

MUDRA Bank to fund the 'missing middle'

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CHENNAI: The Centre propose to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of Rs.20,000 crore and credit guarantee corpus of Rs.3,000 crore. MUDRA Bank will refinance Micro-Finance Institutions, said Union Finance Minister Arun Jaitley on Saturday.

Presenting the Union Budget 2015-16, Mr. Jaitley said that in lending, priority would be given to SC/ST enterprises. These measures would greatly increase the confidence of young, educated or skilled workers, who would be able to become first generation entrepreneurs. It would also enable existing small businesses to expand their activities.

P.N. Vasudevan, Managing Director of Equitas Holding said it was a good move forward as it would benefit nearly 58 million small and medium enterprises that did not have access to bank finance.

"These SMEs are called 'missing middle' as they are not funded either by the banks or microfinance institutions. By floating MUDRA bank, the Centre has ensured credit flow to this sector and has also identified NBFCs as a good fit to reach out to them. Equitas will now be able to get refinance at subsidised rate and it would be passed on to the SMEs. Moreover, it would enable SMEs to expand their activities," Mr. Vasudevan said.

Chartered Accountant M. R. Venkatesh said Mr. Jaitley had in one stroke addressed the deglamoured section of the economy in the most glamorous way. It is a political-economy master stroke.