reasons for rejection of applications should be clearly indicated”

CGFMU- Credit Guarantee Fund for Micro Units

- CGFMU- new credit guarantee scheme for loans under PMMY announced by Ministry of Finance vide notification dated 18th April 2016.
- Apart from Mudra loans viz- Shishu, Kishore & Tarun overdraft loans of Rs.10000/- sanctioned under PMJDY accounts shall also be covered under CGFMU.
- All Mudra & PMJDY loans sanctioned since 8th April 2015 will be covered under the guarantee scheme.
- The lending institutions shall pool the outstanding Mudra loans as at end of quarter (Qtr ending March, June, Sept & Dec) as part of portfolio and ensure to submit information required by NCGTC (National Credit Guarantee Trustee Company).

CGFMU- Credit Guarantee Fund for Micro Units

- Guarantee fee to be paid @ 1% of loan amt + applicable GST
- The payment of guarantee claim by the fund to the lending institutions does not in any way take away the responsibility of the lending institution to recover the entire outstanding amount of the credit from the borrower with applicable interest.
- Fee in respect to the NPA accounts will continue to be paid till lodgement of claim as a rate specified by the Fund on the amount.

CGFMU-Contd

Parameters	CGFMU
Eligible borrowers	<p>Non farm enterprises in Manufacturing, Trading, & Services with credit limit upto Rs.10.00 lacs under PMMY loans. OD of Rs.10000/- under PMJDY.</p> <p>Loans sanctioned to Self Help Groups (SHGs) between Rs.10.00 lacs to Rs.20.00 lacs during FY 2020-21 & thereafter</p>
Cover Available	<p>First 3% of the amount in default will be borne by the bank. Out of balance portion guarantee cover will be to the extent of 75%, subject to receipt of an auditors certificate confirming eligible claim amt.</p> <p>First loss will be NIL for SHGs</p> <p><u>Ref- e- circular no.NBG/SMEBU-CGFMU/47/2016-17 dt.01.09.2016 & NBG/SMEBU-CGFMU/13/2020-21 dt.29.04.2020</u></p>
Payment of Guarantee Fee	<p>Guarantee fee to be paid within 16 days from the end of the quarter in which the loan is sanctioned/renewed.</p> <p>For e-mudra loans, AGF to be paid by debiting Branch Charges BGL a/c - 98045, fee to be remitted to Corporate Centre through respective circles.</p> <p><u>Ref: e- circular no.NBG/SMEBU/CGFMU/75 dt.19.12.2019</u></p>

CGFMU-Contd

Standard Basic Rate	1% + Risk Premium on NPAs in Guaranteed Portfolio) - for PMMY Loans (on pro-rata basis upto 31 st march) 0.5% + Risk Premium- for Mudra loans in Aspirational Districts (8-dist in UP) SHGs- 0.25% during first year & 0.50% in subsequent years
Lock in period	12-months
Claim period	After lock in period of 12-months from the date of crystallization of portfolio. Upto 2 years from date of NPA
Payment of claims	The fund shall pay the eligible claim amount within 60 days
Subrogation of rights & recoveries on account of claims paid	The bank will furnish to the fund, the details of its efforts for recovery, realisations as may be demanded from time to time. Every amount recovered and due to be paid to the fund shall be paid without delay.

Question:

The amount of default in a Mudra loan account is Rs.9.00 lacs. What is the extent of cover available under CGFMU scheme?

Ans- Rs.6.55 lacs

(earlier the amount of cover would have been Rs.4.25 lacs only for default of Rs.9.00 lacs as first loss amt was 5% & extent of guarantee was 50% only)

e-MUDRA Loans

End to end digitised loan upto Rs.50000 under MUDRA –Shishu loan scheme.

The loans sanctioned & disbursed under e-mudra platform should be mandatorily covered under credit guarantee of CGFMU

Yearly premium during the tenure of the e-mudra loans to be paid by the bank @ (1.00 + GST) on behalf of the borrower. Branch to debit Charges Insurance BGL a/c – 98045 & remit the same to Corporate centre through respective circles.

Credit guarantee Scheme flag to be selected as –M
CGPAN to be filled as 'e-mudra CGFMU' (as no specific CGPAN is allotted by NCGTC).

Ref: e circular no. NBG/SMEBU-SME ADVANCE/40/2019-20 dated 14.08.2019 & NBG/SMEBU-SME ADVANC/50/2019 - 20 dated 05.10.2019.

MUDRA Loans under Allied Activities

Type of loans:

Mudra Poultry Loan Scheme, Mudra Fishery Loan Scheme, Mudra Sheep/Goat rearing, Mudra sericulture scheme

Eligibility:

Individuals, Sole proprietors, Partnership firms except-Corporate bodies, institutions, SHGs & JLGs

Loan Amt:

Minimum- Rs.50000/- Maximum- Rs.10.00 lakh

Type of facility:

Running OD- Rs.1.00 lakh

Dropline OD- Rs.10.00 lakh

Repayment: repayable in 5 years in half yearly instalments, including moratorium of 6-months

COMMON REASONS FOR REJECTION OF CLAIMS:

- a) Account was irregular on the date of obtaining guarantee cover. In such cases CGTMSE reject the claims stating the reason as “Material Date”. Almost 80% claims are rejected by CGTMSE due to this reason.
- b) Claim not lodged within prescribed time limit.
- c) NPA date either not reported or reported late.
- d) Claim lodged after lapse of Guarantee Period.
- e) Activity found ineligible on later date.

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