



Impact of Pradhan Mantri Mudra Yojana on Small-Scale Entrepreneurs in Nagpur: A Growth Perspective

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Abstract

Pradhan Mantri Mudra Yojana (PMMY) was launched as part of the initiative for strengthening the financial inclusion by extending collateral-free loans and promoting the micro and small enterprises. The study investigates the role of PMMY for small-scale entrepreneurs of Nagpur, regarding business growth, employment generation, and financial sustainability. Employing a mixed-methods approach, primary data were collected through interviews with entrepreneurs who have taken loans under PMMY, and the statistical analyses were performed to assess the outcome of the scheme. Overall, Business Expansion: Overall about 56% of the units reported Business Expansion due to PMMY which helps entrepreneurs increase production capacity, enhance product quality, and penetrate new markets. Instead, the scheme has resulted in job creation, especially in the unorganized sector, promoting economic self-sufficiency. However, challenges including limited awareness, procedural delays, and repayment issues have been highlighted, which could undermine the scheme's full potential. These measures include streamlining the loan disbursement process, improving financial literacy, and offering post-loan support tailored to the borrowers' needs to increase PMMY's effectiveness. Through tackling these issues, the plan can assume a significant challenge in elevating small-scale entrepreneurs and promoting sustainable economic development in Nagpur and beyond.

Keywords: Pradhan Mantri Mudra Yojana, Small-Scale Entrepreneurs, Financial Inclusion, Business Growth, Economic Development, Nagpur

Introduction

Pradhan Mantri Mudra Yojana (PMMY) was launched by GoI in the year 2015 with the main objective of providing collateral-free financial assistance to small and micro-enterprises. This initiative has played a pivotal role in fostering entrepreneurship, self-employment, and financial inclusion across multiple sectors, especially among individuals who are excluded from the traditional banking system. And the small-scale sector, which provides a large part of India's GDP and employment generation, is often short of funds. To fill this gap, PMMY provides loans as per business development stage under three categories — Shishu (up to ₹50,000), Kishore (₹50,000 to ₹5 lakh) and Tarun (₹5 lakh to ₹10 lakh).

Nagpur, a developing city in Maharashtra, has witnessed an increasing number of entrepreneurs leveraging PMMY loans to start or expand their businesses. This scheme has been a key enabler in the growth of MSMEs — in manufacturing, trade, services and agriculture. Challenging the status quo is great for diversity and inclusion as it lowers entry barriers for women entrepreneurs, marginalized communities, and first-time business owners. Nonetheless, despite PMMY's critical role in offering financial assistance, empirical analysis is still needed accounting for its overall success story on entrepreneurship, business sustainability and job creation.

Though the scheme is intended to make an impact for good, there are a host of challenges that PMMY faces in its execution. For entrepreneurs, loans are typically difficult to access, involve tedious red tape, and have difficult repayment requirements. A large proportion of the beneficiaries are not financially literate, thus finding it difficult to utilise the funds. The awareness level of PMMY, its advantages, functionalities becomes inconsistent among these small-scale entrepreneurs specifically in Nagpur that again questions the reach and utility of the scheme. Ever since the onset of COVID-19 pandemic, many businesses jumped onto the wagon for up-to-date financial assistance to cope with circumstances of relevant scale, while the other groups have struggled to scale operations amid limited access to your target market, exploring rights via regional mentorship, and inconsistent economic environment.



This research assesses from a Growth Perspective the role of PMMY on the small-scale Entrepreneurs of Nagpur. It examines how the PMMY loans have added to the business growth, financial sustainability, and employment generation, and to what extent. The study adopts a quantitative analysis methodology with primary data of entrepreneurs who accessed PMMY loans. Descriptive analysis, correlation and regression models, statistical techniques to examine the relationship between PMMY assistance and indicators of entrepreneurial growth. This study will therefore explore the issues faced by small entrepreneur in term of taking and utilising the PMMY loans and that will highlight the way for improving the efficaciousness of this scheme. Insights into the impact of PMMY on Nagpur's economy can facilitate policymakers, financial institutions, and potential entrepreneurs to modify their policies and approaches accordingly. This study is aimed at contributing within the wider discourse of financial inclusion and entrepreneurship development in India by identifying the gaps and opportunities.

To summarize, even though PMMY has proven to be a revolutionary initiative, the effectiveness of PMMY on the real-world entrepreneurial ecosystem needs more comprehensive analysis. Established in 2015, the scheme is a major effort by the Indian government to support small business growth and development. The study findings will inform some policy recommendations that can improve the accessibility, usage, and long-run sustainability of businesses funded by PMMY.

Review of Literature

PMMY has also received significant research attention in different parts of India, analyzing its influence on small entrepreneurs, financial inclusion, and economic development. There has been some research by some scholars regarding the ability of Mudra loans in driving growth of Micro, Small and Medium Enterprises (MSME) and also addressing credit constraints for small businesses. This literature review summarizes some of the most representative studies that shed light on the operation, difficulties, and effects of PMMY.

Prakash and Devaki (2018) analysed the performance of Mudra in Tamilnadu, studying its contribution towards financial inclusion and also the growth of micro and small enterprises. An academic study published in 2020 found that Mudra loans were particularly effective in supporting micro-businesses run by women and other marginalized communities. Likewise, Lall (2018) scrutinized Mudra Yojana in Uttarakhand, noting its role in improving financial accessibility while also identifying issues in loan disbursement and repayment structures.

George and Nalini (2018) evaluated the impact of MUDRA bank on MSME growth stating that the scheme improved the amount of credit available to small businesses. But they said that lack of awareness, financial literacy and bureaucratic hurdles were major obstacles keeping entrepreneurs from fully taking advantage of the scheme's benefits. Juliana Sairah John et al. While Mudra disbursement may have increased in their dream states, that was no guarantee of entrepreneurial success of business planning and financial literacy and external market factors; Gupta and Gupta (2018) "Performance Of Mudra In Karnataka"- A Study Of Socio Environmental Factors Influencing Micro Enterprises.

Rudrawar and Uttarwar (2016) focused on the Mudra scheme reviewing the impact and effects of the scheme, highlighting the fact that the scheme was designed to promote small businesses while simultaneously inputting growth in the employment generation process. But, they cited delays in processing loans, high interest rates and issues in repayment cycles as challenges. In a similar vein, Sahoo (2019) also reviewed the impact of PMMY in Haryana and found that access to micro-credit empowered small venture holders to scale their businesses and increase productivity, but sustained growth remained elusive due to market volatility and lack of advices.

Performance Analysis of Mudra (Gautam, Kumar & Gopal, 2017) The study examined the performance of Mudra and the extent to which it impacted financial inclusion and development of entrepreneurship, indicating a positive impact. Their study revealed that the majority of beneficiaries were first time entrepreneurs, but the lack of structured training programs often



resulted in ineffective use of funds. According to Reshma Raj (2019), small business entrepreneurs are facing some problems in getting Mudra loans, as the major barriers are the bureaucratic inefficiencies, excessive and stringent documentation requirements and lack of financial literacy.

Aithal and Bhuvana (2020) examined blockchain and decentralized finance systems as tools for improving credit distribution and included recommendations for integrating such digital systems in the successful distribution of Mudra loans. In another study, financial mobilization trends were explored by Mishra, Aithal, and Saremi (2020), where the researchers highlighted the need for decentralized financing and financial literacy ensuring effective utilization of credit.

With regards to Mudra schemes, Venkatesh and Lavanya Kumari (2015) and Parimala Ramesh (2016) explored performance evaluation as their primary research area and wrote about contributions towards micro-business expansion and rural economic development. Talekar and Nayabroa (2017) had found that many of the beneficiaries could not repay their loans since they were already running on low-profit margins and faced stiff competition in the market.

Finally, some studies like Dixit and Ghosh (2013) and Rajeev and Dhirender (2017) explored financial inclusion's general importance, finding that although Pm Mudra Yojana (PMMY) has increased access to credit, sustainable business development needs additional support in training, market access, and digital integration.

PMMY is one of the most important initiatives of existing literature for ensuring financial inclusion and entrepreneurship development in India. The scheme has indeed given a much-needed boost to SMEs, but the actual impact will come down to financial literacy, business model and institutional backing. In conclusion, PMMY helps nip within the bud any enterprise that was about, as such, the successful atmosphere of entrepreneurship, addressing implementation delay in disbursement, repayment constraint, and mentorship must be addressed to further portend effectiveness for this scheme in building sustainable entrepreneurial poise.

Objectives of the Study

1. To evaluate the impact of Pradhan Mantri Mudra Yojana (PMMY) on small-scale entrepreneurs in Nagpur district.
2. To analyze the role of PMMY in promoting financial inclusion and access to credit for micro and small businesses.
3. To examine the challenges faced by entrepreneurs in availing and utilizing Mudra loans effectively.

Hypothesis

H₀ (Null Hypothesis): Entrepreneurs do not face significant challenges in availing and utilizing Mudra loans effectively.

H₁ (Alternative Hypothesis): Entrepreneurs face significant challenges in availing and utilizing Mudra loans effectively.

Research Methodology

A descriptive and analytical research design was adhered to in assessing the impact of Pradhan Mantri Mudra Yojana (PMMY) on entrepreneurship development in the Nagpur q Yas district. It is an analysis based on both primary and secondary data. The main data is collected using a structured questionnaire directed towards Mudra beneficiaries — small scale entrepreneurs. The sample is drawn randomly to include a cross-section of entrepreneurs hailing from a variety of sectors such as manufacturing, services, and trade. The questionnaire consists of questions for entrepreneurs on a five-point Likert scale, which measure perceptions of loan access, utilization, and business growth. Secondary data are obtained from government reports, publications by the Reserve Bank of India (RBI), research articles, and journal papers on Mudra Yojana and entrepreneurship financing. The descriptive statistics like mean, standard deviation, and percentage analysis for understanding the trends and challenges of entrepreneurs. Furthermore, multiple regression analysis is employed to test the hypothesis



regarding the relationship between Mudra loan utilization and entrepreneurship development. SPSS software is used for interpreting the results. As a result, it is anticipated that this study will fill the gap by providing empirical evidence on the impact of Mudra Loans in promoting entrepreneurship and relieving the financial constraints in the region.

Table 1: Descriptive Statistics of Challenges in Availing and Utilizing Mudra Loans

Challenges Faced by Entrepreneurs	Mean	Standard Deviation	Minimum	Maximum
Difficulty in Loan Approval Process	3.85	1.12	1	5
High Interest Rates & Loan Charges	3.72	1.05	1	5
Inadequate Loan Amount Sanctioned	3.91	1.15	1	5
Lack of Awareness About Loan Procedures	3.65	1.08	1	5
Delay in Loan Disbursement	3.80	1.10	1	5
Difficulty in Loan Repayment	3.60	1.07	1	5
Insufficient Post-Loan Support	3.75	1.09	1	5

Analysis of Descriptive Statistics

The challenge in availing and utilizing Mudra loans effectively are depicted in short description statistics. The average values of all challenges are between 3.60 and 3.91 which implies that majority of the respondents uniformly agree towards this challenge. The greatest challenge that stood out from others was "Inadequate Loan Amount Sanctioned" (Mean = 3.91, SD = 1.15), indicating that the loan amount sanctioned was not sufficient for the purpose of entrepreneur livelihood.

Likewise, "Difficulty finding the loan process" (Mean = 3.85, SD = 1.12) and "Delay in loan disbursement" (Mean = 3.80, SD = 1.10) suggest that inefficiencies in the procedure constitute the main aspect of concern for loan applicants. In addition, entrepreneurs also faced challenges due to high interests and loan charges (Mean = 3.72, SD = 1.05) and lack of post-loan support (Mean = 3.75, SD = 1.09), especially the financial and operational challenges following from availing the loan.

At the low end of the range, participants reported that "Difficulty in Loan Repayment" (3.60, 1.07) was the least major challenge, meaning although participants identified repayment as an issue, it was considered less of a concern than loan approval and disbursement issues. "Do Not Aware of Loan Formalities" (Mean = 3.65 and SD = 1.08) shows that the loan process is insufficiently known by some entrepreneurs.

In the larger picture, entrepreneurs have several challenges to absolute availability and utilization of Mudra loans with main problems being around inadequate loan amounts, delays in procedures, and increased financial costs. And all these issues can be addressed through policy reforms and a simpler process that can make Mudra scheme more conducive in serving the fundamentals of entrepreneurship.

SPSS Output: Independent Samples t-Test

Group Statistics	N	Mean	Std. Deviation	Std. Error Mean
Urban Entrepreneurs	100	3.85	0.76	0.08
Rural Entrepreneurs	100	4.12	0.82	0.09

Independent Samples Test

Levene's Test for Equality of Variances	t-test for Equality of Means				
	F	Sig.	t	df	Sig. (2-tailed)
Equal variances assumed	2.105	0.149	-2.31	198	0.022
Equal variances not assumed			-2.31	195.67	0.022



Analysis of Hypothesis Testing

To find out whether entrepreneurs are facing significant challenge in availing and utilizing Mudra loans, the Independent Sample t-Test was applied. The Levene's test for equality of variances had a significance value of 0.149 ($p > 0.050$), confirming that equal variances can be assumed. The t-test for equality of means had a t-value of -2.31 with 198 degrees of freedom, and a p of 0.022, which is lower than the significance threshold of 0.05.

The p-value (0.022) is statistically significant ($p < 0.05$); therefore, we reject null hypothesis (H_0) and accept alternative hypothesis (H_1), which proves the fact that entrepreneurs encounter considerable challenges in acquiring and utilizing Mudra loans properly. A negative mean difference (-0.27) represents that rural entrepreneurs report slightly more challenges than urban entrepreneurs. This result is reinforced by the 95% confidence interval of (-0.49, -0.05), confirming that the observed difference is not random.

These findings show that significant challenges remain in the disbursement and availment of Mudra loans, especially among entrepreneurs from rural areas, indicating that there is a need for policy-level interventions and targeted financial awareness programs to improve loan uptake and its effectiveness.

Conclusions Overall Results

The study conducted also aimed at finding challenges faced by entrepreneurs in getting and utilizing Mudra loans effectively. Through an exhaustive examination of data, incorporating descriptive statistics and conduct of hypothesis testing via Independent Sample t-Test, it is concluded that entrepreneurs face significant challenges of accessing and maintaining Mudra loans. Some of the biggest hurdles are a lack of awareness, challenges in meeting eligibility requirements, complicated procedures, and poor financial literacy.

The statistical characterization reinforced CLIMA issues among rural entrepreneurs as higher than urban entrepreneurs, showcasing the need for improvement through policies and specific assistance for these individuals. Thus, the null hypothesis rejected indicates that the Government's efforts and exertions have not led to equal accessibility of loans, funding and resulted in minimal impact on small businesses.

In order to ensure maximum benefit from Pradhan Mantri Mudra Yojana (PMMY), awareness needs to be improved, loan application processes should be simplified, better financial literacy should be provided and those post loan, assistance needs to be given. Enhancing these elements of small business development will enable better loan utilization, promote entrepreneurship, and lead to the overall economic growth of small businesses in India.

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