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A Study on Impact of Micro Units Development and Refinance Agency Bank (Mudra Bank) on Small Business Entrepreneurs

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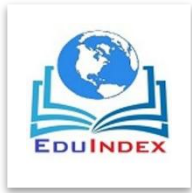
Abstract

MUDRA loan scheme launched in 2015 proved to be a great source of inspiration to the educated and uneducated entrepreneurs of different categories. Under this scheme loans are three types Shishu, Kishore and Tarun. These loans are provided to small business men and firms without any collateral security and third party guarantee. This research paper includes the overview of PMMY, Impact of MUDRA Bank on small business entrepreneurs and performance analysis of the scheme and some recommendations. Promote self employment among weaker and economically backward sections of the society, minorities, and women entrepreneurs and self help group. Enable them to cultivate a healthy banking habit and good rapport with the bank manager of their area.

Keywords: Entrepreneurs, Financial Inclusion, Development of Employment

INTRODUCTION

Small scale sector is the large job provider of any industries. Just like any other industry small scale sector consists of large number of micro and small firms. MUDRA loan scheme launched in 2015 proved to be a great source of inspiration to the educated and uneducated entrepreneurs of different categories. Under this scheme loans are three types Shishu, Kishore and Tarun. These loans are provided to small business men and firms without any collateral security and third party guarantee. The entrepreneur can start of his own a new firm or expand his existing business using this facility.



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Financial Inclusion is one of the most treasured strategies in India. Government of India (GOI) has introduced some of the major steps to “fund the unfunded” micro enterprises segment. One of the initiatives taken by Government of India (GOI) is Pradhan Mantri Mudra Yojana (PMMY) which plays an important role in achieving the success of financial inclusion. The idea behind the scheme is to provide the credit requirement to small business upto 10 lakh. This research paper includes the overview of PMMY, Impact of MUDRA Bank on small business entrepreneurs and performance analysis of the scheme and some recommendations.

REVIEW OF LITERATURE

Roy, Anup Kumar (2017) has displayed that the small businesses are the foundation of economic development are the foundation of economic development. A major number of initiatives have been taken in the past few years in the right direction.

Rudrawar, M. & Uttarwar, (2016) has explained that PMMY can bring a desired transformation. If it will be applied properly at the bottom level, it may act as a game changing idea and boost the Indian economy. It should include less documentation and easily accessible. In coming few years, MUDRA will play a crucial role for the development of entrepreneurship, increase in GDP and development of employment.

CAUSES FOR THE STUDY

“Of all the evils, worklessness is the worst” – **Barbara Ward**

“No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable due to unemployment”-**Adam Smith 1776.**

- The most important problem to the small and micro units is finance. We undertook the study in order to understand how small business entrepreneurs are tackling this problem.
- Finance is the life blood of business. Informal customer and weaker section of the society have no access to formal credit.

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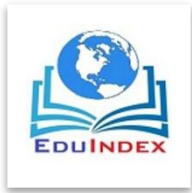
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- They have no other alternative but to depend on usury (Kandhuvatti or metrevatti) given by private money lenders.
- This reduce the probability of the business and most of them are not able to continue with the business activity and due to this many of them resort to drastic measures, and some even feel pressures to end their lives.
- To tackle such problems, an affordable credit facilities scheme was introduced by the Government of India in April 2015 under the name of micro unit's development and refinancing agency (MUDRA).

NEED FOR THE STUDY

- To encourage upcoming entrepreneurs to ensure participation in 'Make in India' project.
- To enable them to understand that MUDRA Scheme is a major source of financial assistance to start new business.
- To make the young educated entrepreneurs self confident and economically independent through start up business.
- To promote self employment among weaker and economically backward sections of the society, minorities, and women entrepreneurs and self help group.
- To enable them to cultivate a healthy banking habit and good rapport with the bank manager of their area.
- To make them understand the value of being trust worthy entrepreneurs.
- Prompt repayment of loan amount will enable them for more and large financial support from the bank.
- To understand the impact of this scheme on their business after availing this loan.
- Last but not least, it is the duty of the citizen to aware of such Government schemes and programmes.



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OBJECTIVES OF THE STUDY

- To get the overview of Pradhan Mantri Mudra Yojana (PMMY)
- The study in order to understand how small business entrepreneurs are tackling this problem.
- To analyse the performance of the scheme.

ORIGIN OF MUDRA BANK

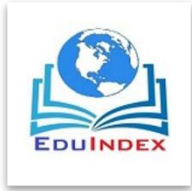
This is a central government project. Pradhan Mantri MUDRA Yojana (PMMY) a scheme to finance income generated small business entrepreneur was also launched on 08 April 2015, along with the launch of MUDRA, Where in all banks are referred to finance micro enterprises engaged in income generating activities with loan requirement up to 10 lakhs.

The Micro Units Development & Refinance Agency Ltd (MUDRA) was set up by the Government of India (GoI). MUDRA has been initially formed as a wholly owned subsidiary of Small Industries Development bank of India (SIDBI) with 100% capital being contributed by it. Presently, the authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI. More capital is expected to enhance the functioning of MUDRA.

MUDRA would partner with Banks, MFIs and other lending institutions at state level / regional level to provide micro finance support to the micro enterprise sector in the country.

BENEFICIARIES OF SCHEME

Any Indian Citizen who has a wage producing plan from small scale business exercises in exchanging, assembling and preparing and whose advance prerequisite is under Rs.10 lakh can approach advances under PMMY. Loan rate is regulated by Reserve Bank of India (RBI) time to time. Non corporate Small Business Sector (NCSBS) occupied with benefit division, miniaturized scale fabricating units, natural products and vegetable distributing, support and repairing, handiworks and working nourishment administrations and so on are benefited under the plan.



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PURPOSE AND MAJOR PRODUCT OFFERINGS

- MUDRA is refinancing institutions.
- They do not lend directly to the micro entrepreneurs/individuals.
- Loans under PMMY can be availed of from nearby branch office of a bank, NBFC, MFIS etc.

MUDRA Bank has divided borrowers into three categories such as:

Shishu: shelters loans up to Rs 50,000/-

Kishor: shelters loans above Rs 50,000/-to up to Rs 5 lakh

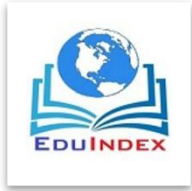
Tarun: shelters loans above Rs 5 lakh to up to Rs 10 lakh

MUDRA: ROLE AND RESPONSIBILITIES

It will be in charge of creating, upgrading and renegotiating every single Micro-undertaking zone by supporting the Micro Finance Institutions which are occupied with the matter of providing loan to smaller scale/private firms. MUDRA is framed to accomplish the objective of “funding the unfunded”. It deals with the web-based interface for checking the PMMY information. It takes different duties or exercises allowed to it. Notwithstanding of renegotiate, MUDRA will likewise give credit assurance to the qualified advances gave according to the plan of Pradhan Mantri Mudra Yojana.

STATISTICAL DATA COLLECTION:

- The method used here is survey method. A set of suitable questions were prepared which are relevant with this work.



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- The populations for this survey method constitute all the beneficiaries of MUDRA loan scheme with special reference to Chennai.
- The questionnaire was distributed to small size of 25 micro units and vendors who availed this loan and they were asked to response to each of these questions.
- The result and discussion of this work will help the reader to understand the impact of this scheme on micro and small units.

DATA ANALYSIS PROGRESS MADE UNDER PMMY

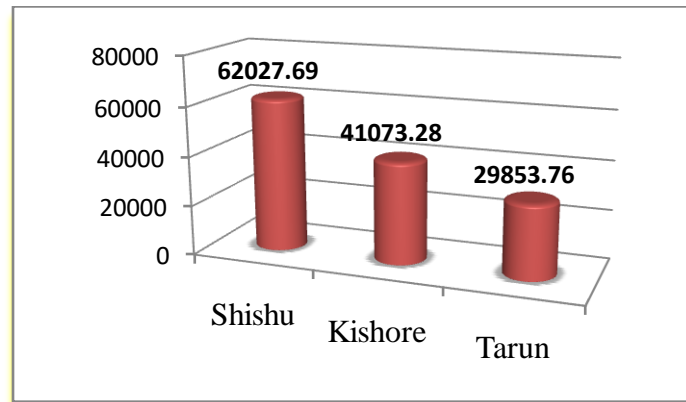
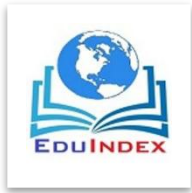
It is plan of funding the unfunded. So far in the F.Y. 2019-2020, number of loan sanctioned under PMMY is 32240900 that include the sum authorized 164139.64crores and sum dispensed 158842.43crores. Initially the table.1 demonstrates the progress under PMMY.

Table.1 PMMY PROGRESS (Amounts in crores)

Achievements Under PMMY	Financial Year 2019-20	Financial Year 2018-19
No of PMMY loan sanctioned	32240900*	59870318*
Amount Sanctioned	164139.64	321722.79
Amount Distributed	158842.43	311811.38

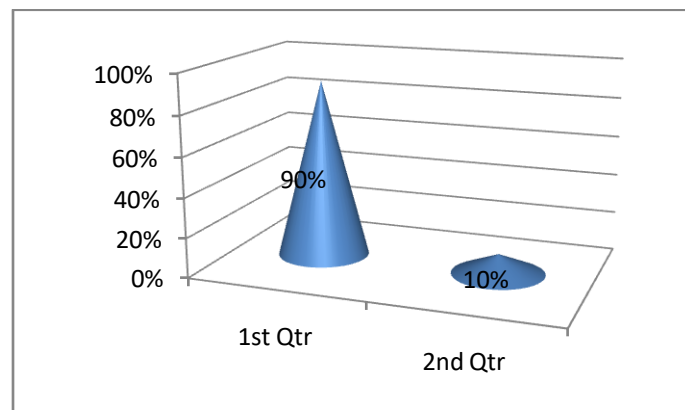
Source: (<http://www.mudra.org.in/>)

Category	Disbursement Amount in ` crore
Shishu	62027.69
Kishore	41073.28
Tarun	29853.76

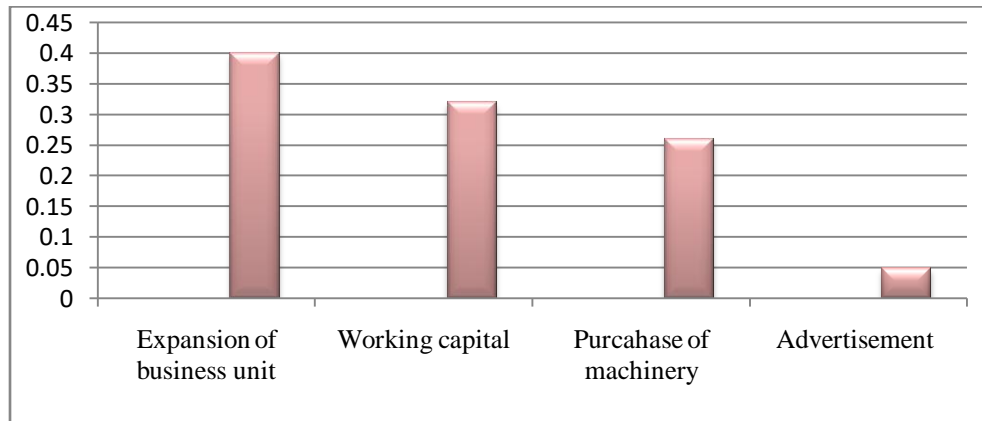
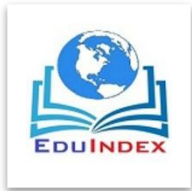


Awareness about MUDRA scheme

From this survey conducted it was found 90% of the entrepreneurs are well aware of this scheme.



Utilisation of Loan Amount

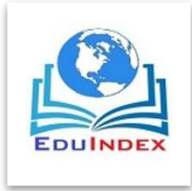


SUGGESTION

- Half of the customers informed that the loan amount can be increased under this scheme because of every increasing cost of material and machinery.
- 30% feel proper guidance should be provided to the public by organizing camps about the scheme.
- 20% suggest the bank should be give rejection reason, so that they can rectify error next time to avail fresh loan.
- Through the banking service is available at the door step of the people, common man has difficulties and inhibition in approaching bank officials and this should be changed.
- Regularity and discipline in producing the document needed is a must from the part of public.

CONCLUSION

The study concluded that PMMY is a great initiative taken by the GOI. Due to it, there is a big change in the area of micro finance. The scheme will help the weaker section, low income group and unfunded population and also will increase the competition. Financial inclusion through PMMY increases the opportunities for credit requirement and refinance. It perceives that because of dispatch of this plan, monetary consideration has expanded towards



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positive heading. So it can be say that if it is implemented properly, it may work as a game changing financial inclusion initiative of Government of India and may boost the Indian economy.

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