



Financial Inclusion Through Pradhan Mantri Mudra Yojana For Micro, Small And Medium Enterprises

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Abstract:

People in India depend on small-scale businesses for their livelihood. Most of them rely on credit from both organized and unorganized sectors. However, the unorganized sector has high interest rates and a complicated loan process. Due to the lack of business records or minimal paperwork, many small businesses struggle to get loans. To address this issue, the PMMY scheme was launched to support the unorganized sector by providing easy access to loans, helping them expand their businesses.

Keywords: PMMY, MUDRA, MSMEs, SHISHU, KISHOR, TARUN SCHEME

Introduction:

The Pradhan Mantri Mudra Yojana (PMMY) was introduced in 2015 to improve credit access for small businesses. In a country like India, where a large portion of the population depends on small enterprises for livelihood, financial support is essential for sustained economic progress. However, economic growth alone is insufficient—small businesses require financial backing, skill development, and market access to flourish.

MSMEs play an important role in the government's efforts for growth and development. They receive support in the form of credit and infrastructure, which is further enhanced by the PMMY scheme. This scheme focuses on skill development, innovative technology, and market access. The Pradhan Mantri Mudra Yojana (PMMY) was launched in 2015 to boost the economy and support small-scale industries by providing credit. Under this scheme, loans of up to ₹10 lakh are available. It mainly focuses on the manufacturing, service, and trading sectors. Additionally, it provides loans for agricultural activities such as poultry, dairy, and animal husbandry. The scheme also encourages entrepreneurship and new business startups.

PMMY loans are provided under three types: Shishu, Kishor, and Tarun. Under the **Shishu** category, loans are provided up to ₹50,000. Under the **Kishor** category, loans are provided between ₹50,000 and ₹5 lakh. Under the **Tarun** category, loans are provided above ₹5 lakh and up to ₹10 lakh.

To avail of these loans, beneficiaries must meet certain eligibility criteria:

- The applicant should have a good credit score in the banking or financial sector.
- The applicant should not be a defaulter in any bank or financial institution.
- The applicant should qualify as per the loan category.
- The applicant should have the required skills, knowledge, and experience in their business sector.

The applicant for the loan can be an individual, proprietor, partner, private limited company, public sector company, or any other legal entity or firm. Loans under the PMMY

scheme can be applied for through commercial banks, NBFCs, MFIs, and other financial institutions.

Vision:

The vision of PMMY is to provide high-quality financial and support services, following global best practices, to help people at the grassroots level achieve economic and social growth.

Mission:

The mission of PMMY is to build an inclusive, sustainable, and value-driven entrepreneurial culture by working with partner institutions to ensure economic growth and financial security.

Target:

The purpose of the scheme is to achieve inclusive and sustainable development by supporting partner institutions and creating a growth-friendly ecosystem for the micro-enterprise sector.

One of the major advantages of this scheme is its role in **job creation**, especially in rural areas, where small enterprises generate employment and support self-reliance. Additionally, it empowers **women entrepreneurs**, with over **70% of MUDRA loans** being allocated to them, thereby promoting gender-inclusive growth. Another crucial benefit is that it **reduces dependence on informal lenders**, who often charge high-interest rates. Instead, small businesses gain access to affordable credit through banks and financial institutions.

Many **micro-enterprises** encounter challenges such as **limited financial awareness, high operational costs, poor infrastructure, and restricted access to formal credit**. To address these barriers, the **Government of India launched PMMY**, with a special focus on entrepreneurs from **SC, ST, OBC, minority communities, and women**. Over the years, the scheme's budget allocation has increased, allowing more businesses to benefit. By expanding financial access, encouraging entrepreneurship, and boosting job creation, **PMMY remains a crucial initiative for India's economic progress**.

Literature Review:

Mahammad Shahid and Mahammad Irshad have published their research article “*A DESCRIPTIVE STUDY ON PRADHAN MANTHRI MUDRA YOJANA (PMMY)*” in the international journal of latest trends in engineering and technology, published in 2016, PP.121-215. In this study the researcher has studied that almost 8% of the GDP comes from MSME sector while they face problems such as Access to financial services, Skill Development Gaps, Knowledge gap, Lack of Infrastructure. While doing the study the researcher has explained the objective of the PMMY along with funding supports and brief categorisation of the loans given under PMMY scheme. The researcher has further studied the performances of MUDRA Bank in the Karnataka State.

Yogesh Mahajan have published their research article “A Study and Review of Pradhan Mantri Mudra Yojana (PMMY) in the State of Maharashtra” in the International journal of Advance and innovative research Volume 6, Issue2 (XVII): April-June 2019, which published on 6th Oct 2020. In this study the researcher has mentioned that MSMEs are providing near about 20% employment of the working population. The 93% of the loans disbursed under the PMMY scheme were categorised under Shishu Category. This research paper based on the secondary data source. In study found that 55% accounts were open by weaker sections of the society and out the sanctioned amount 34% was disbursed to them. Women borrowers received 40% of the sanctioned amount under PMMY and in the Shishu Categories 75% accounts were held by them. The loan accounts sanctioned to SC, ST and OBC categories were 18%, 5%, and 32% respectively.

D. Rajagopal have published their research article “Performance of Pradhan Mantri Mudra Yojana (PMMY) – A Comparative Study” in the International research journal of humanities and interdisciplinary studies. Volume 3, Issue 7: July 2022. In this study researcher has stated that West Bengal has the highest loan sanctioned under the PMMY scheme, while Lakshadweep has received the least amount. Bihar has more accounts under the PMMY scheme but a lower amount disbursed. **Daman and Diu have the fewest accounts under the PMMY scheme.** To make this scheme more effective, the study suggests that banks should **increase awareness** about the scheme so that more people understand and benefit from it.

Statement of the Problem:

The study aims at understanding the objective motive of the Pradhan Mantri Mudra Yojana. The researcher will also study the amounts sanctioned and disbursed under various categories of the scheme.

Objectives:

The Research study based on the following objectives.

- 1) To study the Progress of Pradhan Mantri Mudra Yojana.
- 2) To study the differences between amount sanctioned and amounts disbursed.

Hypothesis:

H0: the scheme has not disbursed lower amounts than that of the amounts sanctioned.

H1: the scheme has disbursed lower amounts than that of the amounts sanctioned.

Limitations:

The Research study based on Only the secondary Data. Study based on the five-year data analysis of the year of 2019-2023.

Research Methodology:

The Research study a descriptive analysis of data. The research study based on the secondary data sources. Government official website report Mudra Yojana, Reserve Bank of India official Data, publishes journals, and various Articles publishes on PMMY scheme.

Tools of Analysis:

The researcher has used basic statistical tools like mean mode, median, standard deviation, skewness and kurtosis for analysing the data. These tools have been selected on behalf of their basic yet effective nature.

Data collection and interpretation:

Table 1: Data of sanctioned and disbursed amount under PMMY

Achievements Under PMMY			
Financial Year	Amount Sanctioned Rs. in Cr.	Amount Disbursed Rs. in Cr.	Percentage Differences
2023-24	541013	532358	1.6
2022-23	456538	450424	1.33
2021-22	339110	331402	2.27
2020-21	321759	311754	3.1
2019-20	337496	246437	9.1

(Source: Secondary data)



Graph: Data of sanctioned and disbursed amount under PMMY

The statistics under Pradhan Mantri Mudra Yojana (PMMY) capture the year-over-year improvement both in terms of the amount sanctioned and the amount disbursed. There has been a consistent upward trend in the aggregate amount sanctioned over the years, with the increase being substantial in 2023-24 at ₹541,013 crores compared to ₹456,538 crores in 2022-23. This represents an increased determination to fund small businesses. The amount spent has also risen, although the difference between the sanctioned and spent money fluctuates from year to year. For example, in 2023-24, the sanctioned money was ₹541,013 crores, of which ₹532,358 crores were spent, leading to a mere difference of 1.6%. This proves a high degree of efficiency in the distribution of funds.

Referring to earlier years, the percentage difference between disbursed and sanctioned figures steadily decreases. During 2022-23, the difference was only 1.33%, an improvement over 2.27% for 2021-22. The COVID-19 pandemic year 2020-21 reported a higher gap of 3.1%, which was most probably on account of the delays and disruptions generated by the pandemic. The 2019-20 year experienced the greatest disparity of 9.1%, indicating difficulties in disbursement of funds that year, perhaps as a result of initial implementation challenges.

Overall, the figures indicate a positive trend in the effectiveness of PMMY, with the government increasingly releasing more of the sanctioned funds. The apparent fall in the percentage difference over the years indicates a rise in the scheme's implementation, especially in the recent years, indicating a more efficient and timely process of loan disbursement.

Hypothesis Testing:

Table 2: Values of measures of central tendencies

Mean	399183.2	374475
Medium	339110	331402
Skewness	1.003298771	0.534007167
Kurtoss	-0.93272421	-1.259898212
Standard Deviation	95934.70696	114976.3333

Analysis of PMMY loan data provides interesting information about the support extended to MSMEs through the scheme. The sanctioned loan amount on average is ₹3,99,183.2 Cr and disbursed amount is ₹3,74,475 Cr. This indicates that although huge funds are approved, the funds actually provided are less by a marginal amount. The median figures for sanctioned and disbursed amounts, ₹3,39,110 Cr and ₹3,31,402 Cr, are below the average, indicating that a few loans of high values are increasing the overall numbers.

The skewness of 1.0033 for sanctioned loans and 0.5340 for disbursed loans indicates that the majority of loans are small, but a few large loans pull the average up. The negative kurtosis (-0.9327 for sanctioned loans and -1.2599 for disbursed loans) indicates that there are fewer extreme loan values, keeping the overall distribution stable.

The standard deviation for disbursed loans is ₹1,14,976.3 Cr, whereas the standard deviation for sanctioned loans is lower at ₹95,934.7 Cr. This indicates that sanctioned amounts are more constant but disbursed amounts are more variant, possibly because of aspects such as business conditions, documentation problems, or repayment risk.

Overall, PMMY has assisted in ramping up financial support to MSMEs in a well-organized manner. Though the majority of sanctioned loans are released, some companies struggle to get the entire amount. The scheme has been able to maintain loans quite evenly distributed so that there is support to small-scale businesses without a disproportionate concentration of huge loans.

From this researcher have concluded that the HO is rejected and H1 Stands accepted for the given research. While doing so the researcher have fulfilled all the objectives mentioned above.

Finding:

1. **Growth in Sanctioned Amount:** The sanctioned amount has gone up year after year consistently, particularly in 2023-24, indicating an increasing government commitment towards helping small enterprises and entrepreneurs.
2. **Increase in Disbursement Efficiency:** The year-wise difference between the sanctioned and disbursed amounts has been decreasing over the years. This indicates that the scheme is improving in terms of actually releasing the sanctioned amount to the target group.
3. **Impact of COVID (2020-21):** The year 2020-21 witnessed a perceptible percentage difference, which can probably be explained by the disruptions brought on by the COVID-19 pandemic, impacting demand and distribution both.

Conclusion:

According to the PMMY loan data analysis, it can be seen that although a lot of funds are approved, the actual disbursement is a bit less, with a minimal difference. The scheme is seen to effectively fund small businesses, with some big loans skewing the average. The distribution is also stable, with low kurtosis and moderate skewness, reflecting a concentration of small loans. Nevertheless, there are certain firms that have difficulties in availing the sanctioned amount in full, perhaps owing to documentation or business factors. Notwithstanding this, PMMY has been able to provide well-structured financial support to MSMEs with a uniform dispersal of assistance among firms without undue concentration towards larger loans.

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