



Exploring Constraints In The Availment And Utilization Of Mudra Loans By Women Entrepreneurs In Karnataka

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ABSTRACT

The Pradhan Mantri Mudra Yojana (PMMY) was launched by the Government of India to provide collateral-free credit to micro and small enterprises, with a special focus on promoting entrepreneurship among women. Despite these objectives, many women entrepreneurs face barriers in availing and effectively utilizing Mudra loans. This study explores these constraints through primary data collected from 200 women entrepreneurs across Karnataka who have applied for or availed Mudra loans. Data were gathered using structured questionnaires and analyzed using descriptive statistics and thematic assessment. The findings indicate that major challenges include limited awareness about loan provisions, procedural complexities in documentation, delays in loan approval and disbursement, and inadequate guidance during the application process. Additionally, socio-cultural factors such as gender bias, restricted mobility, and lack of strong business networks hinder optimal utilization of loan funds. The study highlights the need for targeted financial literacy programs, streamlined procedures, enhanced institutional support, and post-loan mentoring to ensure Mudra loans translate into sustainable entrepreneurial growth. The results provide actionable insights for policymakers, financial institutions, and development agencies aiming to strengthen women's participation in the entrepreneurial ecosystem through inclusive finance.

Key Words: Women Entrepreneurs, Mudra Loans, Challenges, Financial Inclusion, Loan Utilization.

1. INTRODUCTION

Entrepreneurship plays a pivotal role in driving inclusive and sustainable economic growth, particularly in developing countries like India. Micro, Small, and Medium Enterprises (MSMEs) are critical to this process, contributing significantly to GDP, job creation, and innovation. Within this sector, women-led enterprises have emerged as vital agents of socio-economic transformation, fostering employment opportunities, enhancing community development, and promoting gender equity (Sharma & Gounder, 2023). Despite these contributions, women entrepreneurs in India continue to face substantial challenges in accessing adequate financing, which restricts their ability to expand operations, invest in new technologies, and compete in wider markets (Singh & Tandon, 2022).

Recognizing these challenges, the Government of India launched the Pradhan Mantri Mudra Yojana (PMMY) in 2015 to improve access to collateral-free credit for micro and small enterprises. The scheme offers loans under three categories such as Shishu (up to ₹50,000), Kishore (₹50,000 to ₹5 lakh), and Tarun (₹5 lakh to ₹10 lakh) aiming to “fund the unfunded” and promote entrepreneurial activities among

underrepresented groups, particularly women (Government of India, 2015). Since its inception, PMMY has facilitated over 52 crore loan accounts and disbursed more than ₹32 lakh crore in credit, with women accounting for nearly two-thirds of the total beneficiaries (Ministry of Finance, 2024; Kumar & Rani, 2021).

While these figures suggest considerable progress, a closer look reveals that most loans availed by women fall under the Shishu category. This concentration in low-value loans points to a “missing middle” in credit access as women can secure small amounts for starting micro-enterprises but face considerable barriers in obtaining larger loans needed for business growth (Rao & Joshi, 2022). Barriers to higher-value credit stem from both demand- and supply-side factors. On the demand side, women entrepreneurs often have limited awareness of loan schemes, low levels of financial literacy, and restricted access to professional networks. The lack of property or collateral in their own name further limits their bargaining power with financial institutions (Mishra & Sinha, 2020). On the supply side, procedural complexities, extensive documentation requirements, and implicit gender biases among lending officials can discourage women from applying for larger loans (Patel & Mehta, 2021).

These challenges are influenced by regional socio-economic contexts, making localized studies essential. Karnataka, known for its strong industrial base and entrepreneurial culture, provides a unique case for examining women’s access to formal credit. Despite being one of India’s more progressive states in terms of MSME development, women entrepreneurs in Karnataka still face obstacles in securing adequate finance, even under supportive schemes like PMMY (Nair & Thomas, 2023). Reports indicate that delays in loan sanction and disbursement, inadequate borrower support, and socio-cultural constraints such as mobility restrictions continue to limit the effective utilization of Mudra loans in the state (Reddy, 2022).

Addressing these challenges is crucial not only for individual business success but also for broader economic development goals. Expanding women’s access to adequate and timely credit can foster entrepreneurship at scale, increase household incomes, and contribute to more equitable economic growth (Sharma & Gounder, 2023). PMMY holds the potential to act as a transformative tool for women’s empowerment, but its long-term impact depends on identifying and removing the barriers that limit its effectiveness.

This context highlights the importance of systematically examining the constraints that women entrepreneurs face in availing and utilizing Mudra loans. By situating these challenges within the framework of financial inclusion and gender equity, such research can generate actionable insights for policymakers, financial institutions, and development organizations. The following sections review existing literature on women’s access to finance, analyze the nature of credit barriers in India, and explore the specific socio-economic dynamics of Karnataka that shape women’s entrepreneurial experiences.

2. LITERATURE REVIEWS

(Sharma and Gounder 2023) explored the socio-economic impact of women’s entrepreneurship in India, emphasizing that inclusive financing mechanisms like the Pradhan Mantri Mudra Yojana (PMMY) are essential for bridging gender gaps in the MSME sector. The study found that access to formal credit significantly improves income generation, employment creation, and social empowerment among women. (Nair and Thomas 2023) assessed regional disparities in MSME credit access with a focus on Karnataka, concluding that despite a vibrant entrepreneurial environment, women entrepreneurs face persistent issues such as procedural delays, lack of scheme awareness, and inadequate institutional guidance. (Kumar and Rani 2021) evaluated the performance of PMMY in promoting women’s entrepreneurship, noting that while the scheme has enhanced credit access, most loans are concentrated in the Shishu category, limiting business scaling potential.

(Singh and Tandon 2022) investigated the credit constraints faced by women-led enterprises in India, identifying limited collateral ownership, low financial literacy, and complex loan application processes as key barriers to formal finance. The study highlighted that these factors reduce both loan availment and effective utilization. (Rao and Joshi 2022) examined the “missing middle” phenomenon, observing that many women transition from informal microfinance to small Mudra loans but struggle to progress to higher-value Kishore and Tarun loans due to stricter eligibility criteria. (Reddy 2022) provided a

Karnataka-focused case study, showing how socio-cultural restrictions, limited mobility, and dependence on male intermediaries hinder women's ability to fully leverage Mudra loans for business growth.

(Patel and Mehta 2021) studied gender bias in Indian credit markets, revealing that women applicants often face greater scrutiny, additional document requirements, and longer processing times compared to male borrowers. (Kaur and Gill 2021) investigated the role of support networks in enhancing credit access, concluding that peer groups and mentorship significantly improve scheme awareness and ease of navigating application procedures. (Mishra and Sinha 2020) analyzed the role of financial literacy in the effective utilization of government credit schemes, finding that financially literate women were more likely to use loans for productive purposes, maintain repayment discipline, and achieve business growth.

(Kapoor and Banerjee 2020) examined microfinance and government credit programs, noting that while PMMY addresses financial access, long-term success requires complementary capacity-building initiatives such as skill development and market linkage support. (Varghese 2020) reviewed the impact of collateral-free lending in India, stressing that without post-loan monitoring and entrepreneurial training, such schemes risk underutilization and limited developmental outcomes.

2.1. Research Gap

Despite a growing body of literature examining women's access to institutional finance and the implementation of the Pradhan Mantri Mudra Yojana (PMMY), existing studies have predominantly focused on national-level trends, policy evaluations, or generic challenges faced by women entrepreneurs. Limited attention has been given to region-specific factors that shape the availment and utilization of Mudra loans, particularly in Karnataka, where socio-cultural dynamics, financial literacy levels, and institutional practices may significantly influence outcomes. Moreover, most prior research has emphasized credit access without sufficiently addressing post-loan utilization patterns, repayment behavior, and the interplay of capacity-building support with loan effectiveness. This leaves a critical gap in understanding the micro-level barriers that persist even after credit disbursement, especially from the perspective of women entrepreneurs themselves. The present study seeks to address this gap by using primary data from a focused sample of 200 women entrepreneurs in Karnataka to explore both procedural and utilization-related constraints within the PMMY framework.

2.2. Significance of the Study

This study holds significant value for policymakers, financial institutions, and development agencies aiming to enhance the effectiveness of the Pradhan Mantri Mudra Yojana (PMMY) in empowering women entrepreneurs. By focusing on Karnataka and drawing insights from primary data collected from 200 women entrepreneurs, the research provides region-specific evidence on the procedural and post-loan utilization challenges that hinder the scheme's intended outcomes. Understanding these constraints will enable policymakers to design targeted interventions that address both access and utilization barriers, such as streamlining application processes, strengthening financial literacy programs, and offering post-loan business development support. For financial institutions, the findings can inform the development of gender-sensitive credit delivery models and improved client support mechanisms, while for women entrepreneurs, the study's insights may serve as a guide to navigating institutional finance more effectively.

3. THEORETICAL FRAME WORK

The present study is grounded in the framework of Financial Inclusion Theory, which emphasizes equitable access to formal financial services as a means of fostering economic participation and reducing socio-economic disparities. Financial inclusion, in the context of women entrepreneurs, goes beyond mere access to credit; it involves enabling women to utilize financial resources effectively to achieve sustainable business growth. The Pradhan Mantri Mudra Yojana (PMMY) was designed in line with this theory, aiming to bridge credit gaps for micro and small enterprises, particularly those led by women. However, despite the availability of such schemes, structural, procedural, and socio-cultural barriers often prevent women from fully realizing the potential benefits of these loans. By applying the Financial Inclusion Theory, this study examines how institutional mechanisms, policy structures, and socio-economic realities interact to influence women's ability to avail and utilize Mudra loans effectively.

Complementing this is the Empowerment Theory, which posits that economic empowerment through access to resources enhances an individual's capacity for self-determination, decision-making, and social participation. For women entrepreneurs, access to financial capital such as through Mudra loans can act as a catalyst for entrepreneurial growth, improved livelihoods, and greater societal recognition. However, empowerment is not automatically achieved through credit access; it requires supportive ecosystems, capacity building, and the removal of institutional and societal barriers. The theoretical lens of empowerment in this study allows for a deeper understanding of how loan availability, coupled with utilization patterns and support mechanisms, contributes to or hinders women's entrepreneurial agency. Together, these frameworks provide a foundation for analyzing the complex interplay between financial access, utilization, and empowerment within the specific socio-economic context of Karnataka's women entrepreneurs.

4. METHODOLOGY

4.1. Objectives of the Study

The primary objectives of the study are as follows;

1. To assess the key challenges faced by women entrepreneurs in Karnataka in availing Mudra loans under the Pradhan Mantri Mudra Yojana (PMMY).
2. To analyze the factors affecting the effective utilization of Mudra loans by women entrepreneurs in enhancing their business performance.

4.2. Hypothesis of the Study

H01: There is no significant variation in the challenges faced by women entrepreneurs in Karnataka.

H02: There is no significant relationship between the identified challenges and the effective utilization of Mudra loans.

4.3. Research Methodology

The study adopts a conclusive research design to systematically examine the challenges faced by women entrepreneurs in availing and utilizing Mudra loans in Karnataka. A descriptive approach within this design enables the identification and analysis of patterns and relationships between the challenges encountered and the effective use of these loans. The research is based on primary data collected through a structured questionnaire administered to women entrepreneurs across selected districts of Karnataka. A convenient sampling technique was employed to ensure the inclusion of respondents who have availed Mudra loans under the Pradhan Mantri Mudra Yojana (PMMY). The sample size for the study consists of 200 women entrepreneurs, representing diverse sectors and business sizes. Data collection was conducted through face-to-face interviews and online surveys, ensuring comprehensive coverage of both urban and semi-urban respondents.

5. DATA ANALYSIS AND INTERPRETATION

5.1. Frequency Distribution of Respondents

Table 1: Frequency Distribution of Respondents

Source: Field Survey and Primary Data from Women Entrepreneurs in Karnataka as the Study Area in July 2025

Demographic Variable	Category	Frequency	Percentage (%)
Age	20–30 years	48	24.0
	31–40 years	86	43.0
	41–50 years	44	22.0
	Above 50 years	22	11.0
Education	Below SSLC	18	9.0
	SSLC/PUC	72	36.0
	Graduate	86	43.0
	Postgraduate & above	24	12.0
Type of Business	Manufacturing	52	26.0
	Trading	74	37.0
	Services	74	37.0
Loan Category	Shishu (up to ₹50,000)	60	30.0
	Kishor (₹50,001–₹5 lakh)	98	49.0
	Tarun (₹5–₹10 lakh)	30	15.0
	Tarun Plus (Above ₹10 lakh)	12	6.0

The results reveal that a large proportion of women entrepreneurs (43%) are in the 31–40 age groups, suggesting that mid-career women are the most active segment in accessing Mudra loans. Education-wise, the majority have completed graduation (43%), showing that formal education plays a role in entrepreneurial participation. Trading and service sectors dominate equally (37% each), while manufacturing is slightly less represented (26%), possibly due to higher initial capital needs.

Regarding loan categories, the Kishor category (₹50,001–₹5 lakh) is the most utilized (49%), indicating that many women prefer moderate-scale funding for business expansion. The Tarun category accounts for 15%, while the newly recognized Tarun Plus category (above ₹10 lakh) is accessed by only 6%, suggesting that larger loan segments are underutilized, possibly due to stricter eligibility, repayment apprehension, or limited awareness.

5.2. Frequency Distribution of Challenges

Table 2: Frequency Distribution of Challenges

Source: Field Survey and Primary Data from Women Entrepreneurs in Karnataka as the Study Area in July 2025

Challenges	Frequency	Percentage (%)
Lengthy documentation process	132	66.0
Lack of awareness about eligibility criteria	110	55.0
Delays in loan approval	124	62.0
Insufficient loan amount sanctioned	96	48.0
Difficulty in providing collateral	88	44.0
Limited post-loan support and guidance	140	70.0

The findings highlight that limited post-loan support and guidance (70%) is the single biggest challenge for women entrepreneurs, indicating a gap between credit disbursement and business mentorship. Lengthy documentation processes (66%) and delays in loan approval (62%) point to procedural inefficiencies, which could discourage potential applicants. Surprisingly, 44% still reported collateral difficulties, despite Mudra loans being officially collateral-free, suggesting informal requests for guarantees at the bank level or confusion regarding eligibility requirements. This aligns with the possibility that institutional culture, rather than policy, contributes to these barriers.

5.3. Mean Scores & One Sample T-test of Challenges Faced

Table 3: Mean Scores & One Sample T-test of Challenges Faced

Source: Field Survey and Primary Data from Women Entrepreneurs in Karnataka as the Study Area in July 2025

Challenge	Mean	SD	Rank	t-value	Sig
Lengthy documentation process	4.21	0.78	2	6.124	.000
Lack of awareness about eligibility criteria	3.94	0.92	4		
Delays in loan approval	4.18	0.81	3		
Insufficient loan amount sanctioned	3.87	0.96	5		
Difficulty in providing collateral	3.62	1.04	6		
Limited post-loan support and guidance	4.36	0.73	1		

The mean score rankings confirm that “limited post-loan support and guidance” (4.36) is the most pressing issue, followed by “lengthy documentation” (4.21) and “delays in loan approval” (4.18). These scores reflect that while access to capital is important, the quality of the credit experience especially after the loan is sanctioned significantly affects business outcomes. Lower mean scores for “difficulty in providing collateral” and “insufficient loan amount” suggest that these are important but relatively less severe compared to procedural and support-related issues.

The one-sample t-test comparing the mean scores of perceived challenges with the neutral midpoint (mean = 3) revealed a t-value = 6.214, p of 0.000. **This leads to the rejection of H_{01}** , indicating that the challenges faced by women entrepreneurs are statistically significant and generally above the moderate level. The highest reported issues were procedural delays and complex documentation, followed by inadequate loan amount sanction, suggesting that these factors are key constraints in the effective utilization of Mudra loans.

5.4. Correlation of Challenges and Utilization

Table 4: Correlation of Challenges and Utilization

Source: Field Survey and Primary Data from Women Entrepreneurs in Karnataka as the Study Area in July 2025

Challenges	Correlation	Sig
Lengthy documentation process	-0.28	.000
Lack of awareness about eligibility criteria	-0.42	.000
Delays in loan approval	-0.31	.000
Insufficient loan amount sanctioned	-0.48	.000
Difficulty in providing collateral	-0.22	.002
Limited post-loan support and guidance	-0.53	.000

Constant: Effective Utilization

All challenges show a statistically significant negative correlation with effective loan utilization, confirming that obstacles not only delay access but also limit business growth potential. “Limited post-loan support and guidance” (-0.53) has the strongest impact, showing that without proper mentoring, market linkage, or follow-up, even sanctioned loans may fail to yield desired outcomes. “Insufficient loan amount” (-0.48) also significantly reduces utilization, indicating that underfunding prevents scaling up and affects profitability. These findings emphasize that solving access issues alone is insufficient structural and advisory support is essential for maximizing the impact of Mudra loans. **Therefore, the defined null hypothesis is rejected.**

6. FINDINGS AND DISCUSSION

The study reveals that the majority of women entrepreneurs accessing Mudra loans in Karnataka belong to the 31–40 age group (43%), with graduation as their highest qualification (43%), reflecting the importance of formal education in business participation. Trading and service sectors dominate equally (37% each), while the Kishor loan category (₹50,001–₹5 lakh) is the most preferred (49%). The Tarun Plus category (above ₹10 lakh) is the least availed (6%), suggesting that larger loans remain underutilized due to perceived risk, stricter eligibility, or lack of awareness. In terms of challenges, “limited post-loan support and guidance” emerged as the most critical issue, reported by 70% of respondents and scoring the highest mean (4.36). Procedural bottlenecks such as lengthy documentation (4.21) and delays in loan approval (4.18) also ranked high, underscoring operational inefficiencies. The one-sample t-test confirmed that these challenges are statistically significant and above moderate levels, leading to the rejection of the null hypothesis for Objective 1. Furthermore, correlation analysis showed all identified challenges have a significant negative relationship with effective loan utilization, with “limited post-loan support” (-0.53) and “insufficient loan amount” (-0.48) exerting the strongest adverse effects. This finding validates the rejection of the null hypothesis for Objective 2 and emphasizes that access to finance alone is insufficient without structured post-loan guidance, adequate sanction amounts, and smoother administrative processes. Overall, the results indicate that improving procedural efficiency and integrating strong post-loan advisory mechanisms could enhance the long-term success of Mudra-financed women entrepreneurs.

7. CONCLUSION

This study highlights that the Mudra loan scheme has played a pivotal role in facilitating entrepreneurial activity among women in Karnataka, particularly those in their mid-career stage with formal education. While the scheme has successfully reached a significant segment of women entrepreneurs, especially in the trading and service sectors, its full potential is constrained by procedural inefficiencies and inadequate post-loan support. The findings reveal that challenges such as lengthy documentation, delays in loan approval, limited awareness, and insufficient loan amounts not only reduce the efficiency of loan utilization but also limit the growth prospects of beneficiaries. Strong negative correlations between these challenges and effective utilization emphasize that mere credit disbursement is insufficient and timely approval,

simplified processes, adequate funding, and structured post-loan mentorship are equally critical for sustainable entrepreneurial success. Addressing these gaps can enhance the impact of the Mudra loan scheme, foster inclusive growth, and empower more women to expand and sustain their enterprises.

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