

Mudra Loan

MUDRA Loan is offered under the Pradhan Mantri Mudra Yojana (PMMY). MUDRA stands for Micro-Units Development and Refinance Agency. Under this scheme, borrowers can avail business loans ranging from Rs.50,000 to Rs.10 lakh on the basis of the Sishu, Kishor, and Tarun categories.

What is the Pradhan Mantri Yojana Scheme?

Pradhan Mantri Yojana was launched in 2015 with the aim to help small scale businesses expand and attain success. Companies from both profit and non-profit sector can avail a loan under this scheme and can avail a loan of up to Rs.10 lakh to kickstart their business.

Types of companies that can avail a loan under the Pradhan Mantri Yojana scheme are:

- Railway Recruitment Boards (RRB's)
- Micro Finance Institutions (MFIs)
- Commercial Banks
- Non-Banking Financial Corporations (NBFCs)
- Small Finance Banks
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Types of industries that can avail a loan under the Pradhan Mantri Yojana scheme are:

- Business vendors
- Shopkeepers
- Agriculture sector
- Food production industry
- Handicraftsmen
- Small scale manufacturers
- Self-employed entrepreneurs
- Restoration and repair shops
- Service based companies

- Truck owners

Types of Mudra Loan Products

There are three types of mudra loan schemes, namely Tarun, Kishor, and Shishu.

Name of Scheme	Loan Amount
Shishu	Up to Rs.50,000
Kishor	Rs.50,000 to Rs.5 lakh
Tarun	Rs.5 lakh to Rs.10 lakh

Purpose of Pradhan Mantri Mudra Loan Yojana

MUDRA loans can be taken for a variety of reasons that help in creating employment and generating income. Here are the main purposes for which Mudra loans are taken:

1. Business loan for shopkeepers, traders, vendors and other activities in the service sector
2. Equipment finance for small enterprise units
3. Working capital loan via MUDRA cards
4. Transport vehicle loans
5. People involved in Agri-allied non-farm income generating activities such as poultry farming, bee-keeping, pisciculture, etc. can apply for a Mudra Loan.
6. People who use tractors, tillers as well as two wheelers for commercial activities can apply for a Mudra Loan.

Activities covered under Mudra Loan

Given below is the list of activities that are covered under Mudra Loan are:

- Food products sector
- Transport vehicles used for transport of both goods and passengers

- Communities, social, and personal service activities
- Business loans for shopkeepers and traders
- Textile products sector and activities
- Agriculture related activities
- Equipment finance scheme for Micro Units

How to Apply for Mudra loan?

- **Step 1** : Ensure that the necessary documents are kept ready. The main documents you will require are your ID proof, address proof, and business proof.
- **Step 2** : Approach a lender who is enrolled under the MUDRA scheme and fill up the application form.
- **Step 3** : Submit the necessary documents.

MUDRA Loan Eligibility

Indian citizens who have their own business plans for service sector activities, or trading or manufacturing activities and require amounts of up to Rs.10 lakh can apply for Mudra loans. It can be availed from public sector banks, private sector banks, regional rural banks (RRBs), small finance banks (SFBs), and micro finance institutions (MFIs).

As per the eligibility criteria for MUDRA Loan, an applicant should be:

Minimum age of eligibility	18 years
Maximum age of eligibility	65 years
Who can avail a Mudra Loan	Loans can be availed by new and existing units
Security or collateral	No collateral or third-party security is required
Institutions eligible to offer Mudra Loan	Public Sector Banks, Private Sector Banks, Micro Finance Institutions, and Regional Rural Banks
Documents required	Proof of identity, proof of residence, application form and passport size photos

What is the interest rate for MUDRA loan?

The interest rate for Mudra loan depends on the profile of the applicant. There are several banks in the public sector as well as the private sector offering MUDRA loans. All the lenders have certain set guidelines and the final rate of interest at which the loan is provided to an applicant is decided by the lender itself. This is done after scrutinising the business requirements of the applicant as well.

Documents Required to apply for MUDRA Loan

The documents required for MUDRA Loan can be listed as follows:

Particulars	Type of Document
Application Form	Duly filled up application form on the basis of the loan category
Proof of Identity	Aadhaar card, Voter's ID card, driving license, passport, etc.
Proof of Address	Utility bills (electricity bill, telephone bill, and so on), Aadhaar card, Voter's ID card, passport, etc.
Photographs	2 passport-sized photographs of the applicant
Caste Certificate	If applicable
Other documents	Quotation of the commodity or items which are to be bought and used for the business

Benefits of Taking MUDRA Loan

Here are the key features and benefits of Mudra loan:

- Banking and financial services can be availed in both rural and urban areas.
- Financial backing can be obtained by micro-small businesses and start-ups.
- Business loans can be taken for small amounts at affordable interest rates.
- The borrower's credit guarantee is taken by the government, so if a borrower is unable to repay the amount borrowed, the responsibility for the loss will be borne by the government.
- Food vendors, shopkeepers and other small business owners can make the most of this scheme.
- Financial aid is available through this scheme in areas where people have no access to basic banking facilities.
- The repayment period of the scheme can extend up to seven years.
- Women borrowers can avail the loan at discounted interest rates.
- Refinance schemes can also be availed with designated lenders.
- Individuals who wish to generate income through micro enterprise activities can avail the Micro Credit Scheme.
- The Mudra loan scheme is in collaboration with the "Make In India" campaign which the government has initiated to foster innovation, facilitate investment, improve skill development, and build the best manufacturing infrastructure in the country.
- There is no need for collateral or security to avail this scheme.
- The funds borrowed through this scheme can only be used for business purposes.

Latest benefits offered under Mudra Shishu Category as per Atmanirbhar Abhiyan

The Indian Government under the Atmanirbhar Abhiyan recently announced certain benefits the Mudra Shishu category will be eligible to receive. The benefits are:

- A relief of up to Rs.1,500 crore will be provided to borrowers under the Mudra Shishu category.
- Interest subsidy worth Rs.1,500 crore will be provided to Mudra Shishu borrowers.
- Fast recipients will get a discount of 2% on their interest rate for a period of one year by the Government of India.

What is a MUDRA Card?

When you apply for a Mudra Loan, you are issued a Mudra Card which is a debit card. After you successfully apply for the loan, you will be required to open an account along with which the card is issued. You can use the Mudra Card to withdraw the loan amount which will be disbursed to your Mudra account after you successfully apply for the loan.

FAQs on MUDRA Loan

1. What type of loan is Mudra Loan?

Mudra Loan can be considered as a type of term loan where a group or an individual can avail a loan for expansion of business, purchasing of inventory, etc.

2. What is Mudra Loan limit from banks?

The maximum loan amount that can be availed from banks is up to Rs.10 lakh.

3. Is ITR Compulsory for Mudra Loan?

Yes, you will have to produce your income tax returns (ITR) for the past two years if you are looking to apply for a Mudra Loan.

4. Does Cibil score affect Mudra Loan?

No, your Cibil Score will not be taken into consideration if you are looking to apply for a Mudra Loan.

5. What kind of clients does MUDRA loan target?

MUDRA loans are targeted at the Non-Corporate Small Business Segment which consists of millions of partnership firms and proprietorships that operate as service sector units, small industries, small manufacturing units, vegetable or fruit vendors, repair shops, etc. In urban as well as rural regions.

6. Are there any subsidies under the Pradhan Mantri MUDRA Yojana?

No. There are no subsidies under the Pradhan Mantri MUDRA Yojana.

7. Can I avail a MUDRA loan if I have recently graduated from college?

Yes. College graduates who wish to start their own businesses can apply for MUDRA loans. Based on the kind of business you wish to start and the requirements of the project, MUDRA can help you get your business up and running.

8. I am a woman entrepreneur and wish to start my own boutique. Can MUDRA help?

Yes. Women entrepreneurs can make the most of a special refinance scheme offered to women entrepreneurs. The Mahila Uddyami Scheme as it is called, offers an interest rebate of 0.25% when you avail a MUDRA loan from an NBFC or a micro finance institution.

9. Do I need to have a PAN card if I want to avail a MUDRA loan?

PAN cards are not mandatory for those who wish to avail MUDRA loans, but you will have to meet the other KYC requirements set forth by the financing institution.

10. Who can borrow from Mudra Bank?

Any individual or MSMEs who runs small business are eligible to apply for mudra loan.