

Entrepreneur Culture Development through Mudra Scheme in Karnataka

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ABSTRACT

The Mudra (Micro Units Development and Refinance Agency) Scheme, initiated by the Government of India, has played a pivotal role in fostering an entrepreneurial culture in Karnataka, one of India's most economically dynamic states. This abstract provides a concise overview of the research conducted to understand the impact of the Mudra Scheme on entrepreneur culture development in Karnataka. The Mudra Scheme was launched in 2015 with the primary objective of providing financial support to micro and small enterprises by extending collateral-free loans. Over the years, this scheme has evolved as a significant driver of entrepreneurship, enabling individuals to turn their business ideas into reality. This research endeavors to assess the tangible and intangible impacts of the Mudra Scheme on fostering an entrepreneurial culture within Karnataka. The study employs a mixed-methods approach, combining quantitative analysis of loan disbursement data with qualitative insights gathered through interviews and surveys of Mudra beneficiaries, financial institutions, and government officials. The research takes into account several key dimensions: Access to Finance, Entrepreneurial Mindset, Employment Generation, Gender and Social Inclusion, Challenges and Future Prospects. Through a comprehensive analysis of these dimensions, this research aims to provide valuable insights into how the Mudra Scheme has contributed to the development of an entrepreneurial culture in Karnataka. Understanding the impact of this scheme is essential not only for policymakers but also for entrepreneurs, financial institutions, and other stakeholders interested in fostering economic growth and innovation in the region. The findings of this study will help inform future policy decisions and strategies for promoting entrepreneurship and inclusive economic development in Karnataka.

Keywords:

Economic Development, Promoting Entrepreneurship, GDP, Skill Development, Job Creation and Entrepreneurship Awareness

Introduction

The Mudra Scheme, short for Micro Units Development and Refinance Agency Scheme, is a flagship initiative of the Indian government aimed at fostering entrepreneurship and economic development by providing financial assistance and support to micro and small enterprises. It was launched in April 2015 by the Prime Minister of India, Narendra Modi, as part of the government's broader agenda to promote inclusive growth and employment generation. In Karnataka, the Mudra Scheme has played a crucial role in nurturing and cultivating an entrepreneurial culture among its citizens. This southern state of India, known for its rich cultural heritage and diverse economic activities, has embraced the Mudra Scheme as a catalyst for economic empowerment and the development of a vibrant entrepreneurial ecosystem. The scheme primarily focuses on providing financial assistance to entrepreneurs from different strata of society, including women, Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backward Classes (OBC). It recognizes that financial constraints often act as significant barriers to entrepreneurship, especially for marginalized communities. Here, we will explore how the Mudra Scheme has contributed to the development of an entrepreneurial culture in Karnataka. The benefits of Mudra Schemes are Access to Finance, Empowering Women Entrepreneurs, Promoting Inclusive Entrepreneurship, Skill Development, Job Creation and Entrepreneurship Awareness. In butchery, the Mudra Scheme has been a driving force in the development of an

entrepreneurial culture in Karnataka. By providing financial assistance, skill development, and a conducive environment for entrepreneurship, it has empowered individuals from diverse backgrounds to pursue their business dreams. This, in turn, has not only contributed to the economic growth of the state but has also fostered a culture of innovation and self-reliance among its citizens.

Review of the Study

Gunjan Bhayana, et al (2020), in their paper entitled "Role of Mudra Yojana in Entrepreneurship Development" The government work towards improving performance of bottom states by offering more innovative and attractive schemes. Furthermore, scheme wise loan distribution with regard to number of accounts, amount sanctioned and disbursed is decreasing on yearly basis for the "Shishu" scheme, however, it still retained highest share followed by "Kishore" and then "Tarun". The reason could be that the interest rate in this scheme is lowest. It can also be concluded that it has given boost to the entrepreneurial culture as it caters the need of the new start-ups.

Mona Girnara (2015), in his paper entitled "Mudra Yojna and its role in promoting Entrepreneurship and Impact on Indian Economy", observed that in my assessment, the Mudra Yojna is undeniably contributing positively to entrepreneurship in India, thereby exerting a beneficial influence on the Indian economy. This program has proven to be instrumental in empowering a growing number of entrepreneurs, which, in turn, has the potential to boost India's Gross Domestic Product (GDP). As the GDP expands, it sets the stage for the overall development and growth of the Indian economy. Government policies and initiatives play a pivotal role in fostering entrepreneurship in India, and the Mudra Yojna is specifically tailored to nurture entrepreneurship and drive economic advancement within the country. The available data unequivocally supports the conclusion that the Mudra Yojna has had a favorable impact on the development of entrepreneurship and the overall growth of the Indian economy. Over time, it is expected that the utilization of the Mudra Yojna will continue to rise across India. This, in turn, will further enhance its positive influence on entrepreneurs and contribute to the ongoing growth of the Indian economy.

Objectives of the Study

1. To study on Mudra Yajana schemes and its significance.
2. To identify factor determining the success of Mudra Yajana in Karnataka.
3. To analysis the benefits derived by Entrepreneur from Mudra Scheme.

Methodology of the study

This study is based on secondary data which has been gathered from website of MUDRA and its annual reports. For this evocative study, quantitative and methodical techniques are applied on the secondary or published data.

Mudra Yajana schemes and its significance

Mudra Yojana, officially known as the Pradhan Mantri Mudra Yojana (PMMY), is an Indian government initiative launched on April 8, 2015, to provide financial support and encourage entrepreneurship among micro and small enterprises. The scheme plays a significant role in the economic development of India and holds several key significances:

Financial Inclusion: Mudra Yojana aims to bring financial inclusion to those who were traditionally excluded from formal banking systems. It provides access to credit for small business owners and entrepreneurs who may not have had access to loans due to the lack of collateral or a credit history.

Promoting Entrepreneurship: One of the primary goals of the scheme is to promote and nurture the spirit of entrepreneurship in India. It encourages individuals to start their own micro and small enterprises, which, in turn, fosters economic growth and job creation.

Job Creation: By supporting micro and small businesses, Mudra Yojana contributes significantly to job creation. These businesses often hire locally, providing employment opportunities in both urban and rural areas.

Reduction in Informal Borrowing: Before the implementation of Mudra Yojana, many small entrepreneurs relied on informal sources of credit, often at high-interest rates. This scheme provides a formal and regulated channel for credit, reducing the exploitation of borrowers by informal moneylenders.

Women Empowerment: Mudra Yojana places special emphasis on promoting female entrepreneurship. It provides women entrepreneurs with access to credit and encourages them to start and expand their businesses, contributing to gender equality and women's economic empowerment.

Inclusive Growth: The scheme is designed to ensure that the benefits of economic growth reach all segments of society, including those in rural and underserved areas. It contributes to reducing income disparities and promoting inclusive growth.

Diversification of Economic Activities: Mudra Yojana supports a wide range of economic activities, from manufacturing to services and trade. This diversification of economic activities helps in reducing dependence on a specific sector and promotes overall economic resilience.

Skill Development: The scheme recognizes the importance of skill development and training for entrepreneurs. It encourages beneficiaries to acquire necessary skills and expertise to run successful businesses.

Entrepreneurship in Priority Sectors: Mudra Yojana focuses on priority sectors such as agriculture, manufacturing, and services, aligning its objectives with the broader economic development goals of the country.

Financial Stability: By promoting entrepreneurship and job creation, the scheme contributes to the overall economic stability of the nation. A more financially stable population is less susceptible to economic shocks.

In summary, the Pradhan Mantri Mudra Yojana is a significant initiative that addresses multiple economic and social objectives, including financial inclusion, job creation, gender empowerment, and fostering entrepreneurship. It plays a vital role in supporting the growth of micro and small enterprises, which are the backbone of the Indian economy.

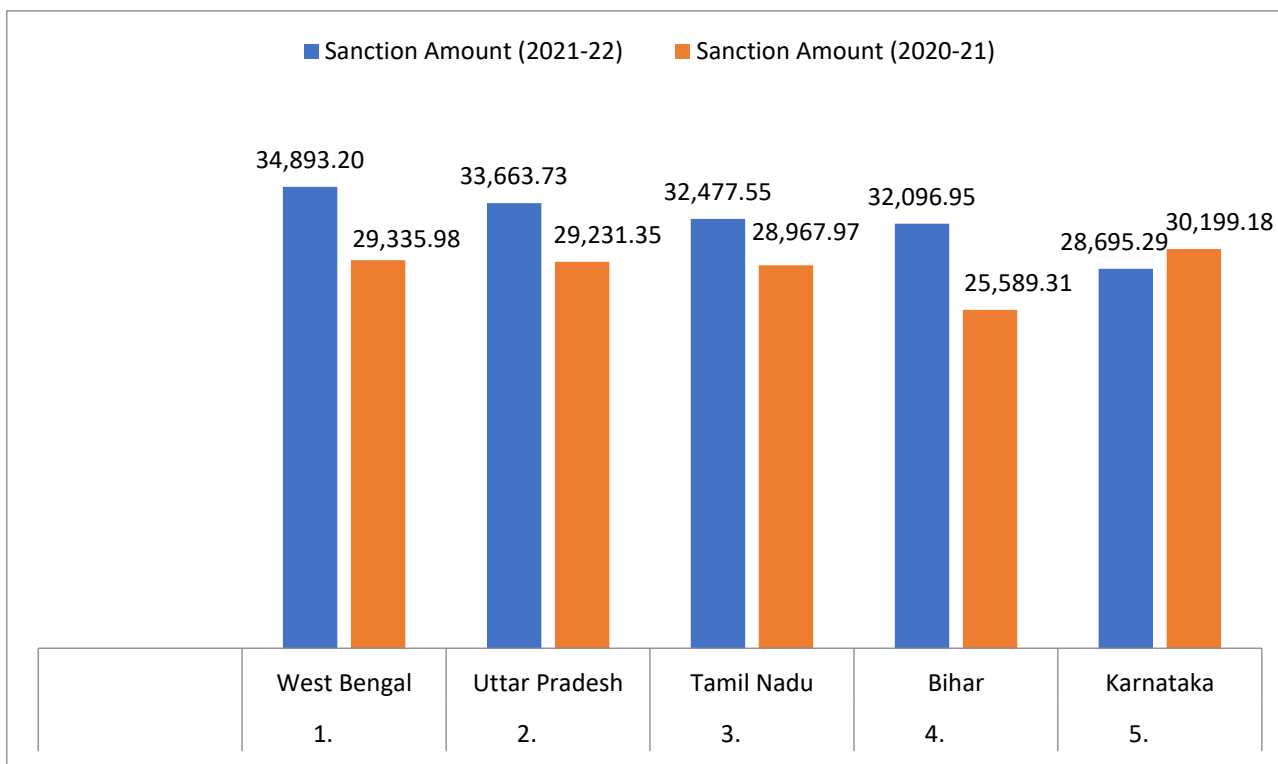
State-wise Performance

Performance of top 5 states

TABLE 1 (IN CRORE)

S.No.	Name of State	Sanction Amount (2021-22)	Sanction Amount (2020-21)
1.	West Bengal	34,893.20	29,335.98
2.	Uttar Pradesh	33,663.73	29,231.35
3.	Tamil Nadu	32,477.55	28,967.97
4.	Bihar	32,096.95	25,589.31
5.	Karnataka	28,695.29	30,199.18

Source: Mudra Annual Report



Source: Mudra Annual Report

Table I while the Institution-wise targets were assigned by the Govt. of India, the same was further sub-allocated state-wise by the respective lending institutions based on their network and potential to lend. The state-level performance is being monitored by the respective SLBCs of the states. Of all the states, West Bengal topped with sanction of ` 34,893.2 crore, followed by Uttar Pradesh with ` 33,663.73 crore and Tamil Nadu stood at third position with ` 32,477.55 crore and Bihar stood at Forth position with ` 32,096.95 crore and Karnataka stood at Fifth position with ` 28,695.29 crore.

Identify factor determining the success of Mudra Yajana in Karnataka

The success of the Mudra Yojana in Karnataka, as in any region, is influenced by several factors that determine its effectiveness in promoting entrepreneurship and facilitating access to credit for micro and small enterprises. Here are some key factors that can determine the success of the Mudra Yojana in Karnataka:

Awareness and Outreach: Effective communication and awareness campaigns about the Mudra Yojana are crucial to its success. Widespread awareness ensures that potential beneficiaries are informed about the scheme and can avail of its benefits.

Implementation and Monitoring: Efficient and transparent implementation of the scheme is vital. Ensuring that loans are disbursed in a timely and hassle-free manner and that funds are used for the intended purposes contributes to success.

Simplified Application Process: A straightforward and user-friendly loan application process encourages more entrepreneurs to apply for Mudra loans. Reducing bureaucratic hurdles and paperwork can enhance the scheme's success.

Availability of Financial Institutions: The presence of banks, microfinance institutions, and other financial institutions willing to participate in the scheme is essential. A robust network of lending institutions can increase accessibility to Mudra loans.

Loan Size and Category: Mudra loans are categorized into Shishu, Kishor, and Tarun based on loan size. Ensuring that these categories suit the diverse needs of entrepreneurs in Karnataka is crucial for success.

Interest Rates and Subsidies: Competitive interest rates and subsidies, if applicable, can make Mudra loans more attractive to borrowers. Low-cost credit can stimulate entrepreneurship and business expansion.

Training and Skill Development: Providing training and skill development programs to Mudra beneficiaries can enhance their capacity to manage and grow their businesses, increasing the likelihood of success.

Effective Credit Appraisal: Sound credit appraisal practices by lending institutions are necessary to assess the creditworthiness of applicants and ensure the loans are disbursed prudently.

Monitoring and Recovery: Effective monitoring of loan utilization and timely recovery of loans are crucial to maintaining the sustainability of the scheme. Proper recovery mechanisms can ensure that funds are available for future borrowers.

Targeted Support for Vulnerable Groups: Tailored support and financial literacy programs for women, minorities, and economically disadvantaged individuals can enhance the inclusivity of the Mudra Yojana.

Linkage to Markets and Value Chains: Helping Mudra beneficiaries access markets and value chains can increase the chances of their businesses thriving and generating income.

Economic and Business Environment: The overall economic and business environment in Karnataka, including regulatory ease of doing business, infrastructure, and market demand, can significantly impact the success of Mudra-funded businesses.

Risk Mitigation Measures: Implementing risk mitigation measures, such as credit guarantee schemes or insurance, can encourage banks to participate more actively in the Mudra Yojana.

Feedback and Evaluation: Regular feedback from beneficiaries and periodic evaluations of the scheme's impact can help identify areas for improvement and ensure that the Mudra Yojana evolves to meet changing needs.

The benefits derived by Entrepreneur from Mudra Scheme

Entrepreneurs in India can derive several benefits from the Mudra Scheme (Pradhan Mantri Mudra Yojana), which is designed to provide financial support to micro and small enterprises. Here are some of the key benefits that entrepreneurs can obtain from the Mudra Scheme:

Access to Credit: The primary benefit of the Mudra Scheme is that it provides access to credit for entrepreneurs who may not have collateral or a credit history to obtain loans through traditional banking channels. This enables them to start or expand their businesses.

Collateral-Free Loans: Mudra loans are typically collateral-free for small business loans, which reduces the burden on entrepreneurs who may not have valuable assets to pledge as collateral.

Funding for Diverse Business Activities: Entrepreneurs can use Mudra loans for a wide range of business activities, including starting a new business, expanding an existing one, purchasing equipment, working capital, and more.

Customized Loan Categories: The Mudra Scheme offers three categories of loans – Shishu, Kishor, and Tarun – with varying loan amounts, making it suitable for businesses of different scales and stages of development.

Competitive Interest Rates: Mudra loans typically offer competitive interest rates, which can be more favorable than loans obtained from informal sources.

Promotion of Entrepreneurship: The scheme encourages individuals to take up entrepreneurship, fostering a culture of self-employment and innovation.

Employment Generation: By facilitating the growth of micro and small enterprises, Mudra loans contribute to job creation, both directly and indirectly.

Financial Inclusion: Mudra loans promote financial inclusion by bringing individuals and small businesses into the formal banking sector.

Women Empowerment: Special emphasis is placed on encouraging women entrepreneurs, making it easier for them to access credit and start businesses.

Skill Development: Some Mudra loans come with provisions for training and skill development, helping entrepreneurs acquire the necessary skills to manage and grow their businesses effectively.

Reduction in Dependence on Informal Borrowing: Entrepreneurs who previously relied on informal sources of credit, often at high interest rates, can now access formal and regulated financial services through the Mudra Scheme.

Economic Growth: The growth of micro and small enterprises supported by Mudra loans contributes to overall economic development by diversifying economic activities and increasing the GDP of the country.

Business Expansion: Established entrepreneurs can use Mudra loans to expand their businesses, increase production capacity, and enter new markets.

Boost to Rural Entrepreneurship: Mudra loans have a significant impact on rural entrepreneurship by providing rural entrepreneurs with access to formal credit sources, facilitating rural economic development.

Market Linkages: Some entrepreneurs receive support in terms of market linkages, helping them connect to buyers and distribution networks, which can be critical for business success.

Conclusion

In conclusion, the Mudra Scheme has been instrumental in nurturing and promoting an entrepreneurial culture in the state of Karnataka. Through its various initiatives and financial support mechanisms, the scheme has effectively removed barriers that hindered aspiring entrepreneurs from realizing their dreams. Here are the key takeaways regarding the development of an entrepreneurial culture through the Mudra Scheme in Karnataka: Financial Inclusion, Gender Equality, Inclusive Growth, Skill Enhancement, Job Creation, Entrepreneurship Awareness, Innovation and Economic Growth. In essence, the Mudra Scheme has not only provided financial assistance but has also been a catalyst for social and economic transformation in Karnataka. It has instilled a spirit of entrepreneurship, self-reliance, and inclusivity, making the state a thriving hub for innovation and business development. As Karnataka continues to evolve as an entrepreneurial hotspot, the Mudra Scheme remains a key driver of this cultural shift, ensuring that more individuals can realize their entrepreneurial aspirations and contribute to the state's prosperity.

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