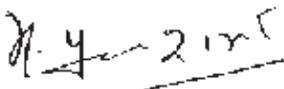


MUDRA & Small Banks: Promising Legendary Success

The path breaking and record advances of over Rs. 24,000 crore made to 37 lac micro enterprises by the MUDRA Bank within less than 6 months of its creation since April 8 this year itself, has eclipsed every past attempt of financial inclusion and empowerment of small businesses ever since our Independence. The MUDRA bank along with the Small Banks is going to create history, by accelerating the pace of growth of Micro and Small Enterprises, unprecedented hitherto in India or anywhere else. The target for this financial year is of extending advances of Rs 1.2 lakh crores to 1.25 crore borrowers. Thus, the newly-found "Micro Units Development and Refinance Agency (MUDRA) Bank", in combination with the nascent small banks, is going to change the nation's economic landscape by extending new life-infusing credit line for the 6 crore-plus micro and small enterprises of the country, employing above 11 crore persons. Access to affordable credit to small businesses would give spurt to growth in the number of micro and small units, whereby a vast number of job-seeking youth would get motivated to turn into job-providers, from job seekers, with sustained growth in the number of start-ups in the micro and small scale sector. This would eclipse, outshine and outcast all endeavors of economic development and financial inclusion, made by India's public financial institutions ever since our Independence. It would even dwarf all the erstwhile tall claims of the country's financial sector, having been made, ever since the bank nationalization in 1969 or even before. Indeed, it would be such a giant leap for a praiseworthy record, to well match with the legendary pace at which the bank accounts were opened under the Prime Minister's Jan Dhan Yojna, that would transform the country's job scenario to fulfill the dream target of "jobs for every hand".

Since, the MUDRA Bank has a mandate to use the entire range of financial service providers of the country, currently servicing the micro segment, including the banks, non-banking financial companies (NBFCs) and micro finance institutions (MFIs), it would enhance the ultimate outreach to enable access to all categories of small borrowers to institutional finance. Moreover, since the MFIs are the most active players in the field of providing much needed finance to the micro-enterprises, these would get the most needed and crucial access to more and more resources for lending onward to their target segment. So, the MUDRA bank would give them (the MFI's) access to the much needed funds to lend. The MUDRA Bank would also play a crucial role in infusing financial resources, critical for the viability and success of the newly licensed small banks as well, which are mandated to lend the bulk of their funds to priority sector borrowers alone, ranging from Rs. 50,000- Rs.10 Lakh. So, the MUDRA Bank, a unique NDA Government innovation, along with the Small Banks, as crafted by the Reserve Bank of India are going to fill the most vital gap of funding the tiny business units, hitherto never in focus to bridge this gap, ever since Independence. Micro finance was hitherto available only to the borrowers, borrowing up to a total of Rs. 1 Lac only. On the other hand, banks and NBFCs typically do not lend in the range of Rs 1-10 Lakh range. So, it is also worth mentioning here that since, 8 out of 10 entities, granted approval for running a small bank are the MFIs, and moreover the MUDRA Bank also aims to re-finance loans given by them, to micro enterprises under 3 categories, viz., the Shishu (upto Rs. 50,000), Kishore (Rs. 50,000-5 Lakh) and the Tarun (Rs. 5-10 Lakh), it would prove to be a truly life infusing nectar for small entrepreneurs in the country, largely dependent till date, upon private lenders, charging exorbitant interest. Therefore, it would be a most needed bounty to the micro and small enterprises, which hitherto had to borrow from the unorganized money lenders at rates as high as 30%, which was almost nightmarish to service and a major impediment against their survival and growth. Once, the loan rate would soften with the advent of MUDRA and small banks to around 10%, these tiny units or firms would flourish and grow at such an accelerating pace, which can restore our ancient glory of a vibrant economy, powered by infinite micro-units widely embedded across the country to power growth, through decentralized economic activities, and help overcome the country from the post-reforms ailment of jobless growth, within a short span of time.



(Prof. Bhagwati Prakash Sharma)

Editor in chief