



Research Paper

Financing Challenges for Startups under the Pradhan Mantri Mudra Yojana (PMMY)

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Abstract

This study investigates the experiences of 100 startup entrepreneurs in Ramgarh Shekhawati, Sikar district, Rajasthan, who applied for or availed loans under the Pradhan Mantri Mudra Yojana (PMMY) during its initial phase (2015–2016). Using purposive sampling, respondents were selected across loan categories (Shishu, Kishore, Tarun), sectors (retail, services, small-scale manufacturing), and gender. The study assesses loan accessibility, utilization patterns, procedural challenges, and perceived effectiveness. Findings reveal that PMMY successfully enabled credit access, particularly for young and female entrepreneurs, with most loans utilized for working capital. However, respondents reported procedural delays, inconsistent eligibility interpretation, limited financial literacy, and challenges in scaling businesses due to insufficient loan amounts. Repayment adherence was higher among women, highlighting gender dynamics in financial behavior. The study underscores the need for complementary financial literacy programs, streamlined processes, and enhanced bank support to improve PMMY's impact on sustainable startup growth in semi-urban areas.

Keywords

PMMY, Startup Entrepreneurs, Financial Inclusion, Loan Utilization, Repayment Behavior, Financial Literacy, Rajasthan

I. Background

Micro, small, and medium enterprises (MSMEs) are widely recognized as the backbone of India's economy, contributing significantly to employment generation, poverty reduction, and overall economic development (Rao & Kumar, 2014). Startups, as a subset of MSMEs, play a crucial role in fostering innovation, creating market linkages, and driving localized economic growth (Gupta & Sharma, 2015). However, one of the most persistent challenges confronting startups in India has been **access to adequate and timely finance**. Traditional banking institutions often perceive startups as high-risk ventures due to their lack of collateral, limited operational history, and unproven business models. This credit gap has historically forced entrepreneurs to rely on informal sources of finance, including family, friends, and moneylenders, often at exorbitant interest rates (Chakraborty & Roy, 2015). In response to these structural challenges, the Government of India introduced the **Pradhan Mantri Mudra Yojana (PMMY)** in April 2015 with the aim of expanding formal credit access to micro and small enterprises. The scheme operates through banks, non-banking financial companies (NBFCs), and microfinance institutions (MFIs), offering **collateral-free loans under three categories**: Shishu (up to ₹50,000), Kishore (₹50,001–₹5 lakh), and Tarun (₹5 lakh–₹10 lakh). This tiered approach intends to support entrepreneurs at different stages of business development, ranging from nascent startups to growing small enterprises (Government of India, 2015). The PMMY represents a convergence of India's **financial inclusion agenda and entrepreneurship promotion**, aligning with national priorities such as the Startup India initiative, which encourages innovation and self-employment. Given the pivotal role of MSMEs in employment generation—accounting for approximately 45% of India's total manufacturing output and nearly 40% of exports—ensuring adequate financing mechanisms for startups is essential for inclusive growth and long-term economic sustainability (MSME Annual Report, 2015–16).

II. Financing Challenges for Startups

Despite the policy intent, startups continue to face **multiple financing challenges**, even under PMMY. One major barrier is the **lack of formal credit history**, which limits banks' ability to assess risk accurately (Reddy & Naik, 2015). Many first-time entrepreneurs do not maintain audited accounts or have verifiable financial records, making them ineligible for conventional lending. Another critical challenge is **low financial literacy**,

particularly in semi-urban and rural areas where a significant proportion of Mudra loan beneficiaries reside. Limited understanding of credit terms, repayment obligations, and interest rate structures often results in underutilization or mismanagement of loan funds (Sharma, 2016). Procedural complexities also act as significant impediments. Although PMMY aims to simplify access, field-level observations indicate that many entrepreneurs encounter bureaucratic hurdles, including lengthy documentation requirements, delays in loan processing, and inconsistent interpretation of eligibility criteria by bank branches (Kumar & Singh, 2016). Additionally, risk-averse lending behavior among financial institutions—motivated by concerns about non-performing assets (NPAs)—restricts the scale and frequency of disbursed loans, especially in underbanked regions (Patel, 2015). Informal credit alternatives continue to coexist alongside formal channels, underscoring the **limitations of PMMY in achieving comprehensive financial inclusion**. While Mudra loans provide collateral-free options, the loan amounts under the Shishu category often remain insufficient for capital-intensive startups, compelling entrepreneurs to combine multiple funding sources, which increases transaction costs and operational complexity (Gupta, 2015).

III. Policy Context and Rationale

The introduction of PMMY in 2015 must be understood within the broader **financial inclusion and entrepreneurship policy framework** of India. The government's objective was twofold: to facilitate access to formal credit for micro-enterprises and to promote self-employment among youth and women. By channeling funds through banks and MFIs, the scheme leverages existing financial infrastructure while incentivizing outreach to underserved sectors (RBI Report, 2015). Startups, particularly in rural and semi-urban regions, were identified as a priority segment due to their limited visibility in mainstream financial systems. The rationale behind PMMY also aligns with the **priority sector lending (PSL) norms** mandated by the Reserve Bank of India, which require banks to allocate a defined portion of their lending portfolio to MSMEs and other socially relevant sectors (RBI, 2015). The scheme thus represents an integrated attempt to **combine policy directives with financial innovation**, addressing both supply-side and demand-side constraints in credit markets.

IV. Objectives of the Study

This evaluation seeks to examine the **financing challenges faced by startups under PMMY during its initial phase (2015–2016)**. The specific objectives include:

1. To analyze the accessibility and utilization patterns of Mudra loans among startups.
2. To identify institutional and procedural barriers in loan disbursement.
3. To evaluate the adequacy of PMMY loan categories in meeting startup financing requirements.
4. To assess the role of financial literacy and awareness in influencing loan uptake.
5. To provide policy recommendations for enhancing the effectiveness of PMMY in supporting nascent enterprises.

V. Significance of the Study

Evaluating PMMY's impact on startup financing holds **practical and academic relevance**. From a policy perspective, understanding the barriers and constraints can inform refinements in loan products, procedural simplifications, and targeted outreach programs. Academically, the study contributes to the growing body of literature on microfinance-led entrepreneurship development in India, particularly focusing on the early-stage performance of government schemes (Chakraborty, 2016). Moreover, the study aligns with the national priorities of **employment generation and financial inclusion**, providing insights into how collateral-free credit instruments can be optimized to stimulate innovation, enhance competitiveness, and foster sustainable business growth. Given the nascent stage of PMMY during 2015–2016, this evaluation serves as a **baseline assessment**, offering evidence-based feedback for policymakers and financial institutions alike.

VI. Scope and Delimitation

The scope of this study is limited to **startups that availed Mudra loans during the first year of PMMY's implementation (April 2015–March 2016)**. The research primarily focuses on urban, semi-urban, and rural regions where startup density is significant, incorporating case studies, field surveys, and secondary data from banks and MFIs. The study does not extensively cover larger MSMEs or non-banking credit channels outside the PMMY framework. Additionally, while the research emphasizes financing challenges, broader entrepreneurial factors such as market competition, regulatory compliance, and technological adoption are discussed only in relation to their impact on credit utilization.

VII. Theoretical Framework

The evaluation draws on **financial inclusion and credit rationing theories** to understand the dynamics of startup financing under PMMY. According to Stiglitz and Weiss (1981), credit rationing arises when financial

institutions limit lending to borrowers who are perceived as high-risk, despite their willingness to pay higher interest rates. In the context of PMMY, startups often face such rationing due to lack of collateral, limited credit history, and uncertain revenue streams. The study also incorporates principles from the **microfinance empowerment framework**, which posits that access to formal credit enhances entrepreneurial capacity, promotes self-reliance, and fosters socio-economic development (Ledgerwood, 2013). By integrating these theoretical perspectives, the research assesses the extent to which PMMY mitigates traditional barriers, facilitates credit flow, and contributes to the creation of a more inclusive startup ecosystem in India.

VIII. Review of Literature

Access to finance has been recognized as a critical determinant of entrepreneurial success and sustainability in developing economies, including India. Numerous scholars have highlighted that micro, small, and medium enterprises (MSMEs) often face structural and institutional barriers when attempting to secure formal credit, largely due to their limited collateral, insufficient credit history, and perceived high risk (Chakraborty & Roy, 2015; Gupta & Sharma, 2015). The seminal work of Stiglitz and Weiss (1981) on credit rationing provides a theoretical underpinning for understanding these constraints, suggesting that even solvent borrowers may be denied loans if financial institutions perceive the risk-return profile as unfavorable. Empirical evidence from India confirms that small enterprises frequently rely on informal borrowing from family, friends, and local moneylenders, which can involve exorbitant interest rates and limit the capacity for scaling operations (Reddy & Naik, 2015). Such dynamics underscore the critical importance of government interventions designed to bridge the credit gap and promote financial inclusion. The Pradhan Mantri Mudra Yojana (PMMY), launched in 2015, represents one of the most prominent policy initiatives aimed at enhancing access to finance for micro-enterprises, including startups. The scheme provides collateral-free loans under three categories: Shishu (up to ₹50,000), Kishore (₹50,001–₹5 lakh), and Tarun (₹5 lakh–₹10 lakh), thereby targeting enterprises at varying stages of development (Government of India, 2015). Early assessments of PMMY indicate that the program has significantly expanded credit outreach to previously underserved populations, particularly in semi-urban and rural areas (Subramanian, 2016). The scheme aligns with broader national priorities, including employment generation, financial inclusion, and the formalization of informal businesses. Studies suggest that collateral-free loans not only increase the likelihood of startups obtaining credit but also facilitate entrepreneurial growth by enabling investment in essential infrastructure, technology, and working capital (Ledgerwood, 2013; Sharma, 2016).

However, while PMMY's design demonstrates promise, empirical research highlights persistent challenges in its operational implementation. Kumar and Singh (2016) note that procedural complexities, including documentation requirements and inconsistent interpretations of eligibility criteria across bank branches, often impede timely loan disbursement. Entrepreneurs, particularly first-time borrowers, frequently report difficulties in navigating bureaucratic processes and understanding loan terms, resulting in underutilization or mismanagement of funds. Moreover, risk-averse lending practices by financial institutions, motivated by concerns over non-performing assets (NPAs), constrain both the scale and frequency of loan disbursement (Patel, 2015). These findings suggest that while PMMY reduces the collateral barrier, institutional and procedural factors continue to restrict its effectiveness in promoting inclusive entrepreneurship. Financial literacy emerges as another critical factor influencing the success of startup financing under PMMY. Research indicates that many micro-entrepreneurs, particularly in rural and semi-urban areas, possess limited knowledge of formal banking procedures, interest rate structures, and repayment obligations (Sharma, 2016; Tiwari, 2015). Consequently, even when loans are approved, inadequate understanding may lead to defaults or suboptimal allocation of funds, undermining the program's objectives. The interaction between financial literacy and credit utilization is particularly significant for startups, which are inherently more vulnerable due to their nascent operational structures and limited revenue streams. As a result, complementary interventions, such as capacity-building programs, financial education workshops, and personalized guidance from banks or MFIs, are critical to maximize PMMY's impact (Yadav & Joshi, 2015). Several studies also examine the adequacy of loan amounts under PMMY in addressing startup financing needs. While the Shishu category provides essential seed funding, it may be insufficient for capital-intensive ventures requiring machinery, raw materials, or marketing investment (Gupta, 2015; Singh, 2015). In such cases, startups often combine Mudra loans with informal credit sources, which increases financial complexity and transaction costs. The Kishore and Tarun categories partially address the scaling needs of growing enterprises, but procedural delays and risk-averse lending behavior continue to limit access to higher-value loans. These observations underscore the importance of aligning loan structures with the practical financing requirements of startups across different sectors and geographies.

In addition to operational and financial challenges, demographic and socio-economic factors influence access to PMMY loans. Studies indicate that women entrepreneurs, while increasingly represented among Mudra loan beneficiaries, often face gender-specific barriers, including limited collateral ownership, social norms restricting mobility, and lower levels of financial literacy (Chakraborty, 2016; Venkatesh & Prasad, 2015). Similarly, rural entrepreneurs encounter additional constraints due to limited banking infrastructure, transportation

challenges, and inadequate exposure to information about available schemes. These findings suggest that policy interventions must account for heterogeneity among startup populations and implement targeted strategies to ensure equitable access to credit. Finally, existing literature emphasizes the need for longitudinal evaluation of PMMY to capture its sustained impact on startup development. Early studies primarily focus on disbursement trends and immediate accessibility, with limited evidence regarding long-term repayment performance, business survival rates, or entrepreneurial growth (Subramanian, 2016; Zaveri, 2016). Given that startups often require sustained financial and technical support over multiple years, continuous monitoring and evaluation are essential to assess the program's effectiveness in fostering a robust entrepreneurial ecosystem. The literature indicates that PMMY represents a landmark initiative in facilitating startup financing through collateral-free loans and tiered credit products. While early evidence demonstrates expanded access and initial success in promoting formal credit utilization, persistent challenges—including procedural inefficiencies, risk-averse lending practices, insufficient loan amounts, and limited financial literacy—continue to constrain the program's impact. Moreover, demographic and socio-economic factors further complicate credit access, particularly for women and rural entrepreneurs. This review highlights the need for empirical research examining the effectiveness of PMMY in addressing startup financing challenges during its initial implementation phase, thereby providing evidence-based insights for policy refinement and improved program design.

IX. Methodology

This study adopts an **empirical approach** to evaluate the financing challenges faced by startups under the Pradhan Mantri Mudra Yojana (PMMY) during its initial phase (2015–2016). The research employs a **mixed-method design**, integrating both quantitative and qualitative data sources to provide a comprehensive assessment of the program's effectiveness. The methodology is structured to capture both macro-level trends in loan disbursement and micro-level experiences of startup entrepreneurs, ensuring a holistic understanding of credit accessibility, utilization patterns, and institutional barriers. **Data sources** include both primary and secondary datasets. Secondary data is obtained from official government publications, including PMMY loan disbursement reports, Reserve Bank of India (RBI) priority sector lending statistics, and microfinance institution records. These sources provide information on the volume, category, and geographic distribution of loans, enabling identification of patterns and trends in credit accessibility. Additionally, relevant research studies, policy reports, and academic publications are reviewed to contextualize the findings and situate them within the broader literature on startup financing and financial inclusion.

Primary data collection involves **structured surveys and semi-structured interviews** with startup entrepreneurs who availed PMMY loans during the first year of implementation. The sample is selected using a purposive sampling strategy to ensure representation across different loan categories (Shishu, Kishore, Tarun), geographic locations (urban, semi-urban, rural), and sectors of enterprise activity (manufacturing, services, retail). Entrepreneurs are interviewed regarding their experiences with loan application procedures, documentation requirements, bank interactions, loan utilization, repayment practices, and perceived challenges. These qualitative insights are essential to understand procedural barriers, institutional constraints, and the influence of financial literacy on loan effectiveness. The **identification strategy** for assessing the impact of PMMY on startup financing draws on cross-sectional variation in loan access. By comparing startups that successfully obtained Mudra loans with those that applied but faced delays or rejections, the study examines factors influencing loan accessibility and the differential experiences across demographic and socio-economic groups. Key variables include loan amount, processing time, collateral requirements, financial literacy, gender, and geographic location. Quantitative analysis employs descriptive statistics to summarize trends in loan uptake and disbursement patterns, while correlation and cross-tabulation techniques are used to identify relationships between institutional practices and startup characteristics. Qualitative data from interviews are analyzed using **thematic content analysis**, which identifies recurring patterns, procedural bottlenecks, and perceived challenges in accessing and utilizing PMMY loans. This approach facilitates triangulation with quantitative findings, enabling a nuanced understanding of both systemic and individual-level factors affecting startup financing. Ethical considerations, including informed consent, confidentiality, and voluntary participation, are strictly adhered to throughout the data collection process.

Table 1: Gender Distribution of PMMY Respondents

Gender	Number of Respondents (N=100)	Percentage (%)	Observations
Male	60	60%	Higher participation of men, though women also significantly represented.
Female	40	40%	Reflects inclusive outreach under PMMY.

This table presents the gender composition of the 100 respondents participating in PMMY in Ramgarh Shekhawati, Sikar, Rajasthan. The data indicates that men formed the majority of respondents at 60%, while women represented 40% of participants. The substantial female participation reflects PMMY's efforts to be inclusive and encourage women entrepreneurs. Gender-targeted outreach programs might have contributed to this balanced representation, though male dominance suggests scope for further enhancement of female participation.

Table 2: Age Group of Respondents

Age Group	Number of Respondents (N=100)	Percentage (%)	Observations
25–35 years	55	55%	Majority are young entrepreneurs starting new ventures.
36–45 years	30	30%	Mid-career entrepreneurs.
Above 45 years	15	15%	Experienced individuals starting new enterprises.

This table shows the age distribution of respondents, categorized into three groups. Young entrepreneurs (25–35 years) dominate the PMMY participation, comprising more than half the respondents. This indicates a high level of interest among youth in initiating micro-enterprises. Mid-career and older entrepreneurs together account for 45%, highlighting that PMMY also supports experienced individuals. Programs for capacity building may need to be tailored differently for these age groups to enhance loan success and sustainability.

Table 3: Education Level of Respondents

Education Level	Number of Respondents (N=100)	Percentage (%)	Observations
Primary	25	25%	Limited literacy, may impact understanding of loan terms.
Secondary	40	40%	Moderate financial literacy.
Undergraduate	35	35%	Higher financial awareness and better loan utilization.

This table presents the respondents' educational qualifications, showing their literacy and potential financial literacy levels. Respondents with secondary and undergraduate education collectively represent 75% of participants, suggesting moderate to high capacity for understanding loan procedures. Those with primary education (25%) may face challenges in comprehending loan terms, indicating a need for simplified loan guidance and financial literacy training. Educational attainment appears to correlate with more effective loan utilization and repayment behavior.

Table 4: Loan Categories Under PMMY

Loan Category	Number of Respondents (N=100)	Percentage (%)	Observations
Shishu (≤₹50,000)	50	50%	Widely used for small retail and service ventures.
Kishore (₹50,001–₹5 lakh)	35	35%	Used by growing micro-enterprises needing moderate capital.
Tarun (₹5–10 lakh)	15	15%	Larger startups or capital-intensive businesses.

This table details the distribution of respondents by loan categories under PMMY. Shishu loans, being small-scale, are the most popular, accounting for half of respondents, reflecting the demand for seed funding for micro-enterprises. Kishore and Tarun loans are utilized less frequently, indicating a smaller number of entrepreneurs seeking moderate to large capital. Financial support structures could focus on improving awareness and accessibility of higher-value loans for scaling up micro-businesses.

Table 5: Sector of Enterprise

Sector of Enterprise	Number of Respondents (N=100)	Percentage (%)	Observations
Retail	45	45%	Small shops, general stores, tailoring units.
Services	35	35%	Repair services, coaching centers, small IT/consultancy.
Manufacturing	20	20%	Small-scale production units, handicrafts, agro-processing.

This table classifies respondents based on the sector of their enterprise. Retail enterprises dominate, followed by service-oriented businesses, reflecting the relatively low capital requirement and ease of entry in these sectors. Manufacturing businesses are fewer, suggesting a need for higher capital and technical knowledge. Policy measures could provide additional support for manufacturing and value-added ventures to diversify economic activities under PMMY.

Table 6: Loan Utilization Patterns

Loan Utilization	Number of Respondents (N=100)	Percentage (%)	Observations
Working Capital	70	70%	Purchase of raw materials, inventory, operational costs.
Fixed Assets	20	20%	Machinery, tools, shop renovation.
Marketing Expansion	10	10%	Advertising, branding, reaching new markets.

This table presents the primary purposes for which PMMY loans were utilized. Most respondents (70%) utilized loans for working capital, reflecting the immediate operational needs of small businesses. Investment in fixed assets and marketing is limited, suggesting constraints in scaling or expansion. Training in strategic utilization of loans could encourage more balanced allocation toward long-term business growth.

Table 7: Loan Accessibility Challenges

Challenge	Number of Respondents (N=100)	Percentage (%)	Observations
Delays in processing	45	45%	Documentation and procedural hurdles were major bottlenecks.
Additional undocumented requirements	30	30%	Bank requests beyond official PMMY guidelines.
Rejections due to perceived risk	10	10%	Reflects residual risk-aversion of banks.

This table highlights respondents' reported challenges in accessing PMMY loans. Processing delays and undocumented requirements are the most significant barriers, affecting 75% of respondents. Bank risk-aversion accounts for fewer rejections, indicating general accessibility. Streamlining documentation and improving bank training can reduce procedural bottlenecks, improving loan uptake.

Table 8: Repayment Behavior of Respondents

Repayment Behavior	Number of Respondents (N=100)	Percentage (%)	Observations
Timely repayment	60	60%	Majority adhered to schedules.
Delayed repayment	25	25%	Seasonal income fluctuations affected repayments.
Repayment difficulties	15	15%	Insufficient loan amounts or mismanagement caused delays.

This table shows the repayment patterns among PMMY borrowers. Most respondents (60%) repay loans on time, reflecting responsible borrowing behavior. Delays due to income fluctuations or mismanagement highlight the need for financial advisory support. Strengthening post-loan monitoring and mentoring could improve repayment rates further.

Table 9: Financial Literacy Levels

Financial Literacy	Number of Respondents (N=100)	Percentage (%)	Observations
High (full understanding)	40	40%	Better utilization and repayment.
Moderate (partial understanding)	35	35%	Some challenges in fund management.
Low (minimal understanding)	25	25%	High risk of mismanagement and repayment delays.

This table categorizes respondents based on their financial literacy levels. High financial literacy correlates with efficient loan utilization and timely repayment. Low literacy among 25% of respondents may impede proper loan use and repayment, highlighting the importance of financial education initiatives within PMMY.

Table 10: Additional Challenges Faced by Respondents

Additional Challenges	Number of Respondents (N=100)	Percentage (%)	Observations
Limited post-loan guidance	50	50%	Banks provided little follow-up support.
Difficulty accessing subsequent loans	35	35%	Risk assessment and documentation barriers.

This table reports additional challenges experienced by respondents beyond initial loan access. Half of the respondents faced limited post-loan guidance, affecting business growth and loan performance. Difficulty accessing subsequent loans for 35% reflects structural barriers in scaling enterprises. Strengthened mentorship, follow-up programs, and simplified re-loan procedures could enhance program effectiveness.

X. Result and interpretation

A survey was conducted among **100 startup entrepreneurs in Ramgarh Shekhawati, Sikar district, Rajasthan**, who had applied for or availed loans under the Pradhan Mantri Mudra Yojana (PMMY) during its initial phase (2015–2016). The respondents were selected using purposive sampling to ensure representation across different loan categories (Shishu, Kishore, and Tarun), sectors (retail, services, and small-scale manufacturing), and both genders. The primary objective was to assess accessibility, utilization patterns, procedural challenges, and perceived effectiveness of PMMY in addressing financing needs.

Among the **100 respondents**, 60% were male and 40% were female entrepreneurs. This distribution highlights a relatively higher participation of women in micro-entrepreneurship in the region, reflecting PMMY's focus on inclusive financial support. In terms of age, 55% of respondents were between 25–35 years, 30% were between 36–45 years, and 15% were above 45 years, indicating that most startup initiatives were led by young and early-career entrepreneurs. Educationally, 40% had completed secondary schooling, 35% held undergraduate degrees, while 25% had only primary-level education, suggesting varying levels of literacy and potential financial knowledge among the respondents.

Regarding **loan category distribution**, 50% of respondents had availed Shishu loans (up to ₹50,000), 35% had Kishore loans (₹50,001–₹5 lakh), and 15% had Tarun loans (₹5 lakh–₹10 lakh). This pattern aligns with national trends observed during PMMY's early implementation, where smaller loans were more accessible and widely utilized. The majority of Shishu loan recipients were engaged in retail and small-scale service activities, such as general stores, tailoring units, and local food businesses, while Kishore and Tarun loans were primarily utilized by manufacturing and larger service enterprises requiring higher capital investments.

Loan accessibility was one of the primary challenges reported by respondents. About 45% experienced delays in loan processing, often citing lengthy documentation requirements, multiple verification visits, and inconsistent interpretation of eligibility criteria across bank branches. Approximately 30% of respondents indicated that banks required additional documentation that was not specified in the PMMY guidelines, creating confusion and delaying disbursement. A smaller proportion, 10%, reported outright rejection of applications due to perceived risk, highlighting the presence of risk-averse lending practices even under a collateral-free scheme.

In terms of **loan utilization**, 70% of respondents used funds primarily for working capital, including purchase of raw materials, inventory, and day-to-day operational expenses. Around 20% invested in fixed assets such as machinery, tools, or shop renovations, while 10% utilized loans for marketing, branding, and expansion activities. These findings suggest that while PMMY facilitates immediate operational needs, the smaller Shishu loans often restrict investments in long-term business development or scaling.

Repayment behavior revealed that 60% of respondents adhered to scheduled repayments without default, while 25% reported delays primarily due to seasonal income fluctuations in agriculture-linked or retail activities. The remaining 15% faced difficulties in repayment due to inadequate initial loan amounts, poor financial planning, or unforeseen business expenses. Notably, female entrepreneurs displayed higher repayment discipline, with 70% completing installments on time, compared to 55% of male respondents, reflecting the role of gender dynamics in financial behavior.

Financial literacy and awareness emerged as significant determinants of loan effectiveness. About 40% of respondents demonstrated clear understanding of loan terms, interest rates, and repayment schedules, while 35% had partial understanding, and 25% had minimal awareness. Entrepreneurs with higher financial literacy were more likely to utilize funds effectively, repay on time, and plan for business growth, underscoring the importance of complementary training and guidance alongside PMMY loan disbursement.

Respondents also reported **challenges related to follow-up and support**. Nearly 50% indicated limited guidance from banks post-disbursement regarding fund management or expansion strategies, and 35% expressed difficulty in accessing additional loans for scaling their businesses, citing risk assessment and lack of financial documentation as constraints.

In conclusion, the sample analysis from Ramgarh Shekhawati demonstrates that PMMY has successfully expanded credit access to startups, particularly for women and young entrepreneurs. The scheme has enabled operational continuity, working capital support, and entrepreneurial initiation. However, procedural delays, limited financial literacy, inadequate loan amounts for scaling, and institutional bottlenecks continue to pose significant challenges. These findings suggest that policy refinements, targeted capacity-building programs, and improved bank-entrepreneur communication are necessary to enhance the effectiveness of PMMY in fostering sustainable startup growth in semi-urban and rural areas like Sikar district.

XI. Conclusion

The survey of 100 startup entrepreneurs in Ramgarh Shekhawati demonstrates that PMMY has significantly improved access to credit for small and micro enterprises, especially among women and young entrepreneurs. The program effectively addresses immediate operational financing needs, primarily working capital, which supports business initiation and continuity. Nonetheless, procedural bottlenecks—including delayed disbursement, unclear documentation requirements, and inconsistent bank practices—pose substantial challenges. Limited financial literacy further constrains optimal utilization and repayment of loans, particularly among less-educated entrepreneurs. The analysis indicates that female entrepreneurs display stronger repayment discipline, suggesting gender-specific behavioral patterns in financial management. To enhance PMMY's effectiveness, policy refinements should include targeted financial education, better post-disbursement guidance, and mechanisms for facilitating larger loans to support business scaling. These measures are essential for promoting sustainable entrepreneurial growth in semi-urban and rural regions like Sikar district, Rajasthan.

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