

AWARENESS OF MICRO AND SMALL ENTERPRISES ON MUDRA LOAN WITH SPECIAL REFERENCE TO ERNAKULAM DISTRICT OF KERALA

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Abstract

Small businesses are playing a predominant role in the industrial economy of India. Even though small business enterprises require lesser capital resources, they generally cannot arrange total finance from their sources. The government of India has presented Pradhan Mantri Mudra Yojana (PMMY) to remove the financial obstacles of micro and small enterprises in India. As the scheme has only completed seven years, knowledge about MUDRA loans among prospective entrepreneurs needs to be analyzed deeply. Thus, this study attempts to study the awareness level of micro and small entrepreneurs about MUDRA loans. The data collected has been evaluated using statistical tools like Wilcoxon Signed Rank Test and Mann Whitney 'U' test. The study concluded that awareness about MUDRA loans among entrepreneurs is acceptable to some extent.

Keywords: MUDRA, PMMY, Awareness, Micro enterprises, Small enterprises,

Entrepreneurs

1. Introduction

Micro and small enterprises are the motivators of developing nations, and the case of India is not exceptional. They have more flexible production opportunities compared to large

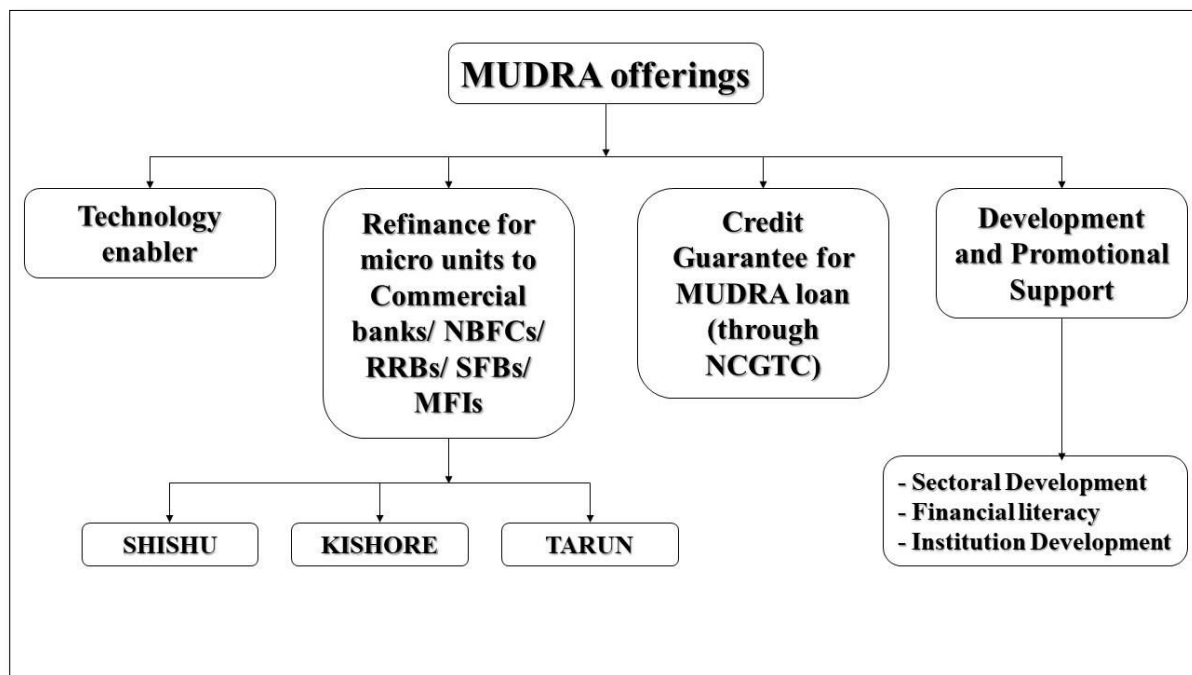
enterprises, and thus they can reach full competition conditions rapidly. Consequently, they contribute extraordinarily to national income, employment, productivity, and entrepreneurship development. Although micro and small-sized enterprises usually need a relatively small amount of capital, their finance has been a concern for all stakeholders, including entrepreneurs, financial institutions, and government organizations (Charan Singh, 2016). In this manner, microfinance has become a significant force in India. While the prime objective remains poverty reduction with new terms of inclusive growth and financial inclusion, the microfinance sector became a double bottom line approach to social and financial returns. The government has recognized microfinance as the chief player in attaining financial inclusion.

Correspondingly, the government of India launched a new microfinance source, the MUDRA loan for micro and small enterprises, by introducing the financial inclusion scheme Pradhan Mantri Mudra Yojana (PMMY). The scheme's vision is "To be an integrated financial and support services provider par excellence, benchmarked with global best practices and standards, for the bottom of the pyramid universe for their comprehensive economic and social development" (mudra.org.in, n.d.). PMMY scheme was introduced on April 8, 2015, by presenting Micro Units Development and Refinance Agency Limited (MUDRA) bank to support financial institutions in providing finance to micro and small business entities. MUDRA bank was incorporated as a company in March 2015 under the Companies Act 2013 and a Non-Banking Financial Company (NBFC) with the Reserve Bank of India on April 8, 2015. It was initially formed as a wholly owned subsidiary of the Small Industries Development Bank of India (SIDBI). MUDRA has three categories of loans;

- Shishu category - To promote new generation entrepreneurs, which covers loans up to Rs.50,000. The interest rate is up to 12 percent, and the repayment period is usually five years for the Shishu category of MUDRA loan.
- Kishor category - To provide funds for existing entrepreneurs who need additional finance, which covers loans above Rs.50,000 and up to Rs. 5,00,000. The interest rate and repayment period depend upon the financial institution which provides the loan.
- Tarun category - To supply sufficient funds for business expansion, covering loans above Rs.5,00,000 and up to Rs.10,00,000. Depending upon the financial institutions, interest rates and repayment conditions may vary.

MUDRA provides refinance facilities and furnishes other important offerings to promote micro and small enterprises in India. The offerings of MUDRA are depicted below:

Figure 1 MUDRA Offerings



Source: (mudra.org.in, n.d.)

2. Literature review

The surveys made on the progress, awareness, and access of Pradhan Mantri Mudra Yojana in various parts of India have been reviewed, and the results are followed.

(Basak, 2020) recognized that with the launch of the Pradhan Mantri Mudra Yojana, financial inclusion has moved forward, and the microfinance sector has become more robust. The study (S Vevek, 2019) proved that Pradhan Mantri Mudra Yojana is a game changer for the Indian economy as it reduces the financial burden of poor new and existing entrepreneurs.

The study titled “Mudra (Shishu) – an effective scheme in Startups” (Kavipriya, 2019) made a finding that the awareness level of the Mudra scheme is enhanced in the states of Tamil Nadu and Karnataka because of the initiatives taken by MUDRA. (Anjesh H.L, 2021) analyses the awareness level of MUDRA loan beneficiaries about the scheme in the Shivamogga district of Karnataka. It showed low awareness of Pradhan Mantri Mudra

Yojana among its beneficiaries. Studies have been made to analyze the awareness of financial inclusion schemes of the government. The study (Jnaneshwari Pai Maroor, 2016) analyzed awareness among banks' customers and interpreted that most respondents do not know enough about Pradhan Mantri Mudra Yojana. (Shallu Aggarwal, 2017) attempted to evaluate the awareness among the households in Haryana and inferred that even though the awareness level of Pradhan Mantri Jan Dhan Yojana was high, the MUDRA loan was the least popular among the households.

By understanding the situation of low awareness about the MUDRA scheme, (Lall, 2018) suggested that Mudra Yojana should be implemented effectively and financial awareness programmes should be conducted frequently among ordinary men. The study (Shashank B.S, 2022) suggested that more awareness programmes should be created for MUDRA cards, and it was advised to ensure uniformity in interest rates for MUDRA loans by RBI.

By critically scrutinizing the literature, it can be validated that many studies analyzed the performance of Pradhan Mantri Mudra Yojana and some studies assessed the level of awareness about the scheme among the beneficiaries. The present study attempted to evaluate the awareness level of prospective entrepreneurs who did not become the actual beneficiaries of the MUDRA loan.

3. Objectives

1. To analyze the degree of awareness about MUDRA loans among micro and small enterprises.
2. To examine the reasons for not availing of MUDRA loan.

4. Methodology

The study is mostly based on primary data, and it has been collected directly from the entrepreneurs in micro and small enterprises in the Ernakulam district of Kerala through a well-structured interview schedule. A simple random sampling procedure was used for selecting sample respondents, and the sample size fixed was 70 entrepreneurs. Secondary data for the study have been gathered from journals, periodicals, and reports. The collected data have been analyzed using descriptive statistics, one sample Wilcoxon Signed Rank test, and Mann Whitney 'U' test, and the analysis have been done using SPSS software.

5. Analysis and Interpretation

Awareness level of micro and small entrepreneurs about MUDRA loan

The principal objective of this study is to examine the extent of awareness of entrepreneurs in micro and small enterprises in the Ernakulam district of Kerala about the MUDRA loan. Eleven constructs are identified for studying the awareness level of entrepreneurs about the MUDRA loan.

H₀: The degree of awareness about MUDRA loans among micro and small enterprises and the hypothesized value are the same.

Table 1 Summary Statistics of the degree of awareness about MUDRA loans among micro and small enterprises

Sl. No.	Sub constructs of awareness	Mean	Standard Deviation	Skewness	Kurtosis	Median	Test Statistic	Sig value
1	Objectives of PMMY	3.00	1.007	-.613	-.769	3.00	602	.910
2	Categories of MUDRA loan	3.90	.950	-.526	-.591	4.00	1470	.000
3	No need for collateral	4.30	.645	-.374	-.668	4.00	2016	.000
4	Maximum limit of the loan	4.30	.645	-.374	-.668	4.00	2016	.000
5	Partner financial institutions	3.20	.987	.235	-1.040	3.00	773.5	.082
6	Loan processing fee	3.10	1.052	-.744	-.813	3.50	875	.492
7	Interest rate	3.40	1.122	.036	-1.382	3.50	1144.5	.003
8	Duration of loan appraisal	3.90	.705	.143	-.942	4.00	1225	.000
9	Documents needed	3.90	.837	.193	-1.550	4.00	903	.000
10	Method of interest calculation	3.00	.901	.000	-1.791	3.00	798	1.000
11	Repayment norms	3.50	.929	-.391	-.810	4.00	1246	.000

* Hypothesized value of median is 3.

Source: Computed based on primary data

The data analysis results of the degree of awareness and its eleven sub-constructs are given in Table 1, showing the non-normality in the data distribution. Thus, a non-parametric approach was followed for its analysis. A one-sample Wilcoxon Signed Rank test was executed to determine whether the median degree of awareness significantly differed from the hypothesized median 3, the value at the centre point of the scale. It is easy to perceive from the table that the median degree of awareness for all the constructs was higher than the hypothesized median. Moreover, the difference is statistically significant at a 5 percent significance level in the scores of different components of awareness level of entrepreneurs except for the awareness of objectives of PMMY, partner financial institutions, loan processing fee, and method of interest calculation.

H₀: The awareness level of male and female entrepreneurs in the micro and small enterprises are the same.

Table 2 Gender-wise degree of awareness about MUDRA loans among micro and small enterprises

Sl. No.	Gender	N	Mean Rank	Test Statistics
1	Male	42	44.25	U = 220.5 Sig = .000
2	Female	28	22.38	

Source: Computed based on primary data

Table 2 displays the result of the Mann-Whitney' U' test for measuring the difference in the gender-wise degree of awareness about MUDRA loans. The test results show that the degree of awareness about MUDRA loans in the male category is significantly different from those of female respondents (U = 220.5, p < 0.05).

H₀: The degree of awareness about MUDRA loans is the same across the different categories of the enterprise.

Table 3 Enterprise category-wise degree of awareness about MUDRA loan

Sl.	Category of enterprise	N	Mean Rank	Test Statistics
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No.				
1	Micro	63	32	U = 0.000 Sig = 0.000
2	Small	7	67	

Source: Computed based on primary data

The Mann-Whitney' U' test results revealed in table 3 shows a statistically significant difference in the awareness level of entrepreneurs in micro and small enterprises (U = 0.000, p < 0.05). It conveyed that categories of enterprises influence the level of awareness about the MUDRA loan among the entrepreneurs in the Ernakulam district of Kerala.

Reasons for not availing of MUDRA loan

The sample respondents in the study are entrepreneurs who are not availing of MUDRA loans. The fundamental reasons provided by them for not availing of MUDRA loan are considered as the sub-constructs for analyzing the reasons for not availing of MUDRA loan.

H₀: The reasons for not availing MUDRA loan and the hypothesized value are the same.

Table 4 Summary Statistics of reasons for not availing of MUDRA loan

Sl. No.	Sub constructs of reasons	Mean	Standard Deviation	Skewness	Kurtosis	Median	Test Statistic	Sig value
1	Lack of knowledge	3.40	1.027	- .301	- 1.271	4.00	1417.5	.002
2	Rejection of loan application	3.30	1.012	- .036	- 1.248	3.50	1071	.015
3	External interference needed	3.90	.542	- .079	.416	4.00	1596	.000
4	Inadequate loan amount	3.30	.787	- .592	- 1.130	3.50	875	.003
5	High cost	3.70	.787	- .695	.257	4.00	1421	.000
6	Existing debts	3.90	.950	- .526	- .591	4.00	1470	.000
7	Other sources of loan	3.80	.604	.114	- .387	4.00	1225	.000

Source: Computed based on primary data

The data analysis results of the reasons for not availing of the MUDRA loan and its seven sub-constructs in table 4 showed that the data is not normal. Hence a non-parametric tool, one sample Wilcoxon Signed Rank test, was run. It can be figured from the table that the median reasons for all the constructs were higher than the hypothesized median, which is the central value of scale three. Thus, the difference is statistically significant in the scores of different components of reasons for not availing of MUDRA loan.

6. Findings and Conclusion

MUDRA loan is refinancing support provided to micro and small enterprises in India under the Pradhan Mantri Mudra Yojana scheme. A one-sample Wilcoxon Signed Rank test was run to analyze the awareness level of micro and small entrepreneurs. It showed that the awareness of entrepreneurs about the objectives of PMMY, partner financial institutions, loan processing fees, and method of interest calculation was not up to the mark. Gender-wise degree of awareness about MUDRA loan is analyzed by applying Mann Whitney 'U' test, and it revealed that the awareness level of male and female entrepreneurs in the micro and small enterprises are not the same. Enterprise category-wise degree of awareness about MUDRA loan conveyed that the awareness level of entrepreneurs in micro and small enterprises significantly differs.

A Wilcoxon Signed Rank test was also run to analyze the reasons for not availing MUDRA loan. It is found that the reasons for not availing of MUDRA loan by the sample respondents are significantly higher than the moderate level.

From the study, it can be judged that the awareness level of prospective entrepreneurs about MUDRA loans and Pradhan Mantri Mudra Yojana is acceptable, though not outstanding. Banks and governments must take necessary steps to create awareness programmes of the MUDRA scheme for micro and small enterprises so that more entrepreneurs will enter the purview of Pradhan Mantri Mudra Yojana.

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