



MUDRA

Micro Units Development & Refinance Agency Ltd.
(A wholly owned subsidiary of SIDBI)

Frequently Asked Questions

1. What is MUDRA?

MUDRA, which stands for Micro Units Development & Refinance Agency Ltd., is a new institution being set up by Government of India for development and refinancing activities relating to micro units. 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.

2. Why MUDRA has been set up?

The biggest bottleneck to the growth of entrepreneurship in the Non –Corporate Small Business Sector (NCSBS) is lack of financial support to this sector. Majority of this sector does not have access to formal sources of finance. GoI 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. To begin with it is being set up as a subsidiary of SIDBI.

3. What will be roles and responsibilities of MUDRA?

MUDRA would be responsible for refinancing all Last Mile Financiers such as Non Banking Finance Companies of various types engaged in financing of small businesses, Societies, Trusts, Section 8 Companies [formerly Section 25], Co-operative Societies, Small Banks, Scheduled Commercial Banks and Regional Rural Banks which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities. The Bank would 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, 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 provide a reference point for the next phase of graduation / growth to look forward to :

- 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 will be operating as a refinancing institution through state/regional level intermediaries. MUDRA's delivery channel is conceived to be through the route of refinance primarily to NBFCs / MFIs, besides other intermediaries including banks, Primary Lending Institutions, etc.

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 (NCSBS) 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 Regional Rural Banks (RRBs) eligible for assistance from MUDRA?

Yes, MUDRA will be extending refinance support to RRBs for enhancing their liquidity.

7. What is the rate of interest charged by MUDRA?

MUDRA will be 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 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?

Yes. MUDRA will offer smaller loans upto 50,000/ under the 'Shishu' category and beyond 50,000 and upto 5 lakh under the 'Kishor' category. 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 own business. Can MUDRA help me?

MUDRA offers smaller loans upto 50,000/ under the 'Shishu' category and beyond 50,000 and upto 5 lakh under the 'Kishor' category. It also offers loans beyond 5lakh and upto 10 lakh under the Tarun category. Depending on your nature of business project requirement you can access finance from one of the intermediaries of MUDRA as per the norms.

10. I have diploma in food processing technology. I want to start my own unit. Please guide me.

Food Processing is an eligible activity for coverage under one of the MUDRA schemes. You can avail assistance under MUDRA schemes as per your requirements.

11. I am an artisan specialising in Jari work. I want to start my own work instead of doing job work for others. Can MUDRA help me?

You can avail assistance under the 'Shishu' category of Micro Credit Scheme of MUDRA through any of the MFIs operating in your region for setting up your own enterprise.

12. I have done a course on fashion designing. I want to open my own boutique and develop my own brand. What help can MUDRA offer to me?

MUDRA operates a special scheme for women entrepreneurs; viz; Mahila Uddyami Scheme. Assistance will be provided under all three groups, viz. 'Shishu', 'Kishor' as well as 'Tarun'.

13. I intend to work on franchisee model and open an ice cream parlour. Can MUDRA help me?

MUDRA operates a special scheme 'Business loans for Traders and Shopkeepers'. You can avail the facilities under the scheme as per your requirements.

14. I want to expand my pottery business by adding more variety and designs. What help can I get from MUDRA?

You can avail assistance under the 'Shishu' category of Micro Credit Scheme of MUDRA through any of the MFIs operating in your region for setting up your own enterprise.
