Mudra Yojana A Key To Boost Rural Entrepreneurship: A Study in Palakkad District, Kerala

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Abstract: MUDRA Yojana is a Central Government policy to promote small scale business in rural areas. The study focused on the area of awareness and bank support for MUDRA to promote rural entrepreneurship. Primary and secondary data source are used and conducted a survey using questionnaire to collect primary data. 248 samples were selected by using snowball sampling technique among MUDRA beneficiaries' from Palakkad district. The study revealed the fact that the rural people attracted to this policy to make their business dream in a reality. They are well in awareness about the different features of MUDRA which helps them to avail MUDRA scheme support. As per the study, MUDRA partner banks are highly supporting the rural people to start their venture through MUDRA financial aid. Through the awareness and bank support the rural people could avail MUDRA loan and expand their business in different dimensions. The study concluded that MUDRA scheme is a key to boost rural entrepreneurship**.**

Index Terms – **MUDRA, NBFC, Entrepreneurship, Micro Units.**

1. INTRODUCTION

Development of a Nation like India is entirely depend on the progress of industries especially in rural area. Rural developments is based on emerging startups like small and medium scale organizations. Micro Units Developments and Refinance Agency (MUDRA) Bank launched on April 8th 2015 by Honorable Prime Minister of India Sri. Narendra Modi. MUDRA bank is a Government financial agency to provide financial assistance to small and medium scale entrepreneurs to make their business dreams a reality. MUDRA finance encourages small and medium scale entrepreneurs to start different form of organization like sole proprietorships, partnerships Limited Companies. MUDRA Loan is a collateral free finance to emerging entrepreneurs. MUDRA Yojana facilitate three types of business loan like Tarun, Kishore, and Sishu. Tarun gives an amount up to 10 Lakhs,Rupees, Kishore loan provides an amount upto Rupees 5 Lakhs and Sishu only up to Rupees 50000. MUDRA Loan is facilitated through public sector as well as private sector banks. The purpose of financial assistance through MUDRA Yojana must be a non-Agriculture farming business. Business activity proposed to land transport, community social and personnel service, food Products and textile products sectors. The entrepreneurs who are seeking MUDRA Loan finance should have proper credit history and business performance who are looking for expansion of an existing business expansion.

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2. STATEMENT OF PROBLEM

MUDRA is the innovative funding the unfunded. The scheme primarily aimed at MSME units across the country. It was established with the sole purpose of funding and saving small entrepreneurs from abuse by money lenders and helping 1.5 Crore new entrepreneurs in developing small businesses. The MUDRA scheme offers loans that do not need collateral. Whether the rural entrepreneurs using the service is aware about the features of this scheme and whether the banks are properly supporting the

beneficiaries of this scheme to avail the loan service. These questions invite empirical evidence and thus this study focused on the awareness about the scheme among rural people who have started new business and using this scheme.

OBJECTIVES OF THE STUDY

3.1 To measure the level of awareness of entrepreneurs about MUDRA Scheme

3.2 To assess the banks support to entrepreneurs to avail MUDRA Loan.

3.3 To evaluate the development of business by using MUDRA Bank assistance.

4. RESEARCH DESIGN

A descriptive and analytical type of research design is used in this study to know the fact related to the research questions and also to analyse the data by answering the question of why and to evaluate the facts and information relative to the study. The study used both primary and secondary data. Primary data is collected from entrepreneurs who availed MUDRA Loan from five different partner banks in Palakkad district such as State Bank of India, Canara Bank, Punjab National Bank, Catholic Syrian Bank and South Indian Bank using a structured questionnaire. Reliability of the questionnaire is tested using Crohnbache's Alpha and found to be reliable. Palakkad is one of the backward districts of Kerala where most of the population resided at rural area who are unemployed and unskilled. The questions are asked under dimension such as awareness, support and development of business. Secondary data were collected from MUDRA Bank reports of different period of 2015, 2016, 2017, 2018 and 2019. Articles published in different journals are used to review the previous study related to entrepreneurship and MUDRA bank. In this study, sample respondents are selected by using non random sampling alternative called snow ball sampling. In the first stage above mentioned five partner banks are selected from Palakkad districts. 248 entrepreneurs are selected to represent the population and the sample unit is entrepreneurs who availed MUDRA loan from selected banks. Data Analysis is done with the help of different tools such as percentage, arithmetic mean, standard deviation. ANOVA test and t- test is carried out to validate the hypotheses of the study. Data is analyzed using IBM SPSS Software.

LIMITATIONS OF THE STUDY

The study is based on sampling and respondents are selected from five banks and by using non-probability sampling. limitation of non random sampling techniques may prevail in the study. Information are measured using five point likert scale so there is a chance to limit actual information in its real variations. Respondents of the study are selected from a single district even it has a wide scope all over India.

REVIEW OF LITERATURE

M U Sussan, T Obamuyi (2018) in a study examined the impact of microfinance bank on entrepreneurship development in Anambra State. To achieve the stated objective of the study, three research questions were formulated. The descriptive research design was adopted for the study. The population of the study was 734 staff of ten selected entrepreneurial firms in Anambra State. The study used 259 staff as samples using stratified sampling technique. The findings revealed that microfinance bank impact significantly on the development of entrepreneurship in Nigeria; that there are problems that militate against the effective financing of entrepreneurial. Bhole B. and Ogden S (2010) in their paper titled 'Group lending and individual lending with strategic default' had compared the presence of strategic default between group lending and individual lending. Secondary data was considered for the purpose of the study. The study found out results by developing its own strategic model. The paper concluded that unless group members could impose sufficiently strong social sanctions on their strategically default partners, or unless the bank used cross reporting mechanism, group lending can perform worse than individual lending. It was showed that when certain restrictions on group lending contract were relaxed then group lending yielded higher welfare than individual lending even in the absence of any social sanctions or cross reporting. B Rupapara and J Patoliya (2012) have written book titled 'Problems faced by Microfinance Institutions and measures to solve it'. The book have been divided into seven chapters namely basics of microfinance, self help group, microfinance institutions performance, urban and rural microfinance, micro insurance, technology and microfinance and lastly business models for microfinance. The book described in dept the history and meaning of microfinance and various terms related to microfinance. Further the objective of the research conducted was to study the current activities, limitations and scope of microfinance institutions in India and lastly to develop a business model for MFIs. Based on the findings of the research, the authors suggested that rural economy must focus on rural infrastructure and economy so that it ensured there existed the activities that were required for financial assistance. P Tiwari and S. M. Fahad (1997) discussed conceptual framework of a microfinance institution in India. The paper evaluated the successes and failures of various microfinance institutions around the world and lessons learnt have been incorporated in a model microfinance institutional mechanism for India. The paper explained that how microfinance is helpful in poverty alleviation, the formal sector institutions, the existing informal financial sources and its strengths, Mechanisms adopted in other South Asian Nations in targeting programs for the low income groups, Credit Mechanisms Adopted by HDFC (India) for Funding the Low Income Group Beneficiaries, weaknesses of existing microfinance models and thereby develoed a new paradigm and three possible alternatives for successful implementation of microfinance. A Tankha (2002) prepared a study report titled 'Self help groups as financial intermediaries in India: Cost of promotion, sustainability and impact' for ICCO and Cordaid, Netherlands. The study analyzed the role and development of SHGs in financial intermediation in rural India and contributed to a consistent and relevant funding policy for ICCO and Cordaid. The study recommended various areas of intervention for ICCO-Cordaid support for the SHG and MF sector such as development of standards for SHGs, support for MF and promotions of SHGs in poverty belt states, research on SHG sustainability and continued grant support for SHG promotion. H Bansal (2003) in her paper titled 'SHG-bank linkage programme in India' reviewed the performance of the program in different states of India and across three major institutions – commercial banks, co-operatives and the regional rural banks. The study was based on secondary data published by the NABARD in India. The researcher concluded the paper by analyzing the performance under each five sections and also mentioned the future scope of all the institutions and the program. .

DATA ANALYSIS, MAJOR FINDINGS AND DISCUSSIONS

In statistics, normality test is used to determine if a data set well modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. In this study one sample Kolmogorov-Smirnov test is used to determine whether the sample comes from a population that is normally distributed. It systematically shuffles the actual data between two groups. The P value reports are the fraction of these reshuffled data. The P value is greater than 0.05 which shows a good score and represent the data is significant and normally distributed. Table No. 1 shows the result of test for normality.

Table 1.Mean and Standard deviation of Awareness, Bank Support and Business development and
Result of One-Sample Kolmogorov-Smirnov Test for Normality

		Overall Awareness	Over All Bank Support	Over All Business Development
	N	248	248	248
Normal Parameters	Arithmetic Mean	3.63	3.59	3.54
	Standard Deviation	.469	.456	.476
Kolmogorov Smirnov Z Test		1.21	1.55	2.71
P value		0.104	0.076	0.078

7.1 Awareness on MUDRA Loan

Awareness on MUDRA loan is quantified using five point scale by allotting 5 points for the maximum awareness and l point to the lowest level of awareness. Arithmetic mean is used to indicate awareness as a quantitative measure. Overall awareness is calculated by finding combined mean of the 9 variables used and the mean is 3.63 with a standard deviation of 0.469 which indicates that there is level of awareness among entrepreneurs at the same time the level of awareness is not very high.

Table 2. Mean and Standard Deviation of awareness on MUDRA Loan

Variables	Mean	Std. Deviation
MUDRA Products	3.48	1.07
Varying Rate of Interest	3.62	1.09
Banks Procedure	3.52	1.12
Scope of Business	3.63	1.05
Income Tax Benefits	3.75	1.18
Low Interest rate	3,73	1.14
Security Free Loan	3.60	1.26
RBI Guidelines	3.70	1.10
Central Government Regulations	3.53	1.16
Overall Awareness	3.63	0.469

Source: Primary Data

Out of the total respondents 61.8 percent are male and 38. 2 percent are female. To compare the awareness in different genders and to know whether the awareness is significantly different among various genders the following hypothesis is framed:

H0 : There is no significant difference in the awareness on MUDRA Scheme among different Gender

H1 : There is significant difference in the awareness on MUDRA Scheme among different Gender

Table 2 shows the gender wise comparison of awareness. In order to know whether there is significant difference in the awareness about MUDRA Yojana scheme among male and female entrepreneurs, an independent sample t – test is carried out. The result of the t-test indicates that there is significant difference in awareness among male and female entrepreneurs. (P = .017, t =2.415)

Table 2 Awareness and Gender wise Comparison using Independent Sample t test

Gender	Mean Awareness	Standard Deviation	t-Value	P value
Male	3.62	.467	2.415	.017
Female	3.64	.474		

Source: Primary Data

Awareness of Entrepreneurs about MUDRA scheme on the basis of age is compared and the results exhibited in table 3 revealed that there is no significant difference in awareness among entrepreneurs in different age group. The least awareness marked in the age group of 40-60 years. To know whether there is significant difference in the awareness level among different age group the below hypotheses are framed:

H_0 : There is no significant difference in the awareness on MUDRA Scheme among different age groups

H_1 : There is significant difference in the awareness on MUDRA Scheme among different age groups

Table 3 Awareness and Gender wise Comparison using One way ANOVA

Age group	Mean Awareness	Standard Deviation	F Value	P value
Less than 20 years	3.30	.452	13.234	2.456
20-40 Years	3.71	.448		
40-60 Years	3.41	.447		

Source: Primary Data and calculated

One Way ANOVA test is used to know the significant difference in awareness among different age groups. The result of ANOVA indicates that there is no significant difference in awareness among different age group. (F =13.234, P= 2.456)

5.2 Banks Support on availing MUDRA Loan

Bank support to avail MUDRA loan service is studied using seven variables and individual mean is calculated to quantify the variables. Combined mean of these seven variables is calculate to indicate the overall support of banks to avail MUDRA loan service and the same is 3.59 with a standard deviation of 0.456.

Table 3 Banks Support: Mean and Standard deviation

Variables	Mean	Std. Deviation
Support to ensure availability of loan	3.61	1.170
Support of the Bank to find affordable MUDRA loan	3.44	1.189
Support to complete procedures	3.90	1.013
Support to find flexible repayment	3.47	.930
Support through suitable bank policy	3.53	.713
Support to grant loan on time	3.60	.933
Support by proper service	3.59	.876
Overall Bank Support	**3.59**	**.456**

Source: Primary Data and Calculated

Gender wise comparison is carried out to find out whether there is significant difference in the bank support to male and female respondents. For this independent sample t test is used. The hypotheses formulated for the same are:

H0 –There is no significant difference in the bank support to avail loan among different gender

H0 –There is significant difference in the bank support to avail loan among different gender

The result of the test is shown in table 4 and the p value is greater than 0.05 which indicates that there is no significant difference in the bank support to male and female entrepreneurs.

Table 4 Banks Support: Gender wise comparison and result of independent sample t test

Dependent Variable	Gender	Mean	SD	t- Value	P Value
Over All Bank Support	Male	3.5771	.45948	1.456	.421
	Female	3.6259	.45243		

Source: Primary Data and Calculated

Three category of age group is considered to know the significance difference of bank support. Mean support of the age group below 20 years is 3.34, and the same for the group 20-40 years is 3.59 and for the group above 60 years is 3.63. In order to know whether there is significance difference in support from banks for different age group a one way ANOVA test is used. The result of the test shown in the table 5 reveals that there is no significant difference in bank support among different age groups. (F – Value 1.233, P-Value .293)

Table 5 Age –wise comparison of bank support and Result of one way ANOVA

Age Group	Mean	Standard Deviation	F	P-value.
Below 20 Years	3.3469	.41121	1.233	.293
20-40 Years	3.5930	.46742		
40-60 Years	3.6294	.43848		

Source: Primary data and calculated

5.3 Development of Business

Whether MUDRA Loan usage has benefited the entrepreneurs to development the business is evaluated in this study using four variables and the highest benefit of the loan is it helps the entrepreneurs to achieve financial growth of the business (3.85) followed by increasing market growth (3.77) (see table 6). Overall business development using MUDRA service is assessed using combined mean of four variables and the same is 3.54 with a standard deviation of 0.476.

Table 6 Development of Business using MUDRA Loan

Area of Development	Mean	Std. Deviation
Financial Growth	3.85	.778
Market Growth	3.77	705
Product Diversification	3.32	.794
Business Expansion	3.23	1.03
Overall Business Development	3.54	.476

Source: Primary data and calculated

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Mean comparison of development of business among female and male entrepreneurs is studied and shown in the table 7. As per the result the average development among female is 3.49 which is comparatively less than male that is 3.57. To evaluate the significant difference of business growth among male and female entrepreneurship the following hypothesis is framed:

H0: There is no significant difference in the development of business among male and female entrepreneurs

H1: There is significant difference in the development of business among male and female entrepreneurs

Independent sample t –test is used and the result is given in the table 7 that there is significance difference between genders in the development of business. (t value = 1.137, P value =.011)

Table 7 Comparison of Business Development achieved among male and female entrepreneurs

Gender	Mean	Standard Deviation	t-Value	P-Value
Male	3.56	.435	1.137	.011
Female	3.49	.533		

Source: Primary data and calculated

Mean Comparison of business development among entrepreneurs with different age group shows the result of mean difference of business development among different age groups. As per the study result shown in table 8 mean development of business among below 20 year age group is comparatively low than that of other two groups. Business development in the age group of 40-60 years is 3.63 and 3.59 among the age group of 20-40 years. One way ANOVA is used to test the significant difference of business development of entrepreneurs with different age group. As per the result there is no significant difference in business development among different age group. (F =1.16, P = .186)

Table 8 Comparison of Business development among different age group

Age Group	Mean	Standard Deviation	F-Value	P-Value
Below 20	3.34	.41121	1.16	.186
20-40	3.59	.46742		
40-60	3.62	.43848		

Source : Primary data and calculated

6. Conclusion

MUDRA Yojana is a scheme initiated by Government of India to offer a loan amount upto 10 Lakh for Individuals to start micro units in India. It makes a tremendous change among rural people to become an entrepreneur with a financial assistance without any security and minimum rate of interest. MUDRA is an NBFC supporting development of micro enterprise sector in the country. MUDRA provides refinance support to Banks, MFI / NBFC for lending to micro units. It provides different types of loan according to the financial need of rural people to start a new venture. The study focused on the awareness about MUDRA scheme among entrepreneurs and the support of partner banks to make the timely availability of the financial assistance, ultimately the development of business and the promotion of entrepreneurship among rural people.

The study is conducted among rural entrepreneurs who started their micro units with the financial assistance of MUDRA at Palakkad District through banking partners. The entrepreneurs are selected non-random sampling technique and collected their experience in relation with MUDRA scheme. From the study it could be find out that entrepreneurs are aware about the scheme and its special features. The level of awareness is not very high even though they availed the loan service. The banks are supporting the entrepreneurs. At the same time the level of support is not very high. MUDRA scheme also supported the entrepreneurs to develop their business in different dimensions such as product expansion, market expansion, and overall business growth

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