



Pradhan Mantri Mudra Yojana: Transforming India by 'Funding the Unfunded'

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ABSTRACT: The setting up of Pradhan Mantri Mudra Yojana and MUDRA attempted to fill or reduce the financial crisis in the micro enterprises to stimulate economic development. MUDRA has been aimed at administering a common platform to both banks and tiny enterprises customers and plays a significant role by bringing them together to this platform. It has been set up as a refinancing institution. Its main goal is to provide mudra loans up to Rs. 10,00,000 to the micro enterprises through last mile financiers, so that they can start or expand their businesses. Its primary goal is to refinance various last-mile financial institutions that support the growth of small businesses in the non-corporate sector by lending money to them. These last mile financial institutions include NBFCs, Regional Rural Banks, Commercial Banks, Small Finance Banks, and MFIs. These institutions provide funds to the small business sector which is involved in manufacturing, trading, and Agri-allied activities. The borrower can approach to any of financial institution to get the benefit of mudra loans and to serve the purpose of their existence.

Mudra scheme helps millions of small borrowers who were facing the acute financial shortage due to numerous reasons and were striving hard to get the financial assistance for starting or expanding their business activities. In this study, an effort has been made to use statistical methods like mean, coefficient of variation, and trend analysis to examine the category-wise performance of various mudra loans during a six-year period, from 2016–17 to 2021–22. The analysis is based on secondary information that was obtained from the MUDRA official website. The interpretation of the figures for the study period indicates that among the three main categories of Mudra Loans, Shishu Loan Scheme has captured the largest share in terms of number of accounts as well as in terms of amount sanctioned followed by Kishore and Tarun Loans. Since its origin, over a period of seven years of operations i.e., from 2015-16 to 2021-22, PMMY has benefitted in aggregate approximately 34.92 crore loan account holders of micro enterprise segment by administering an aggregate amount of 18.90 crore.

KEYWORDS: PMMY, Mudra, Micro Enterprise Segment, Mainstream, Development

1. INTRODUCTION

All entrepreneurial ventures, whether big or small, play influential role in igniting the process of economic development. The income generated by these ventures work as a lifeline to the development. The existing well-established entrepreneurs have hit the glass ceiling by making a significant contribution to the national GDP but the problem is that these businesses have set their target

market and are confined to that. So, there is a need to new and young entrepreneurs with new wealth and advanced technology who can take risk of entering and developing the new markets (Mittal et. al., 2022). These new businesses bring forth several benefits like wealth creation, employment opportunities, community growth, and balanced regional development etc. Government is fully aware with such benefits, that is why it introduced

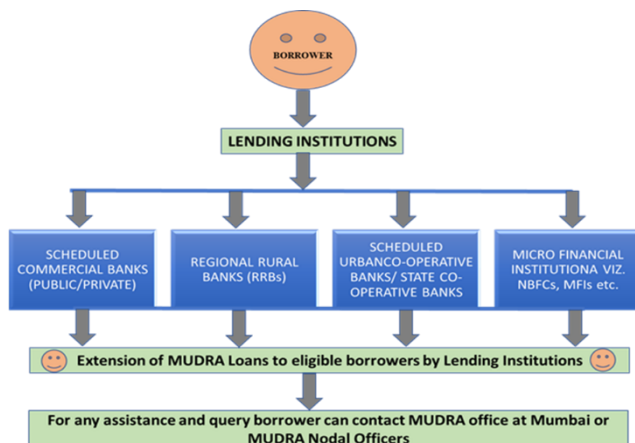


‘StartupIndia’ and ‘Make in India’ projects. On one side, it will help to build up good reputation at the global level which in turn would attract foreign direct investments whereas on the other side it will have many useful effects at national level. In order to achieve these twin objectives, India needs to have the existence of a healthy and strong banking system.

Finance is the life blood of every business being large or small. The existing big businesses can get good financial assistance from financial institutions as they have good prospects in the form of high sales, higher asset base and strong management. On the other hand, small businesses are opposite to it and have a contradictory and highly risky environment. Moreover, external environment factors like tax laws, political fluctuations, government regulations, technology upgradation etc., have a great impact on small businesses as compared to large business houses (Kaur, 2021, 2022). Due to the existence of this tensed and stressed environment, investors hesitate to make bigger investments in small projects and shut their doors to these young borrowers. Though all the business owners face financial challenges and it is a reality but under capitalisation or lack of sufficient financial funds is specifically challenging to the new young entrepreneurs who strive hard to remove this obstacle. Small Business Association (SBA) has deeply analysed the facts and concluded that only 44% of new businesses become successful to make it for at least 4 years and others fail due to innumerable reasons. The only solution to this problem is to bring these small borrowers into the mainstream and to cater to their needs by making them part of a formal lending system. MUDRA has been specifically launched by GOI to provide financial support at nominal rate of interest with minimal processing formalities to this micro business segment.

Pradhan Mantri Mudra Yojana (PMMY) is the Government of India's most prominent programme., established with the motto of “funding the unfunded.” It works as an important tool which brings the small and Micro Enterprises within the ambit of formal financial system. Mudra is a financing company that provides affordable refinancing help to such banks, non-banking finance companies (NBFCs), and microfinance institutions (MFIs) against their loans under the PMMY.

The picture given below shows the process of extension of loans to the eligible borrowers:



2. STATEMENT OF THE PROBLEM

During a short span, Mudra has created a significant impact in terms of financing the Micro Units in India. Through a vast network of Last Mile Financiers, Mudra became successful in reaching the micro entrepreneurs which were facing the financial crunch in the past. Though the goal is still far away. The financial year 2020-21 has been a testing time for all the economies of the world. The economies have seen wide disruptions due to the COVID-19 pandemic. Though this pandemic affects all the sectors widely but the impact was pronounced and hard hitting to the MSMEs. Due to pandemic, it becomes impossible to MFIs to continue their operations. So along with banks, Mudra focused on Small Finance Banks and Regional Rural Banks also to reach the target audience.

3. REVIEW OF LITERATURE

Shahid and Irshad (2016) have analysed two aspects of the scheme -the product offerings and performance. They concluded that MUDRA is going to be very beneficial for small manufacturing units in rural and in urban.

Agarwal (2017) considered PMMY an incredible action taken by Government of India. The study recommended that PMMY has been implemented properly and it will prove to be a game changer. It will enhance the financial inclusion scheme and will boost the Indian economy.

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.

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.

Ibrahim (2018) established that there exists regional disparity in opening of Mudra accounts but as far as credit disbursement is concerned there do not exist such disparity. It shows that government is moving in balanced direction and further it should try to enhance the quality of credit.

Singh & Kumar (2020) demonstrated that the said scheme is beneficial for banks as well as for borrowers. The study depicts the positive impacts of Mudra Loans and will help the government in marketing of the scheme.

4. OBJECTIVES OF THE STUDY

Over a period of last 6 years, Mudra has become a buzzword for micro units. From a small opening, it has now become a key player in the micro unit segment and which ensures adequate funding to micro enterprises and support the culture of entrepreneurship in the Indian economy. This paper is an attempt to analyse the following:

- (i) To elucidate the crucial role of Mudra Yojana as a scheme to provide funding to unfunded.
- (ii) To analyse the basic conception of the different MUDRA products based on business life cycle.

- (iii) To study the trend of financing under different MUDRA products based on amount sanctioned during the last six years from 2016-17 to 2021-22.

5. RESEARCH METHODOLOGY

The paper is descriptive and analytical in nature. Secondary data has been culled out from various national and international reports, journals, books, magazines, websites, and other pertinent literature of this discipline. Mean, Standard Deviation and Trend analysis has been used to study the performance of Mudra loans among different schemes over a period of six years i.e., from 2016-17 to 2021-22.

6. CONCEPTUAL BUILDING BLOCK OF MUDRA YOJANA

Micro enterprise customers are generally recognised as the people who are prone to mistakes, frauds and many such problems due to lack education, financial literacy, and knowledge. These people include small farmers, labourers, tiny shop owners and hawkers etc. who eke out their minimum level livelihood. Micro finance Institutions were established by the GOI in the decade of 1970 to fill the credit gaps of these micro enterprise customers. The MFIs have proved that despite the existence of vulnerable tiny customers, there are the chances of getting sustainable micro businesses. In order to enhance and maintain the sustainable development, GOI added one more feather to the list of these micro finance institutions in the form of MUDRA, with the aim to remove the financial shortfall of micro enterprise customers. It is expected that Mudra will be able to serve millions of micro unit borrowers through better governance and suitable schemes at affordable costs and thereby would ensure sustainable growth (Mittal 2021).

The setting up of Pradhan Mantri Mudra Yojana and MUDRA attempted to fill or reduce the financial crisis in the micro enterprises to stimulate economic development. MUDRA has been aimed at administering a common platform to both banks and tiny enterprises customers and plays a significant role by bringing them together to this platform. It has been set up as a refinancing institution. Its main goal is to provide mudra loans up to Rs. 10,00,000 to the micro enterprises through last mile financiers, so that they can start or expand their businesses. Its primary goal is to refinance various last-mile financial institutions that support the growth of small businesses in the non-corporate sector by lending money to them. These last mile financial institutions include NBFCs, Regional Rural Banks, Commercial Banks, Small Finance Banks, and MFIs. These institutions provide funds to the small business sector which is involved in manufacturing, trading, and Agri-allied activities. The borrower can approach to any of financial institution to get the benefit of mudra loans and to serve the purpose of their existence.

7. MUDRA PRODUCTS

Within the framework of Pradhan Mantri Mudra Yojana, three different types of mudra products have been created in the form of mudra loans. As there are different stages of development of a business, similarly the requirement for the financial resources also varies in these different stages.

These mudra products are directly linked to these different stages of development of business and so the financial aid given in these categories also varies. The young entrepreneurs can avail the facility under a particular scheme depending upon their business requirement. Based upon the expansion and developmental stages of micro units, the mudra offerings have been divided into three groups:

- **Shishu Loan**
- **Kishore Loan**
- **Tarun Loan**



7.1 THREE GROUPS OF MUDRA OFFERINGS

Shishu Loan: Under this scheme, the loan is provided for the startups and new entrepreneurs in the beginning stage of their business. The borrowers can take the loan up to Rs. 50,000 to meet their working capital requirements without any minimum sanction limit. The borrower is not required to pay any processing fees. There is no need for any type of collateral security under Shishu loan scheme. Further, the freedom has been given to the entrepreneur for using this loan to any business-related purpose.

Kishore Loan: Under Kishore Loan scheme, the loan is provided to the existing Kishore/ adolescent micro units who needs additional financial assistance for establishment. The entrepreneurs can avail the loan facility from Rs. 50,000 to Rs. 5,00,000 for the purpose of expansion and growth. The minimum sanction limit in this category is Rs. 50,000. It satisfies both working capital as well as fixed capital requirements of micro units. Like Shishu loan scheme, in the Kishore loan scheme also, the entrepreneur is not required to pay any processing fees. Further no guarantee or collateral security is needed for availing this facility.

Tarun Loan: Under Tarun Loan scheme, the entrepreneur is granted loan for the further expansion of existing micro, small and medium enterprise units. The borrower can avail the loan facility from Rs 5,00,000 to Rs 10,00,000 in order to meet their working and fixed capital requirements. Though there is no collateral security needed but sometimes borrower may be asked to pay some processing fees.

7.2 BENEFITS OF MUDRA OFFERINGS

Mudra offerings facilitates the small borrowers to meet out their financial requirements up to Rs.10,00,000 with following numerous benefits.

- Mudra loans are collateral free loans, so the borrower does not need to have the possession of

significant assets and, they do not need any guarantor.

- The processing fees is almost nil or insignificant in these mudra loans.
- The borrowers can get loans at a very low rate of interest from the trustworthy legitimate lenders.
- The loan amount is such that the borrower can satisfy all types of fund requirements like working capital, fixed capital, term loans etc. It is a multipurpose loan.
- Women entrepreneurs as well as SC/ ST/ Minorities can get the loan facility at special interest rates by the legitimate specific lenders.
- The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) programme of the Government of India covers Mudra loans.
- The small entrepreneurs can get the loan irrespective of their unsystematic financial statements.
- Mudra loans has been added as an additional feather to the fundamental goal of GOI i.e., ‘Make in India.’

8. MUDRA FINANCING UNDER DIFFERENT SCHEMES

Mudra loans come into being as a rescuer to the micro and small entrepreneurs. MSMEs and other micro units play a key part in the development of an economy by providing large employment to the people and thereby make a significant contribution in the income of a nation. They work as a chain between the local, national, and international markets. So, the mainstreaming of this sector will provide numerous benefits like job creation, self-sufficiency, quality of life, employment as well as growth in Gross Domestic Product. The biggest bottleneck in this mainstreaming process is inadequate financial assistance. This drawback has been removed by GOI by introducing and establishing Micro Units Development & Refinancing Agency.

The Table 1 given below shows the category wise analysis of mudra loans in terms of number of loan accounts which

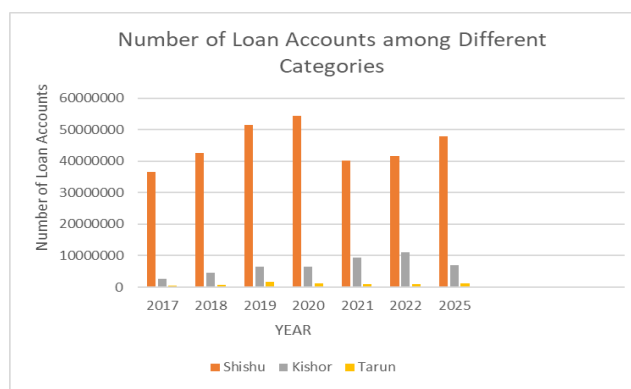
Table 1: Category Wise Analysis of Mudra Loans Schemes from 2016-17 to 2021-22 in terms of Number of Loan Accounts

Category/ Year	Shishu Loan		Kishore Loan		Tarun Loan		Total Mudra Loan	
	No. of Loan Accounts	%age of Total	No. of Loan Accounts	%age of Total	No. of Loan Accounts	%age of Total	Total No. of Loan Accounts	Total %age
2016-17	3,64,97,813	92%	26,63,502	7%	5,39,732	1%	3,97,01,047	100%
2017-18	4,26,69,795	89%	46,53,874	9%	8,06,924	2%	4,81,30,593	100%
2018-19	5,15,07,438	86%	66,06,009	11%	17,56,871	3%	5,98,70,318	100%
2019-20	5,44,90,613	88%	64,71,873	10%	12,85,116	2%	6,22,47,606	100%
2020-21	4,01,80,115	79%	94,86,160	19%	10,68,771	2%	5,07,35,046	100%
2021-22	4,17,21,154	78%	1,10,88,206	20%	9,86,166	2%	5,37,95,526	100%
Average	4,45,11,155	85%	68,28,271	13%	10,73,930	2%	5,24,13,356	100%
CV	0.14		0.41		0.35		0.14	
Trend (2025)	4,79,10,288	86%	69,52,497	12%	10,79,664	2%	5,59,42,449	100%

has been opened under Shishu, Kishore, and Tarun Schemes.

The Table depicts that amidst the three schemes of mudra loans, the largest share has been captured by the Shishu loans in terms of number of accounts followed by Kishore and Tarun loans through out the study period of six years. Shishu loans recorded the highest mean number of 4,45,11,155 (85%) in terms of number of accounts followed by Kishore loans 13% and Tarun loans 2%. The lower values of relative measure of dispersion i.e., coefficient of variation exhibits lower level of variability and so the estimates are more precise among the three categories. The trend analysis shows the rising trend in case of Shishu loans whereas it is declining in case of Kishore loans. The Tarun loans manifest insignificant change.

Chart 1: Category Wise Trends in Number of Loan Accounts from 2016-17 to 2021-22



The Chart 1 given above gives a clear picture of rising trend of Shishu loans up to 2019-20. In the 2020-21, it depicts reduction in number of accounts due to impact of Covid – 19 pandemics which affected every business unit to a great extent but after this year again, it started growing. In 2020-21, almost all the businesses have witnessed the repercussions of covid pandemic but the most vulnerable position was of the young entrepreneurs. The supply and demand side got affected adversely and as a result it leads to fall in the total funding up to approximately 50% along with forceful closure of around 15% startups. These entrepreneurs faced acute financial crisis as most of the investors pulled back their hand.

Table 2: Category Wise Analysis of Mudra Loan Schemes in terms of Sanction Amount from 2016-17 to 2021-22 (In Crores)

Category / Year	Shishu Loan		Kishore Loan		Tarun Loan		Total Mudra Loan	
	Sanction Amount (Rs.)	%age of Total	Sanction Amount (Rs.)	%age of Total	Sanction Amount (Rs.)	%age of Total	Total Sanction Amount (Rs.)	Total %age
2016-17	85,101	47%	53,545	30%	41,883	23%	1,80,529	100%
2017-18	1,06,001	42%	86,732	34%	60,943	24%	2,53,676	100%
2018-19	1,42,345	44%	1,04,387	32%	74,991	23%	3,21,723	100%
2019-20	1,63,559	48%	95,578	28%	78,358	24%	3,37,495	100%
2020-21	1,09,953	34%	1,32,516	41%	79,290	25%	3,21,759	100%
2021-22	1,24,747	37%	1,37,644	41%	76,718	23%	3,39,110	100%
Average	1,21,951	42%	1,01,734	35%	68,697	23%	2,92,382	100%
CV	0.21		0.28		0.20		0.20	
Trend (2025)	1,58,298	45%	1,16,083	33%	74,580	22%	3,48,961	100%

It has been clearly illustrated in the table that amidst the three schemes of mudra loans, Shishu loan scheme has the largest segment in terms of sanction amount followed by Kishore and Tarun loans. The highest mean value of 1,21,952 (42%) is recorded by the Shishu loan scheme followed by Kishore loan scheme 35% and Tarun Loan Scheme 23%. The relative measure of dispersion shows minimal level of variation amidst the groups given. An interpretation of current and historical data with the help of trend analysis shows a rise in Shishu loans from 42% (2021-22) to 45% in the year 2025.

Chart 2: Category Wise Trends in Sanction Amount from 2016-17 to 2021-22

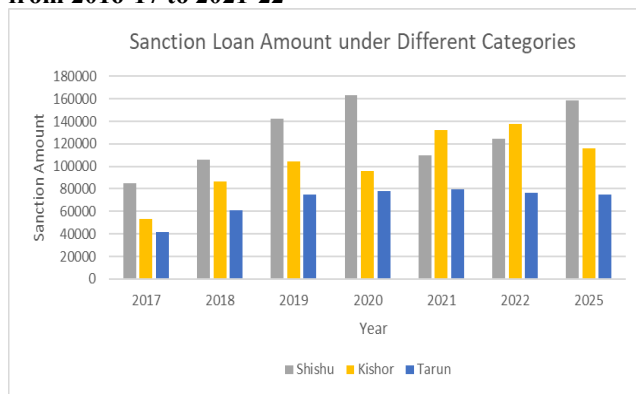


Chart 2 displays the values of sanction amount from 2016-17 to 2021-22 amidst the three mudra loan schemes. Throughout the study period, the largest values have been recorded by the Shishu Loan Scheme except for year 2020-21 and 2021-22. In these two years the ecosystem of startups was collapsed significantly due to covid pandemic. But the trend shows a faster recovery than expected. The digitalisation helps to reboot around 75% of the startups with new expectations and enthusiasm. Also, the 'Interest Subvention' scheme has been introduced by GOI in the year 2021-22 to the Mudra Shishu loan. This scheme has been announced under the flagship of 'Aatmanirbhar Bharat' package specifically for the micro units to mitigate the impact of covid pandemic. In this scheme, based on certain parameters an interest subvention of 2% would be provided to all the Mudra Shishu loans for a period of twelve months. Although, the covid pandemic has been proved a paramount hitch to the ecosystem of startups but on the other hand, it made a significant contribution in making this ecosystem more efficient and stronger.

9. CONCLUSION

MUDRA has completed a journey of seven years by serving the micro borrowers who were not the part of mainstream. The PMMY has been introduced as an emancipator for the micro, tiny and medium enterprises to excellently serve the purpose and achieve the target of providing the funding to the unfunded. This scheme helps millions of small borrowers who were facing the acute financial shortage due to numerous reasons and were striving hard to get the financial assistance for their business activities. Since its launch in 2015, the Pradhan Mantri Mudra Yojana has offered several mudra loans based on the demands and specifications of micro borrowers, helping them improve their standard of living.

According to the interpretation of the data for the research period, Shishu Loan Scheme has gained the highest proportion among the three major categories of Mudra Loans in terms of the number of accounts and the amount sanctioned, followed by Kishore and Tarun Loans. Over a period of seven years of operations i.e., from 2015-16 to 2021-22, PMMY has benefitted in aggregate approximately 34.92 crore loan account holders of weaker sections of the Indian society by administering an aggregate amount of 18.90 crore. The PMMY had been successful in mitigating the impact of covid pandemic and had served the unserved and underserved segment of the Indian society efficiently. But the needs and requirements of the micro borrowers have been modified in this dynamic environment, so it would be the right time to redefine the strategy of PMMY. This transformation of PMMY will make it more effective in mitigating the challenges of dynamic economy.

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