

# Impact of MUDRA YOJANA on Micro Enterprises- a Study on Coimbatore based Micro units

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## Abstract:

Worldwide, the Micro, Small and Medium Enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable Development. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of this sector is much higher than that of the large enterprises. It is a nursery of entrepreneurship, often driven by individual creativity and innovation. Instead of depending on others depending on one own self will eradicate unemployment and create a multiple route to create a bright future thus contributing to the economic development. A major issue which runs in the mind of people in becoming entrepreneurs is the fund and to remove the barriers of mobilising the required funds for these MSME units many schemes are being promoted and one such is Pradhan Mantri Mudra Yojana (PMMY). This paper examines the Impact of MUDRA YOJANA on Micro Enterprises- A Study on Coimbatore based Micro units.

**Keywords:** MSME, Unemployment, Economic Development, Mudra Yojana.

## I. INTRODUCTION

In a large populated country, we can expect everyone to earn their living depending on others say going for a job. To make the matter worse the population is in a high rise which could turn down the entire economy in no time. Lakhs of graduate who get passed out from college and looking for companies to give them an opportunity for their livelihood will create an impasse on their future. The next best alternative will be not depending on others but to dependent on themselves. Self-employment is the key area where the mix of population has to concentrate for their independent life.

Gone are the days where finance was a constraint to start business. Keeping in the mind of small entrepreneurs and the Modi Sarkar's Vision "Make in India", the Government of India has introduced various schemes like Government of India (GOI) has been introduced a number of financial inclusion

initiatives such as Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Jeewan Jyoti Beema Yojana (PMJJBY), Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana (APY) and Pradhan Mantri Surakhsha Beema Yojana (PMSBY) etc.

MSME (Micro, Small & Medium enterprises) is the pillar of economic growth in many developed, and developing countries like us. The advantage of this sector is that is requires less investment, employment can be give on a large scale. With around 26 million units throughout the geographical expanse of the country, MSMEs contribute around 45% of the manufacturing GDP and 40% of the Export GDP. They have been able to provide employment to around 60 million persons.

**Classification of MSME units as per the Provisions of MSMA Act, 2006**

MANUFACTURING SECTOR	
Enterprise Category	Investment in Plant and Machinery
Micro Enterprise	Does not exceed twenty-five lakh rupees.
Small Enterprise	More than twenty-five lakh rupees but does not exceed five crore rupees.
Medium Enterprise	More than five crore rupees but does not exceed ten crore rupees.

SERVICE SECTOR	
Enterprise Category	Investment in Plant and Machinery
Micro Enterprise	Does not exceed ten lakh rupees.
Small Enterprise	More than ten lakh rupees but does not exceed two crore rupees.
Medium Enterprise	More than two crore rupees and does not exceed five crore rupees.

To remove the financial difficulties faced by micro and small business units the government of India launched a scheme on 8th April 2015 called Micro Unit Development and Refinance Agency, or MUDRA to ‘fund the unfunded’. This scheme is available from all bank branches across the country. MUDRA loan is extended for a variety of purposes which provide income generation and employment creation. The loans are extended mainly for

- a.) Business loan for Vendors, Traders, Shopkeepers and other Service Sector activities
- b.) Working capital loan through MUDRA Cards
- c.) Equipment Finance for Micro Units
- d.) Transport Vehicle loans

The funding support from MUDRA are of four types:

- a.) Micro Credit Scheme (MCS) for loans up to 1 lakh finance through MFIs.
- b.) Refinance Scheme for Commercial Banks / Regional Rural Banks (RRBs) / Scheduled Co-operative Banks
- c.) Women Enterprise programme
- d.) Securitization of loan portfolio

Tamil Nadu is the state where 50% of its land are urbanized. The Services contributes to 45% of the economic activity in the state, followed by manufacturing at 34% and agriculture at 21%. By Introducing Tamil Nadu Business Facilitation Act- 2017, made the state to become one of the most preferred investment destinations in the country, by ensuring adequate information availability to the investors thereby enabling them to take informed decisions and to ensure single point receipt of applications for securing clearances that are required to establish. Tamil Nadu accounts for the largest number of (15.07 Percentage) Micro, Small and Medium Enterprises (MSMEs) in the country with 217981 units registered as MSMEs, producing over 8,000 varieties of product for a total investment of more than Rs.32,008 crores.

This paper takes in-depth overview on Purpose of Mudra, Products & Schemes offered by Mudra, Loan and the impact of MUDRA loan on Coimbatore based Micro Enterprises.

## II. Review of Literature

**Mol S.TP (2014)** has clarified that there are some issues like money related Illiteracy, absence of mindfulness and client securing is high. Reserve Bank of India has started different activities to improved money related consideration. Information and communication technology offer the opportunities enhancement of financial inclusion.

**Mehar L (2014)** has showed that the financial inclusion in India has increased in the last few years

with new innovations like mobile banking, ultra small branches etc, Roy, Anup Kumar (2016) has displayed that the small businesses are the foundation of economic development. A major number of initiatives have been taken in the past few years in the right direction

**Dr. J. Venkatesh and MS. R. Lavanya Kumari (2017)** has showed that besides the schemes that are being introduced for the overall growth and development of the MSME sector, initiatives have been launched which focus solely on entrepreneurs. The schemes will contribute to the well-being of the individuals engaged in small scale industries which will positively affect the progress of the whole economy.

**Verma S. (2015)** has explained that the design of MUDRA scheme will not only caters to the financial problems of MSMEs but also give moral support to a lot of young population to become an entrepreneur.

**Rudrawar, M. A. A. & Uttarwar, V. R. (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.

**R. Rupa (2017)** has showed that the MUDRA scheme is very much successful in Tamil Nadu. It is found that the MFIs have contributed substantially to increase the number of accounts financed under the PMMY.

### III. Objectives

- a.) To know the objectives of MUDRA loan.
- b.) To know the profile of the MUDRA loan beneficiaries.

- c.) To know the impact of MUDRA loans on Micro Enterprises units.
- d.) To give suitable suggestions.

### IV. Research Methodology

The data was collected by using both Primary method and Secondary method where Questionnaires were used to collect primary data and sources like newspapers, magazines, websites were used to collect secondary data. SPSS is used for analysis purpose and the following tools were used viz. Reliability Test, Crosstabulation, Correlation, One-way Anova, Garrett Ranking and Simple Regression.

### V. Data Analysis

**Table 1: Reliability Statistics**

Reliability Statistics	
Cronbach's Alpha	N of Items
.739	18

From the table 1, it is clear that the values of coefficient alpha (Cronbach's Alpha) has been obtained and the value obtained is .739. This shows that the data has satisfactory internal consistency reliability.

**Table 2: Crosstabulation of association between Are you first generation entrepreneur and Ensures economic stability for entrepreneurs**

**Table 2.1: Association between Are you first generation entrepreneur and Ensures economic stability for entrepreneurs**

Are you first generation entrepreneur * Ensures economic stability for entrepreneurs Crosstabulation						
			Ensures economic stability for entrepreneurs			Total
			N	S	HS	
Are you first generation entrepreneur	Yes	Count	20	20	150	190
		Adjusted Residual	2.9	-3.4	1.1	
	No	Count	0	20	53	73
		Adjusted Residual	-2.9	3.4	-1.1	
Total		Count	20	40	203	263

N of Valid Cases	263		
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 5.55.			

**H<sub>0</sub>:** There is no association between Are you first generation entrepreneur and Ensures economic stability for entrepreneurs

**H<sub>a</sub>:** There is an association between Are you first generation entrepreneur and Ensures economic stability for entrepreneurs

From the table 2.1, the significance value of Pearson Chi-Square is .000 which is less than 0.05. This gives us a conclusion that the alternative hypothesis is accepted i.e. There is an association between Are you first generation entrepreneur and Ensures economic stability for entrepreneurs. The inference forms this result is the first-generation entrepreneurs consider that Mudra loan helps them in attaining economic stability which is good sign for the persons who want to become entrepreneurs in the future.

**Table 2.2: Symmetric Measures for Association between Are you first generation entrepreneur and Ensures economic stability for entrepreneurs**

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	17.829 <sup>a</sup>	2	.000
Likelihood Ratio	22.105	2	.000
Linear-by-Linear Association	.253	1	.615

From the table 2.2, the strength of association is determined. Here the strength of association is weak and we can find that the measures are having statistically significant relationship (sig=.000)

**Table 3: Correlation between generate more income and income growth**

Correlations		
	helped to	contributed towards

Symmetric Measures			
		Value	Approximate Significance
Nominal by Nominal	Phi	.260	.000
	Cramer's V	.260	.000
N of Valid Cases		263	
		generate more income	income growth
helped to generate more income	Pearson Correlation	1	.621**
	Sig. (2-tailed)		.000
	N	263	263
contributed towards income growth	Pearson Correlation	.621**	1
	Sig. (2-tailed)	.000	
	N	263	263
**. Correlation is significant at the 0.01 level (2-tailed).			

From the above table 3, the significance value 0.000 < 0.05 we can infer that there is a significant relationship between generate more income and income growth. The strength of relationship is large (0.621).

**Table 4: Correlation between approaching banks to get mudra loans and obtaining loan under mudra loan from banks**

Correlations
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		Ease of approaching banks to get mudra loans	Obtaining loan under mudra from banks
Ease of approaching banks to get mudra loan	Pearson Correlation	1	.381*
	Sig. (2-tailed)		.000
	N	263	263
Obtaining loan under mudra from banks	Pearson Correlation	.381*	1
	Sig. (2-tailed)	.000	
	N	263	263
**. Correlation is significant at the 0.01 level (2-tailed).			

From the above table 4, the significance value 0.000 < 0.05 we can infer that there is a significant relationship between approaching banks to get mudra loans and obtaining loan under mudra loan from banks. The strength of relationship is medium (0.381).

**Table 5: Correlation between inclusion and positive change in social standing**

Correlations		
	Inclusion	Contributed towards positive change in your

			social standing
Inclusion	Pearson Correlation	1	.264**
	Sig. (2-tailed)		.000
	N	263	263
Contributed towards positive change in your social standing	Pearson Correlation	.264**	1
	Sig. (2-tailed)	.000	
	N	263	263
**. Correlation is significant at the 0.01 level (2-tailed).			

From the above table 5, the significance value  $0.000 < 0.05$  we can infer that there is a significant relationship between inclusion and positive change in social standing. The strength of relationship is small (0.264).

**Table 6: One Way Anova table showing age group and satisfaction level**

ANOVA					
Overall Satisfaction					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	27.515	2	13.758	4.049	.019
Within Groups	883.481	260	3.398		

Total	910.996	262			
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**H<sub>0</sub>:** There is a no difference among the age group towards the satisfaction level on Mudra loan.

**H<sub>A</sub>:** There is a difference among the age group towards the satisfaction level on Mudra loan.

From the above table 6, the significance value is .019 which is less than 0.05. So, we can conclude that there is a significance difference among the age group towards the satisfaction level on Mudra loan.

**Table 6.1: Post Hoc Test table showing the mean score**

Overall Satisfaction			
Duncan <sup>a,b</sup>			
Age	N	Subset for alpha = 0.05	
		1	2
>45 years	76	17.5132	
26-35 YEARS	62	18.0645	18.0645
36-45 years	125		18.2720
Sig.		.059	.476

From the above table 6.1, we are able to find the different age group that have different means to the satisfaction level. The mean score of age group 26-35 years is 18.0645 with 62 respondents falling under this category. The mean score of age group 36-45 years is 18.2820 with 125 respondents and the mean score of age group >45 years is 17.5132 with 76 respondents.

**Table 7: Garrett Ranking table showing the ranks on source of information about Mudra Yojana**

Ranks	Ran k 1	Ran k 2	Ran k 3	Ran k 4	Ran k 5	To t al	R a n k
Garret Score	75	60	50	74.52	25		
Gover nment Official	73	32	51	26	81	13	4
	54	19	25	193	20	7.	
Local Bank Branch	213	20	10	10	10	18	1
	159	12	50	74		67	
Word Of Mouth (WoM )	75	20	50	7.52	25	52	3
	30	54	158	10	11	14	
Media	22	32	79	74	27	0.	2
	50	40	00	5.2	5	2	
Mobile /Internet /SMS	32	170	32	9	20	15	5
	24	10	16	670.	5	37	
	00	200	00	68	00	68	
	9	22	30	71	131	12	
	67	13	15	0.	32	06	
	5	20	00	92	75	92	

From the above table 7, we can infer the ranks that are given by the respondents on the source of awareness through which they came to know about the Mudra Yojana. It is clear that through Local bank branch is ranked number 1, through Media is ranked number 2, through WoM ranked number 3, through Government official is ranked number 4 and through Mobile/Internet/SMS is ranked number 5.

**Table 8: Simple Regression on Income and Income Growth**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621 <sup>a</sup>	.386	.384	.440
a. Predictors: (Constant), contributed towards income growth				

From the above table 8, the R is 0.621 which tells that there is a large strength of relationship. R Square is 0.386 i.e. 38.6% is the extent we can determine Contributed towards income growth and helped to generate more income.

**Table 8.1: Anova table showing the statistical significance**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	31.826	1	31.826	164.114	.000 <sup>b</sup>
	Residual	50.615	26	.194		
	Total	82.441	27			
a. Dependent Variable: helped to generate more income						
b. Predictors: (Constant), contributed towards income growth						

From the above table 8.1, since the significant value (0.000) is less than .05 there is a statistical significance thus regression model predicts the dependent variable significantly well.

**Table 8.2: Table showing the Intercept, Beta and the Dependent variable value**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.078	.123		25.068	.000
	contributed towards income growth	.347	.027	.621	12.811	.000

a. Dependent Variable: helped to generate more income

From the above table 8.2, Beta is 0.347. For single unit increase in contributed towards income growth there is 0.347 times increase in the income growth.

The regression equation is as follows

Helped to generate more income	=	3.078 + 0.347 (contributed towards income growth)
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**Table 9: Simple Regression on Ease and Obtaining of Mudra loan**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1				

ANOVA <sup>a</sup>						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	9.724	1	9.724	44.425	.000 <sup>b</sup>
	Residual	57.128	26	.219		
	Total	66.852	27			

a. Dependent Variable: ease of approaching banks to get mudra loan  
b. Predictors: (Constant), obtaining loan under mudra from banks

From the above table 9, the R is 0.381 which tells that there is a medium strength of relationship. R Square is 0.145 i.e. 14.5% is the extent we can determine Obtaining Mudra loan with the help of Ease of approaching banks to get loan

**Table 9.1: Anova table showing the statistical significance**

ANOVA <sup>a</sup>						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	9.724	1	9.724	44.425	.000 <sup>b</sup>
	Residual	57.128	26	.219		
	Total	66.852	27			

a. Dependent Variable: ease of approaching banks to get mudra loan  
b. Predictors: (Constant), obtaining loan under mudra from banks

From the above table 9.1, since the significant value (0.000) is less than .05 there is a statistical significance thus regression model predicts the dependent variable significantly well.

**Table 9.2: Table showing the Intercept, Beta and the Dependent variable value**

Coefficients <sup>a</sup>				
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Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.531	.188		18.789	.000
obtaining loan under mudra from banks	.280	.042	.381	6.665	.000

a. Dependent Variable: ease of approaching banks to get mudra loan

From the above table 9.2, Beta is 0.280. For single unit increase in obtaining loan under Mudra Yojana from banks there is 0.28 times increase in the ease of approaching banks to get mudra loan.

The regression equation is as follows

Ease of approaching banks to get mudra loan	=	3.531 + 0.280 (Obtaining loan under mudra from banks)
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## VI. Conclusion

The study reveals that the customers were aware about the Mudra Yojana and they feel that this facilitates them in lifting up their business activities. Due to the introduction of Mudra Yojana people were able to start up wither business venture is a big outcome of Mudra Yojana and it stand good in terms of the initiative taken by GOI. This has also resulted in increase in financial inclusion which is a positive sign for the economy. People have also

concluded that they took Mudra Yojana for the expansion of their business is indicates that economy can be uplifted if this is being implemented in a very large scale. Mudra loan acts as a perquisite as it paved way for first generation entrepreneur which is one of the major findings of the study. People are also willing to recommend Mudra Yojana is also a great outcome which the GOI has to keep a note for future prospects that can be reaped through Mudra Yojana

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