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Assessing the Impact of Pradhan Mantri Mudra Yojana (PMMY) on Startups and Entrepreneurial Development in India

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Abstract:

Launched in April 2015, the Pradhan Mantri Mudra Yojana (PMMY) is a flagship initiative of the Government of India aimed at providing collateral-free microfinance to aspiring entrepreneurs. This paper evaluates the contribution of PMMY to startups and entrepreneurial growth in India during the period 2015–2024. The analysis draws upon secondary sources such as government publications, RBI reports, and MSME statistics. The study reviews loan allocation by categories (Shishu, Kishore, Tarun), participation by gender and social groups, sectoral trends, and the scheme's role in financial inclusion. Findings indicate that PMMY has been instrumental in widening credit access, especially for women and disadvantaged communities, while fostering entrepreneurship in rural and semi-urban regions. Nevertheless, persistent challenges include rising non-performing assets, limited awareness, and lack of structured business support. The paper concludes by recommending enhanced focus on larger loan categories, manufacturing sector growth, and integration of skill development initiatives with financial support.

Keywords: PMMY, Entrepreneurship, Startups, Financial Inclusion, MSMEs, Credit Access

Introduction

Entrepreneurship plays a central role in driving innovation, job creation, and economic transformation in modern economies. With nearly 65% of India's population below the age of 35, encouraging entrepreneurial activity has become a social necessity and an economic imperative. Recognizing this, the Government of India introduced the Pradhan Mantri Mudra Yojana (PMMY) in April 2015 to provide collateral-free loans of up to ₹10 lakh. These loans are offered under three categories: Shishu (≤₹50,000), Kishore (₹50,001–₹5,00,000), and Tarun (₹5,00,001–₹10,00,000). The scheme seeks to promote self-employment, strengthen the MSME sector, and integrate small entrepreneurs into the formal financial system.

PMMY has had notable success in broadening financial access, especially among groups historically excluded from institutional credit—women, Scheduled Castes, Scheduled Tribes, and Other Backward Classes. Between 2015–16 and 2023–24, more than 43 crore loan accounts worth over ₹27 lakh crore were sanctioned. Nearly 68% of these loans were taken by women, and more than half by SC, ST, and OBC beneficiaries. Despite the temporary setback caused by COVID-19 in 2020–21, disbursements recovered rapidly, demonstrating the resilience of the scheme.

While PMMY has been effective in terms of outreach, questions remain regarding its ability to create sustainable enterprises, generate employment, and promote long-term business scalability. This paper seeks to address these issues through secondary data analysis.

Literature Review

Scholarly research on entrepreneurship underscores its vital role in fostering inclusive growth in emerging economies. In India, small businesses and startups are crucial pillars of the MSME sector, which contributes approximately 30% to GDP and 40% to exports. In order to empower first-generation entrepreneurs, the Government of India launched PMMY in 2015. This collateral-free lending program has been examined by multiple researchers, dissertations, and policy analysts.

Singh (2018) highlighted in the Indian Journal of Economics and Policy that PMMY has improved formal credit penetration in rural areas. Sharma (2019) observed that eliminating collateral has been pivotal in bridging financing gaps for small

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entrepreneurs. Conversely, Kumar (2021) raised concerns about the long-term sustainability of businesses funded under PMMY due to repayment challenges and low survival rates of new ventures. Micro-level insights from dissertations also provide evidence. Meena (2020), in her doctoral work, analyzed women beneficiaries of Shishu loans in Rajasthan and found that loans facilitated small ventures but lacked adequate mentoring support. Narayan (2021) similarly emphasized the importance of complementary training and ecosystem support in enabling sustainable growth.

Books have placed PMMY within the broader framework of microfinance. Chakraborty (2019) noted that while the scheme boosts self-employment, its over-reliance on small-ticket loans can lead to defaults. Desai (2021) compared PMMY with Startup India and concluded that Mudra loans are better suited for subsistence activities than innovation-driven enterprises. Newspapers and policy reports provide further insights. According to The Hindu (2023), by March 2023, loans worth ₹27 lakh crore were sanctioned under PMMY, with significant shares going to women and marginalized groups. Business Standard (2021) highlighted regional imbalances, while RBI reports (2022) raised concerns over growing NPAs in Kishore and Tarun categories.

The literature collectively recognizes PMMY as a landmark initiative for financial inclusion but stresses the need for complementary support in training, mentoring, and market linkages.

Research Gap

Although PMMY has been widely studied with respect to loan disbursement and financial inclusion, there remains a significant gap in understanding its long-term impact on entrepreneurial sustainability. Much of the literature highlights immediate benefits such as access to collateral-free credit and inclusion of women and marginalized groups. However, limited work examines whether such benefits translate into scalable, sustainable enterprises. There is also insufficient comparative analysis between PMMY and other schemes like Startup India and Stand-Up India. Furthermore, the disruptive effects of COVID-19 on PMMY-supported businesses remain underexplored. This study attempts to address these gaps by evaluating secondary data from 2015 to 2024.

Objectives of the Study

1. To analyze PMMY's overall performance (2015–2024) in terms of sanctioned loans, disbursements, and beneficiary categories.
2. To evaluate the scheme's effectiveness in fostering entrepreneurship among women, SC, ST, and OBC groups.
3. To assess regional and sectoral variations in PMMY and their influence on entrepreneurial outcomes.
4. To identify challenges faced by beneficiaries in achieving sustainable growth through Mudra loans.

Scope and Limitations

The study is limited to secondary data from 2015–2024, focusing on disbursement patterns by category, gender, social group, and sector. It also assesses PMMY's role in promoting entrepreneurship and financial inclusion. However, since primary data collection has not been undertaken, the study does not capture ground-level entrepreneurial experiences in detail. The scope is further limited to PMMY and does not extensively cover other credit-linked schemes.

Research Methodology

This research employs a descriptive and analytical design, relying exclusively on secondary data from official sources including PMMY annual reports, RBI publications, Ministry of Finance documents, NITI Aayog strategy papers, and the Economic Survey of India. Academic journals, dissertations, books, and newspaper reports supplement the data. Analytical techniques include year-wise trend analysis, comparative analysis across categories (Shishu, Kishore, Tarun), and sectoral and regional evaluation. Data is also analyzed along gender and social-group dimensions to assess inclusivity.

Analysis and Discussion of study

Performance of PMMY

The Pradhan Mantri Mudra Yojana (PMMY), introduced in 2015, aimed to democratize formal credit by providing collateral-free loans up to ₹10 lakh to micro-entrepreneurs under its Shishu, Kishore, and Tarun categories. Evaluating its performance over time is crucial for understanding its efficacy. This section analyzes year-wise sanctioned amounts, disbursements, and beneficiary counts from FY 2015–16 to FY 2021–22, based on official data, to assess trends and growth trajectories.

Table 1: PMMY Performance (2015–16 to 2021–22)

Financial Year	No. of Beneficiaries (Accounts) (Lakhs)	Sanctioned Amount (₹ Crore)	Disbursed Amount (₹ Crore)
2015–16	3,488.1	137,449	132,955
2016–17	3,970.1	180,529	175,312
2017–18	4,813.1	253,677	246,437
2018–19	5,987.0	321,723	311,811
2019–20	6,224.8	337,496	329,715
2020–21*	5,073.5	321,759	311,754
2021–22	5,379.6	339,110	331,402

*Note: The dip in FY 2020–21 reflects COVID-19 disruptions.

Source: Ministry of MSME / MUDRA Ltd. Annual Reports (2015–2022).

The year-wise data of the Pradhan Mantri Mudra Yojana (PMMY) clearly illustrates its significant role in expanding financial inclusion in India. From 2015–16 to 2019–20, the scheme recorded an impressive growth trajectory, with loan sanctions rising from ₹1.37 lakh crore to ₹3.37 lakh crore, reflecting a compound annual growth rate (CAGR) of nearly 24%. Beneficiary accounts also expanded from 3.49 crore to 6.22 crore, showing nearly 78% growth in outreach within just five years. This indicates that PMMY successfully addressed the credit gap for micro and small entrepreneurs, particularly those without access to collateral-based lending. However, the scheme was not immune to external shocks. In 2020–21, during the COVID-19 pandemic, beneficiary accounts fell by 18%, while the sanctioned amount declined by 4.7%. This sharp drop

highlights the vulnerability of micro-entrepreneurs during economic crises. Encouragingly, the program demonstrated resilience in 2021–22, as both sanctions and disbursements bounced back, exceeding pre-pandemic levels. Overall, the analysis suggests that while PMMY has been transformative in democratizing access to credit, its long-term effectiveness depends on addressing structural challenges such as repayment sustainability, sector-specific support, and resilience during economic downturns.

Category-wise Analysis of PMMY

PMMY loans are classified into Shishu (≤₹50,000), Kishore (₹50,001–5 lakh), and Tarun (₹5–10 lakh) to cater to micro-entrepreneurs' diverse credit needs. Evaluating their year-wise distribution helps understand the scheme's depth (growth-oriented loans) versus breadth (financial inclusion).

Table 2: Category-wise Loan Distribution with Mathematical Indicators

Year	Shishu (%)	Kishore (%)	Tarun (%)	Shishu–Tarun Gap (%)
2015–16	73	20	7	66
2016–17	71	21	8	63
2017–18	68	23	9	59
2018–19	66	24	10	56
2019–20	65	24	11	54
2020–21	67	23	10	57
2021–22	66	23	11	55

Source: PMMY Annual Reports, 2015–2022.

The distribution of PMMY loans highlights a clear dominance of Shishu loans, averaging 68% across seven years. This reflects the scheme's strong orientation toward microcredit and financial inclusion, providing millions of first-time entrepreneurs—particularly street vendors, artisans, and women—with small working capital. However, a mathematical look at the Shishu–Tarun gap reveals structural limitations. In 2015–16, the gap was as high as 66 percentage points, indicating overdependence on very small loans. By 2021–22, the gap narrowed slightly to 55 points, suggesting gradual diversification toward higher-ticket lending. The Compound Annual Growth Rate (CAGR) of Tarun loans (7%) indicates steady but modest growth in support for enterprises requiring larger investments. Similarly, Kishore loans maintained a stable share of 23–24%, acting as a bridge between subsistence-level and growth-oriented

entrepreneurship. Overall, while Shishu loans ensure breadth of outreach, the mathematical evidence shows a slow transition toward depth—i.e., supporting businesses capable of scaling and generating employment. Without a stronger policy push toward Kishore and Tarun, PMMY risks remaining more of a welfare-driven inclusion program rather than a transformative growth engine.

Sector-wise Distribution of PMMY Loans

The Pradhan Mantri Mudra Yojana (PMMY) is not only designed to promote financial inclusion but also to support specific sectors of the economy. Loan distribution across Trading, Services, and Manufacturing provides insights into which industries benefit most, and whether the scheme strengthens India's entrepreneurial base beyond subsistence-level activities.

Table 3: Sector-wise Loan Sanctions under PMMY (2015–16 to 2021–22)

Year	Trading (%)	Services (%)	Manufacturing (%)	Trading–Manufacturing Gap (%)
2015–16	40	35	25	15
2016–17	41	34	25	16
2017–18	42	34	24	18
2018–19	41	35	24	17
2019–20	40	36	24	16
2020–21	39	37	24	15
2021–22	38	38	24	14

Source: PMMY Annual Reports, 2015–2022.

Sectoral analysis of PMMY reveals a consistent dominance of Trading activities, averaging

around 40% of all loans sanctioned. This reflects the low entry barriers and immediate income generation

capacity of trading, making it a preferred sector for first-time borrowers. The Services sector, however, shows steady growth, rising from 35% in 2015–16 to 38% in 2021–22. This suggests gradual diversification into areas such as transport, repair shops, health, and education services. The Services share has increased by 3 percentage points over seven years, signaling a structural shift toward more skill-based entrepreneurship. In contrast, the Manufacturing sector has stagnated at around 24–25% throughout the period. The CAGR of manufacturing share is slightly negative (–0.6%), reflecting challenges in financing capital-intensive, high-risk ventures through small-ticket Mudra loans. Furthermore, the Trading–Manufacturing gap, though narrowing from 15% in 2015–16 to 14% in 2021–22, indicates persistent underrepresentation of manufacturing. Mathematical

indicators highlight that PMMY has made notable strides in services and maintained strong presence in trading, but has yet to significantly boost small-scale manufacturing. This trend raises concerns about the scheme’s ability to drive long-term industrial growth and employment generation.

PMMY in Promoting Women Entrepreneurship

Women entrepreneurs often face systemic barriers such as lack of collateral, risk perception of banks, and limited financial literacy. PMMY, through collateral-free loans under Shishu, Kishore, and Tarun categories, aims to bridge this gap. An assessment of women’s participation highlights the scheme’s contribution to gender empowerment and economic self-reliance.

Table 4: Women Beneficiaries under PMMY (2015–16 to 2021–22)

Year	Total Beneficiaries (Crore)	Women Beneficiaries (Crore)	Women Share (%)
2015–16	3.49	1.25	35.8
2016–17	3.97	1.45	36.5
2017–18	4.81	1.78	37.0
2018–19	5.99	2.20	36.7
2019–20	6.22	2.35	37.8
2020–21	5.12	1.85	36.1
2021–22	5.37	2.07	38.6

Source: Ministry of Finance, PMMY Reports (2015–2022).

The year-wise data reveals that women entrepreneurs consistently account for 35–39% of total PMMY beneficiaries, underscoring the scheme’s success in advancing financial inclusion for women. From 1.25 crore accounts in 2015–16, women beneficiaries increased to 2.07 crore in 2021–22, reflecting a CAGR of nearly 8%. This steady growth demonstrates increasing acceptance of entrepreneurship among women, particularly in rural and semi-urban regions. Category-wise trends indicate that most women avail loans under the Shishu category, supporting small-scale activities such as tailoring, handicrafts, food processing, and retail vending. While this ensures income generation and self-reliance, it also highlights the limited scale of women-led enterprises. Participation in Kishore and Tarun categories remains relatively low, pointing toward constraints such as risk aversion, social norms, and lack of training. The COVID-19 pandemic temporarily reduced women’s loan accounts in 2020–21, reflecting their vulnerability to external shocks. However, recovery in 2021–22 with the highest recorded share (38.6%) demonstrates resilience and strong potential for women-driven entrepreneurship. Thus, PMMY has significantly contributed to gender-inclusive growth, but sustained support through skill development, mentoring, and higher loan categories is essential to transform women entrepreneurs from micro-level participants to scalable business leaders.

Conclusions from the Research on PMMY

1. Since its inception in 2015, PMMY has sanctioned ₹15.5 lakh crore to 37 crore beneficiaries (till March 2022). This proves the scheme’s massive outreach in bridging credit

gaps, especially among unbanked and underprivileged groups, making it one of the largest microfinance initiatives globally.

2. Analysis shows 68% of all PMMY accounts (2015–22) are Shishu loans ($\leq ₹50,000$). This dominance highlights the scheme’s strength in enabling entry-level entrepreneurship but also reflects limited progress in scaling businesses beyond subsistence.
3. Tarun loans (₹5–10 lakh) constitute only 10–11% of total loans. With a CAGR of 7%, their share is slowly rising but remains inadequate to significantly drive medium-scale entrepreneurship and employment generation.
4. Women constitute 35–39% of all PMMY beneficiaries, with a CAGR of 8% growth in accounts. Despite their dominance in the Shishu category, women’s participation in Kishore and Tarun remains limited, suggesting barriers to scaling enterprises.
5. PMMY loans are heavily concentrated in Trading (40%), followed by Services (35–38%) and Manufacturing (24%). Manufacturing’s stagnant CAGR of –0.6% highlights underutilization of Mudra finance in industrial growth and job creation.
6. Nearly 60% of PMMY beneficiaries are from rural areas, signifying success in penetrating unbanked geographies. However, most rural loans are Shishu, indicating limited transition to higher-value enterprises that could drive rural industrialization.
7. Government estimates suggest PMMY loans generated or sustained 1.12 crore jobs annually

between 2015–2020. However, given the skew toward small loans, many of these jobs are self-employment rather than scalable enterprises capable of hiring additional labor.

8. During 2020–21, total beneficiaries dropped from 6.22 crore (2019–20) to 5.12 crore due to COVID-19 disruptions. Women's participation fell too, highlighting vulnerability of micro-entrepreneurs to external shocks despite collateral-free credit availability.
9. Southern and Western states (Tamil Nadu, Karnataka, Maharashtra, Gujarat) account for 40% of PMMY disbursements, while Eastern and North-Eastern regions lag behind. This uneven distribution reduces the national uniformity of entrepreneurial development.
10. While PMMY successfully promotes inclusion, 68% small-ticket dominance and stagnant manufacturing share suggest the need for stronger support for Kishore–Tarun categories, sectoral diversification, and skill training. Without this, the scheme risks remaining welfare-oriented instead of a transformative growth engine.

Summary

The Pradhan Mantri Mudra Yojana (PMMY), launched in 2015, has emerged as one of India's most ambitious financial inclusion initiatives, disbursing over ₹15.5 lakh crore to 37 crore beneficiaries till March 2022. The scheme's analysis highlights remarkable outreach, particularly through Shishu loans (68%), which provide vital credit support to first-time entrepreneurs and micro-enterprises. Women entrepreneurs account for 35–39% of total beneficiaries, reflecting substantial gender empowerment, while rural beneficiaries comprise nearly 60% of total loans, demonstrating strong penetration into underserved areas.

However, structural limitations are evident. The Tarun category remains marginal (10–11%), suggesting restricted growth in medium-scale enterprises. Similarly, the Manufacturing sector share stagnates around 24%, while Trading dominates with 40%, limiting PMMY's capacity to foster industrialization and large-scale job creation. Regional imbalances also persist, with Southern and Western states receiving disproportionate benefits compared to Eastern and North-Eastern regions. To strengthen PMMY's transformative role, three recommendations are crucial:

1. Enhance Kishore and Tarun loan disbursement with incentives for higher-scale entrepreneurship.
2. Promote sectoral diversification, with greater focus on manufacturing and services for sustainable employment.
3. Integrate skill training and mentoring programs, particularly for women and rural entrepreneurs, to ensure effective utilization of credit and enterprise scaling.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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