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Assessing The Progress Of The Pradhan Mantri Mudra Yojana In Maharashtra.

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ABSTRACT :

In order to sustain itself, an economy such as India, which has a population of more than 1.25 billion people, must have thriving small, medium, and micro firms. These businesses are responsible for the creation of employment opportunities for the growing population. At the present time, more than twenty percent of the working population in India is employed by small, micro, and medium-sized businesses. This makes it difficult for financial institutions to extend credit to them. The vast majority of businesses operating in this sector do not have access to any external sources of capital. This sector receives relatively little assistance from the financial institutions; less than fifteen percent of the total credit offered by banks is given to MSMEs, which stands for micro, small, and medium-sized businesses. Considering that the primary objective of the program is to "Fund the unfunded," it is essential to investigate and evaluate the PMMY program in the state of Maharashtra. The purpose of this research study is to gain an understanding of the current situation regarding Mudra loans in the state of Maharashtra. It has been discovered that the Mudra scheme has been quite effective in the state of Maharashtra; nevertheless, additional steps need to be taken in order to ensure that all groups of people are included in the financial system.

Keywords: MSMEs, Mudra Bank, MSMSs, PMMY, Small Business Sector.

Introduction :

The Hon'ble Prime Minister launched the scheme on 8 April 2015. The Pradhan Mantri MUDRA Yojana (PMMY) was launched on 8th April 2015 by Prime Minister Shri Narendra Modi with the aim to facilitate easy collateral-free micro credit of up to ₹10 lakh to non-corporate, non-farm small and micro entrepreneurs for income generating activities. The loans under PMMY are provided by Member Lending Institutions (MLIs), i.e., Banks, Non-Banking Financial Companies (NBFCs), Micro Finance Institutions (MFIs) and other financial intermediaries. Upon marking successful 8th anniversary of the PMMY, Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman said, "Brought under the visionary leadership of Prime Minister Shri Narendra Modi, the scheme has enabled easy and hassle-free access to credit to micro-enterprises and has helped a large number of young entrepreneurs establish their businesses." In reference to the PMMY data, Smt. Sitharaman said, "Since the launch of the scheme, as of 24.03.2023, about ₹23.2 lakh crore has been sanctioned in 40.82 crore loan accounts. About 68% of accounts under the scheme belong to women entrepreneurs and 51% of accounts belong to entrepreneurs of SC/ST and OBC categories. This demonstrates that easy availability of credit to the budding entrepreneurs of the country has led to innovation and sustained increase in per capita income." Highlighting indigenous growth through MSMEs, the Finance Minister said, "The growth of MSMEs has contributed massively to the "Make in India" programme as strong domestic MSMEs lead to increased indigenous production both for domestic markets as well as for exports. The PMMY scheme has helped in the generation of large-scale employment opportunities at the grassroots level and also has proved to be a game changer while boosting the Indian economy." On the occasion, Union Minister of State (MoS) for Finance Dr Bhagwat Kisanrao Karad said, "The PMMY scheme aims to provide collateral free access to credit in a seamless manner to micro enterprises in the country. It has brought the unserved and under-served sections of the society within the framework of institutional credit. The government policy of promoting MUDRA has led millions of MSME enterprises in the formal economy and has helped them to get out of the clutches of money-lenders offering very high cost funds." As we celebrate the 8th anniversary of providing financial inclusion through the pillars of Pradhan Mantri MUDRA Yojana (PMMY), let us glance through some of the major features and achievements of the Scheme: The implementation of financial inclusion programme in the The Micro, Small and Medium Enterprises (MSMEs) sector is a key driver of socio-economic development in India. The sector contributes about 33 per cent (2014-15 to 2018-19) of the country's total manufacturing Gross Value of Output (GVO), more than 40 per cent of exports, and over 28 per cent of Gross Value Added (GVA) in all India GDP while creating employment for about 11.10 crore people. owing to the large contribution of the sector, Government has been focusing facilitating its development. Changes such as, strengthening the regulatory framework, providing support for meeting credit and infrastructural needs have been made. In addition, there has also been focus on enabling skill development, technology up gradation, market development for the sector. One of the key government initiatives for enabling access to credit for MSMEs is the Pradhan Mantri MUDRA Yojana (PMMY). NITI Aayog is conducting a research study on impact assessment of PMMY and has engaged KPMG Advisory Services Private Limited for undertaking the study with the objective of:

- Assessing availability of credit to MSME sector
- Assessing performance of PMMY scheme
- Assessing contribution of PMMY in improving access to credit for MSMEs
- Understanding challenges faced by financial institutions in extending credit under the scheme
- Providing recommendations to improve the overall framework and delivery of scheme co

Review of Literature.

Dr. Anurodh Godha, Deepti Nama (2017) in his paper studied, desired results achieved from this scheme. If it implemented properly at the poor people, it may work as a game changing financial inclusion initiative of Government of India and may boost the Indian economy. So on the basis of the study we can say that from time to time multifarious initiatives initiated by GOI in order to enhance the financial inclusion of mudra financing on Small and Medium Enterprises in Pune in Maharashtra. The results shows that it has positive impact on income generation and business expansion but as far as employment generation and standard of living is considered, the impact is insignificant.

Rajeev and Dhirender (2017) revealed in their study that small printers utilised the funds they got under Mudra loans to upgrade their machines. It makes them independent and helped to complete the whole work at their own.

Mahajan (2021) has studied the different aspects and impact of mudra financing on Small and Medium Enterprises in Pune. Maharashtra. The results shows that it has positive impact on income generation and business expansion but as far as employment generation and standard of living is considered, the impact is insignificant.

Objectives of the Study:

1. To understand the PMMY and its significance
2. To Study the Products and Schemes offered by Mudra Bank
- 3 To study the current progress under PMMY in Maharashtra

RESEARCH METHODOLOGY:

The research will be descriptive in nature. The paper studies and reviews the status of Mudra loans in the state of Maharashtra. Data collection Sources of data: Secondary data is collected through reference books, Newspaper, websites, discussions with bank officials. Both Qualitative and Quantitative data is collected.

Special Features of MUDRA Yojana

- 1 To get registered policy guidelines to finance micro/small enterprises
- 2 Micro finance Institutions and regulate them.
- 3 Special help to small businesses grow and develop their own enterprise.
- 4 To assist lower income groups in setting up and developing their business.
- 5 To prevent lower income entrepreneurs from private money Leander borrowers.
- 6 Create easy access to finance for the unbanked population.
- 7 To regulate all Micro Finance Institutions as manufacturing, service and trading.

Functions of MUDRA Loans

The MUDRA Yojana primarily performs the following functions to achieve its objectives to assist the small-scale industries.

Accreditation and rating of microfinance institutions

Developing a standardized set of rules to govern the last mile lending to the micro and small enterprises. Promoting the right technology solutions for last-minute lending

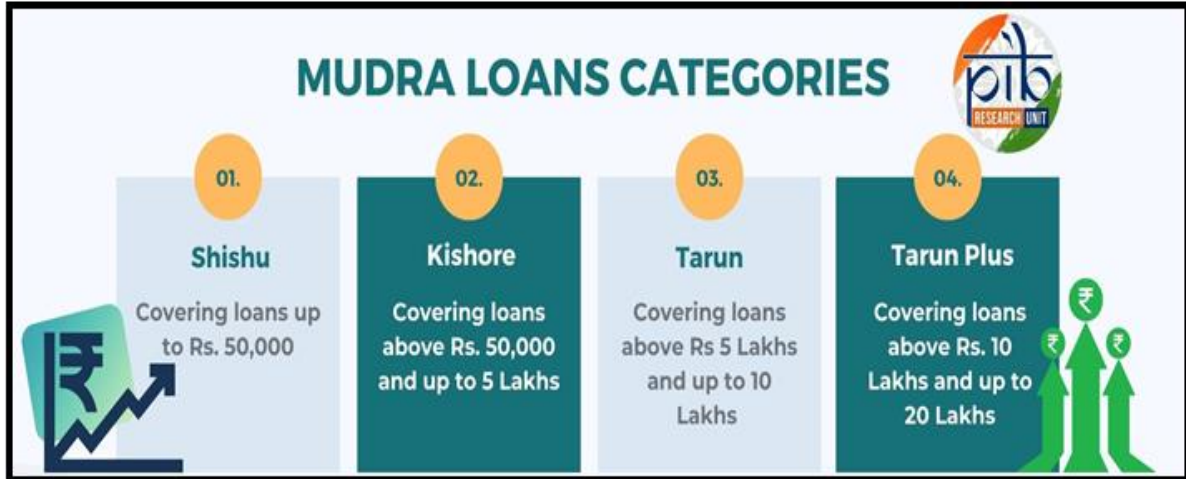
Formulating a Credit Guarantee scheme to extend credit facilities for small and micro enterprises

Creating a sustainable architecture for the Last Mile Credit Delivery to the small and/ or micro-enterprises under the PMM

Advantages of the MUDRA Scheme

- The PM MUDRA Yojana offers accessible financing to assist small entrepreneurs.
- It emphasises SC/ST firms to motivate young, skilled, and educated individuals to become future entrepreneurs.
- Established small enterprises can also gain from the PM MUDRA Yojana by obtaining credit facilities at competitive rates, facilitating their expansion efforts.
- These enterprises, referred to as the "missing middle," frequently lack access to financing from banks or microfinance institutions.
- Equities, among other entities, can now get subsidised refinance rates, which may be transferred to the small-scale sector, enabling them to grow their operations.

- The MUDRA initiative recognises Non-Banking Financial Companies (NBFCs) as an essential conduit for accessing small-scale industries.



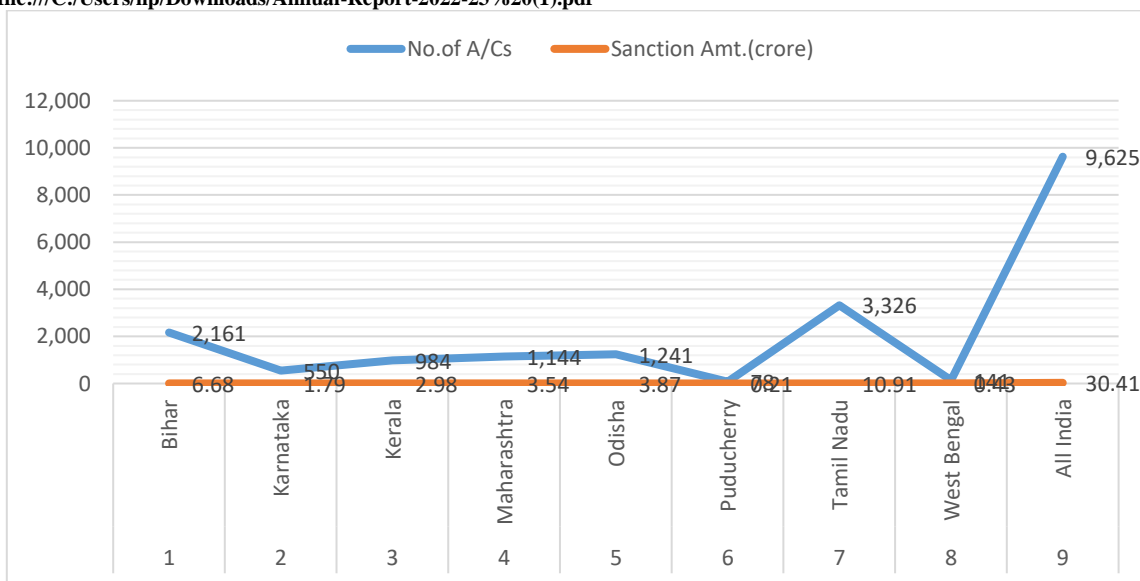
(Source <https://shorturl.at/3DbwM>)

UDRA loans now will be offered in four categories namely, ‘Shishu’, ‘Kishore’ and ‘Tarun’ and newly added category ‘Tarun Plus’ which signifies the stage of growth or development and funding needs of the borrowers:-

- Shishu:** covering loans upto Rs. 50,000/-
- Kishore:** covering loans above Rs. 50,000/- and up to Rs. 5 lakhs
- Tarun:** covering loans above Rs. 5 lakh and up to Rs. 10 lakhs
- Tarun Plus:** Rs. 10 lakh and up to Rs. 20 lakhs

Sr.No.	States Name	No.of A/Cs	Sanction Amt.(crore)
1	Bihar	2,161	6.68
2	Karnataka	550	1.79
3	Kerala	984	2.98
4	Maharashtra	1,144	3.54
5	Odisha	1,241	3.87
6	Puducherry	78	0.21
7	Tamil Nadu	3,326	10.91
8	West Bengal	141	0.43
9	All India	9,625	30.41

Source file:///C:/Users/hp/Downloads/Annual-Report-2022-23%20(1).pdf



Data Interpretation

Comparison with All India Totals

Proportional Contribution Maharashtra accounts for approximately **11.9%** of the total accounts and **11.6%** of the total sanction amount in India. This indicates that Maharashtra's share of accounts and funds is closely aligned **performance Relative to Other States:** Maharashtra ranks **4th** in terms of the number of accounts and sanction amount. It lags behind **Tamil Nadu, Bihar,** and **Odisha** in both metrics, but its numbers are still significant.

Top 10 states Category Wise (Number of Accounts (2015-2022))

Sr no.	States	Shishu Accounts	States	Kishore Accounts	States	Tarun Accounts
1	Tamilnadu	21,401,266	Karnataka	1,754,500	Tamilnadu	447,211
2	Karnatka	16,678,956	Tamil Nadu	1,543,774	Karnatka	335,160
3	West Bengal	16,400,450	West Bengal	1,426,071	Maharashtra	333,883
4	Bihar	15,503,668	Maharashtra	1,240,170	Gujarat	317,178
5	Uttar Pradesh	14,631,035	Uttar Pradesh	1,182,731	Rajasthan	272,832
6	Maharashtra	13,287,767	Andhra Pradesh	1,139,412	Uttar Pradesh	246,341
7	Odisha	12,039,026	Bihar	907,164	Madhya Pradesh	241,524
8	Madhya Pradesh	10,399,449	Rajasthan	777,604	West Bengal	191,866
9	Rajasthan	5,788,547	Kerala	774,481	Andhra Pradesh	129,667
10	Kerala	5,352,060	Gujarat	743,688	Bihar	111,824

Source (<https://www.niti.gov.in/sites/default/files/2024>)

Analysis of Maharashtra Data (2015-2022)

Maharashtra ranks as a significant contributor to the number of accounts in various categories under the Shishu, Kishore, and Tarun schemes.

Shishu Accounts Rank: 6th Number of Accounts: 13,287,767 Maharashtra is among the top 10 states in the Shishu category, indicating strong participation in small-scale entrepreneurship and micro-financing initiatives. However, it falls behind states like Tamil Nadu, Karnataka, West Bengal, Bihar, and Uttar Pradesh. **Possible Reason for Ranking:** Despite Maharashtra being an economically advanced state, micro-level financing may be less prevalent compared to states with larger rural populations like Tamil Nadu and Bihar. **Kishore Accounts Rank:** 4th Number of Accounts: 1,240,170: Maharashtra is a strong performer in the Kishore category, reflecting medium-sized business activities. It lags behind Tamil Nadu, Karnataka, and West Bengal but surpasses economically significant states like Uttar Pradesh. The state's industrial and entrepreneurial ecosystem supports growth in the Kishore category, but its rank may suggest room for more outreach in medium-scale financing. **Tarun Accounts Rank:** 3rd Number of Accounts: 333,883 Maharashtra secures a top-three position in the Tarun category, which supports larger enterprises. It follows Tamil Nadu and Karnataka closely. Maharashtra's well-established industries and urban centres like Mumbai and Pune contribute significantly to its ranking in Tarun accounts. Maharashtra shows steady performance across all three categories, consistently ranking within the top six states. Its third-place ranking in the Tarun category highlights its robust industrial and entrepreneurial base.

Problems Faced by Pradhan Mantri Mudra Yojana's in Maharashtra

- **Banker's Risk Appetite** Banker's risk Hunger Banks are frequently reluctant to grant Mudra loans to applicants who lack a well-established credit history. This reluctance is primarily due to the risk of non-performing assets (NPAs), which are loans that debtors fail to repay, resulting in financial losses for banks. This can lead to delayed loan processing or even rejection for those who are new to formal lending.
- **Lack of Awareness among Beneficiaries** Particularly in less-populated regions, people aren't aware of the Mudra system or its advantages, which makes it harder for them to apply for this vital source of finance. There are a lot of would-be business owners who don't know what kinds of loans are available, how to apply, or if they qualify.
- **Processing and Infrastructure Delays** at Banks The enormous amount of Mudra applications is overwhelming many rural and semi-urban bank offices, which lack the infrastructure and skilled personnel to handle them. Applicant wait times for approval or disbursement might reach weeks or even months due to processing delays caused by this. Small business owners who are in dire need of capital may lose out on promising possibilities because of these delays.
- **Strict Documentation Standards** despite Mudra loans' inclusive design, many applicants may still find the documentation process difficult, especially those from rural areas. It could be difficult for business owners to comply if they don't have the necessary tax returns, business registrations, or official identity credentials. Many workers in the unorganised sector are impacted by this since they lack formal structures and are unaware of how to obtain these documents.
- **Inadequate Skill Development and Support** Small business owners require both adequate financial resources and commercial acumen in order to be successful. A large number of Mudra loan beneficiaries are deficient in critical competencies including accounting, business planning, and financial management. These business owners might find it difficult to maintain their companies without access to training and continuing assistance, which could result in loan defaults and unstable finances.

- **High Rejection Rates for First-Time Borrowers** who lack perceived credibility and have no past expertise managing loans or operating official businesses are frequently turned down. For first-time business owners, the lack of collateral and the applicant's short business experience raise the lender's perceived risk, which results in higher reflection rates.
- **Challenges in Monitoring and Utilisation** A recurring problem is making sure Mudra loans are used for what they were intended for. Particularly in rural and semi-urban areas, monitoring systems to keep tabs on loan disbursements and evaluate how well money is being spent are frequently inadequate.
- **Limited Awareness of the Scheme** Although the Mudra lending plan is a beneficial resource for small companies, numerous prospective candidates remain uninformed about its particulars and prerequisites. The absence of awareness regarding various loan kinds, eligibility requirements, and the application procedure results in the underutilisation of this financial resource, particularly in rural regions where information availability may be constrained.

Solutions to Overcome Challenges Faced in Pradhan Mantri Mudra Yojana's in Maharashtra

- **Strengthening Bank Infrastructure** Investing in better infrastructure and training bank personnel in rural and semi-urban branches can speed up loan processing. Introducing digital platforms and automating parts of the application process would also reduce bottlenecks and improve efficiency. Moreover, setting up a dedicated Mudra loan desk at branches or collaborating with fintech companies could streamline operations and provide applicants with a clear point of contact.
- **Implementing Creditworthiness Guidelines for Lenders** Standardised guidelines that help banks assess creditworthiness while considering factors beyond credit history could improve access to new borrowers. This could involve alternative data metrics, such as analysing the stability of an applicant's business model, social credibility, and repayment capability.
- **Encouraging Mentorship and Financial Guidance** Providing mentorship to first-time borrowers can play a vital role in ensuring that funds are used productively. By establishing mentorship programs, banks or affiliated agencies can guide entrepreneurs in managing cash flow, financial planning, and effective business strategies.
- **Simplifying Documentation Requirements** To address documentation challenges, the government could allow alternative methods of identity and business verification. It could be self-declaration forms, Aadhaar-based verification, or local government-issued certificates. This would ease the application process for informal sector workers and first-time borrowers. Additionally, organising document assistance camps in rural and semi-urban areas could help applicants gather and complete the necessary paperwork.
- **Expanding Loan Customisation Options** Introducing more flexible loan structures that cater to specific industries or business models could improve the appeal of Mudra loans. For instance, tailoring products for small-scale manufacturers, artisans, or agricultural entrepreneurs could address their unique financial needs. Seasonal repayment options or developing sector-specific loan products in collaboration with industry experts would further enhance the scheme's relevance and effectiveness.
- **Raising Awareness and Accessibility** Enhanced awareness campaigns focusing on rural and semi-urban areas would ensure that more eligible individuals understand the Mudra scheme's benefits. Simplifying loan requirements for small applicants and providing local support at bank branches can bridge the information gap and make loans more accessible.
- **Expanding Skill Development Programs** Skill training for loan beneficiaries, focusing on business management, digital literacy, and accounting, would maximise the potential impact of Mudra loans. By collaborating with vocational centres and skill development organisations, the government can provide targeted training that prepares borrowers for long-term success. Trained entrepreneurs are more likely to utilise funds effectively, generate stable income, and repay loans on time.
- **Enhancing Post-Loan Support Systems** Post-loan support, such as personalised advisory services and financial planning tools helps borrowers use funds effectively and repay on time. Ongoing assistance reduces default risks and fosters long-term business success. Plus, regular check-ins and tailored resources can ensure borrowers stay on track and overcome challenges in managing their businesses.

Conclusion :

The PMMY has been a revolutionary strategy for boosting entrepreneurship in the state of Maharashtra. It has made a substantial contribution to medium and large-scale firms while also presenting prospects for greater penetration in micro-level funding. Maharashtra has the potential to become a model state for entrepreneurship and financial inclusion in India if it addresses the difficulties of rural outreach, awareness, and inclusivity. This will allow the state to unlock its full potential under the Mudra plan. Participation that is quite strong across all categories: The state of Maharashtra consistently scores among the top states in the Kishore and Tarun categories, which indicates that the state has a solid ecosystem for medium and large-scale opportunities for entrepreneurial endeavours. However, despite the fact that it is noteworthy, its performance in the Shishu category is lower than that of states that have a greater rural base, which indicates that there is room for progress. Urban versus Rural Relationships: The metropolitan areas of the state, such as Mumbai, Pune, and Nagpur, serve as engines for the expansion of entrepreneurial endeavours, particularly in the realm of medium and large-scale businesses. On the other hand, the comparatively low number of people who participated in the Shishu category shows the necessity of targeted financial outreach in rural and semi-urban areas in order to further boost micro-entrepreneurship. The Industrial Foundation The well-established industrial framework in Maharashtra, in conjunction with the policies of the government that are supportive of the industry, creates an atmosphere that is favourable for the expansion of Kishore and Tarun businesses. In line with the robust economic foundation and industrial emphasis of the state, this is the case. Opportunities and Obstacles to Overcome: While the PMMY has made it possible for a considerable number of people in Maharashtra to participate in the financial system, there are still gaps in terms of equitable access to microfinancing for poor sectors in rural areas. Furthermore, there is a need for additional improvement in terms of both the understanding of Mudra loans and their accessibility in these regions. This all-encompassing program covers a wide range of components of self-employment, such as the formation of self-help groups for disadvantaged individuals, the provision of training and

credit facilities, the implementation of technology, the establishment of infrastructure, and an emphasis on marketing. On the other hand, the chronic problem of poverty continues to be a serious obstacle. A program known as the Pradhan Mantri Mudra Yojana (PMMY) was initiated by the government in an effort to address this type of difficulty. The purpose of this project is not limited to only providing loans; rather, it seeks to encourage economic activity with the intention of lifting persons out of poverty. PMMY is the most recent initiative that has been implemented in India with the purpose of supporting small and micro-businesses, with a particular emphasis on entrepreneurs. It is anticipated that these kinds of initiatives will improve the well-being of those who are involved in relatively small-scale industries, so making a good contribution to the general improvement of the economy. The early success of MUDRA as a financial tool across the country is evidence of its efficiency and capacity to bring about considerable change, which will ultimately contribute to the country's development into a successful nation.

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