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A Review on Operational Efficiency and Livelihood sufficiency of Entrepreneurs under PMMY Scheme with special reference to Tamilnadu

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Abstract: *The initial wave of COVID-19 in India led to widespread job losses, increased poverty, and debt, resulting in a worsening of inequalities. The Indian government established the Pradhan Mantri Mudra Yojana (PMMY) to combat the crisis. PMMY aims to provide unfunded individuals with money to engage in economic activity, enabling them to launch or expand their enterprises. The program offers three schemes: Shishu, Kishore, and Tarun, representing different business stages. The PMMY is the largest collateral-free loan disbursement initiative and a flagship program of the Government of India, with an estimated 33 lakh crores disbursed by the NDA Government. In fiscal year 2024, MUDRA authorized 19,560.11 crore in loans and distributed ₹19,511.74 crore, a 59.70% and 55.93% increase over the previous year's sanctions and disbursements. The amount owed by 44 banks, NBFCs, and MFIs has climbed by almost 34% from the previous year. MUDRA, the Micro Units Development & Refinance Agency Limited, has seen significant financial growth in the past year, with net profit rising from ~577.45 crore in the fiscal year 2023 to `813.92 crore in the fiscal year 2024. The company's Mantri Mudra Yojana (PMMY) has been instrumental in fostering national development and wealth accumulation by providing loans to the lowest rungs of the pyramid. In 2024, MUDRA offered concessional refinance from the Priority Sector Shortfall (PSS) fund, granting ~5.41 lakh crore in 6.68 crore loan accounts to needy entrepreneurs. Tamilnadu is ranked second in the top ten states for the fiscal year 2024. However, the majority of loan approvals and receivers under the Sishu category occurred in semi-urban areas, while the Kishore and Tarun divisions occurred in urbanized and densely populated areas. Financial institutions are seeing an increase in bad mudra debts due to the economic slump. This study aims to review the entrepreneurs' awareness, livelihood sufficiency, and effectiveness of subsidies under the PMMY Scheme in Tamilnadu's backward districts.*

Keywords: *Pradhan Mantri Mudra Yojana (PMMY), Priority Sector Shortfall (PSS) fund, entrepreneurs' awareness, livelihood sufficiency*

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Introduction

The first wave of covid-19 and its accompanying containment measures resulted in widespread job losses, a significant increase in inequality and poverty, and an increase in indebtedness and hunger. The growing indebtedness shows that disparities are worsening and may persist in the future. Rising fuel and food prices in recent months would only exacerbate household budgets, especially for the poor. Small traders and labourers were mostly impacted by the coronavirus (COVID-19) lockdown in India with over 91 million people losing their employment in April 2020. Over 119 million Indians lost their jobs, including entrepreneurs and salaried workers. In contrast, agriculture saw an addition of five percent from farmers as compared to the fiscal year 2020. (Statistica, 2021). The government of India has implemented PMMY in order to Counter the situation. The Present study aims at empirical investigation on exploring the benefits which Pradhan Mantri Mudra yojana rendered in countering the situation.

The scheme is endeavoured to extend funds to unfunded persons to carryout economic activities. People deprived of funds needed to meet their ends.

The Unfunded: "unfunded" individuals and micro-enterprises who were previously denied access to credit and barred from conventional financial institutions. This includes individuals seeking loans for revenue-generating businesses, small business operators in manufacturing, trading, and service industries, and those previously denied access to loans from banks, NBFCs, or other formal financial institutions due to lack of collateral or credit history. PMMY also excludes individuals and companies from formal finance due to factors such as collateral or credit history. SHGs, partnerships, and proprietorships are PMMY-eligible organizations that often make up the majority of microbusinesses. The PMMY aims to close this gap and empower these individuals to start or grow their businesses, supporting the economy.

Shishu, Kishore, and Tarun are the schemes offered under the Pradhan mantri Mudra Yojana (PMMY). Each mudra classification i.e. Shishu, Kishore, and Tarun signify different stages of business. Shishu means business at an infant age, Kishore means business at an adolescent age, and Tarun means business at young age.

Shishu: Loans upto Rs.50000/- for Startups and first time Entrepreneurs

Kishor: Loans from Rs.50000/ to Rs.5 lakh for Entrepreneurs with existing business

Tarun: Loans from 5 lakh-10 lakh for Businessmen, loan amount to be used for business expansion.

Category wise disbursal of loans under PMMY Scheme

Category	FY 2023-24		FY 2022-23		% change Disbursement Amt.
	No. of loan accounts	Disbursement Amt.	No. of loan accounts	Disbursement Amt.	
Shishu	4,16,28,309	1,47,784.68	4,30,77,851	1,41,609.85	4.36%
	62.34%	27.76%	69.13%	31.44%	
Kishor	2,36,30,890	2,57,094.50	1,79,15,912	2,00,936.63	27.95%
	35.39%	48.29%	28.75%	44.61%	
Tarun	15,17,814	1,27,479.17	13,16,835	1,07,877.18	18.17%
	2.27%	23.95%	2.11%	23.95%	
TOTAL	6,67,77,013	5,32,358.35	6,23,10,598	4,50,423.66	

As per the estimates 33 lakh crores disbursed by the NDA Government it is the highest collateral free loan disbursement scheme and a flagship programme of the Government of India. In Financial year 2024, MUDRA approved loans totalling 19,560.11 crore and disbursed ₹19,511.74 crore, representing increases of 59.70% and 55.93%, respectively, above the previous year's sanctions and disbursements. The focus was on forming new alliances with private banks, regional rural banks (RRBs), and MFIs/NBFCs to reach target segments. As of March 31, 2024, the amount owed has increased by around 34% compared to the prior year, with 44 banks, NBFCs, and MFIs receiving assistance from MUDRA. MUDRA achieved several financial milestones in the past year, surpassing all prior records in terms of income, profit, balance sheet size, and portfolio. MUDRA's overall revenue increased by 50% during the year, from ₹1,537.20 crore in financial year 2023 to ₹2,307.07 crore, and net profit increased proportionately from ₹577.45 crore in financial year 2023 to ₹813.92 crore in financial year 2024. The Mantri Mudra Yojana (PMMY) and Micro Units Development & Refinance Agency Limited (MUDRA) played a crucial role in wealth development and nation building by meeting the credit needs of the lowest rungs of the pyramid. MUDRA loans have become the preferred choice for the unorganised and underfunded sector looking to create growth and a means of subsistence. In Financial year 2024, MUDRA provided concessional refinance from the Priority Sector Shortfall (PSS) fund to alleviate the negative effects of increasing interest rates on intermediaries, particularly NBFCs and MFIs. A total of 5.41 lakh crore was approved (with a disbursement of ₹5.32 lakh crore) in 6.68 crore loan accounts, providing much-needed financial support to needy entrepreneurs, primarily women, SC, ST, and OBC. As per the reports in the list of top 10 tamilnadu stands second place with the disbursal of about 57370.41 crores for the financial year 2024.

Literature Review

A study by Gunjan Bhayana et al. (2020) confirms the PMMY program will foster and strengthen the nation's entrepreneurial culture by offering millions of unfunded units of low-interest credit that would otherwise be difficult to establish owing to a lack of funding. Other than that, Shubham Garg et al. (2023) suggested by expanding the contribution of RRBs and small financing institutions, it is necessary to increase loan disbursement, particularly to underfunded parts of society and poor states, in order to eradicate poverty through this plan. Urmila Bharti and Manisha Verma (2023) opined that PMMY's change will increase its efficacy in reducing the difficulties caused by a dynamic economy.

Ajeet Kumar Sahoo and Poonam Rani (2019) viewed that, the PMMY district assessment symbolizes that the largest number of recipients and the sum are approved under Shishu category, in semi-urbanized broad districts. The Kishore and Tarun divisions contain the largest proportion of the most urbanized and densely populated districts. The darker side of the PMMY's success in terms of the district is, however, that rural and backward districts make no extreme contribution in all categories of PMMYs in Haryana. On the other hand, Annu and Manoj Kumar (2018) found that small industries generate large-scale jobs for poor, uneducated, and semi-skilled individuals. It is a largest sector after agriculture in providing jobs in India for uneducated and less qualified peoples. Despite these advantages, this sector faces many problems, such as lack of funding, lack of technology, etc., so that government is continuously taking many initiatives to promote this industry. Similarly, Ramesh J. Sardar (2018) investigated the potential of the micro sector to create employment and maintain livelihoods, the sector has never been credit starved due to a variety of reasons, including lack of credit history, inability to provide security / collaterals. These factors effectively undermine millions of people's entrepreneurship, job creation, economic activity, and livelihood support. Vijay Kumar (2020) noted that to foster financial inclusion and promote micro-entrepreneurship growth, the Indian government launched the MUDRA program in 2015. The study concludes that although reporting on MUDRA Yojana in terms of success or failure is too early, it has no doubt a positive effect. This scheme will undoubtedly contribute to the rising living conditions of individuals involved in small businesses, which, in turn, would drive economic growth. [Vijay Pal Singh (2020) opined that, interest rates are not fixed and vary from bank to bank, so MUDRA must enhance the maximum sealing for Shishu, Kishor, and Tarun. MUDRA is a long-term game-changer in funding micro and small businesses. SALGOTRA et al. (2021) questioned about the scheme's scope and effectiveness due to the limited influence of financial access on poverty. These factors impeding access to finance should be studied independently. Such elements require distinct investigation to improve financial inclusion's influence on poverty. Even these other elements vary by region. To evaluate the impact of financial inclusion on poverty, regional studies are needed. Juliana Sairah John et al. (2018) said as the time passes, fewer accounts are sanctioned, and people don't return loans on time, thus the regulation becomes tighter. MUDRA wants to formalize the informal. MUDRA is India's answer to skill development, knowledge, business literacy, and microfinance. With PMMY, Mudra, India has helped tiny and non-cooperate enterprises. Vijay Kumar (2020) found that MUDRA Bank's idea is to help small entrepreneurs. It's also related to the idea that loan availability is a function of corporate growth and expansion. MUDRA Bank's main goal is to help small businesses grow, provide them with financial access, create jobs, and enhance the nation's GDP. The Mudra Yojana (PMMY) has been a significant factor in the development of entrepreneurship in India, with various studies highlighting its impact on various sectors. A study by Gunjan Bhayana et al. (2020) found that the PMMY program has improved the overall performance of institutions in various states, with Tamil Nadu leading the list. Tarak Nath Sahu et al. (2021) also studied the impact of microcredit on generating employment and transforming the livelihoods of tribal women entrepreneurs.

The PMMY program has been instrumental in providing financial support to those at the "bottom of the pyramid," particularly women. The study found that employability is highly impacted by debt amount, and the institution enhanced women's quality of life through social, psychological, and economic empowerment. The study suggests that the government and financial industry should strengthen regulations, make the program more accessible, and establish a welcoming atmosphere for

borrowers. In Jharkhand, Mukul Pandey and Bhriгу Nath Ojha (2022) investigated the function of MUDRA loans in fostering entrepreneurial opportunities. The study found that funding is a crucial prerequisite for any firm to succeed, and the MUDRA program has the potential to be a "game changer" for India. However, Shubham Garg et al. (2023) found a decline in loan disbursements under the Shishu category, raising concerns about the program's effectiveness in eradicating poverty. Urmila Bharti and Manisha Verma (2023) argued that the PMMY is "funding the unfunded," transforming India by providing services to underprivileged and unserved segments of society. Pushpender Kumar and Divya Nandrajog (2021) found that women are more likely to start their own businesses due to the Mudra Yojana's simple access to capital, strong market demand, and existing experience. However, women entrepreneurs still face obstacles such as intense market competition, a lack of readily available finance sources, and ineffective marketing techniques.

CONCLUSION

The Pradhan Mantri Mudra Yojana (PMMY) serves as a significant instrument for enhancing financial inclusion, promoting micro-entrepreneurship, and generating employment in India. Initiated under the Micro Units Development & Refinance Agency Limited (MUDRA), the program offers collateral-free loans, particularly benefiting underfunded individuals and those in the microenterprise and informal sectors. Research indicates that PMMY positively influences entrepreneurial culture, with a notable concentration of beneficiaries in the Shishu category, underscoring its accessibility to start-ups and small businesses. Nevertheless, the distribution of Kishore and Tarun loans appears skewed towards urban and economically advanced areas, suggesting disparities in access for rural and underdeveloped regions, which often show lower engagement in higher credit categories. Empirical studies highlight the program's role in improving livelihoods, job creation, and women's empowerment among microcredit recipients, including marginalized groups like SC/ST business owners. Despite these benefits, experts caution that financial inclusion alone does not alleviate poverty without accompanying factors such as skill development, financial literacy, market access, and institutional support. Concerns about stagnating growth in certain loan segments, increasing non-performing assets (NPAs), and inconsistent repayment behaviors have been raised. Variability in interest rates, ineffective oversight, and low awareness in remote areas further undermine the system's effectiveness. While PMMY is regarded as a transformative policy, the literature advocates for better targeting, equity in regional distribution, and stronger regulatory measures to ensure sustainable development. Moreover, a significant research gap exists regarding empirical evaluations at district and regional levels, particularly in Tamil Nadu's disadvantaged areas. Although Tamil Nadu ranks highly in distribution performance, comprehensive assessments of subsidy effectiveness, operational capabilities, and employment outcomes at the local level are lacking. In conclusion, while PMMY is recognized as an innovative financial inclusion initiative significantly enhancing entrepreneurship, its effectiveness varies among recipient categories and geographical areas. Therefore, targeted empirical research into operational efficiency and livelihood adequacy in Tamil Nadu's underdeveloped regions is crucial for improving policy formulation and ensuring sustainable socioeconomic advancement.

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