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An Analysis of Pradhan Mantri Mudra Yojana with Special Reference to Entrepreneurship Development in India

Ankit Kumar Verma ¹, Prof. M. K. Shastri ²

¹ Research Scholar, Dept. of App. Bus. Eco. (Faculty of Commerce) RBS College, Agra

² In-charge, Dept. of App. Bus. Eco. (Faculty of Commerce) RBS College, Agra

ABSTRACT

The Pradhan Mantri Mudra Yojana (PMMY), launched by the Government of India on 8th April 2015, is a major initiative aimed at supporting small and micro entrepreneurs who often struggle to access loans from formal banking institutions and are forced to depend on informal moneylenders charging high interest rates. In a country like India, where a large section of the population depends on small businesses such as retail shops, manufacturing units, service enterprises and home-based ventures for their livelihood, lack of financial support becomes a major barrier to growth. PMMY was introduced to bridge this gap by offering collateral-free loans of up to ₹20 lakh to individuals who want to start or expand their businesses. The scheme follows a structured lending approach through four categories—Shishu (up to ₹50,000), Kishore (₹50,001 to ₹5 lakh), Tarun (₹5 lakh to ₹10 lakh) and Tarun Plus (₹10 lakh to ₹20 lakh) so that entrepreneurs can receive funding according to the stage of their business. The scheme is implemented through a wide network of lending institutions, including public and private-sector banks, regional rural banks, cooperative banks, small finance banks, non-banking financial companies (NBFCs), and microfinance institutions (MFIs), ensuring that financial assistance reaches both urban and rural areas. This research paper provides a detailed description of the major institutions that provide Mudra loans and examines the increase in the number of entrepreneurs following the scheme's introduction. The findings show that PMMY has strengthened financial inclusion by bringing first-time borrowers into the formal banking system and has encouraged self-employment by making credit

more accessible and affordable. As a result, the scheme has contributed to job creation, business growth, and the strengthening of the grassroots economy, making PMMY an important pillar in promoting entrepreneurship and inclusive economic development in India.

Keywords: Pradhan Mantri Mudra Yojana (PMMY), Micro and Small Entrepreneurs, Entrepreneurship Development, Small Businesses.

1. INTRODUCTION

India is one of the fastest-growing economies in the world, where a large part of the population depends on small and micro businesses for their daily livelihood. Millions of people earn their income through small shops, street vending, tailoring units, repair services, small manufacturing and other self-employment activities. These micro and informal enterprises play a vital role in providing jobs and supporting families, especially in rural and semi-urban areas. However, one of the biggest problems faced by these small entrepreneurs is the lack of financial support from formal banking institutions. Due to low income, lack of documents and absence of collateral, they are often unable to get loans from banks and are forced to depend on local moneylenders who charge very high interest. To solve this serious problem, the Government of India launched the Pradhan Mantri Mudra Yojana (PMMY) on 8th April 2015. The main aim of this scheme is to provide easy, affordable and collateral-free loans to small entrepreneurs so that they can start new businesses or expand their existing ones. PMMY mainly supports non-corporate, non-farm micro and small enterprises, helping them become financially independent. By making institutional credit easily available, the scheme has reduced the dependence of small business owners on informal sources of money. PMMY also plays an important role in promoting financial inclusion by bringing small entrepreneurs into the formal banking system. When people get loans through banks, they also open bank accounts, use digital payments and become part of the organised financial structure. This not only improves their financial security but also strengthens the overall economy. The scheme helps in generating employment, increasing income levels and encouraging self-reliance among individuals. It also supports innovation and entrepreneurship at the grassroots level by giving people the confidence to invest in their business ideas.

Under PMMY, loans are provided through four categories based on the stage and needs of the business - Shishu, Kishore, Tarun, and Tarun Plus. The Shishu category offers loans up to ₹50,000 to individuals who are just starting their business. The Kishore category provides loans from ₹50,001 to ₹5,00,000 for businesses that are in the early stage of growth.

The Tarun category supports more established enterprises by offering loans from ₹5,00,001 to ₹10,00,000. In 2024, the government introduced Tarun Plus, which increases the loan limit up to ₹20,00,000 for those entrepreneurs who have successfully repaid their previous Tarun loans and wish to expand further. This step-by-step structure allows businesses to grow gradually with the right amount of financial support. Overall, the Pradhan Mantri Mudra Yojana has become a powerful instrument for empowering small business owners in India. By strengthening micro-enterprises, it contributes to balanced economic development, poverty reduction and sustainable growth. The scheme not only provides financial help but also creates opportunities for millions of people to build a better and more secure future.

2. LITERATURE REVIEW

Salasty and Kanagavalli (2024) found that the Pradhan Mantri Mudra Yojana (PMMY) supports new and small entrepreneurs by providing financial assistance through Shishu, Kishore, and Tarun loans. The study concludes that the scheme has positively contributed to entrepreneurship and self-employment in India.

Remyakrishnan (2023) analysed the performance of the Pradhan Mantri Mudra Yojana (PMMY) during 2017–2022 and found that the scheme significantly improved access to formal credit for micro-entrepreneurs, especially in the southern region. The study also highlights that PMMY played an important role in promoting women entrepreneurship and financial inclusion through Shishu, Kishore and Tarun loans.

Kalaiarasan and Panchalan (2023) examined the performance of the Pradhan Mantri Mudra Yojana (PMMY) across lending institutions and Indian states. The study found that public sector banks and microfinance institutions played a major role in loan disbursement, while states like Uttar Pradesh, Bihar and Tamil Nadu showed strong participation. The authors conclude that PMMY has significantly contributed to financial inclusion and entrepreneurship in India.

Minz, Bhowmik and Kushari (2022) analysed the performance of the Pradhan Mantri Mudra Yojana (PMMY) in empowering less-privileged entrepreneurs such as women, new entrepreneurs and minorities. Using secondary data and statistical tools, the study found that PMMY significantly increased loan disbursement, with women receiving the highest share of credit. The authors also highlighted that although

PMMY improved financial inclusion, issues related to NPAs still need attention.

Pandey and Dixit (2023) studied the impact of the Pradhan Mantri Mudra Yojana (PMMY) on micro-entrepreneurship and financial inclusion in India using secondary data from government and MUDRA reports. The study found that PMMY has improved access to collateral-free credit, with Shishu loans dominating in number and Kishor loans contributing the highest share in loan value, showing business expansion. The authors also noted that despite its success, issues such as loan defaults and monitoring gaps remain.

3. OBJECTIVES

- To study the performance of Pradhan Mantri Mudra Yojana (PMMY).
- To examine the increase in the number of Entrepreneurs Served under PMMY.

4. RESEARCH METHODOLOGY

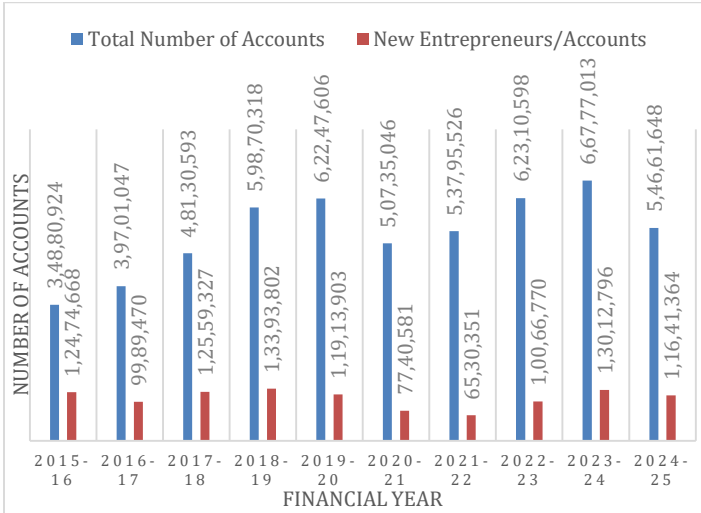
This study is based exclusively on secondary data and follows a descriptive and analytical research design. The data have been collected from a wide range of published sources, including newspapers, academic journals, government websites, articles, research papers, annual reports and the official website of the Pradhan Mantri Mudra Yojana (PMMY).

Financial Year	Total Number of Accounts	New Entrepreneurs
2015-16	3,48,80,924	1,24,74,668
2016-17	3,97,01,047	99,89,470
2017-18	4,81,30,593	1,25,59,327
2018-19	5,98,70,318	1,33,93,802
2019-20	6,22,47,606	1,19,13,903
2020-21	5,07,35,046	77,40,581
2021-22	5,37,95,526	65,30,351
2022-23	6,23,10,598	1,00,66,770
2023-24	6,67,77,013	1,30,12,796
2024-25	5,46,61,648	1,16,41,364
Grand Total	53,31,10,319	10,93,23,032

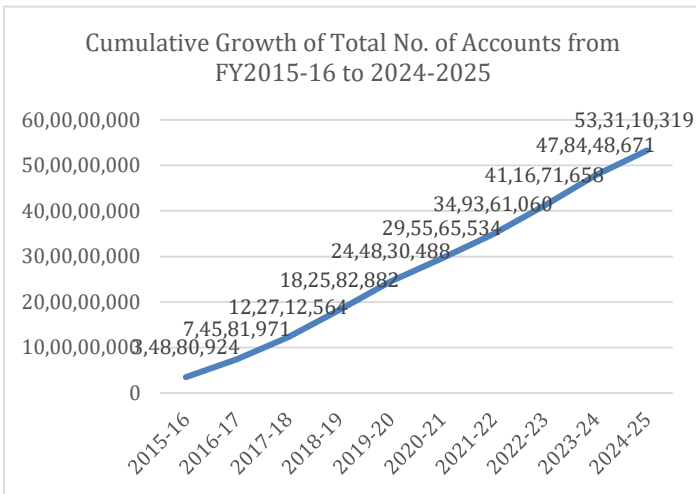
Table 1.1 PROGRESSIVE ANALYSIS OF PMMY

Source: Author compiled

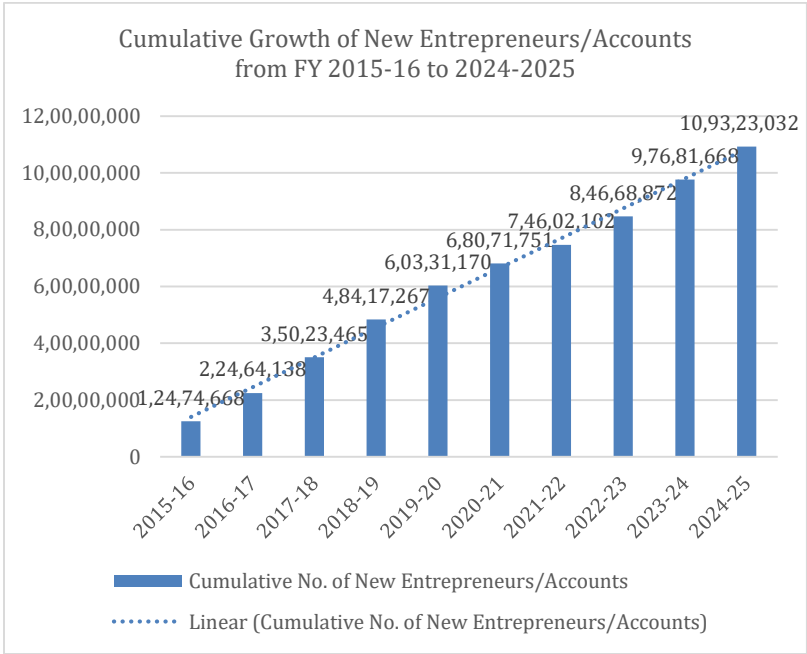
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Source: Author compiled



Source: Author compiled



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The Table and Chart present year-wise information of the total number of loan accounts and new entrepreneurs/accounts covered under the Pradhan Mantri Mudra Yojana (PMMY) from 2015–16 to 2024–25. This data helps in understanding how the scheme has supported small business owners over time. In the early years of the scheme, from 2015–16 to 2019–20, there is a clear and continuous rise in both the number of loan accounts and new entrepreneurs. This period reflects the growing popularity of PMMY among micro and small business owners. More people became aware of the scheme and started using it to establish or expand their enterprises, showing strong confidence in government-backed financial support. During the years 2020–21 and 2021–22, a decline was observed in both indicators. This reduction can be linked to the economic slowdown caused by the COVID-19 pandemic, which disrupted business activities and reduced new investment. Many small enterprises faced financial difficulties, and fewer people were willing to take risks by starting new businesses. From 2022–23 onwards, the figures begin to rise again, indicating a recovery phase. The increase in new entrepreneurs and loan accounts suggests that business confidence improved and PMMY continued to provide crucial support to people who wanted to restart or grow their ventures. The high values in 2023–24 and 2024–25 show that the scheme remains an important source of

credit for micro-entrepreneurs. Overall, the trend proves that PMMY has made a strong contribution to promoting entrepreneurship, self-employment, and financial inclusion in India. By offering easy and collateral-free loans, the scheme has helped millions of individuals move towards economic independence and sustainable livelihoods.

5. INSTITUTIONAL FRAMEWORK OF PMMY

The success of the Pradhan Mantri Mudra Yojana (PMMY) depends not only on policy design but also on the active involvement of various financial institutions that deliver loans to entrepreneurs. These institutions act as a bridge between the government's vision and the aspirations of small business owners. Through their collective efforts, financial assistance reaches millions of micro and small entrepreneurs across India.

5.1 Public Sector Banks

Public Sector Banks form the foundation of PMMY implementation. Since these banks are largely owned by the Government of India, they operate with a broader developmental objective in addition to profit-making. Their wide branch network across rural, semi-urban, and urban areas allows them to serve a large population. Under PMMY, these banks provide collateral-free loans to small traders, shopkeepers, artisans, and service providers. Their structured procedures and regulatory supervision ensure transparency and systematic credit delivery. Because of their credibility and reach, Public Sector Banks have played a leading role in expanding Mudra loans throughout the country.

5.2 Private Sector Banks

Private Sector Banks also contribute significantly to PMMY. Though privately owned, they participate in the scheme as part of their priority sector lending responsibilities. These banks are known for efficiency, modern banking practices, and digital services. Their technological strength enables faster loan processing and better customer service. In urban and semi-urban areas, private banks have helped simplify procedures and improve accessibility. By combining innovation with financial discipline, they strengthen the effectiveness of PMMY.

5.3 Regional Rural Banks (RRBs)

Regional Rural Banks were created with the specific purpose of serving rural communities. Their deep understanding of local economic conditions makes them especially important for implementing PMMY in villages and small towns. RRBs finance rural artisans, small shop owners, farmers engaged in allied activities and local entrepreneurs. Because they operate close to the community, they can better assess borrowers' needs and repayment capacity. Their contribution ensures that Mudra loans reach economically weaker and geographically remote sections of society.

5.4 Cooperative Banks

Cooperative Banks function on the principle of cooperation. These banks are owned and managed by their members, which builds a sense of trust and community participation. In the context of PMMY, cooperative banks support small-scale entrepreneurs at the local level. Their flexible approach and personal connection with members allow easier access to credit. By participating in Mudra lending, cooperative banks promote entrepreneurship within communities and encourage local economic self-reliance.

5.5 Small Finance Banks

Small Finance Banks were established to promote financial inclusion by serving small borrowers and micro-enterprises. Their core objective aligns closely with the goals of PMMY. These banks focus on providing small-ticket loans with simplified procedures. They often use technology-driven models to make banking services more accessible. Their role under PMMY is particularly important for first-time entrepreneurs who require small amounts of capital to start their ventures.

5.6 Non-Banking Financial Companies (NBFCs)

Non-Banking Financial Companies expand the reach of PMMY beyond traditional banking channels. Although they do not operate as full commercial banks, they are regulated financial institutions that provide credit services. NBFCs often cater to individuals who may not meet strict banking requirements. Their relatively flexible lending norms allow them to serve small entrepreneurs who lack extensive documentation or credit history. By doing so, they increase the inclusiveness of the Mudra scheme.

5.7 Microfinance Institutions (MFIs)

Microfinance Institutions focus primarily on low-income groups, especially women and marginalized communities. They operate through small group-based lending models and emphasize financial awareness. Under PMMY, MFIs help extend credit to self-help groups and small women entrepreneurs. Their grassroots presence ensures that financial assistance reaches those who are often excluded from formal banking systems. Through their work, PMMY not only supports businesses but also promotes social empowerment.

5.8 Role of MUDRA Limited

The overall coordination and refinancing support for the scheme is managed by MUDRA Ltd. It provides refinance assistance to eligible lending institutions and sets guidelines for effective implementation. Rather than lending directly to borrowers, MUDRA Ltd. strengthens the capacity of banks and financial institutions by providing financial backing and policy support. This structured system ensures stability, accountability, and sustainability in Mudra loan operations.

6. FINDINGS OF THE STUDY

The findings of the study on Pradhan Mantri Mudra Yojana (PMMY) reveal several important insights regarding its role in entrepreneurship development and financial inclusion in India:

- **Significant Expansion of Loan Accounts:** The year-wise data show a substantial increase in the total number of loan accounts from 2015–16 to 2019–20. This reflects the growing acceptance and outreach of PMMY among micro and small entrepreneurs across the country.
- **Increase in New Entrepreneurs:** A large number of first-time entrepreneurs were financed under the scheme, especially in the initial years. The cumulative figure of more than 10 crore new entrepreneurs indicates that PMMY has played a major role in encouraging self-employment.
- **Impact of COVID-19 Pandemic:** A noticeable decline in both total accounts and new entrepreneurs during 2020–21 and 2021–22 suggests that the pandemic adversely affected entrepreneurial activities and credit demand. However, this decline was temporary.

- **Post-Pandemic Recovery:** From 2022–23 onwards, the data show a steady recovery in loan disbursement and new entrepreneurial participation. This indicates improved economic conditions and renewed business confidence supported by PMMY.
- **Strengthening Financial Inclusion:** The scheme has successfully brought small business owners, especially those from rural and semi-urban areas, into the formal banking system. By providing collateral-free loans, PMMY has reduced dependence on informal moneylenders.
- **Support to Micro-Level Enterprises:** The dominance of smaller loan categories (particularly Shishu loans, as highlighted in literature) suggests that the scheme mainly benefits micro-enterprises and start-ups at the grassroots level.
- **Wide Institutional Participation:** The involvement of public sector banks, private banks, regional rural banks, cooperative banks, NBFCs and MFIs has ensured broader geographical coverage and accessibility of credit.
- **Contribution to Employment Generation:** By promoting self-employment and small business expansion, PMMY has indirectly contributed to job creation and income generation at the local level.
- **Need for Better Monitoring:** Although the scheme has achieved remarkable growth, literature indicates concerns related to loan defaults (NPAs) and the need for stronger monitoring and follow-up mechanisms.

7. CONCLUSION

The present study clearly shows that the Pradhan Mantri Mudra Yojana (PMMY) has emerged as a powerful tool for strengthening entrepreneurship and promoting inclusive economic growth in India. Since its launch by the Government of India in 2015, PMMY has played a significant role in bringing millions of small and micro-entrepreneurs into the formal financial system. By providing collateral-free loans through a wide network of banks, NBFCs and microfinance institutions, the scheme has removed one of the biggest obstacles faced by small business owners-lack of access to affordable credit.

The year-wise analysis of loan accounts and new entrepreneurs shows that PMMY gained strong momentum in its initial years, reflecting the trust of people in the scheme. The temporary decline during 2020–21 and 2021–22 was mainly due to the COVID-19 pandemic, which affected economic activity and reduced new business formation. However, the strong recovery in the later years, especially after 2022–23, proves that

PMMY helped revive entrepreneurial confidence and supported business recovery. The rising number of new entrepreneurs in recent years highlights that people are once again willing to take risks, start enterprises and create employment with the help of Mudra loans. PMMY has not only provided financial assistance but has also given dignity and hope to millions of individuals who depend on small businesses for their livelihood. Street vendors, small shop owners, artisans, women entrepreneurs and first-time borrowers have been able to transform their ideas into income-generating activities. By enabling people to become self-reliant, the scheme has improved household incomes, reduced dependence on moneylenders and strengthened the grassroots economy.

Overall, the Pradhan Mantri Mudra Yojana has successfully contributed to entrepreneurship development, financial inclusion and employment generation in India. The continuous growth in loan accounts and entrepreneurs, despite economic challenges, proves that PMMY is not just a credit scheme but a strong foundation for building a more inclusive and self-reliant India. If supported with better monitoring, financial literacy and timely credit delivery, PMMY can play an even greater role in shaping the future of India's small business sector.

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