

BHARAT SCHOOL OF BANKING

MUDRA BANK

According to **Budget 2015-16**, the union government will set up **Micro Units Development and Refinance Agency (MUDRA) Bank** with a capital of **Rs. 20,000 crore** to finance the **micro-finance** sector of India, under **PradhanMantriMudraYojana**.

Purpose of MUDRA Bank

The Bank will regulate and refinance all **Micro-Finance Institutions (MFIs)** in India, which lends to / finances **the Micro, Small and Medium Enterprises (MSMEs)** engaged in manufacturing, trading and services activities.

Finance Minister said, "*The measures would not only help in increasing access of finance to the **unbanked** but also **bring down the cost** of finance from the last Mile Financers to the **micro/small enterprises**, most of which are in the **informal sector**".*

Budgetary allocation

Rs. 20,000 crore corpus is allocated to set up the **MUDRA bank**. Another **Rs. 3,000 crore** would be provided to it, to create a **Credit Guarantee corpus** for guaranteeing loans to the **micro finance sector**.

Responsibility of MUDRA bank

- Laying down **policy guidelines** for **MSME** financing business
- **Registration** and **regulation** of **MFI** entities
- Accreditation / **rating** of **MFI** entities
- Formulating and running a **credit guarantee scheme** for providing **guarantees** to the **loans** which are being extended to **micro-enterprises**
- Creating a good **architecture** of last mile **credit delivery** to **micro business** under the scheme of **Pradhan Mantri Mudra Yojana**, etc.

Priority Sector Lending

Finance Ministry also directed that **MSME loans** would be treated as **Priority Sector Lending (PSL)** and a separate **sub-limit of 7.5 %** in PSL is being created for the **Micro Enterprises**.

Some points on MUDRA Bank

- It is to be set up as an **apex refiner**, which will fund over **50 million entrepreneurs**, who generally do not have access to **formal credit**. These **micro entrepreneurs** also provide **jobs** to other people, thus creating an opportunity of **inclusive growth**.
- It will fund **micro units** which are more **efficient** and adds more **value** to the economy than the corporates. According to the **Economy Census 2014**, the **gross fixed assets** of these (approx) **5.77 crore micro units** is **Rs. 11.5 lakh crore**. **62 %** of these are owned by **Scheduled Caste (SC)**, **Scheduled Tribes (ST)** and **Other Backward Castes (OBCs)**.
- The **MUDRA architecture** is **indigenously** designed to fund the Indian **non-formal sector**.