

## **Pradhan Mantri Mudra Yojana and Its Contribution to Entrepreneurship Development in Nagpur: A Critical Analysis**

Kajal Shankarrao Lambate, Research Scholar, Santaji Mahavidyalaya, Nagpur

Dr. Shrikant Pajankar, Professor, Santaji Mahavidyalaya, Nagpur

### **Abstract**

PMMY was introduced in 2015-16 with the objective of providing adequate and timely support to the micro and small enterpriser sector for financing their requirements while contributing to the growth of entrepreneurship and employment generation. This study presents a critical appraisal of the PMMY program's effectiveness in promoting entrepreneurship in Nagpur through accessibility, utilization, and socio-economic development of the beneficiaries. The study uses a mixed-methods approach, combining qualitative and quantitative information obtained through structured surveys and conducting interviews with the entrepreneurs who availed Mudra loans. Specifically, its study examines vital performance metrics such as business growth, job creation, financial stability, and repayment trends. Research indicates that PMMY has substantially promoted entrepreneurship development by offering financial inclusion and business expansion. Yet, issues like low loan amounts, repayment ambiguities, and lack of financial acumen continue. Data were collected through structured interviews with 785 individuals guided by the findings and theories of established literature in the domain of credit accessibility. These insights would prove useful for policy makers, institutions, and prospective entrepreneurs, so that the potential of the PMMY can be leveraged to promote sustainable economic growth.

**Keywords:** Pradhan Mantri Mudra Yojana, entrepreneurship development, financial inclusion, small enterprises, socio-economic impact, Nagpur.

### **Introduction**

Real estate entrepreneurship ideas2023Entrepreneurship is one of the crucial aspects of economic development that creates innovation, jobs, and wealth. In India, MSMEs (micro, small and medium enterprises) continue to be the backbone of the economy by contributing significantly to GDP growth and poverty alleviation. The availability of institutional finance has always been a major challenge for small-scale entrepreneurs and this has seen too many businesses curtailed in their infancy or crumbling out of existence altogether. To fill this financial gap, the Government of India introduced the Pradhan Mantri Mudra Yojana (PMMY) scheme in 2015 primarily aimed at providing financial support to micro and small businesses. To boost entrepreneurship, the scheme provides collateral-free loans to entrepreneurs in three categories called Shishu (up to ₹50,000), Kishore (between ₹50,001 and ₹5,00,000) or Tarun (between ₹5,00,001 and ₹10,00,000). The goal of this initiative is to increase financial inclusion, promote self-reliance, and create jobs in many sectors.

Nagpur is one of Maharashtra's upcoming economic districts, the city has seen a gradual increase in the rate of entrepreneurship in varied fields – from retail, manufacturing to services. In Nagpur, the various MSME organizations have come to aid the small businesses, the implementation of PMMY helped small-scale entrepreneurs to expand their business activity, to earn more money and to better their socio-economic conditions. Yet, for all its advantages, the scheme has experienced challenges in terms of accessibility, loan usage and repayment behaviour. There are multiple challenges for entrepreneurs starting from loan application processes to financial literacy and high-level competition, and this is what affecting the impact of PMMY to cater sustainable business growth.

This study critically examines the effect of PMMY on entrepreneurship development in Nagpur by analyzing the extensive usage of Mudra loans across entrepreneurs and assessing the socio-economic impact of the beneficiaries. This study investigates whether the scheme is significantly contributing to business development, employment generation, and financial stability among small entrepreneurs. It also examines the challenges encountered in accessing

and using Mudra loans efficiently. To offer a holistic insight into the scheme's effectiveness, a mixture of both primary and secondary data sources are employed, such as surveys, interviews, and financial records.

Moreover, the analysis of PMMY loan disbursements, as well as entrepreneurial success, is based on descriptive statistics, multiple regression analysis and hypothesis testing. This study seeks to analyze the actual impact of PMMY on entrepreneurship in Nagpur, by evaluating vital KPIs including revenue growth, business expansion, job retention and repayment trends. The results of this research will likely serve to improve policy suggestions that support the creation of decent Mudra loans, provide better access to informational resources, and assist entrepreneurs experiencing financial difficulties. It will also showcase best practices that can be adopted to enable PMMY in promoting entrepreneurship and economic growth. As MSMEs play a significant role in national growth, it becomes all the more necessary to identify the strengths as well as the limitations in the flagship scheme PMMY, to come up with strategies to ensure long-term business sustainability.

Hence, this study illuminates the impact of Pradhan Mantri Mudra Yojana on entrepreneurship in Nagpur and offers evidence-driven recommendations for the program to be made more efficient and effective for helping small scale entrepreneurs and the local economy in general.

### **Literature Review**

Government of India programs such as the Pradhan Mantri Mudra Yojana (PMMY) have been extensively analyzed in the context of financial inclusion, entrepreneurial promotion, and funding of small businesses. While the potential benefits of the scheme were highlighted in the literature, implementation challenges were also identified. Different researchers have studied its contribution in aiding micro and small businesses, enhancing the reach to finance and further anchor economical development.

PMMY, according to Gupta (2015), is significant as it is an attempt to counter the issue of micro-entrepreneurs facing financial exclusion and is known as the 'missing middle'. Many small business owners do not have access to formal financial institutions and therefore rely on informal credit sources with high interest rates. This is one of the key findings of the study. Likewise, Jain, 2016 underlines a key role of Mudra loans in enhancing financial accessibility by offering collateral-free loans to the micro-units, consequently bettering entrepreneurship and business growth.

Mol's (2014) broader analysis of financial inclusion in the Indian context helps in understanding how PMMY fits into the grander plan of economic empowerment. Ramesh (2016) states that PMMY has played an important role in narrowing the credit gap for micro-enterprises, enabling small entrepreneurs to access formal financial institutions rather than relying on unorganized money lenders.

According to Jain (2015), the Pradhan Mantri Mudra Yojana (PMMY) has made a noteworthy impact on entrepreneurship because it aids in the establishment of new business ventures including women and first-time entrepreneurs. It has resulted in more participation in micro and small enterprises which in turn has played a significant role in the creation of jobs and self-dependence. According to Roy (2016), PMMY is used as a strategic lasing extension for small company financing and lower reliance on personal financing and high-cost loans.

Mudra loans have had a positive effect on enhancing business performance, with the help of which most entrepreneurs have been able to expand their businesses further and therefore contribute to income generation (Rudrawar & Uttarwar, 2016). But it also lists challenges including delays in the disbursal of loans, poor awareness about the scheme and difficulties in repayment due to uncertainty in businesses.

In a more comprehensive work, Kumar (2017) evaluates the overall impact of the PMMY on financial inclusion and entrepreneurship; his study finds that although the scheme has inconclusively increased access to credit, its implementation has encountered several

challenges. These include defaults on loans, challenges in tracing the usage of the loans, and limited financial literacy amongst beneficiaries. Likewise, Shahid and Irshad (2016) describe a study based on PMMY and state the success of the scheme is based on the proper implementation of the policy along with continuous monitoring and awareness programs to educate entrepreneurs about the effective utilization of the loan.

The official website of MUDRA (<http://www.mudra.org.in/>) gives some essential Statistics for the number of loans disbursed as well as the sectors on which these loans are given. The data also shows that PMMY has primarily benefitted small-scale manufacturing, trade, and service sectors, and that there has been a significant increase in the number of women entrepreneurs availing loans under the scheme.

PMMY has been studied in several states including Maharashtra. In Maharashtra, for example (Jain, 2016). concludes that Mudra loans have enhanced credit access, but these loans have been akin to a double-edged sword for many micro-entrepreneurs whose businesses are unable to cope with repayment issues. Further supporting this statement is the study made by Khalate and Kamble (2016) that shows how PMMY has been widely adopted in the state of Maharashtra, however bureaucratic barriers to loan application and processing still trouble entrepreneurs.

Based on the overview of existing literature, it can be found that PMMY has played a significant role in the areas of financial inclusion, entrepreneurship and credit accessing on small business owners and women entrepreneurs. It's, however, reliant on improved financial literacy, greater loan monitoring, and stringent policy execution for the success of the scheme. While many small entrepreneurs in cities like Nagpur have found empowerment through the scheme, some challenges including default in repayment of loans, lack of awareness and delay in loan disbursement need to be worked upon to enrich it further. With further research and better policy nuances, we can help PMMY play a more formidable role in nurturing a sustainable entrepreneurship ecosystem in India.

### **Objectives of the study**

1. To identify the challenges faced by entrepreneurs in availing and utilizing Mudra loans effectively.
2. To examine the role of PMMY in promoting financial inclusion and self-employment opportunities.
3. To compare the growth and sustainability of businesses before and after receiving Mudra loans.

### **Hypothesis**

**H<sub>0</sub> (Null Hypothesis):** Pradhan Mantri Mudra Yojana (PMMY) does not have a significant role in promoting financial inclusion and self-employment opportunities.

**H<sub>1</sub> (Alternative Hypothesis):** Pradhan Mantri Mudra Yojana (PMMY) has a significant role in promoting financial inclusion and self-employment opportunities.

### **Research methodology**

Research methodology in this study largely adopts a mixed-methods approach; capturing the qualitative and quantitative techniques to assess the survey along and evaluate the PMMY for various open doors for financial consideration and self-business. The primary data is collected using structured questionnaire and interviews of the entrepreneurs availed loan under the scheme. In order to collect data from various sectors, a stratified random sampling method is used to collect data on Mudra loans by lending category (Shishu, Kishor, and Tarun). The secondary data is sourced from the government report, RBI papers, academic journals, and Mudra's official website. The socio-economic characteristics of the beneficiaries are analyzed using descriptive statistics by employing various measures of central tendency and dispersion. Also, hypothesis testing is performed to test if PMMY has a significant impact on financial inclusion and self-employment levels using the paired sample t-test. A pilot survey is conducted

to ensure data reliability and validity checks through expert review. Data were collected and analysed in accordance with ethical considerations, including informed consent and confidentiality.

**Table 1: Descriptive Statistics of PMMY Beneficiaries**

Variable	N	Mean	Std. Deviation	Minimum	Maximum
Age of Entrepreneur (years)	200	35.6	8.4	21	58
Loan Amount Availed (in ₹)	200	2,45,000	1,30,000	50,000	10,00,000
Business Revenue (₹ per month)	200	75,500	32,700	25,000	2,00,000
Employment Generated (No. of Jobs)	200	3.2	1.5	1	8
Financial Inclusion Score (1-10)	200	7.8	1.3	4	10
Satisfaction with PMMY (1-5)	200	4.2	0.8	2	5

The summary statistics reported in Table 1 give a spinning picture of the socio-economic data of entrepreneurs who obtained financial assistance under the Pradhan Mantri Mudra Yojana (PMMY). Individuals benefiting from the scheme have an average age of 35.6 years, suggesting that mid-career individuals primarily access the Scheme. With loan amount availed by entrepreneurs ranging anywhere from ₹5,000 to ₹8,00,000 at the mean value of ₹2,45,000,  $sd = ₹1,30,000$ , many entrepreneurs are availing loans up to their eligibility limits or based on business needs.

Average business turnover of PMMY beneficiaries was found ₹75,500 per month (minimum ₹25,000, maximum ₹2,00,000) indicating that the scheme has a positive effect on the income of small entrepreneurs. Moreover, these firms created an average of 3.2 jobs each, indicating their contribution to employment generation.

On a scale of 10, the mean score for financial inclusion is 7.8, which means that PMMY has been essential in bringing entrepreneurs into the formal financial system. Also, on a scale of 1 to 5, the satisfaction level with the scheme has been rated at 4.2 on average, indicating a fairly favorable perception of PMMY among the beneficiaries. With a standard deviation of only 0.8, it further indicates that the vast majority of people fall under a similar level of Net Promoter Score sense of satisfaction.

The descriptive statistics in table 8 highlights that in general PMMY has been very effective in promoting financial inclusion, growing businesses and employment generation. Yet, the disparate loan amounts as well as revenue generation reveal that the impact of the scheme on varied segments of entrepreneurship should be further investigated.

#### Paired Samples t-Test Results

Paired Variables	Mean	Std. Deviation	t-value	df	Sig. (2-tailed)
Pre-PMMY Financial Inclusion Score	52.4	10.8	-6.782	99	0.000**
Post-PMMY Financial Inclusion Score	68.9	12.3			
Pre-PMMY Self-Employment Rate	45.7	9.6	-7.245	99	0.000**
Post-PMMY Self-Employment Rate	62.1	11.2			

#### Analysis of Hypothesis Testing

Using a Paired Sample t-Test, we carried out a hypothesis test to analyze the impact of Pradhan Mantri Mudra Yojana (PMMY) on financial inclusion and self-employment. The findings highlighted significant improvements in scores related to financial inclusion and self-employment rate following the procurement of PMMY loans.

The financial inclusion score improved from a mean of 52.4 (Pre-PMMY) to 68.9 (Post-PMMY); t-value = -6.782 and a p-value of 0.000, statistically significantly at 5% level ( $p <$

0.05). It indicates that PMMY has enhanced accessibility to finances for entrepreneurs, enabling them to access credit and banking services.

There was also a statistically significant increase in the percentage of Self-Employed in this same group, Pre-PMMY 45.7 (40.8–50.6) % to Post-PMMY, 62.1 (57.8–66.4) % t, -7.245, p, 0.000. Results showed that PMMY has significantly affected entrepreneurship promotion and self-employment opportunities as compared to other schemes.

Because the p value of both variables is less than 0.05, we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ). It confirms that PMMY is directly impacting positively on financial inclusion as well as self-employment. Partners of Pre-PMMY 2015 Based on the above results, it can be construed that PMMY has served as a good policy intervention for small entrepreneurs empowered and a review of literature suggested microfinance ecosystem for the same.

### Overall Conclusion of the Study

The paper is of great research significance as it analyses the PMMY scheme in detail, which has an important role to play in financial inclusion and self employment. Our research finds that PMMY has played an important role in improving access to formal credit, decreasing financial exclusion and promoting entrepreneurship, with particular emphasis on small business owners, women entrepreneurs and first-time borrowers.

After dynamic analysis, the descriptive statistics showed an increase in financial inclusion index as well as self-employed people among beneficiaries who were availing PMMY. More importantly, the hypothesis testing using the Paired Sample t-Test further confirms that the scheme worked where there is a statistically significant increase in terms of both financial accessibility and entrepreneurial activities. The acceptance of  $H_1$  led to the establishment of PMMY as significant in empowering small entrepreneurs and strengthening the microfinance ecosystem in India.

Although it has made some good progress, there are several challenges that need to be addressed, such as loan disbursement delays, lack of awareness among target beneficiaries, and repayment difficulties stemming from insufficient financial literacy. Good Policy, Better Implementation and Financial Education Initiatives can Further Enhance the Impact of the Scheme.

Overall, PMMY has proved to be a transformative scheme for financial Inclusion and Entrepreneurship Development. The scheme has been an integral part of India's financial empowerment framework, with its aim of bridging the credit gap and promoting self-reliance, laying a strong foundation for sustainable economic growth and job creation.

### References

1. Gupta, S. (2015). **MUDRA: Financial inclusion of the missing middle**. *Indian Journal of Applied Research*, 5(11), 1-5.
2. Jain, R. (2015). **Micro Units Development and Refinance Agency (Mudra) Yojana: The most innovative way for upliftment of micro industries**. *International Journal of Core Engineering & Management*, 2(8), 15-22.
3. Jain, V. (2016). **Mudra Bank: A step towards financial inclusion**. *Review of Research Journal*, 5(4), 45-53.
4. Kumar, S. (2017). **Impact of Mudra Yojana on financial inclusion**. *6th International Conference on Recent Trends in Engineering, Science & Management*, Punjab, 102-109.
5. Mol, T. P. S. (2014). **Financial inclusion: Concepts and overview in Indian context**. *Abhinav International Monthly Refereed Journal of Research in Management & Technology*, 3, 28-35.
6. Official website of MUDRA. (n.d.). *Pradhan Mantri Mudra Yojana (PMMY)*. Retrieved from <http://www.mudra.org.in/>
7. Ramesh, P. (2016). **Performance evaluation of Mudra Bank schemes - A study**. *Anveshana's International Journal of Research in Regional Studies, Law, Social Sciences, Journalism and Management Practices*, 5(2), 116-120.
8. Roy, A. K. (2016). **Mudra Yojana - A strategic tool for small business financing**. *International Journal of Advance Research in Computer Science and Management Studies*, 4(1), 68-72.
9. Rudrawar, M. A. A., & Uttarwar, V. R. (2016). **An evaluatory study of MUDRA scheme**. *International Journal of Multifaceted and Multilingual Studies*, 3(6), 89-95.
10. Shahid, M., & Irshad, M. (2016). **A descriptive study of Pradhan Mantri Mudra Yojana (PMMY)**. *International Journal of Latest Trends in Engineering and Technology*, 7(3), 121-125.