

STUDY OF THE IMPACT OF FINANCIAL SUBSIDY SCHEMES ON THE GROWTH OF SMALL SCALE BUSINESSES AND ENTREPRENEURS IN AMRAVATI CITY

Rucha Suresh Rao Pathare¹, Prof. F. K. Thomas²

¹Student, P. R. Pote Patil College of Engineering and Management, Amravati, India.

²Co-author, Dissertation Guide, P. R. Pote Patil College of Engineering and Management, Amravati, India.

Email- patharerucha06@gmail.com, Email- florence.thomas09@gmail.com

ABSTRACT

This study conducts a comparative performance of Financial subsidy schemes under central government for small scale businesses and entrepreneurs in Amravati city. The Prime Minister's Employment Generation Programme (PMEGP) is a flagship initiative by the Government of India to promote self-employment and entrepreneurship by providing financial assistance to set up micro-enterprises in the non-farm sector. Pradhan Mantri Mudra Yojana (PMMY) is a flagship scheme by the Government of India designed to provide financial support to micro and small enterprises.

However, the actual impact of these financial subsidy schemes on the growth and sustainability of small-scale businesses and entrepreneurs in Amravati City remains unclear. While anecdotal evidence suggests some success, there is a lack of systematic analysis on the effectiveness of these schemes in overcoming financial barriers, fostering business growth, and addressing the challenges faced by entrepreneurs in the region. Questions also arise regarding the accessibility of these schemes, the efficiency of their implementation, and their ability to meet the diverse needs of small-scale businesses.

The results indicate that Pradhan Mantri Mudra Loan has been performed outstanding and get more popular than other financial subsidy schemes of Government. Also it has been observed that, no any problem faced by borrower to avail financial subsidy schemes from any lender in Amravati city.

Keywords- PMEGP, PMMY, MSME, KVIC, KVIB, DIC, RRB, MFI, NBFC, MAQ

1. INTRODUCTION

Financial Subsidy Schemes for Small Scale Businesses and Entrepreneurs

Financial subsidy schemes are government-backed initiatives designed to provide financial support, incentives, or relief to small-scale businesses and entrepreneurs. These schemes aim to promote entrepreneurship, encourage economic growth, and foster innovation by reducing the financial burden on business owners.

Small-scale businesses and entrepreneurs play a critical role in driving local economies, creating employment opportunities, and contributing to the socio-economic development of a region. However, they often face significant challenges, such as limited access to capital, high operating costs, and intense competition. Financial subsidy schemes help bridge this gap by offering monetary assistance, concessional loans, tax benefits, and other incentives to support their growth and sustainability. Small-scale businesses and entrepreneurs form the backbone of India's economy, playing a critical role in fostering innovation, generating employment, and driving regional development. However, access to adequate financial resources often poses a significant challenge to these businesses, hindering their growth and sustainability. Recognizing this, the Government of India has introduced several financial subsidy schemes to empower entrepreneurs and support the development of small-scale enterprises. Among these, the Prime Minister's Employment Generation Programme (PMEGP) and the Pradhan Mantri Mudra Yojana (PMMY) are two prominent initiatives aimed at promoting entrepreneurship and financial inclusion.

Prime Minister's Employment Generation Programme (PMEGP)

The Prime Minister's Employment Generation Programme (PMEGP) is a flagship initiative by the Government of India to promote self-employment and entrepreneurship by providing financial assistance to set up micro-enterprises in the non-farm sector. The scheme is implemented by the Ministry of Micro, Small and Medium Enterprises (MSME) through Khadi and Village Industries Commission (KVIC) as the nodal agency.

Pradhan Mantri Mudra Yojana (PMMY)

Launched in April 2015, the Pradhan Mantri Mudra Yojana (PMMY) is a flagship scheme by the Government of India designed to provide financial support to micro and small enterprises. The scheme promotes entrepreneurship by offering collateral-free loans to individuals, startups, and small businesses.

Need of the Study

1. Promoting Entrepreneurial Growth

Small-scale businesses are vital for driving innovation, employment, and regional economic growth, especially in developing cities like Amaravati. However, many entrepreneurs face significant challenges, such as limited access to capital, lack of financial literacy, and inadequate support structures. Financial subsidy schemes like PMEGP and Mudra aim to address these issues, but the real impact of these schemes on business growth and entrepreneurship needs to be thoroughly studied.

2. Filling Knowledge Gaps

While financial subsidy schemes have been implemented with the objective of empowering entrepreneurs and improving business viability, there is a lack of systematic research assessing their specific impact in Amaravati City, Maharashtra. This study will bridge the gap in knowledge about how well these schemes meet the needs of small-scale businesses and entrepreneurs in the region.

3. Evaluating the Effectiveness of PMEGP and Mudra Schemes

The PMEGP and Mudra schemes were designed to enhance access to credit, boost entrepreneurship, and generate employment. However, their effectiveness and impact on business sustainability, profitability, and expansion are not fully understood. A detailed analysis of these schemes will provide insights into whether they have achieved their objectives and how they can be improved.

4. Understanding Challenges in Scheme Implementation

Despite the introduction of financial subsidies, many entrepreneurs face hurdles in accessing and utilizing these schemes due to factors like lack of awareness, complex procedures, and insufficient support. By studying the challenges faced by businesses in Amaravati City in availing these subsidies, the research will help identify areas of improvement in the implementation process.

5. Policy and Decision-Making Insights

This study will provide valuable data for policymakers, government agencies, and financial institutions involved in the design and implementation of these schemes. By evaluating the impact of these subsidies, the research can offer recommendations for improving their effectiveness, ensuring better support for entrepreneurs, and contributing to the long-term growth of small-scale businesses in the region.

6. Promoting Sustainable Business Practices

Small businesses often struggle to remain competitive and sustainable. Understanding how financial subsidies can support long-term business growth, expand employment opportunities, and help businesses scale up is essential. This research will offer insights into the role these schemes play in promoting sustainable business practices, thus benefiting the wider economy of Amaravati City.

7. Contributing to Future Research and Development

With limited research specifically focusing on the PMEGP and Mudra schemes in the context of Amaravati, this study will provide a foundation for future research in the field of financial subsidies and small business development. The findings can serve as a valuable reference for similar studies in other regions or cities, contributing to the broader understanding of the impact of government initiatives on entrepreneurship.

Despite the introduction of these schemes, there remains a lack of comprehensive research on their actual impact on small-scale businesses in Amaravati City. Understanding how effectively these financial assistance programs address the barriers faced by entrepreneurs is crucial for optimizing their implementation. By analyzing the outcomes of these schemes, this study will fill the gap in existing literature and provide valuable insights into their effectiveness. The findings will help policymakers, financial institutions, and business development organizations refine these schemes to better support entrepreneurs and promote sustainable economic growth in the region.

2. OBJECTIVES OF THE STUDY

To evaluate any research, their needs to design the objectives of the study, and for this study we design the following objectives which on the basis study is to be done,

1. To evaluate the effectiveness of the PMEGP and PMMY schemes in promoting the growth of small-scale businesses and entrepreneurship in Amaravati City, Maharashtra.
2. To analyze the challenges faced by entrepreneurs and small-scale business owners in accessing and utilizing the benefits provided under the PMEGP and PMMY schemes.
3. To assess the impact of financial assistance under these schemes on business performance, including

profitability, sustainability, and employment generation.

4. To identify gaps in the implementation of the PMEGP and PMMY schemes and provide recommendations for improving their accessibility and efficiency

3. REVIEW OF LITERATURE

Author : **Preetika Saini, Sunita Malhotra and Sanjay Bhushan** (2024) This study examines the impact of Pradhan Mantri MUDRA Yojana (PMMY) on women's economic empowerment, financial inclusion, and gender disparity. Offering collateral-free loans, PMMY has boosted female entrepreneurship, with women borrowers accounting for 71% of accounts in FY 2021-22. The rise in the Mudra Atmanirbhar Quotient (MAQ) reflects enhanced fund utilization and repayment capacity, highlighting micro-credit as a driver of socioeconomic progress and empowerment.

Author : **Sonia Mukherjee**, Journal of Global Entrepreneurship Research (2018) Indian MSMEs, particularly the Coir Industry, face export competitiveness challenges due to outdated technology and rival competition. Addressing these issues requires investments in advanced technology, R&D, digital platforms, and policy reforms to boost global competitiveness.

Author : **C. Kulkarni** (sep 2021) Government policies should focus on fostering enterprise development by supporting business startups, venture capital, and innovation without excessive direct intervention. Strategic networks, customer connections, and resource access are critical, with ministers playing a key role in driving innovation through effective policy initiatives.

Author : **Dr. M.S. Waghmare** (2023) A Study of Government Policies and Schemes for Startups in India. This research explores Indian government schemes supporting startups, focusing on challenges like funding and access to formal lending for MSMEs.

Author : **Dr. L.C. Kurpatwar** (2023) Role of NEP in the Development of the Startup Ecosystem. The study examines how the New Education Policy 2020 can foster startup growth through vocational education, research promotion, and industry collaboration.

Definition of the Problem

Small-scale businesses and entrepreneurs are essential contributors to economic development, especially in regions like Amaravati City, Maharashtra. Despite their potential to drive innovation, generate employment, and promote regional economic growth, these enterprises often face significant challenges such as limited access to affordable credit, lack of financial literacy, and inadequate infrastructure. To address these issues, government initiatives like the Prime Minister's Employment Generation Programme (PMEGP) and the Pradhan Mantri Mudra Yojana (PMMY) have been introduced. These schemes aim to provide financial assistance and promote entrepreneurial activity. However, the actual impact of these financial subsidy schemes on the growth and sustainability of small-scale businesses and entrepreneurs in Amaravati City remains unclear. While anecdotal evidence suggests some success, there is a lack of systematic analysis on the effectiveness of these schemes in overcoming financial barriers, fostering business growth, and addressing the challenges faced by entrepreneurs in the region. Questions also arise regarding the accessibility of these schemes, the efficiency of their implementation, and their ability to meet the diverse needs of small-scale businesses. This research seeks to identify whether the financial subsidy schemes have achieved their intended objectives in Amaravati City the study aims to fill the knowledge gap regarding the impact of financial subsidy schemes on small-scale businesses and entrepreneurs in Amaravati City. The findings will provide valuable insights to policymakers, financial institutions, and stakeholders, enabling them to refine and optimize these schemes for greater impact.

Scope of the Study

This study focuses on evaluating the impact of financial subsidy schemes, specifically the Prime Minister's Employment Generation Programme (PMEGP) and the Pradhan Mantri Mudra Yojana (PMMY), on the growth of small-scale businesses and entrepreneurship in Amaravati City, the scope includes:

- **Target Area:** The research will focus on small-scale businesses and entrepreneurs within Amaravati City, a developing urban region with an emerging business ecosystem.
- **Financial Schemes:** The study will specifically examine the PMEGP and PMMY schemes, analyzing their role in facilitating access to credit, fostering entrepreneurship, and supporting business growth in the region.
- **Business Impact:** The study will assess the direct impact of these schemes on various business outcomes, such as profitability, sustainability, business expansion, and employment generation.
- **Challenges and Gaps:** The research will investigate the barriers entrepreneurs face in accessing these schemes, including financial literacy, administrative

challenges, and scheme implementation issues, as well as identifying gaps in the current system.

- Geographical and Temporal Scope: The study will be limited to businesses located in Amaravati City, Maharashtra, with data collection focused on the current status of businesses that have participated in the PMEGP and PMMY schemes over the last five years.
- By evaluating the effectiveness, challenges, and impacts of these financial subsidy schemes, the study aims to provide valuable insights that can help improve policy implementation and contribute to the broader development of small-scale businesses and entrepreneurs in the region.

4. RESEARCH METHODOLOGY

A) Research Design

This study will adopt a descriptive approach to explore the impact of PMEGP and PMMY schemes on small-scale businesses in Amaravati City, Maharashtra, using qualitative data

B) Sampling Design

1. Universe: Small-scale businesses and entrepreneurs who have accessed PMEGP and PMMY schemes in Amaravati City.
2. Population: Entrepreneurs who have utilized these schemes.
3. Sample Unit: Individual business owners/entrepreneurs in Amaravati City.
4. Sample Size: 100 small-scale businesses and entrepreneurs.

C) Sampling Technique:

- Stratified random sampling across sectors like retail, manufacturing, services, and agriculture.

D) Sources of Data Collection

- Primary Data: Collected through structured questionnaires and interviews with business owners.
- Secondary Data: Sourced from official reports, government publications, and academic articles.

E) Data Analysis Methods

Qualitative Analysis: Content analysis of interview responses to identify key themes and patterns.

The findings will be presented through tables, graphs, and charts, identifying gaps in implementation and suggesting improvements.

Limitations of the Research:

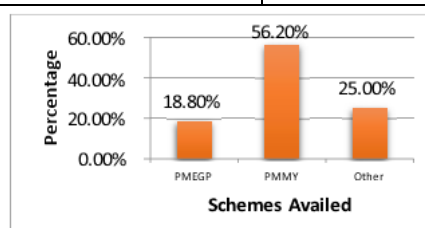
1. Geographical Limitation: The study is confined to small-scale businesses in Amaravati City, limiting its applicability to other regions.
2. Time Constraint: The study is limited to academic year 2024-25
3. Respondent Bias: Self-reported data from entrepreneurs may lead to response bias, affecting the accuracy of results.
4. Scope Limitation: The focus is solely on the PMEGP and PMMY schemes, excluding other factors that may influence business growth.

5. DATA ANALYSIS AND INTERPRETATION

1) Effectiveness of the PMEGP and PMMY schemes

Table 1 Scheme availed for Business Loan

Scheme	% of Response
PMEGP	18.80%
PMMY	56.20%
Other	25.00%



Graph 1 Scheme availed for Business Loan

(Source: Primary Data)

Interpretation of Scheme Aailed

In above table and graphs shows that, 56.20% of the respondents taken business loan schemes Pradhan Mantri Mudra Loan from the nationalized bank, much percentage of respondents taken Prime Minister's Employment Generation Programme loan.

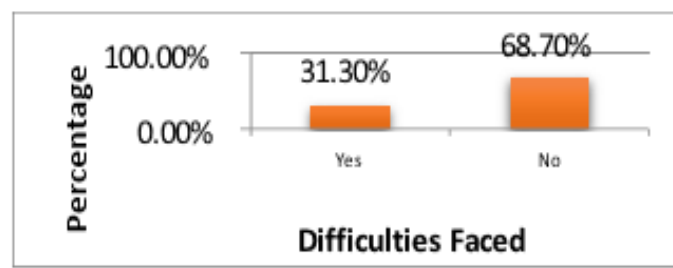
2) Challenges faced for borrowing Loan

Table 2 find any difficulty for borrowing loan

Opinion	% of Response
Yes	31.30%
No	68.70%

(Source: Primary Data)

Interpretation of Difficulties Faced



Graph 2 find any difficulty for borrowing loan

(Source: Primary Data)

In above table and graphs shows that, 68.70% of the respondents did not face any difficulties while borrowing business loan.

3) Impact of financial assistance under these schemes

Table 3 financial assistance helped increase your business revenue

Opinion	% of Response
Yes	93.80%
No	6.20%



Graph 3 financial assistance helped increase your business revenue

Source: Primary Data)

Interpretation of Impact of financial assistance

(Source: Primary Data)

In above table and graphs shows that, 93.80% of the respondents give feedback that financial assistance through the scheme aailed impacted positive as it helps to increase business revenue.

4) Recommendations for improving their accessibility and efficiency

Table 4 recommend simplifying the application process

Opinion	% of Response
Yes	86.70%
No	13.30%

(Source: Primary Data)



Graph 4 recommend simplifying the application process

(Source: Primary Data)

Interpretation of Recommendations

In above table and graphs shows that, 86.70% of the respondents like to recommend for improving accessibility and efficiency to the lenders which can helps to take a loan easily.

6. CONCLUSIONS

In conclusion, the study on impact of financial subsidy schemes in Amravati has proven the positive impact on customers for taking business loan.

- Pradhan Mantri Mudra Loan is most popular schemes under financial subsidy schemes which availed by mostly borrowers in Amravati city.
- Entrepreneurs and small-scale business owners in accessing and utilizing the benefits provided under the PMEGP and PMMY schemes are very easily and they did not face any difficulties while availing the subsidy schemes.
- Under these schemes on impact of financial assistance on business performance, including profitability, sustainability, and employment generation made positive, mostly borrowers are happy to availed subsidy schemes which made impact on their business as their business revenue has been increase after taking financial assistance.
- However, borrowers of subsidy schemes like to recommend for improving accessibility and efficiency to the lenders which can helps to take a loan easily.

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