



Efficacy of mudra bank schemes for the growth & development of micro units

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Abstract

In India, small businesses are able to provide employment to a large number of people so Government has emphasized on the accelerating growth of micro units by providing a loan under the Mudra Bank Schemes. To provide employment is an important parameter for sustainable economy and that comes through the effective implementation of a MUDRA that stands for Micro Units Development and Refinance Agency Ltd. It is a financial institution for development and refinancing activities related to micro units being setup by government of India. The purpose of MUDRA is to provide fundi small business sector fall under the category of Non Most of the people engaged in small businesses. The study has attempted to measure the efficacy of Mudra bank Schemes in lieu of easy process, less documentation, lead time for sanctioning the amount, mode of payment, flexibility in repayment etc. For this study total 185 beneficiaries were chosen on the basis of convenience method so that efficacy would be measured. Linear relationship has been examined between the efficacy of Mudra Bank Schemes and the growth & development of Micro units. The study concluded that the changes in the growth & development of micro units are explained by the efficacy of Mudra Bank Schemes.

Keywords: Efficacy, easy process, less documentation, lead time for sanctioning the amount, mode of payment, flexibility in repayment, growth & development of micro units

Introduction

The MUDRA Bank is set up on 8th of April, 2015 through a statutory enactment and is responsible for regulating and refinancing MFIs through a Pradhan Mantri MUDRA Yojana. It will cater to the almost 51 million micro and small businesses who employ about 20% of the country's labour force in the manufacturing, trading, and services industries. These individuals are spread all across the country and usually do not have access to institutional credit. MUDRA Bank with a capital allocation of INR 20,000 crore (\$3.2 billion) has set up and a credit guarantee fund of INR 3,000 crore (\$480 million). MUDRA will partner with local coordinators to provide financing to "last mile financiers" of small entrepreneurs and businesses. Initially MUDRA has established its functions as a department of Small Industries Development.

Mudra bank scheme is providing loans for start-ups micro units and striving for employment and other establishments. Its role is to implement government plans and coordinate with other organizations and to promote and finance the small-scale sector. The primary product of MUDRA is refinancing/lending to micro businesses.

Mudra Bank is for 'funding' the 'unfunded'. This provides credit of up to Rs 10 lakh to small entrepreneurs and act as a regulator for 'Micro-Finance Institutions' (MFIs). MUDRA Bank also refines Micro-Finance Institutions through Pradhan Mantri Mudra Yojana. In Hindi we can say Mudra means currency so its name notifies the credit provided to people for running the businesses. Its main objective is to set up small units in various sectors and to extend its operations to become self-reliant. It is a system of formal credit granted to needy. Agriculture & Self-employment are the focus areas of Mudra Bank. It was set up through a

statutory enactment which would be responsible for developing & refining all MFIs which are in the business of lending to micro / small business activities engaged in manufacturing, trading & service activities. The concept of MUDRA bank offers a credit plus solution goes beyond credit approach for these enterprises spread across the country. It is a great step forward set up of MUDRA Bank in providing the much-needed financial access and support to the small and medium enterprises. This goes a long way in stimulating the growth of MSMEs which is crucial for large scale job creation and accelerating GDP growth. As the nodal financing agency MUDRA Bank envisaged regulator of Micro Finance Institutions, so that financial stress of MSMEs will be alleviated".

It helps in rural and urban areas with financing requirements up to Rs.10 lakh. For setting up Businesses or Entrepreneurs included proprietorship or partnership firms running as small manufacturing units, shopkeepers, fruits or vegetable sellers, hair cutting saloon, beauty parlours, transporters, truck operators, hawkers, co-operatives or body of individuals, food service units, repair shops, machine operators, small industries, artisans, food processors, self help groups, professionals and service providers etc. This scheme has three categories namely; Kishor, Tarun & Shishu in which Shishu category can sanction upto Rs. 50,000, Kishor have limit from 5 lac to 10 lac and Tarun limits from 5 lac to 10 lac.

Rationale of the study

The overriding purpose of the study is to examine the efficacy of Mudra Bank Schemes in terms of development of micro and small units in Bilaspur District of Chhattisgarh. Over the last few years, the financial

performance of Mudra bank in providing the financial assistance is small scale industries is growing at a rapid pace. For developing services, perceived service quality can be viewed as a concept for understanding. Whereas growth and development is a concept for the evaluation of how these services are fulfilling the needs and desires of beneficiaries. To retain customers, banks should try to make beneficiaries satisfied with the efficacy of Mudra bank scheme services. It is necessary to identify the factors that affect the satisfaction level with the Mudra bank schemes for the growth and development of micro and small units. Hence, this study has explored the factors like easy process, less documentation, flexibility in payment, lead time for sanctioning loan etc. that are associated with the efficacy of Mudra bank schemes related to micro and small units.

Review of literature

Agarwal, B. (2020) [1] focused on the prospects of Post-COVID 19 and concluded that now the scenario has been changed. People are motivating to take loans and start their micro units for local manufacturing process which lead to ‘Vocal for Local’. As the rate of GDP is declined for the last months so there is a need to focus on self-reliant to meet the consumption of local people. The interest rate on loans is also reduced to encourage more people to move ahead in developing their micro units. The study suggested that if people get the subsidy in their start-ups, no doubt that within time Indian economy will gather its capability to strengthen. Shah, A. and Mali, A. (2019) [7] studied the term PMMY for encouraging and uplifting new entrepreneurship in India. This scheme provides loans for running the Medium & Small units to accelerate the growth & development. The study concluded that this scheme is constantly sanctioning the loan for the establishment of start-ups or reviving the sick units. PMMY has increased the opportunity of credit requirement. The efficacy depends upon the changing perspectives of financial inclusion to boost Indian economy. Lall, R. A. (2018) [4] focused on the performance of Mudra Scheme. Mudra scheme was launched in 2015 by the Government of India to provide loans and refinance the businesses. The Mudra scheme facilitates the micro units to carry out its businesses for gaining profit. Through trend forecasting, the study has explained the performance of Mudra scheme. The result indicated that under Mudra scheme, Kishor, Tarun and Shishu categories have performed well but Shishu category could not achieve its target. The study suggested the financial awareness programmes should be conducted regularly to motivate the people for start-ups to make dream of India ‘Make in India’ would get succeed.

Venkatesh, J. and Kumari, R. (2017) [8] explained that Government has introduced many schemes for overall growth & development of various sectors. The main aim of these schemes to promote medium and small enterprises that

will increase employment opportunities and contribute in the growth of economy.

Rudrawar, M. and Uttarwar, A. (2016) [6] examined the role of Mudra scheme in Indian economy. The Mudra scheme is a game changer which is one of the pillars of Indian economy. The study found that beneficiaries were satisfied with the easy process and accessibility to scheme that turns out to be fruitful. The study suggested that in coming years, Mudra scheme will play a vital role for the development of entrepreneurial spirit, generating employment opportunities and contributed in increasing the GDP.

Objectives of the study

- To study the impact of efficacy of Mudra Bank Scheme on beneficiaries’ satisfaction level.
- To suggest various measures to motivate people in large number.

Hypothesis of the study

H₀₁: There is no significant impact of efficacy of Mudra Bank Scheme on beneficiaries’ satisfaction level.

H_{a1}: There is a significant impact of efficacy of Mudra Bank Scheme on beneficiaries’ satisfaction level.

Research methodology

Research design: Descriptive

Research sampling method: Convenience Sampling Method

Sample universe: Beneficiaries of Bilaspur District (Chhattisgarh)

Sample size: 185 Beneficiaries who have taken the loans under the Mudra Bank Scheme.

Research survey: Through self constructed questionnaire, the responses were gathered. The questionnaire contains 20 questions related to easy process, documentation, lead time for sanctioning loans, repayment flexibility, satisfaction level of beneficiaries.

Reliability: The reliability of this scale is. 879, means that 87.9% scale is reliable.

Statistical Tool: Regression was applied on SPSS 20.0 to examine the impact of efficacy of scheme on the satisfaction level of beneficiaries.

Results

H₀₁: There is no significant impact of efficacy of Mudra Bank Scheme on beneficiaries’ satisfaction level.

Table 1: Model Summary^b

Model	R	R square	Adjusted R square	Std. Error of the estimate	Change Statistics					Durbin-watson
					R square change	F change	df1	df2	Sig. F change	
1	.855 ^a	.732	.730	.67008	.732	498.988	1	183	.000	1.814

a. Predictors: (Constant), Efficacy of Mudra Scheme

b. Dependent Variable: Satisfaction level

The above Table shows the model on regression indicating that there is a strong correlation between the efficacy of Mudra scheme and the satisfaction level of beneficiaries as the value of correlation is 0.855 and the regression value is 0.732 means that 73.2% variance is explained in the satisfaction level of beneficiaries by the efficacy of Mudra bank scheme. The p-value is significant $0.000 < 0.05$ and the Durbin Watson has 1.814 value which is more than 1 so it

can be said that these variables are auto correlated. The F indicates the Model of Fit which is 498.988 so it is concluded that the Model is fit, hence, the null hypothesis which states that ‘There is no significant impact of efficacy of Mudra Bank Scheme on beneficiaries’ satisfaction level’ is rejected and alternate hypotheses ‘There is a significant impact of efficacy of Mudra Bank Scheme on beneficiaries’ satisfaction level’ is accepted at 5% level of significance.

Table 2: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	.491	.143		3.436	.001	.209	.773
Efficacy of Mudra Scheme	.853	.038	.855	22.338	.000	.777	.928

a. Dependent Variable: Satisfaction level

The above coefficient table indicates the risk of increasing the dependent variable is one unit is increased in independent variable. The 8.53 unit is supposed to increase if one unit accelerates in independent variable efficacy of Mudra scheme. The value of T test is 3.436 means that difference exists between two variables. The equation is: $Y = .491 + .853(x)$.

Conclusion

The study found that the parameters of efficacy that is less documentation timely sanctioned loans, flexibility in payment, easy and simple process all these led to the satisfaction of beneficiaries in setting up micro units. The findings indicated the process of loan is easy and also there is less required documentation but one problem which comes in handling the online services as some of beneficiaries do not know the process of online. But result indicated that beneficiaries were satisfied with the loan amount and lead time. MUDRA Yojana may play a crucial role in the viability and success of the newly licensed small finance banks, which are mandated to lend the bulk of their funds to priority sector borrowers. So, a much more viable architecture is emerging. Going forward, this should become a significant institutional capability in MUDRA Yojana. The Mudra Yojana can be different from existing system if it is more relation based and not merely rule based. After all, most of the target borrowers are in the service sectors and hence the need is to focus more on income generated assets rather than fixed assets. India stands at the threshold of becoming an economic with a huge demographic dividend to capitalize on. The small scale industries which form the foundation of the economic strata need to be strengthened and supported. The numerous initiatives introduced in the past few years are a step in the right direction. Besides schemes being introduced for the overall growth and development of the MSME sector, initiatives have been launched which focus solely on entrepreneurs. The schemes will contribute to the well-being of the individuals engaged in small scale industries which will positively affect the progress of the economy as a whole.

Suggestions

- On the basis of findings, the study suggested that scheme should be collaborated with other financial institutions so that maximum beneficiaries can get benefits.
- If the number of micro units will be established then a number of employment opportunities would be enhanced in this way unemployment can be reduced.

- Under this scheme, more emphasis would be stressed on women entrepreneurs in order to strengthen the economy and also to curb the gender diversity in Indian society.
- More awareness should be spread about the scheme especially in the remotest areas so that more resources will be utilized.
- The loan amount should be increased as new start-ups in micro units need some more capital.
- The Government agents or intermediaries would be reported more to guide the person about the loan process.
- The Mudra Bank will also formulate lending norms for micro-finance institutions so that the small businesses do not face hardship over indebtedness, while getting a fair environment for repayment.

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