Micro Units Development & Refinance Agency Ltd.
and
Financial Inclusion

May 4, 2016

MUDRA at a Glance

- MUDRA was launched as a wholly owned subsidiary of SIDBI as a NBFI. Completed one year of operations.
- Present staff strength of MUDRA is – CEO on deputation from NABARD, 9 officers on deputation from SIDBI, 1 Company Secretary on contract basis and 2 support staff on contract basis.
- An 10 member Board with CMD, SIDBI as the Chairman, government nominees, experts from various fields has been put in place to guide the operations of MUDRA.
- MUDRA website, www.mudra.org.in, launched providing information to public and hosting PMMY data portal.
- As announced by the Hon'ble FM, RBI allocated Rs. 20,000 crore corpus for refinance operations, out of which Rs.5000 crore received as 1st tranche.

Progress so far

- 27 Public Sectors Banks, 17 Private Sector Banks, 31 Regional Rural Banks, 1 State Cooperative Banks (Gujarat SCB), 12 Urban Cooperative Banks, 46 MFIs (**including 10 non NBFC MFIs**), and 26 NBFCs, (**totalling to 160**) shortlisted as partners.
- 27 Public Sector banks, 4 Pvt CB and 25 RRBs/State Coop Bank executed General Refinance Agreement.
- Rs.3783.20 crore and Rs.3337.20 crore was sanctioned and disbursed to 25 NBFCs/NBFC-MFIs, 16 Banks and 3 RRBs respectively as on March 31, 2016. **This includes Rs.49.95 crore investment in Pass Through Certificates (PTCs) of securitized assets of Janalaxmi Financial Services Ltd, NBFC-MFI, based at Bangalore.**

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Sanctions and disbursement

Sanctions and disbursement as on March 31, 2016

Agency	Amount sanctioned Rs in crore	Amount disbursed Rs in crore
Banks	2432	2432
MFIs	812	616
NBFCs	250	0 #
RRBs	239.25	239.25
Investment in PTCs	49.95	49.95
TOTAL	**3783.20**	**3337.20**

GOI has told to keep the disbursements to NBFCs on hold.

Region wise disbursement for MFIs

Region	MFIs	Amount sanctioned Rs in crore
North Eastern	RGVN	30
Eastern	Arohan, Annapurna	40
Northern	Satin, Fusion, Shikhar, Digamber, Sonata, Margadarshak, Bhartiya Micro Credit, Cashpor, Utkarsh	185
Western	Suryodaya, Hindusthan	42
Southern	Equitas, Belstar, Madura, SKS, Ujjivan, Grameen Koota, ESAF, Janalakshmi	515
	TOTAL (22 MFIs)	**812**

MUDRA - Interest rates

<table>
<tr><th>S No.</th><th>Institution</th><th>Interest rate by MUDRA</th><th>Ceiling on interest rate to be charged by lending institutions to the ultimate borrowers</th></tr>
<tr><td>1</td><td>Commercial Banks</td><td>6.72%</td><td>Not more than base rate of refinanced banks.</td></tr>
<tr><td>2</td><td>RRBs/Co-operative Banks</td><td>6.72%</td><td>Shall not be more than 3.5% above MUDRA's lending rate</td></tr>
<tr><td>3</td><td>NBFCs</td><td rowspan="2">Differential rate of interest varying from average of the base rates of 5 largest commercial banks to SIDBI's PLR based on rating. Presently it ranges from 9.45% to 11.95%</td><td>Shall not be more than 6% on and above MUDRA's lending rate.</td></tr>
<tr><td>4</td><td>NBFC-MFIs</td><td>Shall be governed by the norms of priority sector lending by banks to MFIs, which provides for 10 to 12% interest margin to MFI.</td></tr>
</table>

New initiatives - MUDRA Card

- A hassle free credit to small borrowers (especially to those in lower segment viz., Shishu loans); Loan withdrawal on demand with flexibility in operation.
- Mudra card will help in digitizing MUDRA loan transactions and also facilitate towards a less cash regime.
- A co-branded card with MUDRA and the issuing bank, issued directly or in association with MFI.
- Layout / design for MUDRA card, approved by NPCI, circulated to all Banks.
- Mudra Card- Debit card on RuPay platform; operable on ATMs and POS machines.
- MUDRA to provide refinance / credit guarantee against loans granted under MUDRA Card.
- **5.17 lakh cards for Rs 1477 crore issued.**

New Mudra card design

New initiatives - MUDRA App - "MUDRA MITRA"

- MUDRA MITRA is a mobile phone application available in Google Play Store and Apple App Store, providing information regarding 'Micro Units Development and Refinance Agency Ltd. (MUDRA)' and its various products/ schemes.
- It will guide a loan seeker to approach a Banker in availing MUDRA loan under Pradhan Mantri Mudra Yojana (PMMY).
- Users can also access useful loan related material including sample loan application forms.

9

Other initiative-MUDRA Loan Charter

- MUDRA Board has finalized a MUDRA loan charter to be adopted by all lending institutions providing MUDRA loan and has forwarded the same to DFS, GOI for its concurrence for its circulation among the banks/ other lending agencies.

- Mudra loan charter will form the basis for delivery of financial services to retail clients under PMMY / MUDRA segment which is expected to significantly enhance customer experience in terms of quality of service, transparency, efficiency etc.

- Once approved by GOI, a guidance note and rating mechanism will be prepared with the help of a professional agency for measuring the adoption of the charter.

10

MUDRA Credit Guarantee Scheme

- An amount of Rs.3000 crore is being provided.
- NCGTC to implement the MUDRA Credit Guarantee scheme.
- GOI has since approved the Guarantee Scheme which is expected to enhance the flow of credit at ground level and also refinance off take.

Pradhan Mantri Mudra Yojana(PMMY)

- PMMY launched on 08 April 2015 envisage all Banks (PSBs, Pvt CBs, RRBs, Co-operative Banks) to lend for micro enterprises with credit needs upto Rs. 10 lakh.
- Loans to be given in three categories:
  - Shishu - upto Rs 50,000
  - Kishore - Rs 50,000 to Rs 5 lakh
  - Tarun - Rs 5 lakh to Rs 10 lakh
- A target of Rs.122,118 crore set under PMMY for FY 2015-16.
- Rs 5000 Over Draft (OD) facility under Prime Minister Jan Dhan Yojana (PMJDY) also included under PMMY.
- All PMMY loans will be governed by MUDRA Charter / credit guarantee to be provided from MUDRA.

Pradhan Mantri Mudra Yojana(PMMY)

- Implementation of PMMY monitored at national level by DFS through their regular VCs and state level by SLBCs.
- It also was decided that MUDRA will monitor the progress of PMMY.
- The progress of PMMY is captured on weekly basis through a portal developed by MUDRA Ltd.; portal linked to Mudra website.
- Monitoring mechanism being revised to capture district wise data from FY 2017 onwards.
- Information about state wise / bank wise performance with disaggregated data on category of loan, category of borrowers captured.

Progress under PMMY

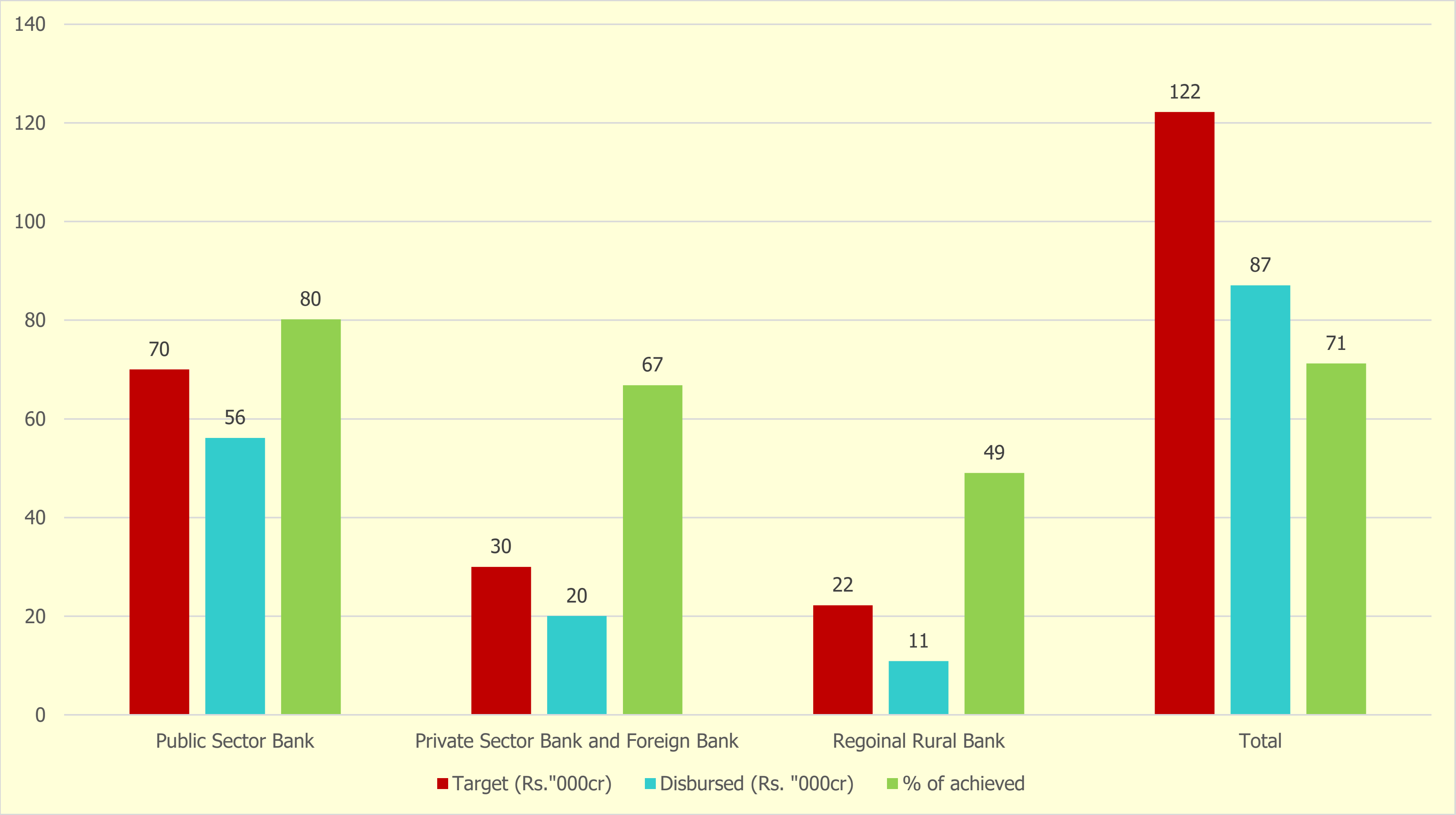
- As on 31 March 2016, Rs.137449 crore sanctioned for 348.81 lakh borrowers:

Scheme	No. of Accounts (lakhs)	Amount sanctioned (Rs. in crores)
SHISHU	324.02	62894
KISHORE	20.69	43053
TARUN	4.10	31502
TOTAL	**348.81**	**137449**

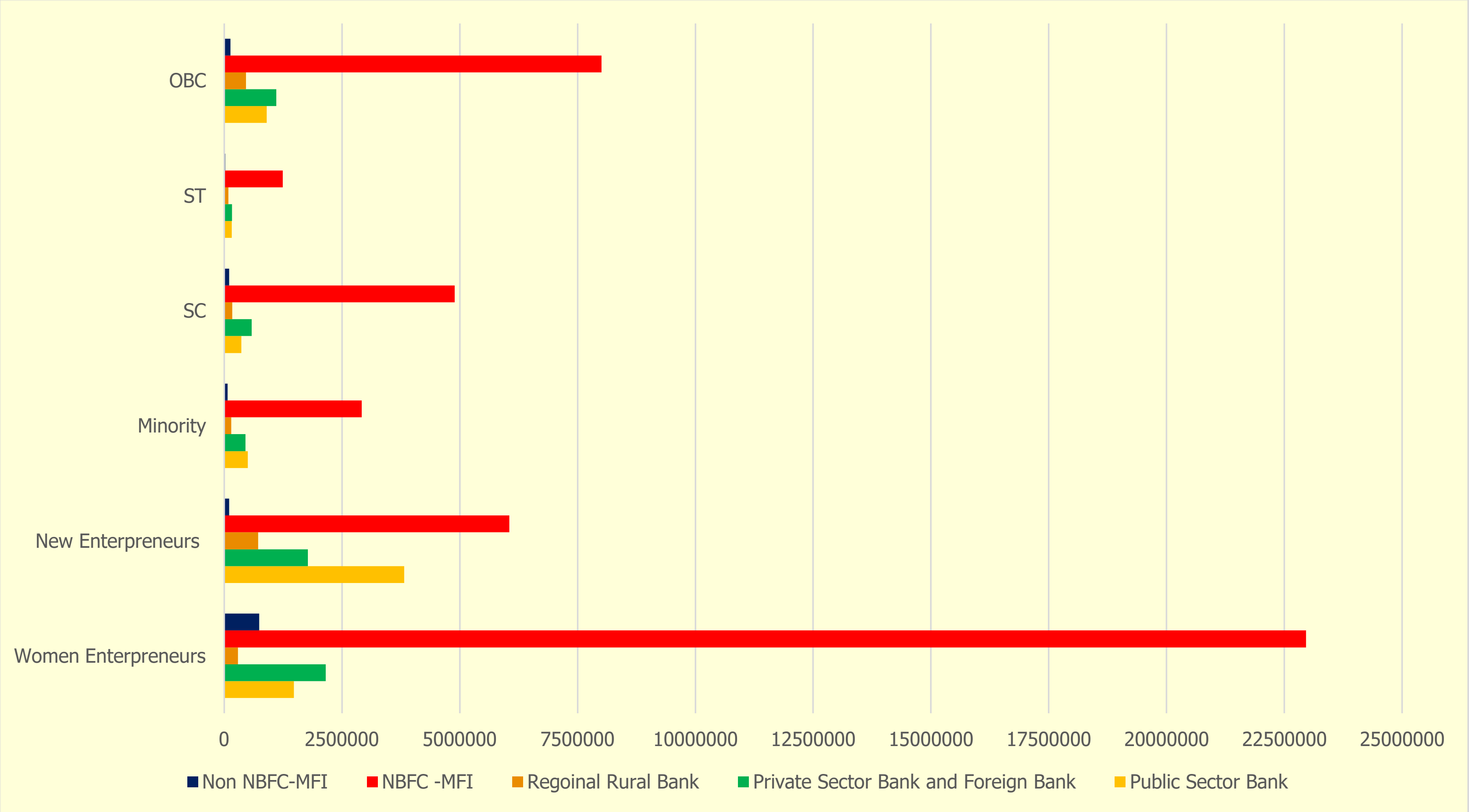
Performance by various agencies

Agency	Target Rs in crore	Amount sanctioned (Rs. in crore)	Amount disbursed (Rs in crore)
Public Sector Banks	70,000	59,674.28	56,127.10
Private Sector Banks	30,000	20,445.74	20,046.99
RRBs	22188	11,324.47	10,876.22
MFIs	---	46,004.78	45,904.42
TOTAL	**122188**	**1,37,449.27**	**1,32,954.73**

PMMY – Targets vs. Achievement - Banks



PMMY – Category wise no. of accounts



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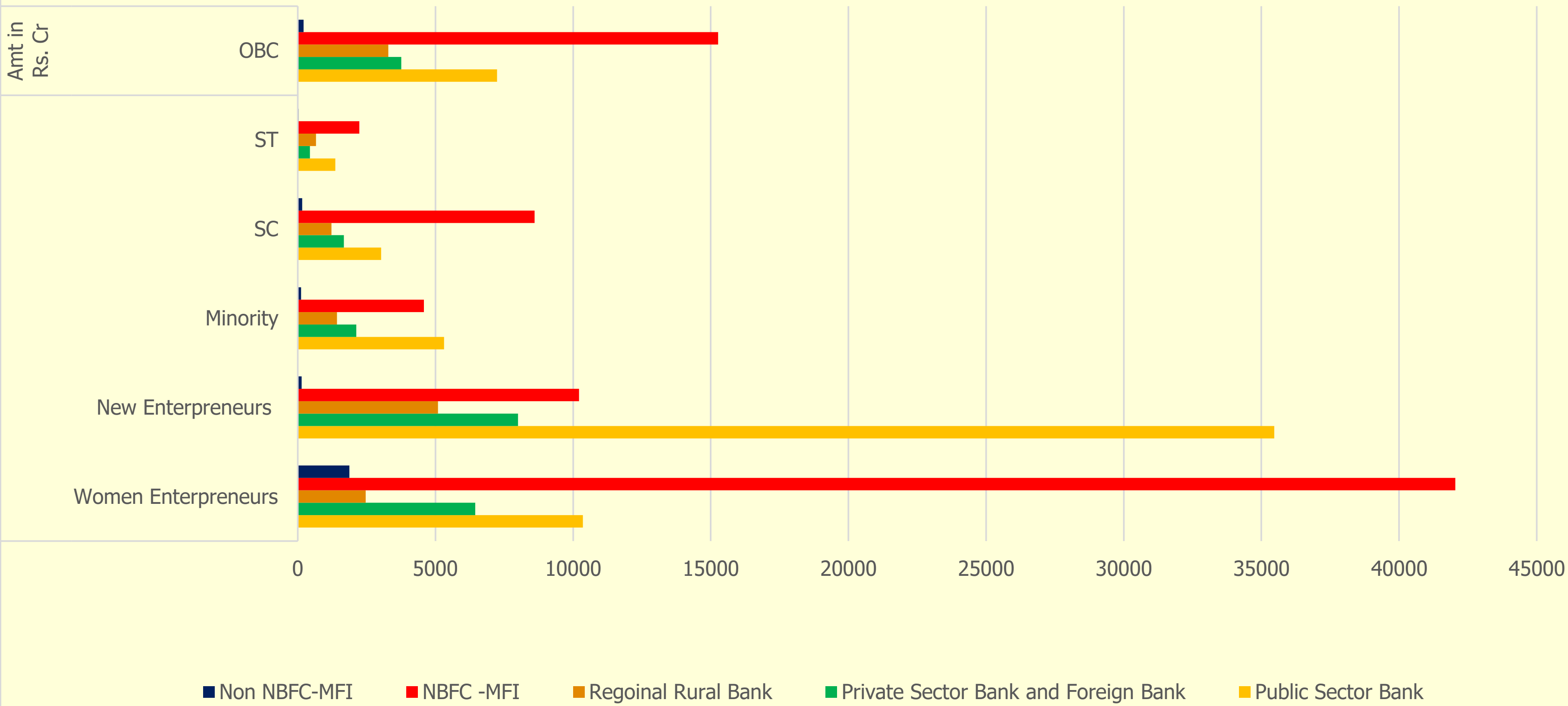
PMMY – Category wise amount disbursed



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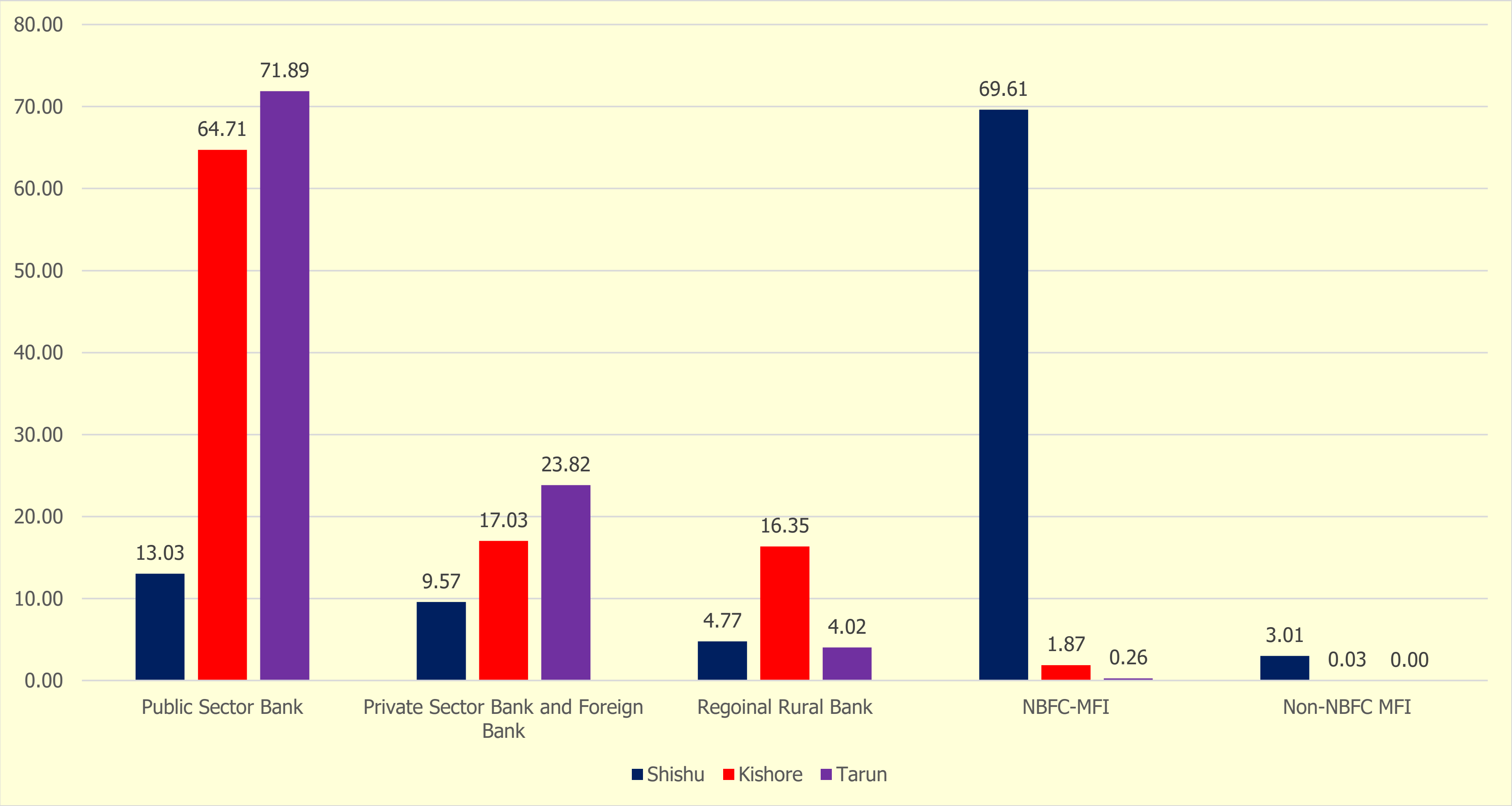
PMMY – % of achievement in total number of accounts



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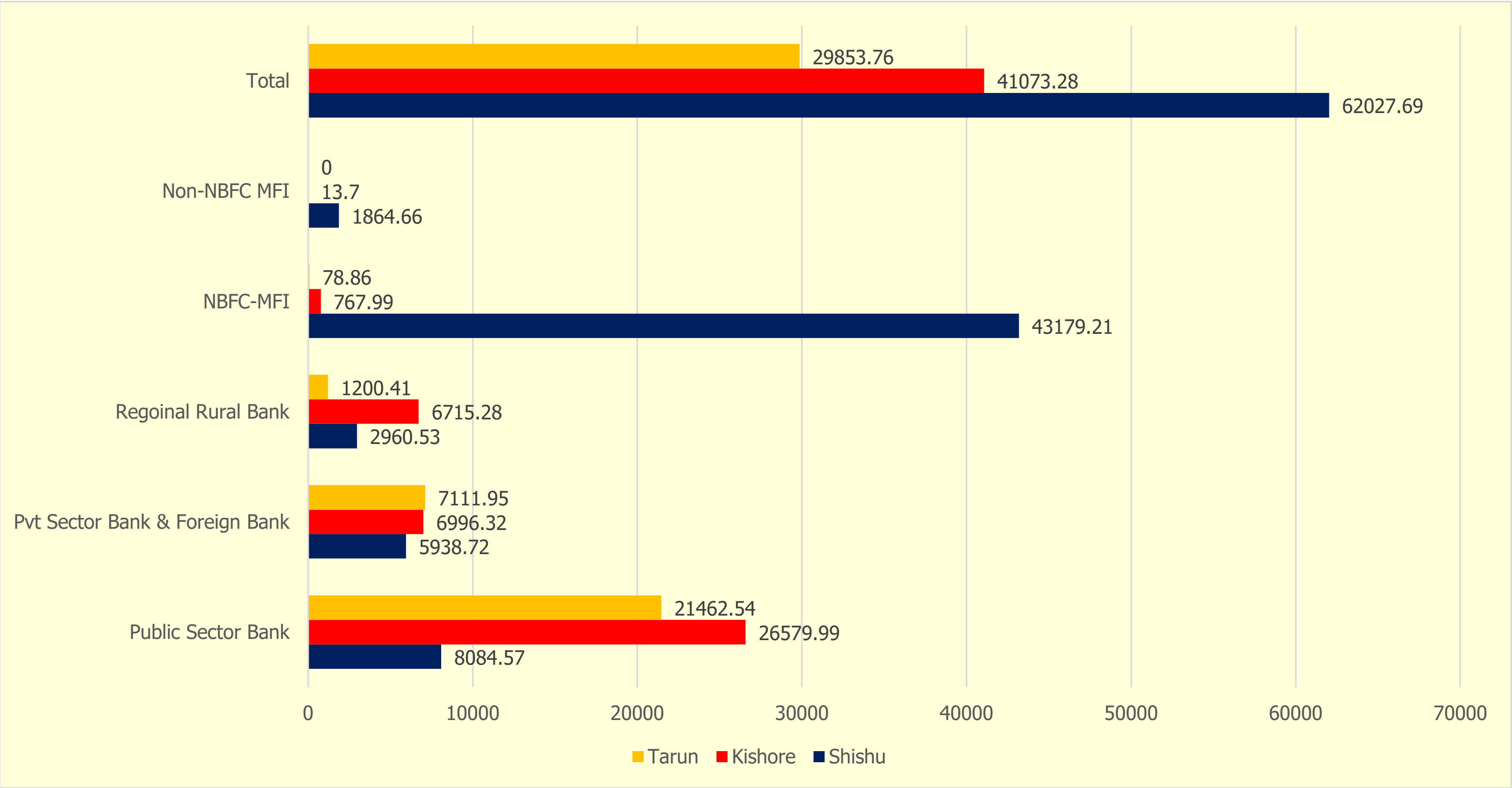
PMMY – Scheme wise disbursement by banks/MFIs
(Rs. in crore)



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Financial Inclusion (FI) meaning...

The Government of India's "Committee on Financial Inclusion in India" begins its report by defining Financial Inclusion "as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost."

Why financial inclusion?

- Complete financial inclusion will result into **uniform growth in all sectors** of the economy.
- Equal opportunities for all the segments in the society.
- Stability of the financial system.
- Eradication of poverty and improves the standard of the individuals.
- Overall improvement in the quality of life.
- Better distribution of wealth (prevents concentration of wealth in a few hands).
- Better image for the country.
- Better utilization of the resources.
- More employment opportunities.
- Empowerment of vulnerable group in the society.

Policy initiatives of GOI on FI

- Various initiatives were taken up by RBI / GoI in order to ensure financial inclusion.
- These include like - Nationalization of Banks; Expansion of Banks branch network ; Establishment & expansion of Cooperative and RRBs ; Introduction of PS lending ; Lead Bank Scheme ; Formation of SHGs etc.
- Further, during 2005-2006, RBI advised Banks to align their polices with the objective of financial Inclusion. Further, in order to ensure greater financial inclusion and increasing the outreach of the banking sector, it was decided to use the services of NGOs/SHGs, MFIs and other Civil Society Organizations as intermediaries in providing financial and banking services through use of "Business Facilitator and Business Correspondent Model".

Policy initiatives (contd...)

However, the big push towards financial inclusion in India has emanated from the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014 and the Jan Dhan Aadhaar Mobile (JAM) trinity articulated in the Government's Economic Survey 2014-15 as well as the special thrust on financial inclusion by the Financial Stability and Development Council (FSDC) that includes a Technical Group for dedicated attention to this issue. Thus, the inclusion drive has gone beyond the confines of various financial regulators and assumed the character of a broader national development policy goal.

Microfinance

- Small loans / savings / insurance / pension / payment services
- Micro credit –
- Upto Rs. 1 lakh
- Collateral free
- 50% to income generating activities
- Pricing to be less than 26% p.a
- Upto 1% UFF / no penalties for delays / pre-payment

Role of MFIs in financial inclusion#

- Average loan size (disb) Rs. 18,000/- per customer
- Portfolio across India as on December 31, 2015 – Rs. 42,331 crore – 2.88 crore cleints.
- Regional distribution (for glp), south - 35%, east - 15%, north - 25% and west - 25%
- Insurance (life) to over 2.81 Cr clients with sum insured of Rs 42,681 Cr (through MFIs)
- Pension accounts to over 16 lakh clients through MFIs

 # data pertains to 56 NBFC-MFIs – source MFIN

Past and future

- Past models were all brick and mortar - branch and groups (SHG / Grameen etc)
- Future could be disruptive with past success being no guarantee of future survival
- Indian MFIs already the most efficient
- Interest expected to come down further to about 15% over the next five years from 20-24%
- Technology would bring about drastic changes

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Opportunities & Challenges?

- Branchless lending (My bank) with the use of technology
- Banking Correspondent / securitisation would bring down costs by 2–3 %
- Aadhaar enabled KYC / digital delivery / APP led recovery tools (vernacular) to reduce costs further
- Aadhar (100 cr) linked credit bureau to reduce delinquency and lower costs further
- Smart phones (100 cr telephones) with bio metric readers / wallets - to be preferred device for financial inclusion – low cost solution (The number of smart phone users has increased manifold during the last three years, touching 160 million by July 2015. With technological advancements and the ensuing lower costs, the smart phone proliferation across the country will further increase, gradually making deeper inroads in rural areas as well. With the Digital India initiative aspiring to provide free wi-fi across India over the next few years, mobile money/e-money will have the advantage of lowering transactions costs while offering convenience of access and thereby enhancing financial inclusion. Thus, in the near future, mobile money has the potential to offer a low-cost alternative to cash).
- E Commerce to help small enterprises to access global markets with assured payment systems (Mahila E Haat – a unique direct online marketing platform to support women entrepreneurs/SHGs/NGOs. Entire business of E-Haat can be handled through mobile phone. Direct interface between buyer and seller).
- They have to maintain quality and delivery promises

Opportunities & Challenges? (contd…)

- Big data – bill payments / tax payments / census data / e-commerce transactions
- Psychometric data
- Analytics based on the above two and credit bureau data to provide rating to each potential borrower
- Contactless loans by banks
- Possible credit guarantee to good customers even prior to applying for bank assistance
- PMMY scheme (business loans upto Rs. 10 lakh)

Thank you!

www.mudra.org.in

Eligibility criteria

Commercial Banks

- Continuous profit track record for 3 years
- Net Non Performing Assets (NPAs) not exceeding 3%
- CRAR > 9%
- Net worth > Rs 100 cr

Regional Rural Banks

➢ Having profitable operations

➢ Not carrying any accumulated losses

➢ Net NPA less than 3% (can be extended to 5% on case by case basis)

➢ Capital to Risk Assets (CRAR) > 9%

Eligibility criteria (contd..)

NBFCs

- Minimum external rating of BB- for small NBFCs having total portfolio below Rs. 5 billion and BBB+ for NBFCs having portfolio of Rs. 5 billion or more.
- Meeting the minimum CRAR and other norms stipulated by RBI and comply with all the prevailing RBI guidelines. For all categories of NBFCs, registration with RBI will be mandatory.
- Net NPA should be < 3% and recovery rate should be > 90%

State Cooperative Banks

Category A

Net NPA up to 5% as on last audited statement.
Should have earned net profit during the last 2 years.
Should not carry any accumulated losses in their books of accounts.

Category B

Net NPA above 5% and up to 10% as on last audited statement.
Should have earned net profit during the last 2 years.
Should not carry any accumulated losses in their books of accounts.

Eligibility criteria (contd..)

Urban Cooperative Banks

➢ Should be an Urban Co-operative Bank (UCBs) listed in RBI's second schedule.
➢ should have been in operation for minimum 3 years
➢ should have earned net profits for the last two years
➢ sizeable outstanding portfolio in respect of micro/small business entities engaged in manufacturing, trading and service activities,
➢Should have Strong financials
✓i) net worth not less than Rs. 500 million
✓ii) CRAR not less than 9%
✓iii) level of net NPA not exceeding 3% and
✓iv) should not carry any accumulated loss in their books of accounts.

Eligibility criteria (contd..)

NBFC-MFIs

- Should have been lending to micro units meeting the loan size criteria of MUDRA for at least 3 years or the promoters / management should have an experience of at least 10 years.
- Having minimum out reach of 3000 existing borrowers.
- Minimum rating of Mfr4 by CRISIL or its equivalent (MfR 5 for underserved States)
- Meeting the minimum CRAR and other norms stipulated by RBI.
- Three years profitable track record, Recovery performance not less than 90%, Portfolio At Risk at 90 days below 5% and operational self sufficiency > 100%.
- Should be a member of credit bureau.
- Desirable to have undergone Code of Conduct Assessment (COCA) with a minimum score of 60 or equivalent.