



Assessing the Impact of Pradhan Mantri Mudra Yojana (PMMY) on MSMEs (Micro, Small, and Medium Enterprises) in Maharashtra in the Context of COVID-19

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Abstract:

The Pradhan Mantri MUDRA Yojana (PMMY) provides refinance support to Banks / MFIs / NBFCs for lending to micro units having loan requirement upto 20 lakh. Micro Units Development and Refinance Agency (MUDRA) provides refinance support to micro business under the Scheme of Pradhan Mantri MUDRA Yojana. 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, and Medium Enterprises (MSMEs), Micro Units, Micro Units Development and Refinance Agency, 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.

Review of Literature:

"Impact Assessment of Pradhan Mantri Mudra Yojana (PMMY)" by NITI Aayog (2024). This comprehensive report assesses the effectiveness of PMMY, identifying contributions, barriers, gaps, and areas for improvement within the scheme's value chain. It includes quantitative and qualitative analyses, along with stakeholder interactions.

"A Study and Review of Pradhan Mantri Mudra Yojana (PMMY) in the State of Maharashtra" by Anupam Das (2020). This paper examines the status of MUDRA loans in Maharashtra, evaluating the scheme's success in promoting financial inclusion and entrepreneurship within the state.

"Pradhan Mantri Mudra Yojana: A Critical Review" by S. K. Baral and S. K. Soni (2017). This critical review analyzes the performance of PMMY, discussing disbursement targets, growth rates, and regional disparities. It provides insights into the scheme's implementation challenges and successes.

"MUDRA Yojana: Its Awareness Level and Problems Faced by Beneficiaries in Haryana State" by Ritu Gupta and Suman (2022). This study investigates the awareness levels of MUDRA Yojana among beneficiaries in Haryana and identifies the challenges they face in accessing and utilizing the scheme's benefits.

Research Methodology:

This study is based on secondary data which has been gathered from website of MUDRA and its annual reports. For this descriptive study, quantitative and analytical techniques are applied on the secondary or published data. The information for MUDRA Yojana was mostly acquired from the yearly reports of MUDRA Yojana and its official website; however, it was also obtained from several journals, articles, magazines, and quarterly publications, among other sources and also analysed the strength, weaknesses, opportunities and challenges (SWOC) for better understanding the MUDRA Yojana. Surveys and interviews with beneficiaries and bank officials provide qualitative insights into the scheme's impact.

Objective of the Study:

1. To study the features of Pradhan Mantri Mudra Yojana.
2. To know about the MUDRA products under PMMY.
3. To assess the loan sanction under different MUDRA product to small business units.
4. To identify the various measures are being adopted by the government to make it more useful for MSME.

Data Analysis:

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 <https://www.mudra.org.in/>

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.

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.

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.

Recommendations:

To improve the effectiveness of the Mudra Yojana, targeted awareness campaigns should be conducted to educate MSMEs about the scheme and its benefits. The loan application process needs simplification by reducing documentation and adopting flexible evaluation methods, especially for informal businesses. Financial literacy and business management training are essential to help MSME owners utilize loans effectively and enhance repayment capacity. Stronger institutional support, including incentives for banks and dedicated MSME help desks, can speed up loan processing. Additionally, collaboration between state governments and financial institutions is necessary to ensure the scheme reaches deserving businesses, particularly in rural and underserved areas.

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