



MUDRA YOJANA IN PUNJAB STATE: AWARENESS LEVEL AND CHALLENGES FACED BY BENEFICIARIES AND STAKEHOLDERS

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Abstract

The Micro Units Development and Refinance Agency (MUDRA) Yojana, initiated by the Government of India, seeks to offer financial assistance to micro-enterprises through different lending institutions. This research paper investigates the awareness levels of the MUDRA Yojana among beneficiaries in Punjab State, as well as the hurdles they encounter in accessing and utilizing the scheme. Utilizing a mixed-methods approach involving surveys and interviews, the study analyses the awareness level and various challenges faced by beneficiaries and stakeholders to enhance the implementation and impact of the MUDRA Yojana in Punjab State.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of India's economy, contributing significantly to employment generation, innovation, and economic growth. However, these enterprises often face challenges in accessing finance, which hampers their growth and expansion. Recognizing the critical role of MSMEs in driving economic development, the Government of India launched the Micro Units Development and Refinance Agency (MUDRA) Yojana in 2015. MUDRA Yojana aims to provide financial assistance to micro-enterprises by facilitating collateral-free loans through various lending institutions. This initiative seeks to empower micro-entrepreneurs, particularly those from marginalized sections of society, by enabling them to access affordable credit and realize their entrepreneurial aspirations.

1.1. Objectives of MUDRA Yojana

The primary objectives of MUDRA Yojana are as follows

- a) **Financial Inclusion:** MUDRA Yojana aims to promote financial inclusion by providing access to credit for micro-enterprises that may not have had access to formal banking channels previously. By offering collateral-free loans, the scheme seeks to empower individuals from underserved communities, including women, Scheduled Castes (SCs), Scheduled Tribes (STs), and Other Backward Classes (OBCs), to start and expand their businesses.
- b) **Entrepreneurship Development:** MUDRA Yojana aims to foster entrepreneurship by providing financial support to aspiring and existing micro-entrepreneurs. The scheme encourages individuals to convert their innovative ideas into viable business ventures and promotes self-employment as a means of livelihood generation.
- c) **Job Creation:** By promoting the growth and expansion of micro-enterprises, MUDRA Yojana contributes to job creation and livelihood enhancement. Micro-enterprises, particularly those operating in sectors such as agriculture, manufacturing, services, and trade, play a crucial role in generating employment opportunities, especially in rural and semi-urban areas.
- d) **Economic Growth:** MUDRA Yojana contributes to overall economic growth by fostering the development of the MSME sector. Micro-enterprises form the backbone of India's economy, accounting for a significant share of GDP and contributing to economic diversification, innovation, and export promotion.



1.2. Components of MUDRA Yojana

MUDRA Yojana comprises three distinct components, each catering to the financing needs of micro-enterprises at different stages of their development:

- a) **Shishu:** The Shishu category provides loans of up to Rs. 50,000 to micro-entrepreneurs at the initial stage of their business journey. These loans are typically provided to entrepreneurs seeking to start small-scale businesses or undertake income-generating activities such as selling homemade products, handicrafts, or agricultural produce.
- b) **Kishor:** The Kishor category offers loans ranging from Rs. 50,000 to Rs. 5 lakhs to micro-entrepreneurs looking to expand their existing businesses or diversify their product/service offerings. These loans are suitable for entrepreneurs seeking to scale up their operations, invest in equipment/machinery, or explore new market opportunities.
- c) **Tarun:** The Tarun category provides loans ranging from Rs. 5 lakhs to Rs. 10 lakhs to established micro-enterprises with a track record of successful operations. These loans are intended to support entrepreneurs in undertaking larger-scale expansion projects, diversifying their business activities, or entering new markets/domains.

1.3. Implementation Mechanism

MUDRA Yojana is implemented through various financial institutions, including commercial banks, regional rural banks (RRBs), cooperative banks, microfinance institutions (MFIs), and non-banking financial companies (NBFCs). These institutions act as intermediaries between the government and micro-entrepreneurs, disbursing loans as per the guidelines and objectives of the scheme.

The process of availing MUDRA loans is simplified to ensure ease of access for micro-entrepreneurs. Applicants can approach the designated lending institutions and submit their loan applications along with the necessary documentation, such as identity proof, address proof, business plan, and project cost estimates. The lending institutions evaluate the applications based on predefined criteria and disburse the loans to eligible beneficiaries in a timely manner.

Despite the government's efforts to promote MUDRA Yojana as a flagship program for micro-enterprise development, there remain challenges in ensuring its effective implementation and reaching its intended beneficiaries. In Punjab State, which has a significant MSME presence, it is essential to assess the awareness levels of MUDRA Yojana among potential beneficiaries and identify the challenges they face in accessing and utilizing the scheme. This research paper aims to fill this gap by examining the awareness levels and problems faced by MUDRA beneficiaries in Punjab State.

1.4. Objectives of the Study

- To assess the awareness levels of MUDRA Yojana among beneficiaries in Punjab State.
- To identify the challenges faced by MUDRA beneficiaries in accessing and utilizing the scheme.
- To provide recommendations for enhancing the effectiveness of MUDRA Yojana implementation in Punjab State.

2. Database and Methodology

This study adopts a mixed-methods approach, combining quantitative surveys and qualitative interviews to gather comprehensive data on the awareness levels and challenges faced by MUDRA beneficiaries in Punjab State. The quantitative survey was conducted among a sample of 100



MUDRA beneficiaries, selected through stratified random sampling from Amritsar district of Punjab. The qualitative interview was conducted with 10 official of lending institutions to gain deeper insights into the challenges and opportunities associated with MUDRA Yojana implementation.

3. Results and Discussions:

Based on the provided data, it's evident that the respondents generally exhibit a high level of awareness regarding various aspects of the MUDRA (Micro Units Development and Refinance Agency) Yojana. Let's delve into the explanation of each indicator:

Table 1. Awareness level about MUDRA Yojana

Indicators	N	MEAN Value
Awareness of MUDRA Scheme	100	4.92
Understanding of Loan Proposal Requirement	100	4.39
Knowledge of Loan Categories	100	5.20
Familiarity with Loan Availment Procedures	100	4.20
Recognition of PMMY as a Government Scheme	100	4.50
Understanding of Basic Eligibility Criteria	100	4.85
Awareness of Additional Bank Assistance	1000	5.15

Source: Primary Survey.

1. Awareness of MUDRA Scheme (Mean: 4.92, N: 100)

The mean value of 4.92 indicates a nearly perfect awareness level among respondents regarding the MUDRA scheme. With a large sample size (N: 100), this suggests that the vast majority of respondents are well-informed about the existence and purpose of the MUDRA Yojana. This high level of awareness is crucial for the successful implementation and uptake of the scheme.

2. Understanding of Loan Proposal Requirement (Mean: 4.39, N: 100)

The mean value of 4.39 reflects a strong understanding among respondents regarding the requirement to submit a business proposal when availing MUDRA loans. With a significant sample size (N: 100), this suggests that most respondents comprehend the necessity of presenting a viable business plan to access funds under the MUDRA scheme, albeit slightly lower than the overall awareness level.

3. Knowledge of Loan Categories (Mean: 5.20, N: 100)

The mean value of 5.20 indicates an exceptionally high level of knowledge among respondents regarding the different categories of MUDRA loans, such as Shishu, Kishor, and Tarun. With a substantial sample size (N: 100), this suggests that respondents are very familiar with the classification of MUDRA loans, reflecting comprehensive understanding and awareness.



4. **Familiarity with Loan Availment Procedures (Mean: 4.20, N: 100)**

The mean value of 4.20 suggests a relatively high level of familiarity among respondents with the procedures required to avail MUDRA loans. However, it is slightly lower compared to other aspects of the scheme. With a large sample size (N: 100), this indicates that while respondents are generally aware of the scheme and its categories, they may have less exposure to the specific steps involved in availing loans.

5. **Recognition of PMMY as a Government Scheme (Mean: 4.50, N: 100)**

The mean value of 4.50 indicates a high level of recognition among respondents regarding the Pradhan Mantri MUDRA Yojana (PMMY) as a government scheme. With a substantial sample size (N: 100), this suggests that while respondents are aware of the governmental origin of the MUDRA scheme, there may be some variability in recognition levels.

6. **Understanding of Basic Eligibility Criteria (Mean: 4.85, N: 100)**

The mean value of 4.85 suggests a strong understanding among respondents regarding the basic eligibility criteria for availing MUDRA loans. With a significant sample size (N: 100), this indicates that most respondents are familiar with the criteria required to qualify for MUDRA financing.

7. **Awareness of Additional Bank Assistance (Mean: 5.15, N: 1000)**

The mean value of 5.15 indicates a very high level of awareness among respondents regarding the additional assistance provided by banks under the MUDRA scheme. With a significantly larger sample size (N: 1000), this reflects comprehensive knowledge of the supplementary support services offered by banks to MUDRA beneficiaries.

Overall, the data suggest that respondents exhibit a robust awareness and understanding of various aspects of the MUDRA Yojana. The high mean values across most indicators, combined with substantial sample sizes, indicate a broad and well-informed knowledge base among the respondents regarding the MUDRA scheme.

a. Problems Faced by Beneficiaries

The study identified top seven issues faced by individuals accessing loans through the MUDRA scheme. Rectifying these challenges is pivotal for enhancing beneficiaries' overall experience and bolstering the scheme's efficacy. Let's delve into each problem:

1. Untimely Loan Processing

- Delays in loan processing cause frustration and financial strain for beneficiaries relying on prompt access to funds for business needs. Enhancing the efficiency of loan processing systems and reducing bureaucratic hurdles is imperative to address this issue.

2. Inadequate Disbursement Amount

- Disbursing less than the requested or expected amount hampers beneficiaries' ability to execute business plans effectively. Ensuring transparency and clarity in the disbursement process, and addressing any disparities in assessment criteria, can help alleviate this problem.

3. Complex Repayment Options

- Complex or unclear repayment options create confusion and increase the risk of default among borrowers. Providing clear and accessible information about repayment terms,



and offering flexible repayment options tailored to micro-entrepreneurs' needs, can help alleviate this issue.

4. **Lack of Comprehensive Information**

- Inadequate information about the MUDRA scheme, its application process, and associated terms and conditions, dissuades potential beneficiaries from availing loans. Enhancing awareness through targeted outreach campaigns and providing easily accessible resources can help address this challenge.

5. **Inadequate Briefing on Scheme Details**

- Beneficiaries encounter difficulties understanding the specific features and benefits of different MUDRA schemes, leading to suboptimal decision-making. Offering detailed explanations of each scheme, along with personalized guidance on choosing the most suitable option, can help address this issue.

6. **Unsupportive Bank Officials**

- Unsupportive or unresponsive bank officials hinder the loan application and approval process, causing frustration and delays for beneficiaries. Providing training and incentives to bank staff to offer proactive assistance and support can help improve the overall customer experience.

7. **Lack of Explanation on Repayment Options**

- Inadequate explanation of repayment options leaves beneficiaries unaware of their obligations and rights, potentially leading to misunderstandings and disputes. Offering clear and accessible explanations of repayment terms, and providing on-going support and assistance throughout the repayment period, can help mitigate this issue.

b. Problems Faced by Financial Institutions

Financial institutions face several challenges in the implementation process of the MUDRA Yojana, which aims to provide financial support to micro-enterprises. Here are some of the problems they encounter:

1. **Risk Perception:** Financial institutions may perceive lending to micro-enterprises as high-risk due to factors such as limited collateral, informal business structures, and volatile market conditions. This risk perception can lead to reluctance in extending loans under the MUDRA scheme, particularly for small and newly established businesses.
2. **Credit Assessment:** Assessing the creditworthiness of micro-entrepreneurs can be challenging due to the lack of formal credit histories and financial statements. Financial institutions may struggle to evaluate the viability of business proposals and the ability of borrowers to repay loans, leading to cautious lending practices or rejections of loan applications.
3. **Operational Challenges:** Implementing the MUDRA Yojana requires financial institutions to handle a large volume of loan applications efficiently. However, they may face operational challenges such as limited staff capacity, outdated technology systems, and bureaucratic processes, which can result in delays in loan processing and disbursement.
4. **Compliance and Regulatory Burden:** Financial institutions must comply with regulatory requirements and guidelines set forth by regulatory authorities while implementing the MUDRA scheme. However, navigating complex regulatory frameworks and ensuring compliance with reporting, documentation, and disclosure requirements can be time-consuming and resource-intensive.
5. **Liquidity Constraints:** Ensuring adequate liquidity to fund MUDRA loans can be a challenge for financial institutions, particularly smaller banks and non-banking financial companies (NBFCs). Limited access to low-cost funds and competing demands for capital allocation may



constrain their ability to meet the financing needs of micro-entrepreneurs under the MUDRA scheme.

6. **Capacity Building:** Building the capacity of financial institution staff to effectively implement the MUDRA Yojana is essential for its success. However, providing training and support to enhance the skills and knowledge of loan officers, relationship managers, and other staff members can be resource-intensive and require ongoing investment in human capital development.
7. **Monitoring and Reporting:** Financial institutions are required to monitor the performance of MUDRA loans, track repayment behavior, and report on key indicators to regulatory authorities and implementing agencies. However, ensuring accurate and timely data collection, analysis, and reporting can be challenging, particularly for institutions with limited technology infrastructure and data management capabilities.

Addressing these challenges requires collaboration between financial institutions, government agencies, industry associations, and other stakeholders. Efforts to streamline loan processing, improve risk management practices, enhance staff training, and provide targeted support to micro-entrepreneurs can help overcome these obstacles and ensure the effective implementation of the MUDRA Yojana.

4. Conclusion

The MUDRA Yojana, a flagship initiative of the Indian government, holds immense promise in igniting entrepreneurship and fostering economic empowerment among micro-enterprises in Punjab State. However, its transformative potential is hindered by a series of challenges in effective implementation and reaching the intended beneficiaries. Addressing these challenges, particularly those faced by beneficiaries and lending institutions like bank officials, is paramount to unlocking the full impact of the MUDRA Yojana and driving growth and development in the MSME sector of Punjab State. At its core, the MUDRA Yojana represents a visionary approach to addressing the financial needs of micro-enterprises, aiming to provide them with access to affordable credit and other financial services. In Punjab State, where micro-enterprises form a significant portion of the economic landscape, the MUDRA Yojana has the potential to catalyze entrepreneurial activities, create employment opportunities, and contribute to overall economic growth. However, the realization of this potential is impeded by various challenges. The beneficiaries face challenges in navigating the complexities of the loan application and approval process. Delays in loan processing, inadequate disbursements and unclear repayment options contribute to frustration and disillusionment among micro-entrepreneurs. Furthermore, the lack of supportive bank officials exacerbates these challenges, as beneficiaries encounter difficulties in accessing information, receiving assistance, and navigating the banking system. To overcome these obstacles, policymakers must prioritize initiatives aimed at enhancing the accessibility, transparency, and efficiency of the MUDRA Yojana. This includes streamlining loan processing procedures, improving communication channels between beneficiaries and lending institutions, and providing training and support to bank officials to better serve the needs of micro-entrepreneurs. Moreover, addressing the challenges faced by lending institutions is crucial for the successful implementation of the MUDRA Yojana. Banks and other financial institutions play a pivotal role in disbursing loans, providing guidance, and supporting beneficiaries throughout the loan lifecycle. However, capacity constraints, operational challenges, and regulatory burdens often hinder their ability to effectively deliver these services. Policymakers must work closely with lending institutions to identify and address these challenges, whether through targeted capacity-building programs, process improvements, or policy reforms. By addressing the challenges faced by beneficiaries and lending institutions alike, policymakers can unlock the transformative potential of the



MUDRA Yojana and foster the growth and development of the MSME sector in Punjab State. By empowering micro-entrepreneurs with access to financial resources, knowledge, and support, the MUDRA Yojana can drive inclusive economic growth, create employment opportunities, and contribute to the prosperity of Punjab State and the nation as a whole.

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