



A STUDY ON THE IMPACT OF MUDRA ON THE EMPOWERMENT OF MICRO ENTREPRENEURS IN TAMILNADU

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ABSTRACT

The main motive behind this study to find out the major impact of Mudra Loan on Micro, Small & Medium Enterprises (MSME). The major traffic jam to the growth of entrepreneurs in the Non-Corporate Small scale industries is the lack of financial support to this sector. Majority of this sector does not have access to formal source of funding. In a Developing country having large population like India, small business units play a significant role not only in contributing to nation income but also by providing employment to a large number of people. After identifying the significance of self-employment people and small business units, government of India launched MUDRA Yojana to deal with the financial and other constraints. India who currently face difficulty to access credit from the regular banking system. Mudra Bank will associate with local coordinators and provide finance to "Last Mile Financers" of small/micro businesses.

KEYWORDS: *Micro, Small, Medium Enterprises, mudra Yojana Scheme.*

I. INTRODUCTION

Micro enterprises are considered as an important pillar of the economy as they account for 90% of non agriculture employment in the country. But still most of these units do not have access to formal credit facilities and rather they have to depend on informal sources such as family or friends to fulfill their credit requirement. This also leads to excessive exploitation of these entrepreneurs as they are forced to pay a large amount in the form of interest. To overcome such situations, the government has launched a scheme named Pradhan Mantri Mudra Yojana (PMMY) under the Honorable Prime Minister Mr. Narendra Modi on April 08, 2015. Micro Units Development & Refinance Agency (MUDRA) has been created as a part of this scheme. The objective of

PMMY was to bring the micro units under the formal credit mechanism as a part of the financial inclusion process. The core operations of MUDRA is to provide refinance support to the lenders who finance micro units engaged in manufacturing, trading or service sectors upto Rs 10 Lakhs. Micro Units Development & Refinance Agency (MUDRA) has been created as a part of this scheme. The objective of PMMY was to bring the micro units under the formal credit mechanism as a part of the financial inclusion process. The core operations of MUDRA is to provide refinance support to the lenders who finance micro units engaged in manufacturing, trading or service sectors upto Rs 10 Lakhs. MUDRA provides refinance support to commercial banks, RRBs, co-operative banks, Non-Banking Financial Companies (NBFCs) and Micro



Finance Institutions (MFIs) that are granting loans to micro enterprises. Other operations of MUDRA include securitization of loan assets, management of fund's resources, monitoring of PMMY, developing new products and operating Credit Guarantee Fund for Micro Units. MUDRA loans are provided to income generating small enterprises such as small manufacturing units, service sector enterprises, shop keeping, fruits and vegetable vending, trucking, operating food services, repairs and maintenance, operating machines, food processing, handicraft making both in the rural as well as urban areas and to the extent of Rs 10 Lakhs only. From FY 2016-17 onwards, activities related to agriculture have also been made eligible under PMMY.

1.1 Statement of the Problem

India, being a developing country, requires its micro entrepreneurs to grow and prosper because micro business play an important role not only in contributing to nation GDP but also providing employment to large number of people. But due to various constraints micro businesses are not playing their role effectively and the main reason behind that is, most of the individuals of our country living in rural area, have been excluded from the benefit of formal banking system, therefore, they had never access to various facilities like credit, loan, insurance, and other financial instruments to help them establish and grow their micro businesses. After identifying the importance of micro businesses and entrepreneurs, government of India launched the Mudra Bank Scheme under Pradhan Mantri Mudra Yojana to provide financial assistance to micro small medium enterprises.

1.2 Significance of the Study

MUDRA is a newest archetype of present central government. A harsh reality in the current economic scenario is that there are a number of facilities provided for the large industries in India, small entrepreneurs and informal business entities are often cut off from banking system because of limited branch presence and other constraints. The small businesses, with a little help, have the potential to grow manifold. MUDRA is a lending mechanism to make available funds and utilization for the lower segments with relaxed norms in comparison to conventional loans.

1.3 Objectives of the Study

1. To explore the socio economic profile of the micro entrepreneurs of Tamil nadu
2. To know the impact of MUDRA on the empowerment of micro entrepreneurs.

1.4 Methodology

The study is based on descriptive research design. An interview schedule has been designed, to know the point of view of respondent regarding the Impact of MUDRA on empowerment of micro entrepreneurs in tamilnadu. The interview schedule contains information regarding socio economic profile variables, Impact of MUDRA on the empowerment of micro entrepreneurs in Mudra Bank Yojana Scheme.

1.5 Collection of Data

The data required for the study was collected from both the primary and secondary sources during the period of 2020- 21. Primary data was collected to get first hand information about a topic and for the purpose of analyzing information.. Secondary data was collected through documentary research method.

1.6 Limitations of the Study

This study is subject to following limitations:

1. The respondents of this study were very reluctant to respond due to some unwanted fear. They were not much receptive in responding to the researcher. This made the researcher to choose only the entrepreneurs who were freely available and far interview.
2. The interview schedule is also lengthy which was irritating in nature. Therefore, the respondents were not patient enough to and respond appropriately. This leaves room for in complete and inaccurate response.

II. REVIEW OF LITERATURE

Public Policy Research Centre(2018) conducted a research to assess the impact of Pradhan Mantri MUDRA Yojana in Delhi NCT. The study highlights that to what extent MUDRA become successful in job generation and extension of livelihood. This study also discussed case studies of the beneficiaries of MUDRA Yojana and its impact on their business. The study found that MUDRA has an impact on the economy by creating livelihood and opportunities for employment of peoples. In addition to that study found some challenges to the MUDRA like lack of awareness, capacity building and supporting etc.



III. ANALYSIS OF DATA

ANOVA' test for Significant difference among communities of micro entrepreneurs with respect to Factors Influencing for availing Loan through Mudra Bank Yojana Scheme

Factors Influencing for availing Loan through Mudra Bank Yojana Scheme	Community (Mean Score)			F Statistics
	OC	OBC	SC/ST	
Quick appraisal and approval of loan	3.0385	3.9219	3.9595	9.668*
Less processing fee	2.8462	3.6484	3.6577	7.287*
Repayment period	2.8846	3.7708	3.7252	8.470*
Easy disbursement	3.2308	3.7656	3.8198	3.444*
Problem of finance	3.3462	3.9323	3.9005	4.522*
Less risk bearing capacity	3.1538	3.9089	3.8919	6.715*
Time saving	3.3071	4.0885	3.8559	10.016*
Proper customer service	3.2692	3.9146	3.9092	5.257*
Recognition of customers	3.1154	3.9453	3.9003	9.597*
Easy availability	3.5769	3.8464	3.8243	0.828
Proper response	4.0385	3.9479	3.9640	0.238
Simple loan procedure	3.8462	4.0156	4.0766	2.299
Low EMI	2.6538	3.5365	3.4459	10.375*
Lack of infrastructure	2.8462	3.8516	3.8378	12.506*
Low rate of interest	3.3077	3.8464	3.8829	4.133*

Source: Primary data

*-Significant at five per cent level

It is understood from the above table that the important factors influencing for availing loan through Mudra Bank Yojana Scheme among the micro entrepreneurs who belong to OC are proper response and simple loan procedure as their mean scores are 4.0385 and 3.8462 respectively. Table reveals that the important factors influencing for availing loan through Mudra Bank Yojana Scheme among the micro entrepreneurs who belong to OBC are time saving and simple loan procedure as their mean scores are 4.0885 and 4.0156 respectively. Table further reveals that simple loan procedure and quick appraisal and approval of loan are the important factors influencing for availing loan through Mudra Bank Yojana Scheme among the micro entrepreneurs who belong to SC/ST as their mean scores are 4.0766 and 3.9595 respectively. Regarding the factors influencing for availing loan through Mudra Bank Yojana Scheme among different communities of micro entrepreneurs, quick appraisal and approval of loan, less processing fee, repayment period, easy disbursement, problem of finance, less risk bearing capacity, time saving, proper customer service, recognition of customers, low EMI, lack of infrastructure and low rate of interest are statistically significant at 5 per cent level.

business and the existing entrepreneur's availed loan for expansion of their business activities. The major problems faced by micro entrepreneurs in accessing the credit under the MUDRA loans were lengthy processing time for the loan application. It is also observed that, they do not receive full amount of loan applied for. The main benefits of MUDRA loan is that the borrowers are not required to provide collateral or any other security. But the banks do not have that much of trust on newly established enterprises or start-ups to provide loan without any collateral. So some banks demand collateral for this loan. MUDRA scheme has the potential to create self-employment and it helps in the growth of micro and small enterprises in the country.

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V. CONCLUSION

The study found that the main purpose for which beneficiaries availed MUDRA loan for starting a new