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## EVALUATING THE IMPACT OF PRADHAN MANTRI MUDRA YOJANA

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### Abstract

Launched in 2015, the Pradhan Mantri Mudra Yojana (PMMY) aims to "Fund the Unfunded" by giving micro and small businesses loans without collateral. From government reports and databases, this study conducts a thorough secondary data analysis covering a ten-year period (2015–2025). The study evaluates PMMY's performance in supporting underserved groups, encouraging entrepreneurship, advancing financial inclusion, and improving credit availability. Strong disbursement growth, notable female and SC/ST/OBC community participation, higher average loan ticket size, and low non-performing assets (NPAs) are all revealed by the findings. But structural issues still exist, like the restricted graduation from Shishu to higher loan categories. In order to achieve long-term scalability, the study suggests strategic interventions.

**Keywords:** NPA (Non – Performing Asset), Long – term scalability

### Introduction

The MSME sector in India is vital for economic growth and job creation, but it still lacks access to credit. In order to close this gap, PMMY was created, offering Scheduled Commercial Banks, RRBs, SFBs, NBFCs, and MFIs collateral-free loans to micro and small businesses. Loans fall into four categories: Shishu (up to ₹50,000), Kishore (₹50,001 to ₹5 lakh), Tarun (₹5 lakh to ₹10 lakh) and Tarun Plus (₹10 lakh to ₹20 lakh). Through the institutionalization of formal finance access, the program aims to promote inclusive entrepreneurship, particularly for women and underserved communities.

Micro, small, and medium-sized enterprises (MSME) comprise a huge and important part of the Indian economy. As of 2014–2015, this sector employed 117 million people through 51 million organized and unorganized businesses. Each year, the non-corporate small business sector (NCSBS) makes an estimated 6.28 trillion Indian rupees to the nation's economy. Despite its vital contributions, this sector has historically had an exceptionally challenging time getting formal credit. These issues are often the result of inadequate documentation, bad credit records, and a general lack of collateral, all of which are considered high risk by traditional financial institutions.

In addition to this, there's a big "credit gap," and a lot of micro and small businesses are "unfunded" by the formal financial system. The Pradhan Mantri Mudra Yojana (PMMY) had been established to fix what was wrong in the market. The plan aimed to formalize and empower this previously underserved group through offering loans without first collateral. This would unlock the entrepreneurship potential that existed already there.

On April 8, 2015, Prime Minister Narendra Modi officially inaugurated the Pradhan Mantri Mudra Yojana. (PMMY), a flagship government agencies initiative. Its primary objective is to empower impoverished micro and small-scale entrepreneurs, especially those who hail from marginalized and economically disadvantaged sections in society, by providing them financial support. PMMY's principal objective is to "Fund the Unfunded" small, non-corporate, non-farm business organizations in order to usher in a new era of entrepreneurship.

To accomplish its objectives, PMMY uses a number of unique traits. Collateral-free loans, a key component of the program, eliminates a major obstacle for microbusinesses without conventional collateral. Likewise, the program divides loans into three primary products that have been developed to accommodate several stages of business expansion and funding requirements:

**Shishu:** This category helps entrepreneurs start their businesses via providing loans up to ₹50,000, alongside a focus on startups or ideation stages.



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**Kishore:** This category of financial assistance offers loans above 50,000 and up to 5 lakh for already-established businesses that need additional capital for expansion.

**Tarun:** This category proposes loans above ₹5 lakh and up to ₹10 lakh to established businesses looking for significant financial assistance to expand their operations.

Instead of just offering initial credit access, this phased lending approach aims to support organizations from their infancy to maturity, building sustainable growth. In particular, Tarun Plus's inclusion governs an altering policy response that recognizes the proven performance and ability to repay current recipients, promoting additional growth and formalization in the MSME sector.

Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), Small Finance Banks (SFBs), Non-Banking Financial Companies (NBFCs), and Micro Finance Institutions (MFIs) are all Member Lending Institutions (MLIs) that offer out PMMY loans.

MUDRA Ltd. is a refinancing the and monitoring agency that facilitates these MLIs opposed to lending money directly to borrowers. The approach includes activities that make money in the manufacturing, trading, and service sectors. It additionally embraces things pertaining to farming, like raising living things, poultry, dairy, fishing, and agro-processing units. However, it does not encompass direct agricultural crop loans or projects to improve land.

## Review of Literature

1. Sunita Sharma & Ruchi Guta. (2021) have noted that programs like the PMMY MUDRA Yojana promote MSME sectors, which in turn play an important role in assisting to the "Make in India" philosophy. The scheme is also beneficial for micro, medium, and small business units and promotes self-employed entrepreneurs in both urban and rural, resulting in the entire economy's growth.
2. Mahajan, (2018), aims to determine the impact of the strategy on small businesses and entrepreneurs. This is widely accepted in the financial sector of the economy. It will also help to lift the underprivileged people of society. It has also contributed to women's empowerment. This strategy is intended to achieve full expansion in the following years, benefiting as many individuals in the economy as possible.
3. Agarwal and Dwivedi (2017), have shown in their research that financial schemes such as MUDRA Loan encourage credit requirements refinancing options. Initiatives and endeavours are necessary to encourage widespread credit and loan approval. The study shows that mudra loans help new enterprises by providing the collateral-free loan.

## Objectives of the study

1. To analyse trends in PMMY loan sanctions and disbursements (2015–2025), including category-wise evolution.
2. To evaluate PMMY's role in enhancing financial inclusion for women, SC/ST/OBC, minorities, and new entrepreneurs.
3. To assess NPA trends under PMMY and their implications.
4. To examine PMMY's impact on entrepreneurship and employment.

## Hypotheses of the study

- H1 :** There is a sustained growth in loan sanctions under PMMY and also under various categories.
- H2:** PMMY significantly benefits women, SC/ST/OBC, minorities, and new entrepreneurs.
- H3:** PMMY maintains low NPAs despite offering unsecured loans, reflecting strong repayment culture.



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**H4:** PMMY boosts entrepreneurship and employment through increased MSME credit and rising loan sizes.

## Research Methodology

A quantitative research design focused on secondary data analysis is used in this study. considering the enormous amount of publicly available administrative data, this methodological approach is especially well-suited for assessing large-scale government initiatives like PMMY.

## Tools of Analysis:

- Descriptive statistics (growth trends, ratios, CAGR)
- Comparative analysis (year-wise, category-wise, institutional performance)
- Graphs and tables for visualization

## Sources of Data Collection:

- Department of Financial Services (DFS), Ministry of Finance, Government of India
- Government of India, Press Information Bureau (PIB)
- MUDRA Ltd. Annual Reports
- Department of Financial Services (DFS), Ministry of Finance, Government of India

## Data Interpretation

Descriptive statistics are the main tool used in the analysis to show trends over time. To evaluate how loans are distributed among various categories and beneficiary groups, comparative analysis is used.

To illustrate the scheme's growth and the trajectory of different indicators, annual growth rates and Compound Annual Growth Rates (CAGRs) are computed where appropriate.

**Table 1 : Number of loans disbursed**

Financial Year	Number of Loan Accounts Disbursed (Crore)	Amount Disbursed (₹ in Crore)
2015-16	3.49	1,32,955
2016-17	3.97	1,75,312
2017-18	4.81	2,46,437
2018-19	5.99	3,11,811
2019-20	6.22	3,29,685
2020-21	5.07	3,11,754
2021-22	5.38	3,31,402
2022-23	4.08*	23,20,000*
2023-24	6.68	5,32,358
2024-25 (as on Feb 28, 2025)	4.23	4,18,399

(Compounded Annual Growth Rate)  $CAGR = \frac{\text{Ending Value} - \text{Beginning Value}}{\text{Beginning Value} \times n}$

$$CAGR = \left( \frac{\text{End Value}}{\text{Beginning Value}} \right)^{\frac{1}{n}} - 1$$



$$CAGR = \left( \frac{532358}{132955} \right)^{\frac{1}{8}} - 1$$

**=17.28%**

PMMY disbursements grew at an average annual rate of **17.28%**, indicating healthy expansion.

Note: The number of loan accounts disbursed for 2022-23 is for accounts that were authorized as of March 24, 2023. The amount disbursed is the total amount approved as of the same date, since the exact amount disbursed each year was not available in the provided snippets. Other years show the total amounts and accounts that received payments out each year.

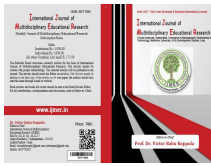
- The data shows that PMMY's operations continue to be growing gradually.
- For example, in 2015–16, the scheme met its goal of 109% of its goal, and in 2018–19 and 2019–20, it exceeded its goal of ₹3 lakh crore and ₹3.25 lakh crore, respectively.
- Though the global pandemic was not specifically mentioned as the reason in the information provided, there was a slight decline in the number of accounts and disbursements in 2020–21.
- However, the scheme quickly recovered and accelerated in the following years, especially in FY24. This pattern implies that even during difficult economic times, PMMY and its Member Lending Institutions showed a great deal of resilience and adaptability in preserving vital credit flow to microenterprises.

#### Category-wise Loan Distribution and Evolution (Shishu, Kishore, Tarun, Tarun Plus)

- The three separate loan categories in PMMY's structure—Shishu, Kishore, and Tarun—are intended to serve companies at various phases of their existence.
- At first, the program placed a lot of emphasis on the Shishu category, which helps the smallest business owners. Shishu loans made up 47% of PMMY-tagged loans in terms of value and 92% of loans by number of accounts in FY2016.
- The distribution of loans among categories has changed significantly over time.
- From 5.9% in FY16 to 44.7% in FY25, the percentage of Kishore loans (₹50,000 to ₹5 lakh) showed notable growth. Additionally, the Tarun category (₹5 lakh to ₹10 lakh) has demonstrated growing momentum, suggesting a slow transition from microenterprises to small and growing enterprises.
- The cumulative sanctioned amounts from 2015 to March 2024 further illustrate this distribution: ₹44,891.82 crore was sanctioned under Shishu, ₹24,575.57 crore under Kishore, and ₹19,120.58 crore under Tarun.

**Table 2: Sanctioned amount among various categories**

Financial Year	Shishu (No. of A/cs)	Shishu (Disbursed Amt. ₹ Cr)	Kishore (No. of A/cs)	Kishore (Disbursed Amt. ₹ Cr)	Tarun (No. of A/cs)	Tarun (Disbursed Amt. ₹ Cr)	Total (No. of A/cs)
2015-16	3,24,01,046	62,028	20,69,461	41,073	4,10,417	29,854	3,48,80,924
2016-17	3,64,97,813	83,892	26,63,502	51,063	5,39,732	40,357	3,97,01,047
2017-18	4,26,69,795	1,04,228	46,53,874	83,197	8,06,924	59,012	4,81,30,593
2018-19	5,15,07,438	1,39,652	66,06,009	99,868	17,56,871	72,292	5,98,70,318
2019-20	5,44,80,992	1,62,783	64,71,873	91,427	12,85,116	75,475	6,22,37,981
2020-21	4,01,80,115	1,08,637	94,86,160	1,27,240	10,68,771	75,878	5,07,35,046
2021-22	4,17,21,154	1,23,969	1,10,88,206	1,33,389	9,86,166	74,044	5,37,95,526
2022-23	-	-	-	-	-	-	-
2023-24	4,16,28,309	1,47,785	2,36,30,890	2,57,095	15,17,814	1,27,479	6,67,77,013



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2024-25 (as on Feb 28, 2025)	2,18,56,823	80,614	1,88,89,905	2,13,293	15,04,456	1,21,751	4,22,71,588
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One important sign of the maturation of the entrepreneurial ecosystem is the notable rise in the share of Kishore loans and the increasing momentum in the Tarun category.

This implies that more and more companies are progressing past the first "Shishu" stage and needing bigger capital infusions for growth and scaling. Notwithstanding this encouraging development, some analyses have shown that a sizable portion of loans still fall under the Shishu category, which calls into question the long-term viability and general scalability of many microbusinesses.

This finding suggests that although PMMY successfully "funds the unfunded" at the entry level, there may be obstacles to the move to higher categories, which is essential for long-term growth and substantial job creation.

**Table 3: PMMY Beneficiary Demographics (Key Metrics)**

Beneficiary Group	Percentage of Total Beneficiaries	Key Metrics	Relevant Years/Cumulative
Women	68%	Per woman disbursement CAGR: 13% (reaching ₹62,679); Per woman incremental deposits CAGR: 14% (reaching ₹95,269)	FY16-FY25
SC/ST/OBC	50%	Accounts held by SC, ST, and OBC entrepreneurs	Cumulative
Minority Communities	11%	Mudra loan holders from minority communities	Cumulative
New Entrepreneurs	22-25%	5.40 crore new entrepreneurs/accounts (Nov 2019); 7.02 crore new entrepreneurs/accounts (Dec 2021)	Nov 2019, Dec 2021

- The Pradhan Mantri Mudra Yojana was created specifically to encourage entrepreneurship and create job opportunities throughout India. Small towns and villages have seen business growth beyond major urban centers thanks to the program, which has clearly sparked a national entrepreneurial revolution.
- First-time business owners are increasingly taking control of their financial futures in these regions. There is a noticeable change in perspective, with people moving from being job seekers to job creators.





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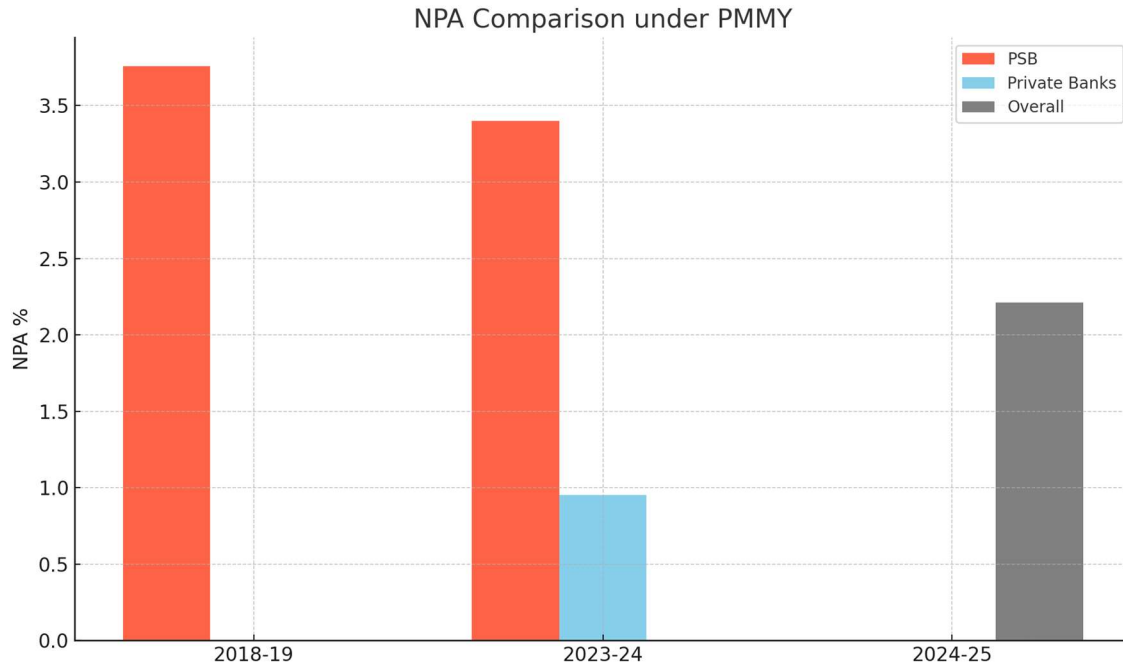
- Although exact employment generation statistics are not always available from all of the sources cited, the notable rise in credit flow to MSMEs, which is mostly attributable to PMMY's impact, suggests that a sizable number of jobs will be created.
- MSME lending increased from ₹8.51 lakh crore in FY14 to ₹27.25 lakh crore in FY24, and it is expected to surpass ₹30 lakh crore in FY25. At the same time, MSME credit's percentage of total bank credit rose from 15.8% in FY14 to almost 20% in FY24.
- This increase in credit and the enormous amount of loans approved (more than 52 crore total loans) highlight the significant influence on society. The program's impact goes beyond simple financial exchanges; it seems to have encouraged a fundamental change in economic engagement and a wider acceptance of entrepreneurship in society.
- The advancement of women-led businesses nationwide has been greatly aided by PMMY. With 68% of all Mudra beneficiaries being women, they make up a sizable majority.
- When paired with other financial metrics, this high percentage suggests a significant empowerment effect. The average PMMY disbursement amount per woman rose at a Compound Annual Growth Rate (CAGR) of 13% between FY16 and FY25, to ₹62,679. Additionally, incremental deposits per woman increased to ₹95,269 over the same time period at a CAGR of 14%.
- There is strong evidence of a direct causal relationship between higher employment generation through women-led MSMEs and higher disbursement shares to women in some states.
- This suggests that PMMY is successfully boosting women's economic agency by allowing them to maintain and increase their financial resources in addition to granting them access to credit. Their greater involvement in creating jobs has a major positive impact on both general economic growth and gender equality.
- Traditional credit barriers for socially marginalized groups have been broken thanks in large part to PMMY. According to data, owners of businesses from Scheduled Caste (SC), Scheduled Tribe (ST), and Other Backward Classes (OBC) groups own 50% of Mudra accounts. Also, minority communities account for 11% of Mudra loan holders. PMMY's goal of inclusive growth is directly addressed by the considerable percentage of loans aimed at these communities. Even though the snippets don't specifically offer a historical baseline for comparison, the sheer number of loans made to these groups is a big step in closing the socioeconomic gaps in credit availability that currently exist and creating a more equal entrepreneurial environment nationwide.
- One of PMMY's most significant contributions is its role in igniting new business endeavors. As of November 2019, 5.40 crore new business owners had received loans, or about 25% of the total. As of December 2021, more than 7.02 crore loans totaling ₹5.45 lakh crore were made to new business owners and accounts, continuing this trend and accounting for roughly 22% of all loans.
- This steady percentage of loans given to "new entrepreneurs" is very important. It illustrates how PMMY directly assists people starting their first businesses, a market that is generally regarded as high-risk and frequently disregarded by conventional lenders.

#### 4.4. Asset Quality Analysis: Non-Performing Assets (NPAs)

Financial Year	Total NPA Amount (₹ in Crore)	NPA Percentage (Overall)	NPA Percentage (PSBs)	NPA Percentage (Private Banks)
2016-17	3,790.35	-	-	-
2017-18	7,277.31	-	-	-
2018-19 (as on Mar 31, 2019)	-	-	3.76%	-
2023-24	-	-	3.40%	0.95%
2024-25 (as on Dec 2024)	-	2.21%	-	-



Fig 1: NPA Comparison under PMMY



The exceptionally low Non-Performing Asset (NPA) rates of PMMY are among the most convincing conclusions about its performance, particularly in light of the fact that these loans are made to micro-enterprises, a group that is typically thought of as high-risk, and do not require collateral.

- According to data submitted by Member Lending Institutions on the Mudra portal, the average non-performing asset (NPA) for the amount disbursed under PMMY was 2.21% as of December 2024.
- A closer look shows that the Mudra loan non-performing asset (NPA) for public sector banks decreased to 3.4% in 2023–2024, while the decline for private sector banks was even smaller, falling to 0.95% in the same time frame.
- This suggests that giving the informal sector access to formal credit can also help to establish and strengthen financial discipline. The disparity in non-performing assets (NPA) rates between public and private banks may also indicate differences in their lending policies, risk assessment procedures, or recovery systems, which may warrant additional comparative research. All things considered, the scheme's strong asset quality highlights its financial viability and its ability to successfully manage credit risk in a difficult market.

## Challenges and limitations of PMMY Implementation

### Challenges in Loan Progression and Scalability

- The growth of companies from the Shishu category to the higher Kishore and Tarun categories appears to have stalled, according to research. A lack of thorough follow-up procedures following the initial loan disbursement and inadequate support for business development are frequently cited as the causes of this stagnation
- This trend indicates to a possible "Shishu trap," in which a large number of small businesses are able to obtain initial capital but then find it difficult to expand. This suggests that however credit is necessary, it might not be enough to achieve long-term company growth.



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- Without greater assistance for entrepreneurs beyond financial aid, PMMY's long-term impact on formalization and significant job creation may be limited, as the observed lack of progress raises a crucial gap in the ecosystem of support.

### Gaps in Financial Literacy and Post-Loan Support

- The found weaknesses in financial literacy and comprehensive post-loan support are a major cause of issues with loan progression and business sustainability .According to analysis, the inherent cash flow instability of many micro and small businesses and borrowers' lack of financial literacy are common causes of delinquencies in Mudra accounts.
- The present research has inherent limitations considering that it is based on secondary data analysis. Publicly accessible data may not always have the level of detail that is desired.
- For example, public annual reports often do not provide detailed sector-wise loan distributions or highly detailed, granular breakdowns of Non-Performing Assets (NPAs). Similarly, there is no central repository or public access to comprehensive region-by-region NPA data.
- While such data makes it possible to rate the scheme's overall trends and reach in a broad sense, it limits the ability to perform more in-depth, nuanced analyses of the specific procedures through which jobs are created, the impacts on particular sectors, or the differences in loan performance across different regions. This suggests a trade-off: although the scope and importance of PMMY are clear, the precise processes and specific results are still somewhat unclear, requiring further primary research or in-depth public reporting to fully comprehend.

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