



FAQ on MUDRA LOANS

1. What is Mudra?

MUDRA, which stands for Micro Units Development & Refinance Agency Ltd., is a financial institution set up by Government of India for development and refinancing of micro units enterprises. It was announced by the Hon'ble Finance Minister while presenting the Union Budget for FY 2016. The purpose of MUDRA is to provide funding to the non-corporate small business sector through various Last Mile Financial Institutions like Banks, NBFCs and MFIs.

2. Why MUDRA has been Setup?

The biggest bottleneck to the growth of entrepreneurship in the Non–Corporate Small Business Sector (NCSBS) is lack of financial support to this sector. More than 90% of this sector does not have access to formal sources of finance. Govt is setting up MUDRA Bank through a statutory enactment for catering to the needs of the NCSBS segment or the informal sector for bringing them in the mainstream.

3. What are the roles and responsibilities of MUDRA

MUDRA would be responsible for refinancing all Last Mile Financiers such as Non-Banking Finance Companies, Micro Finance Institutions, Societies, Trusts, Section 8 Companies [formerly Section 25], Small Finance Banks and Regional Rural Banks which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities as well as agri-allied activities. MUDRA would also partner with State/Regional level financial intermediaries to provide finance to Last Mile Financier of small/micro business enterprises.

4. What are the offerings of MUDRA? How will MUDRA function?

Under the aegis of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has already created its initial products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also to provide a reference point for the next phase of graduation / growth to look forward to. The financial limit for these schemes are:-

- a. Shishu : covering loans upto 50,000/-
- b. Kishor : covering loans above 50,000/- and upto 5 lakh
- c. Tarun : covering loans above 5 lakh to 10 lakh

MUDRA's delivery channel is conceived to be through the route of refinance primarily to Banks/NBFCs/MFIs.

At the same time, there is a need to develop and expand the delivery channel at the ground level. In this context, there is already in existence, a large number of 'Last Mile Financiers' in the form of companies, trusts, societies, associations and other networks which are providing informal finance to small businesses.



5. Who are the target clients of MUDRA / what kind of borrowers are eligible for assistance from MUDRA?
Non–Corporate Small Business Segment (NCSB) comprising of millions of proprietorship / partnership firms running as small manufacturing units, service sector units, shopkeepers, fruits / vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors and others, in rural and urban areas.
6. Are RRBs' eligible for assistance under MUDRA?
Yes, MUDRA will be extending refinance support to RRBs for enhancing their liquidity.
7. What is the ROI charged by MUDRA?
MUDRA is a refinancing agency which will extend its funds to Last Mile Financiers to enable them to reach out to the sector. Access to finance in conjunction with rational price is going to be the unique customer value proposition of MUDRA. It will use a variety of innovative financing means including technology to bring down the cost of funding for the ultimate borrower.
8. I have a small Business dealing in paper Goods. Can Mudra Help Me?
MUDRA loan is available through Banks/NBFCs/MFIs for such activities. All kind of manufacturing, trading and service sector activities can get MUDRA loan. Loans are categorised into Shishu, Kishor and Tarun. These products have been designed to cater to customers operating at the lower end of the enterprise spectrum. The loans will be extended through MFIs, NBFCs, Banks, etc.
9. I Have graduated recently. I want to start my MUDRA Business. Can MUDRA Help Me?
MUDRA loans are available in three categories. For small business, loans upto 50000/- is available under the 'Shishu' category and beyond 50,000 and up to 5 lakh under the 'Kishor' category. It also offers loans beyond 5 lakh and up to 10 lakh under the Tarun category. Depending on the nature of business and project requirement you can access finance from one of the intermediaries of MUDRA as per the norms.



PRADHAN MANTHRI MUDRA YOJANA (PMMY)

Introduction

1. PMMY is a scheme setup by GOI for providing MUDRA loans up to Rs. 10.00 lakhs to the non corporate, non-farming Small & Micro Enterprise. MUDRA Loans are provided under 3 categories as mentioned below:
 - Shishu : covering loans upto 50,000/-
 - Kishor : covering loans above 50,000/- and upto 5 lakh
 - Tarun : covering loans above 5 lakh to 10 lakh
2. MUDRA loans are given to income generating Small & Micro enterprises engaged in
 - Trading
 - Manufacturing &
 - Service sector.
3. Extended by commercial banks, MFIs, NBFCs and other financial intermediaries.
4. Provides financial assistance to small & micro business to help them develop and expand their businesses.

Eligible Applicants

1. Type of eligible borrowers
 - Individuals
 - Proprietary Concern
 - Partnership firm
 - Pvt limited company
 - Public company
 - Entities of any other legal forms
2. The applicant should not be a defaulter to any bank or financial institution and should have a satisfactory credit track record.
3. The individual borrowers may be required to possess the necessary skills/ experience / knowledge to undertake the proposed activity
4. The need for educational qualification, if any, needs to be assessed based on nature of proposed activity, and its requirement.

Nature of Assistance

- Term loan
- Overdraft limit
- Working capital loan
- Composite loan for acquiring capital assets.

Additional Information:

1. Margin / promoter's contribution is as per policy framework of lender, which is based on overall guidelines of RBI in this regard. Bank may not insist for margin for Shishu loans.



2. Interest rates should be charged as per lender's policy. However interest rates charged to ultimate borrowers should be reasonable.
3. First charge on all assets created out of the loan extended to the borrower and the assets which are directly associated with the business /project for which credit has been extended.

FAQs on PMMY

1. What is Mudra?

MUDRA stands for Micro Units Development & Refinance Agency is setup to provide funding to non-corporate small business sector through various financial institutions like Banks, NBFCs and MFIs

2. Who are eligible to avail loan under this scheme?

Proprietorship /partnership firms in rural / urban area running below businesses

- Small manufacturing units.
- Service sector units
- Shopkeepers
- Fruits/ vegetable vendors.
- Truck operators
- Food-service units
- Repair shops
- Machine operators
- Small industries
- Artisans
- Food processors and others

3. What will be the product offering under MUDRA?

The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur. The financial limit for these schemes is:-

Shishu : covering loans upto 50,000/-

Kishor : covering loans above 50,000/- and upto 5 lakh

Tarun : covering loans above 5 lakh to 10 lakh

4. What is the ROI applied on MUDRA?

The Interest Rates are deregulated and banks have been advised to charge reasonable interest rates.

5. What are collateral security requirements under MUDRA?

RBI has mandated Banks not to insist for collateral security in the case of loans up to 10 lakhs extended to units in the MICRO Small Enterprise sector.



6. Does all bank offer assistance under MUDRA?

Yes. DFS vide its letter dated May 14 . 2015 have advised all PSBs, RRbs and small finance banks regarding rollout of PMMY and to cover all loans up to loan size of Rs. 10.00 lakhs under PMMY

7. Is there any subsidy under MUDRA?

There is no subsidy for the loan given under PMMY.



Star Weaver Mudra Scheme – FAQs

1. What is Weavers MUDRA Yojana?

Weavers MUDRA Yojana aims at providing adequate and timely assistance from the banking institutions to the weavers to meet their credit requirements.

2. Who can apply for Weavers MUDRA Yojana?

All weavers and ancillary workers involved in weaving activities (including new borrowers who are otherwise eligible for credit facilities for carrying out the proposed activities under any of the existing bank schemes) would be eligible.

Preference will be given to weavers identified under Third Census of Handloom weavers conducted by Development Commissioner (Handlooms), Ministry of textiles as well as to weavers identified by State Governments.

Thrust in financing would be on cluster of weavers and ancillary workers who have joined to form Primary Weavers Co-operative Societies / Self Help Group (SHGs) / Consortia/Producer Companies/Joint Liability Groups(JLGs). While membership in such bodies would give greater comfort to banks in lending under the scheme.

All existing weaver customers of bank enjoying credit facilities and having satisfactory dealings with the bank will also be eligible to avail credit facilities under the scheme for a three- year period as also the benefits from simplified procedures stipulated under this scheme for availing for such credit.

3. What are the benefits that can be availed under the scheme?

Following are the list of benefits available under the scheme:

- Margin money support up to Rs.42,000/- per weaver and/or
- Interest subsidy upto 3% on Bank loan and/or
- Reimbursement of one-time guarantee fee as applicable (1% at present) and annual service charges as applicable (0.50% at present) for a period up to 3 years payable for guarantee cover under CGTMSE.

4. What will be the nature of assistance under the scheme?

Type of facility : Term loan and Cash Credit

Maximum Loan Amount : Rs.2 lakhs



5. What are the collateral security requirements under the scheme?

No collateral security will be required under the scheme. The limit sanctioned will be secured by the way of primary charge over the assets financed. Banks may obtain credit guarantee cover from CGTMSE for the limits sanctioned under the scheme as per bank's policy and availability of risk cover.

6. What is repayment period?

Term loan – 3 years

Cash Credit – limit to be renewed in 3 years with annual review subject to satisfactory conduct of account