



## Evaluating the Financial Impact of Mudra Yojana: A Descriptive Analysis

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### ABSTRACT

*The present paper delves into the Pradhan Mantri Mudra Yojana (PMMY), a pivotal financial tool designed to empower micro-entrepreneurs across India and promote equitable economic growth. This detailed assessment spans the fiscal years 2015-16 to 2022-23, thoroughly examining its performance. The plan has witnessed a significant increase in sanctioned loans, with 62.31 million granted in 2022-23, underscoring its growing importance in fostering entrepreneurial activity. The disbursed amounts surged from INR 1,32,954.73 crores to INR 4,50,423.66 crores, while sanctioned amounts rose from INR 1,37,449.27 crores to INR 4,56,537.98 crores within the same period.*

*Geographical analysis highlights concentrations of Mudra Yojana in specific regions, prompting deeper investigation into the underlying factors. Sectoral analysis reveals varied impacts on different industries, with emerging dynamic patterns. Qualitative assessments showcase success stories, such as revenue growth, job creation, and business expansion, while also addressing implementation challenges and deviations from objectives.*

*Ultimately, this study provides valuable insights into PMMY's success, contributing to discussions on financial inclusion and microfinance. The findings offer a foundation for informed policy decisions and strategic adjustments, promoting equitable economic growth and the ongoing empowerment of micro-entrepreneurs in India.*

**Key words: Mudra Yojana, Micro-Entrepreneurs, Loan Disbursements, Economic Growth, Business Expansion**

### Introduction

A business's ability to survive depends heavily on its finances. The majority of small businesses and entrepreneurs often rely on the unorganized sector for loans and other credit facilities due to exorbitant interest rates and intolerable terms and conditions offered by traditional lenders. This reliance leads many small business owners and entrepreneurs into debt. Furthermore, these industries often lack access to external funding sources.

Recognizing the importance of self-employment for individuals and small business units, the Government of India launched the Mudra Bank Scheme under the Pradhan Mantri Mudra Yojana (PMMY) to provide financial assistance to MSMEs that employ a large number of people, including young, educated, or skilled workers, and women entrepreneurs. The initiative aims to foster a financial structure based on sensible and inclusive growth. The concept of financial inclusion, which ensures that all segments of society, including low-income and marginalized groups, have affordable access to suitable financial services, was first presented by RBI Governor Shri Y.V. Reddy in 2005.

The Government of India (GOI) has introduced several financial inclusion initiatives for small business owners, marginalized communities, low-income groups, and microenterprises. These include the Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Jeevan Jyoti Bhima Yojana (PMJJBY), Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana (APY), and Pradhan Mantri Suraksha Bhima Yojana (PMSBY).

On April 8, 2015, Prime Minister Narendra Modi launched the PMMY and MUDRA Bank. This program, also known as the Mudra Yojana Scheme, is accessible at all bank locations nationwide. Financial inclusion is one of India's most cherished strategies, aiming to cover all demographic groups under monetary management. The main goal is to fund the unfunded micro-enterprise divisions. The PMMY is crucial for developing financial inclusion by providing credit requirements for small businesses up to ₹10 lakhs. Inclusion, justice, and socioeconomic equality are essential for equitable economic growth and development. Inclusive development ensures equal opportunities and accessibility to financial services for all, including the most vulnerable and impoverished.

Access to the financial system is essential for empowering the general populace permanently. Universal access to fundamental financial services, including bank accounts, affordable loans for personal, commercial, and self-employment, and insurance, is a vital first step. These loans are provided by small financing banks, NBFCs, MFIs, RRBs, and commercial banks. Borrowers can apply in person at any of the lending institutions or online at [www.udyamimitra.in](http://www.udyamimitra.in).

MUDRA established three products under PMMY: "Shishu," "Kishore," and "Tarun," representing the financial needs and developmental stages of micro-units or businesses. These products also serve as benchmarks for subsequent expansion stages.

#### Mudra Yojana

The Pradhan Mantri Mudra Yojana (PMMY) is the main program launched by the Indian government to offer small enterprises and startups affordable financing. The goal of Mudra Yojana is to bring unregulated banking operations into compliance with fiscal and regulatory regulations, thereby helping the unfunded. Small, non-agricultural firms that generate revenue through trade, manufacturing, services, and other vital economic sectors are eligible for credits under the PMMY plan. Launched by Prime Minister Narendra Modi on April 8, 2015, the scheme aims to lend up to ₹10 lakhs to non-corporate organizations. The PMMY facilitates the financing of all non-farm revenue-generating firms' credit needs, primarily focusing on lending money to small and medium-sized enterprises that are neither companies nor agricultural enterprises

#### The salient features of Mudra Yojana

1. On April 8, 2015, the Hon. Prime Minister Shri Narendra Modi released PMMY along with the Mudra Bank report.
2. There are three types of lending schemes: Tarun, Kishore, and Shishu.
3. For each plan, the maximum loan amount is Rs 50,000, Rs 5 lakhs, and Rs 10 lakhs, respectively.
4. PMMY is an additional government of India financial inclusion programme that aims to widen the financing gap for microenterprises in addition to supporting the underfunded.
5. It also aids in the improvement of operations for already-existing micro-units.

#### The purposes of Mudra Yojana include

1. Micro Unit Equipment Financing.
2. Financing for two-wheelers, tractors, and tillers that are exclusively utilised for business.
3. Making working capital available via Mudra cards.
4. Loans for non-farm, agri-allied businesses that generate revenue.
5. Business loans for merchants, dealers, retailers, and other service industry enterprises.

#### Product under Mudra Yojana

##### 1. SHISHU

This loan is intended for business owners who are starting or are in the process of starting a business. In this category, the largest loan that may be approved is Rs. 50,000. The fundamental guidelines for the loan include financing machines and demanding accurate quotes and supplier information.

##### 2. KISHOR

This category falls under the Mudra plan and is aimed for business owners who want to raise additional capital to grow their enterprise. The approved loan amount is between Rs 50,001 to Rs 5 lakhs. The current balance sheet for the preceding two years, bank account statements, income and sales returns, the anticipated balance sheet for the current year, and the project's technical and financial feasibility are important prerequisites for obtaining this loan.

##### 3. TARUN

This group is for seasoned business owners looking to expand or change their offerings. The loan amount is the highest under the Mudra system, ranging from Rs 50,001 to Rs 10 lakhs. TARUN loans have stricter standards than the other two types. These include the same requirements as for KISHOR Mudra Yojana, plus evidence of address, identification, and caste, if applicable.

#### Mudra Yojana Eligibility

Indian citizens with business plans in the service sector, trading, or manufacturing activities, seeking amounts up to Rs. 10 lakhs, can apply for Mudra Yojana. The eligibility criteria include

##### I. Eligible Borrowers

- a. Small manufacturers.
- b. Fruit and vegetable dealers.
- c. Shopkeepers.
- d. Individuals engaged in agriculture (livestock, Poultry, Pisciculture, etc.).

## II. Types of Entities Eligible

- a. Individuals.
- b. Proprietary concerns.
- c. Partnership firms.
- d. Private Ltd. companies.
- e. Public companies.

Candidates must keep a good credit history and not have a history of defaults with any bank or financial institution. For the intended activity, individual borrowers might need to have the required training, expertise, or knowledge. The kind of the suggested activity and its particular needs should be taken into consideration when determining if any educational background is necessary.

### *Statement of the Research Problem*

In India, small businesses account for the majority of people's primary source of income. These companies mostly rely on the unorganised sector for loans and other credit facilities, which can have high interest rates and stringent restrictions. Ultimately, it results in debt for these marginalised companies. Unregistered enterprises make up the bulk of non-corporate businesses. They do not formally pay taxes, nor do they maintain correct books of accounts. As a result, banks find it challenging to lend to them. The vast majority of these companies lack access to outside capital sources. Acknowledging the importance of independent contractors and small enterprises, the Indian government established the Mudra Bank Scheme under the Pradhan Mantri Mudra Yojana to support these firms. In order to integrate young, educated, or talented workers and entrepreneurs, especially women entrepreneurs, this programme provides financial support to MSMEs that hire a considerable number of companies.

### **Objectives of the study**

1. To Assess Mudra Yojana's Quantitative Performance
2. To Assess Mudra Yojana's Qualitative Impact and Implementation Challenges
3. To offer suggestions based on the results of the investigation.

### **Data and Methodology**

All of the data used in this study was gathered from secondary sources. This covers Mudra's official website as well as other resources like newspapers and periodicals. Descriptive statistics like mean, variance, range, and standard deviation are used to analyse the data. A bar chart is being used to illustrate the Mudra Yojana trend.

### **Analysis of Data**

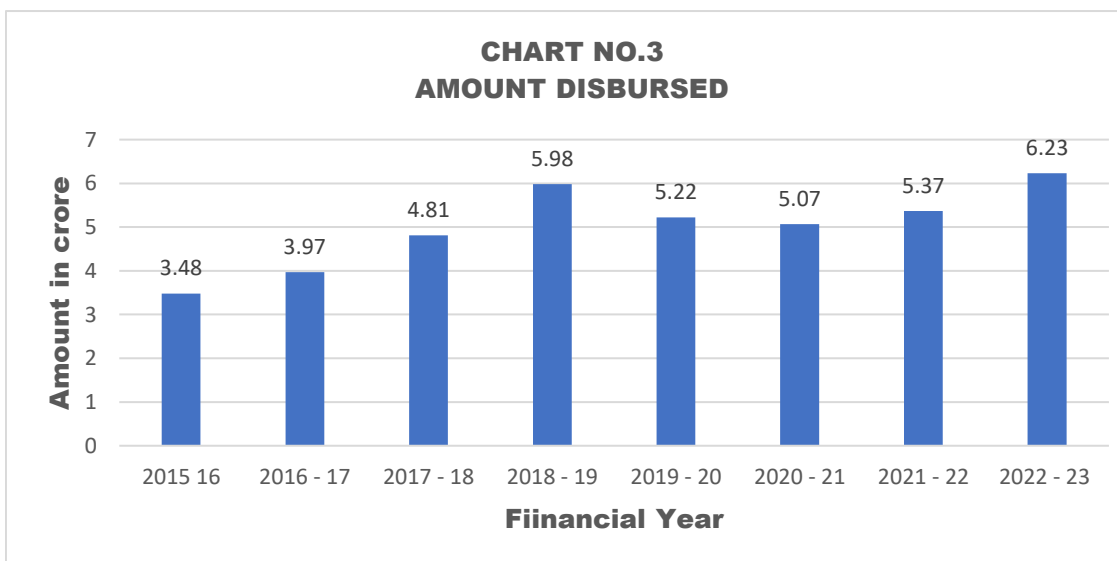
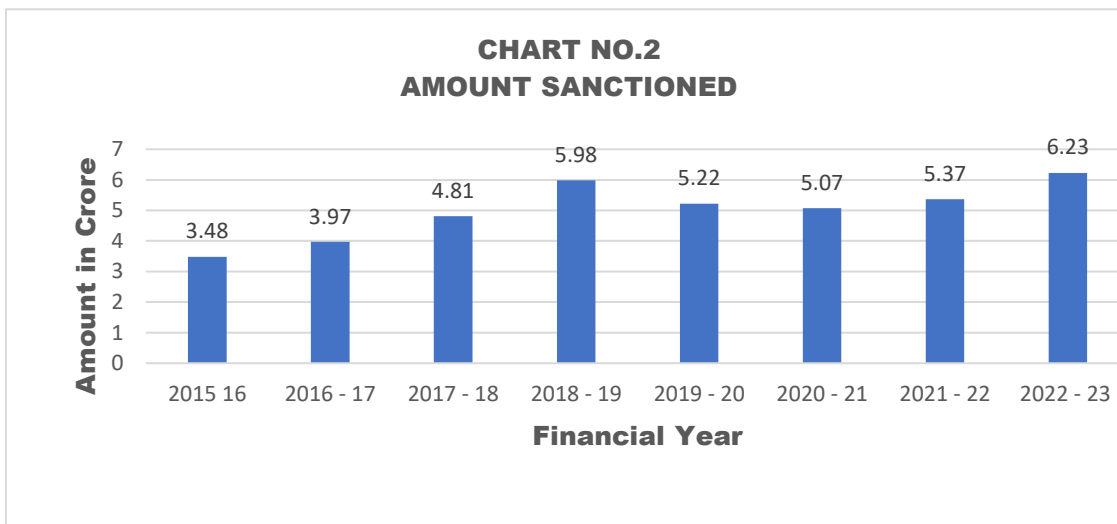
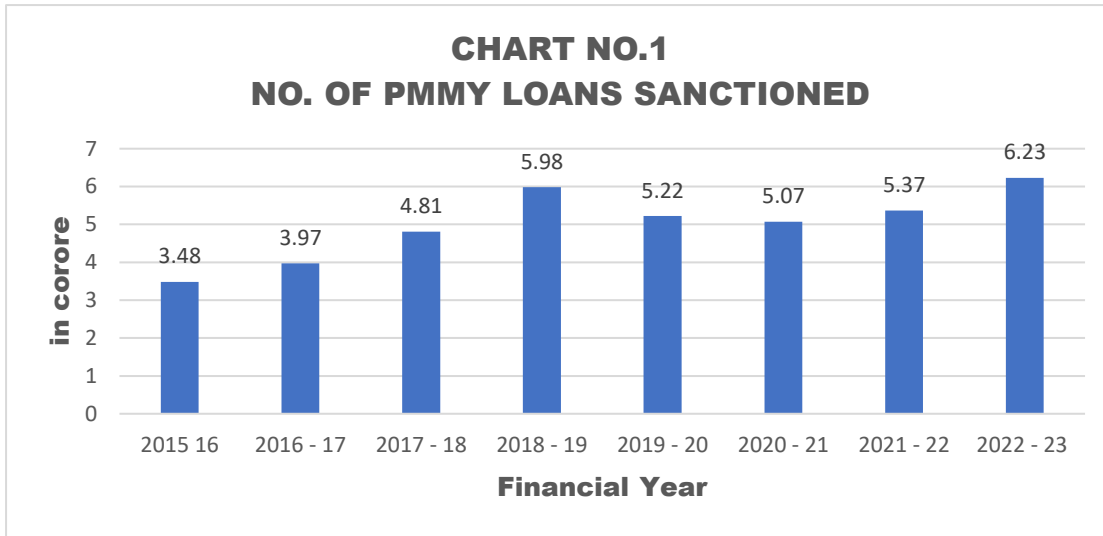
**Table No. 1 Financial Performance of Mudra Yojana**

(Amount in Crore)

Financial Year	No. Of PMMY Loans Sanctioned	Amount Sanctioned	Amount Disbursed
2015 - 16	3,48,80,924	1,37,449.27	1,32,954.73
2016 – 17	3,97,01,047	1,80,528.54	1,75,312.13
2017 – 18	4,81,30,593	2,53,677.10	2,46,437.40
2018 – 19	5,98,70,318	3,21,722.79	3,11,811.38
2019 – 20	6,22,47,606	3,37,495.53	3,29,715.03
2020 – 21	5,07,35,046	3,21,759.25	3,11,754.47

2021 – 22	5,37,95,526	3,39,110.35	3,31,402.20
2022 - 23	6,23,10,598	4,56,537.98	4,50,423.66

(Source: <https://www.mudra.org.in/>)



**Table No. 2 Descriptive Statistics**

	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
No. OfPMMY Loans Sanctioned	8	27429674.00	34880924.00	62310598.00	51458957.2500	3622955.79793	10247266.45063	105006469710252.780
Amount Sanctioned	8	319088.71	137449.27	456537.98	293535.1013	35580.05042	100635.57970	10127519901.603
Amount Disbursed	8	317468.93	132954.73	450423.66	286226.3750	35248.21987	99697.02118	9939496033.024

(Source: SPSS 2020 )

## Findings and Suggestions

As per the Table No. 1 on the descriptive analysis of Mudra Yojana reveals notable trends and patterns. The data indicates a consistent increase in the number of PMMY loans sanctioned, reaching 6,23,10,598 in 2022-23, reflecting a growing reliance on Mudra Yojana for small businesses. The substantial growth in the sanctioned amount, from 1,37,449.27 crores in 2015-16 to 4,56,537.98 crores in 2022-23, underscores an increasing financial commitment to supporting entrepreneurs. The upward trend in the amount disbursed, from 1,32,954.73 crores to 4,50,423.66 crores, signifies the government's dedication to ensuring effective fund utilization. Comparative analysis suggests potential shifts in the efficiency of the disbursement process or changes in loan application characteristics. The data overall reflects the sustained government support for micro-enterprises.

**Table No. 2, providing descriptive statistics,** highlights a wide range of sanctioned loans and varied loan amounts, indicating diverse financial commitments. The consistent range for disbursed amounts and moderate standard deviations suggest stability and a degree of consistency in Mudra Yojana performance. Substantial variance in the number of loans sanctioned points to changing dynamics in loan demand, reflecting the government's adaptive response to evolving economic conditions.

The following suggestions are proposed for the improvement of the Mudra Yojana scheme Firstly, documentation requirements should be minimized to facilitate easier access for beneficiaries. Secondly, there is a recommendation for a reduction in the interest rates to ensure that it does not become a burden for those availing the loans. Thirdly, emphasizing repayment post the completion of the course is suggested. Furthermore, officials are encouraged to provide cordial treatment and furnish accurate information to beneficiaries. Special attention should be given to the minority sector, and a concerted effort to promote women entrepreneurs is advised to address the challenges they face. Beneficiaries are encouraged to access media channels, such as television and bank websites, for loan-related queries. Lastly, it is recommended that banks organize awareness programs to educate entrepreneurs about the Mudra Yojana scheme.

## Conclusion

The examination of Mudra Yojana highlights their substantial contribution to India's economic growth and development. The consistent growth in the number of sanctioned loans, along with the substantial increase in sanctioned and disbursed amounts, indicates the government's steadfast commitment to empowering micro-entrepreneurs and fostering economic inclusivity. This success is reflected not only in the quantitative metrics but also in the qualitative aspects, as seen in success stories detailing enhanced revenue, employment opportunities, and business expansion. The scheme's reach across diverse sectors and regions further solidifies its role in promoting inclusive development. Nevertheless, the study emphasizes ongoing improvements, advocating for reduced documentation, lower interest rates, and heightened awareness to enhance the scheme's efficacy and continually contribute to equitable economic growth in India.

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