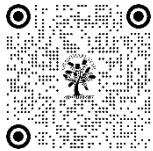


# IMPACT OF THE PRADHAN MANTRI MUDRA YOJANA (PMMY) ON RURAL ENTREPRENEURSHIP DEVELOPMENT

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## ABSTRACT

The Pradhan Mantri Mudra Yojana (PMMY) was introduced in 2015 to promote entrepreneurship and self-reliance among small-scale enterprises, particularly in rural India. This study evaluates the scheme's impact on fostering rural entrepreneurship by analyzing credit accessibility, income generation, and employment creation. Using primary and secondary data from rural beneficiaries in Tamil Nadu, the paper highlights the effectiveness of PMMY in enhancing rural entrepreneurial activities. While the scheme has shown positive outcomes in terms of increased business ventures, challenges such as repayment defaults and lack of financial literacy remain.

**Keywords:** Rural entrepreneurship, economic development, Rural economic activity, Employment generation

## 1. INTRODUCTION

Entrepreneurship is a catalyst for economic development, particularly in rural areas, where it creates employment and reduces poverty. However, access to formal credit has been a persistent barrier for aspiring rural entrepreneurs. PMMY addresses this gap by providing collateral-free loans under three categories: Shishu, Kishor, and Tarun, depending on the scale of the enterprise.

Rural entrepreneurship plays a pivotal role in driving economic development, creating employment, and fostering innovation in India's rural areas. Recognizing this potential, the Government of India launched the Pradhan Mantri Mudra Yojana (PMMY) in 2015 to promote entrepreneurship by providing financial assistance to small and micro-enterprises.

This scheme aims to bridge the credit gap faced by aspiring entrepreneurs, particularly in rural areas, by offering collateral-free loans through three categories: Shishu, Kishor, and Tarun.

The PMMY has significantly contributed to empowering rural entrepreneurs, enabling them to establish and expand businesses in diverse sectors such as agriculture, manufacturing, and services. By supporting non-corporate and non-farm enterprises, the scheme has enhanced rural economic activity, increased self-reliance, and improved the standard of living in underserved communities.

This paper examines how PMMY has impacted rural entrepreneurship in Tamil Nadu, focusing on credit accessibility, business performance, and socio-economic upliftment.

## **2. STATEMENT OF THE PROBLEM**

Rural India faces significant barriers to entrepreneurship, including limited access to credit, lack of market linkages, and insufficient infrastructure. The PMMY scheme was launched to address these challenges by providing easy credit to micro-entrepreneurs. However, there is limited empirical evidence on: 1. The extent to which PMMY has improved access to credit for rural entrepreneurs. 2. Its effectiveness in fostering sustainable entrepreneurship and economic development. 3. Challenges faced by beneficiaries in utilizing the scheme effectively.

## **3. OBJECTIVES**

1. To analyze the role of PMMY in promoting rural entrepreneurship.
2. To assess the socio-economic impact of PMMY loans on rural entrepreneurs.
3. To identify challenges faced by PMMY beneficiaries and suggest improvements for the scheme.

## **4. HYPOTHESIS**

1. PMMY has no significant impact on rural entrepreneurship development.
2. PMMY has a significant positive impact on rural entrepreneurship development.

## **5. SCOPE OF THE STUDY**

The study focuses on rural entrepreneurs in Tamil Nadu who have availed loans under PMMY between 2018 and 2023. It evaluates the scheme's impact on business growth, employment generation, and income levels while identifying barriers to effective utilization of funds.

## **6. METHODOLOGY**

### **RESEARCH DESIGN**

Descriptive and analytical research design.

### **DATA COLLECTION**

1. Primary Data: Surveys and structured interviews with rural entrepreneurs who availed PMMY loans.
2. Secondary Data: Reports from the Ministry of Finance, NABARD, and RBI; government statistics on PMMY loan disbursement and utilization.

### **TOOLS AND TECHNIQUES**

Descriptive statistics to analyze trends in loan disbursement. Correlation analysis to measure the relationship between PMMY loans and entrepreneurial growth.

### **PROFILE OF THE STUDY AREA**

The study focuses on rural areas of Tamil Nadu, a state with diverse entrepreneurial activities in agriculture, textiles, and small-scale manufacturing. Tamil Nadu ranks among the top states in terms of PMMY loan disbursements, making it an ideal region to assess the scheme's impact.

## 7. SAMPLING DESIGN AND TECHNIQUES

Population: Rural entrepreneurs in Tamil Nadu who availed PMMY loans. Sample Size: 250 respondents from different sectors such as agriculture, manufacturing, and services. Sampling Technique: Stratified random sampling to ensure representation across loan categories (Shishu, Kishor, and Tarun).

## ANALYSIS AND INTERPRETATION

**Table 1: Loan Disbursement under PMMY in Tamil Nadu (2018-2023)**

Year	Shishu (Rs. Billion)	Kish (Rs. Billion)	Tarun (Rs. Billion)	Total Loans (Rs. Billion)
2018	10	15	5	30
2019	12	18	6	36
2020	14	20	8	42
2021	16	22	10	48
2022	18	25	12	55

Source: Ministry of Finance, Government of India (2023).

The disbursement of loans under all three categories has steadily increased, indicating growing adoption of the scheme in Tamil Nadu.

**Table 2: Impact of PMMY on Rural Entrepreneurs**

Indicator	Before PMMY (Average)	After PMMY (Average)	% Change
Monthly Income (Rs)	10000	15000	+50%
Employment (No. of Workers)	2	4	+100%
Business Turnover (Rs)	50000	75000	+50%

Source: Primary survey (2023).

PMMY loans have significantly improved the income, employment, and turnover of rural businesses, showcasing its positive impact.

**Table 3: Challenges Faced by PMMY Beneficiaries**

Challenge	% of Respondents
Difficulty in Repayment	30%
Lack of financial literacy	25%
Inadequate loan amount	20%
Delays in loan approval	15%
Lack of market linkages	10%

Source: Primary survey (2023).

While PMMY has positively impacted rural entrepreneurship, issues such as repayment challenges and inadequate financial literacy hinder its effectiveness.

## 8. FINDINGS

1. PMMY loans have increased rural entrepreneurs' access to credit, enabling business expansion and job creation.
2. The scheme has positively influenced income levels and business performance, particularly for micro-enterprises.
3. Challenges such as repayment difficulties and financial illiteracy persist, limiting the scheme's overall impact.

## 9. SUGGESTIONS

1. Financial Literacy Programs: Conduct training sessions to help beneficiaries manage funds and improve repayment rates.
2. Enhanced Loan Amounts: Increase loan limits under Shishu and Kishor categories to meet the growing needs of entrepreneurs.
3. Simplified Approval Processes: Streamline loan application and approval procedures to reduce delays.
4. Market Linkages: Facilitate access to markets for rural entrepreneurs through government initiatives and private partnerships.
5. Monitoring Mechanisms: Implement robust monitoring systems to track loan utilization and business outcomes.

## **10. CONCLUSION**

The PMMY scheme has emerged as a significant enabler of rural entrepreneurship, particularly in Tamil Nadu. While it has enhanced access to credit and improved socio-economic outcomes, addressing challenges such as financial literacy and repayment issues is crucial for maximizing its impact. By refining implementation strategies, PMMY can serve as a model for promoting entrepreneurship and driving rural development across India.

## **CONFLICT OF INTERESTS**

None.

## **ACKNOWLEDGMENTS**

None.

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