



Impact Of Microfinance Initiatives On Empowering Small Business Entrepreneurs In Amravati District: A Study

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Abstract: Government's microfinance initiatives, increases financial inclusion, business performance and socio-economic empowerment of entrepreneurs among small scale enterprises in average income regions and thereby provides boost to economy. This research studies the effectiveness of microfinance initiatives in empowering entrepreneurs in Amravati District, Maharashtra. Using a mixed-methods approach with survey data and strategic analysis, the findings indicate significant impacts on financial inclusion ($R^2 = 0.298$), business performance ($R^2 = 0.040$), and socio-economic empowerment ($R^2 = 0.223$). On other hand high and variable interest rates, documentation delays, and poor skill development programs pose challenges that obstruct microfinance initiatives from reaching their full potential. The scope of study includes 120 women entrepreneurs who have undertaken loan under Pradhan Mantri Mudra Yogn. The study suggests enhanced outreach, simple loan processes, and effective training programs to optimize benefits for women entrepreneurs.

Key Words: Microfinance Initiatives, Financial inclusion, Business Performance, Socio-Economic Empowerment.

1. Introduction

Microfinance initiatives, particularly PMMY focuses on people at the "bottom of the pyramid," with a special focus on encouraging women to use credit. This plan gives preference to women by providing unsecured loans at reduced interest rates on both an individual and collective basis. Women in tribal communities may be more economically secure if they participate in entrepreneurial endeavors, which may also help them overcome cultural and social constraints and achieve greater independence (Agarwal, et al., 2022).

Some distinguishing aspects and qualities of the Pradhan Mantri MUDRA Yojana include: There are three distinct loan amounts available through this program: For loans of up to Rs. 50,000, choose Shishu. Secondly, for loans between Rs. 50,000-Rs. 5,000,000 choose kishore and Tarun for loans over Rs. 5 million, up to Rs. 10 million. Under the PMMY (Pradhan Mantri MUDRA Yojana), any individual or company that has never been in arrears on a loan repayment can get a loan Borrowing. In this way, the Mudra loan is available to sole proprietors, limited liability corporations, public sector organizations, proprietary businesses, and any other legitimate business entity. Because a MUDRA loan is a company loan, the money borrowed cannot be utilized for individual purposes. It's granted to Small and medium businesses that perform certain functions in the goods and services industries. The money raised through a MUDRA loan might be invested in expanding the company's marketing efforts, boosting the working cash it has on hand, or purchasing necessary capital equipment. The Maximum Tenure of a MUDRA loan may have a maximum repayment length of 5 years Under current PMMY regulations. However, the repayment period may be shortened if the lender so chooses at the time of loan sanctioning (Bindal, &

Singh, 2019).

Research Problem: The Amravati district has a pervasive ignorance and hostility towards women's roles as till now dominance of males is more here which create an obstacle for women to start their business and be financially independent. Most of the area of Amravati district is populated by “Adivasi forest dwellers”, instead of that there is a lack of specialized centers in this area for training and information for the Adivasi women. There is still a lack of education facilities for women in the Amravati district. There is still a lack of new employment opportunities for women in the Amravati district.

Research Gap: The level of entrepreneurship's effect on economic growth is influenced by a variety of variables, including the kind, gender distribution, and quality of the entrepreneurial activity. Women's entrepreneurship and gender equality are important components of economic growth. Women entrepreneurs contribute significantly to growth, yet the growth of women's entrepreneurship is indeed very low because women still experience more obstacles and issues, despite numerous government initiatives like the MUDRA Yojana. Hence, there is a strong need to investigate “the Government initiative through Mudra Yojana in empowering women”. Yet it is apparent from the existing literature on such issues that other authors have studied topics like the role of the MUDRA yojana in empowering women entrepreneurs, in empowering small businesses or MSMEs, and so on, but rarely any of them have focused on women of Amravati and moreover on sustainable entrepreneurial culture so same will be covered in the current study with main focus on women entrepreneur of Amravati. So the study will be conducted on the topic “An Empirical Study of Government initiative through Mudra Yojana in creating a sustainable entrepreneurial culture for women in Amravati District”.

Research Scope This study focuses on women entrepreneurs in Amravati District who have taken loan under PMMY between 2015 and 2023. It examines four components: financial inclusion, business performance, entrepreneurial growth, and socio-economic empowerment. The study covers business sectors like beauty/wellness, food-related, manufacturing and includes women across all age groups, educational backgrounds, and experience levels. The study aim to support policymakers and stakeholders through findings on improving microfinance initiatives for women entrepreneurs in similar socio-economic statuses.

2. Review of Literature Microfinance has been widely recognized as a tool for economic empowerment, particularly for women in developing economies. Yunus (2007) highlights microfinance's role in poverty alleviation by providing access to credit for small-scale entrepreneurs, enabling income-generating activities. Khandker (2005) found that microfinance significantly improves household income and women's decision-making power, though repayment pressures can offset benefits. In the Indian context, Swain and Wallentin (2009) demonstrated that microfinance enhances women's empowerment by increasing financial autonomy and social mobility. However, Goetz and Gupta (1996) noted that societal constraints often limit women's control over loan utilization, with male family members influencing decisions.

Studies on PMMY, such as those by Sharma and Kaur (2019), indicate its success in promoting financial inclusion, with 68% of loans disbursed to women, but highlight challenges like high interest rates and bureaucratic inefficiencies. Rathore (2021) emphasized that PMMY's collateral-free loans foster entrepreneurial growth, though rural outreach remains limited. The Reserve Bank of India (2023) reports that microfinance penetration in semi-urban areas like Amravati is constrained by low financial literacy and inadequate infrastructure. UNDP (2022) underscores the need for skill development to complement microfinance for sustainable business growth. This study builds on these findings by focusing on women entrepreneurs in Amravati, addressing gaps in localized impact assessments.

3. Research Objectives

- 1) To assess the role of microfinance initiatives in promoting financial inclusion among women entrepreneurs in Amravati.
- 2) To evaluate the impact on business performance and entrepreneurial growth.
- 3) To analyze socio-economic empowerment outcomes.
- 4) To identify challenges and opportunities in microfinance implementation.

4. Research Hypotheses

- H1: Microfinance initiatives significantly enhance financial inclusion.
- H2: Microfinance initiatives positively impact business performance and socio-economic empowerment.
- H3: Microfinance initiatives significantly contribute to entrepreneurial growth.

5. Methodology

5.1. Research Design

The study used a mixed-methods approach, combining quantitative survey data with qualitative SWOC analysis to provide a comprehensive evaluation of PMMY's effectiveness.

5.2. Sample Size and Sampling Technique

The sample consists of 120 women entrepreneurs in Amravati District who accessed PMMY loans from 2015 to 2023. Purposive sampling was used to ensure representation across age, education, marital status, and business sectors, enhancing the study's relevance to diverse entrepreneurial profiles.

5.3. Data Collection Method

Primary data were collected through structured questionnaire covering demographics, loan details, business performance, and socio-economic outcomes. Secondary data were sourced from PMMY reports, Reserve Bank of India (RBI) financial inclusion statistics, and regional economic surveys. Purposive sampling ensured representation across age, education, and business sectors.

5.4. Data Analysis

Quantitative analysis included:

- **Descriptive Statistics:** Mean, standard deviation, and percentage agreement for demographic and business-related variables.
- **Regression Analysis:** For H1 and H3, evaluating SWOC impacts on financial inclusion and entrepreneurial growth.
- **MANOVA:** For H2, evaluating SWOC impacts on business performance and socio-economic empowerment

Qualitative Analysis: SWOC data were used to identify strengths, weaknesses, opportunities, and challenges, providing insights into implementation barriers and opportunities.

5.5. Limitations of the Study

- **Sample Size:** The study only includes 120 women entrepreneurs in Amravati, which may not fully represent the major population of women entrepreneurs in Maharashtra or India.
- **Geographic Scope:** The focus on Amravati District limits the generalisation of findings to other regions with different socio-economic dynamics.
- **Qualitative Depth:** While SWOC analysis provides qualitative insights, the study lacks in-depth interviews, which could offer better perspectives on empowerment.

6. Data Analysis and Interpretation

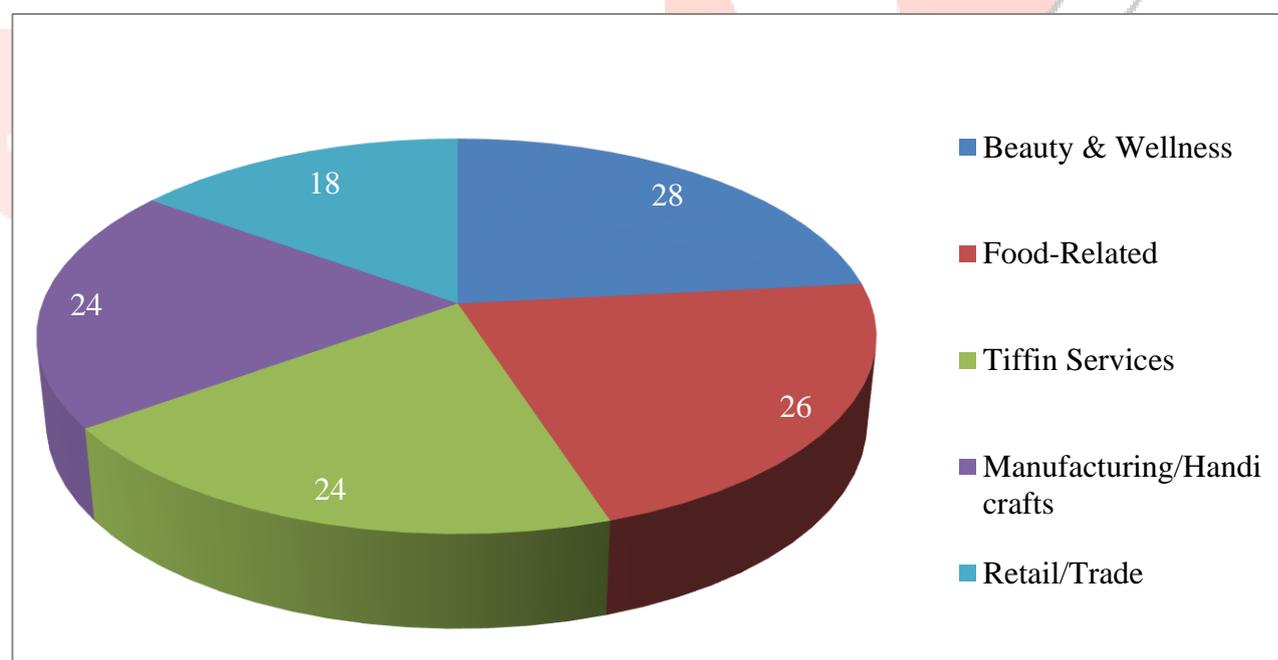
6.1. PMMY Performance (2015-2023)

- **Shishu Segment:** Steady growth in loan accounts until 2019, a low in 2020 due to COVID-19, recovery in 2021-2022, and a slight drop in 2023, indicates market saturation or a shift to higher loan categories.
- **Kishore Segment:** Significant growth post 2020, indicating businesses growth scaling above micro-level operations.
- **Tarun Segment:** A high in 2018-2019, followed by a drop post 2020 due to pandemic-related risks, with gradual recovery by 2022.

6.2. Demographic Profile

Table 1: Demographic Profile of Women Entrepreneurs (n=120)

Variable	Category	Number (%)
Age	18-25years	29 (24.2%)
	26-35years	32 (26.7%)
	36-45years	30 (25.0%)
	Above45years	29 (24.2%)
Education	Illiterate	48 (40.0%)
	Literate	72 (60.0%)
MaritalStatus	Married	76 (63.3%)
	Single	44 (36.7%)
Experience	None	29 (24.2%)
	<1 year	27 (22.5%)
	1-3 years	32 (26.7%)
	>3 years	32 (26.7%)
BusinessType	Beauty&Wellness	28 (23.3%)
	Food-Related	26 (21.7%)
	Tiffin Services	24 (20.0%)
	Manufacturing/Handicrafts	24 (20.0%)
	Retail/Trade	18 (15.0%)



Business Type Distribution

This pie chart depicts that beauty/wellness (23.3%) and food-related businesses (21.7%) are the most common, followed by tiffin services and manufacturing/handicrafts (20% each), with retail/trade at 15%.

6.3. Loan Characteristics

Table 2: Loan Characteristics (n=120)

Variable	Category	Number (%)
Loan Category	Shishu	41 (34.2%)
	Kishore	38 (31.7%)
	Tarun	41 (34.2%)
Interest Rate	36%	34 (28.3%)
	69%	50 (41.7%)
	>9%	36 (30.0%)
Processing Period	<1month	42 (35.0%)
	12months	36 (30.0%)
	23months	25 (20.8%)
	>3months	17 (14.2%)
RepaymentPeriod	<3years	47 (39.2%)
	35years	43 (35.8%)
	56years	30 (25.0%)
RepaymentExperience	Easy	36 (30.0%)
	Moderate	44 (36.7%)
	Difficult	40 (33.3%)

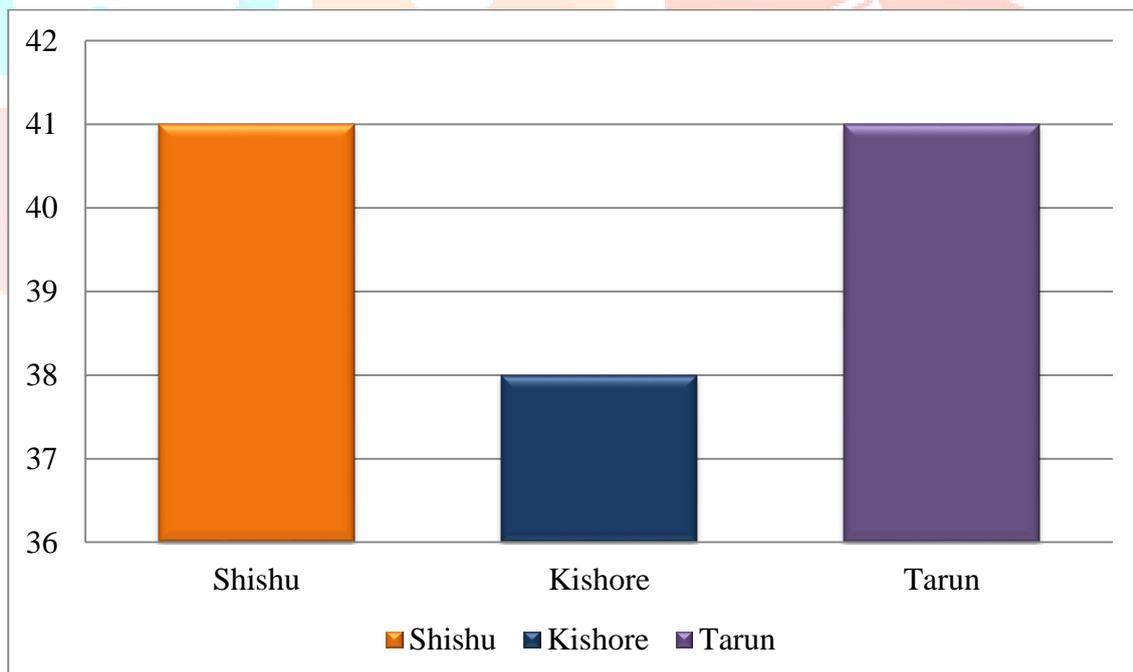


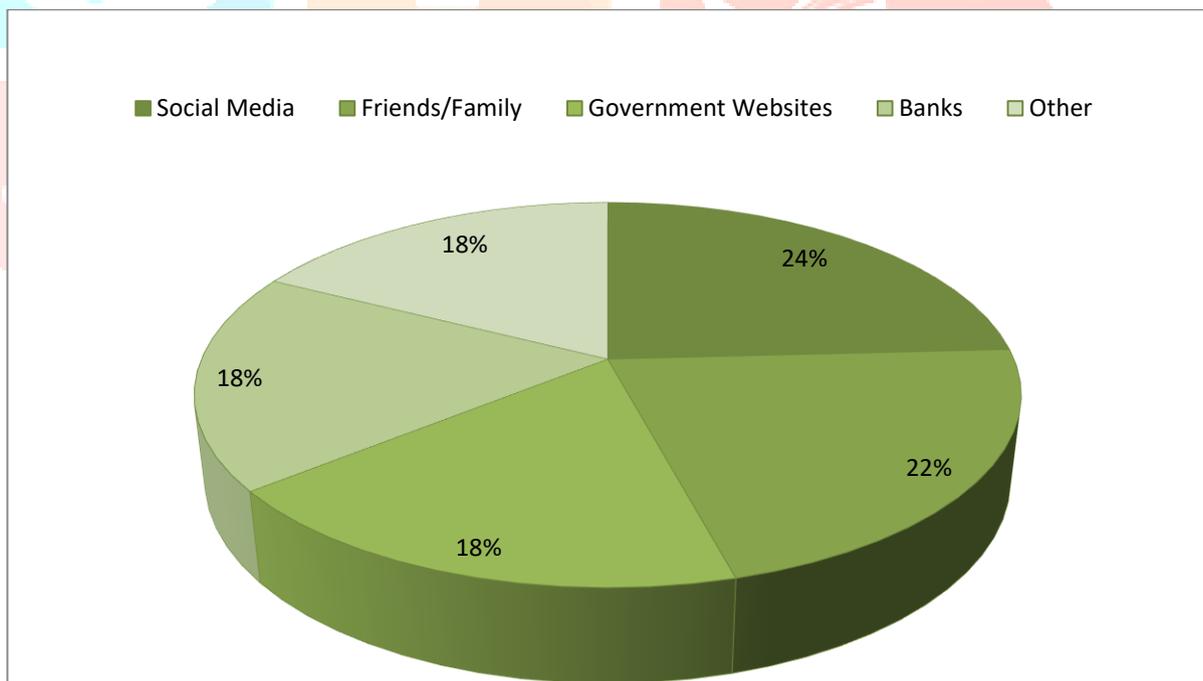
Table 2: Loan Characteristics

This bar chart highlights the balanced distribution of loans, with Shishu and Tarun each at 34.2% and Kishore at 31.7%, reflecting diverse financial needs.

6.4. Access and Awareness

Table 3: Awareness of PMMY (n=120)

Variable	Category	Number (%)
Access to Financial Institutions	Yes	64 (53.3%)
	No	56 (46.7%)
Awareness of PMMY	Aware	76 (63.3%)
	Unaware	44 (36.7%)
Source of Information	Social Media	29 (24.2%)
	Friends/Family	26 (21.7%)
	Government Websites	22 (18.3%)
	Banks	22 (18.3%)
	Other	21 (17.5%)



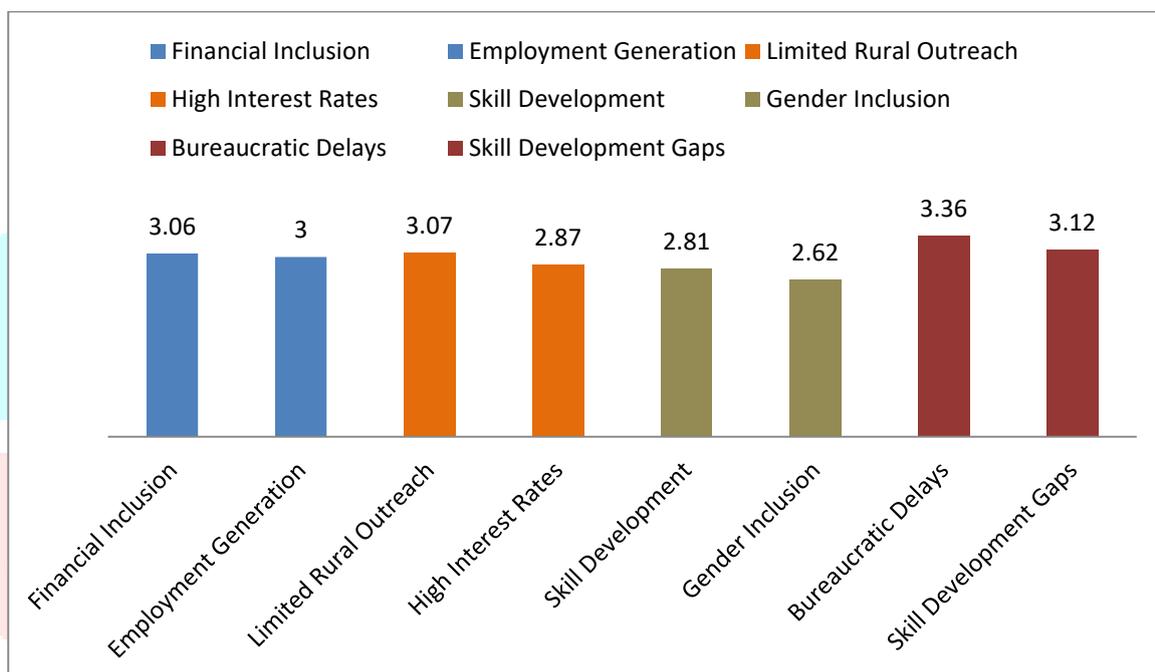
Sources of Information

This pie chart shows that social media (24.2%) and friends/family (21.7%) are the primary sources of PMMY awareness, followed by government websites and banks (18.3% each).

6.5. SWOC Analysis

Table 4: SWOC Analysis of PMMY (n=120)

Category	Key Aspect	Mean Score	Agreement (%)
Strengths	Financial Inclusion	3.06	61
	Employment Generation	3.00	60
Weaknesses	Limited Rural Outreach	3.07	61
	High Interest Rates	2.87	57
Opportunities	Skill Development	2.81	56
	Gender Inclusion	2.62	52
Challenges	Bureaucratic Delays	3.36	67
	Skill Development Gaps	3.12	62



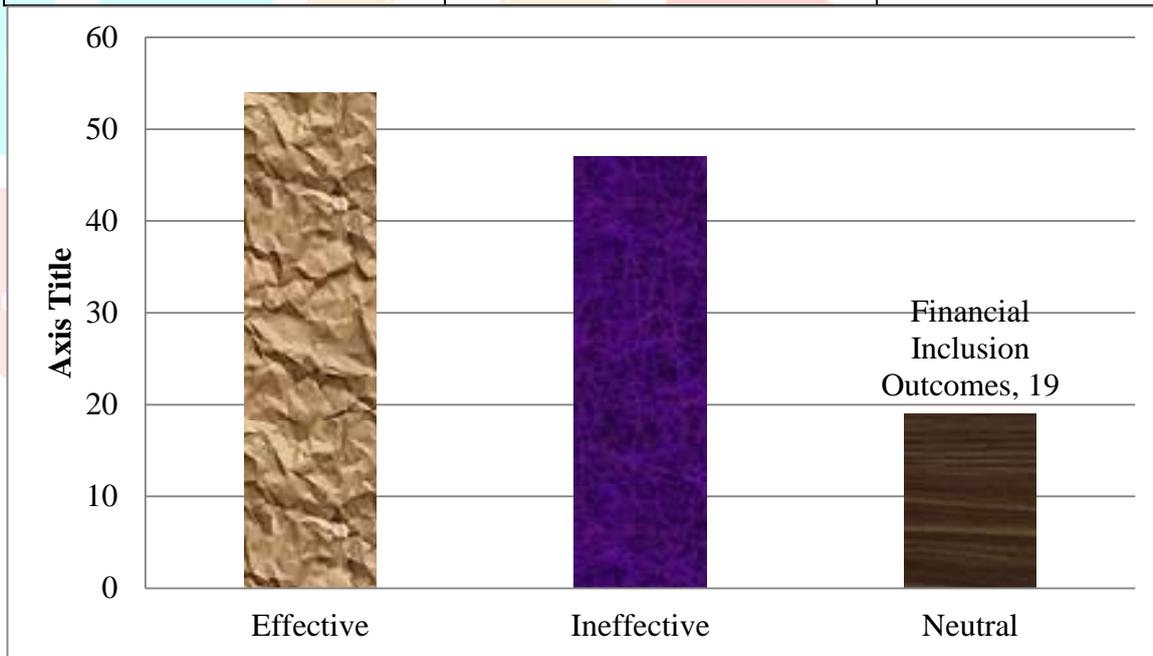
SWOC Analysis Mean Score

This bar chart shows that bureaucratic delays (3.36) and skill development gaps (3.12) have the highest mean scores, indicating significant challenges, while gender inclusion (2.62) has the lowest score among opportunities.

6.6. Key Outcomes

Table 5: Key Outcomes (n=120)

Outcome	Category	Number (%)
Financial Inclusion	Effective	54 (45.0%)
	Ineffective	47 (39.2%)
	Neutral	19 (15.8%)
Business Revenue	Rapid Growth	29 (24.2%)
	Steady Growth	38 (31.7%)
	No Growth	18 (15.0%)
	Declining/Losses	35 (29.2%)
Socio-Economic Empowerment	Strong Positive	61 (50.8%)
	Moderate	19 (15.8%)
	Minimal/Struggling	40 (33.3%)
Entrepreneurial Growth	Often/Considerable	53 (44.2%)
	Occasional/Rare	59 (49.2%)
	Moderate	8 (6.7%)



Financial Inclusion Outcomes

This bar chart shows that 45% of respondents found PMMY effective for financial inclusion, 39.2% found it ineffective, and 15.8% were neutral, highlighting mixed outcomes.

7. Hypothesis Testing

- **H1:** Financial Inclusion: Regression results ($R = 0.546$, $R^2 = 0.298$, $p = 0.000$, $B = 0.456$) indicate that 29.8% of financial inclusion variance is explained by SWOC factors. **H1 accepted.**
- **H2:** Business Performance and Socio-Economic Empowerment: MANOVA results (Wilks Lambda, $p = 0.000$) show significant impacts. Business performance ($F = 14.654$, $R^2 = 0.040$) and socio-economic empowerment ($F = 99.971$, $R^2 = 0.223$) are influenced, with stronger effects on empowerment. **H2 accepted.**
- **H3:** Entrepreneurial Growth: Regression results ($R^2 = 0.285$, $p = 0.000$, $B = 0.441$) indicate 28.5%

of growth is explained by SWOC factors. **H3 accepted.**

8. Discussion

Microfinance initiatives significantly enhance financial inclusion for 53.3% of respondents, notably illiterate women (40.0%). The balanced loan distribution (Shishu: 34.2%, Kishore: 31.7%, Tarun: 34.2%) gauge diverse business needs. However, high interest rates (30% above 9%) and bureaucratic delays (34.2%) create challenges, particularly for Tarun loan category. The higher impact on socio-economic empowerment ($R^2 = 0.223$) compared to business performance ($R^2 = 0.040$) shows that PMMY boosts confidence and adds to social status more than profits. Limited skill development (51% rarely receive training) and awareness (36.7%) indicate implementation issues. Business preferences for beauty/wellness (23.3%) and food-related ventures (21.7%) indicate low investment, high demand sectors.

9. Conclusion

Microfinance initiatives, particularly PMMY, empower women entrepreneurs in Amravati by enhancing financial inclusion, business performance, and socio-economic status. However, challenges such as high interest rates, documentation delays, and poor training programs limit the schemes full potential. Addressing these shortcomings through suitable policy interventions can increase the effectiveness of microfinance.

10. Policy Recommendations

- **Awareness:** Using social media (23.7% source) platforms and community programs to address the 36.3% unaware people about microfinance initiatives.
- **Smooth Processes:** Reduce loan processing times (14% wait over 3 months) through simplified documentation and digital platforms.
- **Interest Rates:** Subsidies for Tarun loans (30% face rates above 9%) to facilitate repayment burdens.
- **Improving Training Programs:** Address the 51% who not often receive training with structured skill development programs.
- **Enhance Infrastructure:** Working on infrastructure issues (20.3%) to facilitate business operations.

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