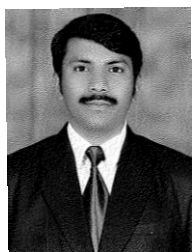

ROLE OF MUDRA ON PROMOTING SUSTAINABLE DEVELOPMENT IN MSME



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Abstract

2017 is an era of tremendous revolution which takes place in pertaining to economic development. Among them, digital transactions, digital India, global village, new start up's are some leading concept introduced to speed up the economic development. Along with these concepts, few more schemes are introduced for the development of MSME's. Financing & Refinancing plays a vital role for development of MSME (micro small & medium enterprise)

*As an alternative to financing & Refinancing MSME, **MUDRA (micro units development & refinance Agency)** was set up by the government of India in 2016. It is the one of the most complex tasks to understand the role of MUDRA on sustainable development because of complexes on expanding MUDRA to all over India & to control its activities.*

This paper explains the role of MUDRA on promoting sustainable development in MSME & its complexities. An attempt has been made to find out eligible MSE's, Maximum amount of assistance, interest, securities & its coverage of financing on MSME

Keywords: MUDRA, MSME, Sustainable development, Financing & Refinancing

Introduction

Finance is one of the important things required for running a business successfully in a timely manner so that the enterprise accomplishes its goals & targets. Due to complexity involved in raising funds from various sources available in the market, small & tiny business concerns are unable to get the needed financial support. In order to assist these kind of entrepreneurs & small business concerns government of India started "MUDRA" bank. Union finance minister said that MUDRA bank was a step in the right direction for "funding the unfunded". Mudra loan scheme will aim to increase the confidence of aspiring young person to become first generation entrepreneurs as also of existing small businesses to expand their activities. Mudra loans are extended by banks, NBFCs, MFIs, & other eligible financial intermediaries as notified by Mudra limited. The mudra bank will be a powerful step to provide refinance to last mile financiers & borrowers. Loans disbursed under the Pradhan Mantra Mudra Yojana (PMMY) have crossed its target of 1.8 lakh crore in the financial year 2016-2017. Non-banking financial institutions have lent about 57000 crore. In this year's budget, 2.44 crore has been set as a target for Mudra loans for the financial year 2017-18.

Review of Literature

Some relevant research studies focus on empirical analysis on their specific areas:

Rudrawar, M.A.A., & Uttarwar V.R. (2016) mentioned that financial exclusion as one of the problem of Indian economy which needs to attain the objectives of sustainable growth from PMMY scheme. In coming years Mudra will be pillar in raising employment opportunities, GDP & entrepreneurship at large.

Roy, Anup Kumar (2016) focused on financial inclusion in country, role of government & banks in financial inclusion & major factors affecting implementation of PMMY. He concluded that PMMY is the greatest step taken to eradicate poverty & many people to come into main stream of economy.

Objectives of the Study

- To identify the importance of MSME.

- To study the role of MSME
- To recognize MSME CONTRIBUTION towards GDP
- To know the role of MSME in promoting entrepreneurship
- To know the supportive agencies of MSME
- To throw light on development of MUDRA

Methodology

The data and information for the study is gathering from secondary sources like of MUDRA news paper, magazines & various websites including website Yojana government of India.

MSME and MUDRA: An Overview

Eligible Enterprises for Mudra Benefit

1. **production sector:** The enterprise which are engaged in manufacturing, production, processing, and preservation of goods are eligible for Mudra benefits based on the size of the business & investment on plant & machinery. below are the categories of enterprises eligible for mudra on the basis of size of the business & investment on plant & machinery.
 - A micro enterprise whose investment in plant & machinery does not exceed 25 lakh
 - A small enterprise whose investment in plant & machinery exceeds 25 lakh but does not exceed 5crore
 - A medium enterprise whose investment in plant & machinery exceed 5crore but does not exceed 10 crore
2. **service sector:** The enterprise which are engaged in rendering of services are eligible for Mudra benefit based on size & investment on equipment except on plant & machinery, below are certain category of enterprise eligible for Mudra benefit under service units.
 - A micro enterprise where the investment on equipment does not exceed 10lakhs
 - A small enterprise where the investment on equipment exceed 10 lakh but does not exceed Two crores
 - A medium enterprise where the investment on equipment exceeds more than Two crores & does not exceed Five crores.

Role of MSME in Indian Economy- majority of Indian enterprises are medium scale & small scale enterprises. The following facts make clear about the role of MSME in Indian economy

- I. 45% of manufacturing output & 40% of exports are the contribution of MSME
- II. MSME is second largest employment provider in India

- III. MSME is contributing approximate 8% for countries GDP
- IV. self reliance can be achieved by development of MSME
- V. In India MSME plays an important role in social & cultural sector

MSME contribution towards GDP

There's been a steady decline in the MSME manufacturing sector's contribution to the GDP over the past decade.

Mfg Output	Gross value of output MSME manufacturing sector (in crore)	Share of MSME mfg to total GDP (%)	Total Output (in lakh crore)	MSME output (in lakh crore)	% of MSME contribution to total manufacturing unit (%)
2008-09	13,75,589	7.52	33.73	13.76	41%
2009-10	14,88,352	7.45	37.55	14.88	40%
2010-11	16,53,622	7.39	43.02	16.56	39%
2011-12	17,88,584	7.27	47.71	17.88	38%
2012-13	18,09,976	7.04	48.25	18.01	37%

What we see here is a decline in the MSME contribution towards manufacturing unit. The general slowdown in the Indian economy and the global economy have taken their toll on the manufacturing sector. But at the same time, this has also led to the government taking steps to empower the manufacturing units among the MSMEs.

The overdraft amount of ` 5000 sanctioned under PMJDY has also been classified as MUDRA loans under Prime Minister MUDRA Yojana (PMMY). The MUDRA loans are provided to following three categories:

Categories	Business type covered	Amount limit
Shishu	The business units that are newly started	Up to 50000
Kishore	Business units that are set & in medium stage	50001 to 5,00,000
Tarun	well established business units that need more funds to raise business	500001 to 10,00,000

Accordingly, all advances granted on or after 8th April 2015 falling under the above category are classified as MUDRA loans under the PMMY. The application forms for such loans shall also carry the name "Pradhan Mantri MUDRA Yojana."

Eligible borrowers are Individuals, Proprietary concern, Partnership Firm, Private Ltd. The Company, Public Company, Any other legal forms. The applicant should not be a defaulter to any bank or financial institution and should have a satisfactory credit track record. The individual borrowers may be required to possess the necessary skills/experience/ knowledge to undertake the proposed activity. The need for educational qualification, if any, need to be assessed based on the nature of the proposed activity, and its requirement

The purpose of MUDRA loans is to provide for income generating small business activity in manufacturing, processing, and service sector or trading. The Project cost is decided based on the business plan and the investment proposed. MUDRA loan is not for consumption/personal needs. For the purpose of working capital limit, MUDRA has launched a new product called "MUDRA Card," which is a Debit card issued on RuPay platform.

Eligibility

- i. All “Non- Farm Enterprises.”
- ii. under “Micro Enterprises” and “Small Enterprises” segment
- iii. Engaged in “Income Generating Activities.”
- iv. Engaged in “Manufacturing, Trading, and Services” and
- v. Whose “credit needs are up to Rs.10 lakhs.”

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

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

The Role of MUDRA on the development of MSME

- **MUDRA** regulating lender & borrower to provide a proper participation in micro unit system.
- **MUDRA** is helping MFI to set the performance level for assessment before taking a loan by the MSME which boosts up the competitiveness in the market.
- **MUDRA** is providing infrastructure guidelines for the borrowers & it is assisting in making satisfactory procedure or guidelines to follow to recover the money in case of default.
- **MUDRA** is formulating & implementing a credit guarantee Yojana for providing guarantees micro business units.
- **MUDRA** is monitoring the fund distributed & promoting right technology solutions
- **MUDRA** developing good system for last mile credit delivery to MSME units for creating good architecture.

Summary on Findings

India is the country which is having more MSME compare to large- scale business units. The critical problems of MSMEs are financing. As per the research data, it is found that MUDRA yojana is the latest scheme of trend introduced by the government of India to boost MSME by providing financing & refinancing facility at a cheaper interest with different products of MUDRA along with security. This scheme is contributing & encouraging individuals for self -employment which leads to the growth of MSME which contributes to GDP. GDP, the economy as a whole

Conclusion

The small business form the foundation of the economic development needs to be strengthened & supported. A large number of schemes has take place in the past few years are a step in the right direction. MUDRA Yojana is the most recent scheme to boost up the small & micro business units in India. This scheme has been taken to focus exclusively on entrepreneurs as well as it will add to the well- being of the individuals engaged in small scale industries which will positively shape the progress of the economy as a whole. MUDRA as a financial tool is found very effective in its early stages across the country. It will definitely make a dramatic change & help in making MSME enough to sustain.

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