

PRADHAN MANTRI MUDRA YOJANA

17th September, 2015 at Trivandrum, Kerala

Dear Friends, Ladies and gentlemen,

The biggest bottleneck to the growth of entrepreneurship in the Non-corporate Small Business sector is the lack of financial support to this sector. Most individuals, especially those living in rural and interior parts of India, have till recently been excluded from the benefits of formal banking system. They never had access to insurance, credit, loans and other financial instruments to help them establish and grow their micro businesses. So, the individuals turn to local money lenders for credit. The loan comes at high interest and often with unbearable conditions, which make these poor unsuspecting people fall in a debt-trap for generations. When businesses fail, the borrowers become vulnerable to the lender's strong-arm tactics and other forms of humiliation.

As per NSSO Survey of 2013, there are close to 5.77 crore small-scale business units, mostly sole proprietorships, which undertake trading, manufacturing, retail and other small-scale activities. Compare this with the organised sector and larger companies that employ 1.25 crore individuals. Clearly, the potential to harness and nurture these micro businesses is vast and the government recognises this. Today, this segment is unregulated and without financial support or cover from the organised financial banking system. Keeping this in mind, the Hon'ble Prime Minister launched the Pradhan Mantri Mudra Yojana on 8th April, 2015.

The scheme is aimed at “funding the unfunded”. It is intended to attain development in an inclusive and sustainable manner by supporting and promoting partner institutions and creating an ecosystem of growth for micro enterprises sector. The MUDRA Bank provides for policy guidelines for micro enterprise financing business. It aims at responsible financing practices to ward off over indebtedness and re-finance to Banks/NBFCs/MFIs. It also provides for formulation/facilitation of Credit Guarantee Scheme for providing guarantees to PMMY loans.

A common notion about this sector is that extending financial support to this sector may not be sound practice on account of fears of default. This is not correct. At the time of inauguration of the scheme in April this year, our H’ble Prime Minister had mentioned about women’s self-help groups. The Prime Minister had said that the kind of honesty showed by these loan takers is seldom seen in any other sector.

The scheme includes all loans to finance micro enterprises by banks/financial institutions for income generating and non-farm activities upto Rs. 10 lakhs. I am happy to note that the products of MUDRA have been designed keeping in mind the stage of growth/development and funding needs of the beneficiary micro-unit/entrepreneur. Aptly, the products have been named as “Shishu”, “Kishor” and “Tarun” which would provide finance upto Rs. 50,000/-, from Rs. 50,000/- to Rs. 5 lakh and from Rs. 5 lakh to Rs. 10 lakh respectively. One can avail an

overdraft facility of Rs. 5,000 also. The Reserve Bank of India has also issued a circular on lending to MSMSE sector which mandates banks not to insist for collateral security in the case of loans upto Rs. 10.00 lakh extended to these units. There is special encouragement for first time entrepreneurs, youth (upto the age of 30 years) and women entrepreneurs.

The disbursement target of Rs. 1,22,188 crore has been prescribed for banks/financial institutions during 2015-16. As on 15-09-2015, Rs. 21,586 crore has already been disbursed under MUDRA in 33.31 lakh accounts. The scheme also provides a facility of MUDRA CARD which is a Debit Card operable on ATMs and POS machines. The card can be used for withdrawing cash as well for making purchases at point of sale. Various Banks like the Allahabad Bank, Central Bank of India, Corporation Bank, IDBI Bank, Punjab National Bank etc. have already launched MUDRA Cards. Facility has also been provided to repay the amount as and when surplus is available which will reduce interest burden.

I am confident that the scheme Pradhan Mantri Mudra Yojana can be a game changer. Majority of Indians who are poor and live in rural and interior parts of India, are excluded from getting facilities that would be termed very basic, even by Indian standards. Most people do not have access to farmland and in the absence of jobs, are left to their own creativity to feed themselves and survive. They figure out ways to do odd jobs in exchange of money or barter their

services. Most of these people belong to scheduled castes, scheduled tribes and other backward classes. Further, most of the micro enterprises, retail or trading activity, are initiated and controlled by women, with no exposure to education, formal training or access to any form of banking support. Now visualise this. If India could harness this free spirit of enterprise and offer some guidance, support, training and financial assistance, the potential to get an immediate jump in GDP is there for the asking. Our Hon'ble Prime Minister Shri Narendra Modiji recognises this and that is why this type of scheme has been visualized and launched.

Dear friends, conceiving a scheme to extend loan assistance to the category of persons covering shopkeepers, fruits/vegetable vendors, taxi operators, food-service units, repair shops, machine operators, artisans, food processors, street vendors etc. deserves applaud. The small entrepreneurs in India are used to exploitation at the hands of money lenders so far. But MUDRA will instil a new confidence in them that the country is ready to support them in their efforts that are contributing so heavily to the task of nation building. This model of micro-finance tailored to local requirements and cultural contexts will enable the state to help poorest of the poor.

There is an old saying: "Give a man a fish you feed him for a day, teach him how to fish and he will never go hungry". MUDRA Bank is a step by the Government that can be a game changer in giving birth to a new set of entrepreneurs,

some of whom may scale heights not imagined today. This is far better than giving subsidy, which may seem welcoming at first, but does little to help an individual strive for a better life. MUDRA is the way to go.

The modalities of functioning of MUDRA Bank are in place. It is for the individuals to come forward and take advantage of the facility created by the Government and become important partner in the growth of the nation. I am sure, MUDRA Bank will also strive to provide integrated financial and support services par excellence benchmarked with global best practices and standards for the comprehensive economic and social development.

Thank You