



# Study on Evaluating the Impact of PMMY on Socio-Economic Development and Financial Inclusion

**Dr G Srividhya,**

**Assistant Professor, Jain (Deemed-To-Be) University, Bangalore, India**

**Ms. Dama Maheswari**

**Assistant Professor, Jain (Deemed-To-Be) University, Bangalore, India**

**Ms. Sneha R**

**Assistant Professor, Jain (Deemed-To-Be) University, Bangalore, India**

**Dr. Vidhya K**

**Assistant Professor, Jain (Deemed-To-Be) University, Bangalore, India**

## Abstract

Financial Inclusion is one of the most treasured strategies in India. Our monetary arrangement has dependably been driven by a basic plan of a practical and comprehensive development. The primary point behind the monetary consideration is to cover the whole segment of population under monetary administrations. Government of India (GOI) has introduced some of the major steps to “fund the unfunded” micro enterprises segment. One of the initiatives taken by Government of India (GOI) is Pradhan Mantri Mudra Yojana (PMMY) which plays an important role in achieving the success of financial inclusion. The idea behind the scheme is to provide the credit requirement to small business up to 10 lakhs. The Pradhan Mantri Mudra Yojana (PMMY), launched by the Government of India in 2015, aims to provide financial support to micro and small enterprises, thereby fostering financial inclusion and promoting socio-economic development. This paper evaluates the impact of PMMY on enhancing financial accessibility and contributing to socio-economic growth, particularly among underserved and rural communities. However, challenges such as awareness gaps, administrative bottlenecks, and regional disparities persist, limiting the scheme’s full potential. This paper suggests policy enhancements, including targeted outreach and streamlined application processes, to maximize PMMY’s impact. These insights provide valuable implications for policymakers and stakeholders seeking to design and implement inclusive financial interventions in developing economies.

**Key Words:** Financial Inclusion, Socio-Economic Development, Micro Enterprises, Regional Disparities, Financial Interventions

## Introduction

Financial inclusion is essential for sustainable economic growth, especially in developing countries where a large portion of the population lacks access to formal financial services. Recognizing this, the Government of India launched the Pradhan Mantri Mudra Yojana (PMMY) in 2015, aimed at supporting micro and small enterprises with affordable credit and promoting entrepreneurship among underserved communities. This initiative is critical in India, where informal businesses are a substantial part of the economy but often struggle to access traditional financing options.

PMMY seeks to address two pressing issues: socio-economic upliftment and financial inclusion. By providing easier access to credit, it empowers individuals, especially those from rural areas, women entrepreneurs, and marginalized communities, to establish or expand their businesses, thereby improving income levels and employment opportunities. Furthermore, by bringing these small enterprises into the formal financial system, PMMY contributes to reducing income inequality and promoting economic resilience.

This paper aims to evaluate the impact of PMMY on socio-economic development and financial inclusion. By analysing data on loan distribution, beneficiary demographics, and changes in key economic indicators, this study assesses whether PMMY has effectively bridged the financial gap for underserved populations and fostered economic growth at the grassroots level. Additionally, the paper identifies the challenges limiting the scheme's full impact and provides recommendations for enhancing PMMY's reach and effectiveness. This analysis contributes to a broader understanding of how targeted financial interventions can empower communities, drive development, and serve as a model for other developing economies.

## Review of Literature

**Aakash Pandey (2023)** pointed out that the MUDRA scheme has significantly contributed to advancing financial inclusion and fostering the growth of MSEs in India. However, to ensure its long-term sustainability and effectiveness, certain challenges must be addressed. Implementing stricter credit assessment procedures, strengthening monitoring mechanisms, and adopting a comprehensive ecosystem approach are crucial for the scheme to achieve a more profound and enduring impact on the Indian economy.

**Shashank B. S (2022)** observed that the Government of India introduced the PMMY Mudra Loan scheme to support the economically weaker sections of society by providing financial assistance to the unfunded and promoting the growth of micro, small, and medium enterprises (MSMEs). As financing forms the backbone of any enterprise, the PMMY scheme plays a vital role in helping emerging startups establish themselves and contribute to the nation's GDP. The study highlights that banks have been proactive in promoting the scheme, resulting in a consistent year-on-year increase in the number of loan accounts created, as well as the amounts sanctioned and disbursed. However, a small proportion of these loans have turned into NPAs due to borrower defaults. To address this issue and enhance the effectiveness of the scheme, it is recommended that the

Government introduce collateral security requirements, relax NPA provisioning norms, and strengthen loan recovery mechanisms. Banks must also adopt stringent measures to assess borrowers' credibility and ensure compliance before disbursing loans. These actions should balance the interests of both borrowers and lenders while insulating the scheme from political influences to prevent corruption. A collaborative effort from the Government, banks, financial institutions, and the public is essential to ensure the success of the scheme and its meaningful contribution to India's economic growth.

**Pushpender Kumar (2021)** revealed that women in their productive years demonstrate a strong enthusiasm for launching business ventures and show a willingness to take on the financial risks associated with external funding. A significant portion of loan beneficiaries comprises married women with at least two children, underscoring their dedication to supporting their families and contributing to household finances. Despite lacking technical or vocational training—key to initiating income-generating activities—these women exhibit a strong grasp of the business world, with most being graduates and receiving robust support from their educated spouses. Additionally, over half of the respondents do not own property in their names and come from households with only one or two earning members. Overall, the Mudra Yojana has had a positive impact on the socioeconomic growth and development of these women, many of whom express a willingness to take another Mudra loan after repaying their current debt.

**Manish Agarwal (2017)** concluded that the PMMY is a commendable initiative by the Government of India, bringing significant changes in the field of microfinance. The scheme is designed to support the weaker sections, low-income groups, and the unfunded population while fostering increased competition in the financial sector. By promoting financial inclusion, PMMY enhances access to credit and refinance opportunities. When combined with other financial inclusion initiatives, the national PMMY plan has demonstrated promising outcomes. Microfinance Institutions (MFIs) have played a crucial role in financing women under PMMY, contributing significantly to its success. The scheme has notably advanced financial inclusion in a positive direction. If implemented effectively, PMMY has the potential to be a transformative financial inclusion initiative for the Government of India, driving economic growth and positioning the country for a brighter future.

### **Objectives of the Study**

- To evaluate how PMMY has improved access to formal credit among small and micro enterprises, especially in rural and underserved regions.
- To examine the effect of PMMY on the socio-economic development of its beneficiaries, including factors such as income stability, employment generation, and quality of life.

### **Research Methodology**

The study is based on secondary data, which were collected from the yearly report of Munda Bank, published journals, magazines, websites and other sources.

## Limitations of the Study

The study is conceptual in nature, and the data were analysed for 2023 and 2024 due to time constraints.

## MUDRA Bank

In the Union Budget for the 2015-16 fiscal year, Finance Minister Shri Arun Jaitley announced the creation of the Micro Units Development and Refinance Agency (MUDRA Bank). Established in March 2015 under the Companies Act, 2013, MUDRA Bank began operating as a Non-Banking Financial Institution (NBFI) registered with the Reserve Bank of India on April 7, 2015, with a mission to fund underserved sectors. Prime Minister Shri Narendra Modi officially inaugurated MUDRA Bank on April 8, 2015. Operating as a wholly-owned subsidiary of the Small Industries Development Bank of India (SIDBI), MUDRA Bank was set up with an authorized capital of ₹1,000 crore and a paid-up capital of ₹750 crore. Under the Pradhan Mantri MUDRA Yojana (PMMY), the government offers collateral-free loans to micro and small enterprises (MSEs), divided into three categories:

Category	Loan Amount
Shishu	Up to Rs. 50,000/-
Kishor	Above Rs.50,001/- to up to Rs. 5 lakh
Tarun	Above Rs. 5 lakh to up to Rs.10 lakh

**Source: MUDRA annual report, 2023-2024**

Borrowers can obtain loans from any Member Lending Institution (MLI), which encompasses public and private sector banks, foreign banks, regional rural banks, small finance banks, non-banking financial companies (NBFCs), and microfinance institutions (MFIs). For Shishu category loans up to ₹50,000, no processing fee is applied.

## Data analysis and Interpretation

### State-Wise Performance Assessment of the PMMY

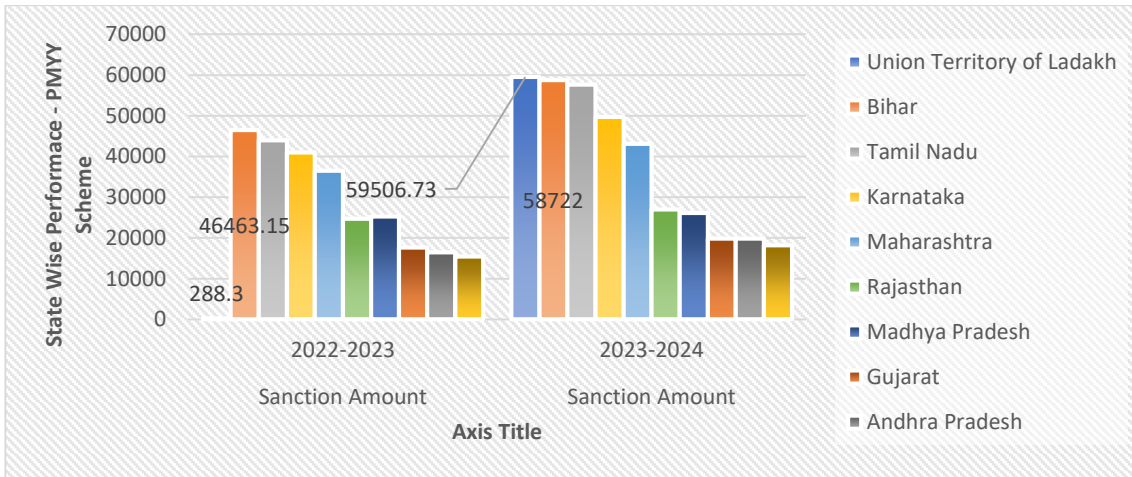
The Government of India allocated institution-specific targets, which were subsequently divided among states by each lending institution according to their network reach and lending capacity. The fiscal year 2023-24 saw the following sanctioned amounts (in crore rupees) across the top 10 performing states.

(Amount Rs. in Crore)

Sr.No.	Name of State	Sanction Amount	Sanction Amount
		2022-2023	2023-2024
1	Union Territory of Ladakh	288.3	59506.73
2	Bihar	46463.15	58722
3	Tamil Nadu	43948.08	57616
4	Karnataka	40964.95	49684.3

5	Maharashtra	36531.98	43075.16
6	Rajasthan	24686.97	26955.75
7	Madhya Pradesh	25301.3	26146.21
8	Gujarat	17668.1	19870.65
9	Andhra Pradesh	16450.7	19835.91
10	Kerala	15400.47	18152

Source: MUDRA annual report, 2023-2024



The data presents the sanction amounts allocated to various states and Union Territories (UTs) in India for the financial years 2022-2023 and 2023-2024. It reveals notable trends in the allocation of funds. The Union Territory of Ladakh saw a dramatic increase in its sanction amount, from ₹288.3 crore to ₹59506.73 crore, which could be attributed to focused development projects or special funding for the region. States like Bihar, Tamil Nadu, and Maharashtra experienced consistent growth in their sanction amounts, with Bihar rising from ₹46463.15 crore to ₹58722 crore, Tamil Nadu from ₹43948.08 crore to ₹57616 crore, and Maharashtra from ₹36531.98 crore to ₹43075.16 crore, indicating sustained financial support for large-scale projects and infrastructure development.

Other states such as Karnataka, Gujarat, and Kerala also saw moderate increases, reflecting a steady allocation of funds for ongoing developmental needs. Karnataka's increase from ₹40964.95 crore to ₹49684.3 crore and Gujarat's from ₹17668.1 crore to ₹19870.65 crore suggest continued investment in growth, although the rate of increase is not as steep as that of Bihar or Tamil Nadu. Rajasthan and Madhya Pradesh had relatively smaller increases, from ₹24686.97 crore to ₹26955.75 crore and ₹25301.3 crore to ₹26146.21 crore, respectively, highlighting more gradual or moderate growth in their funding allocations.

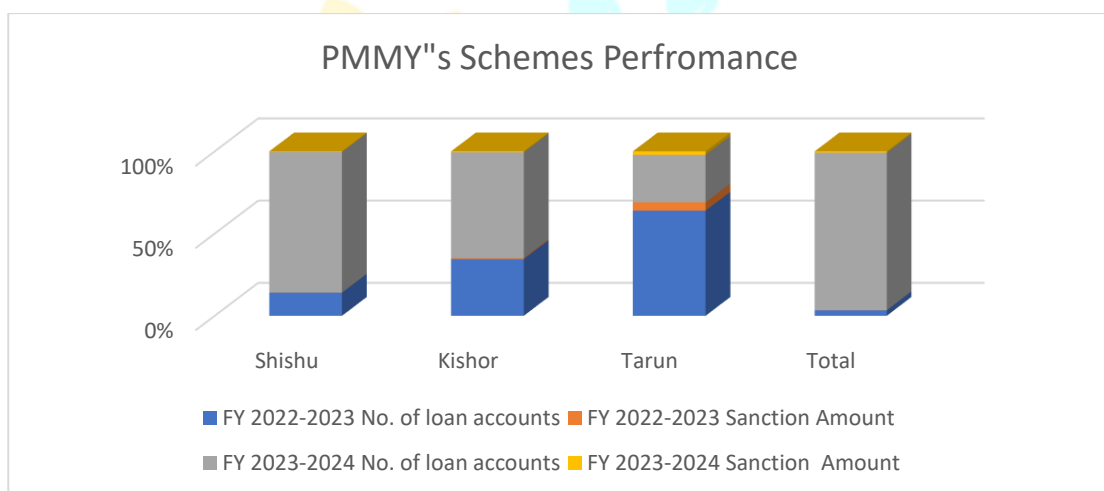
In conclusion, while the financial allocations for most states and UTs have increased in 2023-2024 compared to the previous year, the extent of the rise varies. Ladakh's extraordinary increase stands out, indicating a targeted push for its development. Other states, particularly Bihar, Tamil Nadu, and Maharashtra, have seen significant growth, reflecting a continued emphasis on infrastructure and socio-economic projects. The overall trend suggests that the government remains committed to funding state and regional development, with variations in the magnitude of financial support depending on the specific needs and priorities of each state or UT.

## Scheme Wise Performance Assessment of the PMMY

(Amount Rs. in Crore)

Category	FY 2022-2023		FY 2023-2024	
	No. of loan accounts	Sanction Amount	No. of loan accounts	Sanction Amount
Shishu	822116	2878.82	4988882	20196.52
Kishor	1427801	22962.2	2664786	22056.3
Tarun	90546	7190.57	40967	2937.3
Total	2340463	33031.59	66777013	541012.86

Source: MUDRA annual report, 2022-2023, 2023-2024



From the above table, it indicates notable trends in the Pradhan Mantri Mudra Yojana (PMMY) program. In the Shishu category, the number of loan accounts surged from 822,116 in FY 2022-2023 to 4,988,882 in FY 2023-2024, accompanied by a significant increase in the sanction amount from ₹2,878.82 crore to ₹20,196.52 crore. This sharp growth reflects a strong push to support micro-enterprises or individuals with small-scale businesses. In the Kishor category, there was an increase in loan accounts from 1,427,801 in FY 2022-2023 to 2,664,786 in FY 2023-2024. However, the sanction amount saw a slight decline from ₹22,962.20 crore to ₹22,056.30 crore, suggesting a trend toward granting smaller loans within this segment despite the growing demand. In the Tarun category, the number of loan accounts decreased from 90,546 in FY 2022-2023 to 40,967 in FY 2023-2024, with the sanction amount also dropping from ₹7,190.57 crore to ₹2,937.30 crore. This decline may point to reduced demand for larger loans or a shift in focus towards smaller loan categories.

Overall, the total number of loan accounts increased from 2,340,463 in FY 2022-2023 to 66,777,013 in FY 2023-2024, and the sanction amount saw a dramatic rise from ₹33,031.59 crore to ₹541,012.86 crore. These figures highlight a significant expansion of the PMMY scheme, especially in the Shishu and Kishor categories, reflecting growing financial inclusion and support for small businesses across the country.

Evaluating the impact of the Pradhan Mantri Mudra Yojana (PMMY) on formal credit access for small and micro enterprises (SMEs), particularly in rural and underserved areas, is essential to assess the program's effectiveness in achieving financial inclusion and economic growth.

### **Key Reasons for Evaluating the Impact of PMMY**

- PMMY was launched to bridge the gap in formal credit access for SMEs, a sector that often struggles with limited access to institutional financing. An evaluation helps verify if the scheme is meeting its primary goal of integrating small and micro enterprises into the formal financial system, particularly those in underserved regions where financial inclusion is traditionally low.
- SMEs play a crucial role in generating employment, promoting entrepreneurship, and enhancing economic resilience in rural areas. By evaluating PMMY, we can determine if it has facilitated growth for rural SMEs, reducing poverty and dependence on informal financial sources, which often carry high interest rates and unfriendly terms.
- PMMY has a significant mandate to support marginalized groups, including women, SC/ST communities, and others from rural backgrounds who may face greater barriers to accessing credit. Evaluation can reveal whether PMMY has succeeded in reaching these groups and contributing to greater economic equity, thereby supporting broader socioeconomic goals.
- By evaluating PMMY's impact on formal credit access, we provide data that can help financial institutions understand their role in supporting underserved segments and hold them accountable for inclusive lending practices. This evaluation also serves as feedback for policymakers to improve the scheme, making it more effective and responsive to the needs of small businesses.
- Evaluating the outcomes and limitations of PMMY provides insights for refining the program and sustaining its impact. It highlights areas where modifications may be needed to better address the challenges of rural and underserved SMEs, such as adjusting loan amounts, enhancing awareness, or providing complementary support (e.g., financial literacy, digital payments) for long-term financial inclusion.
- Evaluating PMMY allows policymakers to benchmark India's progress against global standards in SME financing and financial inclusion. This comparison is crucial to keep up with international best practices and to understand unique factors impacting the Indian context.

### **Empowering Communities through PMMY: A Socio-Economic Evaluation of Income Growth, Employment, and Quality of Life**

The following factors can provide a holistic view of PMMY's contribution to socio-economic progress, highlighting both direct economic benefits and broader community impact.

- Track changes in income levels among PMMY beneficiaries to assess whether access to credit has led to consistent or increased earnings. This analysis helps determine if beneficiaries are experiencing financial stability, which is crucial for long-term economic independence.

- Evaluate the scheme's impact on employment by analyzing job creation in enterprises funded by PMMY. This involves reviewing the number of new jobs created or sustained as a direct result of the capital infusion, particularly in underserved regions or sectors
- Assess how PMMY funds have enabled small businesses to grow or diversify. Tracking the number of businesses that expanded, introduced new products, or entered new markets post-loan disbursement can provide insight into how effectively PMMY stimulates entrepreneurial growth.
- Examine how income stability and job creation have translated into quality of life improvements, such as better access to education, healthcare, housing, and essential services. Gathering qualitative feedback from beneficiaries can reveal the broader socio-economic impact.
- Investigate PMMY's role in promoting financial inclusion, particularly among marginalized or rural communities. Analyzing demographics and geographic data can illustrate how the scheme has bridged financial gaps and brought banking services to previously underserved populations.
- Analyze the scheme's impact on specific groups, such as women and minorities, who may face additional economic barriers. Tracking the participation rate and success stories among these groups can shed light on PMMY's contribution to economic equity.
- Assess whether beneficiaries have gained business management skills, financial literacy, or other competencies as a result of PMMY support. Analyzing these soft skills helps evaluate PMMY's role in building a sustainable entrepreneurial ecosystem, empowering beneficiaries beyond the initial loan period.

## Findings

The study on evaluating the impact of PMMY on socio-economic development and financial inclusion reveals several key findings. Firstly, PMMY significantly contributed to income stability for its beneficiaries, particularly among small business owners who reported increased revenues and financial stability. This improvement in income was critical for micro-entrepreneurs, especially those in rural and underserved areas, helping them manage income fluctuations. In terms of employment generation, the availability of credit led to the creation of new jobs and the expansion of existing businesses, especially in sectors like retail, manufacturing, and agriculture. This helped reduce unemployment and created self-employment opportunities, particularly for marginalized groups such as women and youth.

The study also found that PMMY had a profound impact on the quality of life of its beneficiaries. Increased income allowed families to access better housing, education, and healthcare, thereby improving living standards and promoting social mobility. Furthermore, the scheme advanced financial inclusion by enabling access to formal credit for groups traditionally excluded from banking systems. Many beneficiaries, particularly women and rural residents, gained financial literacy and became more integrated into the formal economy. PMMY also encouraged entrepreneurial growth, with beneficiaries using the loans to diversify their businesses or explore new markets, leading to increased local entrepreneurship and innovation.

The program was particularly effective in empowering women and minorities, providing them with the financial tools to start and sustain businesses, breaking down social barriers, and fostering economic independence. However, the study also identified some challenges. Beneficiaries reported difficulties such as high-interest rates, delayed loan disbursements, and challenges in securing the right loan amounts for their needs. These issues occasionally hindered business growth, with some facing repayment difficulties due to external economic factors.

Despite these challenges, PMMY had a significant long-term impact on socio-economic progress, but its sustainability required ongoing support, including better financial education, mentorship, and access to further funding for scaling businesses. The study concluded that while PMMY had made a positive contribution, tailored loan products and continued assistance would be crucial to ensuring the program's long-term success and helping businesses thrive beyond their initial stages.

### **Suggestions**

To enhance the impact of PMMY on socio-economic development and financial inclusion, several key suggestions can be made. Firstly, the scheme could introduce tailored loan products that cater to the specific needs of different sectors and beneficiaries, such as offering flexible repayment terms for seasonal businesses or lower interest rates for women and marginalized communities. Streamlining the loan disbursement process through the use of digital platforms could reduce delays and improve transparency, ensuring quicker access to funds. Additionally, expanding financial education programs is crucial, as it would equip beneficiaries with the knowledge to manage their finances better, make informed business decisions, and ensure the sustainable use of the loans.

Providing mentorship and guidance through business incubators and advisory services would help first-time entrepreneurs navigate challenges and scale their businesses effectively. Targeted support for women and minority entrepreneurs could further empower these groups by addressing gender and social barriers, offering networking opportunities, and leadership training. Moreover, fostering linkages to larger financial systems would help beneficiaries transition from micro-loans to more substantial credit options, enabling them to expand their businesses and sustain long-term growth. To ensure the program's adaptability, data-driven monitoring and evaluation would allow for real-time adjustments based on emerging trends, enhancing PMMY's relevance to beneficiaries' needs.

Finally, offering sector-specific support, especially for industries like agriculture that face unique challenges such as climate risks, would better equip businesses to handle sectoral hurdles. By implementing these suggestions, PMMY can further strengthen its role in promoting financial inclusion, income stability, job creation, and overall socio-economic development.

### **Conclusion**

The Pradhan Mantri Mudra Yojana (PMMY) has significantly contributed to the socio-economic development and financial inclusion of its beneficiaries by fostering income stability, generating employment, and improving

the overall quality of life. The program has empowered small business owners, especially in rural and underserved areas, by providing them with much-needed access to credit and financial resources. However, to maximize its long-term impact, PMMY must address challenges such as delays in loan disbursement, high-interest rates, and the need for more tailored loan products. By enhancing financial literacy, offering mentorship programs, and providing targeted support for women, minorities, and sector-specific needs, the scheme can further strengthen its role in creating a more inclusive, resilient, and sustainable entrepreneurial ecosystem. Continued monitoring, data-driven adjustments, and a focus on expanding access to larger financial instruments will ensure that PMMY remains a key driver of socio-economic growth and financial inclusion for years to come.

## References

1. Aakash Pandey, Empowering Dreams: An Analysis of PMMY's Impact on Micro-Entrepreneurship and Financial Inclusion, 2023, IJNRD | Volume 8, Issue 7 July 2023 | ISSN: 2456-4184.
2. Shashank B.S, A Case Study on the Impacts of the Pradhan Mantri Mudra Yojana on the Banking Sector in India, International Journal of Case Studies in Business, IT, and Education (IJCSBE), 2022, ISSN: 2581-6942, Vol. 6, No. 1, pp 256-267.
3. Dr. Pushpender Kumar, The impact of Pradhan Mantri Mudra Yojana on the socioeconomic development of women in India: A study of Delhi-NCR, 2021, ISSN 0976-495X (Print) DOI: 10.52711/2321-5763.2021.00062 Vol. 12, Issue-04, pp 411-419.
- 4 .Manish Agarwal, Pradhan Mantri Mudra Yojna: A Critical Review, 2017, Parikalpana - KIIT Journal of Management, pp 97-106, DOI # 10.23862/kiit-parikalpana/2017/v13/i2/164524.

