



From Microfinance to MUDRA: An Evaluation of Credit Availability and Outreach in India

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ABSTRACT

Microfinance has long played an important role in expanding access to credit for low-income households and micro-enterprises in India. However, limitations related to scale, coverage, and institutional reach highlighted the need for a broader and more inclusive credit framework. In this context, the Pradhan Mantri Mudra Yojana (PMMY) was introduced with the objective of strengthening formal credit access for micro and small enterprises and enhancing financial inclusion. This study examines the transition from a predominantly microfinance-based credit environment to the MUDRA framework and evaluates the performance of PMMY in terms of credit availability and outreach.

The paper adopts a descriptive and analytical approach based on secondary data from official sources. It first reviews the status of microfinance in India prior to the introduction of PMMY and outlines the rationale behind the launch of the scheme. Credit availability in the pre-MUDRA period is then compared with trends observed after the implementation of PMMY, focusing on indicators such as loan outreach, volume of disbursement, and growth in credit access. This comparison enables an assessment of how far PMMY has contributed to expanding the scale and reach of institutional credit beyond the limitations of earlier microfinance mechanisms.

The analysis indicates a significant expansion in credit availability and outreach in the post-MUDRA period. PMMY demonstrates wider coverage and sustained growth, suggesting that the scheme has been more effective in reaching a broader segment of micro-enterprises. To further assess performance patterns, the study examines the performance of the top ten states under PMMY and explores regional penetration to identify similarities and dissimilarities between microfinance-driven

credit access and MUDRA-based lending. While variations in performance across states are evident, the results highlight a concentration of outreach in leading states alongside a gradual improvement in penetration across regions.

Overall, the findings suggest that PMMY has strengthened the formal credit delivery framework in India by complementing and extending the reach of microfinance. The study underscores the importance of large-scale government credit schemes in enhancing financial inclusion and provides insights into regional and structural aspects of credit outreach. The paper contributes to the ongoing discourse on inclusive finance by offering an evaluative perspective on the evolution of credit access from microfinance to MUDRA in India.

Keyword: Microfinance, Government of India, Micro-credit, Pradhan Mantri Mudra Yojana, Credit Availability, Financial Inclusion.

1. INTRODUCTION

Microfinancing is prevalent worldwide, especially in underdeveloped nations. Since it is developing, India must provide low-income families with finance to improve their lives. They should use channels tailored to them. This spawned microfinance, which gives poor people fair loans and other financial services. Giving those without financial services access to microfinance enhances financial inclusion. Low-income people and groups live better with higher earnings, lowering poverty. It fights wealth inequality, aids poverty reduction, boosts entrepreneurship, and empowers women. Several Indian microfinance companies provide loans, insurance, pensions, and other services. India's microfinance sector comprises SFBs, NBFCs, commercial banks, and non-profits. All except Non-Profit Microfinance Institutions are regulated by the RBI. Microfinance can be defined as:

“A collateral free loan given to a household having annual income of up to 3 lakhs”. (RBI, 2022). Earlier the upper limit being 1.2 lakhs and 2 lakhs for rural and urban borrowers respectively.

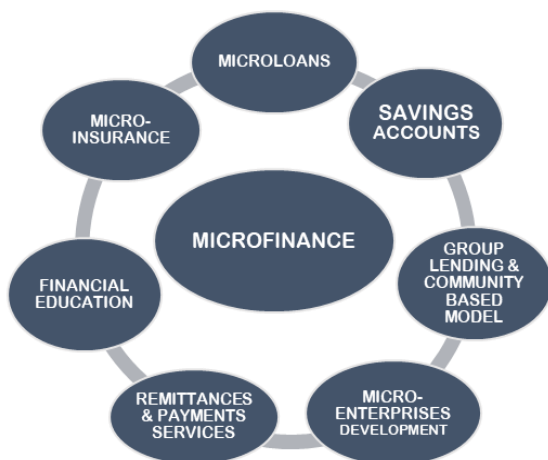


Fig 1: Components of Microfinance
Source: Author Compiled

In India the history of microfinance can be traced back to SEWA Bank, a unit of Self-Employed Women’s Association (SEWA) in Gujarat in 1974. It has significantly contributed to the group of people neglected from the mainstream society’s economy. The microfinance has historically evolved in four phases:

Phase I (up to 1990)	Phase II (1991-1999)	Phase III (2000 - 2012)	Phase IV (2012 and beyond)
This phase is also known as the phase of “old microfinance” where the emphasis was on providing subsidised credit to the poor.	This phase is also known as the phase of “new microfinance” where the focus shifted to providing credit based on market strategy. This phase is outlined by economic reforms and emergence of new financial institutions.	This phase witnessed the changing face and modernization of microfinance with major reforms and changes introduced by the government.	The period where the microfinance structure started to witness considerable shift and restructuring as per the envisioned future growth along with the Microfinance Bill (new), introduced in the Lok Sabha in 2012, and setting up of MUDRA Bank in 2015.

Table 1: Phases of Evolution of Microfinance in India
Source: Author Compiled

The Prime Minister launched MUDRA and the Pradhan Mantri Mudra Yojana (PMMY) to lend to microbusinesses in 2015. MUDRA and PMMY were created to bridge SME lending shortages to enhance economic activity. MUDRA promotes financial inclusion by lending to SMEs and small enterprises without collateral, company accounts, or compelling business concepts. MUDRA united potential microbusinesses via technology, activism, and literacy. MUDRA boosted the microfinance financing environment. Before the Pradhan Mantri Mudra Yojana started, the Indian microfinance sector had a lot of problems that made it hard for small and micro businesses to expand and get help. The goal of the Mudra Yojana was to change the way microfinancing works for small and micro businesses. Some key reasons for launching the Mudra Yojana were:

- Achieving Financial Inclusion - Many rural and semi-urban Indian micro and small companies lacked capital. Limited institutional financial services and products were available. It provided formal banking services to unbanked and underserved groups with collateral-free loans to support their development and financial stability.
- Empowering Small Businesses – Tiny enterprises without corporations or farms have problems receiving loans due to a lack of collateral and stringent documentation. The Mudra Yojana provides collateral-free loans to develop, manage, and expand these enterprises.
- Generation of Employment Opportunities – The Mudra Yojana develops MSEs. The economy is fuelled by these businesses. They employ many rural and semi-urban residents. Mudra Yojana provides funding to these businesses so they may continue to grow and create jobs. Mudra Yojana helps people start businesses and get work. Poverty is decreased, and development is accelerated.
- Targeting Income Inequality – The periphery benefits from Mudra Yojana. Low-income women, SC/ST/OBC, minorities, and others have problems receiving formal credit. Mudra Yojana is a comprehensive policy that enables varied groups to organise their money and acquire loans. This equalises society and wealth.
- Encouraging Entrepreneurship – India draws young inventors and entrepreneurs who need institutional funding to compete. The Mudra Yojana boosts growth and competitiveness via entrepreneurship and innovation. It creates innovative technologies and methods that provide employment, especially for youth.

- Supporting Diverse Sectors – It promotes diverse sectors such as the financial sector, services, commerce, and agriculture, thereby aiding in developing economic and regional balance. Diversification mitigates dependence on a single sector and promotes balanced economic development in India, which is mostly agricultural.
- Risk aversion and cost reduction – Traditional microfinance institutions charged hefty interest. Poor documentation and financial instability led banks to deny SME loans. These enterprises were high-risk and likely to fail, thus banks declined funding. Mudra Yojana's "pro-lending" strategy gives small companies better loans than other banks.

To conclude, the Mudra Yojana was established to address deficiencies in the Indian microfinance sector. It allocates capital to the underserved and disadvantaged, integrating them into microfinance to create an equitable and prosperous economy.

1.1 Need for the Study

Access to institutional credit remains a critical constraint for micro and small enterprises in India. Traditionally, microfinance institutions have played an important role in improving credit access for low-income borrowers; however, their outreach has been limited by small loan sizes, higher costs, and restricted institutional coverage. These limitations highlighted the need for a broader and more scalable credit mechanism to support micro-enterprise growth.

The launch of the Pradhan Mantri Mudra Yojana (PMMY) accounted for a major policy shift targeted at stretching credit accessibility through conventional sources in the banking system. By targeting micro and small enterprises, PMMY sought to bridge lacunae in the prevailing microfinance-led credit framework and optimise financial inclusion. Given the scale and continued expansion of the scheme, it is imperative to ponder the efficacy of PMMY in improved credit availability and outreach compared to the pre-MUDRA period.

While existing studies have examined microfinance and PMMY in different lights, meagre research has assessed the evolution of credit access by linking the pre-MUDRA microfinance environment with post-MUDRA credit expansion under the same lens. Moreover, empirical evidence on regional performance patterns under PMMY remains relatively limited.

In this context, the researcher attempts to examine the transition from microfinance to MUDRA by evaluating changes in credit availability and outreach, along with performance patterns among leading states. Such an assessment is essential for comprehending the effectiveness of PMMY and for informing policy measures aimed at strengthening inclusive credit delivery in India.

1.2 Objectives of the study

- To study the microfinance-based credit environment in India before the introduction of the Pradhan Mantri Mudra Yojana.
- To comparatively analyse the impact on credit availability and outreach in the pre-MUDRA and post-MUDRA periods.
- To evaluate the performance of the Pradhan Mantri Mudra Yojana in terms of credit outreach and growth.
- To examine regional performance patterns under the Pradhan Mantri Mudra Yojana by studying the performance of leading states

1.3 Research Hypotheses

H_0 1- There is no significant difference in the availability of finance for Micro and Small Businesses in India between the Pre-Mudra and Post-Mudra Period

H_0 2 = There is no significant association between the rankings of the states under the Mudra Yojana scheme over the given years

1.4 Limitations of the study

The Researcher has tried to analyse all the data available comprehensively as per the needs of the study; however, the study encounters certain limitations which do not, in any circumstances, impact it's the credibility and reliability.

- The study is based on secondary data obtained from credible government sources therefore, the accuracy of the results obtained depends on the accuracy of the data
- The researcher lacks control over the methodology adopted for the collection of data and the biases that could have influenced the collection of data
- The researcher has consciously limited the number of years according to the needs of the study

2. REVIEW OF LITERATURE

2.1 Microfinance before Mudra

The microfinance initiative has been slow to grow since its 1997-98 founding, but it has helped impoverished and vulnerable populations get credit without collateral. Microfinance performance has improved over time, although it is still inferior to other sectors. The study reveals that SHGs have limited financial resources and have trouble keeping their accounts. Self-Help Group products are unmarketed (Kom et al., 2024) In areas with low market penetration, microfinance institutions should be encouraged to develop branches and provide financial and non-financial services. Interest rates, fees, and interest-free savings vary by MFI. To minimise price confusion, interest rates should be constant and explicit. Lower operating expenses using modern tech. MFIs should diversify finance to boost growth and outreach (Shareef, 2022)

India faces poverty and unemployment due to a shortage of loans for the poor and unemployed. Indian microfinance institutions face client retention, outreach, interest rates, urban poor neglect, low education, loan defaults, and language hurdles (Dey, 2015) The biased Indian banking system prevents SMEs from seeking assistance. Small firms' inadequate collateral, creditworthiness, credit histories, and cash flow raise risk premiums and transaction costs. Financial firms want a company's assets and prospects. MSMEs keep their financial information confidential since there are no laws. The institutions are unable to lend because to poor operating standards, a weak legal framework, and inefficient bankruptcy procedures. Small businesses are risky and expensive to service; therefore, banks prefer bigger ones. MSMEs lack external finance and must rely on their own resources (Biswas, 2015) Poor infrastructure and obsolete technology have also limited loan availability. Loan approval is most difficult without institutional finance and structured banking credit. MSMEs have higher loan interest rates than larger enterprises due to risk and lack of collateral. MSMEs require timely financing. Government legislation must make long-term loans at lower rates for MSMEs easy along with credit rating, evaluation, and better regulation (Kumar Mittal et al., 2014)

2.2 Inception and performance of Mudra Yojana

The Mudra Yojana is a flagship Indian government project that improves financial access for smaller firms in the agricultural, industrial, service, and trade sectors. Many public and private banks, regional rural banks,

state cooperative banks, micro finance institutions, non-banking finance companies, and other financial intermediaries provide loans (Darshana & Tejaswini, 2024). The Mudra Yojana fosters financial inclusion, stimulates economic growth, and generates employment opportunities. It has significantly empowered emerging enterprises nationwide. The initiative has facilitated the establishment of enterprises, increased wealth, and generated employment opportunities (Siddannavar et al., 2024)

India's economy has relied on MSMEs for 50 years. Entrepreneurship and employment rise with low capital costs, second only to agriculture. Pottery, basket weaving, broom and matchstick manufacturing, fruit and vegetable selling, three-wheeler transportation, food services, cottage and small enterprises, handloom and handicraft work and street vending are small firms that rely on indigenous sources for most of their credit. Institutional financing is difficult for other micro companies' underprivileged populations. Poor individuals own 94% of small businesses in OAE. Small-business GDP and employment may benefit from institutional financing. The MUDRA was founded in 2015-16 to "fund the unfunded" micro firms to capitalise on this potential (Edwards A, 2023) The scheme aids in filling the gap between skill development and placements. The scheme is implemented throughout the country; however, its performance is not uniform and varies from region to region (Desai & Thimmaiah, 2023)

The MUDRA plan promotes women's business and entrepreneurial culture, but the many participating organisations lack coordination, and illiteracy hinders a large section of the targeted population from knowing about it. MUDRA loans lack collateral, increasing bank NPAs. Researchers recommend skill development and creditworthiness testing before loan issuance (Shashank & Sureshramana, 2022). The greatest difficulty with this concept is that loan interest rates are inconsistent. The scheme's assistance for SMEs and MSMEs is insufficient owing to a shifting definition of MSMEs. Indian agriculture and associated sectors should be addressed since they are the foundation of the economy (K. M. et al., 2022). The MUDRA Yojana performs differently nationwide. Accounts are mostly "Shishu," although "Tarun" is under-represented. Government must increase Public Sector Bank and Regional Rural Bank involvement. Along with budgetary limits, talent gaps, managerial challenges, and marketing issues must be addressed (Sakthi & Moshi, 2021). MUDRA has generated employment, and the government is promoting financial literacy to foster financial inclusion by targeting illiteracy, gender disparity, and geographic location. Still, there are gaps

in rural development, and more coordination is required at different administrative levels for channelling the resources in the right direction (Singh, V. P., 2021)

3. RESEARCH METHODOLOGY

Component	Description
Research Design	The study adopts a descriptive and analytical research design to examine the evolution of credit access in India from the microfinance-led framework to the implementation of the Pradhan Mantri Mudra Yojana (PMMY).
Nature of Data	The study is based on secondary data collected from official and published sources.
Sources of Data	Data were obtained from reports of the Reserve Bank of India (RBI), NABARD, Ministry of Finance publications, PMMY official reports, and other government documents.
Time Period Covered	The study covers both the pre-MUDRA and post-MUDRA periods to enable comparative analysis of credit availability and outreach trends.
Variables / Indicators Used	<ul style="list-style-type: none">• Number of loan accounts (outreach indicator)• Total amount of loans disbursed (credit volume indicator)• Growth trends in lending• Category-wise distribution of loans under PMMY• State-wise performance indicators for identifying leading states
Analytical Techniques	Descriptive statistical analysis, percentage growth analysis, and comparative trend analysis are used to examine changes in credit availability before and after PMMY.
Ranking Method	A rank-based approach is employed to identify the top-performing states under PMMY and to examine regional penetration patterns.
Scope of Analysis	The study focuses on macro-level credit availability and outreach rather than borrower-level outcomes.

Table 2: Research Methodology at a glance
Source: Author Compiled

4. DATA ANALYSIS

4.1 Performance of Microfinance prior to Mudra Yojana

Despite a liquidity deficit, India's microfinance sector grew in late 2009. Indian microfinance had a CAGR of 86% in borrowers and 96% in loans from 2005 to 2010. The outstanding portfolio grew 14% while debtors grew 33%. The statistics showed industrial strength, but much was still unknown, allowing for growth.

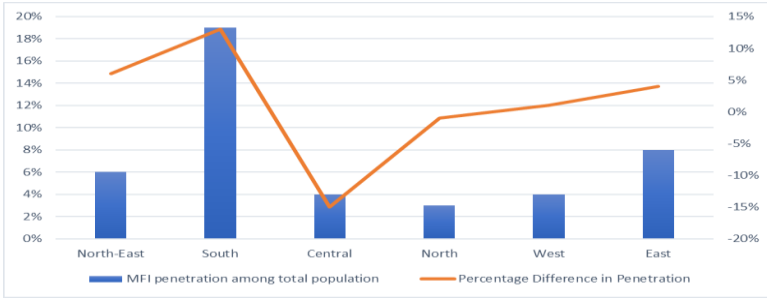


Fig 2: Microfinance Penetration up to 2010
Source: Author Compiled

Indian Microfinance delivery has two main types and includes MFIs and SHGs Figure 2 depicts the countrywide dispersion of MFIs. The South has the most penetration, followed by Eastern and Northern states. This trend highlights the fact that a lot of opportunity awaits the microfinance industry in the Central and North region since the states that fall in this region such as Uttar Pradesh, Madhya Pradesh are rich in resources, both natural and human and the potential of these resources could be exploited in the coming years for a balanced growth of the country as a whole in the area of microfinancing.

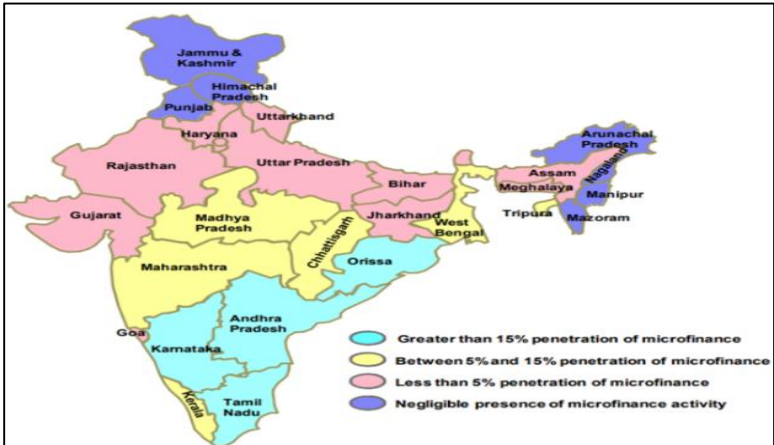


Fig 3. Geographical spread of Microfinance up to 2010
Source: Author Compiled

Microfinance in India was uneven until 2010. Figure 3 depicts uneven microfinance distribution in India. From north to south, microfinance concentration increases. Microfinance is negligible in Himachal, Jammu & Kashmir, Punjab, Arunachal, Nagaland, Manipur, or Mizoram. MFI penetration rates are limited due to difficult terrain, cultural factors that

may limit microfinance acceptance in the region, political instability in certain areas, and security concerns. Microfinance penetration in Haryana, Uttarakhand, Uttar Pradesh, Rajasthan, Goa, Bihar, Jharkhand, Assam, and Meghalaya is less than 5%, which is insufficient to have an impact on the microfinance sectors. These states had a significant future microfinance potential. The Central States of Madhya Pradesh and Chhattisgarh, Maharashtra in Western region and Kerala in Southern region, West Bengal in Eastern Region and Tripura in North-East have up to 15 per cent penetration of microfinance. Andhra Pradesh, Karnataka, Tamil Nadu, and Odisha have pioneered microfinance in India. Over 15% of the population uses microfinance services, making them the most prevalent. Andhra Pradesh has traditionally been a hotbed for innovative microfinancing schemes and successful methods.

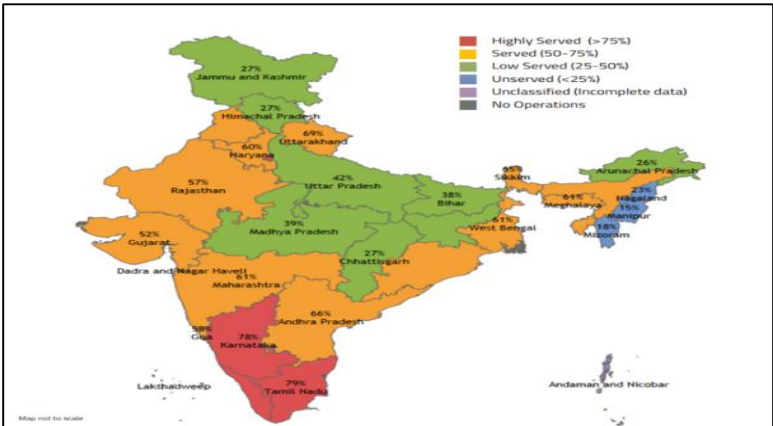


Fig 4: Microfinance Geographical Index India, 2015
Source: Author Compiled

Figure 4 depicts the microfinance penetration in states and union territories as of March 31, 2015. The figure shows that only Puducherry, Kerala, Delhi, Tamil Nadu, and Karnataka are Highly Served, with index values more than 75%. Three of the five states were in the south, demonstrating microfinance organisations' widespread penetration among underprivileged communities. "Served" index ratings range from 50 to 75 percent in 15 states, including Andhra Pradesh, Haryana, Odisha, Punjab, Uttarakhand, West Bengal, Maharashtra, Gujarat, Sikkim, and Meghalaya. Microfinance is available, but these places are not well served. Poor service index levels vary from 25 to 50 per cent in some of the largest and most populated states. Jammu and Kashmir, Bihar, Uttar Pradesh, Madhya Pradesh, Himachal Pradesh, Chhattisgarh, Arunachal Pradesh, and Jharkhand are all represented. Despite

tremendous natural and human resources, many countries lack microfinance, which may have impeded their development. Population expansion, socioeconomic issues, financial illiteracy, and inadequate infrastructure may all restrict microfinance. Mizoram, Nagaland, and Manipur have under 25% microfinance penetration. Microfinance is insufficient to assist these nations. Economic progress needs interventions by the government to overcome physical and political obstacles. There is no microfinance activity registered in "Grey Area," or unoccupied places or Lack of MFIs regional data might be the problem. These regions are Andaman and Nicobar Islands, Lakshadweep, and a small portion of Gujarat and West Bengal.

Prior to the implementation of the MUDRA Yojana in 2015, 28 states had MPIs below 1. This indicates that microfinance lacked popularity or success in some states. The analysis indicates that southern states have a greater concentration than other regions. This required targeted legislative measures to expand microfinance services throughout India.

4.2 Analysing the availability of finance to Micro and Small Businesses in Pre -Mudra and Post-Mudra period

H_0 1- There is no significant difference in the availability of finance for Micro and Small Businesses in India between Pre-Mudra and Post-Mudra Period

Year	Pre-Mudra	Year	Post-Mudra
2008	11,916.53	2016	2,22,662.72
2009	18,594.04	2017	2,69,336.98
2010	30,133.37	2018	3,57,424.41
2011	36,248.17	2019	4,54,877.36
2012	38,341.82	2020	5,65,161.95
2013	45,979.51	2021	4,89,350.05
2014	55,764.58	2022	6,33,935.02
2015	69,097.36	2023	8,79,371.15

Table 3: Analysis of Microfinance availability in Pre-Mudra Period and Post-Mudra Period

Source: Author Compiled

p-value	0.0009391	
95 percent confidence interval:	-595593.2	-233088.8
difference in location	-434098.7	

Table 4: Results of Mann-Whitney U Test

Source: Author Compiled

Since the p-value is less than 0.05 i.e. $0.00 < 0.05$, therefore we reject the Null Hypothesis, which means that there is significant difference availability of finance for the Micro and Small Businesses in India between Pre-Mudra and Post-Mudra period

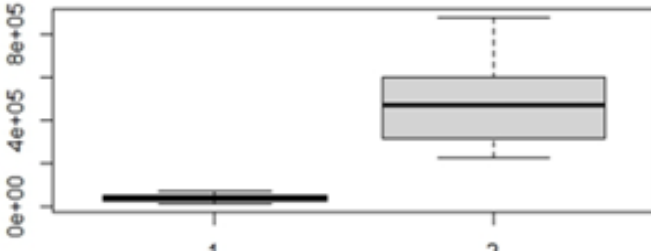


Fig 5: Boxplot of Pre-Mudra and Post-Mudra Period
Source: Author Compiled

The Boxplot of the Post-Mudra period is elevated and broader, indicating a substantial disparity in the amounts distributed between the two periods. There is a substantial rise in the funds distributed during the Post-Mudra period.

Microfinance	116,000.00
MUDRA	322,000.00

Table 5: Medians of Microfinance and Mudra Yojana
Source: Author Compiled

Impact: MUDRA shows the highest impact in terms of the median value of loans, indicating it provides more substantial financial support.

- The scheme with higher variance in its median values would have a more significant impact.
- Based on the medians, MUDRA shows a higher median compared to the traditional microfinance model, suggesting a potentially more substantial impact.

Schemes Year	Shishu			Kishore			Tarun		
	No of A/Cs	Amount sanctioned	Cumulative Amount Sanctioned	No of A/Cs	Amount sanctioned	Cumulative Amount Sanctioned	No of A/Cs	Amount sanctioned	Cumulative Amount Sanctioned
FY 2015-16	324.02	62,894.96	62,894.96	20.69	43,052.55	43,052.55	4.10	31,501.76	31,501.76
FY 2016-17	364.98	85,100.74	1,47,995.70	26.64	53,545.14	96,597.69	5.40	41,882.66	73,384.42
FY 2017-18	426.70	1,06,001.60	2,53,997.30	46.54	86,732.15	1,83,329.84	8.07	60,943.36	1,34,327.78
FY 2018-19	515.07	1,42,345.25	3,96,342.55	66.06	1,04,386.68	2,87,716.52	17.57	74,990.86	2,09,318.64
FY 2019-20	544.91	1,63,528.44	5,59,870.99	64.72	95,578.37	3,83,294.89	12.85	78,358.32	2,87,676.96
FY 2020-21	401.80	1,09,953.34	6,69,824.33	94.86	1,32,516.34	5,15,811.23	10.69	79,289.57	3,66,966.53
FY 2021-22	417.21	1,24,747.37	7,94,571.70	110.88	1,37,644.38	6,53,455.61	9.86	76,718.61	4,43,685.14
FY 2022-23	430.78	1,42,766.08	9,37,337.78	179.16	2,04,007.38	8,57,462.99	13.17	1,09,764.52	5,53,449.66
FY 2023-24	416.28	1,48,937.30	10,86,275.08	236.31	2,62,284.89	11,19,747.88	15.18	1,29,790.67	6,83,240.33
Total	3,841.75	10,86,275.08		845.86	11,19,747.88		96.89	6,83,240.33	

Table 6: Comprehensive overview of Mudra Yojana in India

Source: Annual Report of Mudra Yojana (2015-16 to 2023-24) (Researcher Compilation)

Interpretation

The table shows Shishu, Kishore, and Tarun loan account numbers and sanctioned amounts from 2015-16 to 2023-24. It also highlights the annual totals for accounts established and funds given under all three schemes, with cumulative statistics showing annual growth as new beneficiaries are added. Some of the observations that can be drawn from the Table –

- Consistent Growth – All the schemes of mudra show growth both in amount sanctioned, and number of accounts which indicates wider outreach.
- Lead of Shishu Scheme – The Shishu scheme records the biggest number of accounts and total sanctioned amount, making it the most widely used scheme.
- Inclusivity Efforts – Consistent development across all schemes reflects attempts to serve beneficiaries with varied financial needs.
- Support to Micro Entrepreneurs – Increased sanction amounts under Shishu (loans up to ₹50,000) support small business ventures.
- Support to Medium Enterprises – Growth in Kishore loans (₹50,001–₹5,00,000) shows focus on developing medium enterprises and employment.
- Risk Diversification – Balanced growth across schemes spreads financial support across different borrower categories with multi-business activity approach
- Policy Effectiveness – Striking increases in some years may reflect targeted policy interventions that improved scheme outreach.

- Better Resource Allocation – Growth patterns help in planning resource allocation and future expansion strategies.

	New Entrepreneurs	Women Entrepreneurs	General Category	SC/ST/OBC Category	Minorities Category
CAGR (Accounts)	0.48%	4.97%	8.80%	5.90%	5.40%
CAGR (Amount Disbursed)	12.01%	12.01%	16.70%	15.90%	13.70%

Table 7: CAGR for Different Categories of Beneficiaries
Source: Researcher Compilation

Interpretation

- New Entrepreneurs – The CAGR shows sluggish increase in the number of accounts but a noteworthy surge in the amount disbursed, suggesting few entrants but higher financial support for promising business ventures.
- Women Entrepreneurs – Accounts grew moderately while disbursements increased rapidly, indicating targeted efforts to promote women entrepreneurship and provide stable financial backing.
- General Category – This category shows the highest growth in both accounts and disbursements, reflecting widening and greater opportunities across sectors.
- SC/ST/OBC Category – Moderate growth in accounts and high growth in disbursements highlight targeted efforts to improve financial inclusion for underserved marginalized groups.
- Minorities Category – Moderate account growth with higher disbursements indicates continued financial support aimed at strengthening minority entrepreneurship.

	Shishu	Kishore	Tarun
CAGR (Accounts)	2.80%	31.59%	16.20%
CAGR (Amount Disbursed)	9.90%	22.18%	16.40%

Table 8: CAGR for Different Loan Schemes
Source: Researcher Compilation

Interpretation

- Shishu – Shows slow growth in accounts but moderate growth in disbursements, suggesting higher funding per beneficiary or that most target users have already been reached.
- Kishore – Records the highest growth in accounts and strong growth in disbursements, indicating increasing popularity and successful expansion of the scheme.
- Tarun – Accounts and disbursements are growing at similar rates, reflecting steady and balanced expansion of outreach and financial support.
- General Inferences
- Growth Dynamics – The Kishore scheme shows the fastest expansion in accounts, while Shishu records modest account growth but increased disbursements despite smaller loan sizes.
- Balanced Approach – The Tarun scheme demonstrates steady growth in both accounts and disbursements.
- Strategic Focus – Kishore focuses on expanding outreach, whereas Tarun supports a smaller but stable group of beneficiaries.

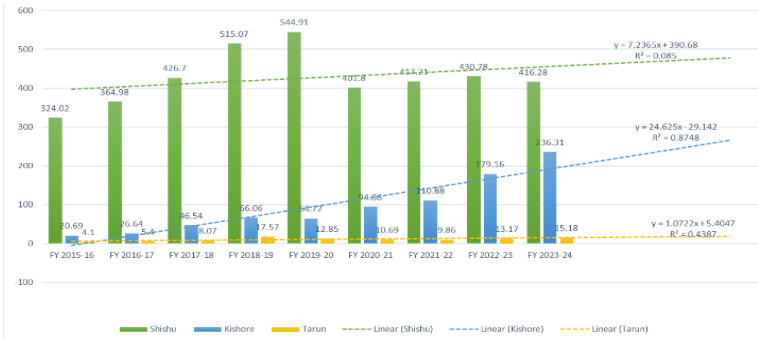


Fig 6: Finance sanctioned under Shishu, Kishore & Tarun (Year wise)
 Source: Researcher Compilation

Following the 2019-20 period, the Shishu scheme’s finances have dropped, forcing an inquiry into the root causes and remedial steps to restore growth. The Tarun plan serves a small group of beneficiaries and shows continuous growth, indicating stability. Fig 6 and Fig 7 display a variety of development patterns throughout the three schemes, with each demonstrating different tendencies. The Kishore plan is doing well, but Shishu and Tarun’s growth rates vary.

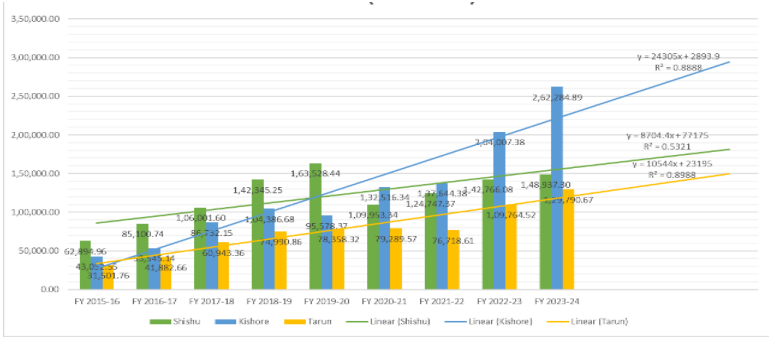


Fig 7: Amount sanctioned under Shishu, Kishore & Tarun (Year wise)
Source: Researcher Compilation

Implications Derived from charts:

- Policy Implications -Positive trends across all programs point to effective initiatives, policies, and increased financial support for recipients over time. The following growth of Kishore and Tarun reflects deliberate attempts to develop these fields. The increase in sanctioned amounts in India represents progress in financial inclusion and assistance for small and medium-sized businesses
- Economic implications - Shishu after Covid exhibits perseverance and healing. This demonstrates that government economic policies are successful.
- Strategic Implications - The Shishu and Tarun plans are stable and well-executed, while Kishore's growth trajectory shows the effect of external influences on its extension, prompting more investigation.

Year	Karnataka	Tamil Nadu	Maharashtra	Uttar Pradesh	Madhya Pradesh	West Bengal	Bihar	Gujarat	Odisha	Rajasthan
2015-16	1	2	3	4	5	6	7	8	9	10
2016-17	2	1	3	5	7	4	6	10	9	8
2017-18	2	1	3	4	7	5	6	10	9	8
2018-19	2	1	4	5	8	3	6	10	9	7
2019-20	3	1	4	2	8	6	5	10	9	7
2020-21	1	4	6	3	8	2	5	0	9	7
2021-22	5	3	6	2	8	1	4	10	9	7
2022-23	4	3	6	1	7	5	2	10	9	8
2023-24	4	2	6	1	8	5	3	10	9	7
Total of Ranks	24	18	41	27	66	37	44	78	81	69

Table 9: Ranking of top 10 states for calculation of Kendall's Tau
Source: Researcher Compilation

Null Hypothesis

$H_0 2 =$ There is no significant association between the rankings of the states under the Mudra Yojana scheme over the given years

p value	0.00000002
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Table 8: Results of Kendall's Tau

Source: Researcher Compilation

The p-value is less than 0.05 i.e. 0.00, therefore we fail to accept the Null Hypothesis. Which implies that there is a significant association between rankings of the states under Mudra Yojana scheme.

Interpretation:

The researcher concluded the following using Kendall's Tau: The null hypothesis is rejected since the p-value is 0.00. Thus, it implies a statistically significant link between state rankings over time. State rankings under the approach are not random; they show a pattern over time. The data show that Mudra Yojana state rankings are connected. Ranking correlation may indicate state-wide performance consistency rather than random variance. Some underlying factors that could influence the states' rankings might be efficiency of scheme implementation, economic conditions and state-level policies.

Recommendations Based on Results of Kendall's Tau

- Best Practices - States that regularly do well should share their best practices with trailing states to help them improve.
- Targeted efforts - The government should collaborate with local agencies and financial institutions that are familiar with area demographics and economies to develop targeted initiatives. These many activities should enhance infrastructure, accessibility, and awareness.
- Robust Monitoring—developing a thorough monitoring and evaluation system to accurately track state progress and change implementation strategies.

Thus, by leveraging these insights, the policymakers can strive towards achieving a better performance of the scheme in the states that have been consistently ranking low and ensure that the scheme is able to reach a wider audience.

5. CONCLUSION

Indian MSMEs are critical to job generation. These small businesses specialise in weaving, ceramics, fruit and vegetable selling, handloom manufacturing, handicrafts, beauty, and culinary services. These entrepreneurs depend on their families for financing. Access to institutional money may transform these tiny businesses into economic growth and job creators, increasing GDP. The Indian government has taken many initiatives to promote the growth, development, and well-being of micro and small businesses. Despite repeated efforts, micro and small businesses lacked the necessary collateral to get government financing. Banks regarded tiny enterprises too risky to lend to because of their fragile financial structures, poor management, and inadequate record-keeping. Thus, Micro and Small Businesses, especially those managed by economically disadvantaged individuals, required a proactive program that offered both financial and non-financial assistance. Mudra promoted microfinance in India. The Mudra Yojana seeks to finance the unbanked. The South has always taken the lead in microfinance and Mudra Yojana implementation. However, a key observation is that some poor performing states in microfinance such as Uttar Pradesh is a top performer under Mudra. To alter and implement microfinance programs in underperforming states, government policies and procedures must be reviewed. Mudra is a flexible refinancing and credit guarantee option for lenders. According to the research, Mudra has increased annually since its inception. The expected growth means that beneficiaries will continue to enjoy the program. Unlike previous projects, the strategy is always developing. Keeping momentum involves periodic modifications and revisions while being adaptable to shifting demands. The approach is effectively reforming SMEs throughout the country. Overall, the growth and outreach of Mudra Yojana is far greater than traditional microfinance lending system. Since its inception, Mudra has surpassed the performance of previous schemes, expanded credit and catered to a wider beneficiary base.

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