What are the Differences Between an e-Mudra Loan and a Business Loan?

If you go to any bank website, you will find 10 + loan schemes and if you are a business owner and want to start your business, then you should care about only these 2 Business Loan schemes, Business Loan & e-Mudra Loan.

Business Loans & e-Mudra loans are kind of similar loans but there are a lot of differences between them, which you need to know if you want to start your own business in the future. What are the differences between a Business Loan & e-Mudra Loan?

What is an e-Mudra Loan ?

Micro Units Development & Refinance Agency LTD, aka MUDRA, is a financial institution set up by the government to fund the non-corporate business sector, aka NCBS.

For Instance, if you want to start your own business in a non-farm sector and need credit up to 10 Lakh. You can apply in your bank for MUDRA loans under the Pradhan Mantri MUDRA Yojana (PMMY).

People in these sectors, such as manufacturing, construction, hotels, restaurants, business, and personal services like Auto Rickshaw, and Barber, are eligible for e-Mudra Loan.

There are 3 schemes in Mudra Loan.

- Sishu Scheme – 50,000 Rupees.
- Kishor Scheme – 50,000 to 5 Lakh.
- Tarun Scheme – 5 Lakh to 10 Lakh.

What is a Business Loan?

Business loans are for those who want to start a business or want to collaborate, or just want to expand their business. Then banks and NBFCs (non-banking financial companies) give you business loans. These loans are available to private and corporate sector businesses.

There are a lot of schemes under the business loan section: “Term Loans”, “Working Capital Loans,” “Commercial Business Loans,” “Start-up Loans” and many more. You can avail loans up to ₹50 Lakhs if you meet the eligibility criteria.

Self-employed individuals, proprietors, private companies, and partnership firms involved in the manufacturing, trading, hotel, restaurant, and service business are eligible for business loans. Businesses with a Minimum 40 Lakh Turnover are also eligible for business loans.

What are the key differences between a Business Loan and an e-Mudra Loan?

Business Loans and e-Mudra Loans are both a type of loans, which helps businesses. But some key differences make these two completely different from each other.

➔ Purpose and Target Audience

A Business Loan targets established businesses that are seeking funding to expand operations, purchase equipment, and start a new start-up.

Whereas, the e-Mudra Loan specifically targets micro, small, and medium enterprises. The purpose of this loan is to kick-start a small business without any substantial credit history and any security.

➔ Loan amount and Repayment Tenure

Business Loans offer a higher Loan amount, which can range from 10 Lakhs to 10 Crores, depending on the lender's policies and the borrower's credit history. Banks also give longer tenure to businesses.

Talking about e-Mudra Loans, the maximum amount you can get in Mudra Loans is ₹10 lakhs. The repayment period of these loans is shorter, typically ranging from one to five years.

In simple words, if your business needs more than 10 lakhs, go for Business Loans, and if your business needs less than 10 lakhs, you can opt for e-Mudra loans.