

## MUDRA YOJANA AND MSME SECTOR: PERFORMANCE ANALYSIS

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### Abstract

*In India, the MSME sector is not just the second largest sector in employing unskilled and semi-skilled people but also contributes around 40% of the entire exports. In spite of this significant economic importance, the MSME sector usually remains credit deprived sector. Micro Units Development and Refinance Agency (MUDRA) under PMMY was launched to provide financial assistance to MSMEs and bring them under the fold of the financial mainstream. With the motto of “fund the unfunded”, MUDRA focuses on the marginalized sections of the society like women entrepreneurs, SC-ST entrepreneurs and others. This paper tries to look into the impacts of different loans being offered under MUDRA Yojana and the change it induced on the ground level. This paper tries to examine the sectoral distribution of MUDRA loans in Nation and Region-wise and analysis MUDRA Bank’s reach to different social categories. Also, this paper tries to provide alternative strategies for roadmaps. Analysis of the paper shows that MUDRA loans have made a positive impact on the bottom line of MSMEs, but the value of loans sanctioned is not aligned with MSMEs’ business requirements. The sector has always been credit-starved due to a variety of reasons including lack of credit history, inability to provide security/collaterals, etc. These factors effectively debilitate entrepreneurship, employment generation, economic activity, and the livelihood support of millions.*

**Keywords:** MSMEs, MUDRA, PMMY, Entrepreneurs, Financial Inclusion, MFI.

### 1. Introduction

Both scholars and policymakers acknowledge the socio-economic importance of the Micro, Small, and Medium Enterprises (MSME) sector. This industry is essential to maintaining sustainable development across the board for the economy and to guaranteeing inclusive growth. Numerous studies by academics and institutions have shown that the MSME sector has been essential in creating job possibilities with somewhat lower capital requirements than large businesses (Sharma, Mukesh, & Gayatri, 2015). Furthermore, both academics and policymakers agree that MSMEs play a crucial role in industrialising rural and underdeveloped areas. A fairer distribution of the nation's wealth, resources, and income is ensured by the industrialization of the rural and underdeveloped areas, which helps to address regional imbalances.

In retrospect, however, it is clear that the MSME sector in India is incredibly diverse with regard to the scope of each enterprise's access to technology, products, and services provided, as well as the size of the businesses. It is noteworthy that multiple sources have indicated that this sector may have had a significant role in India's remarkable growth narrative (Katyal & Xaviour, 2015). Approximately 37.5% of India's yearly GDP, 45% of the country's manufacturing output, and approximately 40% of India's manufacturing exports are currently attributed to this sector, either directly or indirectly (MSME Annual Report, 2021). While recent research indicates that the current state of the global economy has created a number of opportunities, it has also presented this industry with a new set of difficulties. The result of several interrelated circumstances, including a lack of funding, restricted access to equity capital, outdated technology, and restricted use of infrastructure, is the vicarious predicament. The industry has had continuous support since independence, but there are still several obstacles facing it, chief among them being the difficulty in obtaining financing. The lack of institutional financial assistance is the largest obstacle facing this industry, nevertheless (Biswas, 2014).

It's also important to remember that the majority of these long-standing businesses are unregistered, informal, and/or do not fall under the official banking sector's jurisdiction. The issue worsens in India because the underprivileged sectors are unable to receive financial services in an equal manner when they most need them. Larger, formally established businesses have easy access to a substantial amount of financial services, but the MSME sector rarely gets the funding it needs to run a long-term, profitable firm. As a result, it has been noted that a number of commercial banks and other development finance organizations are reluctant to offer financial assistance to the MSME (Patnaik, Satpathy, & Rachayeeta, 2016).

One intriguing finding from our analysis of the body of research to date is that in the MSME sector, it is the Microenterprises that are most negatively impacted since the official banking system has provided them with the least amount of financial help. It is reasonable to conclude that microenterprises within the MSME sector need the most attention and a framework of financial policies that are supportive of them. As a result, a number of institutional efforts, rules, and policies have been put in place to encourage the provision of financial services to the different segments of the MSME industry. In response to the financial and development challenges that microenterprises in the industry encountered, the Government of India established the Micro Units Development & Refinance Agency Ltd (MUDRA) (Biswas, 2014).

As a refinancing agency, MUDRA was established to offer last-mile financial assistance through a variety of financial institutions, including banks, Microfinance Institutions (MFIs), and Non-Banking Financial Companies (NBFCs). These organisations offer small loans to individual microenterprises involved in trading, manufacturing, or services, with credit requirements of ₹10,000,001 or less. The primary goals of MUDRA are to support MSME entrepreneurs in developing an inclusive, sustainable, and values-based entrepreneurial culture in order to help them achieve financial stability and economic success in addition to offering income and job possibilities, all of which are necessary for long-term inclusive growth. This industry can be a crucial strategy for achieving inclusive growth and financial inclusion by establishing MUDRA

(Rudrawar & Uttarawar, 2016).

## 2. Literature Review

Sardar et al. (2018), try to see the impact of the MUDRA yojana specifically on the SC population. In his paper, he finds that youth of the SC community with the MUDRA loan are starting their business units. He further continues to add in his paper that although MUDRA has made a positive impact by providing financial aid, the amount which is given through different names is not adequate for their business needs. The author sees MUDRA as a powerful tool to financially empower those who were outside the umbrella of financial inclusion (Sardar, 2018).

Rajak et al. (2017), discussed the impact and effect of MUDRA loans on MSMEs. In his paper, he focuses on the other services which are being offered by MUDRA apart from the financial aid which has helped the small business units. In this paper, the author tries to show that MUDRA yojana has failed to attract women entrepreneurs even by giving interest at discounted rates. The growth of women entrepreneurs has been low in comparison to the other counterparts. He further added in his paper that MUDRA is a very powerful and effective financial tool and has given the necessary boost to the economy and MSME sector (Rajak, 2017).

Agarwal. M et al. (2017) have seen the growth of MUDRA as a whole and also under different categories and states. In the paper, the authors did a SWOT analysis to find out the viability of the MUDRA yojana and the analysis of the performance of the MUDRA Yojana, based on the state, caste, and category. The authors in this paper concluded that MUDRA yojana had done a remarkable job in providing financial assistance to the people who were financially excluded (Agarwal & Dwivedi, 2017).

Rudrawar. A. A et al (2016) advocated strongly for PMMY and said in their paper that if properly implemented at the bottom level of the pyramid of the financial structure, it could prove to be a game-changer for the economy. They further added how MUDRA could be the answer for the “Jobless Growth” prevailing in the economy and could provide the youth with the chance to become their boss as this scheme not only provides financial assistance but also through different non-financial aids plays a crucial role in developing the entrepreneurial skills. They concluded the paper by stating that the MUDRA yojana sends a positive message to the economy and will help in its revival of it and taking it to new heights (Rudrawar & Uttarawar, 2016). Shahid, M. et al (2018) has studied different offerings of the product under the MUDRA scheme. In their paper, they saw and analyzed the performance of MUDRA bank and scheme in the state of Karnataka. In his findings, he concluded that MUDRA is benefitting the “Make in India” program of the government as it is helping to grow new entrepreneurs. Also, it has helped people from the lower strata of society in obtaining loans and uplifting their standard of living by doing new businesses (Shahid & Irshad, 2018).

Kochhar S et al (2019) has done a study on the employment generated through the MUDRA scheme. To find the number of job creations under MUDRA he developed a methodology in

which he was associating every loan taken through MUDRA as a director as well as indirect job creation which is different for different loans. He investigated state-wise data on how the distribution of loans and opening of MUDRA accounts has created a job. He concludes that direct and indirect MUDRA has been able to provide nearly 5.44 crore job creations. Also, in his study, he concludes that there has been a 30-40 per cent increase in rural consumption which has been driven by MUDRA yojana (Kochhar, 2019).

Singh A & Jaiswal KK (2019) discusses the impact of PMMY on promoting entrepreneurship in India. In their paper, they have focused on products offered under PMMY, challenges and opportunities of MUDRA yojana in boosting entrepreneurship in India. Authors further in their paper conclude that the MUDRA yojana so far doesn't seem to have significantly altered secular trends in lending to the targeted segments (Singh & Jaiswal, 2019).

Nair T et al (2019) tried to see the financing of micro and small-scale industry from the 1970s to date and find whether or not MUDRA be an answer to it. The author of the paper divided the timeline into pre- and post- MSMED Act i.e., from 1970-71 to 2006-07 and 2017-18 to 2017-18. In the paper, he tries to show and explain the upward flux in financing small-scale industries from the year 2003 onwards which kept on rising till date, but the trajectory has fallen. On PMMY the author has an opinion that it is merely a window dressing measure that doesn't have any clear-cut strategies to incentivize banks so that they can further craft viable strategies to magnify their supply of loans to credit-starved MSEs (Nair & Das, 2019).

Antony J (2021) (Antony, 2021) has done a study to analyze the role of PMMY in generating employment opportunities for new and women entrepreneurs. For the study, the researcher has employed primary data analysis concluding that majority of the beneficiaries of PMMY are satisfied with the MUDRA scheme and the role that loan has played in achieving self-employment. Further, he added that women with loans from the MUDRA scheme have found self-reliance and become financially independent (Antony, 2021).

### **3. Research Objective**

The paper tries to analyze the impacts and offerings under PMMY as it investigates the changes brought by this scheme. The primary objectives of this paper are: -

1. To examine the sectoral distribution of MUDRA loans in India in general and region-wise.
2. To analyse the MUDRA yojana's reach to different social categories.

#### **4.1 Role of the MUDRA Scheme in the MSME Sector**

With over 56 million MSMEs employing more than 120 million people, the MSME sector is the backbone of the Indian economy (MSME Annual Report, 2017). The MSME sector also contributes significantly to the export of our country, which sits around 45% of total Indian exports. Also, the MSME sector with its contribution of around 31% of the total GDP plays a pivotal role in the Indian economy. The majority of the enterprises (around 85%) in the MSME sector are unorganized and merely 15% of the total MSMEs are registered and organized, which bars the majority of the enterprises from getting benefits from different govt. incentives (MSME Annual Report, 2017).

Even with such an important and pivotal role of the MSME sector in the Indian economy, it still

faces many constraints and challenges, in which lack of access to financial aid is one of the major constraints.

The MSME sector faces a similar situation to finance as almost 85% of the debt of the MSME sector is supplied by informal sources and merely 15% of the debt is provided by formal sources (Financing Indian MSMEs, WBG, 2018). The informal supply of finances comes from chit funds, money lenders and non- institutional sources like family, friends, and family businesses. Formal sources of financing comprise banking institutions, NBFCs and govt. institutions.

With the introduction of schemes like the MUDRA yojana, the government intends to provide financial assistance to MSMEs. Since its inception in 2015, in the past 6 years, MUDRA yojana has provided loans to over 29.55 crore MSMEs with total credit support of over 15.52 lakh crore (MUDRA Annual Report, 2020-21).

MUDRA not only bridges the gap of funds needed by the MSMEs but also tries to assist the new and the first generation of entrepreneurs (and boost their confidence) to be able to further expand their business activities. As all the loans under the Pradhan Mantri Mudra Yojana are collateral-free, it provides an opportunity for everyone who has an entrepreneurial idea and can obtain loans from financial institutions. Under PMMY, the small-scale producers, artisans, petty shop owners, fruits and vegetable vendors, machine mechanics, and others are the potential borrowers in rural as well as urban parts of India. This has empowered the youth in many ways. Also, in some ways, this yojana has tried to give a solution to the problem which has now been lurking for a long time which is unemployment and jobless growth (Rudrawar & Uttarawar, 2016). This yojana has given a jump start to micro and small enterprises in the manufacturing sector and worked as the engine of growth, as this is the need of the hour.

Table 1: Size of MSME in India (in Millions)

Registered	Unregistered	Total
8.5	47.6	56.1
15%	85%	100%

Source: MSME Annual Report, 2017.

#### 4.2 An Overview of MUDRA Yojana

MUDRA Bank has not been a full-fledged bank, but it works with the local banks and different financial institutions in coordination to provide financial services to micro/small enterprises that have not been brought under the umbrella of formal financial services (Kumar, 2018). As this program focuses on assisting the MSMEs, they devised their products in such a way that it targets the appropriate clients based on their needs. In MUDRA yojana, the loans/ products have been ably classified to cater to the needs of the business who are at different stages.

The three loans which are offered under the MUDRA yojana are *Shishu*, *Kishore*, and *Tarun* based on the need of the business and at what level are they.

**Shishu Loan Scheme:** This scheme is meant for starting a small shop or funding a small business or enterprise. The amount to be sanctioned under this scheme is up to Rs. 50,000. The interest rates for these loans range from 10% to 12% per annum. The public sector banks are supposed to give loans at a much lower interest rate.

**Kishore Loan Scheme:** This scheme targets businessmen and entrepreneurs looking for mid-stage finance to establish their businesses. The amount to be sanctioned under this scheme is above Rs. 50,000 and up to Rs. 5,00,000. The interest rates for this loan range from 14% to 17% per annum, depending on the lending rates of different banks.

**Tarun Loan Scheme:** Under this scheme, the targeted group consists of the businesses and entrepreneurs who established themselves, matured and are now looking for next-level growth in their business. The amount to be sanctioned under this scheme is above Rs.5,00,000 and Rs.10,00,000 at interest rates starting from 16% and banks can decide the interest rates depending on their lending rates.

As the scheme of PMMY primarily focuses on benefitting the micro and small enterprises and helping them set up their own small business so that they become independent and thus in the process create more jobs in the economy and start new ventures. This is the main motive behind allocating 60% of the funds and credits flowing towards the Shishu loan scheme and the remaining funds being directed to the Kishore and Tarun loan scheme.

#### 4.2.1 Other Offerings Under MUDRA Bank

**Micro Credit Scheme:** Under this scheme financial aid is to be given to different MFIs and NBFCs who lend small amounts to individuals/ SHGs/ JLGs, who are involved in income-generating activities which are non- agriculture in nature and setting/ running of small businesses as per MSMED Act.

**Refinance Scheme for RRBs and Co-operative:** This scheme enables the enlisted banks with MUDRA yojana to avail the support from MUDRA bank for the working capital loan given up to Rs.10,00,000. Such banks can avail of the benefit of refinancing for all the loans disbursed under the PMMY scheme from MUDRA bank.

**Mahila Udayami Scheme:** Under this scheme, the bank and the other financial institutions tend to give special facilities such as reduced interest rates to the women on their loans to encourage more and more women entrepreneurship. For the financial institutions providing MUDRA loans to women entrepreneurs, MUDRA banks extend a 25bps reduction in their interest rates.

#### 4.3 Financial Inclusion and MUDRA

As is the case of most of the emerging economies of the world, the Indian Economy faces the problem of untapped financial resources (Mishra, Kumar, & Saha, 2018). A significant population of these countries are financially excluded. The government of India in the past decade or so has launched several schemes and programs to provide a vast spectrum of financial services to the population, which couldn't earlier be brought under the regime of the formal banking sector and to bring them under the umbrella of financial inclusion. With the launch of the JAM trinity i.e. Pradhan Mantri Jan Dhan Yojana, Aadhar and Mobile, the Government of India has been able to

provide banking and other financial services to a significantly large population in a very small time. Now more than 80% of the population have bank accounts and can access other financial services (Abraham, 2019). Also, with the launch of PMMY, the Government of India plans to provide financial assistance and services like credit and insurance to people who earlier hadn't had access to these financial services. MUDRA being launched with the motto of "fund the unfunded", helped many small and marginalized entrepreneurs owning micro and small businesses who were from the weaker section of the society to secure loans and other financial services, which earlier they were not able to get. By refinancing and guaranteeing the credit of the borrowers, MUDRA has in many ways worked as the elixir to the NBFCs, MFIs and other financial institutions who use to give loans to these people. Over 15.52 lakh crores worth of credit has been extended to 29.55 crore enterprises over the last six years via the MUDRA yojana (MUDRA Annual Report, 2020-21). MUDRA loans and Microfinance have worked as an economic tool for providing financial aid and assistance to the people who have engaged in income-generating activities apart from the agricultural sector and were financially excluded. PMMY, furthermore to the provision of credit, provides a diversified financial service, which includes financial literacy, credit plus services, and other social support services. The overdraft of Rs. 5,000 which is given under Pradhan Mantri Jan Dhan Yojana, is also part of the MUDRA loan. PMMY has substantially increased financial inclusion and the options of refinancing and other credit requirements.

Although with PMMY in place, more and more people are getting or brought under the umbrella of financial inclusion, there is still a need of putting more effort into people from the marginalized and underprivileged section of society, religious minorities, and women as they are the one who has more need of the financial services as they were the ones who were out of the financial system for this long.

#### **4.4 Methodology**

The nature of this study is descriptive and exploratory about the working of the MUDRA scheme. Also, the paper strives to define a relationship between the MUDRA and MSME sectors. The study uses secondary data and secondary information from different sources, research articles, the official website of MUDRA, the Annual report of MUDRA, etc. For the study, different statistical tools like, mean, averages, percentage, Compound Annual Growth Rate, and graphical representation were employed to analyze and describe the data.

#### **4.5 Review of Performance of Pradhan Mantri MUDRA Yojana**

Under this segment of paper, the performance of MUDRA yojana since its inception i.e., 2015-16 till 2022- 23 be reviewed for which data from Annual Reports till 2023, official websites, and other sources were used. For a better understanding and analysis of the MUDRA scheme and its impact we have divided India into 5 regions namely; the North region which has states of Chandigarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Delhi, Uttar Pradesh, Uttarakhand, Punjab and Rajasthan; South region that has states of Karnataka, Kerala, Pondicherry, Tamil Nādu, Telangana, Andhra Pradesh, Andaman & Nicobar and Lakshadweep; West region that has states of Dadra & Nagar Haveli, Daman & Diu, Gujrat, Goa, Madhya Pradesh and Maharashtra; East region that has states of Odisha, West-Bengal, Bihar, Jharkhand and Chhattisgarh; North-East region that has states

of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura. Also, this segment investigates the caste-wise performance and performance of different social categories on the MUDRA yojana.

#### **4.6 Region-wise Performance of the Shishu Scheme**

Shishu loans are the of the smallest amount disbursed under MUDRA Yojana i.e., under Rs 50,000. Also, this loan account for the majority of the loan accounts that are disbursed under this yojana. In its inaugural year, 2015-16 92.9% of the total accounts were Shishu loans for which 46.6% of the total amount was disbursed (Annual Report, 2015). Although, in the following years the number of accounts under Shishu loans increased but saw a proportional decline. In the year 2016-17, 91.9% of the total accounts were Shishu in nature disbursing 47.8% amount which further declined to 88.6% accounts in the year 2017-18 disbursing 42.3% amount. Further, in the year, 2018-19 accounts declined to 86% accounts disbursing 44.8% amount which saw some rise in the number of accounts to 87.5% in the following year 2019-20 disbursing almost 50% of the total amount. The year 2020-21 saw a huge dip in Shishu accounts as it falls to 79.2% with just 34.8% of the amount which further declined to 77.5% accounts disbursing 37.4% of the total amount in the year 2021-22. In the year 2022-23, it further dipped to 69.13% of total accounts under PMMY and disbursing 31.44% of the total amounts of the year 2022-23.

Region-wise in the year 2015-16, the Southern region with almost 32% of total accounts held the majority of Shishu accounts and just Tamil Nadu held 13.9% of total Shishu accounts. The North-Eastern region just held 1.7% of the total account under the Shishu scheme. One thing further to be noted is that the Northern region which consists of 10 states has a share of less than 20%. In the years 2016-17, the Eastern region topped toppling the Southern region with 32.2% of the total number of accounts meaning the majority of funds under Shishu are directed towards poorer states like Bihar, Jharkhand, Orissa, and others. From this on further looking deeply, the popularity of microfinance loans which are usually under 50 thousand from different MFIs in these states could be seen as one of the reasons. Tamil Nadu again tops in the states with 13.7% of total accounts. The North-Eastern region this year saw growth from the previous year and now holds 4.1% of total accounts under the Shishu scheme. Further, we see the Northern region just has a mere 16% of total accounts under the Shishu scheme. The year 2017-18 saw a somewhat similar story to that of the previous year with the Eastern region dominating the number of accounts under the Shishu scheme with 32.5%. Tamil Nadu still tops the state with the total number of accounts but this year it declined to 12.5% of the total. The North- Eastern region with barely any growth holds 4.7% of total accounts sitting at the last. The Northern region got just 16.7% further emphasizing that states like Himachal, Uttarakhand, Uttar Pradesh, Rajasthan, and others aren't getting enough under the Shishu scheme. From the years 2018-19 to 2022-2023 we see a somewhat similar story with the Eastern region claiming almost one-third of the total number of accounts and amount disbursed under the Shishu scheme, with a continuous rise of MFIs in this region. Tamilnadu continues to be the state with the most number of Shishu accounts with close seconds being states like Uttar Pradesh and West Bengal. The Northeastern region continues to have less than 5% of accounts and amounts disbursed under the Shishu scheme. The Northern region continues to have less than 20% of the

share every year in Shishu accounts showing that most of the northern like Himachal Pradesh, Uttarakhand, Punjab, and others are not getting enough.

On further careful analysis it is found that in the year 2016-17, the North, South, and West region saw negative growth in the number of accounts whereas the East and North-east regions experienced huge growth in Shishu accounts for which growth of MFIs in these regions could be a reason. In the year 2017-18 all the regions saw a positive growth story with the northeast and southern region experiencing the most growth. Similarly in the following year 2018-19, all the regions saw positive growth in the number of accounts under the Shishu scheme. The Northeast and Northern regions are the top gainers. In the year 2019-20, all regions except the Northeast region which experienced a growth rate of -21.9% saw a positive growth story with the North and West region experiencing the highest growth rate. In the year 2020-21 effect of COVID-19 could be seen in MUDRA Yojana where all the regions registered more than a 25% decline in the Shishu accounts. The Northeast and South regions saw the worst decline rate of 41.9% and 31.5% respectively. In the following year 2021-22, the North, West, and East regions saw some revival from the COVID impact and had a positive growth rate. The South and Northeast region still was under the COVID effect and saw a negative growth rate this year too. In the year 2022-23, all the regions saw a positive growth story, with North-East growing the fastest with 18.07% from the past year.

For the past seven years, the Shishu scheme has been growing at an increasing rate both in the number of accounts as well as in the amount disbursed. But it is evident from the data that there is an unequal distribution of resources where some states are getting a majority share whereas some states aren't. States like Tamil Nādu, Maharashtra, Bihar, West Bengal, and others are getting a major share of the pie whereas Himalayan states and North-east states which require special financial assistance to boost their economy aren't getting much. The average loan amount under the Shishu scheme too has increased by 71.72% from Rs 19,143 in the year 2015- 16 to Rs 32,873 in the year 2022-23. A significant change can be seen with the growing trend of accounts opened under the Shishu scheme every single year and this could be seen as a positive sign for the economy.

Table 2: State-wise Performance of Shishu loan Under MUDRA Yojana (Amounts are in crore)

S.NO	YEARS		NORTH	SOUTH	WEST	EAST	NORTH-EAST
1	2015-16	NO OF ACCOUNTS	6270143	10359331	6756909	8513046	522641
		AMOUNT DISPERSED	12037.22	20829.06	13491.38	14348.29	1021.49
2	2016-17	NO OF ACCOUNTS	5845392	10190459	6555715	11773834	1532455
		% GROWTH FROM 2015-16	-6.77	-1.63	-2.98	38.30	193.21
		AMOUNT DISPERSED	13315.15	22986.67	14849.37	28204.76	4535.92
3	2017-18	NO OF ACCOUNTS	7129621	12591453	7053988	13872882	2021851
		% GROWTH FROM 2016-17	21.97	23.56	7.60	17.83	31.94

		AMOUNT DISPERSED	16882.92	29794.32	18590.62	33270.91	5638.77
4	2018-19	NO OF ACCOUNTS	9558356	14574939	7903865	16801990	2650288
		% GROWTH FROM 2017-18	34.07	15.75	12.05	21.11	31.08
		AMOUNT DISPERSED	23948.51	40847.66	21686.55	45201.25	9130.01
5	2019-20	NO OF ACCOUNTS	10693223	14789221	8963723	17976555	2067895
		% GROWTH FROM 2018-19	11.87	1.47	13.41	6.99	-21.97
		AMOUNT DISPERSED	30414.11	46306.72	26690.7	52960.42	6443.26
6	2020-21	NO OF ACCOUNTS	8075299	10121362	6741289	14040743	1201419
		% GROWTH FROM 2019-20	-24.48	-31.56	-24.79	-21.89	-41.90
		AMOUNT DISPERSED	21783.67	29043.27	18340.1	36328.75	3141.13
7	2021-22	NO OF ACCOUNTS	8745287	10035301	7088120	14667331	789241
		% GROWTH FROM 2020-21	8.30	-0.85	5.14	4.46	-34.31
		AMOUNT DISPERSED	25423.51	33343.82	28819.08	42666.24	2196.46
8	2022-23	NO OF ACCOUNTS	9450227	10068235	7678128	15234641	646598
		% GROWTH FROM 2021-22	8.06	0.32	8.32	3.86	18.07
		AMOUNT DISPERSED	31371.92	33669.99	24137.38	50323.48	2106.75
	<b>CAGR</b>	<b>NO OF ACCOUNTS</b>	<b>5.26%</b>	<b>-0.36%</b>	<b>1.61%</b>	<b>7.55%</b>	<b>2.70%</b>
<b>AMOUNT DISPERSED</b>		<b>12.72%</b>	<b>6.19%</b>	<b>7.54%</b>	<b>16.98%</b>	<b>9.47%</b>	

Source: MUDRA.org.in, PMMY- State-wise performance from FY 2015-16 to FY 2022-23

#### 4.7 Region-wise Performance of Kishore loan

Kishore loans are the mid-range amount loans disbursed under PMMY i.e., from Rs 50,000 to Rs 5,00,000. From the data available, an upward growth can be seen in the number of accounts as well as the amount disbursed under the Kishore scheme from the year 2015-16 to the year 2022-23. In the past eight years, the number of accounts under the Kishore scheme has grown by almost 765% and the amount disbursed under the scheme only grew by around 389%, showing that there has been a decline in the average loan amount sanctioned under the scheme. In the inaugural year, the North and South regions combined held 70% of the total number of accounts, with the Southern region holding 35.4% and the Northern region holding 34.6%. Karnataka state alone had 12.7% of the accounts topping the states, whereas the whole of the Northeast region just got 2.1% of the total accounts. In the year 2016-17, Kishore accounts in the Southern region alone were 41.1% of the total, whereas the Northern region saw a decline in its share and this year just had 24.4% of the total. Again, Karnataka tops the states with 12.4% of the total accounts under the Kishore scheme. The Northeast region did see growth in the number of accounts under the Kishore scheme but saw no change in the share which was still 2.1%. In the following year, although the Southern region was on the top with 32.2% it saw a decline in the share of the accounts under the Kishore scheme.

This year Eastern region saw huge growth in the number of account under the scheme and part of the reason could be West Bengal being the state with the highest number of accounts accounting for 9.3% of the total. The Northeast region too experienced exponential growth of 253% in the number of Kishore accounts and held 4.2% of total accounts under the scheme. The next year 2018-19 too, the Southern region was on the top with 32.1%, and the Eastern region continued its growth with West Bengal again topping the states with 11.2% of the total accounts under the Kishore scheme. Kishore accounts grew substantially in the Northeast region holding 5.6% of the total accounts. In the year 2019-20 Karnataka state with 13.3% of total accounts propelled the Southern region to the top with 34.6%. States like West Bengal saw a decline in the number of accounts, which lowered the share of the Eastern region. The Northeast region too experienced a decline in the number of accounts, thus lowering the share of the region in the Kishore scheme which was just 2.9% of the total accounts. The year 2020-21 saw a somewhat different story with West Bengal accounting for over 13% of total accounts, the Eastern region toppling the Southern region being on the top with 30.2% of accounts. Accounts in the Northeast region saw an exponential growth of 137% and held a 4.7% share of the total accounts under the Kishore scheme. A somewhat similar story could be seen in the year 2021-22 with the Eastern region being on the top with almost 35% of the total accounts and West Bengal being the top state by holding 15.2% of the total accounts under the Kishore scheme. Accounts from the Northeast again saw a decline and had a share of just 3.2% of the total accounts. In the year 2022-23, the Eastern region was marginally ahead of the Southern region by 0.37% of the total accounts. The Kishore accounts again saw a dip in percentage term and this year it was just 2.22% of the total accounts. Tamil Nadu, alone had more than 13% of the total Kishore accounts which is more than 5 folds of what entire

On further analysis, we find that in the year 2016-17, only the Northern region experienced negative growth and all the other regions experienced positive growth. Accounts in the Western region grew most by 42.67%. In the year 2017-18 all the regions experienced a positive growth rate with the Northeast and the Eastern regions experiencing the highest growth rate of 253% and 142% respectively. Similarly in the following year 2018-19, all the regions experienced a positive growth rate under the Kishore scheme. Again, the Northeast and Eastern regions experienced an exponential growth rate of 88% and 72% respectively. In the year 2019- 20, the Eastern and Northeast regions experienced negative growth rates and all the other regions experienced minimal growth rates. In the year 2020-21, even with COVID-19 all the regions experienced positive growth rates. One of the reasons for this positive growth could be attributed to the economic growth package announced by the Govt. of India during the COVID-19 pandemic to boost the economy. Again, the Northeast and Eastern regions registered exponential growth rates of 137% and 97% respectively in the accounts under the Kishore scheme. In the following year 2021-22, two regions i.e., the Southern and Northeast regions registered a negative growth rate of 1.4% and 19.7% respectively in the number of accounts. All the other regions experienced a positive rate in their number of accounts where accounts in the Eastern region grew the most by over 35%. In the year 2022-23, all the regions experienced a positive growth with the Southern region growing with

109%. All the regions except the North-east region had a growth rate of over 35%.

From the data available, it could be seen that in the past seven years regional disparity has decreased if not omitted, but if we see state-wise, still Himalayan states and states from the northeast aren't getting their fair share as the PMMY scheme itself is for the people who were unbanked earlier. Under the Kishore scheme, there is a need for a more equitable distribution of resources among the states and special attention is to be given to the economically backward states. As Kishore loans are for mid-range finance, it is safe to assume that they will help in creating more jobs and giving stability to the economy.

Table 3: State-wise Performance of Kishore loan Under MUDRA Yojana (Amounts in crores)

			NORTH	SOUTH	WEST	EAST	NORTH-EAST
S.NO	YEARS						
1	2015-16	NO OF ACCOUNTS	868442	887451	331913	364525	51351
		AMOUNT DISPERSED	9612.64	16612.87	7134.01	7480.82	1011.98
2	2016-17	NO OF ACCOUNTS	650925	1094966	473532	388164	55964
		% GROWTH FROM 2015-16	-25.05	23.38	42.67	6.48	8.98
		AMOUNT DISPERSED	13386.54	17786.92	10382.47	7618.1	1153.26
3	2017-18	NO OF ACCOUNTS	1076824	1644899	794421	940062	197668
		% GROWTH FROM 2016-17	65.43	50.22	67.77	142.18	253.21
		AMOUNT DISPERSED	22494.72	27915.95	16043.4	14462.46	330.41
4	2018-19	NO OF ACCOUNTS	1337951	2121722	1156586	1618497	371207
		% GROWTH FROM 2017-18	24.25	28.99	45.59	72.17	87.79
		AMOUNT DISPERSED	25220.8	32364.41	18226.46	20494.6	3561.17
5	2019-20	NO OF ACCOUNTS	1419985	2239533	1169965	1453596	188704
		% GROWTH FROM 2018-19	6.13	5.55	1.16	-10.19	-49.16
		AMOUNT DISPERSED	24909.43	29554.51	16745.01	17707.71	2510.44
6	2020-21	NO OF ACCOUNTS	2015506	2640562	1514734	2866972	448386
		% GROWTH FROM 2019-20	41.94	17.91	29.47	97.23	137.61
		AMOUNT DISPERSED	28744.72	35896.59	20716.34	33566.53	5791.64
7	2021-22	NO OF ACCOUNTS	2514460	2602545	1732306	3878741	360022
		% GROWTH FROM 2020-21	24.76	-1.44	14.36	35.29	-19.71
		AMOUNT DISPERSED	33407.63	26026	20961.78	39849.36	4502.55

8	2022-23	NO OF ACCOUNTS	3725530	5446765	2830000	5514146	399471
		% GROWTH FROM 2021-22	48.16	109.28	37.38	42.16	10.95
		AMOUNT DISPERSED	48505.73	60160.16	32507.06	54211.08	5552.55
<b>CAGR</b>		<b>NO OF ACCOUNTS</b>	<b>19.97%</b>	<b>25.46%</b>	<b>30.72%</b>	<b>40.43%</b>	<b>29.23%</b>
		<b>AMMOUNT DISPERSED</b>	<b>22.42%</b>	<b>17.45%</b>	<b>20.87%</b>	<b>28.09%</b>	<b>23.71%</b>

Source: MUDRA.org.in, PMMY- State-wise performance from FY 2015-16 to FY 2022-23.

#### 4.8 Region-wise Performance of Tarun loan

Tarun loans are the loans of the highest amounts to be disbursed under the MUDRA yojana i.e., from Rs. 5,00,000 to Rs. 10,00,000. With just around 2% of total accounts under PMMY, the Tarun scheme gets a share of 20% of the total amount disbursed under PMMY. Under the Tarun scheme, for the first four years i.e., from the year 2015-16 to the year 2018-19, both the number of accounts as well as the amount disbursed registered a growth of 420% and 242% respectively. Whereas, from the years 2019-20 to 2021-22 a decline observed in the number of accounts, but the same isn't for the amount disbursed with kept on growing and registered a nominal decline in the year 2022-22. The story of the year 2022-23 was different as it sees a growth of more than 33% in the number of Tarun accounts from the past year, whereas the amount disbursed under Tarun loan grew by 45% from the past year.

In the inaugural year of PMMY i.e., 2015-16, the southern region held the most 32% of the total accounts under the Tarun scheme. State-wise Maharashtra topped with 10.5% of total accounts. The Northeast region held just 2% of the total accounts. In the following year 2016-17, the Northern region with 31.8% of total accounts topples the Southern region from the top which now held the second position in the total number of accounts under the Tarun scheme. Again, Maharashtra by holding 12.5% of accounts tops the state. The Northeast region did see some growth in the number of accounts but proportionally with no change and still held only 2% of the total accounts. In the year 2017-18 story remained similar to that of the previous year with the Northern region holding 32% of the total accounts. Maharashtra with 11.9% of total accounts still tops state-wise. This year with a slight decline in its share the Northeast region held just 1.7% of the accounts. In the following year 2018-19, states from the Southern and Western regions saw exceptional growth in the Tarun accounts. With 35.2% of total Tarun accounts the Southern region sits at the top while with 27.4% the Western region was the close second. This year for the first time Tamil Nādu with 17.9% of accounts tops all states. This is also to be noted that just Tamil Nādu as a state had more Tarun accounts than both the Eastern and the Northeast regions combined, which was 13.5% and 2.2% respectively, showing the disparity between different regions and states. In the year 2019-20 too, the Southern region held the maximum i.e., 33.1% of accounts under the Tarun scheme. Tamil Nādu again with 11% of accounts was the state with the maximum number of accounts under the Tarun scheme which was just 1% less than the whole accounts of the Eastern region. A decline was experienced in the accounts held by the Northeast region which is now just

1.7% of the total accounts. In the following year 2020-21, the story remained somewhat similar where the Southern region even with the decline in the number of accounts still held the maximum 30% of accounts while the Northern region with 29.5% was the close second. Maharashtra with 9.8% of total accounts tops the state. With some growth in the number of accounts, the share of the Northeast increased to 3% of total accounts. In the year 2021-22, again the Southern region with 29.9% of the accounts held the most Tarun accounts. This year for the first time Uttar Pradesh became the top state with 9.8% of total accounts. The Northeast region saw a slight decline in its number and thus the share declined to 2.7% this year. In the year 2022-23, the North region with 28.99% of the total Tarun loan held the most number of Tarun loan accounts. This year again with 10.40% of the total Tarun accounts Uttar Pradesh became the top state that held the most Tarun accounts.

On further analysis, we find that in the year 2016-17 all the regions experienced a positive growth rate in the number of accounts, with the accounts of the Western region growing by close to 50%. The next year 2017-18, again every region saw positive growth in the number of accounts where the accounts in the Southern region grew the most, by 58%. In the year 2018-19 the number of Tarun accounts grew exponentially and that was experienced by every region. All regions except the Northern grew by over 100% and the accounts from the Southern region grew by over 170%. The following year 2019-20 was particularly bad for the Tarun scheme where a decline was observed by all the regions. All the regions except the Northern experienced a dip of over 30%, whereas the Northeast region registered a decline of 43% of Tarun accounts. In the year 2020-21, the Eastern and the Northeast regions registered positive growth of 13.3% and 41.7% respectively, and made some recovery while other regions still had negative growth rates. Also, no effect of the economic package announced by the Govt. of India to fight against COVID-19 was seen on Tarun Scheme as the number continued to decline. In the following year 2021-22, the decline in the number of accounts continued as all the regions registered negative growth rates. The decline rate for all the regions except the Northeast remained in the single digit whereas the Northeast region registered a negative growth rate of -19.2%. In the year 2022-23, all the regions registered a positive growth rate, with the North-east region bouncing back with more than 50% increase that the last year.

From the available data, it is evident that under the Tarun scheme there is a huge regional disparity and imbalance in states. Till 2019-20, the whole of the Eastern region was having Tarun accounts that the top states like Tamil Nādu or Maharashtra were having. From 2020-21, some changes could be seen when the Eastern region was getting its dues and a fair share. Himalayan states aren't getting enough from the Tarun scheme defying the entire motto of PMMY which was initiated to fund the unfunded and serve the marginalized. Tarun loans are the biggest loans disbursed under PMMY which help in creating more jobs and developing entrepreneurial skills in our youth. Thus, more equitable distribution between states and regions could help reduce the regional economic imbalance.

Table 4: State-wise Performance of Tarun loan Under MUDRA Yojana (Amounts are in crore)

S.NO	YEARS		NORTH	SOUTH	WEST	EAST	NORTH-EAST
1	2015-16	NO OF ACCOUNTS	120883	131379	91657	58156	8242
		AMOUNT DISPERSED	9041.85	9287.86	6755.07	4095.96	611.93
2	2016-17	NO OF ACCOUNTS	171501	144719	136060	76526	10926
		% GROWTH FROM 2015-16	41.87	10.15	48.44	31.59	32.56
		AMOUNT DISPERSED	13062.4	10494.56	10036.34	5962.34	801.49
3	2017-18	NO OF ACCOUNTS	257638	228621	192451	114265	13949
		% GROWTH FROM 2016-17	50.23	57.98	41.45	49.32	27.67
		AMOUNT DISPERSED	19132.6	16641.85	13735.55	8485.56	1017.71
4	2018-19	NO OF ACCOUNTS	377886	619241	482822	238173	38749
		% GROWTH FROM 2015-16	46.67	170.86	150.88	108.44	177.79
		AMOUNT DISPERSED	22388.2	21555.98	16143.1	10822.94	2309.46
5	2019-20	NO OF ACCOUNTS	343497	425966	334300	159253	22064
		% GROWTH FROM 2015-16	-9.10	-31.21	-30.76	-33.14	-43.06
		AMOUNT DISPERSED	24234.28	21307.26	16615.78	11754.15	1563.25
6	2020-21	NO OF ACCOUNTS	314673	321675	217701	180444	31281
		% GROWTH FROM 2015-16	-8.39	-24.48	-34.88	13.31	41.77
		AMOUNT DISPERSED	22593.43	23697.43	15275.36	12174.25	2137.2
7	2021-22	NO OF ACCOUNTS	286058	295687	200665	178505	25251
		% GROWTH FROM 2015-16	-9.09	-8.08	-7.83	-1.07	-19.28
		AMOUNT DISPERSED	22333.71	22333.38	14865.29	13129.14	1737.89
8	2022-23	NO OF ACCOUNTS	381830	356449	279551	260957	38048
		% GROWTH FROM 2015-16	33.47	20.54	39.31	46.19	50.67
		AMOUNT DISPERSED	31695.56	30819.65	22402.53	20132.62	2826.83
	<b>CAGR</b>	<b>NO OF ACCOUNTS</b>	<b>15.46%</b>	<b>13.29%</b>	<b>14.96%</b>	<b>20.64%</b>	<b>21.07%</b>
		<b>AMMOUNT DISPERSED</b>	<b>16.97%</b>	<b>16.18%</b>	<b>16.17%</b>	<b>22.02%</b>	<b>21.08%</b>

Source: MUDRA.org.in, PMMY- State-wise performance from FY 2015-16 to FY 2022-23.

#### 4.9 Caste-wise Performance of MUDRA Yojana

MUDRA Yojana has made a significant contribution in providing financial aid to the backward and marginalized sections of the society in the four years which are SC/ST/OBC and women entrepreneurs. Young people of the marginalized community were provided with financial and non-financial aid under this yojana in large numbers to give them the opportunity to open their own businesses and be entrepreneurs, which has further helped in uplifting the lifestyle, income levels, and social status of these people.

According to the data available, we see that with each year there is an increase in the number of accounts as well as the amount being disbursed to the weaker section of the society i.e., SC/ST/OBC from the year 2015- 16 to the year 2022-23, but if we see the proportional growth of these sections in MUDRA yojana, the numbers tell a different story altogether. If we see the data and the composition of the year 2015-16, we find out that the contribution of the marginalized section (SC/ST/OBC) of the society in MUDRA Yojana was around 52% (OBC 30.4%, SC 17.5%, and ST 4.8%) in respect to the number of accounts whereas in terms of the amount disbursed it was just 37%, showing that the average amount of the loan disbursed to the weaker section was much lower in comparison to the general loans advanced. Also, this is to be seen that most of the loans advanced to SC/ST/OBC were Shishu loans, the loans with lower denominations. In the following years, the story tends to be the same. In the year 2016-17 with around 57% of the total number of accounts to OBC/ST/SC, only 38% of the total amount disbursed was allotted to them, further lowering the average amount of the loans advanced to the weaker section. In the following year, 2017-18 OBC/SC/ST the number of accounts holding under MUDRA Yojana was about 56 percent but the amount disbursed to these accounts was just 34% of the total. Most of the accounts of the weaker sections were of the Shishu scheme where the amount to be disbursed was under Rs. 50,000. In the year 2018- 19, this is to be seen that the number of accounts did increase but the percentage of weaker sections to the total has fallen. This year for the first time, a number of accounts of the marginalized section went below 50% i.e., 47%. In comparison to it, the amount disbursed hasn't fallen much and it stands at 32% of the total. The gap between the amount of the loans disbursed to the weaker section (OBC/SC/ST) and the general loans is a matter of concern and had to be dealt with so that the goal and vision of MUDRA Yojana to be achieved. In the following years of 2019-20 and 2020-21 story remained somewhat similar to that of 2018-19 with a number of accounts of the marginalized section being below 50% (48% and 49%) with just over 30% of the total disbursed amount. In the year 2021-22, the number of accounts under PMMY for the underprivileged section (OBC, SC, ST) marginally grew and was 51.68% of the total accounts, also there was slight increase in the terms of disturbed amounts was seen to 37% of the total. In the year 2022-23, an increase in absolute term but a slight decrease in the percentage term was seen in the accounts held by the OBCs, SCs, STs. Same was the case in the amount disbursed that saw a marginal decline in the percentage from 37% to 36.41%.

The data shows us that people from the general category enjoy higher loan amounts in comparison to that in the marginalized section of society. Also, people from the marginalized section of the

society often being denied MUDRA loans of higher denominations i.e., the Kishore and Tarun scheme. This in a way defeats the motto of MUDRA Yojana of “funding the unfunded” as most of the benefits of this scheme are being enjoyed by the general category.

Table 5: Caste-wise performance of MUDRA Yojana (Amounts are in crores)

Year	Category		General	SC	ST	OBC
2015-16	Shishu	No Of A/Cs	14680840	5952482	1606484	10161240
		Disbursement Amt	28523.44	10715.83	2982.88	19805.54
	Kishore	No Of A/Cs	1458346	143357	62869	404889
		Disbursement Amt	30286.31	2680.14	1179.43	6927.4
	Tarun	No Of A/Cs	340239	18898	8993	42287
		Disbursement Amt	24948.65	1295.82	579.72	3029.57
2016-17	Shishu	No Of A/Cs	14835512	6985508	1726857	12949936
		Disbursement Amt	34615.71	15774.74	3763.66	29737.77
	Kishore	No Of A/Cs	1896749	139982	59987	566784
		Disbursement Amt	39135.12	2040.03	954.25	8933.73
	Tarun	No Of A/Cs	468592	10134	5658	55348
		Disbursement Amt	35281.49	709.32	387.64	3978.69
2017-18	Shishu	No Of A/Cs	17911238	8186001	2418131	14154425
		Disbursement Amt	46539.48	19068.53	5475.88	33144.16
	Kishore	No Of A/Cs	3283034	307214	112795	950831
		Disbursement Amt	63885.28	3718.07	1680.81	13912.94
	Tarun	No Of A/Cs	712207	12946	8381	73390
		Disbursement Amt	52325.68	897.61	549.76	5239.2
2018-19	Shishu	No Of A/Cs	25993019	8767153	8767153	13735192
		Disbursement Amt	73985.06	22556.66	7421.42	35688.4
	Kishore	No Of A/Cs	4439825	552277	200315	200315

		Disbursement Amt	75818.02	5069.8	2195.75	16784.42
	Tarun	No Of A/Cs	1302379	133089	128940	192463
		Disbursement Amt	63984.62	1362.91	973.1	5971.21
2019-20	Shishu	No Of A/Cs	25993019	8767153	8767153	13735192
		Disbursement Amt	73985.06	22556.66	7421.42	35688.4
	Kishore	No Of A/Cs	4439825	552277	200315	200315
		Disbursement Amt	75818.02	5069.8	2195.75	16784.42
	Tarun	No Of A/Cs	1302379	133089	128940	192463
		Disbursement Amt	63984.62	1362.91	973.1	5971.21
2020-21	Shishu	No Of A/Cs	25993019	8767153	8767153	13735192
		Disbursement Amt	73985.06	22556.66	7421.42	35688.4
	Kishore	No Of A/Cs	4439825	552277	200315	200315
		Disbursement Amt	75818.02	5069.8	2195.75	16784.42
	Tarun	No Of A/Cs	1302379	133089	128940	192463
		Disbursement Amt	63984.62	1362.91	973.1	5971.21
2021-22	Shishu	No Of A/Cs	19185749	7858637	2938831	11737937
		Disbursement Amt	59381.87	22633.19	8086.12	34646.18
	Kishore	No Of A/Cs	5977398	1480309	562237	3068262
		Disbursement Amt	88233.56	12949.13	5241.43	31220.26
	Tarun	No Of A/Cs	830992	25756	17016	112402
		Disbursement Amt	66268.48	1721.29	1124.98	7603.86
2022-23	Shishu	No Of A/Cs	19667831	8034399	2770354	12605267
		Disbursement Amt	64780.57	26058.45	8689.36	42081.47
	Kishore	No Of A/Cs	10084798	2265513	740882	4824719
		Disbursement Amt	129512.71	18612.13	6741.82	46069.97
	Tarun	No Of A/Cs	1103971	36002	25190	151672

		Disbursement Amt	92152.46	2601.71	1862.71	11260.29
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Source: MUDRA.org.in, PMMY- Overall Performance from FY 2015-16 to FY 2022-23.

#### 4.10 Women Entrepreneurs Under MURDA Yojana

The major beneficiaries of Mudra Yojana have been women, as they constitute around 66% of the total accounts. India ranks 135<sup>th</sup> in the list of 145 countries in female labor force participation and is one of the worst-performing countries (Global Gender Gap Report,2022). According to the labor data, only 23.5% of the total women workforce i.e. women above the age of 15, are working or seeking any job. This yojana focuses on bringing more and more women under the fold of the organized sector and developing more entrepreneurial skills. With banks and other financial institutions providing special facilities such as reduced interest rates to women on their loans this scheme encourages more and more women entrepreneurship. For the financial institutions providing MUDRA loans to the women entrepreneurs, MUDRA banks extend a 25bps reduction in their interest rates.

As per the data, we see that under the Shishu loan scheme, the amount disbursed to women entrepreneurs has seen an almost 240% increase from the year 2015-16 to the year 2022-23, showing that there is a significant increase in the average amount being disbursed under Shishu loan scheme. The average amount has increased from Rs.19,143 to Rs. 32,873 during this period. This growth in the Shishu scheme could be attributed to MFIs, NBFCs, and SFBs that majorly caters to women and deal with a loan amount of below Rupees 50,000.

The loans extended under the Kishore scheme have seen an exponential increase both in the number of accounts as well as the amount disbursed. From the year 2015-16 to the year, 2022-23 the number of accounts has seen an increase of more than 11 times whereas the amount disbursed has seen an increase of even less than 6 times during the same period, showing that the average amount of loan disbursed under Kishore loan scheme has seen a downfall in all these years. The average amount has decreased by more than half from Rs. 1,83,200 to Rs. 81,245 during this period. The average amount under the Kishore scheme was least in the year 2022-23 when it was merely Rs. 81,245.

Mudra loans sanctioned to women entrepreneurs under the Tarun scheme show a different story altogether. From the year 2015-16 to the year 2022-23 number of accounts and amount disbursed show a growth of around 197.69% and 186.84% respectively. But in the years 2018-19 and 2019-20, the number of accounts under the Tarun scheme has seen a growth of over 1400% and 670% respectively whereas the amount disbursed under the same years grew by merely 145% and 133% respectively. These years there was a sharp decline in the average amount of loans disbursed under the Tarun scheme which decreased from Rs.7,50,825 to Rs.1,21,364 and Rs.2,27,361 during that period. The average amount was less than 5 lakhs making it a Kishore loan but was disbursed under the Tarun scheme. In the years 2020-21 and 2021-22 a sharp decline in but the number of accounts as well as in the amount disbursed was observed. In the year 2022-23 an increase in the number of accounts as well as amount disbursed was observed.

Apart from the Shishu scheme, all the other schemes have shown a decline in the amount of loans disbursed under them which is a serious issue. This shows that still banking institutions don't consider women to be creditworthy and thus don't tender bigger loans to women. The focus should not just be on expanding the yojana and bringing as many people under it but also provide adequate finance to them as the amount sanctioned under Kishore and Tarun scheme might not be able to serve the intended purpose of it.

Table 6: Performance of Women Entrepreneurs under MUDRA Yojana (Amounts are in crores)

<b>Women Entrepreneurs Under PMMY</b>						
<b>Year</b>	<b>Shishu</b>		<b>Kishore</b>		<b>Tarun</b>	
	No. of A/Cs	Disbursement Amt	No. of A/Cs	Disbursement Amt	No. of A/Cs	Disbursement Amt
<b>2015-16</b>	2,71,03,118	50,640.02	4,73,536	8,675.43	51,611	3,874.98
<b>2016-17</b>	2,84,72,344	66,185.86	6,24,925	8,733.38	49,625	3,330.54
<b>2017-18</b>	3,21,44,132	78,921.72	13,35,192	15,749.53	78,914	5,499.3
<b>2018-19</b>	3,34,03,579	93,977	28,75,392	25,666.77	7,83,591	9,509.46
<b>2019-20</b>	3,57,17,217	1,09,660	29,88,307	26,477	3,97,825	9,045
<b>2020-21</b>	2,77,53,288	74,490	54,68,211	50,731	82,105	6,082
<b>2021-22</b>	3,04,41,921	89,621.66	78,92,778	70,027.90	94,560	6,772.91
<b>2022-23</b>	3,28,17,496	1,12,228.35	1,12,85,672	91,691.19	1,53,645	11,115.01

Source: MUDRA.org.in, PMMY- Overall Performance from FY 2015-16 to FY 2022-23

#### 4.11 Minority Entrepreneur Under MUDRA Yojana

Pradhan Mantri Mudra Yojana is targeted at the marginalized groups of the society and thus should have given a special emphasis on the minority groups. With the data available to us we get to see an otherwise story. There is a mere 29.41% increase in the number of accounts of the minority entrepreneurs from the year 2015-16 to the year 2022-23 whereas the number of accounts under MUDRA yojana grew by more than 78%, showing that there is a disparity in the growth of accounts of the minority. The disparity is more prominent when the amount disbursed is taken into consideration, the growth in amount disbursed from 2015-16 to 2022-23 in PMMY was 238.77% whereas during the same period just 22.42% growth was observed by the minorities account

holders of PMMY. In 2015-16 the percentage of minority accounts in MURDA Yojana to the total account was 11.72 which marginally grew to 12.06% in 2022-23.

Although the scheme is intended to provide finance and other services to the marginalized section of the society, the motto of this scheme is not able to meet, at least not where minorities are concerned. There is an increase in the number of accounts of the minority under PMMY, but the increase has been less than proportional. When we look at the broader picture, we find out that the percentage of minority accounts to the total accounts is on a decline. In the year 2015-16, it was 11.7% of the total which increased a bit to 12.9% in the year 2016-17. In the year 2017-18, we see a decline of 2% bringing down the percentage of minority accounts total to 10.9% of the total, which further declined to 10.4% next year 2018-19. The percentage of minority accounts further declined to 10% in 2019-10 and 8% in the year 2020-21. In the year 2021-22 it grew to 14% of the total accounts which again saw a decline in the following year 2022-23 which remained just 12.06%.

If PMMY has to work and achieve the motto of “fund the unfunded” then there must be special attention given to the minority groups. Minority groups with a population percentage of over 20% receive just 8% of the total PMMY allotted fund which is insufficient for the upliftment of the minority groups.

Table 7: Performance of Minorities under MUDRA Yojana (Amounts are in crores)

<b>Minority Entrepreneurs Under PMMY</b>						
	Shishu		Kishore		Tarun	
Year	No. of A/Cs	Disbursement Amt	No. of A/Cs	Disbursement Amt	No. of A/Cs	Disbursement Amt
2015-16	38,31,950	6,840.64	2,22,084	4,309.33	34,176	2,410.33
2016-17	47,86,834	11,186.68	3,24,071	5,380.82	43,646	2,906.7
2017-18	46,97,008	12,040.72	5,20,750	7,467.92	52,337	3,646.69
2018-19	54,55,596	14,604.17	7,25,905	9,244.44	70,139	5,180.85
2019-20	56,35,944	16,080	7,20,649	9,448	70,523	5,396
2020-21	28,83,587	8,004	12,38,860	15,260	49,614	3,653
2021-22	54,11,850	15,076.89	19,71,117	21,468.42	65,872	4,765.35
2022-23	52,90,565	16,601.08	21,43,694	22,347.96	83,312	6,379.72

Source: MUDRA.org.in, PMMY- Overall Performance from FY 2015-16 to FY 2022-23

#### 4.12 New Entrepreneur Under MUDRA Yojana

Pradhan Mantri Mudra Yojana was started with the vision of increasing the entrepreneurial skill and capacity of the nation and allowing the youth of this country to start new businesses and become entrepreneurs. To achieve this goal, Mudra Yojana not only provided financial assistance but also non-financial aid to the youth

e.g. Entrepreneur Bootcamps, etc., and made sure of an emergence of a new wave of entrepreneurship, riding on which the economy can reach new heights.

With the data available to us, we can see that there is a steep decline in the number of accounts under the Shishu loan scheme which fell by almost 35% from the year 2015-16 to the year 2022-23, but on the other hand, the amount disbursed observed a growth of 23.31% which resulted into increased average loan size that grew from Rs. 18,900 in the year 2015-16 to Rs. 35,611 in the year 2022-23. Whereas the loan extended under the Kishore scheme has seen an increasing trend in the past years. Under the Kishore scheme both, the number of accounts and amount disbursed have seen a similar kind of growth pattern and grew almost to the same figure. The average amount disbursed under Kishore scheme in the year 2015-16 was Rs. 1,92,896.23 which slightly grew to Rs. 2,04,574 in the year 2022-23. Thus, there is not much change to be seen in the average amount disbursed under this scheme.

Loans sanctioned under the Tarun scheme show a somewhat similar story to that of the Kishore scheme. An upward is to be seen in both the number of accounts as well as the amount disbursed under this scheme. In number of accounts under Tarun scheme the growth to be seen is over double, but in the case of amount disbursed the change was substantial as it grew almost 270% from the initial year 2015-16, showing that the average loan amount under Tarun scheme experienced an increase.

Although, the goal of Mudra Yojana is to provide financial and non-financial aid to the youth who wants to open his/her own new business and be an entrepreneur. In the initial year, PMMY put more emphasis on the new entrepreneurs but in subsequent years, we can see that even more and more loans were to be given to the already established firms and businesses.

Altogether loans extended to the new entrepreneurs have seen a growth over the period but if we see the broader picture, it shows a different story. The percentage of new entrepreneurs has seen a decline in comparison to the total. In the year 2015-16, it was 35.76% of the total which fell to 25.16% in the year 2016-

17. The year 2017-18 saw a slight increase in the account of new entrepreneurs and it went up to 26.09% of the total, but in the coming year i.e., the year 2018-19, the percentage of new entrepreneurs to the total again fell to 22.37% which further declined to 19% in the year 2019-20 and touched bottom in the year 2020-21, where it was just 15% of the total accounts. In the year 2021-22 it further dipped to 12%, which recovered slightly with 16% in the year 2022-23. This further shows that MUDRA yojana is going farther away from its motto of “funding the unfunded”.

Table 8: Performance of New Entrepreneurs under MUDRA Yojana (Amounts are in crores)

New Entrepreneurs/Accounts						
	Shishu		Kishore		Tarun	
Year	No. of A/Cs	Disbursement Amt	No. of A/Cs	Disbursement Amt	No. of A/Cs	Disbursement Amt
2015-16	1,10,81,122	20,942.19	11,91,917	22,991.63	2,01,629	14,974.26
2016-17	81,10,486	18,429.78	15,86,010	30,001.99	2,92,974	21,542.19

2017-18	1,00,47,673	22,258.81	21,05,072	41,754.36	4,06,582	29,643.44
2018-19	1,09,35,180	28,768.86	20,16,546	40,195.47	4,42,076	31,961.25
2019-20	96,60,059	28,230	18,25,475	38,710	4,28,369	32,323
2020-21	56,18,675	13,439	16,54,007	34,562	4,67,899	35,336
2021-22	46,82,019	13,025.36	14,63,027	28,231.06	3,85,305	31,428.76
2022-23	72,51,841	25,825.09	23,59,449	48,268.23	4,55,480	55,329.44

Source: MUDRA.org.in, PMMY- Overall Performance from FY 2015-16 to FY 2022-23

### 4.13 COVID-19 Impact on MUDRA

The MSME sector was one among the most affected during the COVID-19 pandemic, which placed pressure on whatever debts they had taken out, including MUDRA loans. The government took a few measures to address this, including providing street vendors with special loans up to Rs 10,000 for working capital to restart their businesses, as well as a 2% interest subsidy for 12 months to encourage loan payees. These actions benefited millions of MUDRA loan applicants (Raja.V, 2020).

The COVID-19 pandemic also impacted the loan and the amount disbursed under PMMY which saw a decline of 18.5% in the number of accounts and 5.5% in the amount disbursed in comparison to the year 2019-20. The Shishu scheme observed the biggest decline of 26.3% in the number of accounts and 33.3% in the amount disbursed in the year 2020-21 in comparison to the previous year 2019-20. Though the Kishore scheme is the only scheme under PMMY which saw positive growth in the year 2020-21. The accounts grew by 46% and the amount disbursed saw a growth of 39.2% in the year 2020-21 in comparison to the year 2019-20. The Tarun scheme too saw a decline of 18.5% in the number of accounts whereas a nominal growth of 0.5% was observed in the amount disbursed in the year 2020-21 from the year 2019-20 (Annul Report, 2019-20, 2020-21).

The COVID-19 epidemic had a significant effect on PMMY's non-performing assets (NPAs). In the financial year 2020–21, the percentage of gross NPAs in the outstanding loans under PMMY increased to 11.98%. The value of gross non-performing assets (NPAs) grew in absolute terms to Rs 34,090.34 cr in the year 2020–21, up 30.7% from Rs 26,078.43 cr in the year 2019–20. The NPA portion as a percentage of overall disbursement also increased significantly, rising from 2.53% in the year 2019–20 to 3.6% in the year 2020–21 (Soni. S, 2021).

## 5. Challenges and Recommendations

### 5.1 Risk Evaluation

It is observed in most states that the disbursement of loans has been equal to or even sometimes more than that of the targets which have been set by the Government. Meeting the targets is a good thing and the same goes for the MURDA loans, but this can also be a problem/threat. By studying the Bank-wise performance we have observed that the major disbursement of the loans is done by

the public sector banks. In MUDRA, as the loans are collateral-free, there is a possibility that the loan disbursed by these banks might just be done to make the target meet without proper risk evaluation. When the loans are collateral-free, then risk evaluation plays an even more significant role. Also, the favorable outcome of the PMMY will highly depend on the risk evaluation of all the projects for which the loans are to be sanctioned.

### **5.2 Problem of Increasing NPA**

It's possible that owing to poor risk evaluation of the projects being funded under PMMY, now PMMY is dealing with an increasing rate of NPAs. By the data published by RBI, only the last one-year NPAs have seen an increase of 126% (Mishra D., 2019). Till now, approx. 30 lakh accounts under PMMY have been declared as NPA, which is almost 20% of the total MUDRA accounts. The amount under NPA is not that high but the pace at which the increase in NPA is certainly an alarming bell to the government, as well as the other financial institutions, and it is about time that some steps need to be taken in this regard. Already, the public banks are dealing with the problem of huge NPAs by the big corporate conglomerates and now the government would not like to have MUDRA as a bad loan.

### **5.3 Credit Assessment**

Assessment of creditworthiness is an important job to do in a country like India. It is an even harder and taxing task when it is for micro and small businesses as they usually don't tend to have a credit history. To tackle the problem of the credit assessment of these micro and small businesses, there should be a provision of one single platform which can show the creditworthiness of such businesses. By adopting such measures, we can considerably reduce the risk of financial institutions and provide them with a hassle-free process.

### **5.4 Geographical Spread**

The geographical spread of the loans disbursed under MUDRA is highly skewed in favor of certain states. From the state-wise performance, this is very evident that states like Tamil Nadu, Karnataka, Maharashtra, and U.P gets the major chunk of the pie, while states from the North-East which are already lagging in the economic development get a very small share. The top 10 states in the list have almost 70% of all the MUDRA loans/amounts disbursed (Annual Report, 2021-22). The government needs to address the inequity in the disbursement to make the distribution more equitable, as the more economically backward areas of the country need special treatment, so that like MUDRA pave a new path for economic development in those states.

### **5.5 Simplification of the Process**

In India, where financial literacy is low, there is a need for awareness about the scheme as well as the need to simplify the process of securing and obtaining the loan under MUDRA Yojana. There has been a significant increase in the banking habits of the Indian population after the programs like PMJDY, PMMY, and others but, this can only be seen as a start. To make this scheme a successful program, the government needs to start an awareness campaign that can make the program reach the people for which it is intended, the people who are still devoid of such financial opportunities. Also, the government needs to simplify the rules regarding the program so that more and more people can secure loans under MUDRA Yojana.

## 5.6 Credit Recovery

With the ever rise in the NPA under MUDRA yojana, credit recovery is one department where government and other financial agencies need to give a serious look. Though the NPA till now is just about 20% of the total the pace at which it is increasing is definitely an alarming situation, and a solution to this problem needs to be found. Credit recovery needs to be stricter, and this must be made sure by the government and other financial agencies that the loans under PMMY don't turn into bad loans.

## 5.7 Focus on Rural India

Indian economy is going through rural distress. Agriculture has become a non-profitable vocation thus we are observing more and more migration of the rural population to the cities. With uncertainty in their lives, the people in rural India are living under the constant threat of drought or flood, or any other natural calamities. Programs like MUDRA yojana can give an alternative to the youth in rural areas to look beyond agriculture and see for other avenues for employment. Unemployment in rural parts of India is all-time high and this has been the cause of social unrest. MUDRA can help in both stopping the rural migration and solving the problem of unemployment in the rural parts. MUDRA is seen as a program that can bring prosperity to rural India and end rural distress.

## 6. Conclusion

Pradhan Mantri Mudra Yojana in the past five years from the day of its conception has revolutionized the way small loans were distributed in India. Securing loans by micro and small businesses has been easier and hassle-free which has boosted the growth of the MSME sector. Although, there has been a regular concern of the people from the MSME sector that the amount which is disbursed under MUDRA loans under different schemes is not sufficient to meet the needs of their businesses.

MUDRA Yojana has paved the path for the youth of the country towards becoming entrepreneurs by providing them with financial as well as non-financial assistance. Now the youth, especially from backward and marginalized sections of society, are opting for becoming entrepreneurs and becoming their own bosses rather than making themselves available to the job market. This yojana has helped millions to get better opportunities to improve their lifestyle and has helped them to break away from the shackles of poverty. Mudra Yojana has allowed millions to escape from the archaic condition of backward and marginalized sections of society, mainly those who are semi-skilled and not so well educated.

With the motto of "funding the unfunded" Pradhan Mantri Mudra Yojana is aimed at the deprived and underprivileged section of society. Even though being a great policy on paper the reality is far from it, and it deals with so many challenges on the ground level and the level of implementation. Because of these challenges, situations like the rise in NPA, and skewed distribution of loans on the caste line and among different states.

The MUDRA Yojana has also been successful in attracting many first-time loan takers because of factors such as – ease of access, low-interest rates, collateral-free, and an element of security. MUDRA loans have made a positive impact on the bottom line of MSMEs, but the value of loans

sanctioned is not aligned with MSMEs' business requirements. The potential of the micro sector to generate employment and sustain a livelihood, the sector has ever been credit-starved due to a variety of reasons including lack of credit history, inability to provide security/collaterals, etc. These factors effectively debilitate entrepreneurship, employment generation, economic activity, and the livelihood support of millions.

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