

## **CHALLENGES AND FUTURE OF PRADHAN MANTRI MUDRA YOJANA (PMMY) IN PROMOTING WOMEN ENTREPRENEURSHIP IN INDIA**

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### **Abstract**

*This paper explores the Pradhan Mantri Mudra Yojana (PMMY) as a significant government initiative aimed at fostering entrepreneurship in India, particularly among women. PMMY, launched in 2015, provides micro-financing options that enable women to overcome financial constraints and pursue small business ventures. However, despite its benefits, the scheme faces notable challenges including accessibility issues, gender biases, and structural limitations that hinder its success in empowering women entrepreneurs. This paper delves into these challenges and offers recommendations for strengthening PMMY's impact on women, discussing potential improvements and the future of women's entrepreneurship in India.*

**Keywords:** PMMY, women entrepreneurship, financial inclusion, micro-finance, India.

### **Overview of Pradhan Mantri Mudra Yojana (PMMY)**

The Pradhan Mantri Mudra Yojana was initiated with the specific objective of supporting the underserved entrepreneurial segment in India, including women, who face financial constraints. PMMY offers a structured approach to financing small-scale businesses through three categories of loans:

- **Shishu Loans:** These loans cover up to INR 50,000 and are intended for nascent businesses, allowing borrowers to fund business essentials such as supplies and small equipment.
- **Kishore Loans:** Offering a range between INR 50,001 and 5 lakh, these loans support expanding businesses with moderate capital needs.
- **Tarun Loans:** Tarun loans, ranging from INR 5 lakh to 10 lakh, cater to larger, more established businesses requiring substantial capital.

The scheme has had notable reach, with over 21 crore beneficiaries since its inception, approximately 70% of whom are women. This high participation rate among women indicates a positive reception of the scheme and a growing interest in entrepreneurial activities among women. However, despite the apparent successes, the scheme's effectiveness in truly empowering women entrepreneurs faces several obstacles.

## Introduction

In developing economies like India, women's entrepreneurship has emerged as a vital engine for economic growth, job creation, and poverty reduction. The Pradhan Mantri Mudra Yojana (PMMY) was launched by the Indian government in 2015 as part of a mission to boost financial inclusion by providing microcredit facilities to individuals who lack access to formal financing, particularly women and small-scale entrepreneurs. PMMY is unique in its approach, targeting underserved sectors of society with three types of loans: Shishu (up to INR 50,000), Kishore (INR 50,001 to 5 lakh), and Tarun (INR 5 lakh to 10 lakh).

The importance of PMMY lies in its potential to help bridge the gender gap in entrepreneurship. Research shows that when women have access to financing, they invest not only in their businesses but also in education, health, and family well-being, amplifying the societal impact of their success. However, while PMMY has achieved some success, several challenges impede its full impact on women entrepreneurs, ranging from issues within the financial institutions to cultural biases. This paper aims to investigate these challenges and provide insights on PMMY's future potential to bolster women's entrepreneurship in India.

## Objectives of PMMY

PMMY has multiple goals, all centered around making credit accessible to the underserved. The primary objectives include:

**Promoting Financial Inclusion:** PMMY aims to bring people who are generally left out of the formal banking sector into the fold, helping them access the credit they need to start or grow small businesses.

**Supporting Micro and Small Enterprises:** By providing access to micro-loans, the scheme encourages the growth of small-scale industries and self-employment ventures.

**Encouraging Women Entrepreneurship:** One of the standout goals of PMMY is to enable more women to enter the business world by making credit more accessible to them, which in turn promotes economic empowerment and gender equality.

**Job Creation and Economic Growth:** Small businesses are significant drivers of employment and economic development, particularly in rural areas. PMMY seeks to stimulate job creation by supporting enterprises at the grassroots level.

### Loan Categories under PMMY

PMMY loans are categorized into three types based on the business's size and funding requirements. These categories allow the scheme to cater to different stages of business development:

#### Shishu:

**Loan Amount: Up to INR 50,000**

**Purpose:** This category is aimed at micro-entrepreneurs who are just starting or need a minimal capital investment. Shishu loans provide essential funding for purchasing materials, basic equipment, and other startup needs.

#### Kishore:

**Loan Amount: INR 50,001 to 5 lakh**

**Purpose:** These loans support growing businesses that have progressed beyond the startup phase. Kishore loans help with business expansion and moderate-scale investments like purchasing equipment or upgrading operations.

#### Tarun:

**Loan Amount: INR 5 lakh to 10 lakh**

**Purpose:** Tarun loans are intended for established small businesses that require a larger capital infusion to scale up their operations. This category is suitable for businesses that have a stable income flow and need substantial funds to further their growth.

## Literature review

**Government of India, Ministry of Finance(2015)** Pradhan Mantri Mudra Yojana (PMMY) – Policy Guidelines. Government of India. This document provides the official guidelines for

PMMY, detailing the scheme's objectives, loan categories (Shishu, Kishore, Tarun), eligibility criteria, and implementation strategy. It serves as a foundational source for understanding the structural aspects of PMMY.

**Mudra: Micro Units Development and Refinance Agency Ltd. (2016).** Annual Report 2015-16. The Mudra Annual Report includes data on loan disbursements, sectoral analysis, and demographic breakdown of PMMY beneficiaries, highlighting the percentage of women borrowers. This source provides critical insights into the early impact of PMMY on women entrepreneurs.

**World Bank Group. (2020)** The Gender Gap in Financial Inclusion in India: A Quantitative Study. This World Bank report examines the broader context of financial inclusion in India, focusing on gender disparities and the impact of financial schemes like PMMY on women. It discusses cultural, socioeconomic, and educational barriers that limit women's access to credit.

**Das, M., & Mohanty, S. (2020)** This academic study provides an empirical analysis of the effectiveness of PMMY in promoting women's entrepreneurship, exploring the scheme's strengths and weaknesses. The authors analyse survey data from PMMY beneficiaries, offering insights into loan utilization and repayment behaviours among women.

**Jha, S. & Sinha, R. (2019).** This article evaluates PMMY's contribution to women's economic empowerment, focusing on the scheme's accessibility and effectiveness in rural India. It provides detailed case studies of women entrepreneurs and examines the challenges they face in accessing PMMY loans.

Reserve Bank of India (RBI). (2021). Financial Literacy and Inclusion in India: Role of Banking Sector and Government Initiatives. RBI Bulletin.

**Reserve Bank of India (RBI). (2021).** This report from the Reserve Bank of India discusses various financial inclusion initiatives, including PMMY, and assesses their effectiveness in reaching underserved populations. It highlights financial literacy as a barrier for women entrepreneurs and suggests measures to improve access to credit.

**Kumar, S., & Rastogi, A. (2021).** This research paper explores the challenges women entrepreneurs face in India, particularly in accessing government schemes like PMMY. The authors provide a detailed analysis of structural, social, and economic barriers, making it relevant for understanding PMMY's limitations.

**National Institute for Micro, Small, and Medium Enterprises (NIMSME). (2018).** The Role of Micro-financing in Supporting MSMEs: An Evaluation of PMMY. Government of India. Published by NIMSME, this report evaluates the role of PMMY in supporting micro, small, and medium enterprises (MSMEs) and includes data on the scheme's impact on women-owned MSMEs. It provides policy recommendations for improving PMMY's outreach and effectiveness.

**Niti Aayog. (2020).** Niti Aayog's report offers a comprehensive overview of government schemes aimed at promoting women's entrepreneurship, with a detailed section on PMMY. It reviews the scheme's successes and limitations, suggesting strategies for increasing women's participation in the entrepreneurial ecosystem.

**Singh, N. (2022).** This journal article investigates the socioeconomic impact of PMMY on women entrepreneurs, analyzing both the positive outcomes and challenges. Singh identifies key barriers such as limited financial literacy and cultural biases, providing an in-depth look at PMMY's real-world effects.

**Yadav, R., & Kumar, P. (2020).** Yadav and Kumar's study examines PMMY's impact in rural areas, analysing how the scheme has enabled women entrepreneurs in agriculture and handicrafts. The paper also highlights regional disparities and suggests localized approaches to improve the scheme's effectiveness.

**The World Economic Forum (WEF). (2021).** The Global Gender Gap Report includes insights into India's ranking on economic participation and financial inclusion for women. This broader context helps situate PMMY within the global discourse on gender equality and the role of

economic empowerment in bridging the gender gap.

**International Finance Corporation (IFC). (2019).** This IFC report focuses on the status of women entrepreneurs in emerging markets, with a section dedicated to PMMY and its role in India. It explores the scheme's achievements, obstacles, and the need for public-private partnerships to enhance support for women entrepreneurs.

**National Sample Survey Office (NSSO). (2021).** The NSSO's Periodic Labour Force Survey provides statistical data on women's workforce participation across India. It offers a broader context on the need for schemes like PMMY to support women in economic activities and enhance workforce diversity.

**UN Women India. (2019).** This report from UN Women examines the systemic challenges in achieving gender equality in India's workforce. It underscores the importance of schemes like PMMY in promoting women's economic participation and offers policy recommendations to address gender-specific challenges in entrepreneurship.

### **Current Landscape of Women Entrepreneurship in India**

The entrepreneurial landscape for women in India is characterized by growth but remains limited in scope. Women entrepreneurs typically venture into industries such as textiles, handicrafts, agriculture, and food processing, sectors that are often informal, small-scale, and low-investment. Although many women aspire to start their businesses, they face significant entry barriers, particularly in accessing capital and resources.

**Statistics reveal that only about 14% of India's business enterprises are owned by women.**

#### **Key barriers include:**

**Financial Exclusion:** A substantial proportion of women lack access to formal credit, which restricts their ability to fund or expand businesses.

**Social and Cultural Norms:** Gender-based stereotypes and societal expectations limit women's ability to enter business sectors traditionally dominated by men.

**Educational and Skill Limitations:** Limited education and financial literacy are common challenges for women entrepreneurs, particularly in rural areas.

Without access to financial resources, these barriers are even harder to overcome. This gap emphasizes the importance of financial schemes like PMMY to provide an avenue for women entrepreneurs to secure funding.

### **Challenges in PMMY for Promoting Women Entrepreneurship**

#### **Access to Credit**

Women entrepreneurs face significant challenges in accessing PMMY loans due to strict documentation requirements, limited awareness, and lack of guidance. While PMMY is intended to simplify the lending process, the complexity of bank procedures can discourage applicants. Often, women in rural areas are unaware of the scheme or lack the necessary documents, such as property papers or income proofs, required by lending institutions.

#### **Gender Bias in Financial Institutions**

Gender bias within financial institutions remains a barrier for women seeking PMMY loans. Some bank officials may hesitate to approve loans for women entrepreneurs due to underlying biases, fearing a lack of repayment capacity or questioning the viability of women-led businesses. This issue is compounded by societal biases that discourage women from pursuing loans and challenge the legitimacy of their business endeavors.

#### **Socioeconomic Barriers**

Women in India encounter socioeconomic barriers such as limited educational opportunities, restricted mobility, and the burden of domestic responsibilities, all of which limit their ability to engage fully in business activities. In many rural areas, conservative societal norms restrict women's movements and prevent them from seeking loans or operating businesses independently.

#### **Institutional Hurdles within PMMY**

While PMMY is intended to promote micro-financing, its operational structure presents challenges

for potential beneficiaries. Bureaucratic delays, inadequate support systems, and inconsistent guidance contribute to inefficiencies. Some applicants report difficulties in understanding loan terms or receiving timely disbursement, which discourages women entrepreneurs from utilizing the scheme effectively.

### **Low Financial Literacy**

Financial literacy is a critical factor in the success of any entrepreneurial endeavor. A lack of awareness about basic financial concepts and limited access to financial education reduce the ability of women to manage funds, understand repayment terms, or leverage the benefits of PMMY fully. Financial illiteracy is especially pronounced in rural and marginalized communities.

### **Inconsistent Loan Sizes and Purposes**

Women entrepreneurs often find that the loan sizes provided under PMMY are either too small for certain industries or misaligned with the actual needs of their businesses. This inconsistency makes it difficult for women to scale their businesses effectively, limiting the long-term impact of the scheme.

### **Case Studies: Impact of PMMY on Women Entrepreneurs**

#### **Successful Examples**

A notable example of PMMY's impact is seen in the case of rural women-led businesses in states like Rajasthan and Maharashtra. In these regions, women who received Shishu and Kishore loans were able to start small-scale enterprises in textile manufacturing and handicrafts, creating employment opportunities for other women in their communities. This ripple effect demonstrates PMMY's potential to generate socio-economic benefits beyond the individual entrepreneur.

"In Rajasthan's rural districts, PMMY loans have proven instrumental for women in the textile and handicrafts industries. According to Singh and Sharma (2021), women who accessed Shishu and Kishore loans experienced increased business growth and financial stability, demonstrating PMMY's potential to foster women-led economic development in traditionally underserved sectors. However, the study also underscores that limited awareness of the scheme and inadequate financial literacy hinder the full potential of PMMY in empowering these

Singh, P., & Sharma, R. (2021). Impact of Pradhan Mantri Mudra Yojana on Rural Women Entrepreneurs: A Case Study of Textile and Handicrafts Sector in Rajasthan. *Journal of Rural Development*, 40(2), 143-158. This case study focuses on women entrepreneurs in the rural districts of Rajasthan, India, who received loans under the Pradhan Mantri Mudra Yojana (PMMY). The study highlights how Shishu and Kishore's loans have enabled women to establish small businesses in the textile and handicrafts sectors, two industries with significant employment potential for rural women. Through interviews and survey data, the study reveals that PMMY funding helped many women overcome initial capital challenges and expand their businesses. The authors also discuss barriers, such as limited awareness of the scheme, inadequate financial literacy, and logistical challenges, which still limit the scheme's impact. Importantly, the study found that successful PMMY-funded businesses led to positive socio-economic outcomes, including increased household incomes and improved standards of living. The case study offers recommendations for policy adjustments to improve PMMY outreach and training programs, particularly in financial literacy and business management.

#### **Comparative Analysis**

A comparison of PMMY's effectiveness in different sectors shows that businesses in service industries (such as beauty salons and tailoring) have seen higher success rates than agriculture-based ventures. Women entrepreneurs in service sectors often benefit from higher demand and faster returns, which facilitate loan repayment and business expansion. Conversely, women in agriculture face greater challenges due to seasonal income fluctuations and high equipment costs. These case studies highlight the need for tailored support systems within PMMY, such as sector-specific training and flexible loan options, which can further enhance the scheme's effectiveness in empowering women.

### **Future Prospects and Recommendations for PMMY in Empowering Women Entrepreneurs**



**Increasing Accessibility**

To make PMMY more accessible, digital loan applications and mobile banking services could be expanded. Such initiatives would streamline the application process, making it easier for women, especially in remote areas, to apply for loans without needing to visit a bank branch.

**Enhancing Financial Literacy**

Introducing financial literacy programs focused on women entrepreneurs would significantly benefit PMMY's effectiveness. These programs could be delivered in partnership with NGOs and local governments, providing women with essential skills in budgeting, investment, and loan management.

**Encouraging Bank Participation and Sensitivity**

Banks could be incentivized to prioritize women applicants for PMMY loans. Training programs that foster gender sensitivity among bank employees would also help reduce biases and improve customer service for women entrepreneurs.

**Expanding PMMY Outreach in Rural Areas**

Partnering with NGOs, self-help groups, and micro-finance institutions can improve PMMY's reach. This collaboration can create a grassroots network that informs women about PMMY and provides necessary support for loan applications.

**Developing Tailored Financial Products**

Customized loan products that reflect the capital requirements of different business sectors would improve PMMY's relevance. For instance, flexible repayment plans and targeted loan amounts based on business type can address the specific needs of women entrepreneurs across diverse sectors.

**Policy Adjustments**

Introducing a sub-scheme under PMMY specifically for women entrepreneurs could offer additional benefits, such as reduced interest rates or longer repayment periods. Simplifying the approval process for women applicants would further enhance PMMY's accessibility and impact.

**Conclusion**

The Pradhan Mantri Mudra Yojana represents a crucial initiative in India's efforts to empower women through financial inclusion. Despite its positive impact, significant challenges remain, from accessibility barriers to gender bias and structural limitations. Addressing these challenges through policy enhancements, financial literacy programs, and improved outreach can. The Pradhan Mantri Mudra Yojana is an innovative step toward financial inclusion and the growth of entrepreneurship in India. For women entrepreneurs, in particular, PMMY provides a rare opportunity to secure financing and venture into the world of business. However, challenges such as limited awareness, financial literacy issues, and gender biases need to be addressed to unlock the scheme's full potential.

With strategic enhancements, including focused financial literacy initiatives and gender-sensitive banking practices, PMMY could significantly empower women entrepreneurs, driving not only individual success but also broader economic growth and social transformation in India. By continually refining its approach, PMMY can become a powerful catalyst in creating a balanced and inclusive entrepreneurial landscape for women across India.

case Studies: Impact of PMMY on Women Entrepreneurs. The detailed findings from Singh and Sharma's study could illustrate how PMMY affects real women entrepreneurs, highlighting both the successes and areas needing improvement.

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