



## International Journal of Financial Management and Economics

P-ISSN: 2617-9210  
E-ISSN: 2617-9229  
IJFME 2019; 2(1): 94-105  
Received: 11-11-2018  
Accepted: 19-12-2018

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### MUDRA Scheme in India: An in-depth analysis of its performance

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**DOI:** <https://doi.org/10.33545/26179210.2019.v2.i1.217>

#### Abstract

The Mudra scheme, officially known as Pradhan Mantri Mudra Yojana (PMMY), was launched in 2015 by the Indian government with the aim of facilitating financial support to micro and small enterprises (MSMEs) by offering affordable loans. This study evaluates the scheme's impact on access to finance, loan disbursement, targeted beneficiaries, job creation, challenges, and long-term sustainability. The study aims to assess the scheme's effectiveness in empowering entrepreneurs, promoting inclusive growth, and addressing the financial needs of marginalized sections of society. The key objectives of the study include examination and evaluation of the four dimensions of MUDRA scheme i.e., performance of various product offerings, category wise performance, bank wise performance, and state wise performance. The study is based on analysis of secondary data available on MUDRA portal ([www.mudra.org.in](http://www.mudra.org.in)), its annual reports, various journals, newspaper articles and magazines. The study is descriptive and analytical in nature. The study is limited to Mudra Banks schemes only covering a time period is 2015-2018.

The findings highlight the Mudra scheme's success in reaching many beneficiaries and promoting inclusive growth. It has created opportunities for self-employment, and facilitated job creation, particularly in rural and semi-urban areas, contributing to a more inclusive and sustainable economy. Mudra Yojana has also been successful in promoting entrepreneurship among women, minorities, and new entrepreneurs and thereby instrumental in bridging the financial gap and promoting inclusive economic development. However, the study pointed out certain challenges that need to be addressed, such as credit risk, loan repayment defaults, the need to enhance entrepreneurial skills among marginalized sections of society, and the establishment of effective support mechanisms

The paper concludes with recommendations for enhancing the scheme's effectiveness and ensuring its continued positive impact on the Indian economy. Through a balanced assessment of the Mudra scheme's achievements and challenges, this research aims to provide valuable insights for policymakers, researchers, and stakeholders in assessing the scheme's performance and identifying areas for improvement.

**Keywords:** Mudra Scheme, MSMEs, access to credit, job creation, promotion to entrepreneurship, performance of mudra scheme, sustainable development, entrepreneurship, PMMY

#### Introduction

In a developing country like India, financial inclusion is crucial for promoting growth and improving the conditions of the population living in poverty. By providing access to financial services for marginalized sections of society, the government can encourage self-employment and entrepreneurship. Entrepreneurs play a pivotal role in shaping the economic destiny of a nation through wealth creation, job generation, and contribution to taxes. Micro, small, and medium enterprises (MSMEs) are particularly important, as they provide employment opportunities to a significant portion of the population. Their contribution to India's GDP in 2017-18 was around 30%.

However, MSMEs face various challenges in accessing finance, such as lack of collateral, limited consultancy support, financial illiteracy, lack of information, and high borrowing costs. Often, they are unaware of government policies and programs designed to provide financial and institutional support. Due to financial illiteracy and lack of collateral, they are unable to access formal financial sectors and are compelled to borrow from unorganized sectors at high interest rates. To address these hurdles, Micro Units Development and Refinance Agency (MUDRA) was set up by the Government of India to provide funding to the underserved sections of society.

Research by Manish and Ritesh (2017) <sup>[12]</sup> indicates that the MUDRA Scheme will assist the Indian government in achieving its financial inclusion targets, which are essential in tackling poverty and income inequalities.

The idea of financial inclusion was initially presented by RBI Governor Shri Y.V. Reddy in 2005. It revolves around the objective of providing access to suitable financial services at affordable rates for individuals across all segments of society, including those belonging to low-income groups and marginalized communities. Building on this idea, the Government of India enacted the MUDRA scheme on April 8, 2015, with the aim of providing financial services to all segments of society, particularly those who have been traditionally underserved. MUDRA provides refinance support to Micro Enterprise Development (MEL) banks and non-banking financial companies (NBFCs) to offer working capital and term loans to micro-business units engaged in manufacturing, trading, and service activities, with loan amounts of up to 10 lakh rupees. MUDRA loans cater to a variety of purposes and are available through all bank branches in India, including business loans for vendors and shopkeepers, working capital loans, equipment financing, loans for commercial transport vehicles, and loans for agricultural and allied activities.

**Objectives of the Study:** The study has been undertaken to examine the performance of MUDRA scheme. The key objectives of the study includes examination and evaluation of the following dimensions of MUDRA scheme:

1. Performance of various product offerings
2. Category wise performance
3. Bank wise performance
4. State wise performance

To provide the background for the study, the origin and progress of MUDRA bank has also been described. Based on examination of the performance of MUDRA schemes, study has tried to identify drawbacks or shortcomings of the schemes, thereby providing suggestions for improvement in performance are also given.

The paper is organized in 5 sections. Section 1 provided introduction and an insight into the origin of MUDRA, its schemes and participating institutions. Section 2 gives a comprehensive Literature Review. Section 3 discusses the Research Design and Methodology. Section 4 is dedicated to detailed Result analysis and in-depth discussion on the performance of MUDRA Yojana. Section 5 gives the Summary and Implications. It also mentions the limitations and future scope of the work; and finally references are given at end.

### **Origin and Growth of MUDRA Bank**

According to data from the National Sample Survey Office (NSSO) Survey in 2013, there were approximately 5.77 crore small business and micro units in the country. Among them, the majority were individual proprietorships or 'Own Account Enterprises' (OAE), with around 94% of these OAEs being owned by individuals from Scheduled Caste (SC), Scheduled Tribe (ST), or Other Backward Classes (OBCs). Surprisingly, less than 5% of these small enterprises were able to access credit from formal sources, with the majority relying on informal channels such as

friends, family, relatives, or moneylenders (Mudra.org, 2018).

Various interventions have been implemented in the past to address the credit needs of the sector. Examples include the inclusion of Micro, Small, and Medium Enterprises (MSMEs) under Priority Sector Lending (PSL) norms in 1972, the establishment of the Small Industries Development Bank of India (SIDBI) in 1990, and the formation of the Credit Guarantee Fund Trust For Micro and Small Enterprises (CGTMSE) in the year 2000 by SIDBI (Dvara Research, 2017). However, these policy initiatives and interventions failed to effectively solve the underlying finance-related challenges faced by microentrepreneurs. The main hurdles faced in raising loan from formal channels were lack of knowledge of government schemes, financial illiteracy and inability to give collateral security leaving them with no other option but to borrow funds from unorganized sector at a very high rate.

There was a need to promote financial inclusion, so that all such less affluent, weaker and unserved sections of society have access to financial services at a reasonable price (Sarma, 2008). To address this persistent issue, the Pradhan Mantri Mudra Yojana (PMMY) was launched, aiming to provide formal credit to microentrepreneurs in a hassle-free manner. To implement the PMMY scheme, Micro Units Development & Refinance Agency Ltd. (MUDRA) was instituted on April 8, 2015, with the primary objective of "funding the unfunded." The establishment of MUDRA was a strategic step aimed at promoting financial inclusions and addressing other prominent issues such as poverty, income inequalities, and underdeveloped industries.

Initially, MUDRA was established as a wholly owned subsidiary of the Small Industries Development Bank of India (SIDBI), with SIDBI contributing 100% of the capital. Currently, MUDRA has an authorized capital of 1000 crores and a paid-up capital of 750 crore, which is fully subscribed by SIDBI. Additional capital infusion is anticipated to further strengthen the operations of MUDRA.

### **Role and Responsibilities**

The primary role of MUDRA is to promote and provide refinancing support to financial institutions that lend to micro and small business entities involved in manufacturing, trading, and service activities within the micro-enterprises sector. In addition, MUDRA monitors the data of the Pradhan Mantri Mudra Yojana (PMMY) through its web portal, manages the facilitation of loan guarantees under PMMY, and performs any other assigned activities as required. In a short span of time of 3 years (2015-18) MUDRA has approved loans amounting to around 5.54 lakh crore, benefiting approximately 12.27 crore micro and small entrepreneurs (Mudra.org, 2018).

### **Pradhan Mantri Mudra Yojana (PMMY)**

Mudra Yojana, also referred to as the Pradhan Mantri Mudra Yojana (PMMY), is a prominent initiative introduced by the Government of India aimed at providing financial support and promoting entrepreneurship among micro and small enterprises. Launched in April 2015, the scheme operates under the guidance of the Micro Units Development and Refinance Agency (MUDRA), an apex financial institution for micro-enterprise development.

**Objectives of PMMY Yojana**

The primary objectives of MUDRA yojana are:

- a) Facilitating access to credit: The scheme aims to provide affordable and timely credit to micro and small enterprises (MSEs) for their growth and expansion.
- b) Promoting entrepreneurship: Mudra Yojana seeks to encourage individuals to become job creators by supporting their entrepreneurial ventures and fostering self-employment opportunities.
- c) Enhancing financial inclusion: By extending financial services to previously underserved sections of society, the scheme contributes to the goal of inclusive economic development.

**Mudra Bank Schemes**

Under the Pradhan Mantri Mudra Yojana (PMMY), unsecured loans are provided to Micro, Small, and Medium Enterprises (MSMEs) for various purposes such as establishing new businesses (startups), investing in plant and machinery, and supporting service operations. These loans are categorized based on the loan amount and the purpose for which the loan is being taken, with loans up to Rs. 50,000 for establishing new businesses falling under the

Shishu category (infant), loans from Rs. 50,000 up to Rs. 5 lakhs for supporting existing businesses categorized as Kishor (Youth), and loans up to Rs. 10 lakhs for financing expansions and diversification of existing businesses falling under the Tarun category (Young Adult). The details of the loan under MUDRA scheme are given below in Table 1:

In addition to above schemes, MUDRA also offers following support:

- a) Through the micro-credit scheme, microentrepreneurs can access loans up to Rs. 1 lakh to support their microenterprise activities.
- b) Under the refinance scheme programme, MUDRA provides refinancing support to institutions such as commercial banks, RRBs, and Scheduled Cooperative Banks (SCBs) against the MUDRA loans they have extended to microentrepreneurs.
- c) The women enterprises programme offers additional benefits, including reduced interest rates on loans availed by women entrepreneurs.
- d) In order to facilitate financing for microenterprises by banks, MFIs, and NBFCs, MUDRA also participates in loan securitization by acquiring their loan assets.

**Table 1:** Categories and Amount of Loan, Interest Rates and Repayment Period in PMMY

S. No.	Category	Amount	Purpose	Processing Fee	Rate of Interest	Repayment Period
1	Shishu	Up to Rs. 50,000	To set up new businesses	NIL	1-12%	5 Years
2	Kishore	From Rs. 50,001 to Rs. 5 Lakh	To support already existing businesses	NIL	Depends on Lending Institution	Depends on Lending Institution
3	Tarun	From Rs. 5 Lakh to Rs.10 Lakh	To finance growth, expansion or diversification of existing businesses	0.5%	Depends on Lending Institution	Depends on Lending Institution

To cater to the working capital needs of borrowers, MUDRA has introduced the MUDRA Rupay card in collaboration with the National Payment Corporation of India (NCPI). This card enables borrowers to withdraw funds from ATMs nationwide. The unique Borrower Identification Number (BIN) and Issuer Identification Number (IIN) on the MUDRA card facilitate the tracking of a borrower's credit history.

MUDRA also extends promotional and developmental support to borrowers. This support includes initiatives focused on skill development, entrepreneurship development, financial literacy, and other relevant areas aimed at fostering the growth and success of the units availing loans.

Under the Pradhan Mantri Mudra Yojana, the government aims to cater to the non-corporate sector of small businesses, including small manufacturing units, shopkeepers, fruit and vegetable vendors, truck and taxi operators, and various other entrepreneurial ventures.

**Supporting Institutions**

MUDRA Bank operates by providing refinancing to supporting institutions also refereed as Member Lending Institutions (MLIs) rather than directly lending to borrowers. These include several Commercial Banks (both public and private sectors), Regional Rural Banks (RRBs),

Non-Banking Finance Companies (NBFC) and Micro Finance Institutions (MFI). Many of these institutions previously provided loans to the target segment under the Priority Sector Lending (PSL) norms. The details of MLIs are given below:

**Commercial Banks (CB's)**

Commercial banks play a crucial role in the financial system of any economy. They include both public and private sector banks, and regional rural banks. State cooperative banks, which have a wide geographical presence across the country are also a part of commercial banks. Due to their extensive reach, the government has identified commercial banks as an effective channel for disbursing MUDRA loans. These banks constitute a significant portion of MUDRA Bank loans.

**Regional Rural Banks (RRBs)**

Regional Rural Banks (RRBs) were established in 1975 specifically to cater to the financial needs of rural areas. Small Finance Banks (SFBs) also act as supporting institutions and actively participate in the microfinance sector.

**Micro Finance Institutions (MFI)**

Microfinance has emerged as a significant catalyst for rural

development in India, specifically aiding the economically disadvantaged in agricultural-related endeavors. The microfinance sector in India has witnessed substantial growth in recent years, marked by a notable increase in the number of institutions offering microfinance services. Microfinance institutions (MFIs) play a pivotal role as supporting institutions in ensuring the effectiveness and success of the MUDRA Yojana.

**Non-Banking Finance Companies (NBFC)**

Non-Banking Financial Companies (NBFCs) complement the banking sector by providing loans to both the corporate sector and small entrepreneurs, operating within both formal and informal sectors. The emergence of NBFCs has introduced competition to the banking industry, encouraging banks to innovate their operations and improve their overall performance. NBFCs have played a significant role in supporting MUDRA by extending loans and contributing to its success thus far.

**Benefits and Impact of Mudra Yojana**

MUDRA Yojana has had several positive impacts on the Indian economy and society:

- a) **Employment generation:** By promoting entrepreneurship and supporting micro-enterprises, the scheme has contributed significantly to job creation, particularly in rural and semi-urban areas.
- b) **Financial inclusion:** Mudra Yojana has played a crucial role in bringing individuals from marginalized sections

of society into the formal financial system, thereby enhancing financial inclusion.

- c) **Economic growth:** The growth of micro-enterprises supported by Mudra loans has contributed to overall economic growth, fostering a vibrant entrepreneurial ecosystem and strengthening the country's GDP.
- d) **Women empowerment:** The scheme has specifically focused on empowering women entrepreneurs by providing them with easier access to credit, fostering gender equality, and encouraging women's participation in economic activities.

**Literature Review**

Mudra Yojana, a significant initiative of the Government of India, has garnered attention from researchers and scholars who have conducted studies to understand its impact, effectiveness, and implications. Various research studies (such as Hossain, 1998; Morris and Barnes, 2005) [7, 14] have been undertaken to examine the role of micro-finance schemes on financial inclusion, growth of small and medium businesses and overall economic growth. This literature review aims to provide an overview of academic work on MUDRA Yojana and highlight key findings and insights from these studies. The brief overview of available literature on the importance of financial inclusion, role of small units in a country's growth and examination of various Government scheme for the same is given in the following Table 2:

**Table 2:** Literature Review

Study	Main Findings
Lall, 2018 [10]	The study examined the performance of MUDRA in Uttarakhand state and concluded that the schemes fulfill the objective of providing loans to unfunded. However, it also revealed that the entrepreneurial activities and loan sanctions under MUDRA were adversely affected by demonetization and the implementation of GST, leading to a decline in economic growth within the state.
Kumar & Agarwal, 2018 [25]	The study examined the role of Mudra Yojana in promoting financial inclusion in India. It analyzes the impact of the scheme on enhancing access to credit for individuals in underserved regions and assesses its effectiveness in reducing the financial exclusion gap.
Rustagi & Ragabiruntha, 2018 [16]	This study examines the perspectives of Mudra Yojana beneficiaries on the scheme's impact on their socioeconomic development. It analyzes their experiences, challenges faced, and perceived benefits, providing insights into the scheme's effectiveness from the beneficiaries' viewpoint.
Srinivas, 2018 [21]	This research focused on the role of Mudra Yojana in empowering women entrepreneurs. The study found that the scheme played a vital role in promoting women's entrepreneurship, enhancing their financial inclusion, and contributing to their socioeconomic empowerment. It also emphasized the importance of tailored support and mentoring for women entrepreneurs to ensure their long-term success.
Gupta & Sharma, 2017 [5]	This study analyzed the impact of Mudra Yojana on microenterprises in India. The findings revealed that the scheme positively influenced the growth, employment generation, and financial inclusion of microenterprises. However, it also highlighted the need for enhanced training and skill development programs to improve the success rate of Mudra-funded enterprises.
Kumar, 2017 [9]	This research examined the role of Mudra Yojana in fostering financial inclusion through microfinance institutions (MFIs). The study revealed that Mudra loans facilitated the expansion of MFIs, enabling them to reach a larger number of unbanked and underserved individuals. It emphasized the importance of collaboration between MFIs and financial institutions to maximize the impact of Mudra Yojana in achieving financial inclusion goals.
Gupta & Sharma, 2017 [5]	The study analyzed the effectiveness of MUDRA schemes in addressing the financial challenges faced by both new and existing small businesses. The findings indicated that the scheme significantly assists MSMEs in obtaining loans without the need for collateral security, in a hassle-free borrowing process
Kumar R., & Prakash, 2017 [9]	The study examines the flaws and limitations of the existing microfinance institution (MFI) mechanisms in providing effective microfinancing. The study explored the potential impact of MUDRA in addressing these issues and how it could facilitate the regulation of MFIs so as to create a seamless and convenient process for small businesses to fulfill their financial needs.
Gupta, Matho, & Dubey, 2017 [6]	The study conducted a comprehensive analysis focusing on the performance, opportunities, and benefits of MUDRA. Their findings asserted that MUDRA has played a crucial role in driving the growth of small businesses in Jharkhand, making a significant contribution to their progress and development.
Kumar, 2017 [9]	The study analyzed the impact of Mudra Yojana in driving financial inclusion in rural areas of India. The findings of the

	study indicated that the scheme effectively bridged the financial gap by providing access to credit for rural entrepreneurs. It emphasized the importance of financial literacy programs to maximize the benefits of Mudra loans and ensure their sustainable utilization.
Godha & Nama, 2017 <sup>[4]</sup>	The study examined the role played by MUDRA in improving financial inclusions in India. The study found that MUDRA has significantly transformed the microfinance landscape and played a pivotal role in supporting funding requirements of marginalized and low-income individuals. It recommended that steps should be taken to increase the number of loan approvals and ensure effective implementation of the program.
Ramesh, 2016 <sup>[15]</sup>	This research explored the impact of Mudra Yojana on rural entrepreneurship, particularly in the agriculture sector. The study highlighted the positive contribution of Mudra loans in supporting agriculture-based microenterprises, increasing agricultural productivity, and reducing rural-urban migration. It emphasized the need for tailored financial products and market linkages to further enhance the effectiveness of Mudra Yojana in rural areas.
Roy, 2016 <sup>[17]</sup>	This study discussed the significant contribution of small businesses to the nation's GDP and the importance of this sector as a strategic tool for fostering the growth of small enterprises. It examined and appreciated the role played by MUDRA Bank in supporting and promoting small businesses.
Shahid & Irshad, 2016 <sup>[20]</sup>	The significance of self-employed individuals and small business units was examined in this study. The research focused on assessing the product offerings of MUDRA Bank and its performance specifically in the state of Karnataka and found these highly useful in providing support to small businesses.
Kumar, 2016 <sup>[26]</sup>	The study highlighted the importance of strengthening and supporting small businesses, which serve as the cornerstone of the economic structure. It acknowledges that numerous initiatives proposed in MUDRA are in the right direction to address this need.
Rudrawar & Uttarwar, 2016 <sup>[18]</sup>	The study findings suggest that the PMMY scheme has the potential to bring about the desired transformation and act as a game-changer for the Indian economy. By ensuring proper implementation and accessibility, with reduced documentation requirements, MUDRA can significantly contribute to the development of employment, GDP growth, and entrepreneurship in the coming years.
Kumar, 2015 <sup>[27]</sup>	The study's findings indicate that microfinance plays a vital role in poverty alleviation, promoting women entrepreneurship, ensuring equal distribution of wealth, facilitating financial education, fostering financial inclusion, mobilizing savings, and contributing to economic growth.
Mehar, 2014 <sup>[13]</sup>	The study stressed that technological advancements in recent years have led to an increase in financial inclusion; however, there is still room for improvement. The government should take innovative measures to enhance financial access for marginalized sections of society and promote financial literacy in rural areas.
Chandraiah & Vani, 2014 <sup>[2]</sup>	The study examined the challenges faced by the MSMEs sector in India and concluded that key obstacles include high costs associated with accessing credit, limited access to global credit, low levels of technology adoption, requirements for collateral security, and insufficient infrastructure facilities.
Kempson <i>et al.</i> , 2004 <sup>[8]</sup>	The study emphasizes that in recent decades, the importance of an inclusive financial system has been widely acknowledged, and numerous countries have prioritized it as a policy objective. The study recognized the role of Microfinance schemes in realizing the objective of financial inclusion at the micro level within an economy.

A review of available literature provide insights into various aspects of Mudra Yojana, including economic development, financial inclusion, skill development, rural entrepreneurship, and social impact.

**Research Methodology**

The study is based on analysis of secondary data available on MUDRA portal ([www.mudra.org.in](http://www.mudra.org.in)) and its annual reports. In addition, data has been collected from various journals, reports, newspaper articles and magazines. The study is descriptive and analytical in nature. The study is limited to Mudra Banks schemes only and time period is 2015-2018.

**Data Analysis and Findings**

**Aggregate Performance of PMMY**

PMMY has been envisaged to provide funding to unfunded sections of the society at reasonable interest rates, without requirement of any collateral security. Since its inception in 2015, it is enabling people to realise their dreams with availability of easy and soft loans and become masters of their own fate by becoming entrepreneurs. It has made remarkable growth till date. Total disbursement of loans under different MUDRA schemes since its inception is shown in Table 3.

**Table 3:** Loan Disbursements under PMMY

Year	No of Sanctioned Loans	Amount Sanctioned (in crores)	Amount Disbursed (in crores)	% Disbursements	% Growth in loan sanctions	% Growth in Amount sanctioned
2015-16	3,48,80,924	1,37,449.27	1,32,95433	9633	NA	NA
2016-17	3,97,01,047	1,80,528.54	1,75,312A3	97A1	1182	31.34
2017-18	4,81,30,593	2,53,677.10	2,46,437.40	97A5	21.23	40.52
Total	12,27,12,564	5,71,654.91	5,54,704.26	97.03		

A comprehensive analysis of the data pertaining to the number of loans sanctioned and the total amount disbursed from 2015 to 2018 reveals noteworthy progress in the implementation of MUDRA schemes. These initiatives have played a significant role in providing financial support to marginalized sections of society, offering collateral-free

loans at favorable interest rates. Over the course of these three years, a total of 12.27 crore loans amounting to Rs. 5.54 lakh crores were disbursed, with an average loan size of Rs. 45,203. The loan disbursement ratio consistently exceeded 95% during this period, indicating the government's unwavering commitment to prioritize the

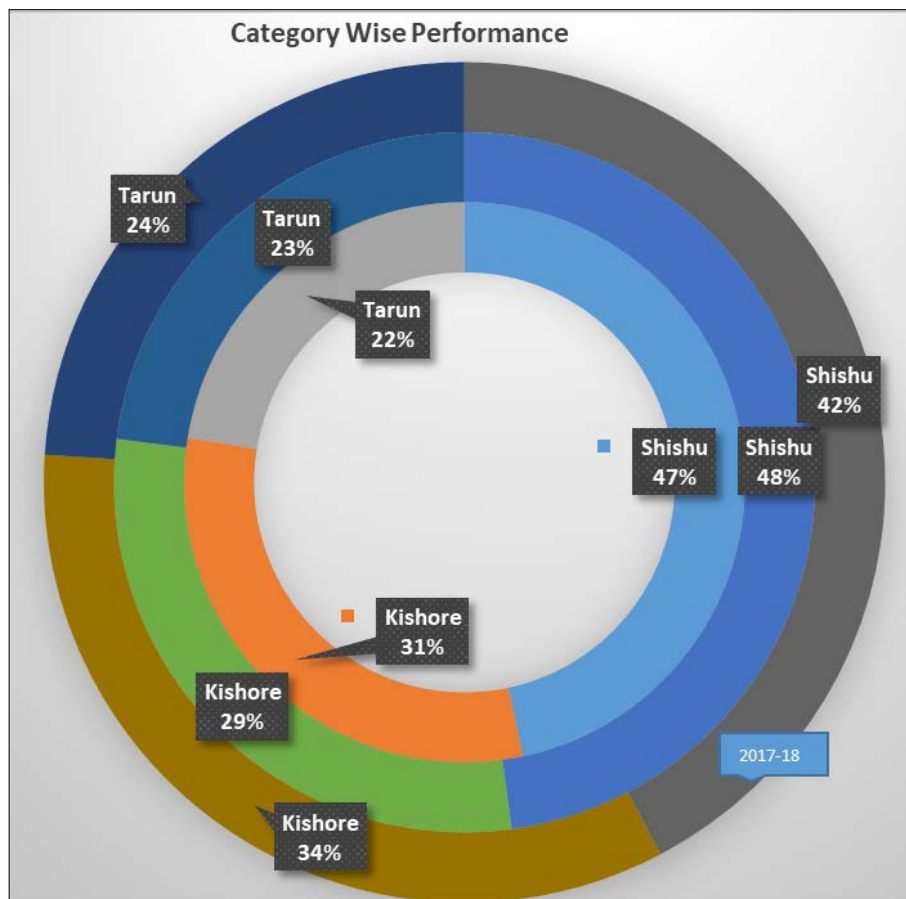
allocation of funds for supporting aspiring entrepreneurs. The growth rate of MUDRA loans also witnessed a notable increase, reaching 21.23% in 2017-18 from 13.82% in 2016-17. The growth rate of MUDRA disbursements also increased to 40.52% in 2017-18 from 31.34% in 2016-17. This upward trend signifies the scheme's effectiveness in facilitating entrepreneurship and empowering underprivileged individuals to earn a respectable livelihood.

**Category wise performance**

Under PMMY, loan is provided in three categories namely Shishu, Kishore and Tarun depending upon the need of the borrower, purpose of loan and stages of the business. Total disbursement of loans to these categories for the period under review is shown in Table 4. An examination of the loans sanctioned and amount disbursed shows that the majority of the loans are given under the Shishu scheme which shows the intensity of disbursement of loans under PMMY. Over the years, loan disbursement under Kishore and Tarun schemes is increasing.

Figure 1 presents graphical depiction of category wise disbursement of loans in proportion to total under PMMY for the period 2015-18. The diagram reveals that over 40% of the loans are allocated to the Shishu category, aligning with the government's commitment during the scheme's launch to provide ample loans to support individuals in establishing their businesses and foster entrepreneurship among aspiring youth. Average loan disbursement to the Kishore and Tarun categories stands at approximately 30% and 23% respectively. As businesses become established, there will be a greater need for additional funds to support expansion. Consequently, it is expected that the demand for loans in the Kishore and Tarun categories will rise further in the future.

The effect of the scheme on women, new entrepreneurs, minorities and PMJDY account holders has been analyzed on the basis of number of accounts and amount of loans disbursed during the period under consideration. The number of loan accounts and amount disbursed for these categories has been given in Table 5.



**Fig 1:** Category wise Performance of PMMY Schemes over the period 2015-18

**Effect of PMMY schemes on Women, New Entrepreneurs and Minorities**

Thorough examination of the data regarding loans granted and amount disbursed to women, new entrepreneurs, minorities and other unfunded sections of the economy shows that PMMY is transforming the lives of these sections of society and helping them realize their dreams of

becoming entrepreneurs by providing hassle free loans at very reasonable interest rates. The loans disbursements are showing growth rate of nearly 60% during the period 2015-18. However, there is decline in loan granted to PMJDY account holders and Mudra Card holders. There is need to delve into the matter and examine the reasons for the same.

**Table 4:** Loan Disbursements under different Categories of PMMY

Year	Shishu		Kishore		Tarun		Total	
	(Loans up to Rs. 50,000)		(Loans from Rs. 50,001 to Rs. 5.00 Lakh)		(Loans from Rs. 5.00 to Rs. 10.00 Lakh)		No Of A/Cs	Disbursement Amt
	No Of A/Cs	Disbursement AS	No Of A/Cs	Disbursement Amt	No Of A/Cs	Disbursement Amt		
2015-16	32401046, (92.89%)	62027.69, (46.65%)	2069461, (5.93%)	41073.28, (30.39%)	410417, (1.18%)	29853.76, (22.45%)	34880924	132954.73
2016-17	36497813, (91.93%)	83891.83, (47.85%)	2663502, (6.71%)	51063.12, (29.13%)	539732, (136%)	40357.13, (23.02%)	39701047	175312.13
2017-18	42669795, (88.65%)	104228.05, (42.29%)	4653874, (9.67%)	83197.09, (33.76%)	806924, (1.68%)	59012.25, (23.95%)	48130593	246437.4
Total	111568654, (90.91%)	250147.62, (45.09%)	9386837, (7.65%)	175333.49, (31.61%)	1757073, (1.43%)	129223.14, (23.29%)	122712564	554704.26

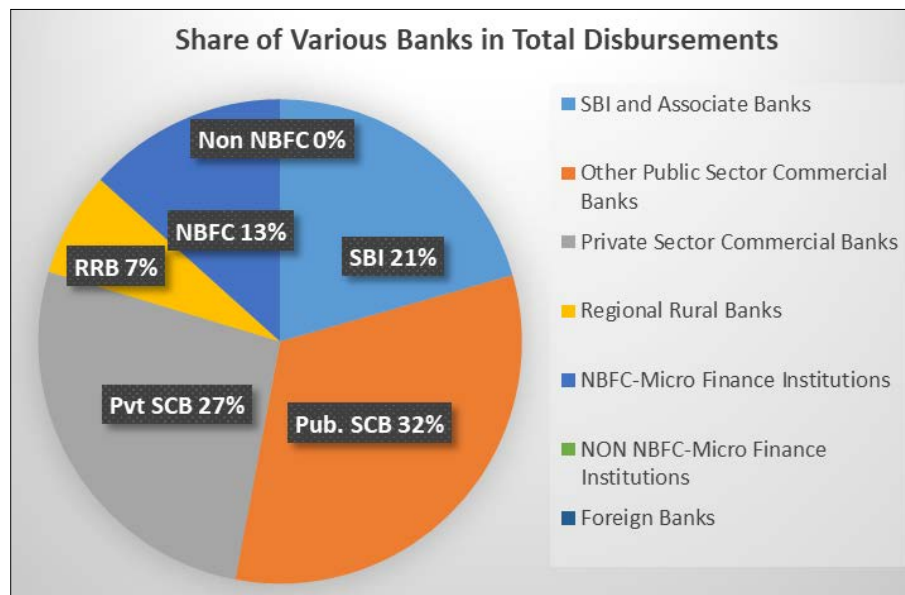
**Table 5:** Loan Disbursements under PMMY schemes to Women, New Entrepreneurs, Minorities and other uninsured Sections

Category	2015-16		2016-17		2017-18		% Growth in Accounts	% Growth in Disbursements
	No of A/Cs	Disbursement Amt	No of A/Cs	Disbursement Amt	No of A/Cs	Disbursement Amt		
Women Entrepreneurs	27628265	63190.43	29146894	78249.77	33558233	100170.55	21.46	53.52
New Entrepreneurs	12474668	58908.05	9989470	69973.96	12559327	93656.61	0.68	58.99
Minority	4088210	13560.3	5154551	19474.2	5270095	23155.33	28.91	70.76
PNLIDY OD Account	2417219	274.02	1423715	312.62	423046	37.90	-52.50	-56.17
Mucha card	517456	1391.25	183924	1515.84	152464	1425.48	-70.54	2.46
Total	47125818	137324.08	45898554	169526.39	51963170	218445.87	10.26	59.07

**Bank Wise Performance of MUDRA Schemes**

MUDRA bank does not provide loans directly to the entrepreneurs. It refinances the loans to supporting institutions called Member Lending Institutions (MLIs) who are the providers of loans under MUDRA schemes. These include several Commercial Banks (both public and private sectors), Regional Rural Banks, Micro Finance Institutions, and Non-Banking Finance Companies. Overall share of banks in total amount disbursed during the period 2015-18 is shown in figure 2. An analysis of the amount of loans disbursed by various banks under MUDRA schemes shows

that public and private sector occupy a major share in the loan disbursements. State Bank of India and other public sector banks together have a share of 53% in total disbursements where as private sector banks provide 27% of total loans. Share of regional rural banks and NBFC micro finance institutions is 7% and 13% respectively. Share of non NBFC micro finance institutions and foreign banks is almost negligible. Therefore there is a need to involve these banks to greater degree to reach out to poor sections of the society.



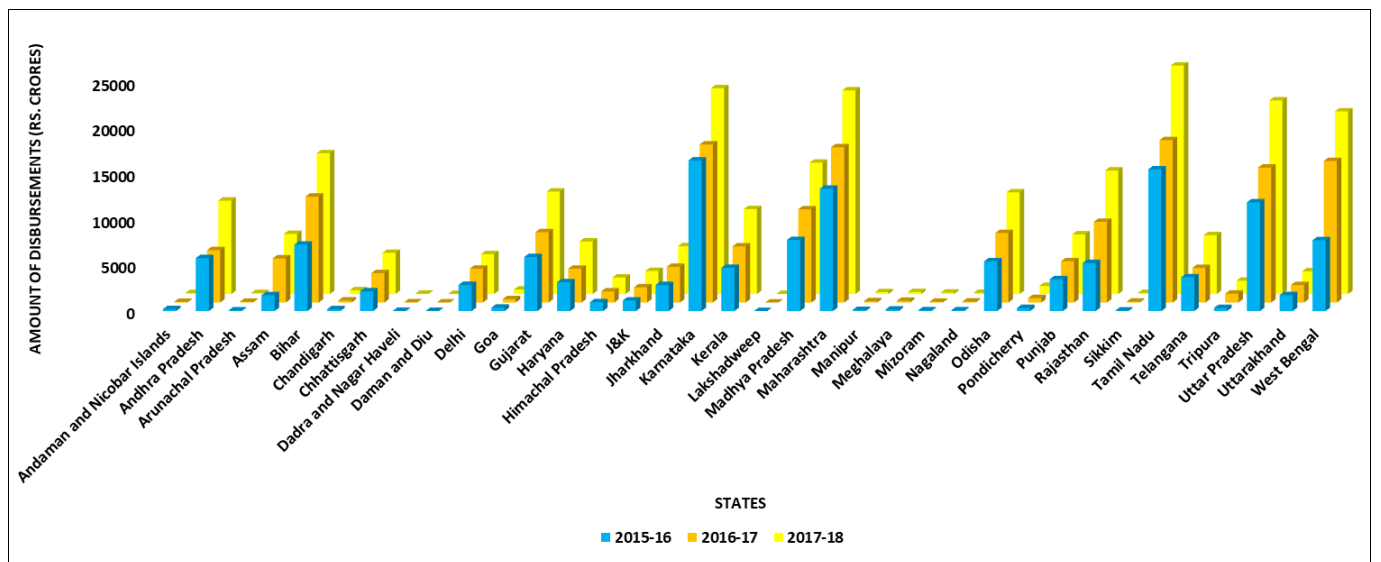
**Fig 2:** Share of Various Banks in Total Disbursements

Details of the loans sanctioned and loan amount disbursed by various banks is given in Table 6. Loan disbursements by public sector commercial banks have seen tremendous growth over the period of study. Loans sanctioned by private sector commercial banks has reduced during the stated period though loan disbursements have increased over

time. Role of State Co-operative Banks cannot be ruled out in growth and development of businesses and industries in any state however share of loan disbursements by State Co-operative Banks foreign banks and is very negligible. There is need to check reasons for the same.

**Table 6: Bank Wise Performance of MUDRA Schemes**

Bank	2015-16		2016-17		2017-18		Total		% Share of banks Accounts to Total	% Share of banks in Total Disbursements	% Growth in Accounts	% Growth in Disbursement	Average Loan Amount (₹.)
	No. of Accounts	Rs Cr	No. of Accounts	Rs Cr	No. of Accounts	Rs Cr	No. of Accounts	Rs Cr					
SBI and Associate Banks	1300589	16999.82	1355806	22385.02	1410005	28563.12	4066400	67947.96	7.21	20.59	8.41	68.02	167096
Other Public Sector Commercial Banks	160041	1768	3456331	46063.3	3723669	59067.37	7340041	106898.67	13.01	32.39	2226.70	3240.91	145638
Private Sector Commercial Banks	23050447	0	0	38772.77	0	49275.43	23050447	88048.2	40.86	26.68	-100.00	NA	38198
Regional Rural Banks	0	0	8821464	9667.36	10456474	13448.87	19277938	23116.23	34.18	7.00	NA	NA	11991
N13FC-Micro Finance Institutions	0	44026.06	233	0	295	0	528	44026.06	0.00	13.34	NA	-100.00	83382
NON NBFC-Micro Finance Institutions	0	0	1271253	0	1400701	0	2671954	0	4.74	0.00	NA	NA	0
Foreign Banks	0	0	0	14.78	0	17.52	0	32.3	0.00	0.01	NA	NA	NA
Total	24511077	62793.88	14905087	116903.23	16991144	150372.31	56407308	330069.42	100.00	100.00	-30.68	139.47	58515



**Fig 3: State Wise Performance**

**State Wise Performance of MUDRA Schemes**

To assess the effectiveness of MUDRA schemes at the micro level in India, the study examined the loans disbursed by different states under these schemes from 2015 to 2018. The analysis considered two key factors: the number of accounts opened and the amount of loans disbursed. The table 7 presents the specific details regarding the number and value of loans disbursed to various states during the specified period.

According to the data presented in Table 7, states and union territories such as Kerala, Arunachal Pradesh, Assam, Nagaland, Dadra and Nagar Haveli, and Sikkim have exhibited highly positive growth rates, indicating their successful utilization of the schemes. Utter Pradesh, West Bengal, Maharashtra, Karnataka, and Bihar have accounted for nearly 10% of the total loan sanctions. On the other hand, states and union territories like Daman Diu, Andaman and Nicobar Islands, Goa, and Lakshadweep have shown negative growth rates in this context.

States such as Manipur and Mizoram, which are characterized by high poverty rates, exhibit satisfactory growth rates. However Union Territories like Andaman and

Nikobar Islands and Lakshadweep have very low or negative growth rate. While the government aspires to extend funding opportunities to underserved segments of society, the achievement of this goal relies on ensuring that states with impoverished and marginalized communities can access the benefits and provide loans to their residents, thereby fostering entrepreneurship and economic empowerment.

**Summary and Implications**

Mudra Yojana (PMMY) has emerged as a game-changer in India's efforts to promote entrepreneurship and foster the growth of micro-enterprises through financial inclusion. Since its launch, Mudra Yojana has witnessed significant reach and impact. The scheme has empowered millions of entrepreneurs by providing collateral-free loans at reasonable rates to underprivileged segments of society as they mostly faced problems due to the absence of collateral security. By extending financial assistance, it has created opportunities for self-employment. It has facilitated job creation, particularly in rural and semi-urban areas, contributing to a more inclusive and sustainable economy.



Mudra Yojana has also been successful in promoting entrepreneurship among women, minorities and new entrepreneurs. By providing easier access to credit and fostering a supportive ecosystem, the scheme has encouraged women to start and grow their own businesses. This has not only enhanced their economic independence but also contributed to women empowerment and gender

equality. By providing credit facilities to previously underserved sections of society, such as women entrepreneurs, individuals from marginalized communities, and rural entrepreneurs, the scheme has been instrumental in bridging the financial gap and promoting inclusive economic development.

**Table 7:** State Wise Performance of MUDRA Schemes: Number of Accounts Opened

State Name	2015-16	2016-17	2017-19	Total	% of Total	% & Louth Rate
Andaman and Nicobar Islands	24719	3353	3829	31901	0.03	-84.51
Andhra Pradesh	795688	587569	801845	2185102	1.78	0.77
Arunachal Pradesh	4625	6109	11004	21738	0.02	137.92
Assam	427272	1255754	1713004	3396030	2.77	300.92
Bihar	2451439	3756716	4314861	10523016	8.58	76.01
Chandigarh	22605	19039	18257	59901	0.05	-19.23
Chhattisgarh	639711	884941	962079	2486731	2.03	50.39
Dadra and Nagar Haveli	1236	2587	3408	7231	0.01	175.73
Daman and Diu	1109	774	1086	2969	0	-2.07
Delhi	394398	224975	241797	861160	0.7	-38-69
Goa	45471	31289	39397	116157	0.09	-13.36
Gujarat	1086407	1103453	1501226	3691086	3.01	38.18
Haryana	745535	716622	786323	2248485	1.53	5.47
Himachal Pradesh	85564	82851	91992	260407	0.21	7.51
J&K	57974	89712	103125	250811	0.2	77.88
Jharkhand	872868	1023593	1212671	3109132	2.53	38.93
Karnataka	4459609	3933578	4568493	12961680	10.56	2.44
Kerala	830411	982260	2289805	4102476	3.34	175.74
Lakshadweep	740	473	1044	2257	0	41.08
Madhya Pradesh	2511191	2683052	2899123	8093366	6.6	15.45
Maharashtra	3535065	3344154	3596620	10475839	8.54	1.74
Manipur	24021	21865	33186	79072	0.06	38.15
Meghalaya	19151	23915	28846	71912	0.06	50.62
Mizoram	7772	6973	12400	27145	0.02	59.55
Nagaland	5134	11051	14141	30326	0.02	175.44
Odisha	2343261	2606769	3470312	8420342	6.86	48.1
Pondicherry	82866	130360	150477	363703	0.3	81.59
Punjab	653973	705569	819836	2179378	1.78	-25.36
Rajasthan	1159819	1204837	1746748	4111404	3.35	30.61
Sikkim	6889	19865	21583	48342	0.04	213.37
Tamil Nadu	4781567	5309857	5860165	15951589	13	22.56
Telangana	400761	482694	789315	1672770	1.36	96.95
Tripura	68146	253807	399299	721252	0.59	485.95
Uttar Pradesh	3345382	3337547	4401217	11084146	9.03	31.56
Uttarakhand	360007	286579	254733	901369	0.73	-29.23
West Bengal	2628548	4566505	4967236	12162339	9.91	88.97
Total	34880924	39701047	48130593	122712564	100	37.99

**Table 8: State Wise Performance of MUDRA Schemes: Amount Disbursed**

State Name	Disbursement Amt (in Cr.)				% Share to Total	Growth rate (%)
	2015-16	2016-17	2017-18	Total		
Andaman and Nicobar Islands	212.78	78.34	100.26	391.38	0.07	-52.88
Andhra Pradesh	5790.79	5731.8	10214.1	21736.69	3.92	76.39
Arunachal Pradesh	71.62	78.67	103.27	253.56	0.05	44.19
Assam	1728.46	4824.54	6570.32	13123.32	2.37	280.13
Bihar	7265.91	11585.63	15396.75	34248.29	6.17	111.9
Chandigarh	204.52	221.26	409.15	834.93	0.15	100.05
Chhattisgarh	2156.14	3209.86	4501.48	9867.48	1.78	108.77
Dadra and Nagar Haveli	21.27	22.61	36.3	80.18	0.01	70.68
Daman and Diu	12.02	12.08	22.56	46.66	0.01	87.69
Delhi	2857.97	3700.51	4357.35	10915.83	1.97	52.46
Goa	376.04	372.78	484.45	1233.27	0.22	28.83
Gujarat	5910.02	7692.07	11202.52	24804.61	4.47	89.55
Haryana	3152.62	3697.59	5745.03	12595.24	2.27	82.23
Himachal Pradesh	965.7	1214.02	1801.44	3981.16	0.72	86.54
J&K	1152.15	1663.51	2514.84	5330.5	0.96	118.27
Jharkhand	2845.66	3908.99	5233.05	11987.7	2.16	83.9
Karnataka	16469.43	17290.7	22500.67	56260.8	10.14	36.62
Kerala	4727.38	6140.44	9282.57	20150.39	3.63	96.36
Lakshadweep	5.35	4.51	11.53	21.39	0	115.51
Madhya Pradesh	7769.29	10191.91	14357.52	32318.72	5.83	84.8
Maharashtra	13372.42	16976.76	22266.2	52615.38	9.49	66.51
Manipur	120.03	142.47	200.68	463.18	0.08	67.19
Meghalaya	162.41	185.74	212.04	560.19	0.1	30.56
Mizoram	77.78	90.31	152.9	320.99	0.06	96.58
Nagaland	76.54	103.83	124.61	304.98	0.05	62.8
Odisha	5436.26	7600.68	11115.88	24152.82	4.35	104.48
Pondicherry	331.91	485.49	881.77	1699.17	0.31	165.67
Punjab	3484.49	4512.28	6524.12	14520.89	2.62	87.23
Rajasthan	5248.28	8823.3	13503.76	27575.34	4.97	157.3
Sikkim	54.61	96.54	112.65	263.8	0.05	106.28
Tamil Nadu	15496.86	17756.39	24980.92	58234.17	10.5	61.2
Telangana	3694.34	3780.49	6430.81	13905.64	2.51	74.07
Tripura	337.26	968.55	1460.6	2766.41	0.5	333.08
Uttar Pradesh	11880.93	14753.59	21174.46	47808.98	8.62	78.22
Uttarakhand	1745.08	1913.88	2480.09	6139.05	1.11	42.12
West Bengal	7740.41	15480.03	19970.76	43191.2	7.79	158.01
Total	132954.73	173312.13	246437.4	554704.26	100	83.35

### Challenges and the Way Forward

The scheme has played a transformative role in providing financial assistance and promoting inclusivity, leading to the empowerment of numerous individuals and driving economic development nationwide. Despite the significant success of Mudra Yojana, there are certain challenges that need to be addressed, such as credit risk, loan repayment defaults, the need to enhance entrepreneurial skills among marginalized sections of society, and the establishment of effective support mechanisms. In light of these challenges, the study puts forth the following recommendations:

- a) Setting up credit risk management systems: Establishing robust evaluation and monitoring mechanisms to effectively manage credit risks and prevent defaults is vital for the long-term sustainability of the scheme.
  - b) Providing opportunities for skill development and training: Offering comprehensive training and skill development programs to micro-entrepreneurs can enhance their business acumen and overall enterprise viability.
  - c) Strengthening support infrastructure: Developing resilient support systems, such as mentoring, counseling, and facilitating market linkages, can further augment the success rate and growth potential of Mudra-funded enterprises.
- Addressing these challenges necessitates the implementation of training programs, provision of mentoring support, and policy interventions. As Mudra Yojana continues to evolve, its impact is anticipated to expand further, particularly with the ongoing emphasis on digitalization and technology-driven solutions. The scheme has the potential to drive economic growth, generate employment opportunities, and foster an entrepreneurial ecosystem that empowers individuals across diverse sectors and regions in the country. Consequently, it will contribute to sustainable and inclusive economic development in India. However, concerted efforts to tackle challenges and strengthen support systems will be crucial for ensuring the sustained success and impact of Mudra Yojana in the years to come.

### Implications and Future Directions

The current research study offers valuable insights into the impact and effectiveness of Mudra Yojana. The findings emphasize the scheme's positive outcomes in terms of promoting entrepreneurship, generating employment, fostering financial inclusion, and empowering individuals socioeconomically. However, it is crucial to address challenges related to credit risk management, skill development, and the provision of supportive infrastructure. The research work contributes to the existing knowledge on Mudra Yojana and provide valuable recommendations to policymakers and stakeholders, enabling them to enhance the scheme's impact and extend its reach.

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