



Empowering MSMEs in Maharashtra: A Study on the Impact of Pradhan Mantri Mudra Yojana

Ms. Mangal Laxman Bainade¹ & Dr. Archana Jayant Mali- Jagtap²

¹Research scholar, Prof. Ramkrishna More Arts, Commerce and Science College, Akurdi, Pune -44

²Assistant professor – Prof. Ramkrishna More Arts, Commerce and Science College, Akurdi, Pune -44

Corresponding Author – Ms. Mangal Laxman Bainade

DOI - 10.5281/zenodo.15501852

Abstract:

The Micro, Small, and Medium Enterprises (MSMEs) sector plays a critical role in the economic development of India, contributing significantly to GDP, employment, and exports. However, these enterprises face challenges such as lack of access to finance, high-interest rates, and insufficient working capital. The Government of India launched the Pradhan Mantri Mudra Yojana (PMMY) in 2015 to address these issues by providing financial support to MSMEs, particularly in the informal sector. This research paper examines the various Mudra schemes, their benefits, and how they have impacted the financial health of MSMEs in Maharashtra. The paper explores the different categories of Mudra loans, the eligibility criteria, the disbursement process, and the challenges faced by MSMEs in accessing these funds. Additionally, it investigates the role of Mudra schemes in enhancing the financial stability, growth, and sustainability of MSMEs in Maharashtra, and recommends policy measures to maximize their impact.

Keywords: Micro, Small, Medium, Enterprises, Industries, Mudra, Yojana.

Introduction:

The MSME sector is often regarded as the backbone of India's economy due to its significant contribution to employment, industrial output, and exports. In Maharashtra, a state that is home to a large number of MSMEs, the sector plays a crucial role in the state's economic landscape. Despite its importance, MSMEs often struggle with limited access to finance, which hinders their growth and sustainability. To address this issue, the Indian government introduced the Pradhan Mantri Mudra Yojana (PMMY) in 2015, aimed at providing affordable and accessible credit to MSMEs. Mudra loans are extended

to small businesses for a variety of purposes, including working capital needs, machinery purchase, and business expansion. This research paper seeks to assess the benefits of Mudra schemes for improving the financial health of MSMEs in Maharashtra and to understand the challenges these enterprises face in utilizing these schemes.

Objective of the Study:

1. To know about the Pradhan Mantri Mudra Yojana.
2. To know about the MUDRA products under PMMY. To evaluate the loan sanction under different MUDRA product to small business units.

3. To understand the various measures are being adopted by the government to make it more useful for MSME.

Overview of MSMEs in Maharashtra:

Maharashtra, one of India's most industrialized states, has a thriving MSME sector. The state contributes around 10% to India's total industrial output and houses more than 10 lakh MSMEs across various sectors, including manufacturing, services, and trade. The MSME sector in Maharashtra plays a vital role in generating employment, contributing significantly to state revenue, and fostering innovation.

However, despite the sector's importance, MSMEs in Maharashtra face a host of challenges. These challenges include inadequate financial support, complex regulatory processes, limited access to formal credit, and a lack of awareness about available schemes. These obstacles have made it difficult for many small businesses to grow and expand, thereby stifling their potential to contribute fully to the economy. The introduction of Mudra schemes has provided an avenue for small businesses to secure funding, but the uptake and impact of these schemes vary across regions and industries.

The Pradhan Mantri Mudra Yojana (PMMY):

Setting up of the Mudra Bank was announced as part of the Union Budget proposals for financial year 2015-16; while its conceptual vision was announced earlier by the Indian Prime Minister as part of PM MUDRA Yojana, a scheme for funding the unfunded. MUDRA stands for Micro Units Development and Refinance Agency Ltd. To remove the financial difficulties faced by micro and small business units, the government of India launched a scheme on 8th April 2015 called Micro Unit Development and Refinance Agency, or MUDRA, to fund the unfunded MUDRA

is still not a fully-fledged Last Mile Financer of small/micro business.

It envisaged that the measures to be taken up by MUDRA shall be targeted towards mainstreaming skilled workers, educated youth, and entrepreneurs, apart from NCSBS, who lie between the very poor small borrowers like low income households, and migrant work force at one end and very poor small borrowers like low income households, farmer, migrant work force at the other end of the financing spectrum. It is not a direct lending institution but provides loans at low rates to banks, microfinance institutions, and non-banking financial institutions, which then provide credit to MSMEs or the informal enterprises sector. The small business, with a little help, has the prospective to grow assured. The MUDRA scheme is planned to fund the unfunded. The money lenders exploit the small entrepreneurs of India so far, but MUDRA will instill a new self-confidence in them that the country is ready to support them in their efforts that are contributing so strongly to the task of nation building. It is established as a subsidiary of SIDBI, which has been supporting India's small scale industry since last 26 years.

The scheme offers loans under three categories:

1. **Shishu:** Loans up to ₹50,000 for new businesses or enterprises at the early stages of growth.
2. **Kishore:** Loans between ₹50,000 and ₹5 lakh for businesses that have progressed beyond the initial stage and require funding to scale up.
3. **Tarun:** Loans ranging from ₹5 lakh to ₹10 lakh for established businesses that require funds for business expansion, working capital, or machinery.

These loans are provided without the need for collateral or security, making them accessible to a large number of small businesses. The scheme aims to make credit

more accessible and affordable for micro and small enterprises that traditionally have limited access to formal financial institutions.

Benefits of Mudra Schemes for MSMEs:

1. Improved Access to Finance:

One of the most significant benefits of Mudra schemes is that they provide MSMEs with easier access to finance. Many small businesses in Maharashtra struggle to obtain loans from traditional banks due to stringent collateral requirements, high interest rates, and complex documentation. Mudra loans, being collateral-free, eliminate these barriers, enabling entrepreneurs to secure the funding they need to start or expand their businesses.

2. Affordable and Flexible Loan Terms:

Mudra loans are offered at lower interest rates compared to traditional loans, making them more affordable for MSMEs. The government has mandated banks to provide loans under Mudra Yojana at an interest rate of 1-2% below the market rate, which is a significant relief for small enterprises operating on tight margins. Additionally, the repayment terms for Mudra loans are more flexible, allowing businesses to manage their cash flow more effectively.

3. Boost to Entrepreneurship and Job Creation:

By facilitating access to capital, Mudra schemes have encouraged the growth of new enterprises and the expansion of existing ones. This, in turn, has led to job creation, especially in rural and semi-urban areas of Maharashtra. The growth of MSMEs has created employment opportunities for a wide range of individuals, including women, youth, and disadvantaged communities, contributing to the state's overall socio-economic development.

4. Financial Inclusion:

Mudra schemes have played a crucial role in promoting financial inclusion

by providing credit to businesses in underserved and unbanked regions. Many MSMEs in Maharashtra, particularly those in rural areas, were previously excluded from the formal financial system due to their size, lack of collateral, or limited financial literacy. Through Mudra Yojana, these businesses now have access to formal credit, allowing them to invest in their operations and improve their financial health.

5. Promoting Sustainability and Growth:

Mudra loans are designed to help businesses address their immediate financial needs, such as purchasing raw materials, upgrading machinery, or meeting working capital requirements. This access to timely funding ensures that businesses can continue their operations without interruptions. Furthermore, businesses that receive Mudra loans can use the funds to invest in technology, innovation, and process improvements, which helps them enhance their productivity, reduce costs, and compete in the market. In the long run, this can lead to sustainable growth and increased profitability.

Table No. 1

Beneficiaries under Pradhan Mantri mudra scheme in Maharashtra

Sr. No	Year	Shishu	Kishor	Tarun
1	2015-16	1863396	1255435	28346
2	2016-17	3006992	208351	62236
3	2017-18	3145685	354818	96117
4	2018-19	3750570	510249	125162
5	2019-20	3314380	439478	110488
6	2020-21	1751663	492249	70744
7	2021-22	2342200 9	477572	50844

Source – Pradhanmantri mudra scheme
report year 2015 to 2022

Growth over the Years (2015-16 to 2019-20):

The number of beneficiaries in all three categories increased steadily,

indicating a growing demand for small business funding.

- The **Shishu** category consistently had the highest number of beneficiaries, showing a strong preference for small loans.

Impact of COVID-19 (2020-21):

- The **Shishu** category saw a **sharp decline** from **33.14 lakh in 2019-20 to 17.51 lakh in 2020-21**, likely due to economic disruptions.
- The **Kishor** category increased slightly, suggesting some businesses opted for higher loans to sustain operations.
- The **Tarun** category also saw a decline, possibly due to cautious borrowing by established businesses during the pandemic.

Unprecedented Surge in 2021-22 (Shishu Category):

- A **massive jump** in the **Shishu** category from **17.51 lakh in 2020-21 to 2.34 crore in 2021-22** suggests a **strong push for micro-entrepreneurship** post-pandemic.
- However, the **Kishor and Tarun categories** did not see a significant rise, indicating that the focus was on supporting very small businesses rather than medium-sized enterprises.

Challenges Faced by MSMEs in Accessing Mudra Loans:

Despite the benefits, MSMEs in Maharashtra face several challenges in accessing Mudra loans. Some of the key challenges include:

1. Awareness and Knowledge Gaps:

Many MSME owners in Maharashtra, particularly in rural areas, are unaware of the Mudra Yojana and its benefits. There is a lack of proper communication and outreach from financial institutions and government bodies to inform businesses about the scheme. As a result,

many eligible enterprises miss out on the opportunity to avail of Mudra loans.

2. Documentation and Eligibility Issues:

Although Mudra loans are supposed to be collateral-free, the application process still requires businesses to meet certain documentation and eligibility criteria. Some MSMEs, especially those in the informal sector, may find it difficult to provide the necessary documentation, such as business registration, financial statements, or proof of income. This can delay or prevent the approval of loans.

3. Banking and Institutional Barriers:

While Mudra loans are designed to be accessible, the disbursement process can be slow and cumbersome. Some banks and financial institutions impose additional requirements or procedural delays, which can frustrate business owners. Additionally, banks may be hesitant to lend to high-risk businesses, leading to lower loan approval rates, particularly in the case of start-ups or businesses with a limited track record.

4. Over-burdened MSMEs:

Many MSMEs in Maharashtra are already burdened with existing debt, making them less likely to take on additional loans. In such cases, business owners may be hesitant to apply for Mudra loans, fearing they will not be able to manage the added financial pressure.

Impact of Mudra Schemes on the Financial Health of MSMEs in Maharashtra:

The Mudra schemes have had a significant impact on the financial health of MSMEs in Maharashtra. Many small businesses have been able to secure funding for expansion, purchase of new machinery, and working capital, leading to improved operational efficiency. The availability of affordable credit has allowed businesses to reduce their dependence on informal and high-interest borrowing, which has improved their financial stability.

Additionally, the increased access to finance has enabled MSMEs to scale up their operations, diversify their products, and enter new markets. This has not only contributed to the growth of individual businesses but has also helped strengthen the overall MSME ecosystem in the state. Moreover, by facilitating the growth of MSMEs, the Mudra schemes have indirectly contributed to job creation, rural development, and economic empowerment in Maharashtra.

Recommendations for Improving the Effectiveness of Mudra Schemes:

1. Enhanced Awareness Programs:

There is a need for targeted awareness campaigns to inform MSMEs about the Mudra Yojana and its benefits. Financial institutions should work closely with government bodies to disseminate information and provide guidance to potential borrowers.

2. Simplifying the Application Process:

The loan application process should be streamlined to reduce the documentation burden. Banks and financial institutions should adopt a more flexible approach to evaluating MSME loans, particularly for businesses in the informal sector.

3. Training and Capacity Building:

Providing financial literacy and business management training to MSME owners will help them make better use of Mudra loans. Training programs can also help businesses improve their creditworthiness and repayment capacity.

4. Strengthening Institutional Support:

Financial institutions should be incentivized to lend to MSMEs and provide faster processing times for Mudra loan applications. Establishing dedicated support desks for MSMEs in banks could help address their concerns and expedite the loan approval process.

5. Collaboration with State Government:

The state government should collaborate with banks and financial institutions to ensure that Mudra schemes reach the most deserving businesses, particularly those in rural and underserved areas.

Conclusion:

The Pradhan Mantri Mudra Yojana has played a crucial role in improving the financial health of MSMEs in Maharashtra by providing them with easier access to affordable credit. While the scheme has had a positive impact, challenges related to awareness, documentation, and banking procedures continue to hinder the full potential of Mudra loans. Addressing these challenges through awareness campaigns, simplified processes, and institutional support will be key to ensuring that the Mudra schemes contribute effectively to the growth and sustainability of MSMEs in Maharashtra.

By improving the financial health of MSMEs, Mudra schemes have the potential to stimulate entrepreneurship, enhance job creation, and drive economic growth in the state. The success of these schemes will depend on the active collaboration between the government, financial institutions, and MSME owners to address existing barriers and ensure that small businesses can access the financial resources they need to thrive.

Bibliography:

1. Chakrabarty, K. C. (2016). "Pradhan Mantri Mudra Yojana: A Step Towards Financial Inclusion." *Reserve Bank of India Bulletin*, 1(9), 1-5.
2. Ministry of Finance, Government of India. (2015). "Pradhan Mantri Mudra Yojana (PMMY) Guidelines." *Department of Financial Services, Ministry of Finance, Government of India*. Retrieved from <https://www.finmin.nic.in/>

3. Singh, R. (2019). "Microfinance and Mudra Yojana: A Comparative Study of Financial Empowerment for MSMEs." *Journal of Indian Economy*, 47(2), 114-130.
4. Kaur, A. (2017). "Mudra Yojana and Financial Inclusion in India: A Case Study of Maharashtra." *Asian Journal of Economics and Finance*, 5(1), 75-88.
5. Reserve Bank of India (RBI). (2017). "Report on Trend and Progress of Banking in India." *Reserve Bank of India*. Retrieved from <https://www.rbi.org.in/>
6. Tiwari, S. (2016). "Mudra Yojana: A Catalyst for MSME Growth." *Economic and Political Weekly*, 51(28), 45-52.
7. World Bank. (2019). "India's Financial Inclusion and MSME Financing: The Role of Government Schemes." *World Bank Report*, 10(2), 100-110.
8. Government of Maharashtra (2020). "Economic Survey of Maharashtra." *State Government of Maharashtra*. Retrieved from <https://mahaportal.gov.in/>
9. Kumar, A., & Rathi, S. (2020). "Mudra Scheme: A Game Changer for MSMEs." *Journal of Business Research*, 15(3), 89-98.
10. Yadav, A., & Agarwal, R. (2020). "Financing MSMEs in India: Role of Mudra Yojana and Policy Implications." *Indian Economic Journal*, 68(4), 274-289.
11. India Brand Equity Foundation (IBEF). (2020). "MSME Sector in Maharashtra: