

A Study on Beneficiaries' Perception of Pradhan Mantri MUDRA Yojana (PMMY) in Shivamogga District, Karnataka

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Abstract:

Microfinance is an economic development tool that aims to provide income-generating opportunities to the people at the bottom of the pyramid. The Pradhan Mantri Mudra Yojana offers microenterprises that generate revenue through manufacturing, trading, and services Mudra loans of up to 10 lakh rupees. Depending on the stage of the economic cycle that the borrower's company is in, the Mudra loans are divided into three categories. These three categories represent the beneficiaries' financial, growth, and development requirements without the need of third-party guarantees or collateral security. The purpose of the current study is to investigate how recipients see the PMMY program. Primary data was gathered from 384 Pradhan Mantri Mudra scheme beneficiaries via an interview schedule in the study's primary and secondary sources. Microsoft Excel and SPSS were used to examine the data and test the hypothesis using statistical methods including frequency, percentage, and t-tests. The outcome demonstrates that "beneficiaries have a favorable opinion of the PMMY scheme."

Keywords: Perceptions, Micro enterprises, PMMY, Beneficiaries.

Introduction

PMMY plans to offer up to 10 lakh rupees in Mudra loans to revenue-generating microbusinesses involved in manufacturing, commerce, and services. Based on the existing business lifecycle of the loanee organization, the Mudra loans

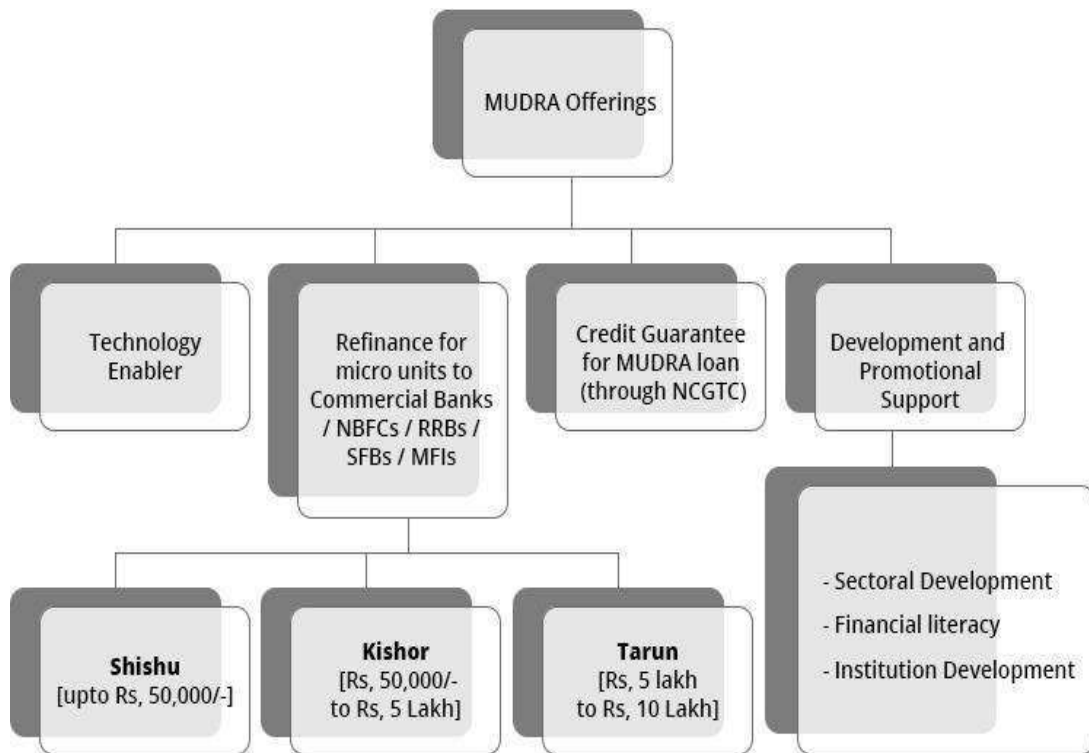
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The Small Industries Development Bank of India, which was established as a public limited company in March 2015, owns all of Mudra. On April 7, 2015, it registered with the RBI as a non-banking financing organization. On August 4,

2015, the Hon. Prime Minister of India introduced Mudra to assist the nation's microbusiness sector. The Prime Minister also launched the Pradhan Mantri Mudra in addition to Mudra - a scheme to extend funding to the unfunded (Mudra Website).

Offerings or Products of MUDRA



Source: www.mudra.org.in

The role of MUDRA Bank in Supporting MSMEs

Microfinance serves as a means of economic development that seeks to offer income-generating opportunities for those at the lower end of the economic scale. MUDRA Bank plays a vital role in this context, which includes...

- Laying down policy guidelines for micro units financing business.

- Registration, supervision, accreditation or rating of MFIs.
- Providing credit up to ten lakh Rupees to small entrepreneurs benefits small manufacturing units, shopkeepers, and fruit and vegetable sellers in rural and urban areas.
- Overseeing the operations of microfinance institutions and being responsible for refinancing MFIs in lending to small entities.

- Promoting the right technology solutions to micro businesses under the scheme of Pradhan Mantri MUDRA Yojana.
- Facilitating sectoral development and promotional initiatives.
- Designing and implementing a credit guarantee program aimed at micro-enterprises.
- Developing lending guidelines for micro-finance institutions so that small businesses do not face hardships due to over-indebtedness while ensuring a fair repayment environment.

Review of Literature

P Govindaraj and N Gopalsamy (2020) titled "Critical review of Pradhan Mantri Mudra Yojana (PMMY) in non-banking financial companies" examines the performance of the Mudra scheme since 2015 from the viewpoint of non-banking financial companies, pointing out the challenges faced in recovering Mudra loans issued by these entities and the defaults encountered in loan recovery. The research identified business failures, improper lending practices, inadequate credit assessments, and intentional defaults by borrowers as the primary reasons for difficulties in loan recovery.

Ganagadharappa. N (2019) in the article "Role of MSMEs in Employment Generation in Chikkaballapur District," highlights the significance of MSMEs both in India and at the local level. To fulfill these objectives, primary data was

gathered from various MSME enterprises within the Chikkaballapur district, while secondary data was sourced from multiple agencies including the District Industries Center, Department of Industry and Commerce, Government of Karnataka, along with books and journals. The study revealed that there were a total of 2245 registered MSME units, with employment growth reaching 43.65% from 2007-08 to 2015-16 in the Chikkaballapur district. Ultimately, the MSME sector is crucial for economic growth, particularly when local rural resources are utilized effectively, offering significant employment opportunities.

Varsha et al. (2018) article titled "Role and Contribution of Commercial Banks in fulfilling funding requirement of MSMEs of Himachal Pradesh," examined how commercial banks contribute to loan provision for the MSME sector and the various factors influencing bankers' risk perception regarding MSME financing through analysis of both primary and secondary data. Primary data was obtained via structured questionnaires and personal interviews, while secondary information was sourced from reports of State-level banker's committees, journals, statistical surveys, and other resources. The results of the study indicate that there is no significant difference in risk perception between public and private sector banks; however, notable differences exist in the lending practices of these two types of banks. Ultimately, it came to the conclusion that commercial banks have

been aggressively attempting to close the credit gap in MSME financing by offering sufficient funding in the form of working capital, lease financing letters of credit, loans, and other forms of financing.

Vipul Bansal et al. (2019) assess the PMMY Yojana using the SWOT analysis parameters and examine the effects of the Pradhan Mantri Mudra Yojana on the schemes provided to small businesses. Secondary data, including annual reports from the Government of India and the official website of Mudra, were used in the study. PMMY's performance is broken down by region, lending institution, loan category, and caste. According to the findings, public sector banks have 36% sanctioned loan accounts, the Shishu plan has 88% sanctioned loan accounts, and the south area has the biggest share at 30%. The scheme's main advantage is that it functions similarly to a lender of last resort for tiny, unorganized, informal, and non-corporate businesses. The public's continued ignorance of the program is its vulnerability, and the scheme's disagreements between several governing bodies pose a threat. Ultimately, it came to the conclusion that the Mudra plan will not only meet financial demands but also encourage the next generation of entrepreneurs to pursue entrepreneurship. As a result, this scheme's financial inclusion of MSMEs is revolutionary in the financial sector and will strengthen the Indian economy going forward.

Basavaraja Eliganur (2020), examines the various government-established

financial inclusion programs and assesses PMMY's success using these programs in the Ballari district. The following were the study's conclusions: 1. It was discovered that the majority of regional rural banks took part, and they outperformed the private sector banks, which had the lowest performance. 2. Shishu loans are the only ones offered by the majority of institutions. According to the study, banks should raise awareness of the PMMY plan in metropolitan areas and promote it to other financial institutions. Ultimately, it came to the conclusion that a country with the largest population, such as India, cannot provide work possibilities to every government. However, a program such as PMMY will assist in offering options for self-employment among the unemployed.

In Gampala Prabhakar's (2017) article titled "Impact of Credit Programs on Performance of Micro and Small Enterprises in Telangana State", examines the financing options accessible to micro and small businesses. The study's primary goals were to find out what obstacles MSEs in Telangana experience while trying to obtain loans from banks and other financial organizations, as well as to investigate the impact of credit, loan repayment problems, and loan utilization capacity. The field survey approach is used to gather the primary data. According to the report, there are more notable variations among the variables for credit-based micro and small businesses, including issues with loan acceptance and EMI repayment. However, there are no

appreciable variations in the loan usage capacities of the same MSEs. The study came to an end. According to the study's findings, MSEs are not treated fairly by banks when loans are sanctioned, and they do not adhere to the same protocols when loan payback is due. In addition, the study examined how credit affected MSE development and found that credit programs in Telangana had no greater impact on performance development. The report suggested that existing credit programs be reviewed immediately in order to update and redesign them in accordance with contemporary trends.

Research Gap

According to a review of the literature, the PMMY system in India, especially in Karnataka, has been the subject of numerous researches. However, there is no proof that the object and scope of the topic were not examined in the Shivamogga District, Karnataka, which was selected for the current study. Thus, in light of this, the current study aims to investigate recipients' perceptions of the PMMY program.

Objectives

1. To understand the PMMY scheme's role and responsibilities
2. To investigate beneficiaries' perceptions of the PMMY program.

Hypothesis

H0: There is a negative perception of the PMMY scheme among its beneficiaries.

H1: "There is a positive perception of the PMMY scheme among its beneficiaries."

Research Methodology

Source of Data

Primary as well as secondary data sources are used in the study. Questionnaires and interviews with Pradhan Mantri Mudra Scheme beneficiaries are employed as primary data sources during field visits. A five-point Likert scale will be used in the questionnaire, and secondary sources were gathered from publications such as journals, newspapers, magazines, Mudra websites, Mudra reports, and bulletins.

Sampling

The study employed a simple random sampling method to select a representative sample from beneficiaries of the Mudra Scheme in Shivamogga District, comprising 384 respondents.

Statistical Tools and Techniques

Primary data is analyzed using MS Excel software and SPSS. The statistical analysis includes frequencies and percentages, and a t-test is used to test the hypothesis.

Reliability Analysis

The purpose of the reliability test was to confirm the accuracy and consistency of the study's instrument. Cronbach's Alpha was 0.606 and there were 10 items, which was deemed sufficient according to the reliability analysis. The tool's reliability is shown by its ' α ' score.

Scope of the Study

The perception of the PMMY plan among its beneficiaries in Shivamogga

District is the primary focus of the current study. Finding out how the PMMY scheme is perceived is the functional scope.

Data Analysis, Interpretation and Results.

Table 1: Demographic details of PMMY Beneficiaries.

Variable		F	%
Gender	Male	243	63
	Female	141	37
	Total	384	100
Age (in years)	18-30	190	49
	31-40	90	23
	41-50	69	18
	51-60	26	7
	60 & above	9	2
	Total	384	100
Education	Illiterate	65	17
	Primary	60	16
	High School	59	15
	PUC/ ITI	40	10
	Graduate	67	17
	Post-Graduate	93	24
	Total	384	100
Religion	Hindu	352	92
	Muslim	28	7
	Jain	1	0.3
	Others	3	0.8
	Total	384	100

Social Group	SC	86	22
	ST	61	16
	OBC	164	43
	Minorities	28	7
	Others	45	12
	Total	384	100
Marital Status	Married	227	59
	Unmarried	145	38
	Widowed	10	2
	Divorced	2	0.5
	Total	72	100
Family type	Nuclear	263	68
	Joint	89	23
	Single	31	8
	Others	1	0
	Total	384	100
	Family background	Agriculture	222
Industry		19	5
Business		95	25
Profession		23	6
Others		25	7
Total		384	100

Source: Primary data.

Table one reveals the demographic details of PMMY Beneficiaries. Gender: Males dominate the sample (63%), while females comprise 37%. Age: The majority (49%) are between 18-30 years old, indicating a strong presence of young entrepreneurs. Education: The sample is relatively educated, with 17% graduates and 24% post-graduates. Religion: Hindus comprise 92% of the sample, while Muslims account for 7%. Social Group:

Other Backward Classes (OBCs) dominate the sample (43%), followed by Scheduled Castes (SCs) and Scheduled Tribes (STs).

Socio-Economic Analysis, Marital Status: Married respondents account for 59%, while unmarried respondents comprise 38%. **Family Type:** Nuclear families dominate the sample (68%), followed by joint families (23%). **Family Background:** Agricultural backgrounds dominate the sample (58%), followed by business families (25%).

Key Observations: Youthful Population: The sample has a high proportion of young entrepreneurs, indicating a promising future for entrepreneurship in the region. **Educational Attainment:** The sample is relatively educated, which could contribute to their entrepreneurial success. **Social Group Diversity:** The sample represents a diverse range of social groups, indicating inclusivity in entrepreneurship opportunities. **Agricultural Background:** The dominance of agricultural backgrounds suggests that entrepreneurship is a viable option for rural communities.

Implications: Policy Support: Policymakers should continue to support entrepreneurship initiatives, particularly among young entrepreneurs and rural communities. **Education and Training:** Educational institutions and training programs should focus on developing entrepreneurial skills and knowledge.

Inclusive Entrepreneurship: Efforts should be made to promote inclusive entrepreneurship, ensuring equal opportunities for entrepreneurs from diverse social groups. **Rural Development:** Entrepreneurship initiatives should be tailored to address the specific needs of rural communities, promoting agricultural entrepreneurship and rural development.

Table 2: Nature of Establishment/ Undertaking

Nature of Establishment	F	%
Proprietorship	231	60
Partnership	32	8
HUF	9	2
Private limited Company	19	5
Self Help Groups	60	16
Others	33	9
Total	384	100

Source: Primary Data.

Table two gives information about the Nature of Establishment or Undertaking of Mudra beneficiaries'. With 60% of the sample being proprietorships, this is the most prevalent type of business structure. This implies that the majority of business owners in the area would rather work as sole proprietors. Only 8% of the sample is made up of partnerships, suggesting that institutions based on partnerships are not very common. Hindu Undivided Families (HUFs) and Private Limited Companies Private limited companies make up 2% and 5% of the sample, respectively, suggesting that both establishment types

are not very common. Self-Help Groups (SHGs) make up 16% of the sample, indicating a high level of entrepreneurial activity in the community. Others: Nine percent of the sample falls into the

"Others" group, suggesting the existence of additional establishment types, including such as cooperatives, trusts, or non-profit organizations.

Table 3: Broad Economic Activity

Broad Economic Activity	F	%
Manufacturing	74	19
Services	102	27
Allied agriculture	84	22
Trading	98	26
Others	26	7
Total	384	100

Source: Primary Data.

Table three explores the broad economic activity of Mudra Scheme beneficiaries. 26% respondents' broad economic activity is trading, 27% of respondents' broad economic activity is Services, 22% of respondents' broad economic activity is allied agriculture like poultry farming, dairy farming, etc., and 19% of respondents' broad economic activity is manufacturing. The following implications to encourage growth and development, policymakers and support groups should give the services sector specific support. Measures to encourage agricultural development and assist firms engaged in allied agriculture should be put into place. Efforts ought to be made to encourage trading firms and facilitate trade activity. To encourage economic diversification and lessen reliance on a

particular industry, policymakers should create policies.

The table four analyzes the Perception of mudra scheme among beneficiaries about various factors. Helpful for Microbusinesses and Startups: According to above table 85% of respondents (agree + strongly agree), the Mudra initiative helps microbusinesses and startups. Lessens Dependence on Informal Financial Institutions: According to above table 54% of respondents, the Mudra system lessens reliance on unofficial financial institutions (agree + strongly agree). Creates Jobs: According to above table 59% of respondents (agree + strongly agree), the Mudra plan contributes to job creation in the nation.

Effective Policy: According to above table 54% of respondents (agree + strongly agree), the Mudra plan is a good way to

Table 4: Perception of Mudra Scheme among Beneficiaries (In Numbers and Percentages)

Sl.No	Factors		SD	D	N	A	SA	Total
1	Mudra scheme is beneficial for Micro Industry/ start -ups	N	25	48	138	153	20	384
		%	7	13	36	40	5	100
2	Mudra scheme helps to reduce dependence on Informal financial institutions like private money lenders.	N	12	61	104	136	71	384
		%	5	15	25	31	23	100
3	Mudra scheme helps to provide employment in Country	N	25	61	72	134	92	384
		%	7	16	19	35	24	100
4	Mudra scheme is an effective policy to solve financial problems of Micro industry in country	N	20	59	97	119	89	384
		%	5	15	25	31	23	100
5	Mudra scheme helps in improving economic growth of the country.	N	27	40	79	131	107	384
		%	7	10	21	34	28	100
6	Mudra scheme will increase the confidence of Young entrepreneurs	N	18	44	60	112	150	384
		%	5	11	16	29	39	100
7	Mudra scheme helps to access formal banking system	N	29	70	133	115	37	384
		%	8	18	35	30	10	100
8	Mudra scheme focuses on weaker sections of the society	N	12	70	74	148	80	384
		%	3	18	19	39	21	100
9	Mudra scheme helps to create a saving habit	N	28	31	96	128	101	384
		%	7	8	25	33	26	100
10	Mudra scheme helps to bring financial literacy among beneficiaries/ entrepreneurs	N	8	39	55	134	148	384
		%	2	10	14	35	39	100

Source: Primary Data.

address the financial issues facing microbusinesses. Enhances Economic Growth: According to above table 62% of respondents (agree + strongly agree), the Mudra scheme contributes to the nation's improved economic growth. The following areas should be improvise i.e. Mudra scheme does not facilitate access to the formal banking system, according to 40% of respondents (neutral + disagree + strongly disagree). Financial awareness: 26% of respondents (neutral + disagree + strongly disagree) believe that participants of the Mudra plan do not benefit from

increased financial awareness. The following Implications should be made Policymakers should prioritize enhancing beneficiaries' access to formal banking institutions and encouraging financial literacy. Implementing Agencies should make sure that the Mudra plan is implemented effectively while attending to the requirements and concerns of the beneficiaries. Beneficiaries should actively participate in the Mudra scheme's execution and be aware of its advantages and limits.

Hypothesis testing

Table 5: One sample T –test results

Overall Perception level of PMMY scheme among beneficiaries							
Variable	Mean	Mean difference	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)	Decision Made (Null)
Overall Perception level	3.56	0.565	0.720	0.037	15.369	0.000	Rejected
Test value 3, at 95 % confidence interval, n= 384 and df = 383							

Source: SPSS out put

Table five explores the one-sample t-test results of the Overall Perception level of the mudra scheme among beneficiaries: Mean value is 3.56, indicating a positive perception. The mean difference between the observed mean and the test value (3) is 0.565, which is statistically significant. The standard deviation of the overall perception level is 0.720, indicating a moderate level of variation. The standard

error of the mean is 0.037, which is relatively small. The t-statistic is 15.369, which is statistically significant at the 0.05 level. 6. The p-value is 0.000, indicating that the null hypothesis can be rejected and H_1 is accepted. This suggests that the beneficiaries have a significantly positive perception of the PMMY scheme.

Findings of the study

1. The result shows that a majority, 63%, are Male entrepreneurs.
2. The study reveals that the Majority (49%) of beneficiaries are in the 18 - 30 age group.
3. The study reveals that 92% of respondents comprise of Hindus.
4. The study reveals that 24% of respondents were post-graduates.
5. The study highlights that 43 % of the respondents were OBC community, majority beneficiaries are from the social group of other backward classes.
6. The study highlights Married respondents account for 59% and Nuclear families dominate the sample of 68%.
7. The result of the study highlights that 60% of entrepreneurs' nature of establishment is a proprietorship or single owner.
8. The study reveals that 27% of respondents' broad economic activity is service sector.
9. Overall, the one-sample t-test indicated that "there is a positive perception about the PMMY scheme among its beneficiaries."

Conclusion

The Mudra scheme will not only fulfill the monetary needs but also help boost the morale of the new generation of entrepreneurs to become entrepreneurs. Therefore, the financial inclusion of MSMEs through this scheme acts as a

game changer in the financial market and will boost the Indian Economy in Future. Despite a vast banking network in India, many micro units are outside the formal banking sector. Most of the beneficiaries in the study disagree with the statement that the Mudra scheme helps to access the formal banking system. Therefore, policymakers need to improve the scheme in this aspect. Policymakers should continue to support entrepreneurship initiatives, particularly among young entrepreneurs and rural communities. Educational institutions and training programs should focus on developing entrepreneurial skills and knowledge. Efforts should be made to promote inclusive entrepreneurship, ensuring equal opportunities for entrepreneurs from diverse social groups. Entrepreneurship initiatives should be tailored to address the specific needs of rural communities, promoting agricultural entrepreneurship and rural development. Finally, the study concluded that there is a positive perception of the PMMY scheme among its beneficiaries.

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