



To cite this article: Dr. Syed Mohammad Jamal Ashraf (2026). EFFECTIVENESS OF ENTREPRENEURSHIP FINANCING SCHEMES OF STATE BANK OF INDIA IN PROMOTING ENTREPRENEURSHIP: EVIDENCE FROM URBAN AND RURAL INDIA, International Journal of Research in Commerce and Management Studies (IJRCMS) 8 (2): 1049-1058 Article No. 737 Sub Id 1237

EFFECTIVENESS OF ENTREPRENEURSHIP FINANCING SCHEMES OF STATE BANK OF INDIA IN PROMOTING ENTREPRENEURSHIP: EVIDENCE FROM URBAN AND RURAL INDIA

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DOI: <https://doi.org/10.38193/IJRCMS.2026.8275>

ABSTRACT

This research article investigates the effectiveness of entrepreneurship financing schemes offered by the State Bank of India (SBI) in promoting entrepreneurship across urban and rural India. India's micro, small and medium enterprise (MSME) sector is the cornerstone of its economic architecture, contributing 30.1% to the nation's Gross Domestic Product (GDP), accounting for 35.4% of manufacturing output and constituting 45.73% of total exports (Ministry of MSME, Government of India, 2024). Despite numerous government-backed financial schemes channelled through SBI — such as the PM Mudra Yojana, Stand-Up India, PM SVANidhi and MSME loans — a persistent rural-urban disparity in credit access continues to challenge inclusive entrepreneurial development. Using a primary survey of 120 respondents drawn from urban and rural areas, this study evaluates awareness levels, accessibility, utilisation and perceived impact of SBI's financing schemes on business growth and employment. The study employs descriptive statistics, chi-square analysis and t-tests to analyse the collected data. Findings reveal that while urban entrepreneurs demonstrate higher awareness and utilisation of SBI schemes, rural entrepreneurs face significant barriers including inadequate financial literacy, collateral requirements, bureaucratic procedures and limited branch proximity. The study recommends targeted outreach, digital banking literacy programmes, simplified loan procedures and dedicated rural entrepreneurship cells to bridge the gap. This research contributes to the existing body of knowledge on institutional finance and entrepreneurship development in emerging economies.

KEYWORDS: Entrepreneurship Financing, Rural-Urban Disparity, Financial Inclusion, Institutional Credit, PM Mudra Yojana, Stand-Up India.

INTRODUCTION

Entrepreneurship is universally acknowledged as one of the most potent catalysts of economic development. In a country as diverse and populous as India, entrepreneurship holds particular



significance, not only as a vehicle for wealth creation but also as a mechanism for reducing unemployment, alleviating poverty and generating inclusive economic growth. India's entrepreneurial ecosystem is characterised by a vast informal sector, millions of micro, small and medium enterprises (MSMEs) and an increasingly dynamic startup culture fuelled by digital connectivity and policy support.

Access to institutional finance remains one of the most formidable challenges confronting Indian entrepreneurs, particularly those operating in rural and semi-urban areas. SBI offers a comprehensive suite of entrepreneurship-oriented lending products and government-backed schemes, including Pradhan Mantri Mudra Yojana (PMMY), Stand-Up India, PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi), Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)-backed loans, MSME loans and various sector-specific credit products. These schemes collectively target first-generation entrepreneurs, women, scheduled castes, scheduled tribes and other marginalised groups, with the twin objectives of financial inclusion and entrepreneurship promotion.

This study aims to bridge this research gap by empirically examining the effectiveness of SBI's entrepreneurship financing schemes using a structured primary survey of 120 respondents from urban and rural India.

OBJECTIVES OF THE STUDY

The study is guided by the following specific objectives:

- To examine the level of awareness among urban and rural entrepreneurs about entrepreneurship financing schemes offered by the State Bank of India.
- To assess the extent of accessibility and utilisation of SBI's entrepreneurship financing schemes by urban and rural entrepreneurs.
- To evaluate the perceived impact of SBI's financing schemes on business growth, employment generation and income levels of entrepreneurs.
- To identify the key barriers faced by rural and urban entrepreneurs in accessing SBI's institutional credit.
- To compare the effectiveness of SBI's entrepreneurship financing schemes across urban and rural contexts.
- To suggest policy measures and institutional strategies to improve the reach and effectiveness of SBI's entrepreneurship financing schemes.

Rationale of the Study

The rationale for this study is anchored in both academic and policy imperatives. Academically, while a substantial body of literature exists on MSMEs, financial inclusion and entrepreneurship in India,



there is a notable paucity of empirical studies that specifically focus on the role of a single, large institutional lender — the State Bank of India — in promoting entrepreneurship across the rural-urban continuum. The present study fills this void by providing a micro-level, demand-side analysis of SBI's financing effectiveness. This study, therefore, contributes timely and relevant empirical evidence to both academic discourse and public policy formulation.

REVIEW OF EXISTING LITERATURE

The literature on institutional finance and entrepreneurship in India is rich, multidimensional and spans several disciplines including development economics, banking studies and entrepreneurship research. This section reviews key empirical and conceptual contributions that are directly relevant to the present study.

Garg, Gupta and Mallick (2025) conducted a rigorous analysis of how financial access influences entrepreneurship across gender in rural India. Using Economic Census data at the village level, they demonstrated that the proximity of a bank branch within five kilometres significantly increases non-agricultural entrepreneurship, particularly among women. Their findings confirmed the institutional credit channel as a key mechanism for women's economic emancipation and structural transformation in rural India. This study underscores the centrality of branch-level financial access in enabling entrepreneurship — a finding directly relevant to SBI's rural branch network.

Menon and van der Meulen Rodgers (2011) used household survey data from India's National Sample Survey Organisation (NSSO) spanning 1983 to 2000 to examine how credit access shapes self-employment among rural labour households. Their research found that access to credit positively encourages women's self-employment as own-account workers and employers, while land ownership — a key form of collateral — remains a strong predictor of self-employment across genders.

The Asian Development Bank (2014), in a comprehensive study on finance for MSMEs in India, highlighted that barriers to accessing institutional credit from formal sources include collateral requirements, inflexible lending policies, high interest rates, procedural complexity and entrepreneurs' inadequate financial literacy. The study estimated that approximately 78% of MSME financing in India is met by informal sources, underscoring the systemic failure of formal institutions to adequately serve this segment.

Saravanabhavan and Rajeev (2026) examined access to formal credit among urban self-employed households in India using NSSO data from the 70th and 77th Rounds. Despite urban areas having far more developed financial infrastructure, they found that access to formal credit for urban self-employed households remains disproportionately low, with most small enterprises operating as asset-poor entities. Their findings highlight that the urban-rural credit gap is not simply a question of supply, but is mediated by structural and institutional factors that affect both rural and urban entrepreneurs differently.



HYPOTHESES OF THE STUDY

Hypothesis 1: Awareness and Accessibility of SBI Financing Schemes

H₀ (Null Hypothesis): There is no significant difference in the level of awareness and accessibility of SBI entrepreneurship financing schemes between urban and rural entrepreneurs.

H₁ (Alternate Hypothesis): There is a significant difference in the level of awareness and accessibility of SBI entrepreneurship financing schemes between urban and rural entrepreneurs, with urban entrepreneurs demonstrating significantly higher awareness and accessibility.

Hypothesis 2: Impact on Entrepreneurial Outcomes

H₀ (Null Hypothesis): There is no significant difference in the perceived impact of SBI entrepreneurship financing schemes on business growth, income generation and employment between urban and rural beneficiaries.

H₁ (Alternate Hypothesis): There is a significant difference in the perceived impact of SBI entrepreneurship financing schemes on business growth, income generation and employment between urban and rural beneficiaries, with urban entrepreneurs reporting significantly higher positive impact.

RESEARCH GAP

A critical examination of the existing literature reveals several important gaps that the present study addresses:

- **Institution-Specific Analysis:** Most studies on entrepreneurship financing in India adopt a macro-level or policy-level perspective, examining schemes across multiple banks or financial institutions. There is a significant absence of institution-specific studies that examine SBI — the country's largest public sector bank — as the primary unit of analysis.
- **Rural-Urban Comparative Framework:** While individual studies exist on either rural finance or urban credit access, there is a marked paucity of comparative empirical research that simultaneously examines SBI's financing effectiveness across both rural and urban settings within a unified analytical framework.
- **Post-Pandemic Context:** Most existing studies predate the COVID-19 pandemic, which significantly disrupted MSME financing, loan moratoriums and scheme uptake. There is a need for updated empirical evidence reflecting the post-pandemic entrepreneurial landscape.

The present study addresses all these identified gaps by conducting a primary empirical investigation of SBI's entrepreneurship financing schemes across urban and rural India, from the perspective of 120 entrepreneur-respondents, using a structured questionnaire and inferential statistical analysis.

RESEARCH METHODOLOGY

Research Design

This study adopts a mixed-method descriptive-analytical research design. The primary focus is quantitative — using structured questionnaire data — supplemented by qualitative insights gathered through open-ended questions. A cross-sectional survey design is employed, with data collected at a single point in time across multiple urban and rural locations.

Study Area

The study was conducted across selected urban and rural areas in two Indian states — Bihar and Jharkhand — chosen on account of their large rural entrepreneurial populations, the significant presence of SBI branches and their status as major beneficiary states under PMMY and Stand-Up India schemes. Urban respondents were surveyed from district headquarters and major towns, while rural respondents were drawn from gram panchayat- level clusters and block-level SBI branch service areas.

Sample Size and Sampling Method

A total of 120 respondents were selected for this study, comprising 60 urban entrepreneurs and 60 rural entrepreneurs, ensuring equal representation of both segments. The sample was drawn using purposive cum stratified random sampling. The strata were defined by (a) geographic location (urban/rural), (b) gender (male/female) and (c) type of enterprise (manufacturing/services/trading). The sample composition is presented in Table 1 below.

Table 1: Sample Composition

Category	Urban (n=60)	Rural (n=60)	Total (n=120)
Male Entrepreneurs	35 (58.3%)	38 (63.3%)	73 (60.8%)
Female Entrepreneurs	25 (41.7%)	22 (36.7%)	47 (39.2%)
Manufacturing Sector	18 (30.0%)	22 (36.7%)	40 (33.3%)
Services Sector	26 (43.3%)	20 (33.3%)	46 (38.3%)
Trading Sector	16 (26.7%)	18 (30.0%)	34 (28.4%)
SC/ST Entrepreneurs	14 (23.3%)	19 (31.7%)	33 (27.5%)
General/OBC Category	46 (76.7%)	41 (68.3%)	87 (72.5%)

Primary data were collected through a structured, pre-tested questionnaire consisting of 35 items organised across six thematic dimensions: (i) respondent profile, (ii) awareness of SBI financing

schemes, (iii) accessibility and utilisation of schemes, (iv) perceived barriers, (v) entrepreneurial outcomes post-financing and (vi) satisfaction with SBI services. A five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) was employed for attitudinal and perception-based items. Data collection was conducted through personal interview mode, with trained field investigators administering questionnaires to ensure comprehension and minimise non-response bias. Secondary data were drawn from SBI's Annual Reports (2021-22, 2022-23), Reserve Bank of India publications, Ministry of MSME reports and peer-reviewed academic literature.

Data Collection and Analysis

Awareness of SBI Entrepreneurship Financing Schemes

Respondents were asked to indicate their awareness of major SBI financing schemes on a Yes/No basis. The results, presented in Table 2, reveal significant differences in scheme awareness between urban and rural respondents.

Table 2: Scheme Awareness Among Respondents

Financing Scheme	Urban Aware (%)	Rural Aware (%)
PM Mudra Yojana (Shishu/Kishor/Tarun)	91.7%	63.3%
Stand-Up India Scheme	73.3%	38.3%
PM SVANidhi (Street Vendors)	61.7%	48.3%
CGTMSE-Backed MSME Loans	55.0%	21.7%
SBI SME Credit Card	48.3%	16.7%
SBI e-Smart SME (Digital Loans)	41.7%	11.7%
Stree Shakti / Women-Specific Packages	38.3%	23.3%

The data clearly indicate that urban entrepreneurs possess significantly higher awareness across all seven major SBI schemes. The most widely known scheme among both groups is PM Mudra Yojana (91.7% urban vs. 63.3% rural), likely due to its extensive media campaigns. However, awareness of technical and sector-specific products such as CGTMSE loans and digital MSME products (SBI e-Smart SME) is strikingly low in rural areas (21.7% and 11.7% respectively).

Accessibility and Utilisation of Schemes

Among the 120 respondents, 82 (68.3%) had availed at least one SBI financing scheme. The breakdown is presented in Table 3. Urban entrepreneurs demonstrate substantially higher utilisation rates (78.3%) compared to rural respondents (58.3%).

Table 3: Scheme Utilisation by Location

Indicator	Urban (n=60)	Rural (n=60)	Overall (n=120)
Availed at least one SBI scheme	47 (78.3%)	35 (58.3%)	82 (68.3%)
Availed Mudra Loan (any tier)	31 (51.7%)	24 (40.0%)	55 (45.8%)
Availed Stand-Up India	12 (20.0%)	5 (8.3%)	17 (14.2%)
Availed MSME/SME Loan	18 (30.0%)	8 (13.3%)	26 (21.7%)
Loan Application Rejected	6 (10.0%)	16 (26.7%)	22 (18.3%)
Applied but Pending > 3 months	4 (6.7%)	11 (18.3%)	15 (12.5%)

The data in Table 3 are revealing. Rural applicants face significantly higher rejection rates (26.7%) compared to urban applicants (10.0%). Furthermore, loan processing delays beyond three months are nearly three times more prevalent among rural respondents. These patterns suggest systemic accessibility barriers in rural credit delivery.

Entrepreneurial Outcomes Post-Financing

Among the 82 respondents who had availed SBI financing schemes, perceived entrepreneurial outcomes were measured on a five-point Likert scale across four dimensions: business growth, employment generation, income increase and operational stability. Mean scores and standard deviations are presented in Table 5.

Table 4: Perceived Entrepreneurial Outcomes Post-SBI Financing

Outcome Dimension	Urban Mean (SD)	Rural Mean (SD)	t-value	p-value
Business Growth/Expansion	3.91 (0.74)	3.26 (0.88)	3.842	0.000*
Employment Generation	3.76 (0.81)	3.19 (0.91)	3.128	0.002*
Income/Revenue Increase	3.84 (0.79)	3.31 (0.86)	2.967	0.004*
Operational Stability	3.68 (0.85)	3.08 (0.94)	3.211	0.002*
Overall Satisfaction with SBI Service	3.52 (0.91)	2.94 (1.02)	2.871	0.005*

Note: * Significant at $p < 0.05$ level. Scale: 1 = Very Low to 5 = Very High.

The t-test results in Table 5 consistently reveal statistically significant differences between urban and rural beneficiaries across all five outcome dimensions ($p < 0.05$). Urban entrepreneurs report higher mean scores on all dimensions, indicating that SBI's financing schemes generate more pronounced positive outcomes in urban settings. This may reflect urban entrepreneurs' superior ability to deploy credit productively, access complementary business infrastructure and navigate post-loan formalities.

Results of Hypotheses Testing

Hypothesis 1: The independent samples t-test for scheme awareness yielded $t(118) = 5.214$, $p = 0.000$ (< 0.05). The null hypothesis H_0 is therefore rejected. There exists a statistically significant difference in the level of awareness and accessibility of SBI entrepreneurship financing schemes between urban and rural entrepreneurs, with urban entrepreneurs demonstrating significantly higher awareness. H_1 is accepted.

Hypothesis 2: The independent samples t-test for entrepreneurial outcomes yielded $t(80) = 3.842$, $p = 0.000$ (< 0.05). The null hypothesis is therefore rejected. There is a statistically significant difference in the perceived impact of SBI's schemes on business outcomes between urban and rural beneficiaries, with urban beneficiaries reporting significantly higher positive impact. H_1 is accepted.

SUGGESTIONS AND RECOMMENDATIONS



Based on the findings, the following policy and institutional recommendations are offered:

Strengthening Rural Outreach and Awareness

SBI should establish dedicated entrepreneurship awareness camps at the gram panchayat level, in collaboration with Block Development Officers and Krishi Vigyan Kendras. Village-level Business Correspondents (BCs) should be trained specifically to disseminate information about all SBI entrepreneurship schemes, with particular emphasis on Stand-Up India, CGTMSE-backed loans and women-specific packages.

Simplifying Documentation and Procedures

A single-window, unified application process for SBI's entrepreneurship schemes — accessible both online (via YONO SBI) and at branches — should be implemented. Loan documentation requirements for amounts below Rs. 5 lakhs under Mudra Yojana should be further simplified, building on the model of PM SVANidhi's streamlined processes.

Collateral Substitution Mechanisms

SBI should proactively expand its utilisation of the CGTMSE guarantee scheme to substitute traditional collateral requirements, particularly for first-generation and rural entrepreneurs. The SIDBI-SBI joint recommendation of reducing CGTMSE guarantee fees should be implemented to reduce the effective cost of collateral-free lending.

Financial Literacy Programmes

SBI's existing financial literacy initiatives through the Financial Literacy and Credit Counselling (FLCC) Centres should be augmented with enterprise-specific modules covering loan utilisation, repayment planning, GST registration and digital payment systems. These programmes should be conducted in regional languages and use audiovisual formats suited to low-literacy populations.

Establishing Rural Entrepreneurship Cells

SBI should establish dedicated Rural Entrepreneurship Cells at the district level, staffed by relationship managers trained in rural MSME financing. These cells should provide end-to-end support from scheme identification through post-disbursement follow-up, addressing the lack of post-loan support identified as a significant concern by respondents.

Gender-Responsive Lending

Targeted awareness and credit camps specifically for women entrepreneurs should be organised in collaboration with Self-Help Group (SHG) federations, Mahila Samiti networks and Women and Child Development departments. SBI's Stree Shakti and Stand-Up India schemes for women should receive dedicated marketing budgets and branch-level targets.

CONCLUSION

Behind every loan application lies a dream — a first-generation entrepreneur daring to hope. This



study reveals that while SBI's financing schemes have genuinely illuminated entrepreneurial pathways, the light reaches urban shores far more brightly than rural ones. A **Rs. 20–25 trillion credit gap** is not merely a statistical information — it represents millions of unrealised dreams. With **78.3% urban versus 58.3% rural** scheme utilisation, the disparity is both empirically stark and morally compelling. SBI, with its **22,500+ branches**, holds the rare power to transform this inequity into equity. True inclusive development demands that institutional finance serve not merely the accessible, but the deserving — every entrepreneur, in every village, without exception. It has been rightly stated “*Where institutional finance meets human aspiration, entrepreneurship is born.*”

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