

Mudra Bank signals priority lending for SC, ST entrepreneurs

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NEW DELHI: The government will set up a new financing institution, Mudra Bank (Micro Units Development Refinance), with a corpus of ` 20,000 crore that will give priority to lending to enterprises set up by people belonging to scheduled castes (SC) and scheduled tribes (ST).

“Our government firmly believes that development has to generate inclusive growth. While large corporate and business entities have a role to play, this has to be complemented by informal sector enterprises, which generate maximum employment,” finance minister Arun Jaitley said in his budget speech.

The finance minister said there were total 57.7 million small business units in the country, mostly individual proprietorship, which run small manufacturing, trading or service businesses. Out of this, 62% are owned by SC/ST/other backward classes.

“These bottom-of-the-pyramid, hard-working entrepreneurs, find it difficult, if not impossible, to access formal systems of credit. I, therefore, propose to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of ` 20,000 crore, and credit guarantee corpus of ` 3,000 crore,” Jaitley said.

Mudra Bank will refinance micro-finance institutions through a Pradhan Mantri Mudra Yojana. “In lending, priority will be given to SC/ST enterprises. These measures will greatly increase the confidence of young, educated or skilled workers, who would now be able to aspire to become first generation entrepreneurs; Existing small businesses, too, will be able to expand their activities. Just as we are banking the unbanked, we are also funding the unfunded,” he added.

Indian Banks Association chairman TM Bhasin said the setting up of Mudra bank for financing of small and micro units owned by SCs/STs with credit guarantee will strengthen micro and small enterprises.

“The government efforts to create Mudra Bank is likely to provide credit facilities to young educated and skilled workers (SC and ST). This will also help the government to achieve ‘Make in India’ objective,” said Subhash C Aggarwal, chairman and managing director, SMC Group.