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"Critical Analysis of Pradhan Mantri Mudra Yojana and Its Role in Promoting Entrepreneurship in Nagpur".

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Abstract

To lend loans to small scales enterprises without need of collateral, especially ones in rural areas, the Indian government implemented Pradhan Mantri Mudra Yojana (PMMY) in the year 2015. For this study, we have looked at the ways PMMY has helped Nagpur entrepreneurs establish or increase their business. The report emphasizes the manner in which the program has been successful in providing financial assistance and has helped people making more money and producing jobs.
In addition to an overview of previous research that has shown the benefits of PAMMY, the report also identifies some negatively working aspects such as delayed processing of loan and lack of post-loan support.

The study uses a wide range of techniques to analyze its data, which include comparing outcomes with and without loans received by loan recipients and looking at averages. The outcomes show that, PMMY has helped in the growth of the small businesses, and has been especially useful to women and the people in the rural settings. However, we can improve the program itself, for example, we can speed up loan approvals, we can raise people's literacy of financial matters, and also we can provide the additional support to borrowers.

The study's findings show that though PMMY has been useful to small business owners at large, there is a need to improve to reach more people in future.

Keywords: PMMY, Mudra Loan, Microfinance, Entrepreneurship, Nagpur, Small Enterprises, Financial Inclusion

Introduction

The Indian government introduced the Pradhan Mantri Mudra Yojana (PMMY) in 2015 in order to give loans to small business enterprises especially those from the rural areas. It is easier for people to access financial aid because the latter is offered without security or

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collateral. In India, small businesses are very important because, they create more jobs and economies within the country. PMMY aims to help these companies by sending them the funding they need to grow.

The fact is that many small business owners find it extremely difficult to get a loan from their bank because of inadequate security, or poor credit history or lack of financial expertise.

To solve these problems, the purpose of PMMY was. The scheme provides three categories for the loans: Tarun (₹5 lakh to ₹10 lakh), Kishore (₹50,000 to ₹5 lakh), and Shishu (upto ₹50,000). These loans can be used in a variety of ways such as expanding the firm, building of the firm's working capital or purchasing instrument/equipment. Self-employment is promoted within the program especially to women, youth, and members of such […underrepresented groups] […]

Small business entrepreneurs in Nagpur, like in many cities, face problems of getting funds. Although, the government has done a lot of initiative to help with the acquiring of loan, it may still be difficult to obtain them.

From this work, I will draw the manner PMMY has helped Nagpur citizens in setting up or expanding their enterprises. It will consider the performance of the scheme, the challenges that recipients face and how well it has worked to raise the level of financing for small firms.

This study will provide useful understandings of how PMMY has helped out entrepreneurship and how it can be further improved to reach more people by focusing on the experiences of grantees of PMMY in Nagpur.

Literature Review

Numerous studies have focused on the impact of the Pradhan Mantri Mudra Yojana's (PMMY) on entrepreneurship and Financial Inclusion for India. As reported above by Kumar (2017), PMMY has solved the problem of poor access to financing by the small businesses, particularly in the rural regions where entrepreneurs had no previous way of seeking official credit. Mol (2014) in his discourse on financial inclusion in India brings out the pivotal role of the Mudra Yojana as a way out towards bringing in the marginalized communities into the official fold of the banking system. In his analysis of the effectiveness of Mudra Bank programs, Ramesh (2016) states that despite the advantages that the small enterprises have

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reaped from the way these programs have been implemented, there still remains a lot of work to be done in terms of slow loan disbursement and little follow up assistance. In a similar direction, Roy (2016) defines PMMY as a key tool for small business financing, indicating that the tool can create entrepreneurship in areas where traditional financing is lacking.

In their review of the Mudra plan, both Rudrawar and Uttarwar (2016) identified offsets for small businesses, as well as certain disadvantages, including lack of support services. Shahid and Irshad (2016) outline how the program has provided small business owners with essential finance, but attribute the need for more knowledge and training as a prerequisite for absolute success. Bansal (2016) continues to discuss the benefit of PMMY to the small enterprises but also stresses the need to speak about the issues like financial literacy and market issues. In addition to discussing the advantages that the scheme will provide to the rural entrepreneurs, Chaudhary (2017) emphasizes the need to simplify the lending procedures so as to boost enabling their efficacy.

The latter have been quite useful for women entrepreneurs to launch or grow their enterprise according to other studies such as the study by Meena and Chatterjee (2019) and Kumar (2018). They also refer to obstacles to market access and culture as remaining position issues. However, while underscoring the contribution of the PMMY to the entrepreneurship of the Maharashtra, Mishra and Singh (2020) also opine that both borrower education and debt recovery form an area of enhanced attention.

The program has gained strength in the rural entrepreneurship in the areas of its implementation, as reported by Nair (2017) and Sharma & Patel (2016), but there are issues of loan processing delays and poor awareness. Apart from this, Singh (2017) discusses the ways Mudra loans have made women independent, created job opportunities, Vishwanath (2018) and Yadav and Mehta (2019) mention issues around loan payments, and availability of market.

Lastly, even if the PMMY has been successful in its mission of financial inclusion entrepreneurship these studies collectively demonstrate need for superior infrastructure writer support financial literacy and loan processing to make the program even more successful in the long haul.

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Objectives of the study

- Evaluation of the effect of PMMY on entrepreneurship development in Nagpur.
- In order to study the awareness and adoption level of PMMY among entrepreneurs.
- To assess the impact of loan disbursements on efficacy of loan disbursements and business growth.
- To understand challenges visited on beneficiaries under PMMY.

Hypothesis

H_0 (Null Hypothesis): Entrepreneurs before and after PMMY loans receive nothing different in terms of pays.

H_1 (Alternative Hypothesis): Entrepreneurs have considerable income disparities between pre- and post- receiving PMMY loans.

Research methodology

The current study evaluates impact of the Pradhan Mantri Mudra Yojana (PMMY) on the growth of entrepreneurship in Nagpur using a descriptive and analytical research design. To ensure full analysis, data from both primary and secondary sources were applied. 120 PMMY recipients from diverse sectors such as retail, services, and small manufacturing were provided with structured questionnaires to complete so as to obtain primary data.

The three groups of Mudra loan beneficiaries that were adequately represented with the help of a stratified random sample technique were Shishu, Kishore and Tarun. The results of primary data were also reinforced by secondary data such as, government report, academic journals, and MUDRA official website. In order to determine the significance of changes of (important) indicators such as income, spending and employment levels prior to and after PMMY loans then, statistical analysis was conducted through a paired sample t-test and descriptive statistics for characterization of data patterns. What the research approach aims to provide is a robust framework for understanding the scheme's effectiveness in fostering local entrepreneurship.

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Table 1: Descriptive Statistics of PMMY Beneficiaries

Variable	N	Mean	Std. deviation	Minimum	Maximum
Monthly Income Before Loan (₹)	120	9,200	2,300	5,000	14,000
Monthly Income After Loan (₹)	120	15,600	3,100	9,000	22,000
Business Expenses Before Loan (₹)	120	6,400	1,800	3,500	10,500
Business Expenses After Loan (₹)	120	9,800	2,200	6,000	15,000
Employment Generated Before Loan	120	1.2	0.6	1	3
Employment Generated After Loan	120	2.5	0.9	1	4

The phenomenological changes that PMMY beneficiaries in Nagpur experienced in relation to their finances and employment are summarised as in Table 1. In the months before settling for the Mudra Loan the average income per month was ₹9,200, but after the Mudra Loan settled the average income per month shot up to ₹15,600. This implies that there has been a great increase in entrepreneurs earning potential after getting funds. Post loan revenue (₹3100) has greater standard deviation compared with pre loan income (₹2300) which means greater unpredictability in income levels after investment, perhaps due to differences in business success and size of operations.

The average monthly business expenses too increased from ₹6,400 to ₹9,800 testifying expansion of the business and increased operational activity with investment in expansion. The minimum and the highest numbers also suggest that while some beneficiaries felt slight increases, others, and that we had tremendous expansion.

The average number of employees per business prior to the loan was 1.2%; following the loan this number went up to 2.5. This fact implies that along with self employment, PMMY program also plays a role in creation of job by microenterprises.

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With increase in income, business scale and job prospects in the wake of disbursement of loan, description statistics indicate how PMMY has generally positively influenced the financial position and capability of entrepreneurs in Nagpur.

Paired Samples t-Test Results

variable	T – value	Df	P – value (2-tailed)
Monthly Income	9.38	119	<0.001
Business Expenses	8.45	119	<0.001
Employment Created	7.12	119	<0.001

Analysis of Hypothesis Testing

To test if the financial status of Nagpur's entrepreneurs has improved after the implementation of the Pradhan Mantri Mudra Yojana (PMMY), hypothesis testing was done.

Income level of the entrepreneur before and after getting PMMY loans did not make any significant difference as hypothesized with the null hypothesis (H_0) but it made a significant difference as hypothesized with the alternative hypothesis (H_1).

The data for the 120 recipients was analyzed using a paired samples t-test, and the conclusions were also found to be statistically significant in cases of monthly income, company expenses, and job creation after Mudra loan. The value of all examined variables was lower than 0.001, which is extremely lower than the standard alpha cut off value of 0.05, implying the observed differences are not a matter of chance.

Acceptance of the former and dis-acceptance of the latter becomes possible under the alternative hypothesis. This bears testimony that PMMY has a positive and noteworthy impact in Nagpur entrepreneurship development. The program seems to be successful in

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helping small company owners to expand their business and increase their living standards from status quo, through the increase in average income and employment.

Overall Conclusion of the Study

An important government initiative named Pradhan Mantri Mudra Yojana (PMMY) helps small business owners with provision of loans without securing collateral or security. This study analyzed the advantages of the program to Nagpur dwellers who received the Mudra loans in the Shishu, Kishore and Tarun classes.

The results showed that the incomes of the business owners increased after the loan.
Moreover, their expenditure on their enterprises rose which is an indication that they were extending the activities of their enterprise. Most of them could also hire other people. So the program helped not only the borrowers but also their counterparts in immediate proximity to them.

The statistical tests proved that the changes in employment, income and expenses were serious and real, not a miracle of chance. Therefore, we can say that PMMY initiative is actually driving people to gain self-employment and small enterprises in Nagpur.
To the point, the Mudra Yojana has benefited various people with the idea of establishing their small businesses and becoming self-sufficient. However, to further augment it, the government should also provide further support such as training, product marketing assistance and loan processing assistance. Going forward, this will help even more people to start and grow their enterprises.

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