

NABARD SCHEME HANDOUTS

TOPIC – PMMY



Pradhan Mantri
किसान सम्मान निधि
Yojna — —



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Web: www.c4scourses.in Mail: c4scourses@gmail.com Telegram: @Clarity4sure

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PM- MUDRA YOJNA

- Pradhan Mantri MUDRA Yojana (PMMY) was launched by the Prime Minister on **April 8, 2015** for providing loans up to Rs.10 Lakh to the non-corporate, non-farm small/micro enterprises.
- MUDRA, which stands for Micro Units Development & Refinance Agency Ltd, is a financial institution set up by the Government of India under PMMY for development and refinancing micro unit enterprises.
- The Union Budget presented by the Hon'ble Finance Minister Shri Arun Jaitley, for FY 2015-16, announced the formation of MUDRA Bank. Accordingly MUDRA was registered as a Company in March 2015 under the Companies Act 2013 and as a Non Banking Finance Institution with the RBI on **07 April 2015**.
- The government has extended 43 crore loans aggregating to ₹22.5 lakh crore under the PM Mudra Yojana
- The finance minister also said 30 crore Mudra Yojana loans have been given to women in the last 10 years.
- In what can be seen as a New Year cheer for petty businesses, loans under Pradhan Mantri Mudra Yojana (PMMY) has reached an all-time high of ₹3-lakh crore in December 2023, registering 16 per cent year-on-year growth.
- "The loans sanctioned now stand at ₹2,99,457 crore a week before the end of the third quarter of the current financial year on December 22, 2023 against ₹2.58-lakh crore in the same period in previous fiscal. As per the provisional figures, this has already crossed ₹3-lakh crore by December 29," a senior official of Mudra told businessline.
- As per government data, women applicants have been the driving force for growth in the Mudra loans. About 70 per cent of the loans have been sanctioned to women and 25 per cent of them have been given to first time petty entrepreneurs.
- Mudra Loans surpassed the **Rs. 5 trillion mark in FY24**, marking a monumental achievement in the journey of small business financing

Mudra Loans

Under PMMY, collateral free loans of up to Rs. 10 Lakh are extended by Member Lending Institutions (MLIs) viz Scheduled Commercial Banks, Regional Rural Banks (RRBs), Small Finance Banks (SFBs), Non-Banking Financial Companies (NBFCs), Micro Finance Institutions (MFIs) etc

- **Shishu**: covering loans upto Rs. 50,000/-
- **Kishore**: covering loans above Rs. 50,000/- and up to Rs. 5 lakhs
- **Tarun**: covering loans above Rs. 5 lakh and up to Rs. 10 lakhs

Pradhan Mantri Mudra Yojana (PMMY) is a scheme launched by the Prime Minister for providing loans upto INR 10 Lakhs to **non-corporate, non-farm small/ micro enterprises**.

Mudra Loans offer affordable interest rates, typically not exceeding 1% per month, ensuring that borrowers can manage their repayment obligations effectively

1.1 Key Features and Benefits of Mudra Loans

- **No Collateral Required:** Borrowers are not required to provide any security or third-party guarantee, making the loans accessible to a wider range of businesses.
- **Competitive Interest Rates:** Mudra Loans offer affordable interest rates, typically not exceeding 1% per month, ensuring that borrowers can manage their repayment obligations effectively.
- **Accessibility:** Funds can be easily accessed using a Mudra loan card, eliminating the need for frequent financial institution visits and streamlining the borrowing process.
- **Wide Coverage:** The scheme caters to various business segments, including vendors, traders, and service providers, fostering a diverse entrepreneurial ecosystem.
- **Government Backing:** Mudra Loans are backed by the government, instilling confidence among borrowers and lending institutions alike.
- **Flexible Repayment Terms:** The repayment terms are designed to accommodate the financial capabilities of small businesses, ensuring sustainable loan management.
- **Inclusive Financing:** By targeting underprivileged sections of society, Mudra Loan promote financial inclusion and socioeconomic empowerment.

1.2 MUDRA Card

MUDRA Card is an innovative credit product wherein the borrower can avail of credit in a hassle free and flexible manner. It provides a facility of working capital arrangement in the form of an overdraft facility to the borrower. Since MUDRA Card is a RuPay debit card, it can be used for drawing cash from ATM or Business Correspondent or make purchase using Point of Sale (POS) machine. Facility is also there to repay the amount, as and when, surplus cash is available, thereby reducing the interest cost.

1.3 MUDRA MITRA

MUDRA MITRA is a **mobile phone application** available in Google Play Store and Apple App Store, providing information regarding „Micro Units Development and Refinance Agency Ltd. (MUDRA)“ and its various products/ schemes. It will guide a loan seeker to approach a Banker in availing MUDRA loan under PMMY. Users can also access useful loan related material including sample loan application forms in this app.

1.4 Implementation of MUDRA Scheme

- Handholding support for facilitating submission of loan applications
- Provision for online applications through **PSBloansin59minutes** and Udyamimitra portal
- Nomination of MUDRA Nodal Officers in Public Sector Banks (PSBs)
- Periodic monitoring of performance of PSBs with regard to PMMY

- Implementation of Scheme : By all categories of MLIs viz. Public Sector Banks (PSBs), Private Sector Banks, Regional Rural Banks (RRBs), Small Finance Banks (SFBs), Non-Banking Financial Companies (NBFCs) and Micro Finance Institutions (MFIs)

1.5 Eligibility

- Any Indian citizen who has a business plan for a non-farm income-generating activity such as manufacturing, processing, trading or service sector whose credit need is less than INR 1 million can approach either banks, micro finance institutes or non-banking financial companies for availing of MUDRA loans under PMMY. The usual terms and conditions of the lending agency may have to be followed for availing of loans under Pradhan Mantri Mudra Yojana (PMMY)
- Individuals } Proprietary concern. } Partnership Firm. } Private Ltd. Company. } Public Company. } Any other legal forms.
- Age Range: Between 18 and 65 years old.
- Industry Type: Individuals and enterprises operating in non-farm sectors, including manufacturing, trading, and services.
- Company Status: Available for both new startups and existing businesses looking to expand.
- Operational Area: Nationwide coverage, supporting rural and urban enterprises

1.6 Factors Driving Growth

Several factors have contributed to the remarkable growth of Mudra Loans:

- Lower Delinquency Rates: The segment's lower delinquency rate has motivated financial institutes to boost loan growth, leading to increased disbursements.
- Institutional Framework: An institutional framework, including guarantees provided by entities like the National Credit Guarantee Trustee Company Ltd., encourages lenders to extend Mudra Loans.
- Scaling of Existing Customers: A notable trend is the scaling of existing customers to higher category loans, indicating business stabilisation and growth.

1.7 Achievements

- Approximately 22% of the total loans have been sanctioned to **New Entrepreneurs**.
- Approximate 68% loans of the total number of loans have been sanctioned to **Women Entrepreneurs**.
- The **average ticket size** of the loans is about Rs.54,000.
- 86% of the loans are of **"SHISHU" category**.
- About 23% loan given to **SCs and STs borrowers** and about 28% of the loans have been given to **OBCs borrowers** (Total 51% loans have been sanctioned to SC/ST/OBC categories of borrowers).
- About 11% of the loans have been given to **Minority community borrowers**.

- Interest Subvention of 2% on prompt repayment of Shishu loans extended under PMMY for a period of 12 months to all eligible borrowers.

| Category | No. of Loans (%) | Amount Sanctioned (%) |
|----------|------------------|-----------------------|
| Shishu | 86% | 42% |
| Kishore | 12% | 34% |
| Tarun | 2% | 24% |
| Total | 100% | 100% |

1.8 Tenor

MUDRA's refinance assistance will be for a maximum tenor of 36 months which will also be aligned to terms of allotment of MUDRA funds by RBI from time to time

1.9 Vision & Mission

Statement based Q can be asked in the exam, for example they will give vision and mission and ask you to identify scheme

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.

Mission: To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security

NCSBS

Non-Corporate Small Business Sector (NCSBS) is the economic foundation of India. It is perhaps one of the largest disaggregated business ecosystems in the world sustaining around 50 crore lives.

The sector comprises of myriad of small manufacturing units, shopkeepers, fruits / vegetable vendors, truck & taxi operators, food-service units, repair shops, machine operators, small industries, artisans, food processors, street vendors and many others.

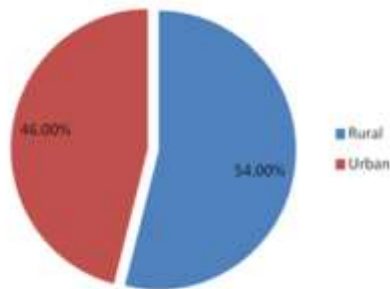


Figure : Composition of 5.7 crore Own Account Enterprises

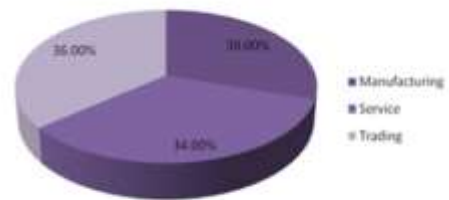


Figure : Composition of 5.7 crore Own Account Enterprises

Purpose of MUDRA loan

- Mudra loan is extended for a variety of purposes which result in income generation and employment creation. The loans are extended mainly for:
- Business loan for Vendors, Traders, Shopkeepers and other Service Sector activities
- Working capital loan through MUDRA Cards
- Equipment Finance for Micro Units
- Transport Vehicle loans – for commercial use only
- Loans for agri-allied non-farm income generating activities, e.g. pisciculture, bee keeping, poultry farming, etc.
- Tractors, tillers as well as two wheelers used for commercial purposes only.


2 Sa-Dhan

- Sa-Dhan is an association of Impact Finance Institutions and an RBI appointed Self-Regulatory Organization (SRO) for Microfinance Institutions.
- Sa-Dhan is the first and largest association of community development finance institutions in India formed over two decades back for supporting and strengthening the agenda of fostering Inclusive Impact Finance in India. It strives for creating a better understanding of the microfinance sector among policymakers, funders, banks, governments, researchers, and practitioners. Sa-Dhan has about 220 members working in 33 states/UTs and over 600 districts, which includes both, for Profit and Not for Profit MFIs, SHG promoting institutions, banks, rating agencies, capacity-building institutions etc.
- Sa-Dhan's members with diverse legal forms and operating models, reach out to approximately 44 million clients with loan outstanding of more than ₹1,27,801 crores. Sa-Dhan is also recognized as a National Support Organization (NSO) by National Rural Livelihood Mission (NRLM).
- Sa-Dhan has been **recognised by the RBI as a Self – Regulatory Organisation (SRO) for the microfinance sector in the year 2015** to administer industry regulations, tools and performance standards for effective monitoring of MFIs, their compliance with regulations and Code of Conduct in the best interest of clients.

3 Udyami Mitra

- SIDBI's Udyami Mitra is a universal portal aimed at easing access to various financial and nonfinancial services to MSMEs.
- dyamimitra Portal is an enabling platform, aims to provide 'End to End' solutions not only for credit delivery but also for the host of credit plus services by way of handholding support, application tracking, multiple interface with stakeholders (i.e. lenders, service providers, applicants).

4 CGTMSE

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|  | <p>The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises. The scheme was formally launched on August 30, 2000 and is operational with effect from 1st January 2000. The corpus of CGTMSE is being contributed by the Government and SIDBI in the ratio of 4:1 respectively</p> |
|---|---|

- The transformative journey of CGTMSE has begun with change of its logo, the new logo a "colorful flying bird" depicts giving wings to entrepreneurial zeal of millions of youth
- CGTMSE (Credit Guarantee fund Trust for Micro and Small Enterprises) is setup by Gol, & SIDBI in Aug'2000 to make collateral free credit facilities available to MSEs(Micro & Small Enterprises).
- As per RBI guidelines, MSE advances guaranteed by CGTMSE will attract zero risk weight for the guaranteed portion and no provision is to be made for the guaranteed portion in case the advances covered under CGTMSE, becomes NPA.
- Loans sanctioned under Agriculture segment and SHGs are also not eligible to cover under CGTMSE

Classification

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| CGS I | The Scheme shall be known as the Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I) [earlier known as Credit Guarantee Fund Scheme for Small Industries (CGFSI)]. Subsequent to the enactment of MSMED Act-2006, the Trust was renamed as Credit Guarantee Fund Trust for Micro and Small Enterprises and scheme as Credit Guarantee Fund Scheme for Micro and Small Enterprises. |
| CGS II | The Scheme known as the "Credit Guarantee Fund Scheme for NBFCs (CGS-II)" was launched w.e.f. January 25, 2017. Subsequently, the same has been modified and shall cover eligible credit facility sanctioned by the lending institutions to eligible borrowers under MSE sector with effect from April 01, 2018 on a portfolio basis |

Margin & Tenor

- Maximum Tenor 10 years, Margin 10%

Micro Lending Institutions(MLI's)

- The institutions, which are eligible under the scheme, are scheduled commercial banks (Public Sector Banks/Private Sector Banks/Foreign Banks) and select Regional Rural Banks (which have been classified under 'Sustainable Viable' category by NABARD). National Small Industries Corporation Ltd. (NSIC), North Eastern Development Finance Corporation Ltd. (NEDFi) and SIDBI have also been made eligible institutions
- The Scheme is being managed by National Credit Guarantee Trustee Company Ltd. [NCGTC],