

Performance Analysis of Microfinancing through Pradhan Mantri Mudra Yojana in Punjab

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Citation: Kaur, J & Kaur, K. (2025). *Performance Analysis of Microfinancing through Pradhan Mantri Mudra Yojana in Punjab*. *Inspira-Journal of Commerce, Economics & Computer Science (JCECS)*, 11(03), 29–33.

ABSTRACT

India is home to the world's largest middle class, the majority of whom work in small-scale businesses and agriculture. These people primarily rely on usurers to meet their financial demands, and it is believed that over 80% of people in agriculture and small business depend on them on these lenders. To support such underprivileged people of India, our government has come up with many microfinance schemes. PMMY is one among those schemes for the development and upliftment of underprivileged. In order to "Fund the Unfunded," the MUDRA loan programme aims to both develop new businesses and expand current ones. The paper elaborates the performance of PMMY in Punjab. The performance analysis study is wholly dependent on secondary data collected from various annual reports, official websites of government and research journals. The period of the study is 2015 onwards. It was found that PMMY has played an immense role in providing finance to such small-scale entrepreneurs in the state.

Keywords: Entrepreneurship, Small Scale Businesses, PMMY, Mudra, Microfinance.

Introduction

Small enterprises are impacted by many factors. They are faring far worse than large Indian enterprises. Issues including inadequate information, financial illiteracy, entry-level laws, exorbitant costs, inadequate infrastructure, limited access to financing, and technology barriers are common challenges faced by small businesses and micro enterprises. These low-income populations and weaker sectors find it difficult to obtain loans and formal financial services. The Government of India (GOI) has initiated the Pradhan Mantri Mudra Yojana (PMMY), a new financial inclusion initiative, to fund the underfunded micro enterprise segment. To bank the unbanked is PMMY's goal. The Union Government launched the flagship PMMY program on April 8, 2015, and it provides micro, small, and non-farm businesses with loans up to Rs. 10 lakh. All banks, including Public Sector Banks, Private Sector Banks, Regional Rural Banks, State Cooperative Banks, Foreign Banks, and NonBanking Financial Institutions (NBFC)/Micro Finance Institutions (MFI), are expected to lend to non-farm sector income-generating enterprises that do not exceed Rs. 10 lakh under PMMY. To carry out the Scheme, the government created a new company named MUDRA (Micro Units Development & Refinance Agency Limited), which will handle development and refinancing related to micro units as well as operate as a general microfinance sector. Through MUDRA, all banks that wish to refinance small business loans under PMMY can do so. For this reason, MUDRA provides refinancing to all last-mile lenders.

Nonbanking financing corporations include small banks, scheduled commercial banks, trusts, non-cooperative societies, and regional rural banks. These institutions lend money to micro and small businesses engaged in trading, manufacturing, and other activities. MUDRA was founded with the primary objective of expanding the country's microbusiness sector by offering a range of services, including funding for refinancing and assistance with entrepreneurship. In order to "Fund the Unfunded," the MUDRA loan programme aims to both develop new businesses and expand current ones.

The scheme has three categories under which loans are disbursed:

- Shishu – For loan amount up to Rs. 50,000
- Kishore- For loan amount from Rs. 50,001- Rs 5 lakhs
- Tarun- For loan amount more than 5 lakhs and up to Rs 10 lakhs

The terms "Shishu," "Kishor," and "Tarun" denote the various phases of development and growth as well as the financial requirements of the microunits and businesses that receive the interventions. They also act as a benchmark for the next expected phase of growth and graduation. Shishu Category Units are given more consideration before Kishore and Tarun classification in order to promote entrepreneurship among the youth of the new generation.

Who can borrow?

Any company owner or organization that has never missed a loan payment is eligible to borrow under the Pradhan Mantri MUDRA Yojana (PMMY). A Mudra loan may be available to sole proprietorships, proprietary firms, public sector enterprises, private limited companies, and other categories of legal business entities. The MUDRA loan cannot be utilized for personal expenses because it is an institutional loan. Applications are open to small firms engaged in certain production, service, or trading activities. Businesses can utilize a MUDRA loan for marketing, to increase the amount of working capital they have available, or to buy capital assets to expand.

Purpose of Mudra Loan

Mudra loans are given out for a number of reasons that lead to the creation of jobs and revenue. The loans are extended mainly for:

- Business loan for Vendors, Traders, Shopkeepers and other Service Sector activities
- Transport Vehicle loans – for commercial use only
- Loans for agri-allied non-farm income generating activities, e.g. pisciculture, bee keeping, poultry farming, etc.
- Working capital loan through MUDRA Cards
- Tractors, tillers as well as two wheelers used for commercial purposes only.
- Equipment Finance for Micro Units

Review of Literature

Ramesh P. (2016) focused on the performance appraisal of Mudra Bank Schemes - a study. This paper's goal is to investigate the effectiveness of Mudra Bank Schemes. This study is descriptive in nature, and the MUDRA data for the 2015–16 academic year was gathered from secondary sources such as newspapers, journals, and websites. Research has shown that the Shishu plan performed exceptionally well and that it was more beneficial to the SC, ST, and OBC categories than it was to other schemes.

Bhura, P. K., & Jha, A. K. (2019) analysed the overall performance of PMMY. The research was descriptive in nature. This study focused on the overview of Mudra Yojana, including the schemes offered by Mudra and overall performance PMMY and evaluates the loan sanction by financial institution in different state of India.

Shahid, M., & Irshad, M. (2016). Have done a descriptive study on PMMY. The data and information for the study is gathered from secondary sources only. The study analyses the product offering of Mudra bank and performance analysis of Pradhan Mantri Mudra Yojana was done in the state of Karnataka.

Mahajan, Y. (2019). Analysed the performance of PMMY in the state of Maharashtra. The research was descriptive in nature. The paper studied and reviewed the status of Mudra loans in the state of Maharashtra. It was found that Maharashtra is among top three states in all the last three years. It shows the success of Mudra in Maharashtra. Out of total loan sanctioned for all India, 13 to 15% is sanctioned for the state of Maharashtra.

Singh, V. P. (2020). Analysed the financial inclusion through Pradhan Mantri Mudra Yojana (PMMY) in rural development of Himachal Pradesh. The study has provided the new insights, that how financial inclusion initiatives through MUDRA Yojana are beneficial to the financial & economic growth of rural people of Himachal Pradesh. The research study has also contributed to the balanced growth of the state economy through improvement in financial literacy, income & employment generation activities, health, road connectivity and education system.

Objectives of the Study

The objective of the study is to evaluate the performance of PMMY in the state of Punjab. The research also presents the share of Punjab in mudra loan out of loans granted over the country. The data is collected through various secondary sources including various research papers, and annual reports of PMMY.

Performance Evaluation of Mudra Loan

• SISHU

Table 1: Evaluation of SHISHU loan under PMMY in Punjab and India

Year	Punjab			India		
	Number of Accounts	Sanctioned amount	Disbursement	Number of Accounts	Sanctioned amount	Disbursement
2015-16	594025	-	1231.47	32401046	-	62027.69
2016-17	618286	1527.57	1492.23	36497813	85100.74	83891.88
2017-18	669630	1918.06	1880.28	42669795	106001.6	104228.05
2018-19	986106	2793.57	2708.64	51507438	142345.25	139651.55
2019-20	1083174	3362.4	3319.21	54480992	163528.44	162782.81
2020-21	903435	2505.96	2430.85	40180115	109953.34	108637.24
2021-22	856183	2673.16	2634.63	41721154	124747.37	123969.05
2022-23	894914	3173.13	3122.35	43077851	142766.08	141609.85

Source: PMMY annual reports

The above table shows the disbursement and sanction of Shishu loan in the Punjab and overall in India. In the year 2015-16 1.95 percent of total shishu loans distributed in India were in Punjab, which has increased to 2.20 percent in the year 2022-23. The number of accounts have increased from 594025 in 2015-16 to 894914 in 2022-23 in the state of Punjab, whereas in India the number of accounts under shishu have increased from 32401046 in 2015-16 to 43077851 in 2022-23.

• KISHORE

Table 2: Evaluation of KISHORE loan under PMMY in Punjab and India

Year	Punjab			Indian		
	Number of Accounts	Sanctioned amount	Disbursement	Number of Accounts	Sanctioned amount	Disbursement
2015-16	43347	-	994.68	2069461	-	41073.28
2016-17	65920	1413.37	1370.16	2663502	53545.14	51063.12
2017-18	119363	2410.17	2325.78	4653874	86732.16	83197.09
2018-19	161685	2823	2703.52	6606009	104386.68	99868
2019-20	163447	2669.04	2543.24	6471873	95578.37	91427.07
2020-21	161127	2677.79	2523.74	9486160	132516.34	127239.57
2021-22	226522	3278.86	3146.85	11088206	137644.38	133389.24
2022-23	328912	4789.15	4604.42	17915912	204007.38	200936.63

Source: PMMY annual reports

The above table shows the disbursement and sanction of Kishore loans in the Punjab and overall in India. In the year 2015-16 2.42 percent of total Kishore loans distributed in India were in Punjab, which has decreased to 2.29 percent in the year 2022-23. The number of accounts have increased from 43347 in 2015-16 to 328912 in 2022-23 in the state of Punjab, whereas in India the number of accounts under Kishore have increased from 2069461 in 2015-16 to 17915912 in 2022-23.

• TARUN

Table 3: Evaluation of TARUN loan under PMMY in Punjab and India

Year	Punjab			Indian		
	Number of Accounts	Sanctioned amount	Disbursement	Number of Accounts	Sanctioned amount	Disbursement
2015-16	16601	-	1258.34	410417	-	29853.76
2016-17	21363	1699.9	1649.88	51063.12	539732	41882.66
2017-18	30843	2395.59	2318.06	806924	60943.34	59012.25
2018-19	35145	2666.21	2563.38	1756871	74990.86	72291.84
2019-20	34686	2850.82	2743.29	1285116	78358.32	75474.75
2020-21	29581	2229.7	2110.51	1068771	79289.57	75877.66
2021-22	27105	2227.93	2144.59	986166	76718.61	74043.91
2022-23	36065	3092.75	3039.6	1316835	109764.52	107877.18

Source: PMMY annual reports

The above table shows the disbursement and sanction of Tarun loan in the Punjab and overall in India. In the year 2015-16 4.21 percent of total Tarun loans distributed in India were in Punjab, which has decreased to 2.81 percent in the year 2022-23. The number of accounts have increased from 16601 in 2015-16 to 36065 in 2022-23 in the state of Punjab, whereas in India the number of accounts under Tarun have increased from 410417 in 2015-16 to 1316835 in 2022-23.

Conclusion

The expansion of MSMEs will aid in the advancement of the "Make in India" program. Rural and urban self-employed people as well as small manufacturing units will greatly benefit from the establishment of a bank similar to MUDRA. The PMMY scheme will improve the wellbeing of those who work in small-scale sectors that will favourably impact the expansion of the economy as a whole. Both in India and the state of Punjab shows a significant rise in Shishu, Kishore and Tarun loans under the scheme. By formalizing the informal and therefore paying the unfunded, MUDRA offers a vision. Its role as an apex refiner, providing low-cost finance is likely to be its USP, thereby hoping to fill a yawning gap in India's microfinance space.

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