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## Impact of Pradhan Mantri Mudra Yojana on Startup Development: An Analytical Study in the Nagpur Region

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**Abstract:** Startup development and entrepreneurship are significant in enhancing economic growth and job creation as well as financial inclusion. The Government of India initiated the Pradhan Mantri Mudra Yojana (PMMY) to offer credit without collateral to the small and micro enterprises to promote the setting up and growth of the small businesses. This paper focuses on the Pradhan Mantri Mudra Yojana to Nagpur and its effects on the development of startups. This study uses a descriptive and analytical design and is developed on the primary and secondary data. A structured questionnaire was used to get primary data out of 120 Mudra loan beneficiaries in the form of a structured questionnaire using convenience sampling. The results show that PMMY has played a major role in the formation of startups, most of them in the retail and service industry, and has fostered self-employment and the development of small scale employment. The research also shows that Mudra loans have been helpful in enhancing the financial performance and the income of various entrepreneurs. Nevertheless, the issues that remain problematic include the absence of awareness, poor financial literacy and operational issues that influence the successful use of the scheme. The paper finds that PMMY is a significant policy initiative that facilitates grassroots entrepreneurship and startup growth, and additional institutional reinforcement and awareness campaigns can be used to improve its output.

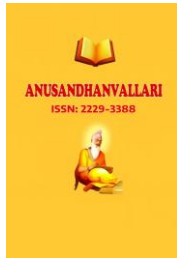
**Keywords:** Pradhan Mantri Mudra Yojana, Startup Development, Micro-Entrepreneurship, Financial Inclusion, Mudra Loans, Small Business Growth, Nagpur Region.

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### Introduction

Entrepreneurship is very vital in the economic growth, creation of jobs and geographical development. The motive behind micro and small enterprises in the emerging economic such as India is that they play a key role in the generation of employment and the advancement of inclusive development. Nonetheless, the lack of access to formal credit facilities is one of the principal limitations potential entrepreneurs and startups have to work with. Most wannabe entrepreneurs in the non-corporate and informal worlds find it hard to secure financial funds as they lack a collateral security and do not have much financial history. In order to respond to this gap and enhance the inclusion of people into the financial sector, the Government of India introduced the PMMY in April 2015. The scheme is designed to offer micro and small enterprises loans without collaterals by financial institutions to facilitate the entrepreneurship processes and promote the development of small businesses (Mahajan, 2019; Agarwal, 2018).

PMMY scheme works with three types of loans, namely Shishu, Kishore, and Tarun, that are related to various business development phases and funding needs. The categories of these loans are aimed at assisting the entrepreneurs with the initial launch and those wishing to expand their own businesses. Providing an access to credit facilities, PMMY has become one of the important policy tools aimed at promoting self-employment, financial inclusion, and the empowerment of the micro-enterprise sector (Gupta, 2022; Sharma and Kaur, 2018).



Government activities, better access to finance, and advanced technologies have witnessed the growth of the startup ecosystem in India in recent years. In this regard, microfinance, and state-sponsored credit programs have played a significant role in supporting grassroots entrepreneurship. PMMY scheme has provided people with the access to funds formerly depending on informal sources of credits. Researchers have shown the scheme has aided the formation of business, earned income, and empowered socio-economically disadvantaged people and marginalized groups through small business enterprises (Agarwala, 2022; Kumar, 2021).

Although it is widely used, the success of PMMY in promoting the growth of startups differs in different regions because of reduced awareness and financial literacy, as well as institutional support. Nagpur in Maharashtra which has a potential of emerging entrepreneurship and an upsurge in MSME sector is a good region to consider to analyze how Mudra loans are influencing the creation and development of startups. It is important to understand how PMMY influences the development of an entrepreneurship on a regional level to determine the effectiveness of government policies to develop small businesses and startups.

Consequently, the current paper is aimed at examining the influence of Pradhan Mantri Mudra Yojana on the startup development in the Nagpur area. The study makes an attempt to determine how much Mudra loans help in accessing finance, new venture formation and the sustainability of start ups. This study is likely to give some idea to the policy makers, financial institutions, and aspiring entrepreneurs on the importance of credit schemes in ensuring the growth of entrepreneurship and the economic development of a region.

### Literature Review

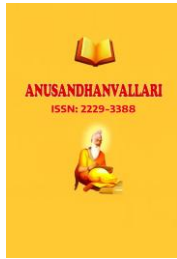
A number of scholars have analyzed the Pradhan Mantri Mudra Yojana (PMMY) and its effect on financial inclusion, development of entrepreneurship and economy in India. A thorough review of PMMY revealed that the scheme made a considerable contribution to the provision of micro and small enterprises with credit previously not being supported in a formal way (Mahajan, 2019). The research study emphasized that, most Mudra loans had been advanced to small businessmen and self employed people hence leading to the growth of micro-businesses in the informal sector.

Sharma and Kaur (2018) studied the use of PMMY in the promotion of economic growth and financial inclusion. Their results showed that the scheme has contributed to closing the gap between the formal financial institutions and the small entrepreneurs through the provision of collateral-free loans. The paper has highlighted that PMMY has promoted entrepreneurship among the young and marginalized population, hence inclusive economic development.

Choudhary and Singh (2018) investigated the performance of PMMY as far as small and medium businesses in India are concerned. The researchers assumed that the scheme has affected the entrepreneurial activity positively by offering financial aid to first-time entrepreneurs. Nevertheless, the research has also indicated that some problems including insufficient awareness and financial literacy remain an impediment to the successful use of the scheme.

The study conducted by Kumar (2021) aimed at examining the socio-economic outcome of Mudra loans among women entrepreneurs in India. The researchers established that Mudra loans and their access greatly enhanced financial freedom, earnings, and business proprietorship in women entrepreneurs. The results showed that micro-credit programs like PMMY are very instrumental in empowering the people to start small businesses and boost their economic position.

Gupta (2022) compared the financial success of the Mudra scheme and emphasized the significance of the scheme in the ability to provide funding to the businesses and microenterprises. The study has found out that the scheme has enabled credit access to have been made to millions of entrepreneurs who were earlier locked out of



the mainstream financial system. It was also highlighted in the study that the effectiveness of the scheme needs to be improved by having better monitoring and awareness programs.

The article by Elumalai (2022) examined the contribution that PMMY has to female entrepreneurship in India. The researchers came up with the observation that Mudra loans have played a major part in a business owned by women since women can acquire funds to initiate a business or grow an already existing business. The author concluded that PMMY has been useful to empower women in their entrepreneurial behaviors.

Manikandan (2023) has studied the economic development of the minority communities in India through the PMMY. The results were that the scheme has made credit more accessible and has promoted entrepreneurial behavior to marginalized populations. The paper has highlighted that inclusive economic growth can be facilitated by government-provided credit programs that minimally impact the financial constraints.

Verma and Singh (2020) have conducted an empirical research to determine the effect of PMMY on the development of entrepreneurship in rural India. The research found out that Mudra loans have played significant roles in creating new businesses and the growth of already existing business in the rural regions. The researchers pointed out that one of the major determinants of entrepreneurial growth is accessibility to cheap credit.

To investigate the use of Mudra loans by MSMEs, Rao (2023) revealed the key obstacles encountered by the entrepreneurs in securing the loans. The research has determined that despite the increased access to finance through Mudra loans, there are still procedural challenges and time wastage in lending the loans to entrepreneurs.

Recent papers also point out the wider economic consequences of the scheme. Ashwath and Sachindra (2023) compared PMMY financial performance and found that the scheme has helped to boost the strength of the grass root entrepreneurship and increasing credit facilities among the micro-enterprises.

In a similar instance, Kokra (2022) estimated the efficacy of PMMY in amplifying access to finance by MSMEs and discovered that the scheme has augmented the accessibility of institutional credit to small entrepreneurs, hence motivating the formation of a business enterprise and job creation.

In addition, the recent studies have shown that PMMY has contributed to sustainable entrepreneurship through the creation of start-ups and the growth of small businesses. Research indicates that a small business has an opportunity to grow and become investors due to access to Mudra loans, which eventually leads to economic development and the creation of job opportunities (Bhayana and Raj, 2020; Bolla and Jahan, 2023).

In general, the available literature indicates that PMMY has contributed to a greater percentage of the financial inclusion and entrepreneurial growth of India. Nevertheless, the majority of research is on the national or state level, whereas little data exists on the effect of PMMY on the development of start-ups in the regions. This is why the current research paper tries to address this research gap and examines the impact of Mudra loans in the growth of startups in Nagpur area.

### **Objectives**

The study aims to analyze the impact of PMMY on startup development in the Nagpur region by examining the accessibility of Mudra loans, their role in promoting entrepreneurship, supporting new business creation, generating employment opportunities, and improving financial sustainability of startups and small enterprises established by beneficiaries.

### **Methodology**

The research design used in the current study is descriptive and analytical research design in which the researcher seeks to determine the effects of Pradhan Mantri Mudra Yojana on the development of startups in Nagpur region. The study is based on both primary and secondary data. Primary data are gathered by use of a structured questionnaire and personal communication with the beneficiaries of Mudra loans and startup entrepreneurs whereas secondary data is derived through research journals, government reports, bank publications, and official documents of the PMMY. The study focuses on 120 respondents sample in the Nagpur region. The convenience sampling method is used to select the respondents these being concentrating on entrepreneurs that have taken loans through the PMMY scheme.

### Result and Discussion

Simple statistical tools like frequency distribution as well as percentage analysis, were used to analyze the data collected concerning 120 respondents who availed loans under the Pradhan Mantri Mudra Yojana in the Nagpur region. The profile of beneficiaries, loan use and how the Mudra loans have influenced the development of the startups is the subject matter of the analysis.

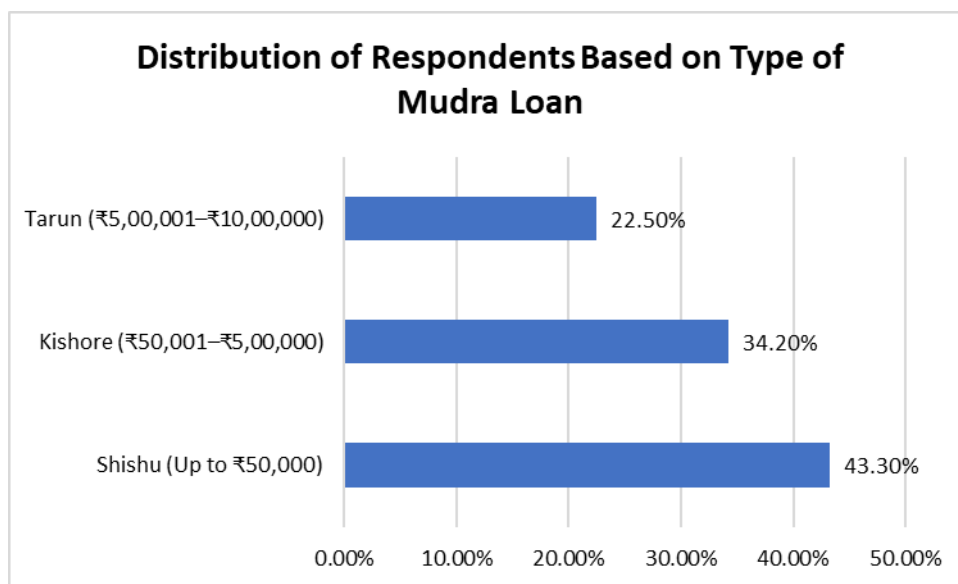


Fig. 1 Respondents Based on Type of Mudra Loan

As the table above demonstrates, it was evidence that 43.3% of respondents availed Shishu loans meaning that most entrepreneurs began their business with comparatively smaller financial support. Approximately 34.2 percent got Kishore loans and 22.5 percent got Tarun loans indicating that fewer percentages of the entrepreneurs accessed larger amounts of loans to undertake business expansion.

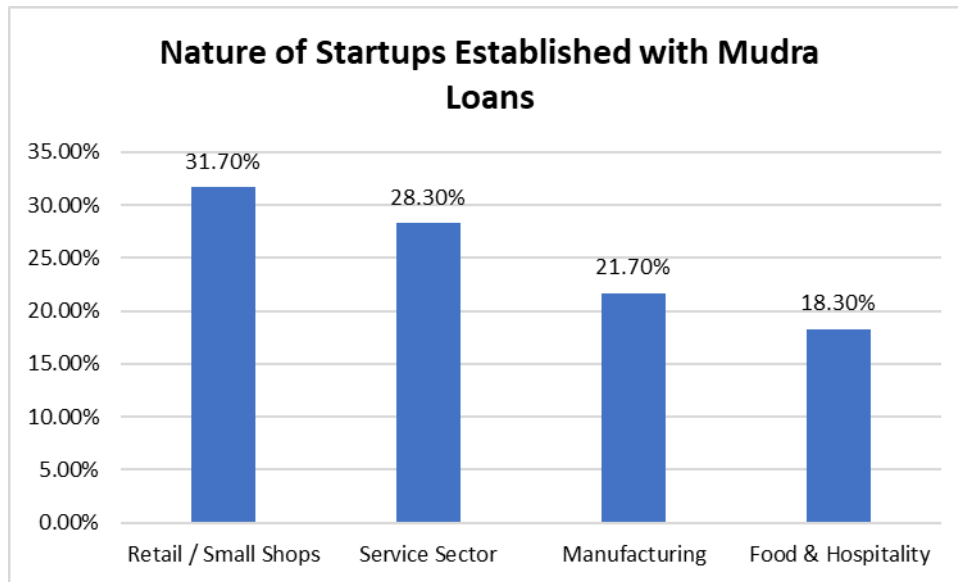


Fig. 2 Nature of Startups established with Mudra Loan

This data shows that 31.7 percent of those flattened under the Mudra loans, started businesses that were retail based followed by 28.3 percent in services. The manufacturing and food related startups make 21.7 and 18.3 percent of the total respectively, which is an indication that PMMY has helped support various entrepreneurial initiatives within Nagpur area.

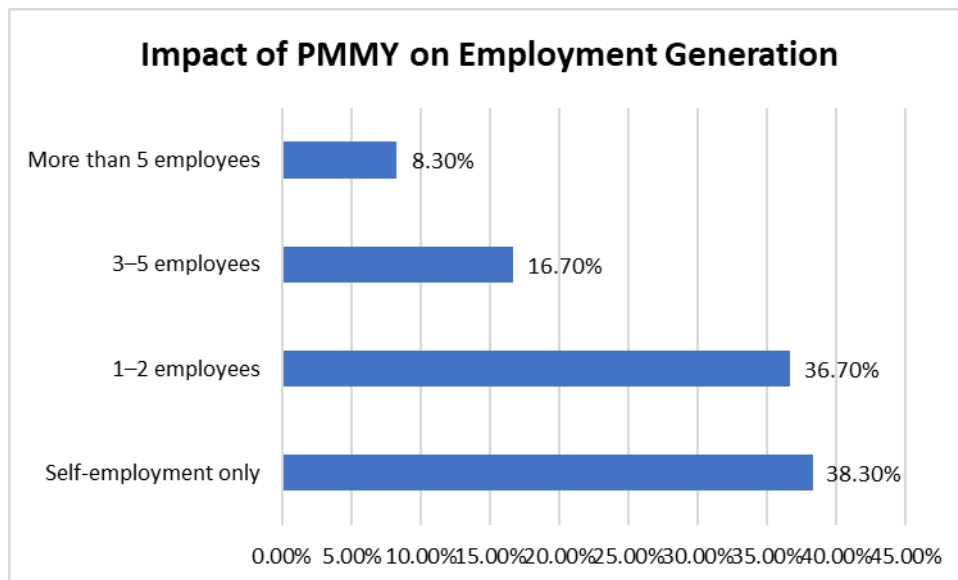


Fig. 3 Impact of PMMY on Employment Generation

The results demonstrate that 38.3% of the entrepreneurs generated themselves, and 36.7% of them generated one-two positions. Approximately, twenty five percent of businesses provided jobs to over three people meaning that Mudra loans also help in self-employment and the creation of few jobs.

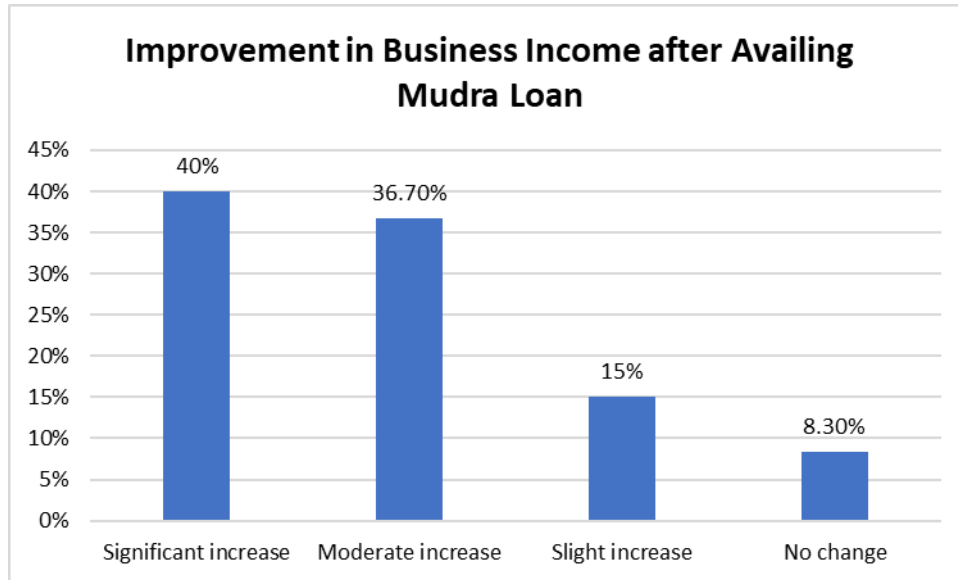


Fig. 4 Impact of Business Income after availing Mudra Loan

The table also shows that forty percent of the respondents said that their income increased significantly, whereas 36.7 percent of the respondents registered a moderate growth in business earnings. The percentage of those who reported no shift was only 8.3%, which implies that PMMY loans have resulted in a positive aspect of the performance of startups in relation to financial aspects.

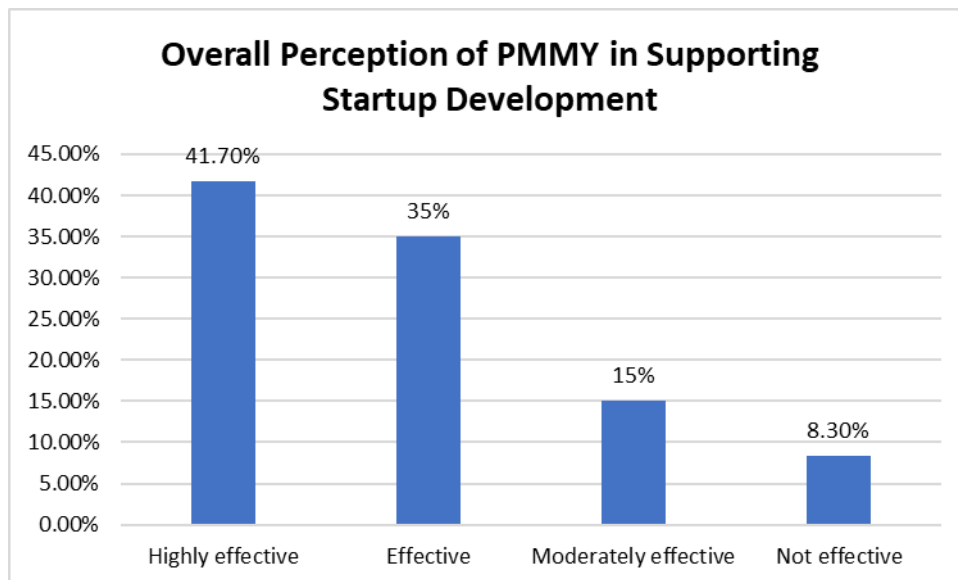
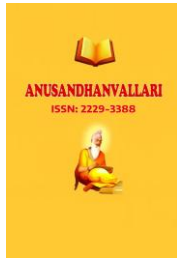


Fig. 5 Perception towards PMMY in supporting startup development

Most of the respondents (76.7%), feel that PMMY is very effective or effective to assist the development of startups. The few individuals who think the scheme to be ineffective are very few (8.3%), which translates to a relatively good attitude of beneficiaries towards the scheme.



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## Discussion

These research findings indicate that the PMMY has contributed to a large extent in the incubation of startups in the Nagpur region through the increased availability of institutional finance to small entrepreneurs. The analysis shows that most of the respondents used Shishu category loans implying that most of the start ups commence with rather small capital investment. This is the significance of micro-credit in inspiring first time entrepreneurs to set up small businesses in industries that demand small start-up. Findings align with the previous research that indicates that microfinance programmes like PMMY is a significant instrument of entrepreneurship development at the grassroots and financial inclusion.

Another issue that the study brings out is the fact that the retail and service sectors have the highest proportion of businesses that are initiated under Mudra loans. Such sectors typically need less capital to invest in and have faster returns hence good to the small entrepreneur. The existence of manufacturing and food related startups also means that the scheme favors various businesses. The diversification also helps in the growth of the local economy and the local business ecosystem is enhanced.

The other issue that the study has uncovered is the potential of Mudra-financed startups to create employment. A significant percentage of the respondents indicated that they have been creating employment to one or more people besides being self-employed. This shows that, on the one hand, PMMY stimulates the work of an entrepreneur, on the other hand, it helps to create related jobs, which is fundamentally important to the overall development of the regional economy. Many startups are too small, but their effect on jobs and incomes may be enormous in their sum.

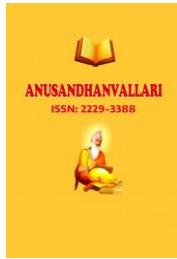
The research also reveals that a sizeable percentage of the respondents have earned the business income by experiencing improvement in the business income after obtaining Mudra loans. Credit access made entrepreneurs afford equipment, purchase more inventory, grow operations and bring about better service delivery. Consequently, several companies also registered average and high increases in the level of income. The results may be used to enforce the thesis that the availability of credit is a very important factor in enhancing the financial sustainability of small businesses and startups.

These positive results notwithstanding, the research also suggests that there are a low number of entrepreneurs who did not notice major gains in terms of business performance. This can be explained by such aspects as insufficient managerial abilities, competition in the market, ineffective financial illiteracy or less enough loan sums to grow the business. Thus, although PMMY has been useful in the provision of access to credit, there is a need to supplement the initiative with other supportive mechanisms like entrepreneurship training, business advisory programs as well as enhanced awareness programs to support the sustainability of the startups in the long run.

On the whole, the study findings imply that Pradhan Mantri Mudra Yojana has had a positive effect on the development of startups in Nagpur, as it has fostered the growth of the entrepreneurial environment, the availability of funds, and job creation. But, to make the scheme more effective in encouraging sustainable growth of entrepreneurs, institutional support mechanisms and financial awareness among the beneficiaries can be empowered.

## Conclusion

The research paper concludes that PMMY program has indeed contributed greatly to the startup development in Nagpur region in the sense that institutions credit is being made more accessible to small entrepreneurs. The results show that Mudra loans have motivated people to start small enterprises especially in retail and services industries hence facilitating self employment and local economic flow. The scheme has also helped generate



jobs and enhanced level of income amongst the persons receiving the scheme. In general, PMMY has become a valuable governmental programme to consolidate the micro-entrepreneurship and to promote inclusive economic development. Nevertheless, there are some issues that have been created by the lack of awareness and the gaps between financial literacy and business growth restrictions that underline the necessity of the further supporting mechanisms in order to make the scheme more effective.

### Recommendations

In order to improve the efficiency of delivery of PMMY in stimulating sustainable startup growth, a number of steps could be taken into consideration. The reason why financial institutions and government agencies need to create more programs aimed at raising awareness is to make sure that the potential entrepreneurs are properly informed about the scheme and its benefits. Financial literacy and entrepreneurship training services ought to be offered to the beneficiaries to enhance business management skills. Loan processes should also be made easier and access by banks; the banks have to make sure that the money is given out within the right time to attract more entrepreneurs to the scheme. Moreover, a mentoring support, market links, and following-up monitoring can be useful to enable start-ups to use Mudra loans in a more productive way and enhance their sustainability in the long term.

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