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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.

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