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MUDRA YOJANA – A BOON FOR MICROFINANCE IN INDIA

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Abstract:

Micro financing is a common concept throughout the world; however, it is popular in developing countries. Microfinance services are provided to unemployed or low-income individuals because most people are trapped in poverty, or who have limited financial resources do not have adequate financial resources to do business with traditional financial institutions. Microfinance allows people to take on reasonable small business loans safely according to the traditional lending practices without violating any procedures. India has emerged as one of the fastest growing economies in the world. The MSME sector has emerged as a highly vibrant and dynamic sector of the Indian Economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating employment opportunities at comparatively lower capital cost, next to agriculture. The micro enterprises comprise of miscellaneous low scale activities which have limited access to credit and have to rely on indigenous moneylenders, friends or relatives and face an enormous challenge in channeling institutional credit. An access to institutional finance could potentially turn these micro enterprises into strong instruments of GDP growth and employment. To build on this opportunity the Government of India initiated the Micro Units Development and Refinance Agency Ltd (MUDRA) in 2015-16 with the vision of “funding the unfunded” micro entrepreneurs.

Keywords: *The Rationale of Mudra Yojana, Null hypothesis, Paired T Test , Linear Forecast for 2024- 2025.*

INTRODUCTION

Microfinance is a prevalent term in the current socioeconomic scenario of different countries especially among the developing nations. Microfinance services are provided to the unemployed or low-income individuals because most people are trapped in poverty, or who have limited financial resources do not have adequate financial resources to do business with traditional financial institutions. Microfinance allows people to take on reasonable small business loans safely according to the traditional lending practices without violating any procedures.

Microfinance institutions support a large number of activities including entrepreneurial education, investment decisions, technological skills etc. Like conventional banking services, Microfinance institutions also charge an interest on the loans and set up repayment plans with payments due at regular intervals.

The term "Microfinancing" was first used during the development of Grameen Bank of Bangladesh by Muhammad Yunus in the 1970s, who is also considered to be the pioneer of institutionalisation of Microfinancing approaches. He defines Microfinance as "*the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans".*

The Journal of Microfinance describes it as *"What is arguably the most innovative strategy to address the problems of global poverty".*

As per the revised definition of Microfinance according to the Reserve Bank of India (RBI) 2022 *"A Microfinance loan is a collateral – free loan, given to a household with an annual household income of up to Rs 3 Lakhs".* Earlier the upper limits for Micro loans were 1.20 Lakhs and 2.0 Lakhs for Rural and Urban borrowers respectively. However this bifurcation has now been removed and a uniform capping of 3 Lakhs has been adopted.

India has emerged as one of the fastest growing economies in the world. A prudent fiscal policy, range bound inflation figures and accommodating monetary policy in tandem with on ground developments such as lenient global commodity prices, growing private consumption, and a new thrust to stalled projects are key factors responsible for the realisation of this scenario. India has been deploying Microfinance services in different stages over the years to target the unavailability and insufficient outreach of conventional financial services to the underprivileged lower income groups struggling to avail funding at low cost and economically feasible rates thus improving the situation of financial inclusion within the country.

Microfinance sector in India has shown commendable growth. India's approach to microfinance emerged across the globe as financially and economically stable and sustainable. India has come a long way in terms of development and distribution of microfinance. From micro savings effectively channelized into micro credit provided to micro enterprises in the form of micro loans and recently new concepts such as micro insurance, micro pension and micro livelihood have also evolved. The gradual growth has not only strengthened the microfinance sector but has also encapsulated a wide range of underprivileged, lower income groups who ever eventually left out of the reach of mainstream banking services.

Evolutionary Phases of Microfinance in India

The development of microfinance sector in India can be fractionated into following evolutionary phases:

Phase	Years Covered	Key Characteristics and/or Achievements during the Phase	Shortcomings faced during each period
(Phase – I) Pre-Independence Era	**Before 1947**	• This phase was categorised by the dominance of traditional informal lending systems such as indigenous, local moneylenders and informal credit groups. • People had Limited access to conventional sources of institutionalised credit,. • It was characterized by extremely high interest rates and exploitative practices by the money lenders which was a product of the lack of structured lending practices and proper regulatory practices. There was a wide lacuna between deprived beneficiary groups and institutional support for rural development and financial inclusion.	• Extremely high interest rates charged by indigenous and unorganised moneylenders. • Exploitative practices of money lenders which were not covered by law and were completely overlooked. • Lack of formalized structures for credit delivery. • Limited access to credit for rural communities and marginalized groups. • Absence of regulatory oversight leading to exploitation of borrowers.
(Phase – II) Early Post-Independence Era	**1950s - 1970s**	• This phase saw proper steps from the government towards the establishment of government-led initiatives for rural development, including credit programs for agriculture and small-scale industries.	• Even though steps were taken by the government towards institutionalising credit availability the initiatives were rendered ineffective due to limited outreach of

		• Institutions like Agricultural Refinance and Development Corporation (ARDC) in 1963 and National Bank for Agriculture and Rural Development (NABARD) in 1982 were established during this period for achieving the set targets. • This phase was the first to witness Initial steps towards formalizing credit delivery in rural areas in India.	formal credit programs as a result of bureaucratic inefficiencies. • Lack of basic and financial education, awareness and participation among rural communities in formal credit schemes and less propensity to save and channelize savings effectively. • Insufficient focus on empowering marginalized groups, particularly women, in accessing credit and financial services leaving them as the unbanked segment. • Inadequate coordination between different government agencies and banks due to less inclination towards low profit social development programs leading to fragmented efforts in rural development.
(Phase – III) Emergence of SHGs and NGO Initiatives	**1980s - 1990s**	• This phase saw the emergence of a new concept of Self-Help Groups (SHGs) as grassroots approach to microfinance which were promoted by NGOs like MYRADA and SEWA. The Self Help Groups (SHGs) were promoted by RBI and Banks were linked to these groups by NABARD which was established in 1982 and this program was covered under priority sector lending by RBI in the year 1996. • The Adoption of Grameen Bank model, emphasizing group lending and community-based financial empowerment.	• The scale of SHG initiatives was limited due to challenges in mobilizing communities and building institutional framework. • Lack of financial literacy and management skills among SHG members, affected the sustainability and effectiveness of microfinance activities. • High dependency on external funding sources, making SHG programs susceptible to volatile donor support.

		• Increased recognition was given to microfinance as a tool for poverty alleviation and women's empowerment. This phase also saw the emergence of women empowerment and promotion of women entrepreneurship by the establishment of Rashtriya Mahila Kosh (RMK) IN 1993. • The concept of microfinance received even larger recognition by the establishment of Small Industries Development Bank of India (SIDBI) which is one of the apex financial institutions serving the needs of small scale industries today. • There was a gradual shift towards community-driven microfinance initiatives.	• Challenges in upscaling successful microfinance models to expand outreach to larger populations.
(Phase – IV) Formal Recognition and Regulation	**2000s**	• The Introduction of Microfinance Institutions (Development and Regulation) Bill in 2007, aiming to regulate and supervise microfinance institutions (MFIs was a major step taken during this period. • The increased entry of commercial banks and Non-Banking Financial Companies (NBFCs) into the microfinance sector. • Rapid growth of microfinance, leading to increased financial inclusion and resulting poverty reduction. • Rising mainstream conventional microfinance which gave microfinance recognition as a viable economic development tool which was now being explored in a better, well planned, focused approach.	• There was still a lack of stringent regulatory framework leading to issues such as over-lending, widescale defaults and coercive collection practices as safeguards to financial resources of lending institutions. • Restricted oversight and enforcement mechanisms to ensure responsible lending , borrower assurance and protection. • Considerable Challenges in balancing financial sustainability with social impact, leading to potential mission drift among MFIs. • Insufficient focus on building the capacity of MFIs to serve diversified and marginalized credit

			deprived communities effectively.
(Phase – V) The Microfinance Crisis (2010) and Regulatory Response	**2010**	• The Microfinance crisis crept in Andhra Pradesh in 2010, that was triggered by allegations of coercive practices and over-indebtedness among borrowers. • Regulatory intervention was practiced by the Reserve Bank of India (RBI) to address issues of over-lending, exploitative interest rates, and borrower protection. • Issuance of strict guidelines to regulate Micro Finance Institutions (MFIs) in the country to revamp the lending, monitoring and grievance redressal mechanism and to ensure responsible lending practices.	• Lack of effective risk management and ineffective lending practices lead to over-lending and borrower over-indebtedness. • Inadequate transparency and accountability in microfinance operations, contributed to a building of trust issues among the borrowers. • Insufficient coordination between microfinance stakeholders, including banks and government exacerbated the crisis and its impact on borrowers and the micro credit industry. • Delayed regulatory response, grievance redressal and enforcement actions, leading to prolonged uncertainty and instability in the microfinance sector.
(Phase – VI) Digitisation, Continued Growth and Diversification	**2010s - 2023**	• The adoption of technology for digital loan disbursal, repayment, financial awareness and customer tracking and engagement. • Expansion of product offerings including micro-insurance, savings products, and financial literacy programs. • Initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY) Pradhan Mantri Mudra Yojana (PMMY) aimed at enhancing financial inclusion by banking the unbanked underprivileged segment and giving them access to basic institutionalised banking services.	• Considerable challenges in addressing the issue of digital divide and ensuring equitable access to technologically enabled financial services. • Risk of over-reliance on technology, leading to exclusion of vulnerable populations beyond the reach of digital connectivity and erosion of social capital. • Need for stronger regulatory frameworks to address emerging risks including digital risks, frauds and

		• Emphasis on sustainable growth, client protection, and transparency in microfinance operations.	ensuring consumer protection, timely grievance redressal in digital financial services. • Persistent gaps in financial literacy and awareness hindering the effective utilization of microfinance products and services even after increased outreach and prevalent client defaults contributing to NPAs.

Table 1

Even though India's Microfinance system gained momentum over the years and observed significant growth yet some issues remained prevalent which were not addressed effectively rendering the programs inefficient in exerting their full potential which called for a larger, diverse yet unified focused approach towards microfinance. Which led to the launch of the Pradhan Mantri Mudra Yojana (PMMY) in 2015 by the Hon'ble Prime Minister Shri Narendra Modi. He presented the concept of MUDRA in 2015, thereafter MUDRA was established as a wholly owned subsidiary of Small Industries Bank of India (SIDBI) as a public limited company in March, 2015. It was registered as a Non – Banking Finance Institution (NBFI) with the RBI and launched on April 8, 2015 to support micro enterprises sector in the country who are unable to acquire financial services of conventional banking and financial system. An access to institutional finance could potentially turn these micro enterprises into strong instruments of GDP growth and employment.

The Rationale of Mudra Yojana

The PMMY was driven by several major deficiencies in India's microfinance sector. These deficiencies highlighted the need for a targeted and comprehensive program to address the challenges faced by microenterprises and small businesses. Some of the major deficiencies were:

1. **Limited Access to Formal Credit**: Despite the growth of the microfinance sector, many microenterprises and small businesses still faced challenges in accessing formal credit. Mainstream financial institutions often hesitated to lend to these entities due to perceived risks and lack of collateral security.

2. **High Interest Rates**: Borrowers in the microfinance sector often faced high interest rates, especially from informal, unorganised lenders and unregulated microfinance institutions. This led to increased financial burden on borrowers and limited their ability to invest in business expansion, growth or product innovation and diversification.

3. **Underdeveloped Infrastructure**: In many regions of India, particularly rural and semi-urban areas, the infrastructure for disbursement of financial services and catering of financial needs of the population was underdeveloped. This lack of infrastructure hindered the delivery of financial services to microenterprises and small businesses, making it difficult for them to access credit and other financial products.

4. **Limited Product Offerings**: Microfinance institutions often offered limited product offerings, focusing primarily on microcredit. The financial products were nor developed as per the needs of the major left out beneficiaries. This limited range of financial products and services did not fully meet the diverse needs of microenterprises and small businesses, such as working capital loans, equipment financing, and insurance products.

5. **Lack of Financial Literacy**: Many microentrepreneurs lacked basic financial literacy, which affected their ability to effectively manage their businesses and make informed financial decisions. This lack of financial literacy contributed to over-indebtedness, loan defaults, and other financial challenges.

6. **Inadequate Regulatory Oversight**: The microfinance sector in India faced challenges related to inadequate regulatory oversight, particularly in terms of interest rate regulation, borrower protection, and transparency in operations. This lack of regulation contributed to instances of predatory lending practices and exploitation of borrowers.

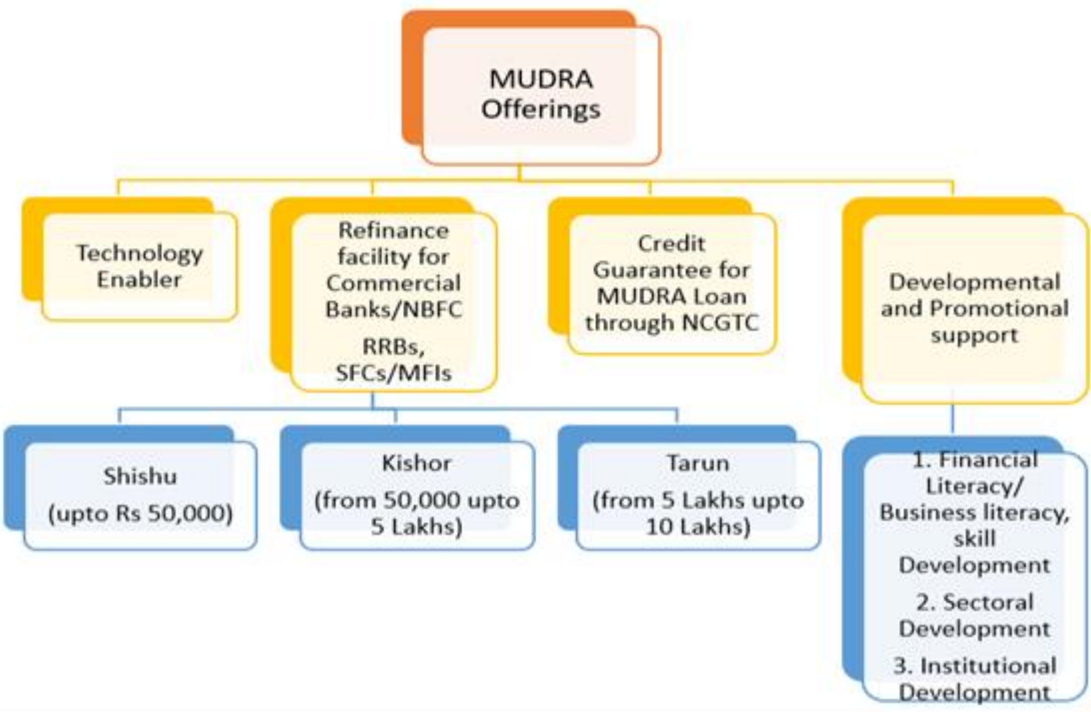
The launch of the Pradhan Mantri Mudra Yojana aimed to address these deficiencies by providing targeted financial support to microenterprises and small businesses, promoting financial inclusion, and facilitating the growth of the microfinance sector. PMMY offered three types of loans – Shishu, Kishor, and Tarun – catering to different stages of business growth and financial needs. Additionally, the scheme emphasized the role of microfinance institutions, banks, and non-banking financial institutions in extending credit to microenterprises and small businesses, thereby fostering entrepreneurship and economic development.

Objective of MUDRA Yojana

PMMY was set up with the objective of providing loans of up to 10 Lakhs to these enterprises to start or expand their businesses. The scheme also provides various advantages such as interest subvention for women borrowers under the scheme and skill development, technical knowledge and awareness programs for backward and new entrepreneurs.

MUDRA's core objective is to enhance financial access by addressing infrastructural and skill development lacunae, encouraging and fostering growth among its target demographic, fostering both social and financial advancement and upgradation. It aims to expand financial markets to better serve underprivileged and low income, socially and economically vulnerable groups while also mitigating information disparities among those lagging behind.

Framework of MUDRA Yojana



Sourced from: *mudra.org.in* **Fig 1**

Grounds of success of MUDRA Yojana

The Pradhan Mantri Mudra Yojana (PMMY) has been successful in addressing several issues. Overall, the success of PMMY lies in its ability to address the dynamic multifaceted challenges faced by microenterprises and small businesses, thereby promoting entrepreneurship, socio-economic growth and empowerment, and sustainably inclusive growth.

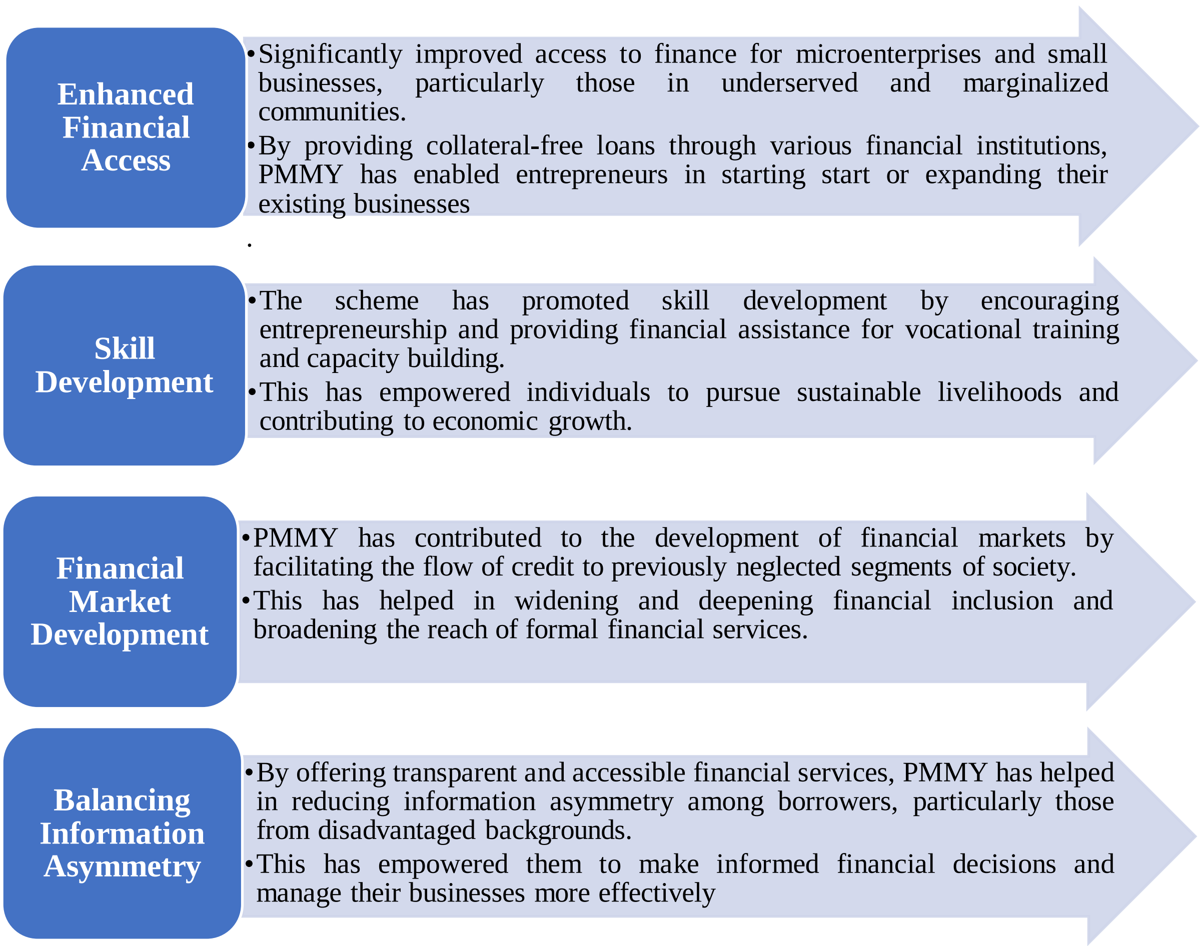


Fig 2

REVIEW OF LITERATURE

Microfinance plays an important role in poverty alleviation, balanced socio – economic development and women empowerment. The goal of microfinance is to provide financial accessibility to the people at the bottom of the economic and social pyramid. The majority of population in India lives in rural areas and is heavily dependent on agricultural and allied activities. These underprivileged people do not have access to institutional credit therefore are dependent on informal sources of credit and are exploited. Thus microfinance is indispensable for country's development **Singh, S., Singh, N., & Singh, K. R. (2023). Saleh, M. A., & Ahmad, Z. (2023)** have stated in their study that a large chunk of Indian population and rural households still have a limited access to conventional banking and financial channels as they are still not completely developed to address their needs. The government is taking necessary steps to improve the framework for providing microfinance to them however there are a lot of obstacles and hinderances to be overcome such as high interest rates, indebtness, funding pressure on commercial banks, insufficient regulatory framework of microfinance institutions and high operational cost. **Pandey, A., & Dixit, V. K. (2023).** The MUDRA (Micro Units Development and Refinance Agency) scheme was launched by the Government of India in 2015 with the aim of providing financial assistance to micro and small enterprises (MSEs) in the country. It is an ambitious initiative designed to promote entrepreneurship and facilitate access to credit for small businesses. However, a critical analysis of the scheme reveals both positive aspects and areas of concern. the MUDRA scheme primarily focuses on providing credit but lacks complementary measures to enhance the overall ecosystem for MSEs. Factors such as infrastructure support, skill development programs, access to markets, and regulatory reforms are equally critical for the success of small businesses. **Pandey, R. P., & Tripathi, M. S. (2023).** State in their study that since its inception Mudra Yojana has boosted entrepreneurship, job creation and has also promoted financial inclusion by recognising the role of Micro and Small Enterprises in the Indian Economy. The program has paved a path for balanced regional growth by encouraging the availability of finance to the underserved areas. Mudra Yojana is a testament to dedicated inclusive policies and well targeted governmental and regulatory interventions to achieve self sufficiency. Over the years there has been a considerable increase in the amount of loans sanctioned and accounts opened, however it has been observed that a small fraction of loans provided under the schemes have been turning into Non Performing Assets as borrowers lack entrepreneurial skills and business management knowledge which leads to business failures turning them into defaulters thereby increasing NPA. The government has taken steps to reduce defaults and the trend of NPAs have shown a decline.

The launch of Mudra Yojana by the Government is an attempt to overcome previously prevalent in the area of institutional micro credit by adopting this scheme as a dynamic initiative to serve the Non Corporate Small Business Sector. The Government is trying to reach the unreachable population at the bottom of the financial pyramid and if it is effectively implemented this scheme has a tremendous potential to bring revolutionary economic changes **Roy, M. (2018).**

NEED OF THE STUDY

The Pradhan Mantri Mudra Yojana (PMMY) emerged as a dynamic initiative aimed at promoting financial inclusion by addressing existing barriers. Its primary objectives include increasing access to microfinance for marginalized and underprivileged sectors, fostering employment opportunities, promoting balanced regional development, and establishing institutional finance channels with a structured framework tailored to the needs of vulnerable socio-economic groups such as Scheduled Castes, Scheduled Tribes, Other Backward Castes, and Women. Hence, it becomes imperative to assess the effectiveness of the Mudra Yojana in enhancing microfinance availability in India to ascertain its impact and determine whether it has set a benchmark in the realm of microfinance.

OBJECTIVES OF THE STUDY

1. To analyse the availability of finance and shortcomings prior to MUDRA Yojana
2. To understand the rationale of MUDRA Yojana
3. To analyse and appraise the performance of MUDRA Yojana

RESEARCH METHODOLOGY

The study is exploratory and descriptive in nature and is based on secondary data extracted from different sources like official websites, newspaper reports, annual reports, journals and Press release by Press Information Bureau of India (PIB). It uses descriptive method keeping in consideration the easy approach to understanding of complex data, simple methods for analysis and depiction through charts and graphs for better understanding of data have been adopted.

LIMITATIONS OF THE STUDY

The study uses various secondary sources of information for collection of data therefore the reliability of data, results and interpretations derived from the study are based upon the accuracy of the secondary data extracted from various sources.

ANALYSIS AND INTERPRETATION

The following data in Table gives approximate number of beneficiaries availing microfinance prior to the launch of Mudra Yojana and post launch of Mudra Yojana:

Year	Average number of beneficiaries availing microfinance before mudra yojana (In million) (Group A)	Year	Average number of beneficiaries availing microfinance after mudra yojana (in million) (Group B)
2008	4.5	2016	85
2009	5	2017	95
2010	5.5	2018	105
2011	6.5	2019	115
2012	7.5	2020	125
2013	8.5	2021	135
2014	9.5	2022	145
2015	10.5	2023	155

Table 2

For the purpose of analysis data for Eight Years prior to the launch of Mudra Yojana has been taken to equalise the time period pre and post launch of Mudra Yojana.

The impact of Mudra Yojana in improving the availability of Microfinance to the beneficiaries can be determined by the number of beneficiaries availing Microfinance before and after the launch of Mudra Yojana. In the above table **Group A** consists of Average Number of Beneficiaries availing Microfinance prior to Mudra Yojana and **Group B** consists of Average number of beneficiaries availing Microfinance after the launch of Mudra Yojana.

Formulation of Hypothesis

Null Hypothesis (H_0): There is no significant difference between the means of Group "A" and Group "B".

Significance level (α): 0.05

Paired T-Test

For the purpose of analysing impact of Mudra Yojana in this study the researcher has adopted **Paired T Test.**

Paired T-Test is used to determine whether there is a significant difference between the means of two related groups. It can be used to successfully assess whether there is a significant difference in a measure before and after some kind of intervention within same group of Individuals.

Results of Paired T-Test

t-Test: Paired Two Sample for Means		
	Group A	***Group B***
Mean	**7.1875**	**120**
Variance	4.78125	600
Observations	8	8
Pearson Correlation	0.99353206	
Hypothesized Mean Difference	0	
Df	**7**	
t Stat	**-14.2933431**	
P(T<=t) one-tail	9.75604E-07	
t Critical one-tail	**1.894578605**	
P(T<=t) two-tail	1.95121E-06	
t Critical two-tail	**2.364624252**	

Table 3

The above table proves that for the given data set the value of T statistic is less than the critical value there for we fail to reject the Null Hypothesis.

The Null Hypothesis holds true that there is no significant difference between the means of Group "A" and Group "B". The results derived are impacted by lack of enough evidence to support that the significant difference between the means of two groups due to limitations of the study.

The following Table 4 provides data for beneficiaries availing Microfinance prior to Mudra Yojana and the Projected Trend of beneficiaries that will be availing microfinance in the coming years up to the year 2028 has been given in Table 5.

Year	**Number of Beneficiaries (Approx Values)**
2000	0.01 Lakh Crores
2005	0.02 Lakh Crores
2010	0.03 Lakh Crores
2015	0.04 Lakh Crores
Pre-2016	0.05 Lakh Crores

Table 4

Year	**Projected Trend of Number of Beneficiaries Availing Microfinance (Approx Values)**
2024	0.16 Lakh Crores
2025	0.17 Lakh Crores
2026	0.18 Lakh Crores
2027	0.19 Lakh Crores
2028	0.20 Lakh Crores

Table 5

The values show that in the coming years there will be an explosive increase in the number of beneficiaries availing microfinance in the country which is a result of development and expansion of banking channels and financial institutions, introduction of technology for a better coverage of target segments, government intervention, well structured initiatives for favouring entrepreneurial culture , increased financial literacy and awareness. As compared to 2015 in the year in which Mudra Yojana was launched, by 2028 the expected growth rate is approximately 300% and it is safe to assume that Mudra Yojana is a key player in this growth.

Linear Forecast for 2024 –2028

Fitting a linear trend analysis by using FORECAST.LINEAR function in Excel to predict the performance of the scheme in respect of the beneficiaries availing microfinance under Mudra Yojana for the years 2024 – 2028 where:

X = Number of Total Beneficiaries availing Microfinance in India (In Lakh Crores);

Y = Number of Beneficiaries availing Microfinance specifically under Mudra Yojana (In Lakh Crores)

The Table 6 gives figures of Total beneficiaries availing Microfinance in India and Total Beneficiaries availing Microfinance particularly under Mudra Yojana. For the previously predicted trend of microfinance in Table 5 the projected forecast for beneficiaries that are expected to avail microfinance under Mudra Yojana from the years 2024 – 2028 have been depicted below.

Year	Number of Total Beneficiaries availing Microfinance in India (In Lakh Crores)	Number of Beneficiaries availing Microfinance specifically under Mudra Yojana (In Lakh Crores)
2016	0.08	1.37
2017	0.09	1.8
2018	0.10	2.54
2019	0.11	3.22
2020	0.12	3.37
2021	0.13	3.22
2022	0.14	3.39
2023	0.15	4.32
2024	0.16	4.553214286
2025	0.17	4.919761905
2026	0.18	5.286309524

2027	0.19	5.652857143
2028	0.20	6.019404762

Table 6

The forecast predicts the amount of beneficiaries that are likely to avail microfinance under Mudra Yojana for the year 2024 is 4.55 Lakh Crores which shows a growth of 5.32% over the year 2023. This rate is expected to increase by 8.1% in the year 2025, by 7.5% in 2026, by 6.81% in 2027 and 6.15% in 2028. Overall the trends show a steady and gradual growth in the beneficiaries under Mudra Yojana which in turn will increase the total amount of beneficiaries availing microfinance in India as the scheme contributes a significant share in the arena of microfinancing. Fig 3 shows a forecast which depicts an increasing trend in which is likely to continue over the years.

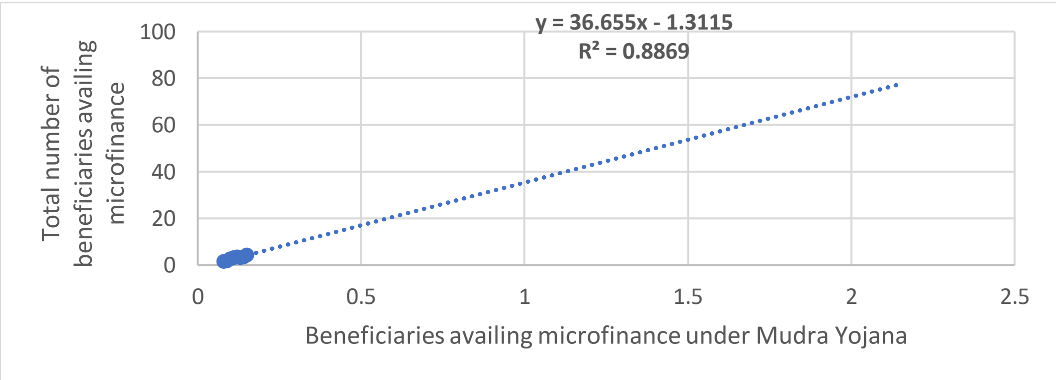


Fig 3

SUGGESTIONS AND CONCLUSION

Thus it is evident that the Pradhan Mantri Mudra Yojana is a game changer in the field of Microfinance. It is transforming individuals from "Job Seekers" to "Job Givers". While the scheme has been successful in promoting entrepreneurship and financial inclusion, it has also encountered various hurdles such as Limited Access to Formal Banking, Risk of Default, Informal Nature of Enterprises, Lack of Financial Literacy, Administrative Challenges, Need for Skill Development and Capacity Building.

Despite efforts to expand financial inclusion, many potential beneficiaries still lack access to formal banking services, particularly in rural and remote areas. This limits the reach of the Mudra Yojana to some extent. Some potential beneficiaries of the Mudra Yojana have limited financial literacy and awareness about loan terms, repayment obligations, and the overall implications of borrowing. This has resulted in the misuse of funds, over indebtedness, and ultimately, loan defaults. This increases the risk for lenders and has led to reluctance in extending credit to such enterprises. Loans provided under the Mudra Yojana are often unsecured, which increases the risk of default for banks and financial institutions. This risk may deter lenders from extending loans to certain applicants, particularly those with limited creditworthiness or insufficient collateral. Many small and micro-enterprises supported by the Mudra Yojana operate in the informal sector, which can make it challenging to assess their financial viability and repayment capacity.

Addressing these constraints requires a holistic approach involving policy reforms, capacity building efforts, targeted financial literacy programs, and continued efforts to expand access to formal banking services in underserved areas.

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