



Research Article

PERFORMANCE OF MUDRA SCHEME AMONG MSME SECTOR IN WESTERN TAMIL NADU

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Abstract: MUDRA loan is sanctioned under three categories namely Sishu, Kishor and Tarun and the maximum amount (Rs.10 Lakhs) sanctioned is through Tarun. By considering the above aspects the study was taken up to analyse the role of MUDRA scheme in promoting Entrepreneurship and to identify the problems faced by the beneficiaries in accessing the MUDRA scheme as well as the constraints faced by the Financial Institutions (FIs) in disbursing the credit under MUDRA scheme. The results of the study showed that majority (30 per cent) of the beneficiaries came to know about MUDRA scheme through websites followed by newspaper and friends' relatives (each 25 per cent). Nature of business by availing MUDRA loan are parlor, tea shop, Xerox centre etc. Nearly 70 per cent of the respondents got loan for start-up business. The major problems faced by the respondents are required deposits for availing loan, amount sanctioned is not enough to start the business. No collateral and utilization of loan amount for other personal uses are the major problems faced by FIs while disbursing loans.

Keywords: *New business opportunities, Financial inclusion, Entrepreneurship, MUDRA*

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Introduction

Micro Units Development & Refinance Agency Ltd (MUDRA) was launched on 8th April, 2015. Under the flagship scheme, to refinance banks and NBFC-MFIs to, in turn, extend credit support to non-farm income generating activities. According to the MUDRA, the non-corporate small business sector (NCSBS), the market segment to which PMMY caters, adds INR 6.28 trillion annually to the Indian economy. If PMMY covers all NCSBS borrowers and completely meets their financing requirements, the sector may add another INR 1.25–1.89 trillion annually to the GDP. PMMY is one of the most important schemes of promotion of financial inclusion in India. Under this scheme, people can take a loan up to Rs. 10 lakhs to start their businesses [1-5].

Objectives of the Study

To analyse the role of MUDRA scheme in promoting Entrepreneurship

Performance of MUDRA Scheme in India (2015-2021)

The number of MUDRA scheme sanctioned, amount sanctioned and disbursed in India during 2015-16 to 2020-21 are furnished below.

From the [Table-1] it is evident that year on year there is an increase in growth percentage of MUDRA, but except for the year 2019-20 and 2020-21. Due to covid situation and frequent lock down the beneficiaries were lacking access to financial institutions, hence there was a declining growth during the last two years.

Category Wise MUDRA in Tamil Nadu (2019-20)

MUDRA loan is sanctioned under three categories namely Sishu, Kishor and Tarun. The loan amount sanctioned under Sishu will be Rs.50,000 for start-ups, Rs.50,001 to 5,00,000 under Kishor as working capital loan and under Tarun upto Rs.10,00,000 lakhs sanctioned for expansion purpose. The MUDRA loan sanctioned in Tamil Nadu under different categories are given in [Table-2].

From the [Table-2] it is clear that among the three categories Sishu loan occupied 61.3 percent followed by Kishor (22.4 per cent) and Tarun (16.3 per cent)

Review of Literature

Gupta (2015) studied the roles and responsibility of MUDRA Yojana. MUDRA as a financial tool is found very crucial in the initial stages across the country and it will make a dramatic change in the growth of small business and also plays a vital role in the rejuvenation of small business and help in making a developed India. Charan Singh (2016) reinforced the findings of other studies that utilization of formal sources like banks is significantly small compared with informal sources like personal and family wealth. Based on the conclusion that requirement of finance differs with the life-cycle stage of the MSME, recommendations have been proposed for entrepreneurs, financial institutions, and policy makers. Reshma and Rajani (2019) addressed the problems in accessing MUDRA loan. They concluded that government must ensure that beneficiaries utilized the loan money according to the purpose they stated while applying for the loan. They also set a guideline to provide a security net for the banks must be enlisted. Since the loans are collateral free so a proper risk assessment of every disbursement would reduce the fear of bank in lending to small enterprises and it impact the ultimate success of the scheme [6-11].

Design of the Study

Coimbatore, being the city of enterprise has been selected as the study area. From Coimbatore district 40 beneficiaries have been selected purposively and data regarding general characteristics of the respondents, nature of loan, purpose of the loan, type of loan and amount sanctioned, problems faced by the beneficiaries and financial institutions as well were collected and analyzed using the statistical tools.

Results and Discussion

The present study focuses on the performance of MUDRA in Coimbatore district. The results of the study are presented as follows;

Age of the respondents

The age of the respondents is classified under different category and the results are presented in [Table-3].

Table-1 Performance of MUDRA in India

Financial Year	No. of PMMY Sanctioned	% Growth	Amt. Sanctioned (Rs. In Cr.)	Amt. Disbursed (Rs. In Cr.)
2015-16	3,48,80,924	-	1,37,449.27	1,32,954.73
2016-17	3,97,01,047	31.86	1,80,528.54	1,75,312.13
2017-18	4,81,30,593	40.57	2,53,677.10	2,46,437.40
2018-19	5,98,70,318	26.53	3,17,722.79	3,11,811.38
2019-20	6,22,47,606	5.74	3,37,495.53	3,29,715.03
2020-21	5,07,35,046	-5.45	3,21,759	3,11,754.07

Table-2 Category Wise MUDRA in Tamil Nadu (2019-20)

Category	No. of PMMY Sanctioned	Amount Sanctioned (in Cr.)	Amount Disbursed (in Cr.)
Sishu	64,05,139(89.9)	21,241.93(60.7)	21,216.35(61.3)
Kishor	5,74,390(8.1)	7,988.41(22.8)	7,771.78(22.4)
Tarun	1,41,463(2.0)	5,786.94(16.5)	5,637.89(16.3)
Total	71,20,992(100.0)	35,017.28(100.0)	34,626.02(100.0)

Table-3 Age of the respondents

Age category	Number of respondents	Percentage
21-30	8	20
31-40	12	30
41-50	14	35
51-60	4	10
More than 60	2	5
Total	40	100

It is concluded from the [Table-3] that majority (65 per cent) of the beneficiaries are middle aged. Hence, they have better experience and decision making skills.

Educational Status of the Respondents

Education plays an important role in decision making. Hence, the sample beneficiaries were categorised on the following five groups which are presented in the [Table-4].

Table-4 Educational Status of the Respondents

Education	Number of respondents	Percentage
Primary	8	20
Secondary	10	25
Diploma	2	5
Degree	18	45
Postgraduate	2	5
Total	40	100

It is inferred from the [Table-4] that 45 per cent of the beneficiaries are degree holders followed by secondary (25 per cent) and primary (20 per cent).

Family Income of the respondents

Annual income of the beneficiaries is categorized into five level of income. The details of the beneficiaries are distributed in the [Table-5].

Table-5 Family Income of the respondents

Family Income	Number of respondents	Percentage
Less than 1 lakh	4	10.0
1-2 lakhs	7	17.5
2-5 lakhs	12	30.0
5-10 lakhs	15	37.5
10 lakhs	2	5.0
Total	40	100.0

The results of analysis of annual income were depicted in [Table-5] from that most of the sample beneficiaries were found in between 5-10 lakhs with 37.5 percent followed by 2-5 lakhs and 1-2 lakhs with 30.0 percent and 17.5 percent respectively. Hence, it indicates that government subsidies help the farmers to improve their standard of living.

Location of the respondents

The location of the beneficiaries is classified as rural and urban and the results are presented in the [Table-6].

Table-6 Location of the respondents

Location	Number of respondents	Percentage
Rural	25	62.5
Urban	15	37.5
Total	40	100.0

It is clearly indicated from the [Table-6] that majority (62.5 per cent) of the respondents are from rural area followed by urban (37.5).

Hence it indicates that Government can help the beneficiaries to improve their standard of living in rural areas.

Stages of Business

Stages of business are classified as start-up, working capital loan and expansion. The details regarding different stages are collected and the results are given in the [Table-7].

Table-7 Stages of Business

Stages of Business	Number of respondents	Percentage
Start up	28	70.0
Working capital loan	3	7.5
Expansion	9	22.5
Total	40	100.0

It is evident from the table 10 that majority of the respondents (70 per cent) received loan for their start up business followed by expansion (22.5 per cent) and working capital loan (7.5 per cent)

Table-8 Types of loan

Types	Number of respondents	Percentage
Sishu	31	77.5
Kishore	7	17.5
Tarun	2	5.0
Total	40	100

It is concluded from the table that Sishu loan has occupied nearly 78 per cent followed by Kishore (17.5 per cent) and Tarun (5 per cent).

Table-9 Problems faced by the respondents in Obtaining MUDRA Loan

Problems faced	Number of respondents	Rank
Amount sanctioned is not enough to start the business	16	1
Required deposits for availing loan	13	2
Delay in disbursement of loan	10	3
Applied loan amount has not been fully received	10	3
Collection of processing fee	9	4
Lengthy processing time	6	5
Request for collateral security	3	6
No problems	16	

It is inferred from the table 9 that "Amount sanctioned is not enough to start the business" is the major problem faced by the respondents followed by "Required deposits for availing loan" and some of the respondents also faced the problem of delay in disbursement of loan.

Conclusion

It is conclude from the study that majority (65 per cent) of the beneficiaries are middle aged and the major source of information regarding MUDRA loan is through websites and friends and relatives. Majority (60 per cent) of the respondents got loan from public sector banks to start business like parlor, tea shop, Xerox centre etc. Nearly 70 per cent of the respondents got loan for start-up business. Amount sanctioned is not enough to start the business and required deposits for availing loan are the major problems faced by the respondents No collateral and utilization of loan amount for other personal uses are the major problems faced by Financial Institutions (FIs) while disbursing loans.

Application of research: The research outcome might be useful to the researchers for making further studies. It is also useful to the policy makers and financial institution to reduce the gap in financial exclusion.

Research Category: Financial inclusion, MUDRA

Abbreviations: MUDRA- Micro Units Development & Refinance Agency Ltd
FI- Financial Inclusion

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