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# PERCEPTION, AWARENESS AND ATTITUDE TOWARDS MUDRA SCHEMES AMONG MICRO ENTREPRENEURS IN TAMIL NADU

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## *ABSTRACT*

*Entrepreneurs are playing a crucial part in the growth of the economy in India. The Government of India has been taking into consideration the significance of micro entrepreneurship and has been assisting entrepreneurs by providing them with new programs that are tailored to their businesses. In India, the government encourages micro entrepreneurship by making it simple to gain access to funding, business networks, consumer marketplaces, and educational opportunities. This study aims to assess the perception, awareness and attitude towards MUDRA schemes among micro entrepreneurs in Tamil Nadu. The secondary objectives were to find out the source of investment made in the business, reasons for obtaining loan through MUDRA scheme. The samples were taken from various districts in Tamil Nadu. Three hundred micro entrepreneurs actively participated in the survey. Well-structured questionnaire used to collect responses. Research model and Hypotheses developed for the study and tested using Structural Equation Modelling (SEM). Percentage analysis, Exploratory Factor analysis and Henry Garrett ranking method also used in this study.Perception has a positive impact on attitude and significant and Awareness has a positive impact on attitude and significant. Hence both the hypotheses were supported in this study.In Tamil Nadu, the micro entrepreneurs have more awareness about MUDRA schemes. The micro entrepreneurs have high level of perception and attitude towards MUDRA scheme. The micro entrepreneurs' perception, awareness and attitude on the Mudra scheme have made significant improvement in their business activities.*

***KEYWORDS:*** *Attitude, Awareness, Micro entrepreneurs, MUDRA scheme, Perception*

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## INTRODUCTION

Microfinance is a form of financial assistance that is offered to those with low incomes, such as persons living in low-income rural areas, low-income customers, and small company owners who have a limited amount of capital with which to operate their companies. Microfinance is a system that provides financial assistance to those who have trouble gaining access to other forms of financial support in order to assist them in expanding their businesses. In India, eliminating poverty can unquestionably benefit from an increase in employment opportunities made possible by the facilitation of small company endeavours by means of microfinance. By way of illustration, microfinance activity has considerably contributed to the alleviation of poverty in China, Vietnam, and South Korea. Microfinance institutions' primary mission is to make it possible for individuals to establish or expand their own businesses by providing seed capital in the form of small loans. As a result, this will contribute to the alleviation of poverty and the improvement of the general standard of living among the populace(Bhura & Jha, 2019).The Government of India has established the Micro Units Development and Refinance Agency Bank (MUDRA Bank) to promote entrepreneurship and give funding to India's non-corporate small business sector. Pradhan Mantri MUDRA Yojana, also known as PMMY, is a scheme that was established on April 8, 2015 by the Honorable Prime Minister of India with the goal of granting loans of up to 10 lakh to non-corporate, non-agricultural small and micro enterprises. Under the PMMY, these loans fall under the category of MUDRA loans. Commercial banks, regional reserve banks, small finance banks, microfinance institutions, and non-bank financial companies provide these loans. MUDRA has developed three products under the purview of PMMY. These products are called 'Shishu,' 'Kishore,' and 'Tarun,' and they are designed to indicate the stage of growth or development and the funding needs of the beneficiary micro unit or entrepreneur, as well as to give a reference point for the next step of graduation or growth(MUDRA, 2023).Under the Pradhan Mantri Mudra Yojana program, MUDRA Bank offers three types of loans to Micro Units to help them launch or expand their enterprises. These loans designated as Shishu Yojana provides loans of up to Rs. 50,000. Kishore Yojana - loans between Rs. 50,001 toRs. 5,000,000. Tarun Yojana - loans provided from Rs. 5, 00,000 to Rs. 10,00,000. Various are the rates of interest applicable to various schemes: Shishu Yojana - Interest rates range between 10 and 12 percent, but public sector banks often offer a reasonable interest rate. Kishore Yojana - Interest rates range between 14% and 17% and vary from bank to bank. Tarun Yojana - the interest rate charged under this program begins at 16%.MUDRA vision is to be an outstanding integrated financial and support services provider for the bottom of the pyramid universe, benchmarked to global best practices and standards for their holistic economic and social growth. MUDRA mission is to achieve economic success and financial security by developing an inclusive, sustainable, and value-based entrepreneurial culture in cooperation with our partner institutions. Any Indian citizen involved in an income-generating business such as manufacturing, processing, trading, or service sector with a credit need of less than 10 lakh can approach a Bank, MFI, Financial Institution, or NBFC for MUDRA loans under the Pradhan Mantri Mudra Yojana. (PMMY). MUDRA Bank does not refinance agriculture under PMMY, but it does cover dealers of vegetables and fruits under MUDRA Bank Schemes. Mudra loans are granted for a range of uses that generate money and generate employment opportunities. The loans granted primarily for the following purposes: 1. Business loans for Vendors, Traders, and other Service Sector operations. 2. Term loan for working capital through MUDRA Cards.3. Equipment Financing for Small Businesses. 4. Transport Vehicle loans – for business use only. 5. Loans for Agri-related non-farm income-generating businesses, such as aquaculture, beekeeping, and poultry farming, etc. 6.Tractors, tillers, and two-wheelers used only for business purposes.

## REVIEW OF LITERATURE

Using a comparative study of 2015-16 and 2016-17, Prakash & Devaki (2018)examined the performance of MUDRA in Tamil Nadu with specific reference to the state. They examined the account approval and amount issued for all loan-providing programmes, including Shishu, Kishore, and Tarun. The study indicated that account sanctioned and amount dispensed grew under the Shishu program but declined under the Tarun scheme, while there was little difference between account sanctioned and amount disbursed under the Kishore scheme(Gupta, Matho, & Dubey, 2017).PMMY was a significant measure taken by the government to facilitate small business access to financing. The ease of obtaining financing for micro and small businesses and the growth of MSMEs. The continuous expansion of the MSMEs sector promotes the manufacture in India and start up India initiatives (Annu & Kumar, 2018).Majority of the people were aware of the MUDRA initiative. Regarding the absence of collateral security, the interest rate, and the amount of the loan sanctioned, the level of customer satisfaction was good. The purpose of the MUDRA program was to maintain lower interest rates in contrast to other bank loans. Some had trouble repaying the loan, but they opined that the MUDRA loan was processed far more quickly than other types of loans and that the loan amount was disbursed in one single sum(Nair, 2018).PMMY is an excellent initiative by the Indian government, and it has had a significant impact on microfinance. It will benefit the disadvantaged, low-income, and unfunded population, while also increasing competition. The PMMY should place a greater emphasis on the minority sector(Agarwal & Dwivedi, 2017).MUDRA has an effect on the economy by providing individuals with means of subsistence and employment possibilities. a number of obstacles confronting the MUDRA, such as lack of knowledge, capacity growth, and assistance, etc(Sahani & Raman, 2018).MUDRA is extremely beneficial to rural and urban small businesses and self-employed individuals. The MUDRA measures boost the confidence of young, educated, and competent entrepreneurs of both new and existing small businesses(Shahid & Irshad , 2016).Women Entrepreneurs were aware of Mudra Yojana scheme, Industrial Finance Corporation of India Scheme of Interest Subsidy for Women Entrepreneurs and Annapurna Scheme(Sathiyabama & Velmurugan, 2019). Lack of knowledge among SME entrepreneurs about the scheme in which they have borrowed, as well as ignorance of new schemes that have benefited borrowers. The most prevalent source of SME financing in India is bank financing. The SME financing programs provide this sector with credit at low interest rates and favourable terms, but the application procedure is lengthy. Customers suggested that Syndicate Bank's interest rate is slightly higher than that of other banks (Saravanan, 2013).The scheme contributes to the well-being of those involved in small-scale industries, which positively impacts the economic growth as a whole. In its early phases, Mudra as a financial instrument is regarded as highly effective across the country. The MUDRA program will have a profound impact on India's development(Roy, 2016).MUDRA plays a significant role in the growth and development of MSMEs by providing policy guidelines for micro financing units, formulating lending standards for MFIs, promoting the right technology solution, acting as a regulator for MFIs, formulating a credit guarantee scheme, and supporting development and promotional activities, etc(George & Nalini, 2018).Number of people who have benefited from PMMY and the total quantity of loans that have been authorized have been growing each year. The majority of PMMY funds have been directed toward the encouragement of new business ventures or start-ups across the nation (Singh & Kamal, 2018).

## MATERIALS AND METHODS

Descriptive research design employed in this study. The study was conducted among the micro entrepreneurs who availed loans through MUDRA schemes. The main objective of this study to assess the perception, awareness and attitude towards MUDRA schemes among micro entrepreneurs. The secondary objectives were to find out the source of investment made in the business, reasons for obtaining loan through MUDRA scheme. The samples were taken from various districts in Tamil Nadu. Three hundred micro entrepreneurs actively participated in the survey. Well-structured questionnaire used to collect responses. Research model and Hypotheses developed for the study and tested using Structural Equation Modelling (SEM). The Cronbach alpha value for 10 items is 0.814 which shows a good reliability of data. Percentage analysis, Exploratory Factor analysis and Henry Garrett ranking method also used in this study.

## Research Model

- **$H_1$:** Perception has a positive impact on attitude towards MUDRA schemes among micro entrepreneurs.
- **$H_2$:** Awareness has a positive impact on attitude towards MUDRA schemes among micro entrepreneurs.

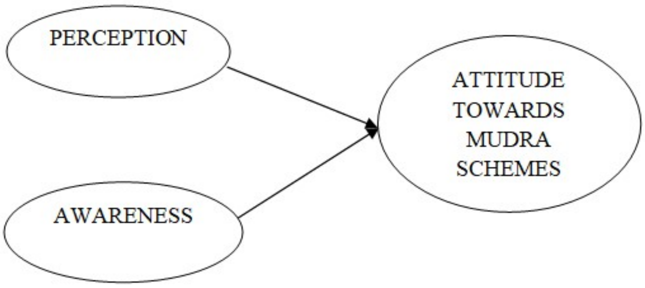


**Figure 1**

**Table 1: Demographic Profile of the Respondents**

| Category | Particulars | Frequency | % |
|---|---|---|---|
| Gender | Male | 191 | 63.7 |
| | Female | 109 | 36.3 |
| Age (in years) | Below 25 years | 36 | 12.0 |
| | 26 - 40 years | 108 | 36.0 |
| | 41-50 years | 104 | 34.7 |
| | Above 50 years | 52 | 17.3 |
| Marital status | Married | 185 | 61.7 |
| | Unmarried | 115 | 38.3 |
| Education | Up to School education | 51 | 17.0 |
| | UG/PG Degree | 96 | 32.0 |
| | Professional Degree | 73 | 24.3 |
| | Others | 80 | 26.7 |
| Monthly income | Less than Rs.20,000 | 82 | 27.3 |
| | Rs.20,001-Rs.40,000 | 98 | 32.7 |
| | More than Rs.40,001 | 120 | 40.0 |
| Type of business | Proprietorship | 146 | 48.7 |
| | Partnership | 154 | 51.3 |
| Nature of business | Service sector | 112 | 37.3 |
| | Manufacturing sector | 86 | 28.7 |
| | Trading | 102 | 34.0 |
| Experience | Below 3 years | 52 | 17.3 |
| | 3-6 years | 163 | 54.3 |
| | Above 6 years | 85 | 28.3 |

The table 1 shows the distribution of respondents based on their demographic profile. 63.7% of the respondents were male and remaining 36.3% of them were female. 36% of the respondents' age group were between 26-40 years of age, 61.7% of them were married, 32% of them completed their UG/PG degree, 40% of the respondents' monthly income were more than Rs.40,001. 51.3% of the respondents' have partnership business. 37.3% of the respondent's nature of business were service sector followed by 34% of them were in trading concern and 28.7% of them dealing with manufacturing sector.

## Henry Garrett Ranking Method

Henry Garrett ranking methods were used to find out the source of investment made in the business by the respondents.

**Table 2: Source of Investment**

| Sources | Total score | Mean score | Rank |
|---|---|---|---|
| Own investment | 16253 | 54.18 | I |
| Bank | 15722 | 52.41 | II |
| Financial institutions | 14330 | 47.77 | III |
| Friends | 13874 | 46.25 | V |
| Relatives | 14221 | 47.40 | IV |

Table 2 shows that majority of the respondents invested their own money to start their business and it is ranked first. The second source of investment is loan obtained from bank and it is ranked second. The third source of investment is amount borrowed from financial institutions and it is ranked third. The fourth source of investment is amount borrowed from friends and fifth source of investment is amount borrowed from relatives of the respondents.

**Table 3: Reasons for Obtaining Loan through MUDRA Scheme**

| Reasons | Total score | Mean score | Rank |
|---|---|---|---|
| Loan amount | 16301 | 54.34 | I |
| Repayment option | 15437 | 51.46 | II |
| Processing time taken | 14501 | 48.34 | IV |
| Absence of collateral security | 14435 | 48.12 | V |
| Low Interest rate | 15231 | 50.77 | III |
| Behavior of bank officials | 13495 | 44.98 | VI |

Table 3 shows the reasons for obtaining loan through MUDRA scheme by the micro entrepreneurs. Majority of the respondents ranks loan amount as first reason for obtaining loan through MUDRA scheme. Second reason is repayment option and it is ranked second. Low interest rate is ranked third, processing time taken is ranked fourth, Absence of collateral security is ranked fifth and Behavior of bank officials ranked sixth.

**Table 4: Opinion towards Mudra Schemes**

| Statements | F1 | F2 | F3 |
|---|---|---|---|
| I understand my responsibilities as a loan borrower | 0.982 | | |
| Cater the needs of small or micro enterprises | 0.982 | | |
| I understand how MUDRA scheme works | 0.982 | | |
| I understand my rights as a loan borrower | 0.970 | | |
| Being aware of the scheme has allowed me to better manage my finances | | 0.958 | |
| I have a right to be given written documentation relating to my credit transaction | | 0.948 | |
| I have the right to access and challenge information held by a MUDRA bank | | 0.939 | |
| The scheme protects me from unfair credit and credit marketing practices | | | 0.900 |
| The scheme promotes a fair and non-discriminatory place for accessing credit | | | 0.892 |
| The scheme limits my chances of accessing credit outside | | | 0.888 |
| Extraction Method: Principal Component Analysis.<br>Rotation Method: Varimax with Kaiser Normalization. | | | |

Table 4 shows the results of KMO and Bartlett's Test. Kaiser-Meyer-Olkin Measure of Sampling Adequacy value is '0.809' with df '45' and sig. value '0.000'. Table 4 shows the factor analysis results. The Eigen values extracted are more than one. The first factor extracted four items and named as 'Perception'. The second factor extracted three items and named as 'Awareness'. The third factor extracted three items and named as 'Attitude'.

## Structural Equation Modelling (SEM)

Structural Equation Modelling is used to test the hypotheses developed in this study.

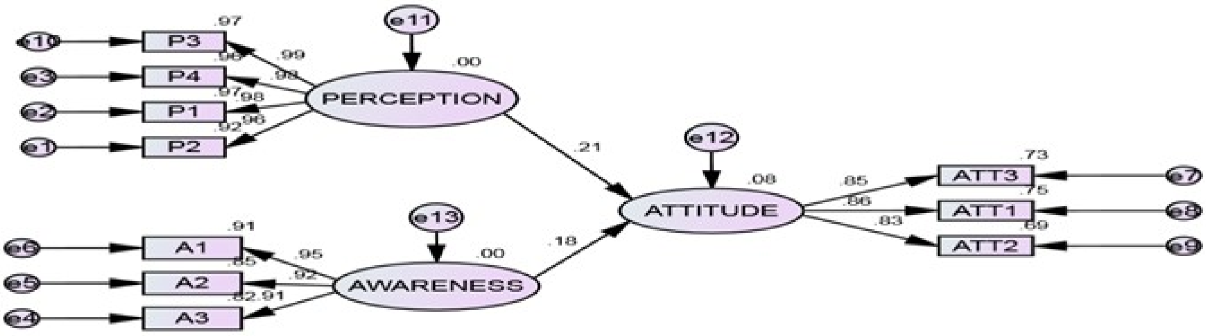


**Figure 2**

**Table 5: Model Fit Summary**

| SEM Model | Fit Statistics | Desired Value | References |
|---|---|---|---|
| $X^2/DF$ | 2.406 | ≤5.00 | (Marsh & Hocevar , 1985) |
| AGFI | 0.919 | > 0.80 | (Baumgartner & Homburg, 1996) and (Doll, Xia, & Torkzadeh, 1994) |
| *GFI* | 0.951 | > 0.80 | |
| *CFI* | 0.988 | > 0.90 | (Bentler, 1990) |
| TLI | 0.984 | > 0.90 | (Tucker & Lewis, 1973) |
| IFI | 0.988 | > 0.90 | (Bollen, 1989) |
| RMSEA | 0.069 | < 0.08 | (Steiger, 1990) |

The model fit values shows that the CMIN/DF value is 2.406 which is less than 5, AGFI is 0.919, GFI is 0.951, CFI is 0.988, TLI is 0.984, IFI is 0.988 and RMSEA is 0.069 which meets the threshold values. Thus, it is concluded that overall model is a good fit.

**Table6: Path Coefficient for Structural Model**

| Hypothesized Relationships | β | C.R. | P | Decision |
|---|---|---|---|---|
| ATTITUDE ←=== PERCEPTION | 0.205 | 3.413 | *** | Supported |
| ATTITUDE ←=== AWARENESS | 0.183 | 2.977 | .003 | Supported |

The structural model results are presented in Table 6, the first hypothesis, Perception has a positive impact on attitude and significant at ($\beta$=0.205, t=3.413, $p<0.0001$), so the first hypothesis ($H_1$) is supported. The second hypothesis, Awareness has a positive impact on attitude and significant at ($\beta$=0.183, t=2.977, p value is 0.003 which is less than 0.05), so the second hypothesis ($H_2$) is supported.

## CONCLUSION

The MUDRA scheme is extremely important because of the role it plays in fostering microfinance and offering financial assistance to new and aspiring small business owners and start-ups. Unbanked individuals, particularly micro entrepreneurs, can apply for financing from the organization, which helps them become financially independent and self-sufficient. Not only does the MUDRA program make a contribution to the financing of new entrepreneurs and start-up businesses, but it also assists in ramping up the operations of micro entrepreneurs. The reasonable sum of loan provided through MUDRA scheme helps their micro enterprises and boost their undertakings. The government and banking institutions that facilitate more loan services under MUDRA scheme encourages them to incorporate additional features in their businesses. In particular, the MUDRA scheme provides more support and innovative financial services to the micro entrepreneurs in India especially in Tamil Nadu. The perception, awareness and attitude of micro entrepreneurs' is important aspects in each and every industry. The primary mission of government is to provide people more credit services and more opportunities for employment. Financial support is the most important thing that micro entrepreneurs need in order to make their businesses more profitable. In Tamil Nadu, the MUDRA scheme has been providing financial institutions to fulfil the micro entrepreneur's requirements and help them to achieve their goals in their business ventures. In Tamil Nadu, the micro entrepreneurs have more awareness about MUDRA schemes. The micro entrepreneurs have high level of perception and attitude towards MUDRA scheme. The micro entrepreneurs' perception, awareness and attitude on the Mudra scheme have made significant improvement. Most of the micro entrepreneurs have been availing the MUDRA scheme offered by the government. Though micro entrepreneurs have utilized the Mudra scheme and services for their enterprises and other financial support under MUDRA scheme in Tamil Nadu, the government should take little more initiative to create awareness of MUDRA scheme and thereby build confidence in the mind of people to take up entrepreneurial activities. The government should take initiative to make sure whether this scheme is reached to all the people of the society who are struggling to avail loans to enhance their business activities. Hence, the study concluded that the MUDRA scheme provides more opportunities to develop their business activities in the study area.

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