

ENTREPRENEURS' PERCEPTIONS TOWARDS THE PRADHAN MANTRI MUDRA
YOJANA

Dr.N.GIRI, Assistant Professor, Department of Commerce, Nallamuthu Gounder Mahalingam College, Pollachi -642001.

Abstract

The Pradhan Mantri Mudra Yojana (PMMY) has significantly influenced grassroots entrepreneurship, enabling numerous individuals to realise their business aspirations and contribute to job creation and local economic growth. This study examines the perceptions of women entrepreneurs regarding PMMY, utilising a structured questionnaire distributed among 30 entrepreneurs. The data were analysed using simple percentages, Garrett ranking, and chi-square tests. The findings reveal that most women entrepreneurs utilise Mudra loans primarily to start new businesses. Launched in April 2015, PMMY is a key government initiative to foster entrepreneurship and ensure financial inclusion, particularly for underserved entrepreneurs. The scheme has been instrumental in job creation, economic expansion, and empowering individuals towards self-reliance. The analysis indicates that PMMY enjoys widespread popularity, especially among the young and educated from diverse backgrounds. In conclusion, PMMY has effectively narrowed the gap between financial accessibility and entrepreneurial ambition, with a significant uptake of loans for startups, underscoring its role in cultivating new ventures and aiding the growth of existing businesses. PMMY stands as a pivotal initiative for financial empowerment in India.

Keywords: *Pradhan Mantri Mudra Yojana, Entrepreneurs, Loans, Economic Development, Empowerment*

Introduction

The Pradhan Mantri Mudra Yojana (PMMY) is a flagship program by the Indian Government, launched in April 2015, to bolster entrepreneurship and stimulate economic progress. It targets explicitly underserved entrepreneurs who face hurdles like insufficient collateral and scant credit history, offering them financial support to start or grow their businesses. PMMY fosters inclusive financial services for micro and small enterprises and is instrumental in job creation, innovation, and socio-economic advancement. The scheme gives these enterprises the necessary financial aid to realise their full potential and actively contribute to the economy. The acronym "Mudra" stands for "Micro Units Development and Refinance Agency," reflecting the scheme's role in directing funds from financial institutions to micro, small, and medium enterprises (MSMEs). PMMY offers a suite of loan products for different business phases, whether launching a new business, scaling up operations, or modernising infrastructure.

As of recent data, PMMY has made significant strides in promoting entrepreneurial ventures and financial inclusivity in India. It has been instrumental in generating employment, fostering economic growth, and empowering aspiring self-reliant entrepreneurs. The program's influence on India's entrepreneurial environment and its enduring impact on economic development remain critical topics for ongoing evaluation by experts and policymakers. To date, PMMY has sanctioned over 28.68 crore loans, amounting to ₹14.96 lakh crore. In the fiscal year 2020-21 alone, 4.20 crore PMMY loans were sanctioned, totalling Rs. 2.66 lakh Crore. Additionally, % interest subvention of 2% was offered for prompt repayment of Shishu loans under PMMY, part of the Aatmanirbhar Bharat Package announced in 2020. This initiative aimed to alleviate financial stress for borrowers at the bottom of the economic pyramid by reducing their credit costs. As of March 2022, out of the Rs. 775 crore released to SIDBI, more than ₹658.25 crore has been disbursed to lending institutions to benefit borrowers.

Classification of Mudra Loans

The Pradhan Mantri Mudra Yojana (PMMY) features a structured three-tier loan system to support entrepreneurs at various stages of their business journey:

1. **Shishu:** Aimed at budding entrepreneurs, the Shishu category offers loans up to ₹50,000. It's tailored for individuals seeking financial aid to kickstart or stabilise their small-scale businesses.

2. **Kishor:** This segment targets businesses ready to grow and provides loans ranging from ₹50,001 to ₹5 lakhs. It is ideal for enterprises that have moved beyond the startup phase and want to expand or diversify.

3. **Tarun:** For well-established businesses eyeing significant expansion, the Tarun category offers substantial financial support with loans from ₹5,01,000 up to ₹10 lakhs. This segment caters to mature businesses planning to scale operations, modernise, or enhance their infrastructure.

Recent updates indicate that PMMY loans have seen a remarkable surge, crossing the ₹5-lakh-crore mark in FY24. The total disbursements for the year ended March 2024 stood at ₹5.20lakh crore, a significant increase from the previous financial year's ₹4.40 lakh crore. Notably, women entrepreneurs constitute nearly 70% of the beneficiaries, highlighting the scheme's role in promoting gender inclusivity in entrepreneurship.

Furthermore, the scheme has successfully scaled existing customers to higher category loans, indicating the stabilisation and growth of their businesses. In delinquency cases, resolution mechanisms such as Lok Adalats, restructuring of eligible accounts, and one-time settlements are employed. The gross non-performing assets (NPAs) in PMMY have declined from 3.17% in March 2022 to 2.68% in June 2023, demonstrating the effectiveness of these resolution strategies.

Review of Literature

The **Pradhan Mantri Mudra Yojana** (PMMY) has been the subject of several studies, each highlighting its impact and effectiveness:

Manish et al. (2017) conducted a comprehensive study on PMMY, focusing on the scheme's overview and its transformative role in microfinance. The study concluded that PMMY represents a significant shift in the microfinance sector, marking it a successful government initiative.

Gunjan et al. (2020) analysed PMMY's role in fostering entrepreneurship development. The study aimed to dissect PMMY's conceptual framework and concluded that the scheme is a pivotal government initiative for nurturing and enhancing the entrepreneurial culture within India.

Divya et al. (2022) reviewed the impact of PMMY on women entrepreneurs. The study aimed to evaluate which components of Mudra Yojana are most beneficial for women. It concluded that the government's support, including financial assistance, counselling, training, and skill development, significantly aids women entrepreneurs.

Gangadhar (2022) investigated PMMY's performance across different loan categories. The study aimed to assess the scheme's effectiveness and concluded that a substantial portion of the loans, approximately 41%, are availed by women, indicating PMMY's reach and support to women entrepreneurs.

Objectives of the Study

The research objectives can be clarified as follows:

1. **Assessing Public Perception:** To evaluate the public's opinion and attitude towards the Pradhan Mantri Mudra Yojana Scheme, understanding its acceptance and the perceived impact on entrepreneurship.

2. **Identifying Influential Factors:** To investigate the determinants influencing entrepreneurs to opt for Mudra loans, including financial needs, business goals, and the ease of loan procurement.

3. **Analyzing Business Utilization:** To scrutinise the business activities and ventures entrepreneurs finance using Mudra loans, highlighting the scheme's role in supporting diverse business needs.

Research Methodology

This research is an empirical investigation employing a survey methodology. It incorporates both primary and secondary data collection methods. The primary data was gathered directly from entrepreneurs using a meticulously designed questionnaire. A sample size of 30 respondents was selected through a convenience sampling technique. Relevant information was sourced from various

magazines and journals for secondary data. The collected data was analysed using statistical tools such as simple percentage analysis, the Chi-square test, and Garrett's ranking method.

To elaborate, the study's approach ensures a comprehensive understanding of the subject matter by combining firsthand insights from entrepreneurs with in-depth analysis from published sources. The convenience sampling method allows for quick and efficient data collection, although it may not fully represent the entire population. The statistical tools provided a quantitative foundation for the study, enabling the researchers to measure, evaluate, and infer the data's significance concerning the research objectives. This methodological framework supports the study's aim to yield actionable findings that can contribute to the discourse on the Pradhan Mantri Mudra Yojana Scheme.

Limitations of the Study

The reliability of the study's findings depends on the accuracy of the information provided by the respondents. Additionally, the limited sample size of 30 participants may not fully represent the broader entrepreneurial population, which could affect the generalizability of the results.

Analysis and Interpretation

The study has used simple percentage analysis to examine the socio-economic characteristics and views on the Pradhan Mantri Mudra Yojana Scheme, and the findings are presented in the following paragraph.

Table 1: Socio-Economic Profile

Particulars	(n=30)	Percentage
Age (In Years)		
18-25	21	70.0
26-35	04	13.3
36-45	02	06.7
Over 45	03	10.0
Area of Residence		
Rural	21	70.0
Semi-Urban	06	20.0
Urban	03	10.0
Marital Status		
Married	13	43.3
Unmarried	17	56.7
Educational Qualification		
Upto HSC	02	06.7
Diploma	02	06.7
UG	19	63.3
PG	05	16.7
Professionals	02	06.7
Family type		
Joint	11	36.7
Nuclear	19	63.3
Status in Family		
Head	06	20.0
Member	24	80.0
Family Income		
Upto ₹25,000	07	23.3
₹25,001- ₹50,000	17	56.7
₹50,001- ₹60,000	06	20.0

Particulars	(n=30)	Percentage
Mudra Loans Largely Utilized for		
Micro entrepreneurs	06	20.0
Startups	16	53.3
Business expansion	08	26.7
Source of Information About Mudra Loans		
Government officials	04	13.3
Local bank branch	04	13.3
Social media	14	46.7
Newspaper	08	26.7
Direct Employment Generation		
Yes	28	93.3
No	02	06.7
Bank PMMY Opened		
SBI	04	13.3
Canara bank	08	26.7
Bank of India	06	20.0
ICICI bank	12	40.0

The data presents a demographic and behavioural snapshot of 30 entrepreneurs who have availed of loans under the Pradhan Mantri Mudra Yojana (PMMY). Here's an interpretation of the critical points:

- **Age Distribution:** Most respondents (70%) are young adults between 18 and 25, indicating that the scheme is trendy among the youth. The remaining 30% are distributed across older age groups, with the least representation from those aged 36 to 45 (6.7%).
- **Residence:** A significant portion of the respondents (70%) reside in rural areas, suggesting that PMMY is reaching entrepreneurs in less urbanised regions. Semi-urban and urban residents comprise 20% and 10% of the sample.
- **Marital Status:** More than half of the respondents (56.7%) are unmarried, which may correlate with the higher number of younger participants in the sample.
- **Educational Qualification:** The majority (63.3%) hold an undergraduate degree, followed by postgraduates (16.7%) and professionals (6.7%). This indicates that PMMY is accessible to individuals with varying levels of education.
- **Family Type:** Most respondents (63.3%) come from nuclear families, which could reflect a trend towards individual entrepreneurship over family-run businesses.
- **Status in Family:** The vast majority are family members (80%) rather than the head of the family (20%), suggesting a trend of younger family members pursuing entrepreneurial activities.
- **Family Income:** The income bracket of ₹25,001 - ₹50,000 comprises the largest group (56.7%), indicating that PMMY effectively serves the middle-income segment.
- **Utilization of Mudra Loans:** The loans are predominantly used for startups (53.3%), followed by business expansion (26.7%) and micro-entrepreneurs (20%). This demonstrates PMMY's role in nurturing new businesses and supporting existing ones in scaling up.
- **Source of Information:** Social media emerges as the leading source of information about PMMY (46.7%), followed by newspapers (26.7%), underscoring the importance of digital platforms in disseminating information about government schemes.
- **Employment Generation:** A resounding majority (93.3%) affirm that the loans have led to direct employment generation, highlighting PMMY's impact on job creation.
- **Banks for PMMY:** **ICICI Bank** accounts for the highest number of PMMY accounts opened (40%), followed by Canara Bank (**26.7%**) and Bank of India (20%). This suggests a diverse banking participation in the scheme.

The data reflects PMMY's broad reach and appeal to a diverse demographic, mainly young, educated individuals from various income levels and residential backgrounds. The scheme's impact on

employment and the growth of startups and small businesses is evident, with digital media playing a crucial role in awareness and outreach.

Table 2: Garrett Ranking

Activities	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	Total	Score	Rank
Fancy store	820	284	256	-	159	-	129	-	90	57	1795	59.8	1
Transport service	328	1136	-	-	-	-	86	111	-	76	1737	57.9	2
Beauty parlour	738	-	-	464	-	192	129	-	-	114	1637	54.6	3
Medical shop	246	284	384	232	212	-	-	111	90	57	1616	53.9	4
Boutique	-	284	448	174	318	96	-	222	60	-	1602	53.4	5
Foodservice sector	-	-	192	232	636	96	172	74	60	-	1462	48.7	6
Grocery shop	-	284	256	116	-	240	129	333	90	-	1448	48.3	7
Textile workers	-	-	256	464	-	-	344	148	180	-	1392	46.4	8
Tailoring	246	213	-	-	212	-	129	74	330	76	1280	42.7	9
Artisan	--	-	192	-	-	816	-	-	-	190	1198	39.3	10

The Garrett Ranking table presents a comparative analysis of various entrepreneurial activities financed by Pradhan Mantri Mudra Yojana (PMMY) loans based on the preferences of 30 respondents. Here's an interpretation of the data:

- **Fancy Store:** It ranks first with the highest total score of 59.8, indicating that it's the most preferred activity for Mudra loan utilization among the respondents.
- **Transport Service:** Comes in second with a score of 57.9, showing a strong preference for using loans in this sector.
- **Beauty Parlour:** Holds the third rank with a score of 54.6, suggesting a significant number of entrepreneurs are interested in this industry.
- **Medical Shop:** Is fourth with a score of 53.9, reflecting a steady interest in the healthcare retail sector.
- **Boutique:** With a score of 53.4, boutiques are the fifth most preferred business activity for loan application.
- **Food Service Sector:** Scores 48.7, ranking sixth, shows a moderate preference for starting or expanding food-related businesses.
- **Grocery Shop:** Its score of 48.3 is seventh, indicating that many respondents utilise loans for this type of business.
- **Textile Workers:** Rank eighth with a score of 46.4, suggesting a lower preference than other sectors.
- **Tailoring:** With a score of 42.7, tailoring services are the ninth preferred choice for Mudra loans.
- **Artisan:** Activities have the lowest preference, ranking tenth with a score of 39.3.

Table 3: Chi-Square

Variables	Chi-square value	D.F	Table value @5% level
Age	9.762	3	9.348
Area of Residence	10.357	2	5.991
Marital Status	1.439	3	9.348
Educational Qualification	4.342	4	9.488
Family Type	1.205	1	3.841
Status in Family	1.875	2	5.991
Family Income (Per Month)	1.954	2	5.991

The Chi-Square test results for variables are interpreted as follows:

- **Age:** The Chi-Square value is 9.762 with 3 degrees of freedom (D.F). Since the Chi-Square value is greater than the table value at the 5% level (9.348), we can conclude that there is a statistically significant difference in the respondents' age distribution.
- **Area of Residence:** The difference in the respondents' areas of residence is statistically significant, with a Chi-Square value of 10.357 and 2 D.F and a table value of 5.991.
- **Marital Status:** The Chi-Square value here is 1.439 with 3 D.F. It is less than the table value (9.348), indicating no significant difference in marital status among the respondents.
- **Educational Qualification:** The Chi-Square value is 4.342 with 4 D.F. This is below the table value (9.488), suggesting no significant difference in educational qualifications among the respondents.
- **Family Type:** With a Chi-Square value of 1.205 and 1 D.F, which is less than the table value (3.841), there is no significant difference in the type of family structure among the respondents.
- **Status in Family:** The Chi-Square value is 1.875 with 2 D.F, below the table value (5.991). This indicates that there is no significant difference in the status within the family among the respondents.
- **Family Income (Per Month):** The Chi-Square value is 1.954 with 2 D.F, less than the table value (5.991). Therefore, there is no significant difference in the monthly family income among the respondents.

The only variables that showed a significant difference among the respondents were Age and Area of Residence. The other variables did not show significant differences, suggesting that factors like marital status, educational qualification, family type, status in the family, and family income do not vary significantly within this group of respondents.

Conclusion

The Pradhan Mantri Mudra Yojana (PMMY) has emerged as a pivotal force for financial inclusivity and empowerment within India. The scheme's impact on elevating income levels before and after its intervention underscores its effectiveness in boosting economic mobility and fostering income generation among entrepreneurs. This improvement in financial status aligns with the national objectives of reducing poverty and enhancing the quality of life for citizens. The research findings indicate that many female entrepreneurs are inclined to secure Mudra loans, predominantly to finance startup ventures. By providing accessible financial resources, PMMY has effectively closed the gap between aspiring entrepreneurs and the financial means required to launch and sustain their businesses, reinforcing its role as a cornerstone of entrepreneurial support in the country.

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Web Resources

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PMMY- myScheme. <https://www.myscheme.gov.in/schemes/pmmmy>.

PMMY	Nearly	34.42	crore	
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