ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed (Group -I) Journal Volume 12, Iss 01, 2023

EVALUATING THE ROLE OF PRADHAN MANTRI MUDRA YOJANA IN PROMOTING ENTREPRENEURSHIP IN NAGPUR DISTRICT

Kajal Shankarrao Lambate, Dr. Shrikant Pajankar
Research Scholar, Santaji Mahavidyalaya, Nagpur
Professor, Santaji Mahavidyalaya, Nagpur

Abstract

Innovation, job creation, and economic development are all greatly impacted by entrepreneurialism. Micro and small businesses in India may get financial aid under the Pradhan Mantri Mudra Yojana (PMMY), an initiative of the Indian government aimed at encouraging entrepreneurial spirit. The purpose of this research is to assess the effectiveness of PMMY in encouraging entrepreneurship in the Nagpur area by looking at how it has affected things like job creation, company expansion, and access to credit. The study uses a mixed-method approach, gathering data via both quantitative surveys of PMMY recipients and qualitative interviews with business owners and banks. Loan availability, money utilisation, company growth, entrepreneur hurdles, and economic effect are some of the important topics examined in the research. The results show that PMMY has helped a lot of people in Nagpur become entrepreneurs, especially women, first-time entrepreneurs, and small company owners. Nevertheless, problems including heavy loan repayment loads, low financial literacy, and bureaucratic red tape continue to impact companies' capacity to stay in business in the long run. improved loan distribution processes, more financial literacy, and improved PMMY implementation are all goals of the study's policy suggestions. While PMMY has helped small business owners get off the ground, the report says that more strategic interventions are required to make the most of the program and ensure that it has a lasting influence on Nagpur's economic development.

Keywords: Pradhan Mantri Mudra Yojana (PMMY), Entrepreneurship, Microfinance, Small Business Growth, Financial Inclusion, Nagpur District.

Introduction

Innovation, job creation, and economic progress are all fuelled by entrepreneurial spirit. When it comes to improving socioeconomic development in semi-urban and rural regions of emerging countries like India's, small and micro companies are vital. But getting your hands on capital has always been a major obstacle for would-be company owners, making it hard for them to launch, grow, or even maintain their ventures. In 2015, the Indian government introduced the Pradhan Mantri Mudra Yojana (PMMY), a flagship program that aims to alleviate this problem by facilitating access to institutional loans for micro and small businesses. In order to promote inclusive economic growth, the scheme's main objective is to encourage entrepreneurship among those who do not have access to conventional financial services.

To assist firms at various phases of their development, the PMMY divides loans into three categories: Shishu (up to ₹50,000), Kishore (₹50,001 to ₹5,00,000), and Tarun (₹5,00,001 to ₹10,00,000). Initial help is provided to first-time entrepreneurs via this organised strategy, while larger financing is made available to developing enterprises. A sustainable environment for micro-enterprise growth may be achieved by PMMY's focus of non-corporate, small enterprises. This includes women entrepreneurs, craftspeople, and persons from marginalised areas. To make the Mudra loans more accessible, they are distributed via a network of financial institutions, including commercial banks, microfinance institutions, non-banking financial firms, and regional rural banks (RRBs).

An rising number of entrepreneurs in the fast-growing area of Nagpur, Maharashtra, are taking use of PMMY to launch and develop their firms. The area is well-suited for studying the effects of PMMY because of its varied economic environment, which includes manufacturing, services, retail, and agriculture-based businesses. Financial aid is available, but there are still a lot of obstacles to overcome, such as a lack of knowledge about personal finance, trouble paying back loans, poor company planning, and red tape that slows down the process. Therefore, it is of the utmost importance to determine whether the program has successfully helped to the growth of entrepreneurs in Nagpur and if these entrepreneurs can continue to operate their firms after receiving their loans.

By looking at things like loan availability, use trends, company development, job creation, and financial sustainability, this research hopes to assess how well PMMY promotes entrepreneurship in Nagpur district. To further understand the scheme's effects, the study takes a mixed-method approach, including both quantitative surveys of PMMY recipients and qualitative interviews with banks and business owners. The goal of this research is to help policymakers improve the Mudra loan scheme by analysing the benefits and drawbacks of the program from the perspective of businesses.

This research adds to what is already known about microfinance and the promotion of entrepreneurship, especially in the Indian setting. Insights on the efficacy of government-led finance programs in empowering small enterprises and driving grassroots economic development will also be provided. In order to promote a more inclusive entrepreneurial ecosystem in Nagpur, the research seeks to address the gaps in financial accessibility and entrepreneurial assistance. Its goal is to identify solutions that may improve the implementation of PMMY. To maximise the advantages of PMMY and comparable microfinance projects in India, the study will ultimately be a helpful resource for policymakers, financial institutions, and prospective entrepreneurs.

Literature Review

Many studies have examined the Pradhan Mantri Mudra Yojana (PMMY) through the lenses of small company finance, entrepreneurial growth, and financial inclusion. A number of scholars have investigated how Mudra loans contribute to economic development by making loans more accessible to micro, small, and medium-sized businesses (MSMEs). Here we take a look at several important studies that provide light on the pros, cons, and potential of PMMY in India.

The initiative's goal is to help micro-enterprises get off the ground financially, and Verma and Chandra (2015) highlighted Mudra Bank's involvement in this process. The importance of institutional credit assistance for India's non-corporate and informal business sectors was

ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed (Group -I) Journal Volume 12, Iss 01, 2023

emphasised in their research. In a similar vein, Mol (2014) looked at financial inclusion in India and how microfinance initiatives like PMMY help underprivileged businesses get the loans they need. His studies shown the potential of financial inclusion policies to provide economic opportunity and self-determination for underserved populations.

A major obstacle for small companies is the availability of finance, according to Mehar (2014), who examined the larger context of financial inclusion in India. Complex loan application procedures, low financial literacy, and strict collateral requirements are some of the obstacles to financial accessibility that he brought up. These factors tend to prevent small businesses from obtaining financing from institutional sources. Roy (2016) looked into PMMY as a tool for small company financing strategies, and these results are in line with what he found. His research, which was published in the International Journal of Advanced Research in Computer Science and Management Studies, indicated that Mudra loans have played a crucial role in fostering entrepreneurship by offering financial assistance to women entrepreneurs, small-scale industries, and first-time business owners. The success of the plan, he said, depends on prompt distribution and good monitoring of loan use.

An evaluation of the Mudra program was carried out by Rudrawar and Uttarwar (2016). The research evaluated the plan's performance in terms of loan disbursement and beneficiary satisfaction. They found that PMMY has helped increase financial inclusion, especially in semi-urban and rural regions, and their findings were published in the International Journal of Multifaceted and Multilingual Studies. Delays in loan approval, lack of knowledge among prospective beneficiaries, and repayment issues were some of the operational obstacles they discovered.

By looking at PMMY's development in Tamil Nadu, Rupa (2017) offered a regional viewpoint. Mudra loans have been critical in assisting small-scale companies, according to her research. This is especially true in the retail, service, and agricultural industries. On the other hand, she did note that borrower default rates have been on the rise, which calls for more effective risk assessment tools and financial education initiatives. The effectiveness of Mudra Bank in supporting MSMEs was also examined by Venkatesh and Kumari (2017). Despite the scheme's success in encouraging entrepreneurship, their research shows that better financial education and post-loan support systems are necessary to keep businesses afloat.

The evidence overwhelmingly points to PMMY's beneficial effects on India's entrepreneurial ecosystem and financial inclusion. Efficient loan distribution, better financial literacy, monitoring systems, and policy adjustments to handle repayment issues are all crucial to the scheme's success. In light of these findings, the current research assesses the effects of PMMY on business owners in the Nagpur area, finds the scheme's advantages and disadvantages, and suggests changes to the legislation to make it even better.

Objectives of the Study

1. To assess the impact of Pradhan Mantri Mudra Yojana (PMMY) on entrepreneurship development in Nagpur district.

2. To analyze the accessibility and utilization of Mudra loans among micro and small enterprises.
3. To examine the role of PMMY in promoting financial inclusion for small business owners.

Hypothesis

H_0 (Null Hypothesis): Pradhan Mantri Mudra Yojana (PMMY) has no significant impact on entrepreneurship development in Nagpur district.

H_1 (Alternative Hypothesis): Pradhan Mantri Mudra Yojana (PMMY) has a significant impact on entrepreneurship development in Nagpur district.

Research Methodology

In order to determine how the Pradhan Mantri Mudra Yojana (PMMY) affected the growth of entrepreneurs in the Nagpur area, this research used a mixed-methods strategy. This study examines the availability, utilisation, and efficacy of Mudra loans for small company owners via a descriptive research approach. Entrepreneurs who have used Mudra loans were surveyed using a standardised questionnaire to get primary data. Using a random selection approach, 200 participants were chosen from a range of industries, including commerce, services, and manufacturing. To measure the effect of PMMY on expanding businesses, expanding access to credit, and creating new jobs, the survey used Likert scale questions. To analyse the overall advancement of PMMY, secondary data was obtained from academic journals, government papers, and RBI publications. Mean, standard deviation, and frequency distribution were among the descriptive statistics used to analyse the obtained data. Inferential statistical procedures, such as t-tests and multiple regression analysis, were used to assess the study's hypotheses. To further understand the pros and cons of PMMY, the qualitative part included interviews with bank executives and loan recipients. The study's goals are to(1) provide policymakers with data on PMMY's efficacy and(2) suggest ways to provide financial assistance for small enterprises in the Nagpur area.

Table: Descriptive Statistics

Variable	N	Mean	Std. Deviation	Minimum	Maximum
Business Growth (Revenue Increase %)	200	15.8	5.2	5	30
Employment Generation (No. of Jobs)	200	3.5	1.8	1	10
Financial Inclusion (Ease of Loan Access, Scale 1-5)	200	4.2	0.9	2	5
Loan Utilization for Business Expansion (%)	200	78.4	10.5	50	95
Repayment Efficiency (Timely Repayments %)	200	85.6	8.7	55	98

Analysis of Descriptive Statistics

Findings from the descriptive data provide light on how the Pradhan Mantri Mudra Yojana (PMMY) has influenced the growth of entrepreneurship in the Nagpur area. Mudra loan borrowers have had an average growth rate of 15.8% in their businesses, suggesting that these loans have helped expand their income. There seems to be some growth variance, nevertheless, with a standard deviation of 5.2%. This variation is most likely caused by variations in company type, industrial sector, and loan utilisation.

With an average of 3.5 new jobs produced per entrepreneur, small enterprises that get funding from PMMY are clearly making a difference in the labour market. A wide range of company sizes is seen in the fact that some have produced as many as ten new jobs, while others have produced as few as one.

With a mean score of 4.2 (on a scale of 1 to 5), PMMY shows its commitment to financial inclusion. This indicates that the majority of business owners see the program as easily accessible and advantageous for their company requirements. Similarly, there is a considerable amount of cash being used effectively rather than for non-business objectives, since the average loan utilisation for company growth is 78.4%.

The payback efficiency, which stands at 85.6% on average, is a clear sign of the scheme's effectiveness. The financial viability of the plan is reinforced by the fact that most recipients are able to return their loans on time. Factors including company profitability, operational difficulties, and market circumstances may explain the wide range of payback rates (from 55% to 98%).

In sum, the results show that PMMY has helped encourage entrepreneurship by making it easier for businesses to expand, creating jobs, increasing access to financial services, and safeguarding appropriate credit use. Nevertheless, certain governmental measures are necessary to assist companies who are encountering difficulties with development and debt repayment, as shown by the variance in specific metrics.

Table: Multiple Regression Analysis of PMMY Impact on Entrepreneurship Development

Independent Variables (IVs)	Regression Coefficient (β)	Standard Error	t-Value	p-Value	Significance
Loan Amount Received	0.325	0.057	5.7	0	Significant
Loan Utilization for Business Expansion (%)	0.412	0.062	6.65	0	Significant
Ease of Loan Access (Financial Inclusion)	0.287	0.049	5.86	0	Significant

Repayment Efficiency (%)	0.198	0.053	3.74	0.001	Significant
Constant (Intercept)	1.052	0.211	4.99	0	Significant

Model Summary

Statistic	**Value**
R^2	0.721
Adjusted R^2	0.713
F-Statistic	85.62
p-Value	0

Analysis of Multiple Regression Analysis

The purpose of this multiple regression study was to determine how the Pradhan Mantri Mudra Yojana (PMMY) affected the growth of start-ups in the Nagpur area. With a R^2 value of 0.721, the regression model showed strong explanatory power; that is, the independent variables—loan amount, loan utilisation for business expansion, loan accessibility, and repayment efficiency—account for 72.1% of the variation in entrepreneurial development. Although the model has been modified for the number of predictors, the adjusted R^2 score of 0.713 indicates that it is still well-fitted.

Loan utilisation for company expansion had the most beneficial influence on entrepreneurship development among the independent variables ($\beta = 0.412$, $p = 0.000$), indicating that entrepreneurs see considerable benefits in their endeavours when they successfully use the money for business growth. Higher financial assistance promotes entrepreneurial efforts, as shown by the strong beneficial effect of the loan amount received ($\beta = 0.325$, $p = 0.000$). In a similar vein, the accessibility of loans was determined to be an important factor, highlighting the significance of financial inclusion in supporting small enterprises ($\beta = 0.287$, $p = 0.000$). Responsible financial management helps to the establishment of sustainable enterprise, as shown by the statistical significance of repayment efficiency ($\beta = 0.198$, $p = 0.001$), even though it had the lowest effect of the factors.

We can confirm that PMMY is vital in supporting entrepreneurship in the Nagpur area since the total model was shown to be extremely significant ($F = 85.62$, $p = 0.000$). These results demonstrate how well the program helped small companies, increased financial inclusion, and boosted entrepreneurial success. Nevertheless, more investigation into other possible moderating variables, such industry-specific difficulties and regional economic circumstances, that can impact PMMY's efficacy is warranted.

Overall Conclusion of the Study

The purpose of this research was to determine how the Pradhan Mantri Mudra Yojana (PMMY) affected the growth of new business ventures in the Nagpur area. Results from a thorough study that included multiple regression, hypothesis testing, and descriptive statistics all point to PMMY's important role in encouraging entrepreneurial development in the area.

The findings highlight the importance of readily available financial resources, effective use of capital, and accessibility to capital in the success of small enterprises. According to the results of the multiple regression analysis, the two most important variables that drive the growth of entrepreneurship are the quantity of loans obtained and their utilisation for company expansion. In addition to bolstering the entrepreneurial ecosystem as a whole, the initiative has helped with financial inclusion, company sustainability, and job creation.

In order for the program to reach its maximum potential, it is necessary to overcome some obstacles, such as lack of knowledge, limitations on payback, and red tape, notwithstanding the beneficial effects. To further improve entrepreneurial success, policymakers and financial institutions can work to increase accessibility, streamline loan disbursement procedures, and provide mentoring programs.

To sum up, PMMY has become an essential tool for micro- and small-business owners in the Nagpur area. The plan has the potential to promote sustainable entrepreneurship and economic development in India even more effectively with ongoing improvements to policy implementation, financial literacy efforts, and support systems.

References

- Mehar, L. (2014). Financial inclusion in India. Abhinav International Monthly Refereed Journal of Research in Management & Technology.
- Mol, S. T. P. (2014). Financial inclusion: Concepts and overview in Indian context. Abhinav International Monthly Refereed Journal of Research in Management & Technology.
- Roy, A. K. (2016). Mudra Yojana: A strategic tool for small business financing. International Journal of Advance Research in Computer Science and Management Studies.
- Rudrawar, M. A. A., & Uttarwar, V. R. (2016). An evaluatory study of MUDRA Scheme. International Journal of Multifaceted and Multilingual Studies.
- Verma, S., & Chandra, P. (2015). Mudra Bank to "Fund Small Businesses." Journal of Banking and Finance.
- Rupa, R. (2017). Progress of MUDRA with special reference to Tamil Nadu. Indian Journal of Finance and Economics.
- Venkatesh, J., & Kumari, R. L. (2017). Performance of MUDRA bank: A study on financial assistance to the MSME sector. International Journal of Business and Management Studies.