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Management Education in Nepal: The Road Ahead

Radhe Shyam Pradhan*

Abstract

This article is based on an interview with Prof. Dr. Radhe Shyam Pradhan, Academic Director, Uniglobe College, Kathmandu. Earlier, he has served as Professor of Management at Tribhuvan University for over 35 years. Dr. Pradhan served as Visiting Fulbright Faculty at Florida State University, USA and Visiting Faculty, University of Warsaw, Warsaw, Poland. He has also visited University of Hongkong and Rikkyo University, Tokyo, Japan as research scholar. In this interview, he provides an incisive view on how Management education evolved in Nepal and where it is headed. He also discusses current state, issues and challenges of Management education in the country and how private players as well as the state institutions can work towards improving the overall quality of youth graduating from the business schools in sync with emerging needs of the industry.

Keywords: Management Education, Academia-Industry Interface, Nepal

How did Management education evolve in Nepal?

The history of management education in Nepal can be traced back to September 2, 1954 (Bhadra 17, 2011 Bikram Sambat) when Commerce Department in Tri Chandra College, the first college of the country, launched the Intermediate of commerce (I.Com) with 27 students and Bachelor of Commerce (B.Com) with 4 students. Commerce education became very popular within a short span of time as a result of which a number of colleges in and outside Kathmandu were established. A prominent among them were Nepal Commerce College (Lalitpur), Public Commerce College (Kathmandu), Mahendra Morang College (Biratnagar) and Thakur Ram College (Birgunj). The master level program in commerce known as Master of Commerce (M.Com) was started only in 1960 after the establishment of first university of Nepal which is Tribhuvan University (TU).

In 1973, Institute of Business Administration, Commerce and Public Administration (IBACPA) under Tribhuvan University as part of the New Education Plan System 1971 was established. IBACPA was entrusted with an overarching role of implementing, monitoring and evaluating Management education program in the country. IBACPA came up with academic degrees like Proficiency Certificate, Diploma and Degree in Business Administration and Commerce respectively based on semester system. However, due to students' agitation, semester system was withdrawn and the IBACPA was restructured and renamed as Institute of Management with traditional annual examination system becoming part of a professional program like Management. Later on, Institute of Management became a full-fledged Faculty of Management under Tribhuvan University. Currently, it is undisputed

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leader in Management education in Nepal by as it is offering Ph. D. in Management, Phil. in Management, Master of Business Administration (MBA), Master of Business Administration in Information Technology (MBA-IT), Master in Business Management (MBM), Bachelor of Business Administration (BBA), Bachelor in Business Management (BBM), Bachelor in Information Management (BIM) etc. over its original programs like Master of Business Studies (MBS) and Bachelor of Business Studies (BBS).

Kathmandu University, Dhulikhel (not-for profit private university) became the first university to launch MBA programme in 1993 under Kathmandu University School of Management (KUSOM). Purwanchal University, Biratnagar also started Management education in 1993. In 1996, Pokhara University was established mainly to serve the country's western region in the field of higher education. Pokhara University also offers undergraduate and graduate degree programs in business and it has several of the affiliated colleges imparting various management programs such as Ph.D., BBA, BBA-BI, MBA, EMBA and so on.

Far-western University, Mahendranagar and Mid-western University, Surkhet both established in 2010 have also started BBA and MBA programs to expand reach of Management education in the country, mainly far-western part of the country.

More recently, foreign university programs in business have also come up in Nepal. They mainly run BBA, MBA and EMBA programs.

What is the current state of Management education in Nepal?

Management education is widely popular among youth of the country. They are opting bachelors' and masters' programs in Management in a big way to make a successful career in corporate houses or become entrepreneurs and set up their own businesses. According to the Economic Survey published by Government of Nepal, Ministry of Finance, the estimated number of students enrolled in management programs in 2013-14 were 130,843 in Tribhuvan University while the same were 15,048 in Pokhara University, 8,447 in Purwanchal University and 1,965 in Kathmandu University. It all shows that Tribhuvan University has the largest number of management students followed by Pokhara University, Purwanchal University and Kathmandu University. All these universities have provided affiliation to private colleges. Except Kathmandu University, all the other universities are state-run. These universities provide affiliation to colleges for running the Management programs.

What are the challenges faced by institutions imparting Management education in Nepal?

The Nepalese universities imparting management education are lacking in both software and hardware as a result of which they are not able to provide quality management education at par with business schools in developed countries. Not only there is a lack of good physical facilities, there is also a lack of good text books, faculty members, among other things. There is not a single institution which has residential management programs.

There are hardly any training opportunities for faculty members in any of the universities fostering Management education. Faculty members also fall short of research and publication. There is no culture of writing research papers and presenting them in national and international seminars and conferences. Sad to say that there are only a very few Nepali Management cases developed and used in the classroom situation. Classroom teaching is still

confined to text book teaching based on lecture methods. Text books written by Nepalese faculty members are sub-standard. They have little regard for copyright laws.

Quality of faculty members is usually low as the institutions are not able to attract talented people with the kind of compensation package prevalent in the country. Poor salary coupled with lack of training and career development opportunities create a vicious circle of low quality of Management education leading to miserable placement and wide disconnect between industry and academia.

Teaching-learning process and examination system are still traditional. The examination system is unable to test students' learning outcomes and their competencies in real sense. The continuous internal evaluation of the students is also not up to the mark. Besides, students' politics also spoil the ambience of professional programs in Management by way of mindless agitations and disruptions on the campus.

Curricula are directly imported from abroad and are not based on need assessment of the local conditions.

What steps the Government of Nepal has taken to improve the quality of Management education in the country?

I must say that the Government of Nepal is not indifferent towards quality of education. It has undertaken several of steps for the purpose. For example, it has framed a policy of providing affiliation to community and private colleges but again the quality is lacking in these colleges. Government of Nepal has allowed foreign universities to enter in to Nepal and conduct various academic programs. However, the quality is again lacking in these colleges too though they charge much higher fee as compared to local colleges. The various universities have been sending at least some of their faculty members abroad either for higher studies or for training but such initiatives are not able to contribute in quality management education. Still government is not able to come up with the concept of deemed universities and autonomous programs for autonomous colleges.

What initiatives should be taken by private players in order to improve Management education in the country?

The private colleges should invest not only in infrastructure only but also in faculty development programs. An environment for research and publication should be created. They should provide best of faculty and teaching pedagogy so that management students have a better exposure to practice. Internship program of BBA and MBA is not very effective which is mostly confined to clerical work. Students' project works are mostly copied and they do not have any practical relevance. The private institutions can take a leadership role in improving overall quality of Management education by fostering meaningful academia-corporate interface, developing creativity, communication, problem-solving and analytical skills among students and motivating faculty members to improvise pedagogy and enhance their intellectual contribution through attractive incentive plans.

What is your opinion on policy reforms on Management education in Nepal?

Unfortunately there has been much talk on New Education Policy but there is nothing on the ground. We certainly need a national policy especially for improving quality of Management education. Our policy making bodies like Education Ministry or UGC or the Universities should conduct national seminars on education policy from time to time. Every year tens of thousands of students are going abroad with the permission of Education Ministry. This trend

can be reversed if we are able to promote high quality professional education in Management, Engineering, Medical Sciences etc. It is a wake-up call. If the government does not take appropriate measures in time, it will be too late for any corrective action.

How do you visualize the future of Management education in Nepal?

Management education is set to become all the more competitive especially in the wake of foreign universities setting up their affiliate centres in the country. Besides, there is likely to be greater focus on accreditation and enforcement of quality norms. Further, there might be more meaningful academia-corporate interface in future. Gradual improvement in Management education is also set to change the outlook of corporate houses towards business school graduates leading to better placement prospects.

Leveraging Employer Branding for Organizational Success

Madhukar Vatsa*

Abstract

Employer branding has become a buzz word in the recent times. Companies are trying to attract the most talented people on board while retaining the start performers and optimizing their contributions in sync with promises made by them to the public in terms of brand perception and brand value. Hence employer as a brand has two desirable constituencies viz. prospective employees and existing employees. This paper provides an incisive perspective on leveraging both external and internal branding aimed at prospective as well as existing employees so that the organizations are able to remain competitive for a longer time.

Keywords: Employer Branding, Organizational Effectiveness, Global Best Practices

Introduction

Barrow (1990) introduced the proverbial term Employer Branding in one of his talks at the Chartered Institute of Personnel Directors (CIPD) Annual Conference in Harrogate, UK. Hence it is a relatively new concept. It may be defined as ‘the package of functional, economic and psychological benefits provided by employment, and identified with the employing company’ (Ambler & Barrow, 1996). Soon it caught the imagination of the corporate leaders across the world and organizations began their strides to leverage employer branding for attracting and retaining talented workforce and optimizing their potentials for benefit of all the stakeholders.

Indeed, employer branding represents a firm's efforts to promote, both within and outside the firm, a clear view of what makes it different and desirable as an employer and it allows the firm to differentiate itself from other employers competing for talent and to attract applicants who ideally possess similar, if not the same, values as the organisation (Backhaus and Tikoo, 2004). Extant literature on the theme indicate that employer branding shares theoretical foundations with both consumer and corporate branding and influences same set of stakeholders e.g. staff, customers, distributors, shareholders, etc. (Moroko & Uncles, 2008). In this paper, the author tries to decode nuances of both external branding and internal branding.

External Branding

Berthon, Ewing, and Hah (2005) observe that there are primarily five factors viz. economic value (e.g. salary), interest value (e.g. interesting work), social value (e.g. enjoyable working environment), development value (e.g. advancement opportunities) and application value

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(e.g. opportunities to implement own knowledge) which make the employer attractive for potential employees. On the other hand, Srivastava and Bhatnagar (2010) suggest eight factors that augment employer attractiveness in Indian context namely caring (e.g. the concern of the organization for its employees), enabling (e.g. enabling the employee to contribute her or his own abilities), career growth (e.g. advancement opportunities), being credible and fair (e.g. behaving fairly towards employees), being flexible and ethical (e.g. no unethical practices), customer brand image (e.g. the customers' image of the organization's brands), positive employer image (e.g. the image of the organization among its current employees) and global exposure (e.g. travel opportunities).

Besides, employee value proposition also plays a significant role in enhancing attractiveness of employers both for potential as well as existing employees (Sengupta, Bamel and Singh, 2015; Jha and Jha, 2015). Hence it is imperative for the organizations to adequately articulate employee value proposition for the benefits of potential and existing employees through dedicated career page on official website of the company, widely circulated newsletters, active participation in seminars and conferences organized by industry association and increasing footprints on social media in a significant manner. In addition, company can also leverage consistent word of mouth endorsements by existing employees by ensuring a culture of trust, transparency, accountability and responsiveness towards all the stakeholders. However, external branding may be hollow if internal branding is not accomplished with agility as most of the potential employees turn to existing employees for a candid advice on joining the company. Hence the organization must integrate external branding efforts with that of internal branding.

Internal Branding

Canadian Marketing Association has defined internal branding as a process of 'promoting the company brand values amongst employees'. According to MacLavery, McQuillan & Oddie (2007), internal branding is a set of strategic processes that align and empower employees to deliver the appropriate customer experience in a consistent fashion; these processes include, but are not limited to, internal communications, training support, leadership practices, reward & recognition programs, recruitment practices and sustainability factors.

Fostering internal branding entails the following (MacLavery, McQuillan & Oddie, 2007):

- Living the corporate values;
- Leveraging the corporate brand strategy to reinforce brand requirements internally and reach out to potential recruits externally;
- Activities, processes and communication involved in empowering associates;
- Create and demonstrate consistent brand experience at all touch points.

Canadian Marketing Association (2006) has made a holistic attempt at synthesizing internal branding tools and techniques:

Internal Branding Tools and Techniques	Trends	Commentary	
Current Practices	Development	Best Practices	Challenges
Internal Communications Employee newsletters; Regular employee	Hiring internal communications specialists; iPod casts for additional	Senior management on-brand behaviour; Relevant personal communication;	The trade-off between reach efficiency and personalization;

town hall meetings; Push messages from president; Walk-the-talk (communication through behavior, esp. at senior level); Videos with messaging demonstrating brand; Employee story telling; Involvement in customer promise through a range of communication tactics; Senior management site visits.	training support to regions.	Vehicles that enable sustained consistency of message.	Constant communication is necessary for consistent execution.
Training Support New hire orientation including explanation of brand attributes and roles; Brand workshops; Customer sensitization; e-learning; Brand values imbedded in training; Brand tool kits; Customer videos recording 'what works'.	Increased support to employee engagement.	Brand workshops (train-the-trainer); Clarify effect of each division on customer experience; Customer enthusiasm programs.	Refresh brand training programs; Consistency; e-learning impersonal; Continued employee connection and motivation to live the brand.
Leadership Practices Management development programs; Senior team personal site visits; Employee rating of leaders through regular performance reviews.	Push senior management communications utilizing video and phone.	Leadership practicing on-brand behaviours; Explicit senior management endorsement of brand behaviours.	Consistent application of brand requirements with annual planning process.
Reward & Recognition Special events commemorating success milestones; Peer recognition programs; Performance reviews encompassing brand behaviors; 360 degree	Increased connection to brand.	Peer recognition programs; Reinforcement of story-telling of on-brand behaviour; Special events celebrating living the brand values.	Connection of desired behaviours to brand values; Potential confusion with company values.

feedback including peer, boss and customer feedback; In some cases, directly linked to compensation.			
Recruitment Practices Longer term strategy to continually build the skill within an organization to deliver the brand promise.	Build separate recruitment practice within HR.	Internal partnership with HR and Marketing; Research recruitment practices within the industry; Measure success of recruitments, number of responses, retention, why or why not retained.	Cross-functional nature of task within HR and within the enterprise.
Sustainability Factors Internal communications; Internal focus groups with front-line staff to identify what they could be doing differently and deepen engagement; Continuous customer contact groups - fresh input to service experience.	Recognition of connection to brand.	Consistent, customer and employee relevant messaging.	How to keep it real and relevant.

(Source: CMA Internal Branding Qualitative Study, 2006)

Internal branding is essential for augmenting competitiveness and long-term success of the companies in the sense that it can stimulate organizational identification and thereby converting committed and engaged employees into brand champions. Higher degree of organizational identification among employees enhances their voluntary participation in brand development and positive word-of-mouth (Löhndorf and Diamantopoulos, 2014) and optimizes their intensity to engage with the customers in the best possible manner. Thus it is imperative for the companies to take internal branding a bit more seriously.

Success of any internal branding initiative depends on how truly the top management walks the talk and lives up to corporate mission and vision with integrity. If the top management of an organization is willing to set up a transparent, responsive and accountable system in place, it is likely to have much greater impact than a hundred days training and workshop on how the employees should internalize the vision and mission of the company and identify themselves with the organization while surprising the customers at each touch point out of their own volition.

Conclusion

Organizational success in the long run depends on contributions of the employees beyond their call of duty when they put their immense energy and discretionary efforts towards realizing mission and vision of the corporate house. This is very much possible if the organizations cultivate external as well as internal branding in equal measure and bring about transformational change for building a culture of trust.

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Role of Microfinance Institutions in Social Development

Srirang Jha*

Abstract

Microfinance institutions (MFIs) work towards financial inclusion, livelihood sustainability through micro-enterprises and social development to empower the marginalized sections of communities across the globe. This paper is a modest effort to understand the unique role of MFIs in social development especially in Indian context. Although providing financial services is the primary goal of MFIs, these small institutions have tried to make a big difference in the lives of the poor by various interventions revolving around social development of marginalized sections. MFIs in India have been involved in capacity building, financial literacy, livelihood promotion, preventive healthcare, education and training, water and sanitation, etc. The paper provides a comprehensive review of some of the interventions triggered by MFIs in India so as to empower the people living on the fringes without any hope of redemption. Besides, the paper also emphasizes the need for providing financial incentives to the MFIs engaged in social development of the poor by the state agencies as well as large banks which are supporting these institutions. Financial inclusion alone cannot empower the poor. It is important that the MFIs expand their social development interventions in terms of reach, quality, and overall impact on the people who are living on the margins.

Keywords: Microfinance, Social Development, India

Introduction

Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services (Christen, Rosenberg and Jayadeva, 2004). Microfinance institutions also known as MFIs, offer financial services to undeserved, impoverished communities and these services include savings accounts, insurance, health care and personal development (Brennan 2008). In fact, scope of work of the MFIs go well beyond providing financial services to the lowest strata of society. MFIs try to build a unique tripod of financial inclusion, livelihood sustainability through micro-enterprises and social development to empower the marginalized sections of communities across the globe. Broadly speaking, MFIs are involved in capacity building, financial literacy, livelihood promotion, preventive healthcare, education and training, water and sanitation, etc. besides their core financial functions such as micro-credits to the poor.

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It is heartening to note that MFIs are active in 124 districts out of 154 districts earmarked by the government of India as backward ones (Srinivasan, 2014). Emphasising the outreach in backward areas and districts, Srinivasan (2014) observes: ‘Some poor and underserved states such as Bihar, Jharkhand and Chhatisgarh have MFIs operating in all the backward districts. In Madhya Pradesh, MFIs operate in 20 out of 23 backward districts. The focus of MFIs has now clearly shifted to states such as Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh ...The southern states of Tamil Nadu, Karnataka and Kerala show high penetration of MFIs in backward districts as well, commensurate with their overall high penetration across these states’. However, it is misnomer that MFIs work only in backward states and districts. Currently MFIs operate in 28 states, 5 Union Territories and 568 districts in India (Sa-Dhan, 2015).

Indian MFIs have not only expanded their geographical outreach but also consolidated their footprints in social development arena in a big way. MFIs have made significant contributions in adding value to the lives of the poor by time-tested interventions to enhance overall quality of their life and empower them meaningfully. Some of the thrust areas vis-à-vis social development in which the MFIs in India are active include capacity building, financial literacy, livelihood promotion, preventive healthcare, education and training, water and sanitation, etc. In this essay, some of the significant interventions by various MFIs have been reviewed to trigger more action on the margins as well as some academic research and discourse on the theme. Table below provides an overview of how MFIs are contributing their mite towards social development and empowerment of the poor living on the fringes:

Table 1: MFIs and Social Development Initiatives

Social Development Initiatives	No. of MFIs
Capacity-building	35
Education	31
Financial Literacy	51
Water and Sanitation	35
Livelihood Promotion	56
Preventive Healthcare	45
Training	56

Source: The Bharat Microfinance Report 2015, Sa-Dhan (2015)

Financial Literacy

Financial literacy is one of the most important intervention programs carried out by MFIs in India. It is essential for realising the larger goal of financial inclusion. Most of the poor have little knowledge about formal financial transactions as they depend primarily on traditional money-lenders for all their financial needs and gradually slip into the vicious cycle of loan-trap due to exorbitant rate of interest and corrupt practices. Knowledge of sources of finance, financial transactions, liabilities and risks involved in taking loans, rationale of repayment, savings and thrift etc. empower the poor borrowers and help them free themselves from the clutches of traditional money-lenders who have exploited them for ages.

Some of the MFIs which are actively involved in financial literacy campaigns include Annapurna Mahila Cooperative Credit Society Ltd., Annapurna Microfinance Pvt. Ltd., Aparajita Mahila Sakh Sahakari Sanstha Maryadit, Bal Mahila Vikas Samiti –VAMA, Balajee Sewa Sansthan, Bandhan Financial Services Ltd., Belghoria Jankalyan Samity, Grama Vidiyal Micro Finance Ltd., Grameen Koota Financial Services Pvt. Ltd., Growing

Opportunity Finance (India) Pvt. Ltd., Hand in Hand India, Jagaran Microfin Pvt. Ltd., Mahashakti Foundation, Margdarshak Financial Services Ltd., ODISHA, People Forum, Samhita Community Development Services, Sarala Women Welfare Society, Shri Mahila Sewa Sahakari Bank Ltd., Society for Model Gram Bikash Kendra, Suryoday Microfinance Pvt. Ltd., Swashrayee Mahila Sakh Sahakarity Maryadit, Ujjivan Financial Services Pvt. Ltd., Unnati Trade and Fincon Pvt. Ltd., Utkarsh Micro Finance Pvt. Ltd. And Yukti Samaj Sewa Society (Sa-Dhan, 2015).

Education

A good number of MFIs in India are involved in education. These institutions provide basic education, vocational education, adult and continuing education. Besides, MFIs also organize awareness campaigns on various socio-economic issues from time to time. The Bharat Microfinance Report 2015 provides an indicative list of educational services provided by the MFIs for the benefit of communities they serve. For example, Belghoria Jankalyan Samity provides pre-schooling programs while Barasat Unnayan Prostuti runs schools for children of migrant workers in brick kilns. Mass Care International provide basic education to out-of-school girls. Jeevankiran distributes free study materials, umbrellas, uniforms, etc. Centre for Promoting Sustainable Livelihood provides educational loans from nursery to engineering.

Barasat Sampark plays an important role in developing educational infrastructure. Besides, several MFIs are involved in educating their beneficiary communities through various awareness campaigns. For example, Blaze Trust and Satin Creditcare Network Ltd. focus on creating awareness about importance of education while Swashrayee Mahila Sakh Sahakarity Maryadit sensitize people about National Pension Scheme. Grameen Koota Financial Services Pvt. Ltd. provide information on health, government schemes and nutrition/food during its weekly meetings while Suryoday Microfinance Pvt. Ltd. use its weekly meeting to sensitize the members on social wellbeing. Mahashakti Foundation and Prayas Microcredit are involved in adult literacy. The Bharat Microfinance Report 2015 has captured just tip of an important aspect of social development initiative by the MFIs. There are numerous other MFIs which are running educational programs for their beneficiary communities and concerted efforts are imperative so as to prepare a comprehensive report on all such interventions.

Training

Several MFIs are involved in training of their clients. For example, Grameen Development & Finance Pvt. Ltd. provides training on rice intensification and piggery while Kotalipara Development Society provides training in goat and duck rearing (Sa-Dhan, 2015). Aparajita Mahila Sakh Sahkari Sanstha Maryadit runs training programs on computers, accounting, banking, etc. (Sa-Dhan, 2015). However a quick survey of existing literature on training programs conducted by MFIs does not reveal much. MFIs can take up training more seriously as part of their commitments to promote livelihood. It is possible that the MFIs can collaborate with schools, industrial training institutes, polytechnique, colleges and universities in their neighbourhood to offer some vocational training best suited to their clients. Migrant workers joining the hapless crowd of casual workers lose out on wages simply due to lack of skills and concomitant certifications.

MFIs can play active role in promoting skill training, assessment and certification in sync with the vocational education framework being patronized by National Skill Development Corporations (NSDC). Further, the MFIs can leverage a number of schemes launched by the government of India such as *Pradhan Mantri Kaushal Vikas Yojana*. Training initiatives of

the MFIs can become self-sustaining if these are integrated with relevant scheme of the government. Some of the large MFIs can actually start their subsidiary units/affiliates to focus on training just as a number of corporate houses are already doing –Education Lanes of Tech Mahindra for example. Gradually training can become a steady source of revenue for the MFIs while fulfilling social purpose.

Preventive Healthcare

MFIs are providing preventive healthcare to their clients in a big way. According to the Bharat Microfinance Report 2015, Annapurna Mahila Cooperative Credit Society Ltd. has pioneered preventive healthcare by providing 24X7 Doctors on Call. Centre for Promotion of Sustainable Livelihood offers 24X7 loan up to Rs. 5000 for treatment. Jeevankrian meets medical expenses of the poor. Balajee Sewa Sansthan provides health insurance. Unnati Trade and Fincon Pvt. Ltd. and Saral Women Welfare Society promote use of generic medicine among its clients offers free health check-ups. Health camps are organized by a good number of MFIs such as Annapurna Micro Finance Pvt. Ltd., Equitas Microfinance Pvt. Ltd., Institute of Rural Credit & Entrepreneurship Development, ODISHA, People Forum, Prayas Micro Credit, Samasta Microfinance Ltd., etc.

Some of the MFIs are providing preventive healthcare training. MFIs spearheading such interventions include Bal Mahila Vikas Samiti –VAMA, Belghoria Jankalyan Samity, Blaze Trust, Hand in Hand India and Suryoday Microfinance Pvt. Ltd. However, much more is desirable on this front. MFIs have untapped opportunities of collaborating with primary health centres, neighbourhood clinics, private and state-run hospitals to create awareness about healthy living, yoga, etc. among their clients. Besides, they can develop a pool of community health workers by providing comprehensive training and practical exposure during health camps. Such a move will not only create a second line of social defence in case of health emergencies among the poorer communities but will also create livelihood opportunities for so many people in the bargain.

Conclusion

MFIs are uniquely poised to bring in qualitative difference in the lives of their clients (Jha, 2013). However, these institutions are hard pressed for resources which are inadequate even to help them run their core functions. Hence, MFIs are not able to realize their full potential as agents of change and remain contented with whatever little they can do for their clients. The MFIs are serving over 37 million poor across the country (Sa-Dhan, 2015). If the government can channelize some of the welfare schemes through MFIs, it can surely make a huge difference. An integration of microfinance, social welfare schemes, food security and employment guarantee can augment the benefits accruing to the poor in piecemeal manner with unnecessary leakages in the transit. While the efforts of Reserve Bank of India, NABARD, SIDBI and other financial institutions in strengthening the MFIs are laudable, none are actually trying to help MFIs scale up their community development intervention strategies driven by higher social purpose.

MFIs involved in social development initiatives are often appreciated by the stakeholders, get encouraging press coverage for good practices and receive regular invites for sharing their experiences in various summits and conferences; however such interventions hardly get any financial incentives from their lenders (Srinivasan, 2014). It is imperative that the government agencies as well as banks should come forward and provide liberal financial incentives so as to enable the MFIs expand their social development interventions in terms of reach, quality, and overall impact on the people who are living on the margins. Besides

financial incentives, widely acceptable objective measures and standards to assess social development interventions are essential for taking forward the social agenda of the MFIs and consolidate their position as key player in social sector.

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Role of MUDRA Bank in Financing Non-Corporate Small Business Sectors

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Abstract

Government of India has recently launched MUDRA Bank (*Micro Units Development and Refinance Agency Ltd*) as a subsidiary of SIDBI to address various needs and issues of MFIs and NBFCs and also to provide credit support to the small traders and shopkeepers in rural as well as in urban areas. MUDRA Bank does not only promote best practices among MFIs and NBFCs but also formulates guidelines to regulate these financial intermediaries and their activities so that the benefits should reach to those who are at the bottom of pyramid and strive to accommodate these sectors with offering of adequate credit at affordable rate. MUDRA Bank is primarily responsible for promoting and supporting non-corporate small business sectors by extending credit and support services and thereby contributing its mite in achieving financial inclusion in India through a variety of policy interventions. Thus, the creation of MUDRA Bank is definitely a welcome step in addressing the need of the marginalized sections of population in the country. MUDRA has already set the tempo for the growth of small business sectors in general and own account enterprises in particular. This paper provides an incisive critique of the unique initiative of the government of India.

Keywords: MUDRA Bank, Small Business Sectors, Financial Inclusion, India

“Human development, as an approach, is concerned with what I take to be the basic development idea: namely, advancing the richness of human life, rather than the richness of the economy in which human beings live, which is only a part of it” –Prof. Amartya Sen

Introduction

Finance is one of the most essential aspects of entrepreneurship and small business development and hence the role and significance of Micro Finance Institutions (MFIs) and Non-Banking Financial Companies (NBFCs) is very crucial in those segments and areas where the formal banking finance is skewed and is scarcely available. Therefore, to enhance the financial soundness, viability and outreach of these institutions, the government has recently launched MUDRA Bank (*Micro Units Development and Refinance Agency Ltd*) as a subsidiary of SIDBI to address various needs and issues of MFIs and NBFCs and also to provide credit support to the small traders and shopkeepers in rural as well as in urban areas. MUDRA as a refinancing and micro unit development institution, provides refinance

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primarily to MFIs, NBFCs, Cooperative Banks and Commercial Banks under the 'Pradhan Mantri MUDRA Yojana' (PMMY), without being involved in direct lending to the beneficiaries. MUDRA aims to promote Non-Corporate Small Business Sectors (NCSBS) by making finance/credit more accessible and affordable to people who are deprived of getting timely and adequate funding support.

PMMY scheme enables the small entrepreneurs and borrowers to get funding and credit support from MFIs, NBFCs, Cooperative Banks and Commercial Banks up to maximum of Rs. 10 lakhs for non-farm income generating activities covering the areas of manufacturing, processing, trading, and service sectors without any provision of collateral. The scheme is implemented under PMMY to provide funding support to informal sector and aims to bring these small and micro enterprises under the umbrella of financial inclusion and connect them to mainstream. Mainstreaming of these enterprises would help them to improve their quality of life in terms of income and affiliation. This bank is created with best of intentions to support the small businessmen and entrepreneurs; those who contribute significantly to our GDP and help in employment generation. To take it further; the government provides credit to various financial intermediaries and last mile financiers to fund the unfunded. MUDRA initiated various mechanisms to fund the unfunded through partnership with state and regional level institutions. The major institutional partners are Public Sector Banks, Private Sector Banks, Regional Rural Banks, Co-operatives Banks, MFIs, and NBFCs, etc. In addition, it is adopting a variety of innovative financing approach to reduce the cost of borrowing through technology interventions and funding assistance from the government, so that excluded section can able to access adequate credit in time.

Besides, MUDRA bank is empowered to frame the policy guidelines for micro-financing to achieve operational efficiency and better transparency in the process. It also regulates MFIs and NBFCs which are outside the ambit of RBI regulations. It ensures that there should be timely accreditation and rating of these institutions which will help in enhancing the confidence among the borrowers. It works as an intermediary and ensures refinancing to various MFIs to achieve financial sustainability, so that more than 5.8 crores small entrepreneurs and businessmen can be benefited in the process. The major objective is to bring micro and small business units in the scope of micro financing which are earlier deprived from the services of formal commercial banking.

The target demography of MUDRA bank includes shopkeepers, fruits and vegetable sellers, small traders, MFIs, NBFCs, NGO, Trust, local government and state government. The short-term objectives of the MUDRA bank are, to bring better code of conduct in the process, to build financial infrastructure, to make funds available at affordable rate and to make these MFIs more competitive. On the other hand, the long-term goal includes building IT platform to enhance speed and efficiency in the process and to bring entire eco-system into one track so that '*fund should reach to the unfunded*'. To achieve the same, under the scheme of PMMY, government has made a budgetary provision (Union Budget 2015-16) of an initial corpus of Rs. 20,000 crores for refinancing and Rs. 3, 000 crores for credit guarantee corpus for MUDRA Bank, as the mark of strengthening of micro and small business financing in India.

Roles and Responsibilities of MUDRA Bank

The objectives behind the creation of MUDRA Bank itself signify its national importance. MUDRA bank is primarily responsible for promoting and supporting non-corporate small business sectors by extending credit and support services and thereby contributing in

achieving financial inclusion in India through a variety of policy interventions. Nevertheless, major responsibilities of MUDRA Bank are quite pervasive which are discussed as under but not limited to:

- a) Frame the policy guidelines and regulations for micro enterprise financing business.
- b) It will help in facilitating registration of all MFI entities and will do supervision of MFIs on their activities. It will also initiate accreditation and rating of MFI entities that will foster competitiveness among the MFIs and will enhance the confidence of borrowers.
- c) Laying down responsible financing practices to protect against over-indebtedness and ensure proper client protection principles and ease the methods of recovery.
- d) Development of standardized set of covenants governing last mile lending to micro enterprises.
- e) Promoting right technology solutions for the last mile financiers so as to reduce the cost of borrowing.
- f) Formulating and running a credit guarantee scheme for providing guarantees to the loans/portfolios which are being extended to small business sectors.
- g) Supporting development and promotional activities to make micro credit attractive and accessible.
- h) Creating a good architecture of Last Mile Credit Delivery to micro businesses under the scheme of Pradhan Mantri MUDRA Yojana. (**Edited Version of MUDRA Bank Documents from www.mudra.org.in*)

MUDRA Bank Products and Schemes

A bouquet of products and services are offered by MUDRA, which primarily covers two types of products i.e. *'refinancing'* and *'developmental services'*. Firstly, it refinances to Trusts, MFIs, NBFCs, Cooperative Banks and Commercial Banks for lending to micro business units like small retailers, shopkeepers, womenpreneurs, manufacturing and service enterprises in the rural, semi-urban and urban areas in fulfilling their credit requirements at an affordable rate. Secondly, it extends its support in developmental services like spreading financial literacy and financial awareness programs in addressing the need of the targeted small business sectors and entrepreneurs and undertakes arrays of activities for the skill developments of these segments and also provides solution as being the apex institution to overcome any challenges faced in the micro credit process.

Under the auspices of flagship program *'Pradhan Mantri MUDRA Yojana'*, various micro financing schemes have been developed; keeping in mind the phases of growth of business units and their funding requirements. MUDRA Bank has classified the borrowers into three categories: *starters, mid-stage finance seekers and next level growth seekers*. To facilitate and address the credit needs of these three categories, MUDRA Bank has started three different loan windows:

1. *Shishu*: Grant of loans up to Rs. 50,000/-
2. *Kishor*: Grant of loans above Rs.50,000/ and up to Rs. 5 lakhs
3. *Tarun*: Grant of loans above Rs. 5 lakhs and up to Rs. 10 lakhs

'Shishu' being the lowest in the ladder of three segments, is entitled to avail loans up to Rs. 50,000/ and *'Kishor'* can avail the loan from Rs. 50, 000/- to Rs. 5 lakhs where as *'Tarun'* is allowed to get credit support of Rs. 5 lakhs to Rs.10 lakhs. However, to encourage startups and new micro business units at the grass root level, 60% of the total fund is marked for *'Shishu'* and the rest amount get disbursed to the remaining two. Taking into account, a gamut of determinants like sectoral activities, credit needs, business priorities, sectors

specifics needs; MUDRA has devised a set of well thought and tailor made schemes to address various needs of the micro enterprises and the entrepreneurs. The rationale is to distribute the benefits of credit enhancement amongst the smallest business segments and help these micro business units to grow and contribute to the economy as well.

MUDRA Offerings and Credit Coverage

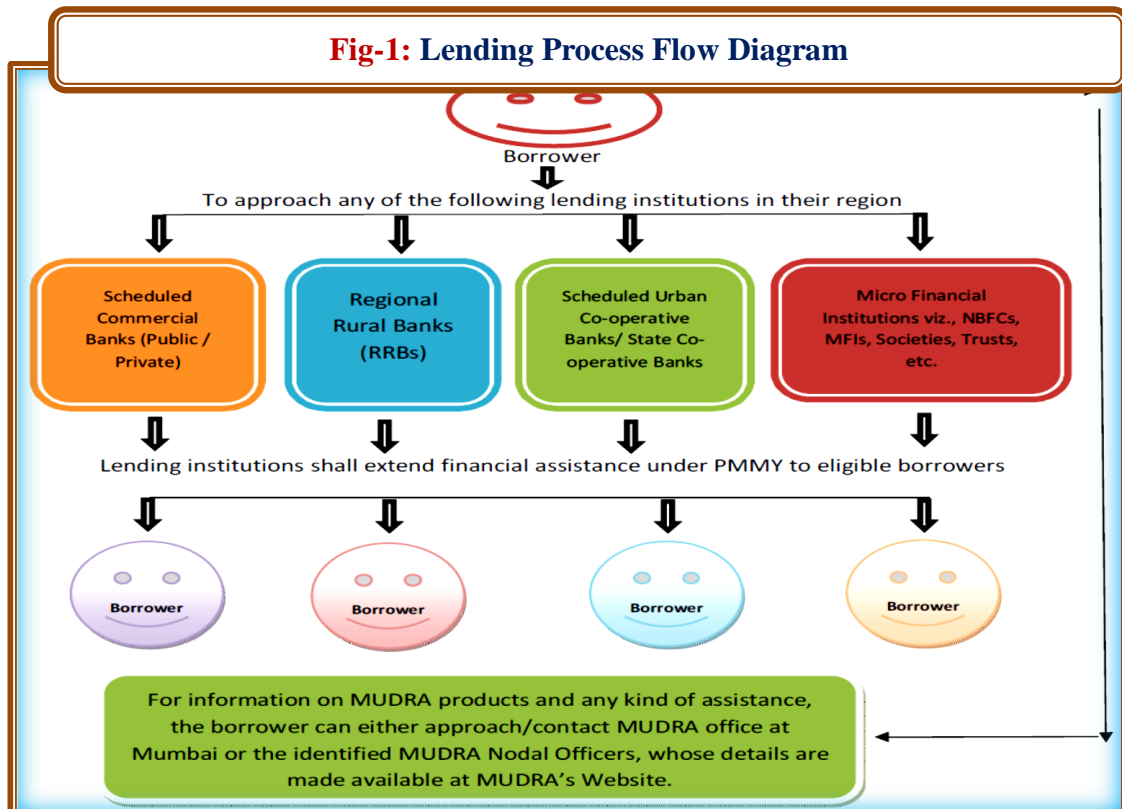
MUDRA credit coverage and offerings are aligned with the overall objectives of micro credit enhancements and well directed towards the growth of ‘starters’ (Shishu), ‘mid-stage finance seekers’ (Kishor) and ‘next level growth seekers’ (Tarun). Products of MUDRA at the roll out stage have been designed to meet the needs of various activities sectors in general and business and entrepreneurs in particular. A brief snapshot of MUDRA sectoral offerings is presented in a tabular form for better comprehension.

Table 1 MUDRA Offerings and Credit Coverage

S.N	Schemes and Offerings	Credit Coverage and Particulars
1	Sector/Activity Specific Schemes	Specific tailor made projects or activity specifics schemes are included like land transport sector, community, social and personal service activities, food products sector and textile products sector and activities; to avail credit assistance through MUDRA interventions
2	Micro Credit Scheme (MCS)	Provision of funding support to MFIs for lending to individuals/ groups and Self-Help Groups (SHGs) for the creation of assets towards setting up or running micro enterprises for various non-farm income generating activities.
3	Refinance Scheme for Regional Rural Banks (RRBs) / Scheduled Co-operative Banks	Raising the liquidity of RRBs and Scheduled Co-operative Banks through MUDRA financing and refinancing the loans that is already sanctioned. These credit facilities are extended to micro enterprises as up to Rs. 10 lakhs per enterprise or borrower for doing manufacturing and service sector activities and to create assets towards setting up or running micro enterprises for various non-farm income generating activities.
4	Mahila Uddyami Scheme	Providing timely and adequate financial support to the MFIs, for lending to women/group and SHGs of women for creation of assets towards setting up and running micro enterprises under this scheme.
5	Business Loan for Traders and Shopkeepers	Credit supports to individuals for running their shops or doing trading and business activities or service enterprises, are eligible to get a loan of up to Rs. 10 lakhs per enterprise or borrower as per MUDRA guidelines.
6	Missing Middle Credit Scheme	Provision of funding support to financial intermediaries for lending to individuals/groups and SHGs for creation of assets towards setting up or running micro enterprises for various non-farm income generating activities. The loan size is of Rs.50,000/- up to Rs.10 lakhs
7	Equipment Finance for Micro Units	Lending to individuals to purchase necessary machinery or equipment for setting up micro enterprises of loan size of up to Rs. 10 lakhs per enterprises

Source: *Compiled by Author from the MUDRA Bank Documents from www.mudra.org.in

The lending processes of MUDRA are very simple and hassle-free and follow a definite policy framework; so that the target beneficiaries get the required credit in time without delay. As an innovative instrument, MUDRA has introduced ‘MUDRA Card’ wherein the ultimate borrower can access to credit in a stress-free and flexible manner. The borrower can be individuals, sole proprietary firm, partnership firm, private limited, public company, and any other legal entity. The applicant to avail the credit, should not be a defaulter of any banks or financial institutions and should have satisfactory credit track record and is expected to possess minimum required skills and experiences to undertake the proposed activities and entrepreneurship. The lending process is presented in the flow chart given below:



(Source: How-and-Where-to-get-MUDRA-loan pdf, www.mudra.org.in)

One of the distinct and special efforts of MUDRA Bank is to rekindle entrepreneurship by providing easy and timely credit to the budding entrepreneurs by enhancing and nurturing the last mile financiers who are financing small business segments for non-farm income activities.

MUDRA Bank is working to achieve its objectives of financing the last mile financiers and those who are financing to the small and micro business sectors at urban and rural areas. MUDRA Bank does not only promote best practices among MFIs and NBFCs but also formulates the guidelines to regulate these financial intermediaries and their activities; so that the benefits should reach to the unreached and strive to accommodate these sectors with offering of adequate credit at affordable rate.

Table 2 MUDRA Strategic Focus

Input/Process/Output	Focus/Strategy
Product	Innovative
Pricing	Lower than Prevailing
Processes	Efficient
Specialization	Micro
Scale	India Unincorporated
Sustainability	of Stakeholders
Technology	The Game Changer
Source: Author's Compilation from MUDRA Documents, www.mudra.org.in	

Conclusion

The development of a nation very much depends upon enlargement of people's choices and people's capabilities that must add value to decent standards of living and wellbeing of the masses. People's involvement and participation in various welfare schemes is indispensable for the triumph of true democracy. The success of '*Democracy and Swaraj*' of our country is appraised on the basis of how we '*plan for the unplanned*' and '*reaching to the unreached*'! Therefore, the creation of MUDRA Bank is definitely a welcome step in addressing the need of the marginalized. MUDRA has already set the tempo for the growth of small business sectors in general and own account enterprises in particular. Thus, with the help of such initiatives and reforms (through MUDRA Bank), micro and small business financing will be made available to the unfunded and hapless at an affordable rate and anticipating much more contribution in future as well.

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