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## Financial Inclusion and Microenterprise Development: An Analytical Study of Pradhan Mantri MUDRA Yojana in India

**Dr. Ramesh Kumar**

Assistant Professor, Department of Economics, KDS College, Gogri, Khagaria, Munger University,  
Munger, Email: rameshkumar2020eco@gmail.com

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### ABSTRACT

In economically developing countries, financial inclusion is the best mechanism for achieving a higher growth rate and reducing economic disparities. Financial inclusion policies promote a bottom-up approach that benefits marginalized and low-income segments of society. This study provides an overview of the current status of Pradhan Mantri MUDRA Yojana. The objectives of this study are to explore the facilities related to MUDRA Yojana in India. This study also explores the process of financial inclusion and how to support economic activities that align with the Indian society. This study utilizes data from the MUDRA website for the financial years 2015–2016 to 2024–2025. Descriptive statistics were used to examine the status of MUDRA Yojana. The major findings indicate that MUDRA Yojana has a significant positive effect on investment and employment. The study further concludes that investments through multiplier effects significantly impact income, employment, consumption, and production because labor is an essential part of each economic activity and is augmented by the current scheme.

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**Introduction:** “Financial inclusion” refers to institutions such as banks, nonbank financial institutions (NBFIs), and NGOs, as well as their efforts to extend their range of financial services to segments of the population that traditionally do not have access to them. Since its independence, the Indian economy has undergone rapid structural changes across sectors through economic policies. Employment and



investment are key indicators of economic development. Currently, the government of India strives to create market-oriented employment rather than focus on government jobs, as history shows that no country has progressed without market expansion. Currently, academics and democratic governments are focusing on a new concept of economic development. Nobel-winning economist Robert Lucas Jr. measured the expected difference in returns across countries (assuming that marginal returns to capital depend only on the amount of capital relative to other productive inputs). Based on his estimates of marginal returns to capital, Lucas (1990) found that borrowers in India are willing to pay 58 times as much for capital as borrowers in the United States. Thus, money should flow from New York City to New Delhi. On August 28, 1969, Indira Gandhi, who was the Prime Minister of India, addressed the Bankers' Club in New Delhi. The speech was delivered shortly after the cabinet announced the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance on July 19, 1969, which nationalized 14 banks and brought 83% of the total banking system under state control. In contrast, in 2010, Finance Minister Mukherjee announced in his annual budget speech the issuance of new banking licenses to the private sector. "That the banking system grows in size and sophistication to meet the needs of a modern economy." On April 02, 2014, the Reserve Bank of India (RBI) announced that it had approved two institutions to set up new private banks: IDFC Limited, an infrastructure finance company, and Bandhan Microfinance. Currently, the Indian government is focusing on formulating a market-oriented growth strategy. Through the financial inclusion policy, the government of India launched several industrial schemes to promote sectoral development of the Indian economy. We now focus on the Pradhan Mantri Mudra Scheme, which aims to support financial inclusion in the Indian economy.

The Pradhan Mantri MUDRA (Micro Unit Development and Refinance Agency Limited) Yojana (PMMY) was launched by the Union Government on April 8, 2015. It aims to provide integrated financial support to the micro-enterprise sector, which includes small manufacturing units, food service units, and small industries. Under PMMY, all banks, such as public sector banks, private sector banks, regional rural banks (RRBs), state co-operative banks, urban co-operative banks, foreign banks, non-banking finance companies (NBFCs), and micro-financial institutions (MFIs), are required to lend to non-farm sector loans for income-generating activities up to ₹ 20 lakh. According to the NSSO Survey of 2013, there are 5.77 crore small business units, mostly proprietorships, engaged in small-scale manufacturing, trading, or service activities. Under PMMY, four types of loans are provided: 'Shishu' (infant), 'Kishore' (child), and 'Tarun' (adolescent). **Shishu**: covering loans up to Rs. 50,000/- provided with no collateral, at a 1% interest rate, repayable over a period of 5 years; **Kishore**: covering loans above Rs.50,000/- and up to Rs. 5 lakhs; **Tarun**: covering loans above Rs. 5 lakhs to Rs. 10 lakh and



**Tarun Plus** for 10 lakhs up to `20 lakh (for those who have successfully repaid previous loans under the 'Tarun 'category (started on October 24, 2024). Since the introduction of the Pradhan Mantri Mudra Yojana (PMMY) on April 8, 2015, over 52.77 crore loan accounts have been approved, with a total sanctioned amount of ₹34.11 lakh crore and disbursements amounting to ₹33.33 lakh crore by March 31, 2025. This initiative established MUDRA as a brand that is synonymous with empowerment, ambition, and opportunity. In fiscal year 2025 alone, PMMY disbursed ₹ 5.42 lakh crore and imposed sanctions of ₹ 5.53 lakh crore across 5.46 crore loan accounts, significantly benefiting underserved groups, including Scheduled Castes, Scheduled Tribes, Other Backward Classes, and women entrepreneurs.

## Literature Review

**Financial Inclusion and Economic Growth:** The relationship between financial inclusion and economic growth is well-established, although it varies across regions. Hussain et al. (2024) highlight a positive long-term impact in 21 Asian countries, particularly in developing economies. Similar findings emerge in Africa, where Ofoeda et al. (2022) and Adedokun and Ağa (2021) emphasize the role of regulation and institutional quality in fostering inclusive growth. In Nigeria, Oyadeyi (2023) demonstrates that banking innovations, such as point-of-sale (POS) and mobile transactions, are particularly effective drivers of growth, underscoring the importance of technological channels. However, Opoku et al. (2024) complicate this narrative by identifying a **U-shaped relationship** in Africa, where financial inclusion initially slows growth before accelerating it, suggesting that inclusion must reach a threshold before benefits materialize. Chen et al. (2022) and Van et al. (2022) further reveal asymmetric effects, showing that institutional quality and income levels condition the growth impact of inclusion. These findings collectively suggest that while inclusion generally promotes growth, its effectiveness depends on institutional, structural, and developmental contexts.

**Financial Inclusion, Stability, and Governance:** The nexus between financial inclusion and financial stability remains contested. Srivastava et al. (2025) document that India's Pradhan Mantri Jan Dhan Yojana (PMJDY) program strengthened bank stability, particularly in rural areas, while Antwi et al. (2024) caution that inclusion may weaken stability unless balanced with competition. This divergence highlights the dual nature of inclusion. While it can broaden the customer base and stabilize deposits, it can also expose banks to greater risk if not accompanied by regulatory safeguards. Governance quality emerges as a critical moderator. Syed et al. (2024) show that economic policy uncertainty reduces financial inclusion in BRICS countries, but strong governance mitigates this effect. Zeqiraj et al. (2022) similarly find that institutional quality enhances both access to and use of financial services. Together,



these studies underscore that inclusion cannot be divorced from governance structures and that policy uncertainty can undermine progress unless counterbalanced by institutional strength.

**Financial Inclusion, Poverty, and Inequality:** Financial inclusion is widely recognized as a tool for poverty alleviation. Saha and Qin (2022) demonstrate that inclusion significantly reduces extreme poverty in developing countries, particularly when gender inequality improves. Wong et al. (2023) confirm the role of inclusion in reducing poverty in ASEAN countries but caution that financial innovation may exacerbate inequality if the benefits disproportionately accrue to wealthier groups. Yıldırım and Şendeniz-Yüncü (2025) add further complexity by showing that banking-sector development can increase inequality, whereas stock-market development reduces it. This duality suggests that the type of financial development matters: bank-based expansion may reinforce existing disparities, whereas market-based mechanisms can promote redistribution. The literature thus points to inclusion as a poverty-reduction tool, but one whose distributional effects depend on the financial structures underpinning it.

**Financial Inclusion and Human Development:** Beyond economic outcomes, financial inclusion contributes to broader human development. Chowdhury and Chowdhury (2023) found that inclusion positively impacts income, life expectancy, and education in South Asia. Thathsarani et al. (2021) reinforce this by linking inclusion to long-term human capital development. At the micro level, Nguyen et al. (2023) show that household income and proximity to banks are key determinants of inclusion in Vietnam, underscoring the importance of accessibility. These findings suggest that inclusion is not merely an economic instrument but also a social one capable of advancing human development goals.

**Financial Inclusion, Shadow Economy, and Financial Development:** The shadow economy poses a significant barrier to growth. Younas et al. (2022) and Fu et al. (2025) find that shadow economies hinder economic progress, but financial inclusion moderates these negative effects, particularly through financial market and institutional development. Liu and Walheer (2022) and Tram et al. (2021) contribute by developing composite indices to measure inclusion, emphasizing the role of digital finance and mobile money in capturing its multidimensional nature. Structural considerations also matter. Gong et al. (2018) and Sethi and Kumar (2013) argue that bank-based systems are more suitable for developing countries, whereas market-based systems are more suitable for developed countries. This suggests that inclusion strategies must be tailored to each economy's financial architecture, with shadow economies requiring targeted interventions to integrate informal actors into formal systems.



**Financial Technology and Inclusion:** Fintech is increasingly recognized as a transformative driver of inclusion. Morgan (2022) and Ha et al. (2024) document its role in ASEAN countries, noting that age is a significant factor but gender is not. Govindapuram et al. (2022) emphasize women's access to finance in India, showing that household and individual-level factors strongly influence inclusion outcomes. While fintech expands access, Wong et al. (2023) caution that digital innovations may exacerbate inequality if lower-income groups lack the resources to participate. This tension highlights the need for inclusive digital strategies that ensure equitable access to technological benefits. In the Indian context, we are more focused on evaluating and assessing the relevance of our study: Financial inclusion has long been a central policy priority in India, with scholars examining its economic, social, and institutional dimensions. Early work by Kapoor (2013) traced the mixed track record of India's financial inclusion journey, situating it within broader economic reforms and projecting possible scenarios for 2050. Similarly, Pauli (2019) compared India's financial inclusion status with that of BRICS peers, noting India's reliance on microfinance and its lagging performance relative to others. These studies provide important historical and comparative context for understanding India's trajectory. At the macroeconomic level, Alam et al. (2015) established that financial inclusion, alongside growth and education expenditure, significantly improves life expectancy in India, while inequality and economic misery reduce it. This highlights the welfare-enhancing potential of inclusion. Sehrawat & Giri (2017) reinforced this by showing that financial inclusion and growth reduce poverty, though inequality exacerbates it, pointing to the dual challenge of expanding access while addressing distributional imbalances. Later, Sethi et al. (2021) argued that globalization and financial development have exacerbated inequality in India. However, education can mitigate these effects, underscoring the role of governance in balancing growth with equity. Institutional and structural factors also shape outcomes. Sethi & Kumar (2013) found that India's bank-based financial structure is more effective for growth than stock markets, suggesting that governance should prioritize strengthening banks. Sen & Dasgupta (2018) cautioned that financialization in the 2000s diverted resources from real investment, leading to Ponzi financing, thereby further emphasizing the need for regulatory oversight. Ganguly & Vasudevan (2022) added that liberalization empowered corporations and non-financial firms, integrating India into global markets but also raising questions about governance resilience. At the micro level, Govindapuram et al. (2022) highlighted how household and individual-level factors, including gender norms, strongly influence women's access to finance. Cnaan et al. (2011) similarly showed that social deprivation in rural South India hinders inclusion, pointing to the importance of addressing informal barriers. Sehrawat et al. (2021) extended this by linking financial literacy and behavior to improved well-being, suggesting that governance



interventions in education and awareness are critical to this. Policy shocks provide further insight into the dynamics of inclusion. Singh & Ghosh (2021) examined the PMJDY program and found a long-term link between financial inclusion and economic activity. However, they documented a reversal in causality following demonetization: before the policy, economic activity drove banking usage, but afterward, banking transactions spurred growth. This illustrates how policy uncertainty can reshape the role of financial inclusion in the economy. Srivastava et al. (2025) reinforced the importance of PMJDY, showing that it improved bank stability, particularly in rural areas, thereby strengthening the financial system. Finally, governance quality emerges as a critical moderator. Mukherjee et al. (2021) found that liberalization increased financial depth and competition in BRICS countries, including India, but government interference enhanced stability. Syed et al. (2024) demonstrated that economic policy uncertainty reduces financial inclusion, but strong governance mitigates this effect. Together, these studies underscore that governance is not merely a background factor but a decisive element in shaping financial inclusion outcomes under uncertainty. In addition to the extensive literature review, we include a tabular review to synthesize and highlight the relevance of our study.

<b>Author(s), Year</b>	<b>Methodology</b>	<b>Results</b>	<b>Conclusions</b>	<b>Relevance to our Study</b>
Adedokun & Ağa (2021)	Panel data (SSA, 2004–2017)	FI positively impacts growth	Policy interventions needed	Shows the FI-growth link in Africa, relevant for BRICS
Alam et al. (2015).	Cointegration (India, 1990–2013)	FI, growth, education ↑, life expectancy, inequality ↓	Reduce inequality to improve welfare	Governance quality linked to social outcomes
Antwi et al. (2024).	Panel (60 countries, 2002–2019)	FI weakens stability; competition boosts	Strategic investments needed	Highlights the FI-stability trade-off
Chen et al. (2022).	Quantile regression (top 10 economies)	FI boosts growth asymmetrically	Tailored policies required	Shows heterogeneity, relevant for BRICS
Chowdhury & Chowdhury (2023).	GMM (South Asia)	FI ↑ income, life expectancy, education	FI accelerates human development	Governance quality linked to social outcomes



Cnaan et al. (2011).	Case study (rural India)	Social deprivation hinders FI	Social barriers matter	Governance must address inequality
Fu et al. (2025).	System & difference GMM (120 economies)	Shadow economy ↓ growth; FI moderates	FI substitutes the shadow economy	Governance amplifies FI's moderating role
Ganguly & Vasudevan (2022).	Policy analysis (India)	Liberalization ↑ of corporate access	Integration with global markets	Governance resilience relevant
Gong et al. (2018).	Comparative analysis	Bank-based is better for developing; market-based is for developed	Financial structure matters	Governance must align with structure
Govindapuram et al. (2022).	NFHS-4 microdata (India)	Household & individual factors drive women's FI	Informal norms matter	Governance must address gender barriers
Gupta & Kashiramka (2020).	Policy analysis (India, post-GFC)	FI is affected by the crisis	Policy lessons	Governance resilience relevant
Ha et al. (2024).	ASEAN fintech study	Age matters, gender does not	Fintech drives FI	Digital governance relevance
Hussain et al. (2024).	Panel data (21 Asian countries)	FI positively impacts growth	FI fosters sustainable growth	Supports the FI-growth link in BRICS
Jima & Makoni (2023).	Panel causality (SSA)	Short- & long-run causal links	Holistic policies needed	Reinforces governance as a moderator
Kapoor (2013)	Policy analysis (India)	Mixed track record	Future scenarios for 2050	Governance foresight relevant
Kebede et al. (2021).	Machine learning index (Africa)	Market power ↑ availability, ↓ usage	Asset concentration harmful	Governance must regulate market power



Liu & Walheer (2022).	Composite index (PCA)	FI varies by income category	Policy environment matters	Methodological relevance (PCA used in your study)
Morgan (2022)	Policy analysis (ASEAN)	Fintech promotes FI, but risks exist	Tailored strategies needed	Digital governance parallels BRICS
Mukherjee et al. (2021).	BRICS panel	Liberalization ↑ depth & competition	Govt interference ↑ stability	Governance quality moderates liberalization
Nguyen et al. (2023).	Household survey (Vietnam)	Income & distance to banks drive FI	Accessibility matters	Micro-level determinants complement macro-BRICS
Ofoeda et al. (2022).	Balanced panel (Africa, 2002–2019)	FI, regulation, institutions ↑, growth	Strengthen governance frameworks	Directly supports governance quality as a moderator
Opoku et al. (2024).	Non-linear modeling (Africa)	U-shaped FI-growth relationship	Human capital development is key	Suggests thresholds matter — relevant for BRICS
Oyadeyi (2023)	MIDAS & ARDL (Nigeria)	POS, ATM, and mobile transactions drive growth	Banking innovation crucial	Shows digital channels as resilience tools
Pauli (2019)	Comparative BRICS study	India lags peers	Microfinance dominant	Contextual BRICS comparison
Reis (2022)	Findex-based index	Income & employment drive FI	Micro factors matter	Complements macro BRICS analysis
Saha & Qin (2022).	Composite FI index (156 countries)	FI ↓ extreme poverty	Gender equality enhances the effect	Governance quality linked to equity outcomes
Sehrawat & Giri (2017).	ARDL (India, 1970–2015)	FI & growth ↓ poverty; inequality ↑ poverty	Bidirectional causality	Governance must address inequality



Sehrawat et al. (2021).	Survey (India)	Financial literacy & behavior ↑ well-being	Policy design needed	Governance role in literacy
Sethi & Kumar (2013).	Case study (India)	Banks > stock markets for growth	Structure matters	Governance must support bank-based systems
Sethi et al. (2021).	Unified framework (India)	Globalization & FI ↑ inequality	Education mitigates	Governance must balance globalization
Sen & Dasgupta (2018).	Policy analysis (India, 2000s)	Financialization hurts real investment	Ponzi financing ↑	Governance must regulate finance
Singh & Ghosh (2021).	Panel cointegration (India, PMJDY)	Long-run FI-growth link; causality reversed post-demonetization	Usage policies matter	Shows policy shocks alter FI dynamics
Srivastava et al. (2025)	Quasi-experiment (PMJDY, India)	FI improves bank stability	Rural-focused FI strengthens stability	Reinforces governance/institutional quality
Syed et al. (2024).	Two-step GMM; SELPDM robustness (BRICS, 2004–2021)	Policy uncertainty ↓ FI; governance moderates	Governance is crucial in mitigating uncertainty	Directly relevant — your study builds on this nexus
Thathsarani et al. (2021)	Panel (South Asia)	FI ↑ human capital, short-term growth	Govt intervention accelerates SDGs	Governance role reinforced
Tram et al. (2021).	PCA composite FI index	Mobile money indicators improve the FI measure	Robust index for policy	Methodological relevance (PCA)
Van et al.	FI index (19	Institutional quality	Middle-income	Governance heterogeneity



(2022).	Asia-Pacific)	effects vary by income	reforms are most effective	relevant to BRICS
Vo et al. (2020)	Panel (3,071 Asian banks)	FI ↑ resilience, revenue, ↓ costs	FI strengthens banks	Supports the stability argument
Wong et al. (2023).	ARDL (ASEAN)	FI ↓ poverty; innovation ↑ inequality	Digital divide matters	Governance must ensure equitable innovation
Yıldırım & Şendeniz-Yüncü (2025).	GMM (31 countries)	Banking ↑ inequality; stock markets ↓ inequality	Financial openness mitigates inequality	Governance can balance structures
Younas et al. (2022).	Panel OLS, GMM, Granger causality	FI ↑ growth; shadow economy ↓ growth	Shadow economy undermines FI	Governance can shrink the informal sector
Zeqiraj et al. (2022).	Dynamic panel (73 countries)	Institutional quality ↑ access & use	Human development drives FI	Governance quality is central to your study

**Critical Gaps and Future Directions:** Despite the breadth of research, several gaps remain. First, the nonlinear and asymmetric effects of inclusion on growth (Opoku et al., 2024; Chen et al., 2022) suggest that further work is needed to identify the thresholds and conditions under which inclusion becomes beneficial. Second, the stability–inclusion trade-off (Srivastava et al., 2025; Antwi et al., 2024) requires deeper exploration, particularly in the context of rapid digitalization. Third, while governance quality has been shown to moderate inclusion outcomes (Syed et al., 2024; Zeqiraj et al., 2022), the mechanisms through which governance interacts with financial systems remain underexplored. Finally, the rise of fintech and digital finance presents both opportunities and risks, demanding policies that balance innovation with equity.

**Research Methodology:** Financial inclusion is directly associated with resource efficiency and productivity, whereas productivity measures concern the rate of output for a given amount of input. Efficiency analysis extends productivity analysis by constructing an efficient production or cost frontier for a group of firms or industries against which individual MFIs can be compared using either data envelopment analysis (DEA) or stochastic frontier analysis (SFA). Owing to the lack of robust literature on PMMY, we explored the scheme to the extent possible. This study evaluates the PMMY scheme with



respect to institutional investors' performance in the Indian economy. This scheme generates limited employment opportunities in the country. This study focuses on the inter-state performance of MUDRA Yojana because, in many states, microfinance is highly effective in generating income and employment. This study used simple descriptive statistics to answer the research questions. All beneficiaries of the Mudra Scheme were included in the dataset as the study population. The study collected data from secondary sources, such as published reports, books, journals, and websites. We developed simple ideas to help achieve our research objectives. The data itself represent the status of the Mudra Scheme; therefore, we conceptualized the theoretical development of financial inclusion, and the applied side of the scheme is its effectiveness. **Significance of the study:** In the current world, living standards in Indian society have improved, and the government has decided to promote growth by leveraging domestic credit and investment through MUDRA Yojana. Investment is the engine of economic growth. Likewise, in India, as the market needs to support the government's initiative to promote micro and small industries and sustain productivity, the PMMY scheme fosters healthy investment. This study is useful for correlating investment and employment in the Indian economy. During the assessment year, India's growth rate was slow, and COVID-19 was as much a trap as the growth rate itself; therefore, we see much higher public debt. This study explores the status of these factors in the Indian economy.

**Statement of the Problem:** In the current economic climate, India's employment rate is gradually declining, while investment returns are increasing. The Indian government is facing hurdles in employment, but the market is unable to generate sufficient employment. Hence, this study examines why an increase in investment does not generate sufficient employment. Based on our statement of the problem, we formulate a **research objective** to support our case study.

1. To find out the basic structure of the PMMY scheme to support Indian small-scale industries
2. To find out the relation between investment and employment generation in the Indian economy

### Research Questions

1. What mudra scheme-related facilities are available in India?
2. In what ways does the Mudra Scheme promote employment and investment in the Indian economy?

Based on our research questions, we understand the role of micro- and small enterprises in the Indian economy. The government of India has supported all sections of society differently. Financial institutions provide financial resources to agricultural and non-agricultural firms to develop products and expand



their size. Before we begin the case study of the MUDRA scheme, we introduce the types of financial inclusion processes in the Indian economy. Generally, micro-and small enterprises are associated with groups interested in expanding the firm's size and maintaining financial resources, either independently or through banks. Table 01 indicates that the development of self-help groups (SHGs) in India is linked to banks. The data show trends in SHG loan amounts. In 2002–2003, the bank financed 255, 882 SHGs and disbursed loans totaling approximately 1022 crore. In the following year, the financial development of SHGs increased rapidly in 2006–2007, and after 2019–20, SHGs reached their highest level of 3,146,002. Until 2019–20, the expansion of SHGs continued at a positive growth rate; however, in 2020–21, the number of SHGs declined for the first time due to the COVID-19 pandemic. During COVID-19, micro and small industries suffered more than other sectors because the lockdown policy directly affected small and marginal enterprises. Therefore, the data indicate that financial inclusion is much older than the modern development scenario. However, the MUDRA scheme accelerates financial support for market expansion and bank credit expansion.

**Table 01: Self-Help Group-Bank Linkage Programme in India (Amount in Crore)**

Year	No. of SHGs Financed by Banks	Bank Loan	Refinance
2002-03	255882	1022	622
2003-04	361731	1856	705
2004-05	539365	2994	968
2005-06	620109	4499	1068
2006-07	1105749	6570	1293
2007-08	1227770	8849	1616
2008-09	1609586	12254	2620
2009-10	1586822	14453	3174
2010-11	1196134	14548	3174
2011-12	1147878	16535	3073
2012-13	1219821	20585	3917
2013-14	1366421	24017	3746
2014-15	1626238	27582	4493
2015-16	1832323	37287	6906
2016-17	1898120	38781	5660



2017-18	2261132	47186	6981
2018-19	2698400	58318	12886
2019-20	3146002	77659	15434
2020-21	2887394	58071	12227
2021-22	3398267	99,729	10197
2022-23	4295521	145200	6777
2023-24	5482152	209286	10100
2024-25	5557367	208283	12073

Source: NABARD, RBI

As shown in Table 01, the refinancing rate for micro-SMEs is much lower than expected, given progress in financial inclusion. In 2002–2003, refinancing for micro-SMEs was approximately half, but in 2020–2021, it was reduced to  $\frac{1}{4}$ , suggesting that repayment is a major issue in financial inclusion.

**Table 02: Progress of PMMY 2015-16 To 2024-25**

Years	No. of Accounts (in crore)	Loan Amount Sanctioned (Rs. crore)	Amount Disbursed (Rs. Crore)
2015-16	3.49	1,37,449	1,32,955
2016-17	3.97	1,80,529	1,75,312
2017-18	4.81	2,53,677	2,46,437
2018-19	5.99	3,21,723	3,11,811
2019-20	6.22	3,37,496	3,29,715
2020-21	5.07	3,21,759	3,11,754
2021-22	5.38	3,39,110	3,31,402
2022-23	6.23	4,56,538	4,50,424
2023-24	6.68	5,41,013	5,32,358
2024-25	5.56	5,52,802	5,41,803

Source: PMMY Dashboard (mudra.org.in)

Table 02 shows PMMY's progress in India. The data show that in 2015–16, the number of accounts operated under the MUDRA Yojana was 3.49 crore, which increased to 5.56 crore, an increase of only 2 crore in ten years in 2024-25. Sanction and disbursement amounts also increased, as shown in the table.

However, the table does not reveal the composition of the MUDRA Yojana because its design is based on the level of support and the enterprise's financial structure. The PMMY comprises four categories: Shishu, Kishore, Tarun, and Tarun Plus, which have been providing financial assistance to marginal entrepreneurs. Therefore, we incorporate Table 3 to elaborate on the composition and structure of the PMMY.

**Table 3: Cumulative Progress of PMMY from 2014-2015 to 2024-25**

Category	No. of Accounts	Amount sanctioned (in crores)	Amount disbursed (in crores)
Shishu	41,19,06,305	11,90,426	11,78,007
Percentage of total	77.27%	34.58%	35.02%
Kishore	10,95,55,774	14,05,788	13,64,860
Percentage of total	20.55%	40.84%	40.57%
Tarun	1,16,08,188	8,41,548	8,16,901
Percentage of total	2.18%	24.45%	24.28%
Tarun Plus	30,427	4,303	4,173
Percentage of total	0.01%	0.13%	0.12%
<b>Total</b>	<b>53,31,00,694</b>	<b>34,42,065</b>	<b>33,63,942</b>
Out of the above			
Women	35,76,74,394	14,92,744	14,46,654
Percentage of total	67.09%	43.37%	43.00%
New entrepreneur Accounts	10,93,23,032	10,54,371	10,17,446
Percentage of total	20.51%	30.63%	30.25%
SC/ST/OBC	26,53,64,519	11,86,297	11,61,290
Percentage of total	49.78%	34.46%	34.52%

Source: PMMY Annual Report 2024-25 (mudra.org.in)

Table 3 presents the financial structure of the PMMY from 2015-16 to 2024-25. Over these 10 years of successive growth, the data highlight the program's pattern and progress. According to Table 3, we can infer that Shishu dominates in the number of accounts, indicating a strong demand for small-ticket loans. Whereas Kishore has the largest share in the sanctioned/disbursed value, indicating mid-level enterprises



need more capital. Tarun Small: small in number but significant in value, reflecting higher loan sizes; Tarun Plus has newly introduced a cluster with negligible contribution, possibly due to stricter eligibility or limited demand. This table shows that the government plan's objectives are to assist micro enterprises in enhancing economies of scale, and data indicate that approximately 72% of funds are allocated to the Shishu category, covering a large number of micro enterprises in India. The government of India is not only concerned with microenterprises but also with social groups seeking to expand their economic activities. In Table 3, women, a new entrepreneurial and marginalized section of society, such as SC, ST, and OBCs, are also present in the progress of the PMMY. Therefore, Table 04 is introduced, which explains the composition of the MUDRA Yojana and the banks and financial institutions that contribute to financing micro and small industries in India. Under the PMMY program The lending institutions, which include all public sector banks, private sector banks, foreign banks, regional rural banks, small finance banks, microfinance institutions (MFIs), and non-banking financial companies (NBFCs), have collectively exceeded the annual targets set by the Government of India under PMMY. Data show that FY 2019-20, which was affected by COVID-19, and FY 2024-25, due to challenges faced by the MFI sector, negatively grew in the previous year. In this context, we evaluate the Mudra scheme's performance, category-wise, by investment. The data indicate the overall development of Indian society. PMMY performs better across all sections of society. In this table, loan clusters are divided into three categories: Shishu, Kishor, and Tarun. These categories are based on the upper limits of investment in PMMY. Data shows that concerning the sanctioned amount, the disbursement amount, and the outstanding amount. The difference between the sanctioned and outstanding amounts, or between the disbursement and outstanding amounts, is smaller than that between the sanctioned and outstanding amounts. This scenario is created because of the firm's low base and rate of return. Most Shishu loans face repayment problems because their base amount is low. Therefore, we can infer from the data that low-base micro-small enterprises face greater challenges. India is a diverse country in terms of religion, caste, and economic status; however, the Mudra scheme addresses social and economic needs across all sections of society. Table 03 indicates that all social groups are beneficiaries, with the share of their population.

**Table 4: Progress of year-wise sanctions and Disbursement amount in crores under PMMY by the Banking and Financial Institutions from 2014-2015 to 2024-25**

Borrower Category	2015-15	2017-18	2019-20	2021-22	2023-24	2024-25



PSB + RRB	2,671.25	4,072.48	2,158.00	11,807.87	9,013.71	7,033.35
PVT+ SFB	0.00	1,600.00	264.00	633.28	7,290.00	5,125.00
MFI	812.00	446.50	1,080.00	1,025.00	1,387.50	0.00
NBFC	0.00	1,137.00	1,309.00	2,090.00	975.00	3,562.00
PTC	49.95	721.92	0.00	66.66	893.90	137.76
Total	3,533.20	7,977.90	4,811.00	15,622.81	19,560.11	15,858.11
<b>Disbursement amounts in Crores</b>						
Borrower Category	2015-15	2017-18	2019-20	2021-22	2023-24	2024-25
PSB + RRB	2,671.25	4,072.48	2,244.00	11,807.87	9,013.71	7,013.84
PVT+ SFB	0.00	1,350.00	265.00	708.28	7,290.00	5,055.00
MFI	616.00	369.50	932.00	705.00	1,387.50	0.00
NBFC	0.00	1,005.00	559.00	1,965.00	995.00	3,054.00
PTC	49.95	704.07	0.00	66.66	825.53	206.13
Total	3,337.20	7,501.05	4,000.00	15,252.81	19,511.74	15,328.97

Source: PMMY Annual Report 2024-25 (mudra.org.in)

Above, the data indicate the overall development of banks and financial institutions from 2015–2016 to 2024–2025. This table indicates that public sector banks provide more finance than private and foreign banks. Table 04 highlights the importance of RRBs, NBFCs, SFBs, and MFIs in financial inclusion in the country. The PMMY program has, over the last 10 years, benefited 53.31 crore loan accounts, with a cumulative disbursement of ₹ 33.64 lakh crore. Thus, enabling the country's grassroots economy to contribute more to the nation's overall economic growth, Mudra Cards have been issued to PMMY borrowers by various lending institutions. During FY 2024–25, 0.79 lakh Mudra cards were issued for an amount of ₹ 1370.99 crore. The contribution of banking and financial institutions has increased significantly from 2015–2016 to 2024–2025, but some contradictions have arisen due to mergers and acquisitions (M&A) in public-sector banks and the effects of demonetization on the Indian banking system. Table 4 presents the status of funding for micro-enterprises, but consistency has not been achieved due to financial fluctuations and the effects of COVID-19 on the Indian economy. However, this table is insufficient to explain the Mudra scheme's performance in terms of loan size and the extent to



which loans are fully utilized for investment purposes. According to data, the average loan per account (overall) was ₹63,000 from 2015-16 to 2024-25.

*(b) We examine research problem no. 2*, which is associated with investment and employment generation in India, and how the MUDRA yojana supports it. One of the greatest thinkers, J.M. Theoretically, investment has two properties: first, the incremental rate of investment increases the capital stock of countries, and second, investment creates employment. Theoretically, investment has two properties: first, the incremental rate of investment increases the capital stock of countries; second, investment creates employment. Through the MUDRA Yojana, the government of India aims to stimulate employment growth, as seen in Table 05.

**Table 05: Employment in Public and Organized Private Sectors in India**

(In Lakh)

Year	Public Sector (end-March)	Private Sector (end-March)	Number of Persons on the live register (end of December)
2000-01	191.40	86.50	413.40
2001-02	187.70	84.30	420.00
2002-03	185.80	84.20	411.70
2003-04	182.00	82.50	413.90
2004-05	180.10	84.50	404.60
2005-06	181.90	88.10	393.50
2006-07	180.00	92.70	414.70
2007-08	176.70	98.80	399.70
2008-09	178.00	103.80	391.10
2009-10	178.60	108.50	381.50
2010-11	175.50	114.50	388.30
2011-12	176.10	119.70	401.70
2012-13	NA	NA	447.90
2013-14	NA	NA	468.00
2014-15	NA	NA	482.60
2015-16	NA	NA	435.00



2016-17	NA	NA	433.76
2017-18	NA	NA	424.40
2018-19	NA	NA	421.20

NA - Not Available. Source: Directorate General of Employment and Training. Ministry of Labor and Employment, Government of India.

Table 5 examines the impact of PMMY on employment generation. Although PMMY's progress is positive in terms of economic value creation, from an employment perspective, we cannot attribute any employment gains to PMMY. Millions of accounts have been opened and a large amount of money has been invested in microenterprises under PMMY; however, its impact on employment has not been substantiated, at least in the public sector. Owing to data constraints, we were unable to correlate PMMY's impact on employment generation. It is necessary to investigate a field-based study to inform policymakers about the effectiveness of PMMY.

**Discussion:** The findings of this study highlight the transformative role of the Pradhan Mantri MUDRA Yojana (PMMY) in advancing financial inclusion and supporting microenterprise development in India. By extending credit to small and marginalized entrepreneurs, the scheme has created a pathway for investment and employment generation, particularly among underserved groups, such as Scheduled Castes, Scheduled Tribes, Other Backward Classes, and women. The fact that over 52 crore loan accounts have been sanctioned since 2015, with disbursements exceeding ₹33 lakh crore, underscores the scale of outreach and the government's commitment to inclusive growth. A key insight emerging from the analysis is the multiplier effect of MUDRA loans. Investment through PMMY stimulates production and consumption and generates employment opportunities, thereby reinforcing the virtuous cycle of growth. However, the study also reveals a paradox: while investment levels have risen, employment generation has not kept pace. This divergence suggests structural challenges in the labor market, where increased capital infusion does not automatically translate into proportional job creation. The reliance on micro and small enterprises, which often operate with limited technological capacity, may explain this imbalance. The literature review further contextualizes these findings. Studies across Asia and Africa confirm that financial inclusion generally promotes growth; however, its impact is conditioned by institutional quality, governance, and structural factors. In India, the PMMY experience reflects similar dynamics. Governance quality, financial literacy, and regulatory oversight have emerged as decisive moderators of inclusion outcomes. For instance, while PMMY has expanded access to credit, the sustainability of its benefits depends on complementary policies that strengthen institutional resilience



and address inequality. Another important dimension is the role of fintech and digital finance. Although PMMY has largely relied on traditional banking channels, the rapid rise of digital platforms offers opportunities to enhance efficiency and reach. However, as highlighted in comparative studies, digital innovations may exacerbate inequality if lower-income groups lack the resources or literacy to participate. Thus, integrating digital strategies into PMMY must be accompanied by safeguards to ensure equitable access. Finally, the COVID-19 pandemic exposed vulnerabilities in the microenterprise sector, with self-help groups and small industries experiencing sharp declines. This underscores the need for adaptive policies that can cushion shocks and sustain inclusion during crises. PMMY's resilience during fiscal year 2025, when disbursements remained strong despite broader economic challenges, demonstrates its potential as a stabilizing instrument and underscores the necessity of ongoing monitoring and reform.

**Conclusion:** Pradhan Mantri MUDRA Yojana has emerged as a cornerstone of India's financial inclusion strategy, significantly expanding access to credit for micro and small enterprises and fostering investment across diverse sectors. The scheme's achievements in terms of scale, outreach, and empowerment are undeniable, with millions of entrepreneurs benefiting from collateral-free loans and flexible repayment structures. Their contributions to income generation, consumption, and production validate the government's vision of market-oriented growth. At the same time, this study reveals critical challenges. The disconnect between rising investment and slower employment growth highlights the structural inefficiencies that must be addressed through skill development, technological upgrading, and stronger institutional support. Moreover, the sustainability of the PMMY's impact depends on the quality of governance, financial literacy, and equitable access to digital finance. Without these complementary measures, the benefits of inclusion risk are unevenly distributed. In conclusion, PMMY represents both a success story and a work in progress. It has laid the foundation for inclusive economic development, but its long-term effectiveness will hinge on policy innovations that balance growth with equity, strengthen institutional resilience, and harness digital tools. By addressing these gaps, India can ensure that financial inclusion not only empowers individuals but also drives sustainable national development.

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