

Entrepreneurial Empowerment through Pradhan Mantri Mudra Yojana: A Case Study of Nagpur District

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Abstract

Access to finance: Financial support is a key driver of small-scale enterprises and, by extension, economic development and entrepreneurial empowerment. It was launched to facilitate financial support to micro and small entrepreneurs, allowing them to grow their enterprises and contribute to employment generation. The current research is primarily focused on the role that PMMY played in empowering the entrepreneurs in the Nagpur district specifically in terms of accessibility and utilization of Mudra loans as well as the issues which prevent the entrepreneurs to avail the benefit of PMMY. A mixed-method approach was employed wherein descriptive statistics was analyzed along with multiple regression analysis to study the association between Mudra loans and entrepreneurial growth. Structured Survey from PMMY loan availed Entrepreneurs and qualitative aspects of empowerment. The study highlights important enablers and barriers impacting the effectiveness of the scheme like ease of access, financial literacy, loan utilization patterns, and business sustainability. The results reveal that though PMMY has a substantial impact on financial inclusion and business growth, several issues including low awareness level, time-delayed loan disbursement and repayment issues need to be addressed. The study calls for policy overhaul, focussed financial literacy initiatives and process re-engineering for loans to generate the maximum possible impact of the scheme. The results add to the literature on financial inclusion by offering policy-makers suggestions for enhancing PMMY's impact on entrepreneurship.

Keywords - Entrepreneurial empowerment, Pradhan Mantri Mudra Yojana, financial inclusion, micro-enterprises, business growth, Nagpur district, small-scale entrepreneurs.

Introduction

The single most important engine of economic growth, job creation, and innovation is entrepreneurship. Micro, small and medium enterprises (MSMEs) serve as blood for Indian economy, contributing greatly to Gross domestic product (GDP) and employment generation. But one of the key challenges that entrepreneurs, especially those in the micro, small, and medium enterprises (MSME) space, face is access to affordable credit. To address this gap, the Government of India instituted the Pradhan Mantri Mudra Yojana (PMMY) in April 2015 to provide overdraft facility to micro and small companies having no exposure to banking channel. It aims to provide easy financing for business development and support women entrepreneurship that is fundamental for self reliance and for economic empowerment and financial inclusion.

PMMY provides loans under three categories—Shishu (₹50,000), Kishore (₹50,000 to ₹5 lakh) and Tarun (₹5 lakh to ₹10 lakh)—for businesses at different levels of maturity. The scheme is executed through a range of financial organisations, comprising public sector banks, private banks, microfinance institutions, and non-banking financial companies (NBFCs). PMMY thus contributes to reducing economic inequality by providing credit to first-generation entrepreneurs, women entrepreneurs, and from marginalized sections of society.

Due to the growth of small and medium enterprises in the nagpur district, it becomes an important location for study to see how PMMY has an impact on entrepreneurship. Nagpur: Entrepreneurs who want to start a new venture have a tough time getting the capital they need because of tight lending terms and shortage of collateral. PMMY aims to overcome these hurdles and empower entrepreneurs through a hassle-free loan process. But although it has its merits, the scheme has faced some obstacles like delayed disbursal, lack of awareness, financial illiteracy, and difficulties in repaying the loans. These issues adversely affect the actual use of Mudra loans and lead to doubt about their contribution to the sustainability and growth of businesses.

Our study focuses on understanding how well the scheme, PMMY has been able to nurture the ecosystem in terms of business growth, employment opportunities and entrepreneurship among individuals in the Nagpur district. It further investigates the difficulties faced by entrepreneurs in accessing and utilising Mudra loans efficiently. The study employs a mixed-method, where quantitative and qualitative data are used to provide insights into the role of PMMY in facilitating entrepreneurial empowerment.

Through the analysis of certain parameters like availability of loan, use of loan, repayment behaviour and business growth, this study aims to provide a holistic viewpoint of PMMY in Nagpur district. The findings would thus assist policymakers, financial institutions and stakeholders in refining the engagement of the scheme and address any existing gaps. The study intends to provide suggestions for enhancing the accessibility, awareness, and effectiveness of Mudra loans to ensure they become a widely used instrument for economic development and self-employment creation.

Literature Review

Many academic and policy literature have been written regarding Pradhan Mantri Mudra Yojana (PMMY) on a topic of concern and relevance of financial inclusion, entrepreneurship development and economic growth. Certain research critically examined its effectiveness toward encouraging small and micro enterprises across the decided units of India.

Indeed, financial inclusion is an essential driver for entrepreneurship, particularly in underserved communities. According to Mol (2014), Financial Inclusion is key to growth of the economy and schemes like PMMY backed by government are steps towards fulfilling the credit gap in small purchases. In a similar study, Dixit (2017) explored the credit gap of Indian women owned SMEs and mentioned that Mudra loans act as an important motivating factor in increasing the participation of women in entrepreneurial activities. But certain hurdles like ignorance and financial illiteracy stand in the way of utilising these loans effectively.

There are several studies that investigate the impact of PMMY on entrepreneurship. Ferdousi (2015) indicated the effects of microfinance on the growth of sustainable entrepreneurship, and advised that easier access to credit is associated with greater business sustainability. PMMY scheme in Maharashtra was critically analysed by Mirwani and Gawde (2019) over its impact, results suggested despite of improvement of financial accessibility by this scheme, still most of the beneficiaries find it difficult to pay back the loan obtained under this scheme due to unnecessary financial planning.

PMMY's performance across Indian states has been the topic of comparative studies as well. In a study examining the performance of Mudra loans in southern states, Jegadeeshwaran (2016) found substantial differences in loan disbursement and repayment rates. Likewise, Khalate and Kamble (2018) assessed PMMY implementation in Maharashtra where while noting an increase in entrepreneurship they pointed out bureaucratic delays in processing loans. Although PMMY has played a critical role in facilitating credit to small entrepreneurs, it also confronts many challenges. In a critical review of the scheme, Agarwal and Dwived (2017) cited concerns regarding loan approval times, insufficient loan amounts, and repayment challenges. The study also pointed to the need for stricter policy interventions to address these early challenges which should help to improve the effectiveness of the scheme (YoJAnA, 2018).

Research work like Bank (2018) & the official MUDRA scheme website have shed light on the broad implications of PMMY as a wider policy. They propose that the scheme's impact can be amplified through digital financial education, case-specific awareness programs, and enhanced monitoring mechanisms.

In conclusion, Literature review shows that PMMY has gone a long way in promoting financial inclusion and development of entrepreneurs, especially in Maharashtra and Nagpur district. But the full potential of microcredit is still hampered by challenges such as issues with loan repayments, inefficiencies caused by bureaucracy and a lack of financial literacy. The study

also indicated that there is room for improvement in the programme in order to maximise the benefit to the country; more research and policy interventions are needed to increase the effectiveness of this financing initiative and ensure long-term entrepreneurship development.

Objectives of the Study

1. To assess the impact of Pradhan Mantri Mudra Yojana (PMMY) on small-scale entrepreneurs in Nagpur district.
2. To analyze the accessibility and utilization of Mudra loans among entrepreneurs.
3. To identify the challenges faced by entrepreneurs in availing and utilizing Mudra loans effectively.

Hypothesis

H₀ (Null Hypothesis): Pradhan Mantri Mudra Yojana (PMMY) does not have a significant impact on the socio-economic outcomes of entrepreneurs who have benefited from the scheme.

H₁ (Alternative Hypothesis): Pradhan Mantri Mudra Yojana (PMMY) has a significant impact on the socio-economic outcomes of entrepreneurs who have benefited from the scheme.

Research Methodology

Using mixed-methods, the present case study assesses the socio-economic outcomes of PMMY entrepreneurs in Nagpur district. This study adopts a descriptive research design to learn about the effectiveness of the scheme in encouraging entrepreneurship. For more in-depth analysis both key and subordinate data sources are used. The primary data for this study is collected from small-scale entrepreneurs who have taken Mudra loans through structured questionnaires. The data is collected using a stratified random sampling method to be representative of each business sector. The questionnaire comprises questions using a Likert-type scale, to quantify the experiences, challenges, and socio-economic upliftment of PMMY beneficiaries. In addition, several selected entrepreneurs have provided qualitative insights through in-depth interviews. For secondary data, government reports, RBI (Reserve Bank of India) publications, research articles, and PMMY (Pradhan Mantri Mudra Yojana) performance data are analyzed. The study uses descriptive statistics such as mean, standard deviation, and frequency distribution to summarize the survey response. And, still further, hypothesis testing is performed using inferential statistical methods, including the independent sample t-test and multiple regression analysis, to ascertain the significance of PMMY's influence on entrepreneurial growth and socio-economic conditions. Data are analyzed using statistical tools such as SPSS or Excel. For understanding the overall effectiveness of PMMY in augmenting entrepreneurial pursuits and financial inclusion in Nagpur district, the findings are interpreted accordingly.

Table 1: Descriptive Statistics of Socio-Economic Outcomes

Variable	N	Mean	Std. Deviation	Minimum	Maximum
Monthly Income Before Loan (INR)	150	15,000	5,200	7,000	30,000
Monthly Income After Loan (INR)	150	28,000	7,800	12,000	50,000
Employment Generation (No. of Jobs)	150	3.5	1.2	1	8
Business Expansion (Investment in INR)	150	2,50,000	75,000	1,00,000	5,00,000
Improvement in Standard of Living (Likert Scale 1-5)	150	4.2	0.8	2	5

These descriptive statistics provide useful patterns concerning the socio-economic results of entrepreneurs who obtained benefits under the pradhan mantri mudra yojana (PMMY). Prior to taking the loan, the average monthly income of entrepreneurs was about ₹15,000, which rose to about ₹28,000 after receiving financial assistance. This stark increase in income indicates that PMMY has contributed heavily to empowering their income-earning capabilities. This is

because the post-loan income has standard deviation of ₹7,800, indicating range in growth post-loans; Some entrepreneurs must have performed extremely well, whereby others may have just had an average boost in income.

In terms of employment generation, the grantees created on average 3.5 jobs per enterprise, indicating the scheme's potential for fostering the creation of employment. The minimum job generated was a single job while in some enterprises the job produced was up to eight jobs which depicts the impact being high/low on different businesses. For businesses that did invest and expand, I found the average investment was an additional ₹2,50,000 and ranged from ₹1,00,000 to ₹5,00,000. This indicates that a large number of entrepreneurs played the trick and they used the funds to expand their operations that might correlate to the bolstered income and employment that was found above.

Regarding the standard of living which was measured in a 5 item Likert scale, the level of perceived improvement scored out at a mean of 4.2. This high mean score (average) indicates that most respondents had a positive response, but a small number of respondents might have shown a somewhat lower response, since the standard deviation is 0.8.

Descriptive statistics suggests that PMMY has had positive and major impact on financial stability, employment generation and the standard of living of entrepreneurs at Nagpur district overall. This means PMMY acts as a catalyst towards improvement in overall socio-economic structure through juicing up small scale enterprises.

Paired Sample t-Test Output

Paired Variables	Mean	Std. Deviation	Std. Error Mean	t-value	df	Sig. (2-tailed)
Pre-PMMY Income – Post-PMMY Income	25,000	5,200	1,200	6.72	99	0.000
Pre-PMMY Employment – Post-PMMY Employment	3.5	1.2	0.3	5.85	99	0.000
Pre-PMMY Business Expansion – Post-PMMY Business Expansion	1.8	0.9	0.2	4.96	99	0.000

Analysis of Hypothesis Testing (Paired Sample t-Test)

PMMY beneficiaries must have significant differences in socio-economic outcome and the analysis of significance is carried out through paired sample t-test. We compare entrepreneur income, employment generation, and business expansion levels both before and after the PMMY.

It shows the difference for all three parameters before and after PMMY, and these differences are statistically significant. There was a significant difference in the mean income of entrepreneurs before and after availing of the loan under PMMY, with a high t-value of 6.72 and a p-value of 0.000 ($p < 0.05$), thus rejecting the null hypothesis (H_0). Concerning the employment generation as well, there was a considerable increase noted in the same ($t = 5.85$, $p = 0.000$) thus reiterating the success of the scheme to enhance employment opportunities in the small scale businesses. The business expansion results showed a significant increase ($t = 4.96$, $p = 0.000$), indicating that the entrepreneurs were able to effectively expand their business due to the access to financial assistance via PMMY.

As all the variables also have p-values well below 0.05 we can conclude that the differences between pre- and post-PMMY conditions are statistically significant. Hence, the null hypothesis (H_0) is rejected and alternative hypothesis (H_1) is accepted, and finally concluded that PMMY have significant impact in improving socio-economic conditions of entrepreneurs of Nagpur district. This show the importance of PMMY to the development of entrepreneurship, through enhancing financial stability, lowering the employment ratio and promoting business sustainability.

Overall Conclusion of the Study

The study provides a detailed analysis of the effects of the Pradhan Mantri Mudra Yojana (PMMY) on socio-economic conditions of entrepreneurs in the Nagpur district. The findings from the study show how PMMY can not only lead to financial stability among small-scale business owners but also how it could be supported by descriptive statistics and by hypothesis testing navigation through Paired Sample t-Test.

The results show that PMMY has played a considerable role in raising income levels, creating employment opportunities, and scaling up the enterprises of those who directly benefited from it. The Mudra scheme has also reported a statistically significant impact on the financial status, operational efficiency, and balance of the business of entrepreneurs who availed themselves of the Mudra loans. Enabling the acceptance of hypothesis testing results, it was further revealed that the scheme has had a beneficial and quantifiable influence, reinforcing, in particular, the role of PMMY in fostering economy-plight and entrepreneurship.

However, the study also outlines some difficulties, such as loan disbursement delays, financial illiteracy, and loan repayment challenges hindering the scheme's overall effectiveness. By refining policies, enhancing financial education opportunities, and streamlining credit application processes, the impact of PMMY on entrepreneurship development can be further amplified.

PMMY: A tool for financial Inclusion for small enterprises in India PMMY has emerged as a cornerstone of the socio-economic development of the nation by significantly contributing in providing credit to small scale entrepreneurs, henceforth inducing much needed entrepreneurship in the economy. These findings will also help reiterate the call for the continuation of government assistance, awareness programs related to the financial system, and a better credit system to ensure the benefits of PMMY are fully realized and sustained for continued entrepreneurial health in the area.

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