



## **Stand-Up India Scheme: Problems and Prospects**

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Empowerment of the Socially Disadvantaged Groups viz., the Scheduled Castes (SCs), the Other Backward Classes (OBCs) and the Minorities continues to be on the priority list of country's developmental Agenda, as they still lag behind the rest of the society due to their social and economic backwardness. Their share in the country's total population is quite substantial, as SCs account for 179.7 million, representing 17.5 percent and Minorities being 188.9 million, representing 18.4 percent in 2001 (projected on the basis of the trend of their decadal growth rates, in the absence of the data of 2001 Census). The population of OBCs, as estimated by the Mandal Commission, constitutes 52 percent of countries total population (appears to be on a high side because of the possibility of certain communities of SCs and Minorities featuring in the list of OBCs).

Recognizing the relative backwardness of these weaker sections of the society, the Constitution of India guarantees equality before the law (Article 14) and enjoins the State to make special provisions for the advancement of any socially and educationally backward classes or for SCs (Article 15(4)). It also empowers the State to make provisions for reservation in appointments or posts in favour of any backward class of citizens (Article 16(4)).

The Constitution of India also states categorically that un-touchability is abolished and its practice in any form is forbidden (Article 17). Further, it enjoins the State to promote, with special care, the educational and economic interests of the weaker sections of the people and, in particular, of SCs and promises to protect them



from social injustice and all forms of exploitation (Article 46). Reservation of seats for SCs in the democratic institutions (Article 330) and in services (Article 335) is another measure of positive discrimination in favour of these Groups. It empowers the State to appoint a Commission to investigate into the conditions of socially and educationally backward classes (Article 340) and to specify the Castes to be deemed as SCs (Article 341).

In the case of Minorities, the Constitution adopts certain safeguards to recognize their rights in conserving their culture and establish and administer educational institutions of their choice under the Articles 29 and 30. While the Article 350(A) advocates instructions in the mother tongue at the primary stage of education to children belonging to Linguistic Minorities, Article 350(B) provides for a Special Officer to safeguard the interests of the Linguistic Minorities. Besides these specific Articles, there are also a number of Constitutional provisions enabling protection and promotion of the interests of these socially backward Groups.

#### **Stand-Up India Scheme:**

Keeping in mind the special borrowing needs of the SC, ST and OBC entrepreneurs, the Government of India has launched the Stand-Up India Scheme as part of its financial inclusion initiative. Further, with a view to provide equal opportunity to all, the loans have been framed in a way to benefit this category with relaxed criteria in case of setting up a new venture. Stand up India is among the various new social security scheme introduced by the Government of India.

#### **Interest Rate:**

The interest rate under this scheme shall be the lowest interest rates offered by the bank for a particular category of lending. The ceiling rate of interest is fixed at the respective banks's MCLR + 3% + Tenor Premium.

**Eligibility Criteria:** The loan would be extended to any woman, SC or ST entrepreneurs who are undertaking a venture in the services, trading or manufacturing



sectors. The loans provided under this scheme range from Rs. 10 lakhs up to Rs. 1 crore to at least one SC / ST and one-woman borrower from every bank branch. In case of a group enterprise, a minimum shareholding of 51% must be mandatorily held by an entrepreneur who is either a woman or a member of the SC or ST community. This loan scheme is available at all branches of scheduled commercial banks in India.

**Additional Eligibility Criteria:**

- The loan applicant must be above 18 years of age.
- The entrepreneur must either be a woman or belong to the SC or ST community to avail this loan.
- Loans will be extended under this scheme only for funding green field projects in services, trade or manufacturing sectors. Thus, the loans cannot be utilized to fund the operations of an already existing business.
- The loan applicant must have a strong track record of creditworthiness and not be an existing loan defaulter.

**Types of Loans under Stand up India Schemes:**

- The loans are in the nature of composite loans that includes both term loans and working capital assistance. The loan value will generally cover 75% of the cost of the project. This includes both components – working capital and term loan. Th exception to this is when the contribution of the borrower, along with financial support being provided by other schemes, amounts to more than 25% of the overall cost of the project. In case of withdrawal of working capital up to Rs 10 lakh, the funds will be disbursed in the form of overdrafts.
- A RuPay debit card may be issued to the borrower for additional convenience of easy fund withdrawal. In case of working capital assistance in excess of Rs 10 lakhs, the same will be extended by a cash credit limit.
- Other comprehensive support functions include pre-loan training, factoring and marketing assistance



- Margin Money requirement – The scheme functions under the pretext that 25% margin money towards the cost of the project will be provided by Government schemes. However, 10% of the project cost must be borne by the borrower.
- Collateral cover – The bank may insist on collateral security or a guarantee of CGFSIL (Credit Guarantee Fund Scheme for Stand-Up India Loans), in addition to primary security.

#### Repayment Tenure For Stand-up India Loan

##### Documents Required:

- Self-attested identity proof like voter card, driving license, passport or Aadhar card
- Proof of residence, including recent electricity bill, water bill, recent telephone bill, bank statement or passport
- 2 copies of passport size photographs
- Quotations from vendors of estimates of cost of machinery to be financed
- Specific details of plant and machinery, supplier machinery, machinery cost, capacity etc
- License certificate of business enterprise and ownership and shareholding proof
- Certificate validating SC, ST or OBC status

##### Customized Credit Services:

The following factors will impact the ease of loan approval under the Stand Up India scheme and categorizes the borrower as ready borrower or trainee borrower:

- The location of the business or the borrower's place of residence
- The category of the loan applicant – whether SC, SC or woman
- Nature of business venture for which loan approval is sought. Whether the business is viable and sustainable revenues are expected to be realised



- Availability of business premises
  - Skill training required both financial and technical
  - Details of current bank account
  - Availability of a detailed business plan with projections of estimated revenues and costs. In case of working capital, projections for at least a year should be provided. In case of a term loan, estimates for the loan tenure are required
  - The amount of money that is being invested by the promoters towards setting up the greenfield venture
  - Assistance required by the borrower to raise funds for margin money
  - Prior experience of the promoters in setting up a new business venture and the success rate of the business:
1. Ready Borrower: Such a borrower requires no minute support and the loan application process commences at the selected bank branch. An application number will be generated and details about the borrower shared with the concerned bank. The loan status can be tracked via the portal.
  2. Trainee borrower: Such a borrower requires handholding assistance. The handholding support includes technical and financial training, margin money support, inventory sourcing, bill discounting, e-commerce set up and tax registration.

The Stand-up India program helps create an entrepreneur friendly ecosystem to provide support for the conduct of business by members of the SC, ST and OBC community. This is in recognition of the challenges faced by them as regards setting up of a new enterprise, fund raising and other timely assistance required from time to time.



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