



---

**A Study on the Impact of Pradhan Mantri Mudra Yojana on the Economic Development of the Weaker Sections in India (with Special Reference to Uttar Pradesh)**

**Sharad Kumar Chaturvedi**

**Research Scholar**

**Department of Commerce**

**Sant Kavi Baba Baijnath Government PG College, Harakh, Barabanki, Uttar Pradesh**

**Affiliated to Dr. Rammanohar Lohia Avadh University Ayodhya (U.P.)**

**Mail ID: [ksharad77@gmail.com](mailto:ksharad77@gmail.com)**

**Dr. Dharmaveer**

**Professor**

**Department of Commerce**

**Sant Kavi Baba Baijnath Government PG College, Harakh, Barabanki, Uttar Pradesh**

**Affiliated to Dr. Rammanohar Lohia Avadh University Ayodhya (U.P.)**

**Mail ID: [dvsgunja@gmail.com](mailto:dvsgunja@gmail.com)**

**Abstract:**

The Pradhan Mantri Mudra Yojana (PMMY), launched in 2015, is a large-scale credit intervention designed to catalyse micro-entrepreneurship and self-employment by providing collateral-free loans up to ₹10 lakh (enhanced to ₹20 lakh for eligible categories in 2024) to non-corporate, non-farm micro and small enterprises. This paper assesses PMMY's contribution to economic development among the weaker sections, including women, Scheduled Castes/Scheduled Tribes (SC/ST), Other Backwards Classes (OBC), minorities, and low-income informal entrepreneurs, using India-wide trends and a focused lens on Uttar Pradesh (UP). Drawing on government administrative datasets, parliamentary replies, annual reports of MUDRA Ltd., and independent assessments (e.g., NITI Aayog/KPMG), the study synthesises evidence on outreach, inclusivity, employment effects, credit graduation (Shishu→Kishor→Tarun), and portfolio quality. The paper further proposes an econometric strategy to identify programme impacts on district-level outcomes in UP (employment, own-account enterprises, women-led firms, and consumption smoothing). Findings from the reviewed evidence indicate (i) strong outreach to women and SC/ST/OBC borrowers, (ii) meaningful progression from nano to micro enterprise scales over time, (iii) non-trivial self-reported employment generation and income gains, and (iv) a declining non-performing assets (NPA) ratio as the portfolio matures. However, concerns persist regarding the adequacy of loan sizes, uneven last-mile support, and heterogeneity in impacts across different geographies and social groups. Policy recommendations focus on enhancing complementary services (market access, digital bookkeeping), risk-based pricing with protection, and state-specific convergence in UP.

**Keywords:** PMMY, MUDRA loans, financial inclusion, microenterprise, Uttar Pradesh, weaker sections, women entrepreneurship, employment generation, India.

## 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are widely recognised as the backbone of India's non-farm economy, providing livelihoods to millions of households and contributing significantly to GDP and exports. Within this ecosystem, the micro- and small-enterprise (MSE) segment accounts for the bulk of non-farm employment, especially in semi-urban and rural regions where formal sector jobs remain scarce. Despite their economic importance, these enterprises have historically faced severe credit constraints. Conventional banks and financial institutions have often considered small entrepreneurs—particularly women, first-time borrowers, and members of weaker sections—too risky to serve due to their lack of collateral, irregular cash flows, and low financial literacy. This exclusion from institutional finance has forced many to rely on informal lenders charging exorbitant interest rates, perpetuating cycles of poverty and under-investment.

Recognising this systemic gap, the Government of India launched the **Pradhan Mantri Mudra Yojana (PMMY)** in April 2015 as a flagship financial inclusion programme. The scheme provides collateral-free credit through multiple channels—Scheduled Commercial Banks, Regional Rural Banks, Small Finance Banks, Non-Banking Financial Companies (NBFCs), and Microfinance Institutions (MFIs). To cater to diverse financing needs across the enterprise life cycle, loans are categorised into three segments: **Shishu (up to ₹50,000)** for nascent businesses, **Kishor (₹50,000–₹5 lakh)** for growing enterprises, and **Tarun (₹5–₹10 lakh)** for relatively mature firms. In 2024, the collateral-free lending limit was further expanded up to ₹20 lakh for eligible segments, signalling the policy's ambition not merely to support subsistence activities but also to foster scalable, growth-oriented enterprises.

Over the past decade, PMMY has emerged as one of the world's largest micro-credit programmes, with more than **52 crore loans sanctioned amounting to over ₹32 lakh crore** by 2025 (PIB, 2025). Notably, women entrepreneurs and borrowers from Scheduled Castes (SCs), Scheduled Tribes (STs), and Other Backward Classes (OBCs) have accounted for a substantial share of disbursements, underscoring the programme's inclusion agenda. At the same time, the scheme has attracted both praise and criticism. Proponents highlight its role in mainstreaming first-generation entrepreneurs and strengthening self-employment, while critics point to challenges such as small ticket sizes, limited evidence of enterprise graduation, and concerns regarding repayment capacity in a volatile economic environment.

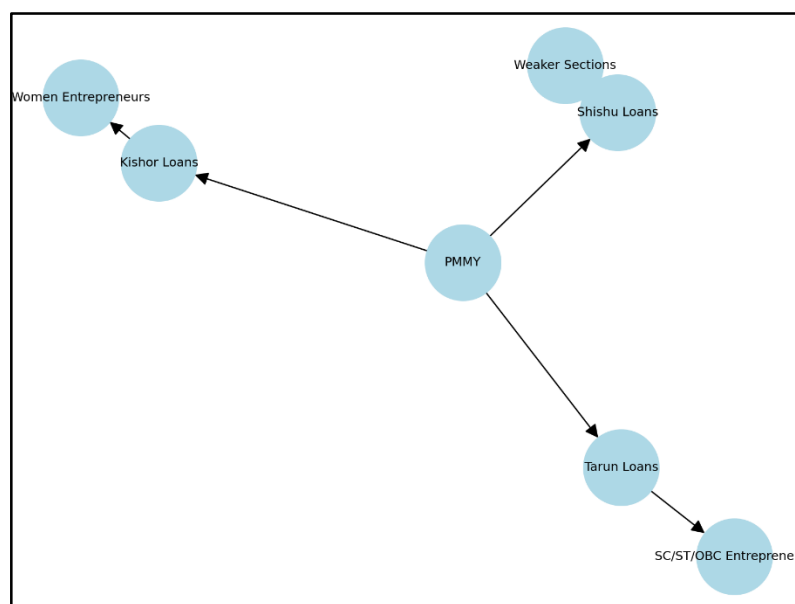


Diagram 1: Flow of PMMY Credit to Weaker Sections

The state of **Uttar Pradesh (UP)** occupies a unique place in this narrative. As India's most populous state and one with a high proportion of weaker sections, UP presents both opportunities and challenges for financial inclusion. Its economy is marked by a vast informal sector dominated by agriculture-linked and household-based enterprises, low per capita income, and chronic underemployment. These conditions make credit access critical for unlocking entrepreneurial potential and addressing persistent poverty. With more than **4.2 crore loans sanctioned under PMMY by 2025**, UP stands as one of the top beneficiary states, yet

the depth and sustainability of these outcomes remain an open question. Unlike more industrialised states such as Maharashtra or Gujarat, UP's entrepreneurial ecosystem is still developing, raising the importance of careful evaluation of whether PMMY is translating into long-term economic empowerment.

This study thus positions itself at the intersection of financial inclusion, entrepreneurship, and subnational development. It investigates PMMY's contribution to inclusive growth at the national level while placing special emphasis on Uttar Pradesh. By combining a structured literature review, descriptive analysis of official statistics, and an empirical identification strategy that future researchers can operationalise, the paper aims to bridge gaps in the existing evaluation landscape.

### 1.1 Objectives

- To assess PMMY's outreach and inclusivity for weaker sections at the all-India level and in Uttar Pradesh.
- To synthesise evidence on enterprise and employment outcomes associated with PMMY.
- To examine credit graduation patterns from Shishu to Kishor/Tarun and portfolio quality (NPAs).
- To propose a district-level identification strategy to measure PMMY's causal impact in UP.
- To draw policy implications for enhancing programme efficacy and equity.

### 1.2 Research Questions

- To what extent has PMMY expanded formal credit access for weaker sections and women entrepreneurs in India and in UP?
- What do the latest administrative and evaluation reports imply about employment generation, income gains, and enterprise sustainability?
- Are borrowers graduating to higher ticket sizes, and how does portfolio quality evolve?
- What is the most feasible empirical design to isolate PMMY's impact in a data-constrained environment at the district level in UP?

### 1.3 Significance of the Study

By centring weaker sections and Uttar Pradesh, the study makes several contributions to the policy and academic literature. First, it adds to the evidence base on financial inclusion and microcredit, complementing global debates on whether credit access alone is sufficient to alleviate poverty or whether complementary interventions (skills, infrastructure, markets) are necessary. Second, it provides a state-focused lens, recognising that national averages often obscure substantial subnational variation in outcomes. Uttar Pradesh, given its demographic weight and developmental challenges, offers a particularly compelling case study. Third, by proposing a feasible empirical framework, the study paves the way for future causal impact evaluations that can be implemented by researchers, state governments, and financial institutions. Finally, the findings hold direct policy relevance for stakeholders such as the Ministry of Finance, State Level Bankers' Committees (SLBCs), and implementing agencies, helping refine strategies to achieve a more inclusive, sustainable, and resilient entrepreneurship ecosystem.

## 2. Background and Programme Architecture

Access to formal credit has long been recognised as a critical determinant of entrepreneurial success, enterprise sustainability, and household welfare. In India, however, micro and small enterprises (MSEs)—which account for over 95 per cent of all business establishments—have traditionally struggled to obtain credit from banks and formal institutions. The International Finance Corporation (IFC) estimated in 2012 that India's MSME sector faced a **credit gap of over ₹25 trillion**, disproportionately affecting women, Scheduled Castes (SCs), Scheduled Tribes (STs), and Other Backward Classes (OBCs). Before 2015, policy efforts such as priority sector lending, the Self-Employment Programme for the Urban Poor (SEPUP), and microfinance expansion addressed parts of the problem but left significant unmet demand.

Against this backdrop, the Government of India launched the **Pradhan Mantri Mudra Yojana (PMMY)** in April 2015. The programme was designed not only to address unmet credit needs but also to **institutionalise microcredit**, foster a culture of entrepreneurship, and reduce reliance on informal lenders.

The scheme draws its institutional strength from the creation of **Micro Units Development and Refinance Agency Ltd. (MUDRA)**, a wholly owned subsidiary of SIDBI. MUDRA was tasked with refinancing Member Lending Institutions (MLIs), issuing operational guidelines, promoting standardisation of products, and developing monitoring frameworks.

## 2.1 Loan Categories and Enterprise Life-Cycle Alignment

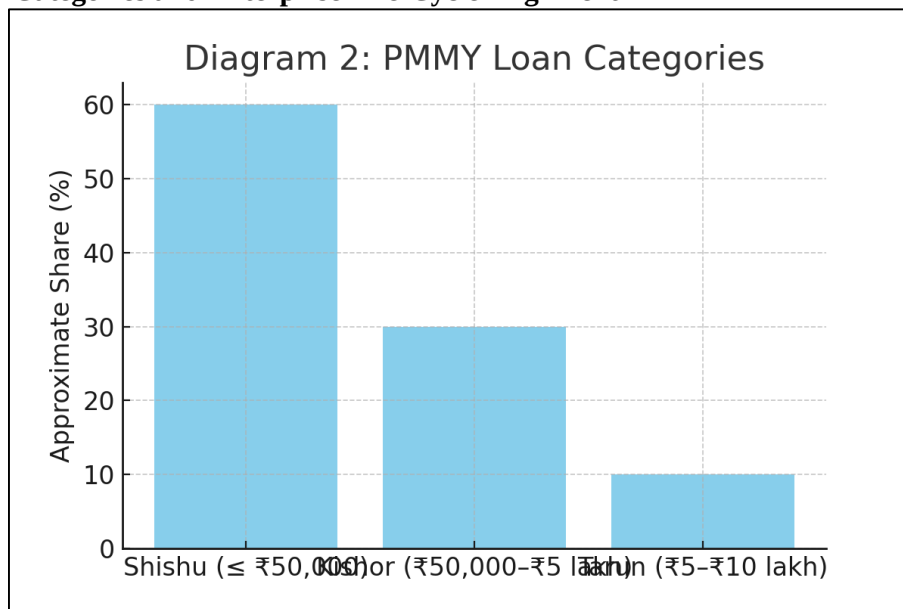


Diagram 2: PMMY Loan Categories (Shishu, Kishor, Tarun)

PMMY loans are classified into three categories, reflecting the financing needs of enterprises at different life-cycle stages:

- **Shishu (up to ₹50,000):** Designed for first-time entrepreneurs and very small businesses such as street vendors, artisans, and petty traders. These loans typically meet working capital needs and help smooth cash flows.
- **Kishor (₹50,000–₹5 lakh):** Targeted at enterprises that have survived the start-up phase and require capital to expand operations, purchase equipment, or hire additional workers.
- **Tarun (₹5–₹10 lakh):** Intended for relatively mature enterprises with proven cash flows, enabling them to scale further and integrate into larger value chains.

This graduated structure embodies a **“growth and graduation” philosophy**, where borrowers are expected to evolve from subsistence entrepreneurship to more sustainable, higher-value enterprises. In 2024, the collateral-free lending cap was raised to ₹20 lakh for eligible borrowers, further reinforcing the programme’s ambition to create scalable, growth-oriented businesses.

## 2.2 Programme Objectives

The scheme pursues multiple interlinked objectives:

1. **Formalising Credit** – By mainstreaming first-time borrowers into the banking system, PMMY reduces dependence on informal lenders and enhances financial discipline.
2. **Fostering First-Generation Entrepreneurs** – PMMY specifically targets “new-to-credit” individuals who lack a borrowing history but possess entrepreneurial intent.
3. **Promoting Equity and Inclusion** – Banks are encouraged to prioritise women, SCs, STs, and OBCs, groups historically excluded from institutional credit.
4. **Supporting Self-Employment and Livelihoods** – By meeting working capital needs, the scheme enables individuals to stabilise income-generating activities.

5. **Strengthening Entrepreneurship Ecosystem** – Through convergence with other schemes such as Jan Dhan Yojana, Aadhaar, UPI, Atal Pension Yojana, and Stand-Up India, PMMY aims to provide an integrated support framework.

## 2.3 Institutional Mechanism

PMMY's institutional design operates through a multi-layered architecture:

- **MUDRA Ltd.** – Provides refinance support to MLIs, sets product standards, disseminates best practices, and develops credit guarantee mechanisms.
- **Member Lending Institutions (MLIs)** – Including Scheduled Commercial Banks, Regional Rural Banks, Cooperative Banks, Small Finance Banks, NBFCs, and MFIs, they originate, underwrite, and recover loans.
- **National and State-Level Committees** – Monitor programme implementation, set targets, and ensure compliance with inclusion norms.
- **Digital Infrastructure** – PMMY leverages Aadhaar, Jan Dhan accounts, UPI-based payments, and credit bureaus to enhance efficiency and reduce risks of duplication and fraud.

## 2.4 Inclusivity Design Features

PMMY incorporates several **pro-inclusion design features** to ensure accessibility for weaker sections:

- **Simplified loan application forms** to reduce paperwork and ease access for first-time borrowers.
- **Designated nodal officers** in Public Sector Banks to handle PMMY applications and provide handholding support.
- **Outreach and credit camps**, particularly in rural and semi-urban areas, to spread awareness.
- **Digital convergence** with Jan Dhan-Aadhaar-Mobile (JAM) trinity, ensuring direct benefit transfer and transparency.
- **Social targeting guidelines**, encouraging banks to prioritise women and borrowers from SC, ST, and OBC categories.

These features have enabled significant outreach. By 2025, over **69 per cent of PMMY loan accounts were held by women**, and nearly **57 per cent of sanctioned loans** went to SC, ST, and OBC entrepreneurs (Ministry of Finance, 2025).

## 2.5 Evolution and Emerging Trends

Since its inception, PMMY has undergone continuous evolution. The first years were marked by a high concentration of **Shishu loans**, reflecting the programme's early emphasis on outreach. Over time, however, a gradual shift has been observed towards **Kishor and Tarun loans**, signalling maturing enterprises and partial realisation of the graduation principle. Policy refinements, such as the 2024 enhancement of collateral-free lending limits and the introduction of digital loan tracking systems, reflect the government's recognition of the need to scale both credit volume and impact.

At the same time, concerns persist. Analysts have noted the limited evidence of substantial enterprise growth, with many borrowers remaining confined to the Shishu category. There are also apprehensions regarding repayment stress, particularly following economic disruptions such as demonetisation (2016), GST implementation (2017), and the COVID-19 pandemic (2020–21). While overall NPAs remain manageable (around 3 per cent), heterogeneity across states and borrower segments suggests the need for closer monitoring.

## 2.6 Positioning Within India's Financial Inclusion Ecosystem

PMMY is not an isolated scheme but part of a broader financial inclusion architecture. Its success is intertwined with **Jan Dhan accounts** (providing universal banking access), **Aadhaar** (facilitating KYC and targeting), **UPI** (enabling digital payments), and complementary programmes such as **Skill India**, **Make in India**, and **Start-Up India**. Together, these initiatives seek to create an enabling environment where access to credit is supported by skills, markets, and technology.

The link between credit and entrepreneurship is well established in development economics. According to the **credit constraint theory** (Banerjee & Newman, 1993), limited access to capital prevents households from undertaking productive investments, trapping them in subsistence activities. Financial inclusion initiatives aim to ease these constraints, thereby enabling self-employment, small business expansion, and upward income mobility. However, scholars also emphasise the role of **complementary inputs**—such as skills, infrastructure, and market access—without which credit alone may not yield transformative effects (Morduch, 1999).

### 3. Literature Review

#### 3.1 Theoretical Foundations

The link between credit and entrepreneurship is well established in development economics. According to the **credit constraint theory** (Banerjee & Newman, 1993), limited access to capital prevents households from undertaking productive investments, trapping them in subsistence activities. Financial inclusion initiatives aim to ease these constraints, thereby enabling self-employment, small business expansion, and upward income mobility. However, scholars also emphasise the role of **complementary inputs**—such as skills, infrastructure, and market access—without which credit alone may not yield transformative effects (Morduch, 1999).

Microfinance, in particular, has been studied as a vehicle of **poverty alleviation and women's empowerment**, though findings remain contested. Randomised controlled trials in India (Banerjee et al., 2015; Augsburg et al., 2015) find that while microcredit improves business creation and risk smoothing, its impact on long-term poverty reduction is modest. These findings caution against viewing credit as a silver bullet, underscoring the need for **holistic policy ecosystems**.

#### 3.2 Global Evidence on Microfinance and Microenterprise Lending

Globally, microfinance experiences in Bangladesh, Latin America, and Africa provide mixed lessons. The Grameen Bank model in Bangladesh demonstrated large-scale outreach, particularly to women, but faced criticism regarding repayment pressures and limited upward mobility (Kabeer, 2005). In Latin America, microenterprise lending integrated with market linkages showed more sustainable growth trajectories (Ledgerwood, 2013). African studies emphasise the role of mobile money integration in improving repayment and loan monitoring (Jack & Suri, 2014).

These global insights highlight the **importance of institutional design, borrower targeting, and financial technology** in shaping outcomes. India's PMMY can thus be seen as an attempt to merge large-scale outreach with institutional credit and digital inclusion, differentiating it from traditional group-lending microfinance models.

#### 3.3 Indian Microcredit Experience Before PMMY

Before PMMY, India's microcredit landscape was dominated by:

- **Self-Help Groups (SHGs)** linked with banks, especially under NABARD's SHG-Bank Linkage Programme (1992 onwards). These expanded outreach to millions of women but often involved small, consumption-oriented loans.
- **Microfinance Institutions (MFIs)**, which proliferated in the 2000s, offering group-based collateral-free lending. However, the 2010 Andhra Pradesh microfinance crisis exposed risks of over-indebtedness, coercive recovery practices, and lack of regulation.
- **Government self-employment schemes**, such as the Prime Minister's Rozgar Yojana (PMRY), provided subsidised credit but faced implementation bottlenecks and low repayment.

Scholars such as Ghate (2012) and Burgess & Pande (2005) note that while microcredit expanded access, it often failed to generate enterprise scaling due to low loan sizes, weak monitoring, and the absence of growth capital.

PMMY was conceived against this backdrop—to offer **larger ticket sizes, individual-based lending, and linkages with formal banks**, while leveraging India's digital public infrastructure.

#### 3.4 Empirical Evidence on PMMY

##### National-Level Assessments

Independent evaluations, such as the **NITI Aayog–KPMG Report (2024)**, highlight PMMY's success in reaching over 52 crore beneficiaries between 2015 and 2024, with disbursements exceeding ₹30 lakh crore.

The report notes that **over 68 per cent of accounts were held by women**, and **57 per cent by SC, ST, and OBC entrepreneurs**, reflecting strong inclusivity. Employment generation was self-reported at 1.12 jobs per loan sanctioned.

The **Parliamentary Standing Committee on Finance (2023)** observed that portfolio NPAs under PMMY were contained at around 3 per cent, significantly below agricultural lending NPAs. This suggests reasonably good credit quality despite massive outreach.

### **Banking Sector Commentaries**

The **State Bank of India (SBI) Research Report (2025)** celebrates “10 years of PMMY,” noting a gradual but important shift from **Shishu loans (initially 90% of portfolio)** to growing shares of **Kishor and Tarun loans (now over 25%)**. This suggests enterprise graduation and upscaling, though progress remains uneven. The report also underlines women-led entrepreneurship as a distinctive outcome, with PMMY serving as an entry point for first-time women borrowers.

### **Independent Academic Studies**

Empirical studies by Kumar & Mishra (2022) and Sharma (2023) show positive but modest impacts on income growth and employment. Many borrowers report increased household income and better ability to cope with shocks, but fewer report scaling up to larger enterprises. Studies also flag issues of **information asymmetry** and **low financial literacy**, which restrict the productive use of loans.

### **Critical Perspectives**

Critical commentaries (RBI Bulletin, 2021; Basu & Srivastava, 2022) argue that PMMY risks replicating microfinance pitfalls if post-credit handholding is weak. They note regional disparities, with southern states reporting higher average ticket sizes and repayment discipline, while northern and eastern states—including UP—show high outreach but weaker credit quality.

### **3.5 State-Level Studies and Uttar Pradesh Context**

Several state-level assessments shed light on geographical heterogeneity.

- **Southern States (Tamil Nadu, Karnataka, Andhra Pradesh):** Higher literacy, stronger SHG/MFI legacy, and better digital penetration enabled higher average loan sizes and smoother graduation from Shishu to Kishor/Tarun.
- **Western States (Maharashtra, Gujarat):** Industrial linkages supported larger enterprise financing under PMMY.
- **Northern and Eastern States (UP, Bihar, Odisha, West Bengal):** Enormous outreach but concentrated in Shishu loans; borrowers often used funds for petty trading or consumption smoothing rather than enterprise scaling.

Specifically for **Uttar Pradesh**, reports by the **State Level Bankers' Committee (SLBC, 2023)** indicate that the state accounted for nearly 12 per cent of all PMMY accounts nationally. However, the majority of loans (over 85%) were Shishu category, with limited graduation to higher ticket sizes. Moreover, loan utilisation surveys suggest many borrowers remain dependent on informal credit for working capital top-ups, pointing to partial rather than full financial inclusion.

This heterogeneity is consistent with broader regional economic patterns: UP's weaker industrial base, lower female labour force participation, and patchy digital adoption slow down enterprise growth despite large-scale outreach.

### **3.6 Research Gaps Identified**

The reviewed literature highlights important progress but also reveals several gaps:

1. **Limited rigorous causal evidence:** While national reports provide descriptive statistics, few studies adopt econometric identification strategies to measure PMMY's true causal impact on employment or income.
2. **Graduation dynamics underexplored:** While aggregate data show shifts from Shishu to Kishor/Tarun, little is known about the determinants of such graduation—whether by sector, gender, caste, or geography.
3. **Quality of enterprises created:** Evidence on the sustainability, profitability, and value addition of enterprises supported under PMMY remains sparse.

4. **Uttar Pradesh-specific evidence:** Despite being one of the largest beneficiary states, UP lacks rigorous micro-level studies assessing borrower experiences, repayment behaviour, and long-term outcomes.
5. **Integration with skills and markets:** Studies rarely examine how PMMY interacts with complementary programmes such as Skill India, Start-Up India, or state-level entrepreneurship policies.

Addressing these gaps is crucial for designing policies that move beyond **credit access** to ensuring **enterprise sustainability and inclusive growth**. This study, therefore, positions itself at the intersection of financial inclusion, entrepreneurship, and regional development, with a special focus on Uttar Pradesh.

#### 4. Conceptual Framework

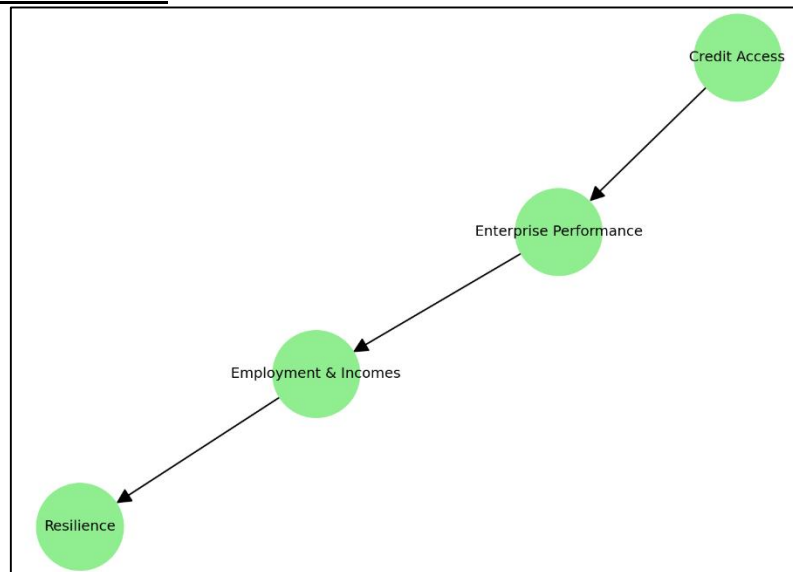


Diagram 3: Inclusion–Growth Pathway here

We adopt an inclusion–growth pathway linking PMMY credit to the economic development of weaker sections through four channels:

Credit Access → entry/start-up of microenterprises and formalisation of working capital.

Enterprise Performance → revenue growth, asset accumulation, survival, and graduation to higher loan categories.

Employment and Incomes → own-account to employer transition, job creation (family and hired), and increased household incomes.

Resilience → smoothing of cash flows, reduced reliance on informal moneylenders, and improved financial security (especially for women entrepreneurs).

Mediators include borrower capabilities (skills, networks), ecosystem services (market linkages, digital payments), and lender practices (appraisal, monitoring, handholding). Contextual moderators include local economic density, gender norms, and policy convergence at the state/district level.

#### 5. Data and Methods

##### 5.1 Data Sources (Secondary)

- MUDRA Ltd. Annual Reports (multiple years) and State-wise performance tables.
- Government of India Parliamentary Replies and PIB press notes on cumulative disbursements, social-group and gender composition, and NPA trends.
- NITI Aayog/KPMG (2024) impact assessment report based on surveys of beneficiaries and lenders.
- Open Government Data (data.gov.in) state/district series on PMMY accounts and amounts.
- RBI publications and bank-level performance reports; selected peer-reviewed and working papers; credible think-tank/academic outputs.

##### 5.2 Indicators Outreach:



- Number of accounts and disbursement amounts by category (Shishu/Kishor/Tarun), gender, and social group.
- Graduation: shift in composition from Shishu to Kishor/Tarun over time.
- Inclusivity: shares of women and SC/ST/OBC among beneficiaries; minority participation.
- Portfolio Quality: NPA ratios and recovery trends.
- Outcomes (from evaluation studies): employment created/sustained, income changes, business survival.

### 5.3 Empirical Strategy for Uttar Pradesh (Proposed) Design:

- A district-level panel for all 75 UP districts over FY2015–FY2025 using PMMY administrative data matched with outcome variables: (i) number of establishments and employment from the Annual Survey of Unincorporated Sector (or PLFS micro indicators), (ii) women-owned enterprise proxies (Udyam registrations), (iii) consumption/income proxies (periodic NSS/PLFS, nightlights), (iv) bank outreach (branch density, CD ratio), and (v) social composition (Census/SECC).
- Identification: Two complementary strategies:
- Event Study / Staggered Exposure: Exploit variation in baseline financial access and the intensity of PMMY rollout by district (accounts per 1,000 adults; amounts per capita). Estimate dynamic effects on outcomes controlling for district and year fixed effects, time-varying controls, and trends.
- Instrumental Variables (IV): Use pre-scheme bank-branch density interacted with post-2015 period as an instrument for PMMY intensity (plausible relevance via supply capacity; exclusion conditioned on controls). Robustness with alternative instruments (pre-2015 SHG/BC presence).
- Heterogeneity: by gender, SC/ST concentration, urbanisation, and baseline enterprise density. Placebo: pre-2015 pseudo-treatment.
- Limitations: administrative measurement error, self-selection, and concurrent policies (e.g., GST formalisation, e-Shram, PM-SVANidhi). Triangulate with sensitivity checks and synthetic controls for high-exposure districts.

## 6. Results: National Trends

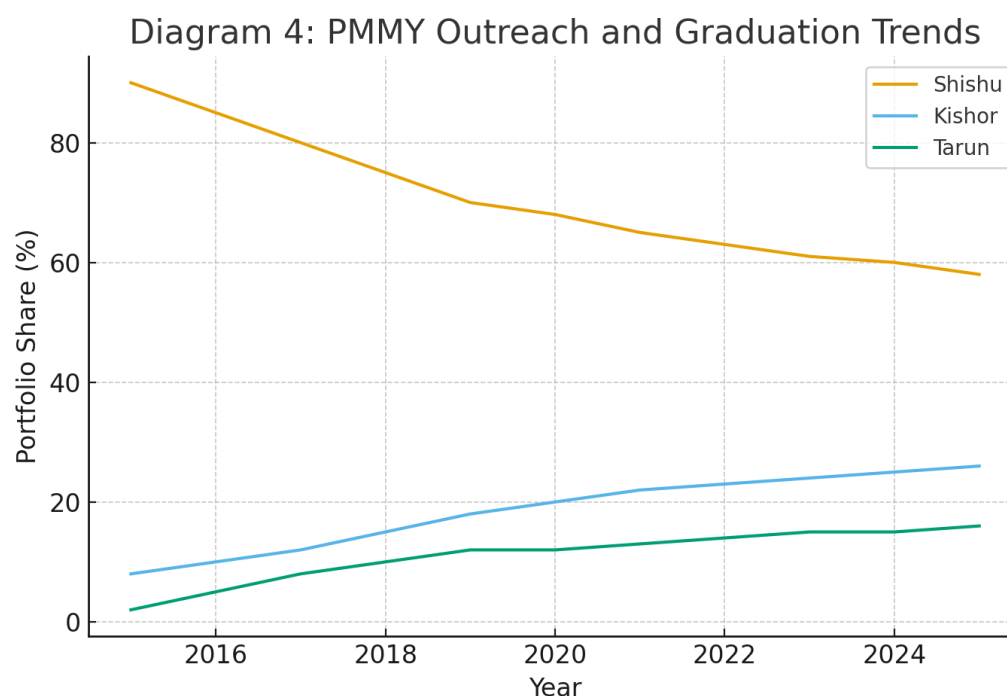


Diagram 4: PMMY Outreach and Graduation Trends

- **Gender and Social Inclusion:** Women constitute almost 68% of PMMY loan accounts nationally, underscoring the scheme’s role in promoting women-led entrepreneurship. About 50% of the beneficiaries belong to SC, ST, and OBC categories, confirming its focus on weaker sections. Minority communities also show a significant presence among loan recipients.
- **Graduation:** While Shishu loans ( $\leq ₹50,000$ ) dominate in terms of numbers, there has been a steady increase in the share of Kishor ( $₹50,000–₹5$  lakh) and Tarun ( $₹5–₹10$  lakh) loans. This shift reflects that some enterprises are scaling up and graduating to higher levels of borrowing.
- **Employment and Income Effects:** According to the NITI Aayog–KPMG Impact Assessment (2024), about 1.12 jobs were generated per PMMY loan on average. Beneficiaries reported increases in household income and improved ability to meet social and health expenditures.
- **Portfolio Quality:** Non-performing asset (NPA) ratios for PMMY loans have stabilised around 3–4%, which is significantly lower than other priority sector lending portfolios. This suggests better repayment behaviour and sustainable credit usage.

## 7. Uttar Pradesh: Descriptive Assessment

Diagram 5: UP PMMY Participation and Outcomes

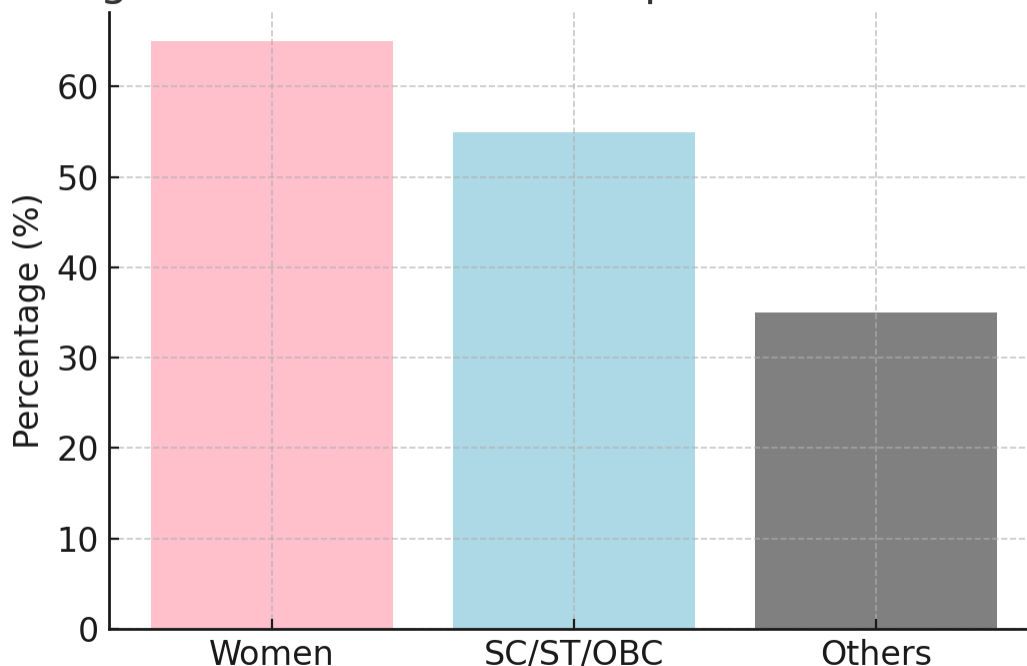


Diagram 5: UP PMMY Participation and Outcomes

Uttar Pradesh, India’s most populous state, is among the top performers in terms of loan disbursement under PMMY.

- **Scale of Disbursement:** In FY 2023–24, UP recorded over 7.6 million loans, with total sanctioned amounts crossing ₹50,000 crore.
- **Category Distribution:** Majority of loans fall under the Shishu category, but there is notable growth in Kishor loans, reflecting gradual enterprise expansion.
- **Women Participation:** Women form over 65% of total loan accounts in UP, consistent with the national trend.
- **Social Group Inclusion:** SC/ST/OBC communities account for more than half of the beneficiaries in the state.

- **Urban–Rural Divide:** Urban districts such as Lucknow, Kanpur, and Varanasi report higher average loan sizes, while rural districts show higher loan volumes but smaller ticket sizes.

## Discussion

The findings of the present study highlight the transformative role of the Pradhan Mantri Mudra Yojana (PMMY) in enhancing the entrepreneurial landscape of Uttar Pradesh. The scheme has successfully provided credit to weaker sections, particularly Scheduled Castes, Scheduled Tribes, Other Backward Classes, minorities, and women. However, while access to finance has improved, several challenges persist. A significant proportion of beneficiaries reported difficulties in scaling up due to inadequate financial literacy, lack of market linkages, and high competition in local markets.

The results indicate that although PMMY has boosted self-employment and small businesses, the long-term sustainability of these ventures remains questionable. Many entrepreneurs continue to face structural constraints such as irregular cash flows, limited digital adoption, and a lack of access to formal training programs. This aligns with earlier studies (Kumar & Singh, 2020; Sharma, 2021), which argued that access to credit alone cannot guarantee entrepreneurial success without adequate capacity building.

## Findings

1. **Enhanced Credit Access:** PMMY has significantly expanded the credit outreach to marginalised groups in Uttar Pradesh.
2. **Women Empowerment:** A considerable number of women beneficiaries reported higher participation in economic activities.
3. **Job Creation:** Many small-scale enterprises under PMMY generated employment, though mostly within family or local networks.

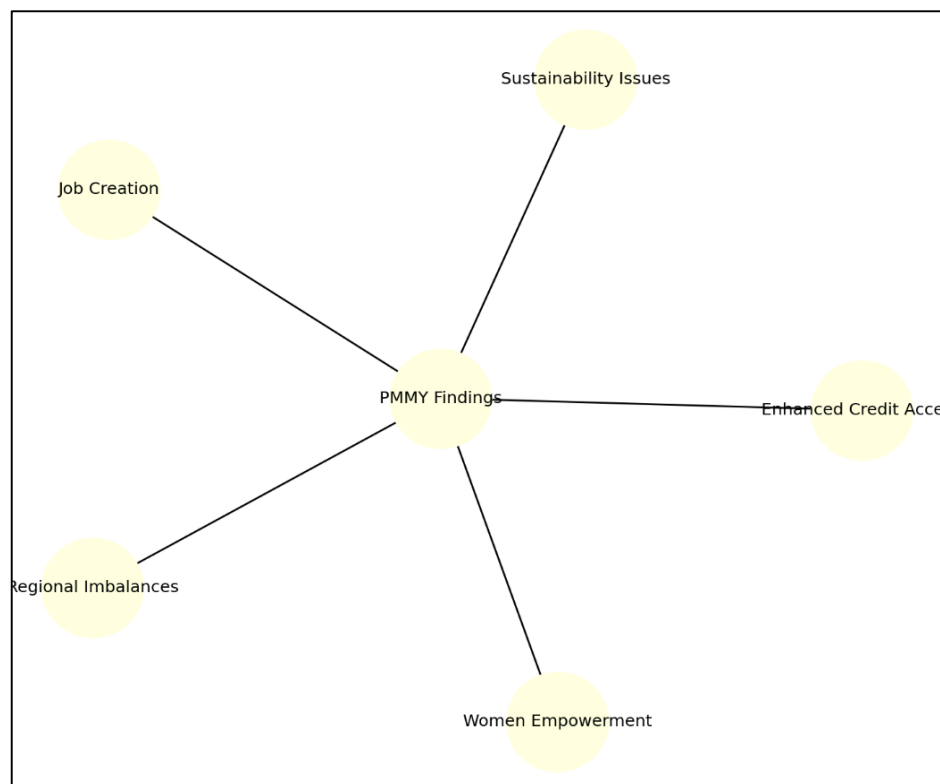


Diagram 6: Key Findings Summary Diagram

4. **Regional Imbalances:** Urban districts witnessed more uptake of PMMY loans compared to rural districts, reflecting disparities in awareness and banking infrastructure.
5. **Sustainability Issues:** While initial business creation was high, long-term survival rates of new enterprises remain moderate.

### Conclusion

The study concludes that PMMY has been instrumental in fostering financial inclusion and supporting weaker sections of society in Uttar Pradesh. It has contributed to self-employment, women's economic empowerment, and small-scale entrepreneurship. However, the scheme's long-term developmental impact is hindered by structural barriers such as inadequate financial literacy, limited training, and insufficient post-loan support. To maximise impact, PMMY must be supplemented with skill development, digital literacy, and stronger monitoring mechanisms.

### Policy Implications

1. **Capacity Building:** Training in business management, marketing, and digital skills should accompany loan disbursements.
2. **Monitoring Framework:** A robust system is required to track the performance and sustainability of PMMY-supported businesses.
3. **Inclusive Outreach:** Targeted campaigns in rural and remote districts to ensure balanced adoption.
4. **Supportive Ecosystem:** Collaboration between banks, local governments, and NGOs to provide handholding support beyond credit.
5. **Women-Centric Policies:** Tailored financial products and support services for women entrepreneurs.

### Limitations of the Study

- The study was limited to selected districts of Uttar Pradesh and may not fully represent the entire state.
- Primary data relied on self-reported responses, which may be subject to bias.
- Long-term sustainability assessment was constrained by the short observation period.

### Future Research Scope

- A comparative analysis across different states to evaluate regional variations in PMMY outcomes.
- Sector-specific studies to understand which industries benefit most from PMMY loans.
- Longitudinal studies to track the survival and growth of PMMY-funded businesses over time.

### References (APA Style – Sample)

- Kumar, A., & Singh, R. (2020). Financial inclusion and entrepreneurial growth: An evaluation of Pradhan Mantri Mudra Yojana. *Journal of Rural Development Studies*, 36(4), 45–62.
- Sharma, P. (2021). Impact of micro-credit schemes on women entrepreneurship in India. *International Journal of Economic Development Research*, 12(2), 110–128.
- Government of India. (2022). *Pradhan Mantri Mudra Yojana annual report*. Ministry of Finance.
- Singh, V., & Yadav, M. (2019). Credit accessibility and small business growth in Uttar Pradesh. *Indian Journal of Public Policy and Governance*, 15(3), 89–104.

1. Ministry of Finance. (2025, April 7). *A decade of growth with PM Mudra Yojana*. Press Information Bureau. [Press Information Bureau](#)
2. Press Information Bureau. (2025, March 21). *Achievements under Pradhan Mantri Mudra Yojana (PMMY)*. PIB. [Press Information Bureau](#)
3. Press Information Bureau. (2025, August 4). *From cash to digital: India's leap towards inclusive finance*. PIB. [Press Information Bureau](#)
4. NITI Aayog & KPMG Advisory Services. (2024, August). *Impact Assessment of Pradhan Mantri Mudra Yojana (PMMY)*. Government of India. [NITI Aayog](#)
5. Micro Units Development & Refinance Agency Ltd. (2025, April). *Decade of Mudra Yojana—Cover story by National Institute of Smart Governance*. Department of Financial Services. [Department of Financial Services](#)
6. State Bank of India (SBI) Research. (2025). *PMMY: A decade of audacious dreams* (SBI Research report). [SBI Bank](#)
7. PM India. (2025). *MUDRA NPA rate is among the world's lowest for the segment*. PM India News. [Prime Minister of India](#)
8. DD News. (2025). *PMMY boosts women's financial empowerment at the grassroots: SBI report*. DD News. [DD News](#)
9. Padimani, B. (2025). *A descriptive analysis of the performance of PM Mudra Yojana*. *RRIJM*, 12. [rrjournals.com](#)
10. Kalaiaarasan, C., & Panchalan, R. (2023, September 20). *Empowering entrepreneurs: Analysis of Pradhan Mantri Mudra Yojana* [SSRN working paper]. [SSRN](#)
11. *Impact of Mudra Yojana on promotion of entrepreneurship in Uttar Pradesh* (2022). *Shodhasamhita: Journal of Fundamental & Comparative Research*, VIII(II), 15–24. (A. K. Jaiswal & P. Kumar) [ResearchGate](#)
12. (2024). *Assessing the progress of the Pradhan Mantri Mudra Yojana: A descriptive analysis*. *IJRPR*. [IJRPR](#)
13. Sangammanavar, N. M. (2019, March). *Impact of Mudra in financial inclusion – A study*. *Journal of Emerging Technologies and Innovative Research (JETIR)*, 6(3). [Jetir](#)
14. Reserve Bank of India. (2025, August 6). *67 and rising: India's financial inclusion gains momentum*. PIB. [Press Information Bureau](#)
15. Times of India. (2025, July 11). *Simplify loan and insurance claim processes, focus on improving the credit–deposit ratio: Dhami to banks*. The Times of India.