



Mudra Loan Disbursement Among Different Social Groups: A Comparative Study

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ABSTRACT: Indian banking and financial system work as a catalyst to this growth trajectory. To strengthen the micro business segment, a feather has been added under the aegis of GOI in the year 2015 to the formal lending system in the form of MUDRA. It has been a milestone accomplishment in the financial inclusion panorama. Through this system, the endeavour is to bring all the sectors into mainstream and to make financial services available to all the sectors. MUDRA provides different categories and sub-categories of formal loans at a low rate of interest according to the needs and requirements of startups and other micro enterprise units. MUDRA loans have been instrumental in providing financial support to individuals from various social groups, promoting inclusivity and empowerment. It addresses the lack of access to formal credit for individuals from different social groups, who often face difficulties in obtaining loans from traditional banking institutions due to various reasons such as lack of collateral, low income, or limited credit history. It offers customized loan products designed to cater to the specific needs and requirements of small and micro enterprises. MUDRA Credit is accompanied by various support mechanisms such as capacity building, skill development, and business mentoring. These initiatives help borrowers enhance their entrepreneurial skills, manage their businesses effectively, and improve their chances of success.

It is important to note that MUDRA loans are not limited to any specific social group. They are available to individuals from all social groups who meet the eligibility criteria. The loans have been designed to cater to the diverse needs and aspirations of entrepreneurs across different social backgrounds, facilitating their access to formal credit and promoting entrepreneurship at the grassroots level. The present study utilizes the secondary data including government reports, surveys, and scholarly articles, and case studies, to provide an in-depth understanding of the sub-categories within the Mudra Yojana framework to assess the effectiveness and inclusivity of the Mudra Yojana in reaching marginalized communities. The study period is six years from 2016-17 to 2021-22. The Shishu category recorded the highest number of accounts i.e., 26,70,67,119 along with highest loan disbursement of Rs. 7,31,706.97 among all the categories. The study shows continuous growth among all the sub-categories (except in OBC in Shishu Loans) in all the Mudra Loans Schemes.

KEYWORDS: NCSBS, MUDRA Loans, Social Groups, Disbursement, SECC

1. INTRODUCTION

India is identified as one of the booming economies of the world. In India, people believe that the big business corporate houses play a vital role in our economy and provide highest employment. But it is a total misconception and the reality is far away from this. The data shows that big business corporate houses provide employment to only 12.5

million people whereas the micro business segment serves around 120 million people. These micro business enterprises are very helpful in administering good life to people living in rural and urban areas by providing and creating jobs to them. In order to ensure these jobs and livelihood, it becomes imperative to support these small units. The policymakers need to understand the influential power this segment and every possible step needs to be



taken to facilitate them with all the resources specifically financial resources (Mandal et al., 2022). But unfortunately, the biggest bottleneck of this micro enterprise segment in India is that it is unserved as well as underserved segment which suffers from acute shortage of financial funds (Jora et. al., 2022). This eccentric situation forces them either to depend upon their internal resources or to borrow from the informal sources at a very high rate of interest, thereby choking the growth of this micro enterprise sector.

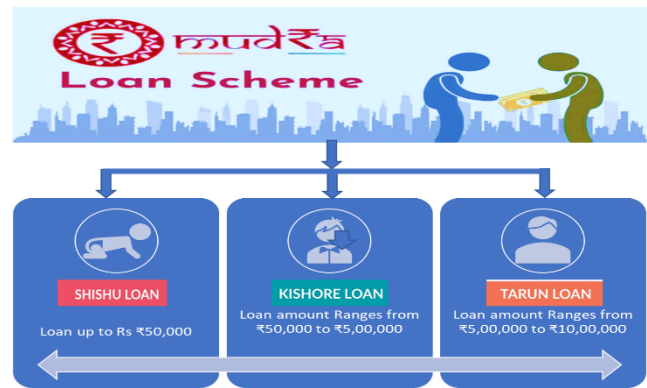
Our banking and financial system work as a catalyst to this growth trajectory. To strengthen the micro business segment, a feather has been added under the aegis of GOI in the year 2015 to the formal lending system in the form of MUDRA. It has been a milestone accomplishment in the financial inclusion panorama. Through this system, the endeavour is to bring all the sectors into mainstream and to make financial services available to all the sectors. MUDRA provides different categories and sub-categories of formal loans at a low rate of interest according to the needs and requirements of startups and other micro enterprise units. Mudra Yojana is meant to serve and support these micro units through formal funding at suitable interest rates. This formal lending system enables small borrowers to generate good incomes and thus facilitates quality of life.

Micro businesses have a great potential. If they are provided with proper assistance then the growth can be wide. Mudra Yojana is an attempt to collaborate the biggest and only asset of weaker section i.e., integrity with capital. This joint venture will lead to the path of the success.

Mudra loans are mainly categorized into three types based on loan amount offered. These three categories depict the different stages of the development of businesses. Mudra loans offer many benefits to the borrowers like zero processing fee, no collateral, affordable interest rates, no lower limit, credit guarantee facility, easy accessibility, debit card facility etc. These categories include:

- **First Category:** It includes Shishu Loan Category which is provided to non-farming activities up to ₹50,000. It is specifically for the startups and to new entrepreneurs, though existing small entrepreneurs can also avail it depending upon their requirement.
- **Second Category:** It includes Kishore Loan Category which offer loan amount to a range of ₹50,000 to ₹5,00,000. This facility can be availed by aspiring entrepreneurs for meeting out their working capital needs and by existing business entrepreneurs for expansion.
- **Third Category:** It incorporate Tarun Loan Category which administer the loan from ₹5,00,000 to ₹10,00,000. This loan is generally availed by existing business owners for meeting out working capital as well as fixed capital requirements.

The picture below gives a brief view of Mudra Loan Schemes:



2. REVIEW OF LITERATURE

Bhosale (2022) studied the benefits and objectives of Mudra Yojana Scheme. The paper highlights the performance of mudra Yojana along with its impact on the NPAs of banking sector. It concluded that though the NPAs are less but they can be reduced further by taking suitable measures.

Rajagopal (2022) analysed the state wise performance of Mudra Yojana during the financial year 2021-22. It highlighted the performance of different states in terms of number of accounts and loan amount disbursement. The results shows that West Bengal is on top and Lakshadweep is in the bottom with respect to these parameters.

Sharma & Gupta (2021) concluded that though banks have promoted this scheme successfully but on the other side it has increased NPAs also. GOI and banks have taken several measures to reduce the level of NPAs but efforts are needed on the part of public as well.

Jain (2020) studied the performance of different mudra categories from 2015-16 to 2018-19 and concluded that this yojana has been successful in providing the funding to the unfunded to a great extent by bringing them to the mainstream.

Agrawal & Vyas (2019) outlines the performance of all the agencies involved in the process of lending. The study concluded that in terms of amount sanctioned, public sector banks captured the largest share whereas private sector banks show the highest growth.

Mahajan (2018) highlighted the problems faced by small business owners in getting financial aid for starting or expanding their business operations. The author appreciated the initiative taken by GOI in the form of MUDRA as it provides the solution to all the financial problems of small business owners.

3. OBJECTIVES

This research paper aims to understand the role of mudra scheme for NCSBS and analyse the disbursement of Mudra loans among different social groups in India. The study focuses on understanding the accessibility and inclusivity of Mudra loans for women, minorities, and new entrepreneurs. The objectives of this research paper are as follows:

- (i) To understand the role of Mudra Yojana in developing and refinancing the Non-Corporate Small Business Sector (NCSBS).
- (ii) To examine the distribution patterns of Mudra loans among different social groups and to identify the potential disparities
- (iii) To identify the barriers and challenges faced by different social groups in accessing Mudra loans
- (iv) Recommendations to make Mudra loans inclusive and impactful for social category borrowers.

4. RESEARCH METHODOLOGY

The study utilizes the secondary data including government reports, surveys, and scholarly articles, and case studies, to provide an in-depth understanding of the sub-categories within the Mudra Yojana framework to assess the effectiveness and inclusivity of the Mudra Yojana in reaching marginalized communities. The study period is six years from 2016-17 to 2021-22. The secondary data has been taken from the annual reports published by the official website of mudra.

NON – CORPORATE SMALL BUSINESS SECTOR (NCSBS)

Non -Corporate Small Business Sector (NCSBS) play a significant role in every developing economy. These businesses are just like a million tiny integral parts of a luxurious vehicle which help in running the engine. But one can see the tyres only (i.e., big corporations only) from outside that give the vehicle speed. NCSBS is a vital organ of our industrial sector. In our enormous Indian economy, only 5% of the industrial units consist of big organisations and rest 95% of industrial units consist of small business sector which contribute around 40% to the total industrial output. This is the sector which provide most (65% to 75%) of the innovations to the industries. It also contributes towards employment and provides ample employment opportunities in the rural and semi-urban areas. They generate large number of employment opportunities in comparison to big organisations and thus, occupy the position of the second largest generators of employment in the Indian economy.

These businesses generally emerge in rural and semi-urban areas, that is why mostly aware with the needs and demands of local public. They generally make the use of local resources viz. local labour and talent, raw material etc. which in turn help to upgrade the standard of living and economic conditions of that local community. These small businesses play the role of both manufacturer and distributor, thus are successful in building a personal bonding with their customers. It helps them to capture the new business opportunities easily at right time and gives the strength to adapt the upcoming challenges.

NCSBS is a big sector with diverse manpower. It has ample opportunities but on the other side it faces many challenges in terms of technology and connectivity also. The biggest bottleneck in the growth of these small businesses is

inadequacy of funds. More than 90% of small businesses lack access to formal financial system. These businesses have poor creditworthiness due to lack of collateral security which proves a major hindrance in the path of getting finance from banks and industrial investors.

If India wants to become a global manufacturing hub, then the growth of NCSBS is must. The development of NCSBS requires adequate raw material, efficient managerial skills, skilled labour etc. and all these things would be possible after availability of adequate finance. In order to cater to the needs of NCSBS, the GOI set up MUDRA Yojana through a statutory enactment which will bring this small business sector to the mainstream. NCSBS mainly get loans from Last Mile Financial Institutions such as small finance banks, regional rural banks, micro finance institutions, NBFCs and Societies etc. Now, MUDRA would be responsible to refinance all these last mile financiers. As a result, now NCSBS would be able to access the formal source of finance and the biggest bottleneck in their growth would be removed.

MUDRA LOANS AMONG DIFFERENT SOCIAL GROUPS IN INDIA

MUDRA Scheme addresses the lack of access to formal credit for individuals from different social groups, who often face difficulties in obtaining loans from traditional banking institutions due to various reasons such as lack of collateral, low income, or limited credit history. MUDRA Loans aims to promote entrepreneurship and generate employment opportunities by extending financial assistance to individuals from different social groups. MUDRA loans empower individuals from different social groups, enabling them to start or expand their own businesses and become self-employed or employers. Overall, MUDRA Credit is an important and relevant financial initiative taken by the government that empowers individuals from different social groups by providing access to credit, fostering entrepreneurship, promoting economic growth, and contributing to poverty reduction and social inclusion.

TABLE 1: SOCIAL CATEGORY WISE ANALYSIS OF BORROWERS UNDER SHISHU SCHEME (2016-17 TO 2021-22)

It is important to note that MUDRA loans are not limited to any specific social group. They are available to individuals from all social groups who meet the eligibility criteria. The loans have been designed to cater to the diverse needs and aspirations of entrepreneurs across different social backgrounds, facilitating their access to formal credit and promoting entrepreneurship at the grassroots level.

Table 1 shows the number of accounts created and loan sanctioned under PMMY Shishu Scheme to different social groups from the year 2016-17 to 2021-22. The focus of Mudra Yojana, since its execution, is to provide financial support to the feeble sections of the society. Out of the total number of accounts, 47% of number of accounts belong to General Category, who were sanctioned 49% of the total loan amount in the Shishu Scheme during a period of six years.

Year / Category	General		OBC		SC		ST		TOTAL	
	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned
2016-17	1,48,35,000	35,163.69	1,29,50,000	30,129.63	69,86,000	15,976.20	17,27,000	3,831.23	3,64,98,000	85,100.75
2017-18	1,79,11,238	47,171.25	1,41,54,425	33,751.67	81,86,001	19,462.62	24,18,131	5,616.06	4,26,69,795	1,06,001.60
2018-19	2,59,93,019	74,816.03	1,37,35,192	36,578.17	87,67,153	23,253.35	30,12,074	7,697.71	5,15,07,438	1,42,345.26
2019-20	2,76,14,426	86,660.00	1,37,64,192	39,486.00	95,31,602	27,326.00	35,80,397	10,087.00	5,44,90,617	1,63,559.00
2020-21	1,91,09,271	52,164.00	1,10,73,289	30,857.00	73,34,828	19,714.00	26,62,727	7,218.00	4,01,80,115	1,09,953.00
2021-22	1,91,85,749	59,381.87	1,17,37,937	34,646.18	78,58,637	22,633.19	29,38,831	8,086.12	4,17,21,154	1,24,747.36
TOTAL	12,46,48,703 (47%)	3,55,357.84 (49%)	7,74,15,035 (29%)	2,05,449.65 (28%)	4,86,64,221 (18%)	1,28,365.36 (18%)	1,63,39,160 (6%)	42,536.12 (6%)	26,70,67,119 (100%)	7,31,706.97 (100%)
MEAN	2,07,74,784	59,226.14	1,29,02,506	34,241.44	81,10,704	21,394.23	27,23,193	7,089.35	4,45,11,186	4,72,62,863.41
CV	0.22	0.29	0.09	0.09	0.11	0.17	0.21	0.28	0.14	0.15

Year / Category	General		OBC		SC		ST		TOTAL	
	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned
2016-17	18,97,000	40,820.62	5,66,000	9,523.67	1,40,000	2,170.84	60,000	1,030.01	26,63,000	53,545.14
2017-18	32,83,034	66,477.31	9,50,831	14,483.42	3,07,214	3,976.79	1,12,795	1,794.64	46,53,874	86,732.16
2018-19	44,39,825	78,947.67	14,13,592	17,794.45	5,52,277	5,291.86	2,00,315	2,352.70	66,06,009	1,04,386.68
2019-20	37,76,211	67,332.00	16,98,245	6,064.00	7,15,832	2,828.00	2,81,585	19,354.00	64,71,873	95,578.00
2020-21	58,33,669	94,426.00	21,69,946	24,317.00	10,38,947	9,430.00	4,43,598	4,344.00	94,86,160	1,32,517.00
2021-22	59,77,398	88,233.56	30,68,262	31,220.26	14,80,309	12,949.13	5,62,237	5,241.43	1,10,88,206	1,37,644.38
TOTAL	2,52,07,137 (62%)	4,36,237.16 (71%)	67,98,614 (24%)	1,03,403.80 (17%)	42,34,579 (10%)	36,647.62 (6%)	16,60,530 (4%)	34,117.78 (6%)	4,09,69,122 (100%)	6,10,403.00 (100%)
MEAN	42,01,190	72,706	13,59,723	17,234	7,05,763	6,108	2,76,755	5,686	68,28,187	1,01,734.00
CV	0.34	0.24	0.41	0.50	0.64	0.63	0.64	1.10	0.41	0.28

Whereas the shares of OBC, SC and ST in terms of number of accounts were 29%, 18% and 6% respectively. The low values of coefficient of variation data shows a low level of volatility or risk among all the social groups with respect to number of accounts and loan amount sanctioned. The number of accounts had increased throughout the study period among all the categories except in case of OBCs where it shows a continuous decline. Sensitivity could be one of the reasons for decline as these small Shishu loans are not able to face the risks which arise due economic downturn and uncertainty.

TABLE 2: SOCIAL CATEGORY WISE ANALYSIS OF BORROWERS UNDER KISHORE SCHEME (2016-17 TO 2021-22)

The Kishore scheme is designed to cater to the financial needs of those people who have already started their operations and require additional funds for expansion or growth. As the loan amount is higher than the Shishu scheme but lower than the Tarun scheme, it caters to the specific financing needs of enterprises in the intermediate stage of growth. The Table 2 shows that out of total number of accounts, 62% belong to general category who have been sanctioned 71% of total loan amount under Kishore scheme during a period of six years from 2016-17 to 2021-22. Whereas SC and ST categories have been sanctioned the equal amount i.e., 6% of the total amount sanctioned. The extent of variability is highest in ST group followed by SC

and OBC group in relation to the mean values while it is moderate in General Category.

Kishore loans cater to higher loan amounts, which might indicate a growth in the number of medium-sized businesses or entrepreneurs with larger financing needs. These businesses could be experiencing growth opportunities, leading to increased loan demand.

TABLE 3: SOCIAL CATEGORY WISE ANALYSIS OF BORROWERS UNDER TARUN SCHEME (2016-17 TO 2021-22)

The Tarun scheme of MUDRA loans recognizes the specific funding requirements of established entrepreneurs and facilitates their growth and expansion. By providing higher loan amounts, the scheme empowers businesses to seize opportunities, enhance productivity, and contribute to overall economic development. The share of general category is 83% and 88% in respect of number of accounts and loan amount sanctioned respectively under Tarun Scheme.

The highest mean values are recorded by General Category followed by SCs, OBCs and STs. The high values of coefficient of variation shows high volatility among the two groups i.e., SCs and STs due to unexpected increase in number of accounts in 2018-19. The share of marginalised section (OBC/SC/ST) borrowers in the Tarun Scheme from 2016-17 to 2021-22 was only 17% in terms of number of accounts and 12% in terms of loan amount sanctioned. The

Year / Category	General		OBC		SC		ST		TOTAL	
	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned	Number of Accounts	Amount Sanctioned
2016-17	4,69,000	36,600.85	55,000	4,119.52	10,000	750.79	6,000	411.50	5,40,000	41,882.66
2017-18	7,12,207	53,976.53	73,390	5,438.10	12,946	939.00	8,381	589.71	8,06,924	60,943.34
2018-19	13,02,379	66,365.45	1,92,463	6,210.12	1,33,089	1,412.16	1,28,940	1,003.14	17,56,871	74,990.87
2019-20	11,06,869	69,620.00	1,16,414	6,588.00	34,119	1,272.00	27,714	879.00	12,85,116	78,359.00
2020-21	9,21,759	69,353.00	1,05,413	7,089.00	24,642	1,680.00	16,957	1,168.00	10,68,771	79,290.00
2021-22	8,30,992	66,268.48	1,12,402	7,603.86	25,756	1,721.29	17,016	1,124.98	9,86,166	76,718.61
TOTAL	53,43,206 (83%)	3,62,184.31 (88%)	6,55,082 (10%)	37,049.60 (9%)	2,40,552 (4%)	7,775.24 (2%)	2,05,008 (3%)	5,176.33 (1%)	64,43,848 (100%)	4,12,184.48 (100%)
MEAN	8,90,534	60,364.05	1,09,180	6,174.77	40,092	1,295.87	34,168	862.72	10,73,974.67	68,697.41
CV	0.30	0.20	0.40	0.18	1.06	0.28	1.26	0.32	0.36	0.20

Category/ Year	General		OBC		SC		ST	
	2016-17	2021-22	2016-17	2021-22	2016-17	2021-22	2016-17	2021-22
Shishu	1,48,35,000	1,91,85,749	1,29,50,000	1,17,37,937	69,86,000	78,58,637	17,27,000	29,38,831
Kishore	18,97,000	59,77,398	5,66,000	30,68,262	1,40,000	14,80,309	60,000	5,62,237
Tarun	4,69,000	8,30,992	55,000	1,12,402	10,000	25,756	6,000	17,016
Total	1,72,01,000	2,59,94,139	1,35,71,000	1,18,50,339	71,36,000	93,64,702	17,93,000	35,18,084
Growth	51.12%		-12.68%		31.23%		96.21%	

share of OBC, SC and ST were the lowest in Tarun Scheme as compared to Shishu and Kishore Scheme. In case of Tarun Scheme, the amount sanctioned depicts an upward trend throughout the study period with mild variations.

The Tarun loan category offers higher loan amounts compared to the other two categories (Shishu and Kishore) under the Mudra Yojana. The larger loan size allows medium-sized enterprises to finance their expansion plans, purchase machinery, upgrade technology, increase working capital, and scale up their operations. The Tarun loan is not limited to specific sectors and can be availed by businesses engaged in various industries, including manufacturing, services, trading, agriculture, and allied activities. These could be the reason for continuous increase in loan amount and number of accounts of Tarun loans among all the categories.

TABLE 4: SUB-CATEGORY WISE ANALYSIS OF PMMY IN TERMS OF NUMBER OF ACCOUNTS

The sub-category wise analysis of mudra loans given in Table 4 shows that the number of accounts had increased among all the social categories in all the loan schemes except in case of OBC. The highest growth rate was recorded in STs (96.21%) as compared to other social categories in terms of number of accounts. ST communities often face economic challenges and limited access to financial resources. The Mudra loan program are designed to address these specific needs and support the economic empowerment of ST individuals and enterprises. It shows the success of government initiatives and outreach programs to promote Mudra loans among ST communities. These

efforts include awareness campaigns, simplified loan application procedures, and dedicated support for ST entrepreneurs.

The remarkable point to note was the decline in the number of accounts of OBCs (-12.68%) over the study period due to decline in number of accounts under Shishu Scheme. There were 1,29,50,000 accounts in the FY 2016-17 in OBC under Shishu Scheme which decreased to 1,17,37,937 in the FY 2021-22. The reason being that Shishu loans are smaller in size and may primarily cater to very small businesses. During periods of economic downturn due to covid, such businesses faced more challenges, leading to a decline in demand for smaller loans. As businesses mature and gain experience, they may require larger loans to expand operations, purchase equipment, or invest in new ventures. This could explain the increased demand for Kishore and Tarun loans.

TABLE 4.1: SUB-CATEGORY WISE ANALYSIS OF PMMY IN TERMS OF LOAN AMOUNT SANCTIONED

Table 4.1 exhibits the sub-category wise analysis of PMMY in terms of loan amount sanctioned. It shows the highest growth rate in STs (174.10%) followed by SCs (97.40%), General (89.98%) and OBCs (67.84%). It is possible that the demand for Mudra loans among STs is relatively high, reflecting the entrepreneurial spirit and business aspirations within these communities. The growth in Mudra loans for STs might reflect the increasing interest and participation in business activities among ST individuals.

Category/ Year	General		OBC		SC		ST	
	2016-17	2021-22	2016-17	2021-22	2016-17	2021-22	2016-17	2021-22
Shishu	35163.69	59,381.87	30129.63	34,646.18	15976.20	22,633.19	3831.23	8,086.12
Kishore	40820.62	88,233.56	9523.67	31,220.26	2170.84	12,949.13	1030.01	5,241.43
Tarun	36600.85	66,268.48	4,119.52	7,603.86	750.79	1,721.29	411.50	1,124.98
Total	1,12,585.16	2,13,883.91	43,772.82	73,470.30	18,897.83	37,303.61	5,272.74	14,452.53
Growth	89.98%		67.84%		97.40%		174.10%	

The Social Economic and Caste Census 2011(SECC) published the caste census in July 2014. It showed the information on various social categories, including scheduled castes (SCs), scheduled tribes (STs), other backward classes (OBCs), and general category households. According to this census, the scheduled castes were 19.7%, Schedules tribes 8.5%, Other Backward castes at 41.1% and general at 30.8% of total population of India. This could be the that the volume of funds was highest in General category followed by OBCs. These categories have larger share in the total population as compared to other social groups.

5. CHALLENGES FACED BY DIFFERENT MARGINALISED GROUPS

The barriers and challenges faced by different marginalised groups in accessing Mudra loans can vary based on several factors such as socio-economic conditions, cultural factors, geographic location, and institutional barriers. Here are some common barriers and challenges faced by different marginalised groups:

- **Limited Awareness and Information:** Social group entrepreneurs have limited awareness and information about Mudra loans and other financial schemes, which prevents them from taking overall benefit of these schemes and utilizing these opportunities for business development.
- **Limited Financial Literacy:** Social group entrepreneurs have limited knowledge of financial concepts, formal banking procedures, loan application requirements, interest rates, and repayment terms which hinders their ability to access Mudra loans.
- **Documentation Challenges:** Sometimes entrepreneurs may face difficulties in providing necessary documentation, such as identification proofs and land titles, which are required during the loan application process. This can be one of the reason for lower number of accounts in SCs and STs as is shown in all the schemes.
- **Limited Access to Resources and Networks:** These marginalised section entrepreneurs face challenges in accessing resources such as technology, mentorship opportunities, business, and market networks, which are crucial for

accessing financial assistance and thus limiting their ability to establish and grow their businesses.

- **Language and Social Barriers:** Language differences can create communication barriers between entrepreneurs and banks, making it challenging to understand the whole process effectively. Social and cultural differences impose restrictions on entrepreneurial aspirations and opportunities for outcasts individuals, thus limiting their participation in formal business sectors.
- **Discrimination and Bias:** Instances of discrimination and bias during the loan application process have been reported, where outcasts entrepreneurs face unequal treatment or biased evaluation criteria which hinder their access to Mudra loans.
- **Geographical Remoteness and Lack of Infrastructure:** The entrepreneurs of weaker section of the society residing in remote areas often face challenges accessing formal financial institutions due to a lack of banking infrastructure, leading to difficulties in accessing Mudra loans.
- **Inadequate Business Management Skills:** The marginalised section entrepreneurs lack essential business management skills, such as financial planning, marketing, and strategic decision-making, which can impact their ability to effectively utilize Mudra loans. This limitation makes this loan taking process challenging for them. It might be the reason that the loan amount sanctioned under all the mudra loans is lowest in SCs and STs.
- **Limited Technology Adoption:** These entrepreneurs, particularly those in rural areas, may face challenges in adopting technology and digital platforms, which are often necessary for loan applications and accessing financial services.
- **High Competition and Market Saturation:** These entrepreneurs often face intense competition and market saturation, making it challenging for their businesses to stand out and meet the loan criteria.

6. RECOMMENDATIONS

To enhance Mudra loans to social categories, which include marginalized and underprivileged groups, it is essential to implement targeted measures and address specific challenges faced by these groups. Here are some recommendations to enhance Mudra loans for social categories:

- **Specialized Outreach Programs:** Design and implement specialized outreach programs to reach socially disadvantaged communities. Collaborate with community leaders, NGOs, and local organizations to create awareness and facilitate access to Mudra loans.
- **Skill Development and Training:** Offer skill development and entrepreneurship training programs tailored to the needs of social category borrowers. These programs can equip them with the necessary knowledge and skills to manage businesses effectively.
- **Inclusive Financial Literacy:** Provide financial literacy and education programs that are culturally sensitive and easily understandable for social category borrowers. Ensure that the information is accessible in regional languages and uses visual aids to overcome language and literacy barriers.
- **Women Empowerment Initiatives:** Implement initiatives that focus on empowering women entrepreneurs from social categories. Provide them with additional support, mentorship, and networking opportunities to foster their business growth.
- **Simplified Documentation:** Simplify the documentation and application process for Mudra loans to make it easier for social category borrowers to access credit. Reduce bureaucratic hurdles and paperwork to streamline the loan application process.
- **Collateral-Free Loans:** Continue to offer collateral-free loans to social category borrowers, as they often lack the necessary assets to pledge as collateral. This will increase their confidence in applying for loans and improve access to credit.
- **Interest Rate Subsidies:** Explore the possibility of providing interest rate subsidies to social category borrowers to reduce the cost of borrowing and make Mudra loans more affordable for them.
- **Credit Guarantee Mechanism:** Establish a credit guarantee fund specifically targeted at social category borrowers. This will encourage lending institutions to disburse more loans to these borrowers, as it will mitigate the risk for the lenders.
- **Support for Traditional and Artisanal Industries:** Provide targeted support to traditional and artisanal industries that are often dominated by social category entrepreneurs. These industries play a crucial role in preserving cultural heritage and generating employment in rural areas.

- **Monitoring and Evaluation:** Implement a robust monitoring and evaluation system to track the impact of Mudra loans on social category borrowers. Use the data to identify areas for improvement and ensure that the loans are effectively reaching the intended beneficiaries.
- **Collaboration with Social Enterprises:** Partner with social enterprises and impact investors to provide additional support and resources to social category borrowers. These collaborations can help borrowers access mentoring, market linkages, and other essential resources for business growth.
- **Regional Focus:** Tailor the Mudra loan programs to suit the specific needs and economic activities prevalent in different regions with high concentrations of social category entrepreneurs. This will help address the unique challenges faced by these communities.

By implementing these recommendations, Mudra loans can be made more inclusive and impactful for social category borrowers, empowering them to improve their livelihoods, create employment opportunities, and contribute to the socio-economic development of their communities.

7. CONCLUSION

MUDRA loans have been instrumental in providing financial support to individuals from various social groups, promoting inclusivity and empowerment. It addresses the lack of access to formal credit for individuals from different social groups, who often face difficulties in obtaining loans from traditional banking institutions due to various reasons such as lack of collateral, low income, or limited credit history. It offers customized loan products designed to cater to the specific needs and requirements of small and micro enterprises. MUDRA Credit is accompanied by various support mechanisms such as capacity building, skill development, and business mentoring. These initiatives help borrowers enhance their entrepreneurial skills, manage their businesses effectively, and improve their chances of success.

It is important to note that MUDRA loans are not limited to any specific social group. They are available to individuals from all social groups who meet the eligibility criteria. The loans have been designed to cater to the diverse needs and aspirations of entrepreneurs across different social backgrounds, facilitating their access to formal credit and promoting entrepreneurship at the grassroots level.

Overall, MUDRA Credit is an important and relevant financial initiative that empowers individuals from different social groups by providing access to credit, fostering entrepreneurship, promoting economic growth, and contributing to poverty reduction and social inclusion.

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