

Unveiling Micro Entrepreneurs' Insights on Mudra Scheme in Karnataka

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J. Jamela Salasty

Research Scholar, Alagappa University, Karaikudi, Tamil Nadu, India

 <https://orcid.org/0009-0006-4330-0822>

G. Kanagavalli

Assistant Professor, Alagappa University, Karaikudi, Tamil Nadu, India

Abstract

In light of the Indian government's increasing efforts to foster entrepreneurship among its youth through various financial supports and schemes, it is now an opportune moment to assess the efficacy of initiatives aimed at promoting entrepreneurship in the country. This study seeks to elucidate the perspectives of micro-entrepreneurs regarding the support provided by the Mudra Schemes for the advancement of Micro, Small, and Medium Enterprises (MSMEs). This Micro Units Development and Refinance Agency (MUDRA) scheme in Karnataka has proven to be vital force in supporting micro entrepreneurs, addressing their financial needs and fostering economic growth. This study, based on primary and secondary data, explores the perceptions of micro entrepreneur who have benefited from Mudra loans. The scheme's components, Shishu, Kishore and Tarun – cater to various financial needs from initial business expenses to expansion and renovation. The analysis of micro entrepreneurs perspectives identify the sentiments towards the MUDRA scheme, and contribution to micro business growth, public awareness, processing time and willingness to recommend others. However challenges in availing MUDRA loans and certain aspects of the terms and conditions will be identified as areas for improvement.

Keywords: Mudra, Yojana, Micro, Entrepreneur, Perception.

Introduction

The Micro units Development and Refinance Agency (MUDRA) scheme has emerged as a critical pillar of support for India's micro entrepreneurs. Launched in 2015, MUDRA aims to provide institutional credit to this vital segment of the economy, traditionally underserved by conventional banking channels. Karnataka, a state known for its vibrant entrepreneurial ecosystem, has witnessed a significant uptake of the MUDRA scheme. However, to ensure its continued effectiveness, it is crucial to understand the experience and perspectives of the micro entrepreneurs who utilize it.

This study delves into the heart of Karnataka's microenterprise landscape by exploring the firsthand insights of micro entrepreneurs who have availed themselves of the MUDRA scheme.

By examining their experience, we can gain a deeper understanding of the scheme's impact, identify areas for improvement and tailor its implementation to better serve the specific needs of Karnataka's micro entrepreneurs.

The Significance of Microenterprises in Karnataka

Micro enterprises, characterized by their small size & minimal investment requirements, backbone of Karnataka's economy. They contribute significantly to employment generation, income creation, & regional development. From local food stalls and tailoring units to handcraft businesses & Kirana shops, micro enterprises infuse dynamism into the state's economic fabric.

MUDRA: Empowering Micro Entrepreneurs

The MUDRA scheme recognizes the vital role microenterprise play and addresses the longstanding challenge of access to finance. By providing a range of loan product specifically designed for micro entrepreneurs, MUDRA has empowered them to overcome financial hurdles and pursue their entrepreneurial aspirations. These loans can be utilized for various purposes, including setting up a new business, expanding an existing one, or purchasing equipment

Understanding Microentrepreneurs's Perspective

This study seeks to bridge the knowledge gap by providing a platform for microentrepreneurs in Karnataka to share their experiences with the MUDRA scheme. Through in-depth interviews and focus group discussions, we will explore:

- **Awareness and Accessibility:** How well informed are micro entrepreneurs about the MUDRA scheme, and what challenges do they face in accessing its benefits?
- **Loan application Process:** What is the ease of applying for MUDRA loans? Are there bureaucratic hurdles or complexities that deter.
- **Loan Utilization and impact:** How are Micro entrepreneurs utilizing the MUDRA loans? Has the scheme helped them achieve their business goals and overcome financial constraints?
- **Growth:** Mudra Scheme has contributed to the growth and development of Micro – businesses
- **Interest Rate:** Interest rates are competitive compared to other financing options available to micro entrepreneur

Review of Literature

(Bharti and Verma) The Mudra Scheme has been instrumental in providing crucial financial support to millions of small borrowers who have encountered significant financial constraints for various reasons and have been diligently pursuing assistance to initiate or expand their business endeavors. This study relies on secondary information sourced from the official MUDRA website. Analysis of the data for the study period reveals that among the three primary categories of Mudra Loans, the Shishu Loan Scheme has garnered the largest share in terms of the

number of accounts.

(Pavithra and Sharma) After agriculture, microenterprises represent a significant economic sector, offering substantial employment prospects. The 2021-22 annual report of MSMEs highlights the presence of 630.52 lakh microenterprises, facilitating employment for 1076.19 lakh individuals and contributing 30.27% to India's GDP. Microfinance serves as a vital instrument in alleviating poverty, reducing income inequality, and furnishing financial services to enable self-employment opportunities.

(Bindal and Singh) Under the umbrella of the Pradhan Mantri Mudra Yojana, the Mudra schemes have introduced initial interventions categorized as Shishu, Kishore, and Tarun, reflecting the growth stages and funding requirements of beneficiaries. However, a significant portion of individuals operating in small businesses and the unorganized sector lack awareness, resulting in inadequate maintenance of accounting records and non-compliance with other legal requirements.

(Thathera and Yadav) The term refer to women's economic, political and social advancement. Despite advances in recent decades many women throughout the world continue to face different forms of gender-based discrimination and violence. The loan sanctioned under the Mudra system is divided into three categories: Shishu, Kishore and Tarun, Women entrepreneurs being the primary beneficiaries. Women account for about half of all genuine eligible beneficiaries of this system, with according for nearly half of all beneficiaries, with women accounting for more

Objectives

- To study the concept and operation of MUDRA Scheme
- To evaluate the Micro Entrepreneur perception towards Mudra Schemes

Methodology

Primary Data

Primary data was collected through a field survey technique in Karnataka, involving 120 micro entrepreneurs as respondents. A structured questionnaire was formulated and distributed to gather information. The selection of respondents was

based on a combination of simple random sampling and convenience sampling methods.

Secondary Data

The primary data were complemented by a variety of secondary data sources. Secondary data relevant to the study were sourced from publications of government agencies, with the latest information obtained from libraries in Bengaluru and online resources. Additionally, secondary data were gathered from reputable journals to enrich the study's insights.

Limitation

Primary Data collected has its own limitations due to change in views and perceptions of the people with the change of time.

Analysis and Discussion

The combined result of all the questions asked to the respondents would help to bring out the output of the objectives that is set for the study

Concept and Operation of Mudra Scheme

The Indian Government established the Micro Unit Development and Refinance Agency Ltd (MUDRA) in 2015 with an authorized capital of 1000 crores and a paid-up capital of 750 crores, fully subscribed by SIDBI. MUDRA's primary responsibility is to foster the development and refinancing of the micro-enterprise sector by extending support to its member lending institutions. These institutions include banks, MFIs, and other lenders providing collateral-free credit to micro and small business entities engaged in manufacturing, trading, and service activities. MUDRA facilitates financial assistance to entrepreneurs through partnerships with banks, MFIs, and other lending institutions at the state and regional levels. The agency's main objective is to promote the growth of the micro-enterprise sector, and it also oversees the PMMY data through web portal management, facilitates loan guarantees under PMMY, and undertakes other assigned activities as needed.

Components

The components of Mudra Yojana are Shishu, Kishore and Tarun which are classified based on

total quantity of amount to be sanctioned under this Mudra card is also available to the borrower.

Components of Mudra Yojana		
Shishu	Kishore	Tarun
Upto 50,000	50,000 to 5,00,000	5,00,000 to 10,00,000
Eligibility: This scheme aimed to cater the financial needs of proprietary for meeting the initial expenses of business unit	Eligibility: The scheme aimed to improve running business and to divert the business – into profitable ventures	Eligibility: Entrepreneurs who have already started their business and want additional funds for expansion and renovation are eligible for this scheme

Rate of Interest Charged

Sishu: The rate of interest charged under this scheme by the banks is around 10% to 13 Percent. And Public sectors banks are charging at lower rate.

Kishore: The rate of interest from 14 Percent to 20 percent depends on banks to banks.

Tarun: It is noteworthy that the interest rates under the MUDRA scheme begin at 16 percent. It is mandated that a minimum of 60% of the credit allocation is directed towards Shishu category units, while the remaining portion is allocated to Kishore and Tarun categories, ensuring a balanced distribution across all categories.

Business Operations

Micro Units Development and Refinance Agency Limited (MUDRA) has adopted the eligibility norms in respect of the partner lending institutions for the purpose of availing refinance from MUDRA for on – lending to micro units in manufacturing, trading and service sectors in rural and urban areas. Mudra enrolled additional partners institution taking the total number of enrolled partner institutions to 194

Partners Institution

S. No	Partner Institution	Nos
1	Public Sector Banks	27
2	Private Sector Banks	18
3	Regional Rural Bank	31
4	Co-operative Banks	14

5	MFI-NBFC	47
6	MFI	26
7	NBFC	31
	Total	194

Source: www.mudra.org.in

Table 1 Perception of Micro Entrepreneur towards Mudra Scheme

	Weighted Average Score	Average
	Score	Rank
Government initiative to fund the unfunded		
Helps the people to become an entrepreneur	36	6
Encountered any challenges or complexities in completing the formalities required for availing Mudra Loans	12.25	11
Terms and conditions of Mudra Loans adequately cater to the needs of Micro Entrepreneur	21.16	8
Satisfied with the interest rates offered under the Mudra Yojana	30.25	7
Interest rates are competitive compared to other financing options available to micro entrepreneur	44.89	5
Formalities to apply the MUDRA loan is less compared to any other loan	49	4
MUDRA loan card can be used as credit, debit or ATM card	20.25	9
Processing time of MUDRA loans is faster than other loans	60.84	3
Public are least informed about MUDRA scheme	64	2
Mudra Scheme has contributed to the growth and development of Micro – businesses	65.61	1
Difficulties or encountered any barriers while applying for or utilizing Mudra Loans for the business	12.25	11
Willingness to recommend others	60.84	3

**Analysis and Interpretation
Mudra Scheme’s Contribution to Micro-Business Growth (Rank 1, Score 65.61)**

Perceived as the most impactful aspect according to the respondents. High weighted average score and top rank indicate strong positive sentiment.

Public Awareness of Mudra Scheme (Rank 2, Score 64)

Public awareness is considered the second most significant aspect. A Substantial weighted average score reflects a positive response but it should be improved.

Processing Time of Mudra Loans (Rank 3, Score: 60.84): Willing to recommend others (Rank 3, Score 60.84)

Considered as one of the strengths of the Mudra Scheme. The positive response suggests efficient processing, contributing to a favorable perception.

The positive response suggest that respondents are willing to recommend mudra scheme to others.

Formalities to Apply for Mudra Loan (Rank 4, Score 49)

Positive score and rank, indicating that the application process is perceived as less cumbersome compared to other loans.

Interest Rates Compared to Other Financing Options (Rank 5, Score 44.89)

Positive perception but ranks lower compared to other aspects. Suggest that while interest rates are seen favorably, other factors may be more crucial respondents.

Helps People to become Entrepreneurs (Rank 6, Score 36)

While Positive, the rank is lower, indicating that respondents might prioritize other aspects over this.

Satisfaction with Mudra Loan Interest Rates (Rank 7, Score 30.25)

Indicates the positive sentiment, but lower compared to perceived competitiveness. Relatively lower rank suggests there should be some improvement.

Terms and Conditions Catering to Micro-Entrepreneur Needs (Rank 8, Score 21.16)

Slightly lower score and rank suggest that

respondents may not find the terms and conditions as favorable.

Mudra Loan card Usability (Rank: 9, Score 20.25)

It indicates that the versatility of the Mudra Loan card may not be a primary consideration for respondents.

Government initiative to Fund the Unfunded (Rank 10, Score 16)

Lowest score and rank suggest that respondents may not see this as a highly impactful aspects.

Challenges or Complexities in Availing Mudra Loan (Rank 11, Score 12.25)

The lowest score and rank indicates that respondents find this aspects least favourable.

This analysis provides insights into the strength and areas for improvement in the perception of the Mudra scheme, helping respondents and administrators focus on enhancing the aspects that matter most to micro entrepreneurs.

Suggestions

While the Mudra scheme enjoys the positive reception, the areas for improvement. Enhancing public awareness, streamlining formalities, and ensuring favorable terms and conditions for micro entrepreneurs should be prioritized. The scheme's versatility, including the use of the MUDRA loan card, could be further emphasized. Additionally, addressing challenges or complexities in availing Mudra Loan and ensuring competitive interest rates are crucial for sustained effectiveness.

Conclusion

The Mudra scheme has emerged as crucial support pillar for micro entrepreneurs in Karnataka, addressing the traditional challenges of accessing finance through conventional banking channels. This study delves into the experiences of micro entrepreneurs who have availed themselves of the MUDRA scheme, shedding light on its impact and areas for improvement Karnataka's vibrant entrepreneurial ecosystem has witnessed a significant uptake of the scheme, reflecting its importance in fostering economic dynamism at the grassroots level.

Micro enterprises, constituting the backbone of Karnataka's economy, contribute significantly

to employment, income generation, and regional development. The MUDRA scheme launched in 2015 has played a pivotal role in empowering these enterprises by providing tailored loan products for various purposes, such as starting new businesses, expanding existing ones or purchasing equipment.

Through interviews and focus group discussions, this study explores critical aspects, including awareness, accessibility, loan application processes, utilization, repayment capacity and suggestions for improvement. The findings value the MUDRA Scheme, considering it instrumental in overcoming financial hurdles and achieving their business goal.

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Author Details

J. Jamela Salasty, *Research Scholar, Alagappa University, Karaikudi, Tamil Nadu, India,*
Email ID: jamelasanjay@gmail.com

G. Kanagavalli, *Assistant Professor, Alagappa University, Karaikudi, Tamil Nadu, India.*