



Financial empowerment of rural entrepreneurs in Kerala through Pradhan Mantri Mudra Yojana

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Abstract

Financial empowerment is the empowerment or ability of a person to access and handle finance for various purposes including investment in the business. This study aims to find out the influence of financial support scheme like Pradhan Mantri Mudra Yojana on the financial empowerment of rural entrepreneurs in Kerala. PMMY is a flagship scheme introduced by central Government to provide financial assistance to the micro and small enterprises in our country. Financial empowerment through the scheme is measured through the variables viz. Factors compelled to obtain Mudra loan to start enterprise, Factors influenced to participate in Mudra loan, Awareness about PMMY, Operational details of PMMY, Approach of Loaner financial institution, Monetary mechanism for the utilisation and repayment of the loan fund.

Keywords: rural entrepreneurship, Pradhan Mantri Mudra Yojana, financial empowerment

Introduction

The micro, small and medium enterprises and the entrepreneurial initiatives play an alternative role for the growth and development of such economies. Entrepreneurship helps in the process of economic growth and development by creating both direct and indirect employment (Miller, 1983) ^[2]. There are so many financial institutions including commercial and development banks have been extending financial support to micro, small and medium industries in rural areas as a part of Government policy since the bank nationalisation in 1969 ((Brown and Eisenhardt, 1998) ^[4]. So many entrepreneurship supporting institutions are operating in India to support rural entrepreneurs. The Government of India has implemented many entrepreneurship developments Schemes to support Micro Small Medium Enterprises including start-ups over the past decade through this institutional framework and the majority of the schemes are performing well. The most recent and popular schemes among them are Pradhan Manti Mudra Yojana,

The Government of India has launched Pradhan Mantri Mudra Yojana (PMMY) on 8th April 2015 under the Ministry of Finance to provide formal access of financial facility to Non-Corporate Small Business Sector. It is only a refinance agency for member lending institutions and not a direct lending financial institution to micro and small entrepreneurs. MUDRA provides refinance support to its intermediaries viz. Banks, Micro Finance Institutions and NBFCs, who are in the business of lending for income-generating activities in the non-farm sector in manufacturing, processing, trading or service sector and who in turn will finance the beneficiaries (Mudra, 2018) ^[1]. The study aims to find out whether the rural entrepreneurs have achieved financial empowerment through the scheme.

Review of Literature.

Reid (1996) ^[3] indicated that Micro small enterprises find difficulties in getting loans from banks due to the required documents and conditions which include financial reports, ID cards, detailed project reports family cards. In the initial stage, many enterprises cannot meet these criteria due to their inadequate information about documentation. Micro and small entrepreneurs' conditions are worse due to inadequate finance and inability to repay loans.

Fielden *et al.* (2000) found that 75 per cent of the world's Micro Small Enterprises worry about how to do bookkeeping; 67 per cent of MSEs faces difficulties in obtaining enough capital, and 56 per cent state they do not have a guaranteed income. These enterprises are not financially empowered due to varied reasons

Zamperi (2012) ^[5] found some difficulties faced by micro and small enterprises in getting financial assistance from the financial institution and government schemes. Other bottlenecks which vary based on the nature of activity run by the enterprises were a bureaucratic delay, lack of training, unpleasant business environment.

Mahadevappa (2014) ^[6] studied the relationship between institutional finance and entrepreneurship development and causality between the former and latter. The study pointed out that there is a positive relationship between economic development and entrepreneurship development. The study explained the role of institutional finance in entrepreneurial development and revealed that institution finance has a long-term relationship with

employment, net and gross fixed capital. But there was no stability in this relation. The study established a cause-and-effect relationship between institutional finance and entrepreneurship development.

Bhustali (2018) evaluated the role of Government Institutions, Non-government Organizations and financial institutions in developing entrepreneurship and problems faced by entrepreneurs in running enterprises by taking 400 entrepreneurs as samples. The study revealed that government organizations, non-government organization and financial institutions are actively participating in developing entrepreneurship in the study area and the major challenges faced by entrepreneurs were financial, infrastructural, marketing, manufacturing, training and personal.

Objectives

1. To examine the influence of Pradhan Mantri Mudra Yojana on the financial empowerment of rural entrepreneurs.
2. To assess the level of financial empowerment of rural beneficiaries of Pradhan Mantri Mudra Yojana.

Hypothesis

H₁: The PMMY scheme provides financial empowerment to the rural entrepreneurs in Kerala.

Methodology

Multi stage random sampling technique has been used for the collection of primary data. Samples were collected from 400 respondents from 3 districts of Kerala. Data analysis was done using Statistical Package for Social Science version. The statistical tools used are Mean, Median, SD, One Sample Wilcoxon Signed Rank Test, Fried Man Test.

Analysis and Discussions

Table 1: Financial Empowerment through PMMY

Sl. No	Variables	Percentage stated high positive rating	Mean	S. D	Median
1	Factors compelled to obtain Mudra loan	75.0	4.51	0.67	4.86
1	Factors influencing Participation in Mudra Scheme	82.51	4.70	0.58	5.00
2	Awareness about PMMY	80.0	4.65	0.60	4.75
4	Operational Details of PMMY	64.2	3.83	0.83	3.63
5	Approach of Loaner Financial Institutions	56.0	3.65	0.58	3.75
6	Monitory mechanism for the utilisation of Loan fund	51.0	3.16	0.41	3.25
	Financial Empowerment through PMMY	68.1	4.08	0.48	4.11

Source: Primary Data

Table 7 shows the overall score of the percentage and mean score analysis. As shown by the table all the six variables such as Factors compelled to obtain Mudra Loan, Factors influencing Participation in Mudra Scheme, Awareness about PMMY, Operational Details of PMMY, Approach of Loaner Financial Institutions and Monitory mechanism for the utilisation of Loan fund have been rated with a high score by the majority of 68.1 per cent of the loanee beneficiaries of the Mudra scheme. The result is reiterated by the overall mean score obtained for the six variables with a value of 4.08 which well above the statistical mean of 3. So, the mean value also established that the respondent of the study has given a high rating on the variables and their financial empowerment through the scheme is rated as high.

Testing of Hypothesis (H1)

H₁: The PMMY scheme imparts financial empowerment to the rural entrepreneurs in Kerala.

Table 2: Summary Statistics of the Dimensions of Financial Empowerment of the Rural Entrepreneurs in Kerala

Sl. No.	Dimensions of Financial Empowerment	Mean	S.D.	Skewness	Kurtosis	Median	N	Cronbach's Alpha (α)	Financial Empowerment Index (%)	One-Sample Wilcoxon Signed Rank Test Results*	
										Z-Statistic	p-value
1	Factors compelled to obtain Mudra loan	4.51	0.67	-2.59	9.35	4.86	450	.820	90.3	17.51	<.001
2	Factors influencing participation in Mudra scheme	4.70	0.58	-4.38	23.45	5.00	450	.847	94.0	18.06	<.001

3	Awareness about PMMY	4.65	0.60	-3.87	19.22	4.75	450	.871	93.0	17.90	<.001
4	Operational details of PMMY	3.83	0.83	-0.20	0.26	3.63	450	.929	76.6	15.29	<.001
5	Approach of Loaner Financial Institutions	3.65	0.58	-1.20	4.39	3.75	450	.744	73.1	15.00	<.001
6	Monitory mechanism to ensure the utilisation and repayment of Loan fund	3.16	0.41	-2.67	10.04	3.25	450	.519	63.2	11.66	<.001
	Financial Empowerment	4.08	0.48	-4.29	24.19	4.11	450	.941	81.5	17.25	<.001

Note: *Hypothesised median = 3

Source: Primary Data

The exploratory data analysis results for the financial empowerment constructs and its six constructs listed in Table 6.27 showed non-normality in the distribution of all the seven constructs, therefore, a non-parametric approach was followed for the analysis of these constructs. The sample data analysis showed that median of the financial empowerment construct and all its components were higher than 3. A one-sample Wilcoxon signed rank test was performed to test whether the population median of these variables was significantly different from 3, the value at the centre point of the scale. The test results reported in Table 6.27 clearly show that the population median value was significantly different from 3, therefore, it can be inferred that the financial empowerment of the rural entrepreneurs in Kerala was significantly higher than the moderate level. It lends empirical support to our hypothesis that PMMY imparts financial empowerment to the rural entrepreneurs in Kerala.

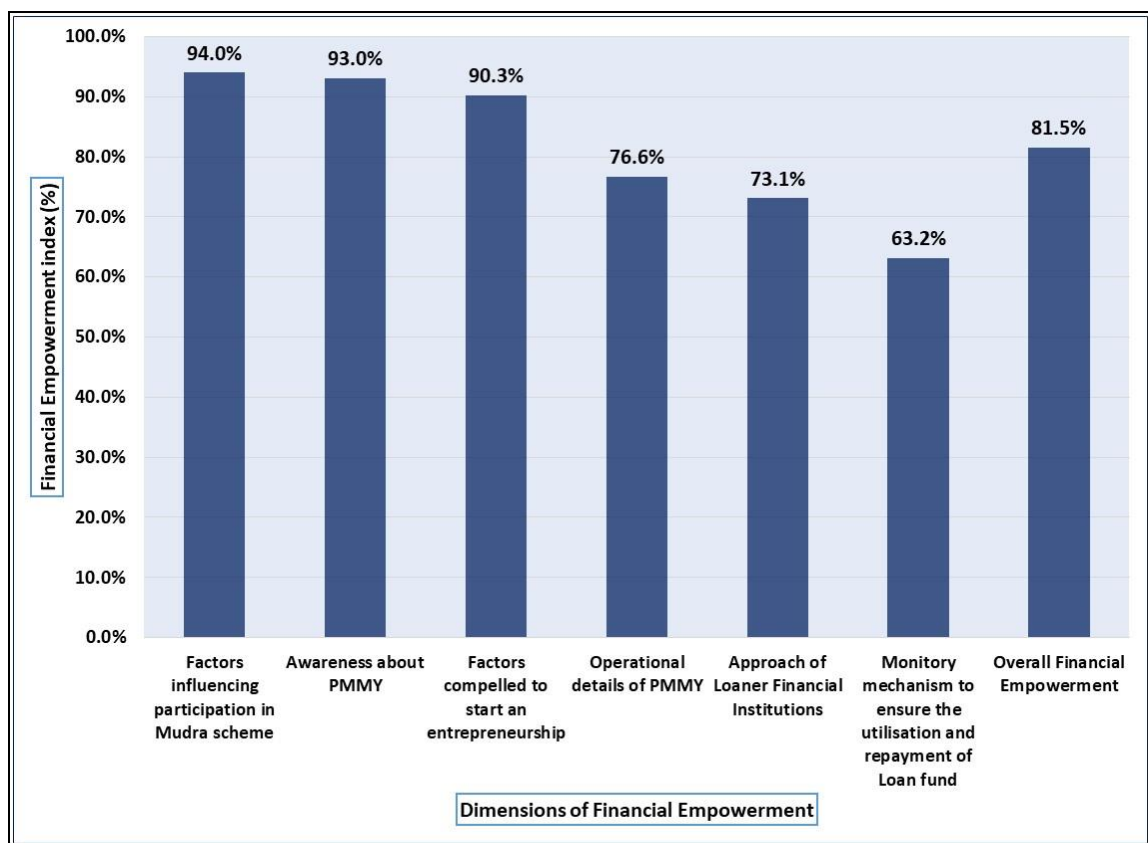


Fig 1: Dimensions of Financial Empowerment of the Rural Entrepreneurs in Kerala

A Friedman test was conducted to determine whether intensity of different dimensions of the financial empowerment of entrepreneurs were different in the population. The test results showed that there was a statistically significant difference in the intensity of different dimensions of the financial empowerment of entrepreneurs in Kerala, $\chi^2(5) = 1250.93, p < .001$. The result is exhibited in Table 6.28.

Table 3: Friedman Test Results

Sl. No.	Dimensions of Financial Empowerment	Mean Rank	Friedman Test Statistics	
1	Factors influencing participation in Mudra scheme	4.75	χ^2	1250.925
2	Awareness about PMMY	4.55		
3	Factors compelled to take Mudra Loan to start entrepreneurship	4.65	df	5
4	Operational Details of PMMY	3.08	p - value	<.001
5	Approach of Loaner Financial Institutions	2.52		
6	Monitory mechanism to ensure the utilisation and repayment of Loan fund	1.45	N	450

Source: Primary Data.

Findings

More than half of the beneficiaries of the scheme has opined a positive higher rating on the operationalities of the scheme through these variables. It is evident in terms of mean and median value that the financial empowerment of the rural entrepreneurs in Kerala was significantly higher than the moderate level. It lends empirical support to our hypothesis that PMMY provdes financial empowerment to the rural entrepreneurs in Kerala.

Conclusion

The present study assumes greater importance because it aimed to examine the entrepreneurial competence of rural beneficiaries of newly introduced schemes like Pradhana Mantri Mudra yojana in Kerala. The main objective of the study was to assess the level of entrepreneurial competence of rural entrepreneurs of PMMY. Financial empowerment has been assessed through six factors related to the modus operandi of the scheme. The financial empowerments of rural entrepreneurs are found to be high based on the result of the assessment.

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