

IMPACT OF PRADHAN MANTRI MUDRA YOJANA ON FINANCIAL INCLUSION AND ENTREPRENEURIAL GROWTH

S. RAJKUMAR¹, Dr. P. SATHYA PRIYA²

¹Student, Department of Commerce with Banking and Insurance, Dr. NGP Arts and Science College, Coimbatore.

²Assistant Professor, Department of Commerce with Banking and Insurance, Dr. NGP Arts and Science College, Coimbatore, Tamilnadu, India

Abstract

The Pradhan Mantri MUDRA Yojana (PMMY) is a flagship initiative by the Government of India aimed at providing financial support to micro, small, and medium enterprises (MSMEs), particularly those in the unorganized sector. This scheme seeks to empower entrepreneurs, especially women, and marginalized groups, by offering access to affordable credit for income-generating activities. The primary objective is to foster financial inclusion and promote entrepreneurial growth by providing loans up to Rs. 10 lakh without the need for collateral. The scheme is designed to address the financial constraints faced by small businesses and start-ups, enabling them to expand, create jobs, and contribute to the country's economic development. By facilitating access to formal credit channels, PMMY aims to bring unbanked businesses into the mainstream economy, thereby enhancing financial literacy and fostering a culture of entrepreneurship. The scheme also encourages innovation, self-reliance, and job creation, which are essential components for sustaining long-term economic growth. Furthermore, PMMY's role in bridging the credit gap and enhancing access to finance is crucial for empowering rural and semi-urban communities. This project will explore the impact of PMMY on financial inclusion and entrepreneurial growth, analyzing its effectiveness in promoting sustainable business practices, improving employment opportunities, and fostering economic resilience across the nation.

Keywords: Pradhan Mantri MUDRA Yojana (PMMY), Financial Inclusion, Entrepreneurial Growth, Micro, Small, and Medium Enterprises (MSMEs), Access to Credit.

INTRODUCTION

The Pradhan Mantri MUDRA Yojana (PMMY) was launched in 2015 with the objective of promoting financial inclusion and fostering entrepreneurial growth in India. By offering collateral-free loans to micro, small, and medium enterprises (MSMEs), the scheme provides a platform for aspiring entrepreneurs, especially from underserved sectors, to access formal credit. PMMY aims to empower individuals, particularly women and marginalized communities, by supporting income-generating activities and promoting self-employment. The scheme is categorized into three loan types – Shishu, Kishore, and Tarun – catering to entrepreneurs at different stages of their business journey. Through this initiative, the government seeks to bridge the financial gap faced by small businesses, enabling them to scale, innovate, and create jobs. By facilitating access to credit, PMMY also encourages the growth of rural and semi-urban economies. This project examines the impact of PMMY on fostering entrepreneurial growth, enhancing financial inclusion, and contributing to the broader economic development of India.

STATEMENT OF THE PROBLEM

In spite of intense efforts on the part of promoting finance inclusion and enterprise in India, many small business owners and micro-entrepreneurs are beyond the purview of accessing formal credit. The introduction of the “Pradhan Mantri Mudra Yojana (PMMY)” in 2015 tried to bridge the gap by encouraging collateral-free credits to micro and small enterprises. Whether and to what extent PMMY has promoted finance inclusion as also increased the growth of enterprise remains a matter of question.

This study tries to investigate the impact of PMMY in enhancing access to finance among unbanked and under banked business people, supporting business development, and generating jobs. It also attempts to test whether the scheme has succeeded in overcoming constraints such as poor financial literacy, bureaucratic issues,

and failure to repay loans. Maintaining these aspects in mind will help in gauging the success of PMMY and identifying means of enhancing policy for further strengthening entrepreneurship and financial inclusion in India.

OBJECTIVES

1. To know the role of PMMY in promoting financial inclusion.
2. To analyse the PMMY on entrepreneurial growth and business sustainability.
3. To identify challenges faced by Mudra loan recipients in business development.
4. To provide suggestions for improving the effectiveness of PMMY.

METHODOLOGY OF THE STUDY

The study is based on both primary and secondary data. The primary data was collected through observation method, personal interview and structured questionnaire for which samples of 107 respondents were selected for this study. The study was carried out with simple random sampling. Secondary data is collected from various books and in articles. For analysis and interpretation only primary data is used. However for conclusion and suggestions both primary and secondary data along with the verbal knowledge and information obtained from respondents, though they are outside the parameters of questionnaires were also included. This research carried out descriptive method. The area of the study includes Canara Bank, HDFC Bank, and Bank of Baroda (BOB). 107 respondents were involved in the research, including 38 respondents from Canara Bank, 46 from HDFC Bank, and 23 from Bank of Baroda.

REVIEW OF LITERATURE

Bansal and Sharma (2024)¹ discuss the future of the Pradhan Mantri Mudra Yojana (PMMY) and its potential to extend financial support to emerging entrepreneurs in India. The study explores how PMMY has played a vital role in providing accessible credit to micro and small enterprises, helping them grow and thrive. The authors examine emerging trends, such as the increasing role of digital lending platforms, which can further enhance the reach of PMMY to a broader base of entrepreneurs. They highlight the scheme's potential to support sectors such as technology, green businesses, and social enterprises, fostering innovation and sustainable growth. However, the study also identifies challenges, including the need for greater financial literacy, better loan recovery systems, and increased awareness. The authors conclude that with necessary policy improvements and more targeted support, PMMY can significantly contribute to India's entrepreneurial landscape and economic development.

Kaur and Reddy (2023)² explore the impact of financial schemes, particularly the Pradhan Mantri Mudra Yojana (PMMY), on entrepreneurial growth in India. The study highlights how PMMY has provided crucial financial support to micro, small, and medium enterprises (MSMEs), fostering entrepreneurship, especially in rural and underserved areas. The authors analyze the role of PMMY in improving access to credit, which has led to business expansion and job creation. They find that the scheme has contributed significantly to financial inclusion, empowering marginalized groups, including women and low-income entrepreneurs. However, the study also identifies challenges such as low financial literacy, difficulties in loan repayment, and regional disparities in accessing benefits. Despite these obstacles, the research concludes that PMMY has positively influenced entrepreneurial.

Das and Bhattacharya (2023)³ assess the performance of Mudra Yojana in financing micro-enterprises in India. The study evaluates how the scheme has provided vital financial support to small businesses, particularly in rural and semi-urban areas, helping them overcome challenges related to access to capital. The authors examine the different categories of loans under Mudra Yojana (Shishu, Kishore, and Tarun) and their impact on business growth and sustainability. They also identify challenges such as issues with loan repayment, limited financial literacy, and difficulties faced by micro-enterprises in utilizing the funds effectively. The paper highlights the importance of improving awareness, monitoring, and post-loan support services to enhance the scheme's impact. Das and Bhattacharya conclude that while Mudra Yojana has contributed positively to financing micro-enterprises, better implementation and targeted interventions are necessary to improve its overall performance.

PERCENTAGE ANALYSIS TABLE-1

Availed category	Number of Respondents	Percentage (%)
Shishu (up to 50000)	30	28.1
Kishore (50001 – 500000)	57	53.3
Tarun (500001 – 1000000)	20	18.7
Total	107	100

The above table shows that majority (53.3%) of the respondents are have availed Kishor loan followed by 28.1% of the respondents are have availed shishu loan and 18.7% of the respondents are have availed Tarun loan.

PERCENTAGE ANALYSIS TABLE-2

Impact	Number of Respondents	Percentage (%)
Helped in business expansion	21	19.6
Provided working capital support	44	41.1
Helped in purchasing equipment	42	39.3
Total	107	100

The above table shows that 41.1% of the respondents says that the scheme had impact in providing working capital support, followed by 39.3% of the respondents choosing help in purchasing equipment and 19.6% of the respondents choosing help in business expansion.

LIKERT SCALE SHOWING THE DISTRIBUTION OF RESPONDENTS BASED ON FINANCIAL INCLUSION

Factors	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE	TOTAL
Loan process	63 (58.8%)	23 (21.4%)	8 (7.4%)	4 (3.7%)	9 (9.63%)	107

Repayment terms and conditions	14 (13%)	54 (50.4%)	23 (21.4%)	12 (11.2%)	4 (3.7%)	107
Expansion of business operations	19 (17.7%)	35 (32.7%)	35 (32.7%)	10 (9.3%)	8 (7.4%)	107
Access to financial services	15 (14.01%)	42 (39.2%)	34 (31.7%)	14 (13%)	2 (1.8%)	107
Support and guidance	22 (20.5%)	34 (31.7%)	28 (26.1%)	12 (11.2%)	11 (10.2%)	107

The above table shows that majority of the respondents 58.8% are strongly agree with the loan process and 21.4% of the respondents are agreed, 9.63% of the respondents strongly disagree, 7.4% of the respondents are feeling neutral and only 3.7% of the respondents disagree.

The above table shows that majority of respondents (50.4%) of the respondents agree with the repayment terms and conditions, followed by 21.4% of the respondents feeling neutral, 13.0% of the respondents strongly agree, 11.2% of the respondents disagree and only 3.7% of the respondents strongly disagree.

The above table shows that 32.7% of the respondents agree with the expansion of business operation, followed 32.7% of the respondents feeling neutral, 17.7% of the respondents strongly agree, 9.3% of the respondents disagree and only 7.4% of the respondents strongly disagree.

The above table shows that 39.2% of the respondents agree with the access to financial service, followed by 31.7% of the respondents feeling neutral, 14.01 of the respondents strongly agree, 13% of the respondents disagree and only 1.8% of the respondents strongly agree.

The above table shows that 31.7% of the respondents agree with the support and guidance, followed by 26.1% of the respondents feeling neutral, 20.5% of the respondents strongly disagree, 11.2% of the respondents disagree and 10.2% of the respondents disagree.

HENRY GARRET RANKING SHOWING FACTORS OF PMMY

FACTORS	1	2	3	4	5	6	TOTAL	RANK
Adequate loan amount	76	972	3724	2052	1216	152	8192	1
Low interest rate	124	992	1364	3100	868	186	6634	2
Easy repayment terms	104	1352	1040	1612	1196	260	5564	3

Government support and training	132	792	1232	1540	660	352	4708	4
Timely loan disbursement	170	612	1020	986	986	170	3944	5
Mentorship and guidance	44	253	308	451	77	44	1177	6

- The first rank is given to “Adequate loan amount”
- The second rank is given to “Low interest rate”
- The third rank is given to “Easy repayment terms”
- The fourth rank is given to “Government support and training”
- The fifth rank is given to “Timely loan disbursement”
- The sixth rank is given to “Mentorship and guidance”

CHI-SQUARE TABLE SHOWING THE RELATIONSHIP BETWEEN TURNOVER AND CHALLENGES IN PMMY

	Major challenges				Total
	Difficulty in loan repayment	High documentation requirements	Insufficient loan amount	Long processing time	
above RS.10,00,000	2	3	0	1	6
Below Rs.1,00,000	2	6	0	6	14
Rs.1,00,000 - Rs.5,00,000	14	9	1	15	39
Rs.5,00,000 - Rs.10,00,000	20	7	4	17	48
Total	38	25	5	39	107

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.523 ^a	9	.242
Likelihood Ratio	12.261	9	.199
N of Valid Cases	107		

a. 9 cells (56.2%) have expected count less than 5. The minimum expected count is .28.

Degree of freedom: $V = (r - 1) * (c - 1)$

$$= (4 - 1) * (4 - 1)$$

$$= 9$$

Tabulated chi - square at 5% for 9df = 16.919

Since, the calculated value of chi - square is smaller than the tabulated value of chi - square at 5% level of significance and null hypothesis is accepted.

Hence the study concluded that turnover of the respondents have no significant effect on aware of the challenges.

CONCLUSION

The Pradhan Mantri Mudra Yojana (PMMY) has significantly contributed to enhancing financial inclusion and fostering entrepreneurial growth across India. By providing affordable and accessible credit to micro and small enterprises, particularly in underserved regions, PMMY has empowered a large number of entrepreneurs, especially women and individuals from marginalized communities. The scheme has bridged the gap between formal financial institutions and small businesses, thereby reducing the dependence on informal sources of credit, which are often exploitative.

The program has played a pivotal role in supporting job creation, improving livelihoods, and promoting economic development by facilitating access to funds for business expansion, technology adoption, and capacity building. Moreover, PMMY has encouraged financial institutions to expand their reach and improve their services for small-scale entrepreneurs, fostering a more inclusive financial ecosystem.

REFERENCES

- "Entrepreneurship and Small Business Management" by J. M. Shankar
- "Indian Entrepreneurship: Towards a Better Future" by Sushil Kumar
- Bodhi International Journal of Research in Humanities, Arts and Science
- International Journal of Commerce and Management Research
- <https://www.india.gov.in/pradhan-mantri-mudra-yojna>
- <https://www.sidbi.in>