

Promoting Entrepreneurship through Prime Minister MUDRA Yojana: A study with reference to Nanded City

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Abstract:

Although MSME is the largest growing sector of the country, it suffers many hurdles as far as getting access to the organized financial assistance is concerned. In order to resolve this issue and to bring MSME in the financial mainstream, Prime Minister MUDRA Yojana has been launched on April, 8 2015. The focus of MUDRA (Micro Units Development and Refinance Agency) is to 'Fund the unfunded' and to attain an inclusive and sustainable growth by providing assistance to Non-Corporate Small Business Sector who are deprived from organized financial system. This paper aims at studying the growth and development of entrepreneurial activities after getting financial assistance under PMMY in Nanded city.

Keywords: - MSME, MUDRA, PMMY.

Introduction

The biggest obstacle for the development of the micro and small entrepreneurs in India is lack of financial assistance to the organized financial system, though MSME sector is the fastest growing sector of the country, which generated employment to 100 million people and produces more than 6000 products. The sector contributes around 8% India's GDP, 45% of the manufacturing output, and 40% in exports. Government of India launched a new scheme called Micro Units Development and Refinance Agency, popularly known as MUDRA for uplifting the informal sector and connecting them to the financial mainstream of the country's economy. The focus of the scheme is to '*Funding the unfunded*'. It is expected that the MUDRA scheme will fulfill the financial needs of 5.77 crore small businesses (according to NSSO in 2013) who are spread throughout the boundaries of the country.

1.2 Introduction

1.2.1. Entrepreneurship:

Entrepreneurship refers to the act of setting up a new business or reviving an existing business so that new opportunities can be capitalized. Entrepreneurs bring about changes in the use of resources in a society.

They set up new ventures, which shift the resources into areas of higher productivity and greater yields. An entrepreneur is a person who starts an enterprise. He searches for change and responds to it. The economists view him as a fourth factor of production along with land labor and capital. Thus, entrepreneurs shape the economy by creating new wealth and new jobs and by inventing new products and services. It is in reality an attitude to create something unique and an activity which creates value in the entire social eco-system. In fact, entrepreneurship is a process of wealth creation and not wealth accumulation. According to Schumpeter, entrepreneurship is a creative activity which is doing things that are generally not done in the ordinary course of business.

1.2.2. About MUDRA

MUDRA stands for Micro Units Development and Refinance Agency, initiating this -scheme was announced in the Union Budget of the financial year 2015-16. It was actually sketched and outlined by Hon'ble prime Minister of India under the ambitious PMMY stands for Pradhan Mantri Mudra Yojana, a scheme funding the unfunded. This scheme was

actually come in force from 8th April, 2015. It is being set up through a statutory enactment. But the enactment is likely to take some time, temporarily; MUDRA will start its functioning under SIDBI as a subsidiary and registered as a NBFC stands for Non-Banking Financial Corporation.

MUDRA's main aim is to finance the "*Last Mile Financiers*" of micro and small entrepreneurs by working with partner local coordinators. The main aim behind launching this scheme is to provide finance to Non- Corporate Small Business Sector (NCSBS).

Mudra bank launched with a corpus of Rs 20000 crores and credit guarantee of Rs.3000crores. The bank will responsible for refinancing and credit support to micro finance institutions(MFIs) and agencies. It will act as a regulator for micro-finance institutions and will be responsible for refinancing (provide low-cost loans) MFIs in the business of lending to small entities. It will partner with state and regional level coordinators to provide finance to last mile financiers of small and micro business enterprises.

It has been mentioned in the speech of Hon'ble Prime Minister of the nation that, large corporate houses provides employment to 1.25 crore people, who easily get access of organized banking system. On the other hand, small and micro entrepreneurs who always face many problems in getting financial assistance from formal banking generates employment for 12 crore people. It is actually a harsh reality to accept.

Involving these enterprises in the regular banking system will not only help in uplifting the standard of life of the people but also will substantially contribute in the economic growth of the nation's economy.

1.3 Objectives

The study has been geared to achieve the objectives mentioned below.

1. To understand an overview of the MUDRA scheme adopted in the country.

2. To analyze the impact of MUDRA on entrepreneurial growth and development.

3. To study the satisfaction level/ feedback of the beneficiaries' about the scheme.

1.4 Research Methodology

Looking into the requirements, both primary and secondary data were extensively used for a thorough study. Questionnaire, interview tools were adopted for collecting primary data whereas the secondary data sourced from journals, magazines, articles and official website of MUDRA, MSME etc. For this study, initially, convenience sampling and later on Census Survey was adopted. The survey was scheduled during August 2015- May 2016. To evaluate the impact of MUDRA, the beneficiaries' were being asked about their views and opinions in this regards. The banks undertaken for this study were State Bank of India (SBI), State Bank of Hyderabad (SBH), Bank of India (BOI), and Central Bank of India (CBOI) located in Vishnupuri area of Nanded city.

1.4.1 Coverage of MUDRA scheme

The beneficiaries of the scheme are- Proprietorship/ partnership firms running as small manufacturing units, shop keepers, fruit-vegetable sellers, hair cutting salon, beauty parlors, 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. in rural and urban areas with financing requirement up to Rs- 10 lakhs.

1.4.2 Product offerings of the scheme

The MUDRA scheme offers 3 products to assist financially to micro entrepreneurs. The products or the interventions are-

1. **Shishu:** - Under this, a loan cover up to Rs- 50,000/- will be given in order to start up.
2. **Kishor:** - At this stage, the entrepreneur is eligible to take a loan from the bank which ranges between Rs- 50,000/- to Rs-5/- lakhs.

3. **Tarun:-** Here, the product will provide the loan up to Rs- 10/- lakhs

1.4.3 Analysis and Interpretation

After collection of primary data through questionnaire and interviews of the concerned bank Managers, following opinions and suggestions were noted/ acknowledged. The highlights of the same are-

Feedback of Banking Personnel

Since the researcher has collected the data both from the Banking Personnel (Branch Managers of the concerned bank) and the beneficiaries of the scheme. Interviews were taken to collect necessary information related to the implementation and the functioning of the scheme. The researcher also noted the perception and views of the Bank Managers towards the scheme. The highlights of the discussion are mentioned below.

The scheme is booming because of its feature of "No Collaterals".

- The public awareness about the scheme was comparatively low; therefore Banks have initiated to spread the awareness with the intention that maximum needy should get benefited through CSPs (Customer Service Point), advertisements in the Newspapers, Televisions and electronic media etc.
- According to the Branch Manager of SBH (State Bank of Hyderabad), the scheme is launched very recently on 8th April, 2015, the desired output will come only after couple of years.
- The Branch Manager of BOI (Bank of India) stated that, this scheme is nothing but distributing the money and increasing the number of defaulters and NPA (Non-Performing Asset) as well.
- After the careful investigation, researcher came to know that, an individual has taken the same benefit from two different banks under the same scheme.
- The Banks prefer to lend loans only to those customers whose past records are fair and also have reliability. And not

ready to take any risk, hence, sanctioning maximum loan proposals under SHISHU (Up to Rs-50,000/-).

Feedback of Beneficiaries

After having an informal talk with the beneficiaries of the scheme, the researcher came to about the exact expectations from the MUDRA scheme and they are enlisted below.

1. The amount given under SHISHU is insufficient.
2. The full amount is not being given to the beneficiaries. i.e. if the proposal is of Rs-50,000/- out of that only Rs-42-43,000/- is given.

1.5 Outcomes received after Census Survey

After Census survey, researcher has noted the outcomes of the study. Some of them are mentioned below.

1. The objective of the scheme will be gained only if the banking personnel extend its willingness towards the execution of the scheme, it can be achieved by giving the target based work.
2. It is observed that, all the banks have given more preference in disbursing loans to retail outlets which is 54.66%. As the women are not involved in this scheme, only 1.33% of the whole amount of loan disbursed is shared by them.
3. It is observed that, out of the total beneficiaries of the scheme, a major share of 48% is contributed by the age group of 20-30, which indicates the increasing flow of young entrepreneurs in the society.
4. It is observed that, after taking MUDRA loan by the beneficiaries, 76% of them noted an increase in the sales, 22.66% stated no change in sales and 1.33% noted decrease in sales.
5. It is concluded that, out of the total beneficiaries, 50.66% beneficiaries' income range is between Rs-1,00,000/- to Rs-3,00,000/-. And 36% beneficiaries are under the income group of below Rs-1, 00,000/- whereas only 2.66% beneficiaries' income is above Rs-5, 00,000/-

6. It is concluded that, 93.33% of the beneficiaries took the loan under SHISHU category (Up to Rs-50,000/-)

7. It is noted that, before taking MUDRA loan, 68% of the beneficiaries were engaged in the same business, 12% of the beneficiaries were doing job, and 6.66% were employed in other business whereas 4% were unemployed.

8. It is concluded that, out of the total beneficiaries, 48% beneficiaries took the loan in order to expand the current business, 13.33% for purchasing raw material, 10.66% for setting up new business, 5.33% of beneficiaries for construction of building, 2.66% for paying back pending credits and

only 1.33% beneficiaries took the loan as it has no collaterals.

9. It is observed that, out of the whole beneficiaries, 54.66% of the beneficiaries have rated MUDRA as "Good" and 1.33% rated MUDRA as "Poor".

10. It is concluded that, out of all the beneficiaries of the MUDRA scheme, 50.66% beneficiaries have chosen the bank based on its "easy approach", 34.66% have selected the bank because of the "old relations with the bank" 14.66% have decided to go with the concerned bank based on its "fair relations with the Manager".

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