

Overview and Trends in Pradhan Mantri Mudra Yojna

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Abstract

This research analyses the implementation trends of the Pradhan Mantri Mudra Yojana (PMMY) from 2016 to 2023, a scheme launched to provide collateral-free credit up to ₹10 lakh (later ₹20 lakh) to non-corporate, non-farm micro-units in India. The PMMY, which aims to promote financial inclusion and self-employment, operates through the Micro Units Development and Refinance Agency (MUDRA) and a network of lending institutions. The study utilizes percentage analysis to evaluate changes in disbursement patterns across Shishu (loans ≤ ₹50,000), Kishore (₹50,001-₹5 lakh), and Tarun (₹5-₹10 lakh) categories. Findings indicate a dramatic growth in overall loan disbursements, formalizing and funding previously underserved sectors, with a total of 28.89 crore loans disbursed. The scheme has shown remarkable progress in outreach, particularly among women entrepreneurs (68% of accounts) and disadvantaged groups (51% to SC/ST/OBC borrowers). While the "Shishu" category initially dominated, there's a growing share of Kishore and Tarun loans over time, reflecting increasing credit needs. The study also notes a decline in loan disbursements during the COVID-19 pandemic, followed by a strong rebound, demonstrating the scheme's resilience. Despite its success in enhancing formal credit access and fostering business creation, particularly for women, some critiques suggest that PMMY has not dramatically shifted overall credit structures or significantly accelerated growth beyond pre-existing trends. Challenges include persistent issues in borrower awareness and inter-scheme coordination, along with rising Non-Performing Assets (NPAs) in the Shishu segment of public-sector banks. The research concludes that PMMY has significantly widened outreach and promoted inclusive lending, emphasizing the need for continued support for small borrowers, facilitation of loan progression, targeted outreach in underserved areas, and improved monitoring.

Key words: Pradhan Mantri Mudra Yojana (PMMY), Micro and Small Firms (MSEs), Financial Inclusion, Non-Performing Assets (NPAs), Self-employment, Economic activity

1. Introduction

Micro and small firms (MSEs) are the cornerstones of the Indian economy but have been traditionally subjected to severe financial exclusion. Over 6.3 crore in number in India, the MSME industry accounts for about one-third of the country's GDP and provides employment to nearly 22 crore individuals. Though economically relevant, an enormous majority of such micro-firms have long battled with accessing prompt and sufficient formal credit. Reasons like absence of credit history, lack of collateral, and informality in

business made most entrepreneurs dependent on high-interest rate moneylenders operating in the informal sector, thus limiting the growth and viability of micro-enterprises. An RBI committee in 2019 estimated an MSME credit gap of ₹20-25 lakh crore. Report of the expert committee on MSMEs, highlighting the size of unmet credit demand at the bottom of the enterprise pyramid. This background gave a robust push to policy action to “fund the unfunded” and bring these underserved entrepreneurs into the organized financial sector. The Pradhan Mantri Mudra Yojna was launched on 8 April, 2015 with the key objective of ‘funding the unfunded’. It was designed against this background as a focused initiative to broaden financial inclusion for micro-entrepreneurs by extending access to up to ₹10 lakh collateral-free credit to non-corporate, non-farm micro- units. The program is initiated by establishing the Micro Units Development and Refinance Agency (MUDRA) under the wing of the Ministry of Finance with an institutional framework that uses a broad spectrum of financial intermediaries. Instead of lending itself, MUDRA acts as a refinancing and support institution, and the actual disbursement of loans is done by a large network of Member Lending Institutions (MLIs) such as public and private sector banks, regional rural banks (RRBs), small finance banks, non-banking finance companies (NBFCs), and microfinance institutions (MFIs) (Micro Units Development and Refinance Agency Ltd, 2023). This collaborative structure was designed to utilize the existing reach of banks and MFIs to channel credit to micro-entrepreneurs at the grassroots. RBI’s enabling guidelines, such as classifying such loans under priority sector lending and obligating banks not to insist on collateral for loans up to ₹10 lakh provided further support to this framework, aligning regulatory incentives with the scheme’s objectives.

The Pradhan Mantri Mudra Yojana was created with a series of transparent developmental goals. Generally, the scheme aims to promote financial inclusion, encourage self-employment and micro-enterprise development, and generate economic activity at the ground level, by integrating marginalized entrepreneurs into the formal credit market, PMMY hopes to enable them to establish or grow their businesses, which in turn can generate income, jobs, and localized economic development.

This research aims to analyse the Implementation trends of PMMY from the year 2016 to 2023.

2. Literature Review

The Pradhan Mantri Mudra Yojana (PMMY), is India’s flagship microcredit scheme aiming to “fund the unfunded” by extending collateral free loans (up to ₹10 lakh, later ₹20 lakh) to non-corporate, non-farm MSMEs. Unlike bank led programs, PMMY operates through the Micro Units Development and Refinance Agency (MUDRA Bank) and partner lending institutions (banks, NBFCs, MFIs). Scholarly analyses emphasize its intent to bridge credit gaps among small entrepreneurs and foster financial inclusion (George, 2020; Press Information Bureau, 2023). Financial inclusion literature notes mixed evidence on microcredit, while it can empower marginal borrowers, concerns about sustainable impact and indebtedness persist (George, 2020). In India specifically, studies observe that PMMY has dramatically expanded the formal credit base for micro-enterprises, especially among women and disadvantaged groups, but some question its ability to alter broader lending trends.

Analyses of outreach and implementation highlight rapid growth in PMMY accounts and disbursements. Government reports and press releases document that by early 2023 PMMY had sanctioned over 40.8 crore loans totaling about ₹23.2 lakh crore. Notably, about 68% of these accounts were to women entrepreneurs and 51% to SC/ST/OBC borrowers, underscoring gender and social inclusion gains. State-level studies (Chandrasekhar, 2019) find that the largest loan volumes were in high-burden states (e.g.

Tamil Nadu, Karnataka, Maharashtra), while regionally the Eastern and North-Eastern zones accounted for a large share of loan counts. Monitoring reports (NITI Aayog, 2024) and industry analyses (MFIN, 2024) show that most PMMY accounts fall in the smallest “Shishu” category (loans \leq ₹50,000), around 60-90% of accounts in early years reflecting deep reach to micro-units. However, over time larger Kishore (₹50,001-5 lakh) and Tarun (₹5-10 lakh) loans gained share of sanctioned amounts, indicating rising demand for bigger credit (NITI Aayog, 2024; MFIN, 2024).

The impact and effectiveness of PMMY has been examined in several Indian studies. Qualitative and quantitative reviews generally agree that PMMY has enhanced formal credit access for micro-entrepreneurs (Press Information Bureau, 2023; Chandrasekhar, 2019), with evidence of positive links to enterprise creation and women’s empowerment (MFIN, 2024). For instance, one analysis notes a “positive interconnection between microcredit, entrepreneurship and women’s empowerment” under PMMY (Chandrasekhar, 2019). At the same time, George (2020) and other scholars caution that the scheme has not significantly changed long-term credit trends; PMMY lending largely followed existing MSME credit patterns, raising questions about its additionality. Empirical assessments find high repayment rates among Mudra borrowers, but also relatively elevated non-performing assets (~11-12% of PMMY credit, per NITI Aayog). Most bad loans have been reported in the Shishu segment of public-sector banks. Evaluations note persistent challenges in implementation such as borrower awareness, inter-scheme coordination, and monitoring that affect outcomes (George, 2020; NITI Aayog, 2024). Nonetheless, official analyses and academic studies uniformly highlight that PMMY has significantly widened outreach. Total loan accounts grew from nil in 2015 to tens of crores by 2022, indicating progress toward financial inclusion goals (Press Information Bureau, 2023; MFIN, 2024).

3. Methodology

This research uses percentage analysis to evaluate changes and behaviours over time in the disbursement patterns between different categories in the PMMY. It assesses data for 8 years from 2016 to 2020 to arrive at conclusions. It takes average loan size and number of loans disbursed over the period cumulatively and percentage changes in loans disbursed and their value across different categories- Shishu, Tarun and Kishor.

4. Results and Analysis

Performance of Pradhan Mantri Mudra Yojna (PMMY)

Table: 1.1

Overall Performance of PMMY

Year	No. of Disbursed Account	% Change in No. of Disbursed Account	Average Loan Size (in Rupees)	% Change in Average Loan Size
2016	3,48,81,000	-	38,116.66	-
2017	4,81,30,593	38	51,201.82	34.33
2018	5,98,70,318	24.39	52,081.13	1.72

2019	6,22,47,606	4	52,968.30	1.70
2020	5,073,5046	-18.49	61,447.46	16.01
2021	5,37,95,526	6	61,604.00	0.25
2022	6,23,10,598	15.83	72,286.90	17.34
2023	6,67,77,013	7	79,721.75	10.29

Source: PMMY: Annual Report 2023-24

In financial year 2016-17, 3.48 crore accounts were disbursed loan with average size of Rupees 38116.67. In financial year 2017-18, the growth of 38% in number of accounts was largest and growth of 34.33% in average size of loan was largest; the outreach performance improvement of PMMY was highest in this year during entire study period from 2016-17 to 2023-24. Financial year 2018-19 also witnessed handsome growth of in number of accounts disbursed loan. The growth in average size of loan was also positive with 1.72% improvement in this year. In fact, PMMY outreach quantity as well as quality improved during pre-COVID period from 2016-17 to 2019-20.

In first COVID pandemic year 2020-21, the number of loans disbursed declined substantially although the growth of 16.01% in average size of loan improved the quality of loan to the extent of decline in quantitative outreach of PMMY. In the next and the last pandemic year 2021-22, number of accounts-disbursed loan grew at a dissent rate, although average loan size remained constant.

In the post pandemic year from 2022-23 to 2023-24, Outreach of PMMY in terms of quantity and quality improved with a good pace at all India level.

Table: 1.2

Performance of PMMY under Shishu Category

Year	Disbursed Accounts	Loan % Change in Disbursed Accounts	Disbursed Loan Size (in Rupees)	% Change in Disbursed Loan Size
2016	32401000	-	19143.75791	-
2017	42,669,795	31.69	24426.65825	27.60
2018	51,507,438	20.71	27112.88999	11.00
2019	54490617	5.79	29879.08909	10.20
2020	40180115	-26.26	27037.5035	-9.51
2021	41721154	3.83	29713.70351	9.90
2022	43077851	3.25	32873.04188	10.63
2023	41628309	-3.36493573	35501.08173	7.99

Source: PMMY: Annual Report 2023-24

Remarkable progress in outreach of PMMY under Shishu category during pre-COVID period was followed by a massive decline of 26.26% decline in number of accounts-disbursed loan and 9.51% decline in average size of loan in financial year 2020-21. Growth in number of accounts disbursed loan remained subdued, although growth was positive in two years out of three from 2021-22 to 2023-24. While average loan size increased with good pace over this period.

Table: 1.3

Performance of PMMY under Kishore Category

Year	Disbursed Loan Accounts	% Change in Disbursed Accounts	Disbursed Loan Size	% Change in Disbursed Loan Size
2016	20,70,000		1,98,421.6	
2017	46,53,874	124.82	1,78,769.5	-9.90
2018	66,06,009	41.95	1,51,177.5	-15.43
2019	64,71,873	-2.03	1,41,268.2	-6.55
2020	94,86,160	46.58	1,34,132.3	-5.05
2021	1,10,88,206	16.89	1,20,298.1	-10.31
2022	1,79,15,912	61.58	1,12,155.6	-6.77
2023	2,36,30,890	31.90	1,08,795.7	-3.00

Source: PMMY: Annual Report 2023-24

Financial year 2019-20 was exception when quantitative outreach of PMMY declined, otherwise growth in number of accounts-disbursed loan under Kishore category was high in all the years from 2016-17 to 2023-24; Quantitative outreach of PMMY improved manifold over this period. On the other hand, the loan size continuously declined in all these years to reach at Rupees 108795.7 in financial year 2023-24 from Rupees 198421.6 in financial year 2016-17; a decline of 45.05%.

Table 1.4

Performance of PMMY under Tarun Category

Year	Disbursed Loan Accounts	% Change in Disbursed Accounts	Disbursed Loan Size	% Change in Disbursed Loan Size
2016	4,10,000	-	7,28,140.5	-
2017	8,06,924	96.81	731,,323.5	0.44

2018	17,56,871	117.72	4,11,480.6	-43.73
2019	12,85,116	-26.85	5,87,301.1	42.73
2020	10,68,771	-16.83	7,09,946.3	20.88
2021	9,86,166	-7.73	7,50,826.9	5.76
2022	13,16,835	33.53	8,19,214.3	9.11
2023	15,17,814	15.26	8,39,885.5	2.52

Source: PMMY: Annual Report 2023-24

Accounts-disbursed loan saw high growth in consecutive years of 2017-18 and 2018-19 to reach at its peak of 17,56,871 accounts-disbursed loan in 2018-19. Since then, Quantitative outreach of Tarun rapidly declined until end of financial year 2021-22. Quantitative outreach trend again reversed with high growth in number of accounts-disbursed loan post-COVID. On the other hand, average loan size declined from 2016-17 to 2018-19. Since then, the average size of loan increased in all the year. years, 2022-23 and 2023-24, high growth in number of accounts-disbursed loan increase by 33.53% along with descent improvement in quality of Tarun outreach post-COVID sounds well from sustainability point of view.

5. Discussion

There is dramatic growth in the overall loans disbursed under the Mudra Yojna over the years and it has done a stellar job in formalising and funding the previously underserved sector by providing a total of 28.89 crores in loans. High growth of loans disbursed under Shishu and Kishore category It also mildly corroborates towards the phenomenon of ‘missing middle’ which states that industries in developing countries like India are dominated by a disproportionate plethora of medium size enterprises and a few large firms. This also signals towards the focus of the scheme on very small enterprises and new borrowers, which is great from an inclusiveness standpoint. The longevity of such trends validates the original justification of PMMY, there was an acute need to lend small amounts of money to millions of underfunded or unfunded micro enterprises and fulfilling these needs could help unleash grassroots investment and growth. The growth in Kishor category was impressive after its launch up until 2019 and saw a decline until 2021, and the recovery in the growth of the Kishor category has been a little underwhelming and is still far from pre covid times in the category. This could be attributed to several factors such as higher credit risk involved in the higher loan size or larger operational cost on large amounts of loans. Barring shocks to the economy such as covid pandemic, the performance of Mudra has been towards an upward curve and is impressive. Even during the COVID-19 shock aftermath, PMYY loans acted in a supportive function in reviving micro- enterprises. Numerous tiny units that went out of operation during the lockdown were able to resume and redirect their business model through mudra lending. (IDR, 2021). From the above data we can interpret that PMYY has been widely successful scheme in providing credit to micro small and medium enterprises across the decade since its launch.

6. Policy Implications

- Enhance support for small borrowers: Given the persistently high share of Shishu loans and associated risks (e.g. higher NPAs in this category), policies should focus on financial literacy, business training and monitoring for first-time Mudra borrowers. Strengthening linkage with business development services can improve loan utilization and repayment.
- Facilitate progression: Data show growing demand for larger Kishore and Tarun loans. Policymakers should ensure smooth graduation paths (e.g. Tarun-Plus category up to ₹20 lakh) with adequate guaranteed cover. Expanding credit guarantee schemes (e.g. CGTMSE/CGFMU) and channelling refinancing to high-performing small businesses can sustain this trend.
- Target under-served areas: Regional disparities indicate a need for targeted outreach in low-penetration states/regions (e.g. North-East, low-income districts). Customized campaigns through local banking correspondents and partnerships with microfinance networks can drive credit into underserved communities.
- Focus on women and minorities: The scheme's success among women (~68% of accounts) suggests that continued emphasis on gender sensitive lending (e.g. simplified procedures for female entrepreneurs) should be maintained and scaled. Similarly, maintaining prioritized quotas and support for SC/ST/OBC borrowers (51% of accounts) is important to sustain inclusive growth (Press Information Bureau, 2023).
- Improve monitoring and coordination: Academic critiques highlight implementation gaps. Policymakers should integrate PMMY data systems with other MSME schemes (e.g. Udyam, Jan Dhan) to avoid overlap and better measure impact. Regular impact assessments (like the recent NITI Aayog study) and field feedback loops can refine scheme design. Emphasizing rigorous evaluation will help adjust interest subventions, guarantee terms, or outreach strategies in line with observed outcomes.

7. Conclusion

PMMY saw explosive growth from FY2015-16 onward, with annual loan sanctions rising sharply each year (peaking before 2020). Cumulatively, by March 2023 it covered ~40.8 crore accounts (~₹23.2 lakh crore). After a Covid-19 dip, volume rebounded strongly, reflecting scheme resilience (MFIN, 2024). The scheme's outreach is notably high for women (~68% of accounts) and marginalized communities. Regionally, outreach is uneven, Eastern/North-Eastern states lead in account counts, while Southern states account for a larger share of loan value (Chandrasekhar, 2019). Northeast and smaller states remain under-served relative to population. PMMY portfolios are still dominated by small "Shishu" loans, roughly 60-90% of accounts in initial years. However, the share of Kishore and especially Tarun categories has grown over time. By FY2021-22, Shishu made up ~72% of new accounts (down from ~89% in FY2015-16), while Kishore/Tarun combined rose to ~28%. In terms of sanctioned amounts, the larger Tarun loans grew substantially, initial Tarun disbursements were 26% of volume in FY2015-16, rising to ~43% by FY2021-22 (with Kishore ~39% and Shishu ~18%). The Shishu-Kishore-Tarun mix reflects growing credit needs, as

enterprises mature or requirements increase, borrowers are shifting to higher loan slabs. Nonetheless, most borrowers remain at the micro-enterprise stage, and trading and service sectors continue to dominate PMMY lending. Academic reviews note that the design (e.g. easy documentation) enabled many first-time borrowers to enter the formal system, but also that multiple layers of schemes (Mudra plus MSME and Jan Dhan) complicate tracking additional impact (George, 2020).

Several studies conclude that PMMY has materially improved formal credit flow to small entrepreneurs and fostered business creation, especially for women (Press Information Bureau, 2023; Chandrasekhar, 2019). Yet critiques in the literature emphasize that it has not dramatically shifted overall credit structure or accelerated growth beyond pre-existing trends (George, 2020). Performance issues such as rising NPAs in the smallest loans (especially during Covid) are noted. Overall, the trend is positive, inclusive lending has increased, but the “depth” of impact (in terms of productivity or poverty reduction) remains subject to ongoing study.

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