



MUDRA Yojana: An Examination of Credit Accessibility, Demand, Impact, and Performance in Uttar Pradesh

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Abstract:

This comprehensive review paper delves into the Micro Units Development and Refinance Agency (MUDRA) Yojana, a flagship financial inclusion program in India, with a primary focus on assessing the accessibility of credit for small business entrepreneurs in Uttar Pradesh. This scheme in Uttar Pradesh has a broad composition of small-scale businesses owned by individuals or communities. These businesses usually have low turnover and require funding to expand or invest in new ventures. This scheme was launched in 2015 to provide financial support to micro and small enterprises (MSEs) across the country. This study examines the scheme's demand across its categories, explores the purposes for availing MUDRA loans, and investigates the impact of MUDRA on Indian small business owners and self-employed individuals. Furthermore, it provides a detailed analysis of MUDRA's performance in Uttar Pradesh from fiscal year 2015 to 2023.

Keywords: micro, refinance, accessibility, performance.

1. Introduction:

Micro Units Development and Refinance Agency (MUDRA) is a prominent Indian public sector financial institution, launched by the Government of India on April 8, 2015, as Pradhan Mantri MUDRA Yojna (PMMY). It is a landmark initiative aimed at providing financial support to micro and small enterprises. This program has garnered significant attention due to its potential to foster economic growth, empower entrepreneurs, and promote financial inclusion. However, its implementation and effectiveness can vary across different states in India. It plays a pivotal role in facilitating access to low-interest loans for micro-finance institutions and Non-Banking Financial Institutions (NBFCs), which in turn extend credit to Micro, Small, and Medium Enterprises (MSMEs). Its main objective is providing financial assistance of up to 10 lakhs to non-corporate, non-farm, small and micro enterprises. The MUDRA Loan Scheme aims to provide affordable credit to these businesses, with loan amounts ranging from INR 50,000 to INR 10 Lakhs. Eligibility criteria include having a turnover of up to INR 50 Lakhs and a sound business

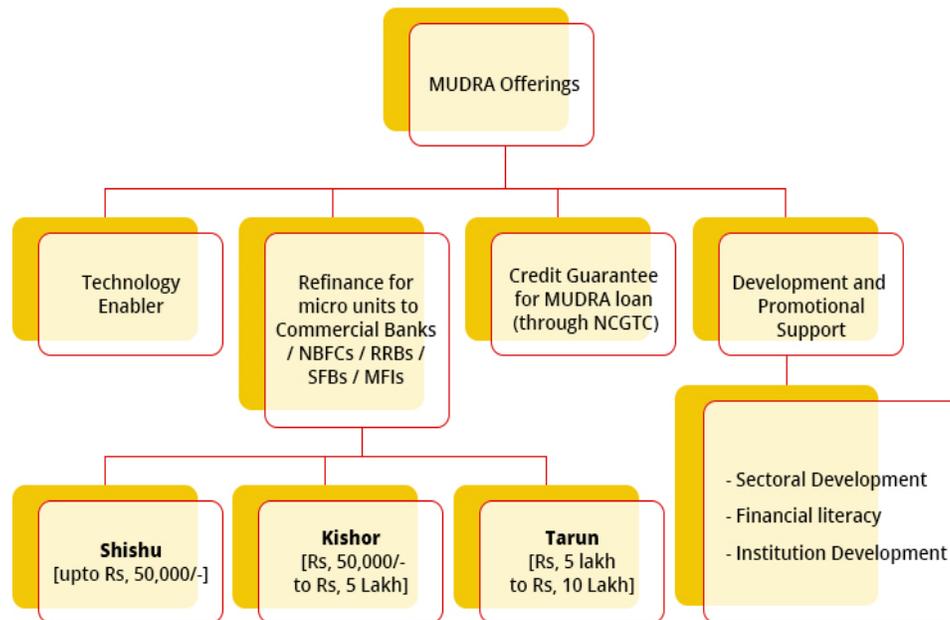
plan. The scheme is administered through Non-Banking Financial Institutions (NBFCs) and has been a significant source of financing for micro-enterprises. These loans are categorized as MUDRA loans within the PMMY framework. They are disbursed by a range of financial institutions, including commercial banks, Regional Rural Banks, Small Financial Banks, Micro Finance Institutions, and Non-Banking Financial Corporations. Borrowers have the flexibility to approach these lending institutions directly or apply online via the portal www.udyamimitra.in

This review highlights key issues related to skill development gaps, knowledge gaps, information asymmetry, financial/business literacy, and the lack of growth orientation. The analysis aims to identify research gaps and offer valuable insights into the implementation of MUDRA Yojana and focuses on analyzing the effectiveness of the scheme as well as investigates the credit accessibility, demand, impact, and performance of the MUDRA Yojana specifically in Uttar Pradesh, one of the largest states in India with a significant number of MSEs. It aims to provide insights into the effectiveness of the scheme in promoting entrepreneurship and addressing the credit needs of MSEs in the state.

Micro enterprises form a significant economic sector within our nation, offering substantial employment opportunities, second only to agriculture. This sector encompasses micro units involved in manufacturing, processing, trading, and services. It provides livelihoods to approximately 100 million individuals. A substantial proportion of these enterprises are proprietorships or own-account businesses, often referred to as the Non-Corporate Small Business Sector (NCSBS). This sector encompasses a diverse range of small manufacturing units, shopkeepers, fruit and vegetable vendors, truck and taxi operators, food service providers, repair shops, machine operators, small industries, artisans, food processors, street vendors, and various others. Despite its vital role, the formal financial framework has not been able to adequately address the financial needs of this sector. Many micro-enterprises rely on self-financing, personal networks, or moneylenders. Bridging this financial gap is crucial for economic growth and employment, as without support, a significant part of the productive workforce remains unemployed. The Non-Corporate Small Business Sector (NCSBS) forms the economic cornerstone of India and represents one of the world's most extensive and decentralized business ecosystems, sustaining approximately 500 million lives.

Small businesses are instrumental in driving the economy. According to the National Sample Survey Office (NSSO) Survey in 2013, there were 57.7 million small business units, predominantly individual proprietorships. These "own account enterprises" (OAE) are often owned by individuals from marginalized communities, receiving limited credit, mostly from informal sources or acquaintances. Facilitating access to institutional finance for these micro and small businesses would transform them into powerful engines of GDP growth and increased employment. Despite its critical role, the formal institutional framework has struggled to extend financial support to this sector. These businesses primarily rely on self-financing, personal networks, or moneylenders. Addressing this financial gap is imperative for providing a substantial boost to the economy; otherwise, this segment would remain underfunded, and a portion of the productive labour force would remain unemployed.

Chart :1 MUDRA Offerings



Source: <https://www.mudra.org.in/offering>

Under the umbrella of the Pradhan Mantri Mudra Yojana (PMMY), MUDRA has introduced distinct products or schemes named 'Shishu,' 'Kishore,' and 'Tarun.' These product offerings serve to delineate the stage of growth, development, and funding needs of micro-units and entrepreneurs while providing a roadmap for their progression.

1. **Shishu**: Encompassing loans up to 50,000/-
2. **Kishor**: Covering loans exceeding 50,000/- and up to 5 lakh
3. **Tarun**: Covering loans above 5 lakh and up to 10 lakh

With a focus on fostering entrepreneurship among aspiring youth, emphasis is placed on the Shishu category of units, followed by the Kishore and Tarun categories. Within the framework of Shishu, Kishore, and Tarun, the MUDRA products are thoughtfully designed to cater to the specific requirements of diverse sectors, business activities, and entrepreneur segments.

MUDRA extends funding support through two main avenues:

1. **Micro Credit Scheme (MCS)**: For loans up to 1 lakh, primarily facilitated through Micro Finance Institutions (MFIs).
2. **Refinance Scheme for Banks/NBFCs**: Different banks, including Commercial Banks, Regional Rural Banks, Small Finance Banks, and NBFCs, can access refinance support from MUDRA for financing micro-enterprise activities, both for term loans and working capital loans, up to 10 lakh per unit.

The purpose of MUDRA loans is to promote income generation and employment. These loans are typically extended for various activities, including:

- Business ventures for vendors, traders, shopkeepers, and service sector activities.
- Working capital needs via MUDRA Cards.
- Equipment financing for micro-units.
- Transport vehicle loans for commercial use.
- Agri-allied non-farm income-generating activities like pisciculture, beekeeping, poultry farming, etc.
- Textile products, handloom, power loom, and other textile-related activities.
- Loans for traders, shopkeepers, and non-farm income-generating activities.
- Equipment finance schemes for micro-units.
- Activities allied to agriculture, promoting livelihood and income generation.

Additionally, the MUDRA Card, a debit card issued against the MUDRA loan account, streamlines working capital management, digitalizes transactions and helps create a credit history for borrowers.

MUDRA's objective is not only to provide credit but also to address non-credit challenges faced by non-corporate small businesses. This includes imparting financial and business literacy, supporting grassroots institutions, fostering rural innovations, and working with credit bureaus and rating agencies to enhance the financial ecosystem. The introduction of the Credit Guarantee Fund for Micro Units helps mitigate collateral concerns and improve access to institutional credit.

MUDRA's performance, as reported on www.mudra.org.in and in its annual report, reflects substantial growth in the number of sanctions, indicating its positive impact in promoting micro-enterprises and self-employment.

Objectives of the study:

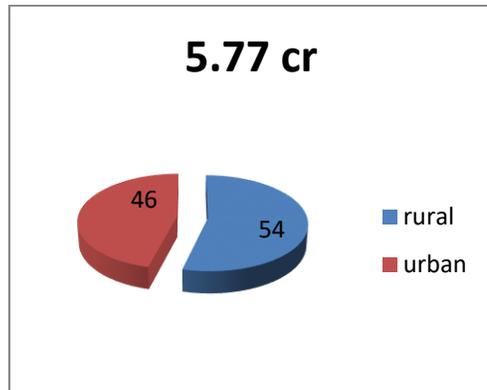
1. Problems Faced by Small Business Entrepreneurs: To study the problems faced by small business entrepreneurs in accessing credit under the MUDRA scheme. Access to finance has always been a challenge for small entrepreneurs. While MUDRA offers the promise of credit, it is essential to analyze whether the scheme effectively addresses the accessibility issues faced by micro and small business owners in Uttar Pradesh.

2. Most Demanded Category of MUDRA: To identify the most demanded category of MUDRA. It offers three categories - Shishu, Kishor, and Tarun. Examining the demand distribution across these categories can provide insights into the preferences of small entrepreneurs and their financing needs.

3. Review of MUDRA's Performance in Uttar Pradesh: Review of the performance of MUDRA in Uttar Pradesh from FY 2015 to 2023. This section provides a comprehensive analysis of MUDRA's performance in Uttar Pradesh, offering insights into the growth and effectiveness of the scheme in the region. We compare the number of sanctions, categories, and disbursement trends over th

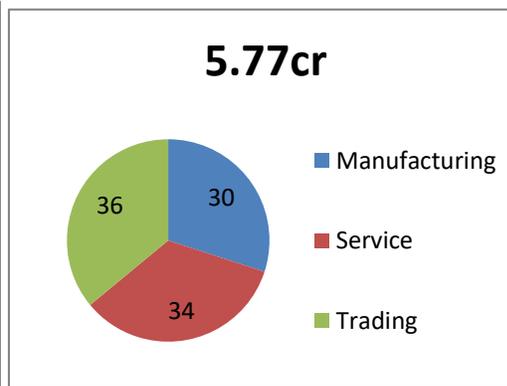
4.e years.

Chart: 2 Rural Vs Urban Division



Source: NSSO survey 2013

Chart : 3 Sector-wise Division



Source: NSSO survey 2013

5. Review Methodologies: The research methodology includes a comprehensive review of literature, analysis of secondary data, and field surveys to collect primary data. The data collected will be analyzed using statistical techniques to assess the credit accessibility and demand patterns among MSEs in Uttar Pradesh. Additionally, the study will evaluate the impact of the MUDRA Yojana on the financial inclusion of MSEs, employment generation, and overall economic growth.

Surveys: Structured surveys among micro and small business owners in Uttar Pradesh to understand their credit accessibility, loan utilization, and the impact on their businesses.

Data Analysis: Secondary data from government reports and financial institutions to analyze the demand for MUDRA loans and the socio-economic impact.

Interviews: Interview key stakeholders, including government officials, bank representatives, and MUDRA beneficiaries, to gain a multifaceted perspective on the program.

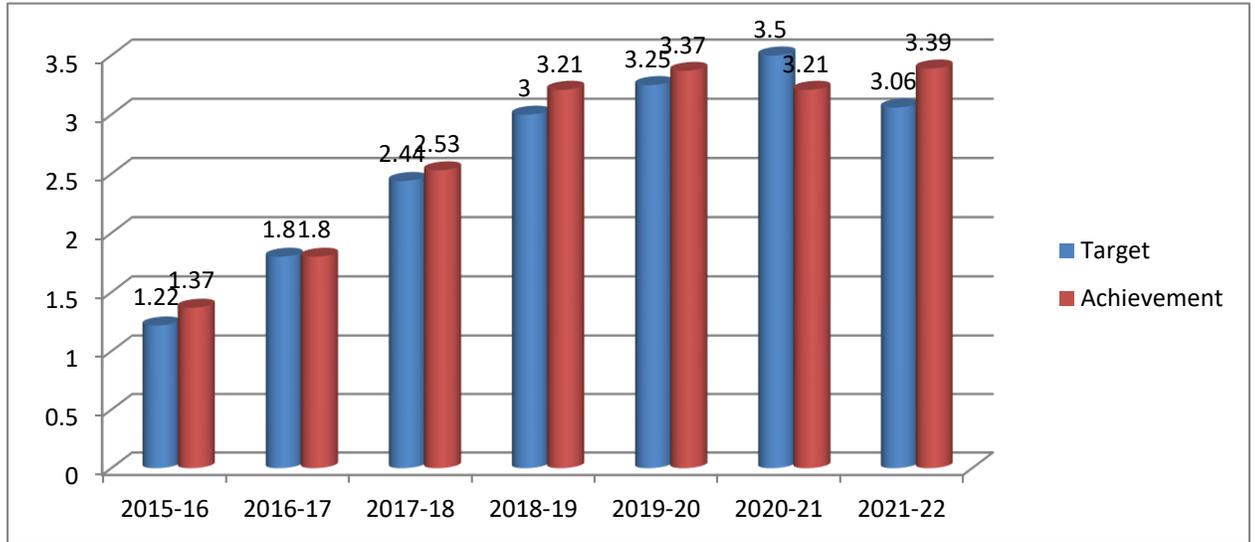
Comparative Analysis: The performance of MUDRA in Uttar Pradesh with other states in India to identify regional variations and potential improvement areas.

Discussion of the Performance of MUDRA Yojana in Uttar Pradesh: The discussion section will provide a comprehensive analysis of the findings, concluding credit accessibility, demand, impact, and performance of the MUDRA Yojana in Uttar Pradesh. The analysis of MUDRA Yojana's performance in Uttar Pradesh reveals significant growth in the number of sanctions over the years.

Chart:4

PMMY: Target vs. Achievement

(Amount in lakh crore)



Source: Annual Report 2021-2022

Achievements Under PMMY Since Inception

In its inaugural year **FY 2015-2016**, MUDRA recorded 34,88,0924 all India loans with a total of overall sanctions amounting to Rs. 1,37,449.27 Cr and the disbursements amounting to Rs. 1,32,954.73 Cr.

Financial Year:2015-2016

No. Of PMMY Loans Sanctioned:34880924

Amount Sanctioned: 137449.27 Cr.

Amount Disbursed: 132954.73 Cr.

Chart 5: Uttar Pradesh Performance Under PMMY

Year wise	Scheme	Disbursals in Cr Rs.	%
2015-16	SHISHU	5849.68	49.24
	KISHORE	3325.18	27.98
	TARUN	2706.07	22.78
	TOTAL	11880.93	
2016-17	SHISHU	6756.77	45.79
	KISHORE	4388.28	29.75
	TARUN	3608.53	24.46
	TOTAL	14753.58	
2017-18	SHISHU	8396.56	39.65
	KISHORE	7171.13	33.87
	TARUN	5606.77	26.48
	TOTAL	21174.46	

2018-19	SHISHU	9954.05	39.99
	KISHORE	8318.56	33.43
	TARUN	6616.31	26.58
		24888.92	
2019-20	SHISHU	13802.3	46.31
	KISHORE	8806.14	29.55
	TARUN	7192.93	24.14
		29801.37	
2020-21	SHISHU	10016.97	35.93
	KISHORE	10461.37	37.53
	TARUN	7396.79	26.54
		27875.13	
2021-22	SHISHU	12615.74	38.41
	KISHORE	12523.61	38.12
	TARUN	7711.45	23.47
		32850.8	
2022-23	SHISHU	16291.05	34.35
	KISHORE	18740.63	39.51
	TARUN	12395.57	26.14
		47427.26	

(Source: www.mudra.org.in)

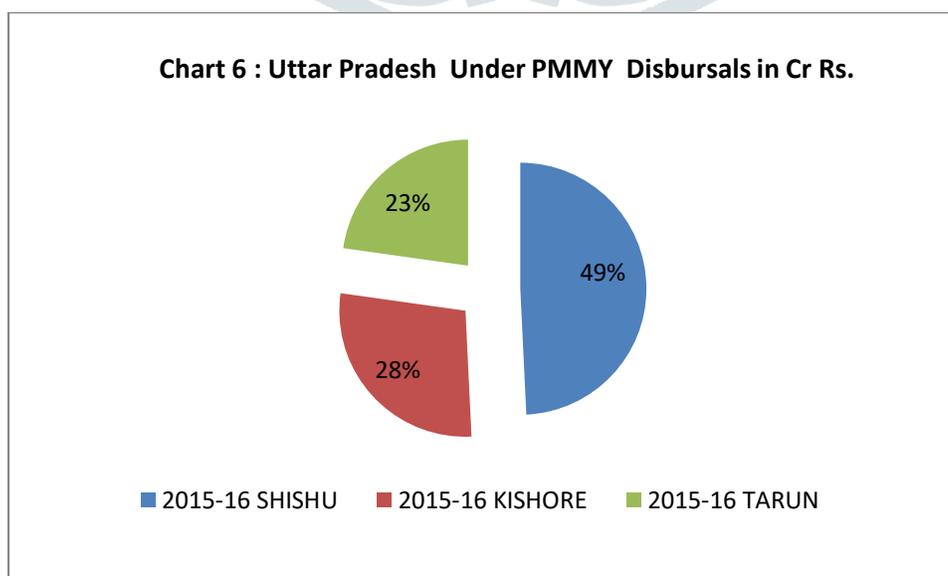
Financial Year:2016-2017

No. Of PMMY Loans Sanctioned: 39701047

Amount Sanctioned: Rs 180528.54 Cr

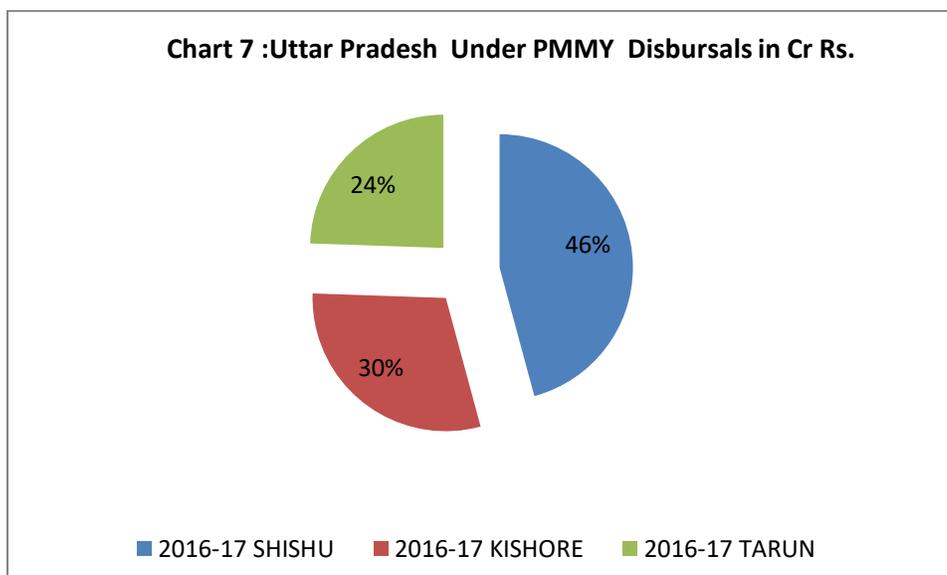
Amount Disbursed: Rs 175312.13 Cr.

The distribution in the year 2015-16 under the three schemes in Uttar Pradesh was as follows:



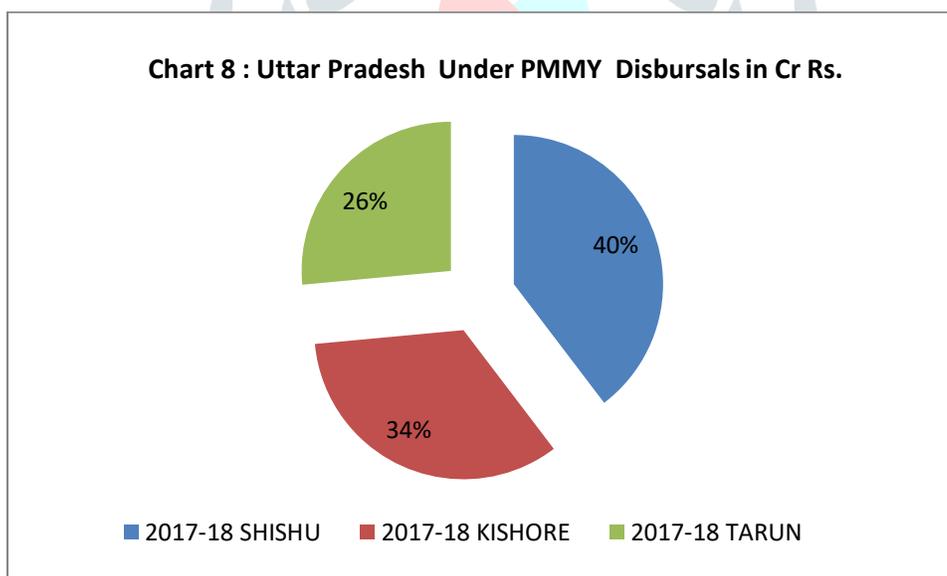
Shishu was the most successful scheme, accounting for 49.24 % of the Rs 11880.93 total disbursements.

The distribution in the year 2016-17 under the three schemes in Uttar Pradesh was as follows:



Once again, Shishu was the most successful scheme, with 45.8% of the total amount disbursed, despite a decline of 3.44% compared to the previous year.

Financial Year:2017-2018 The distribution under the three schemes in Uttar Pradesh was as follows



Shishu remained the most successful scheme, accounting for 40% of the total amount.

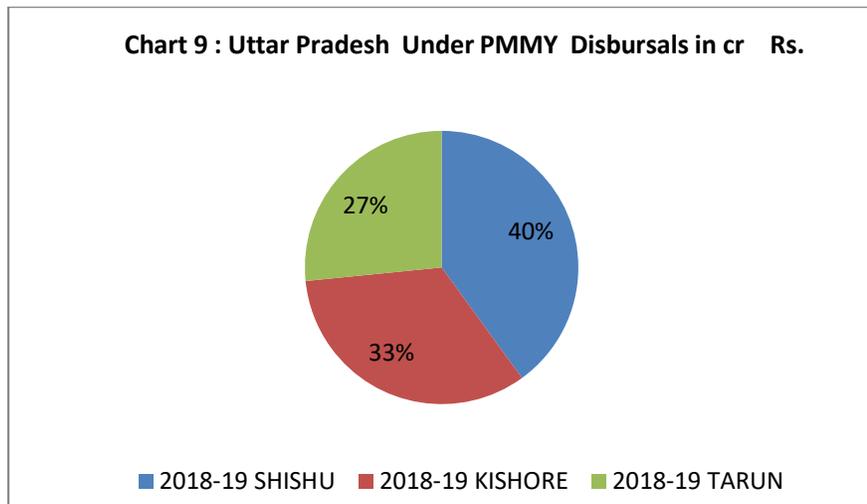
Financial Year:2018-2019

No. Of PMMY Loans Sanctioned:59870318

Amount Sanctioned: 321722.79 Crore

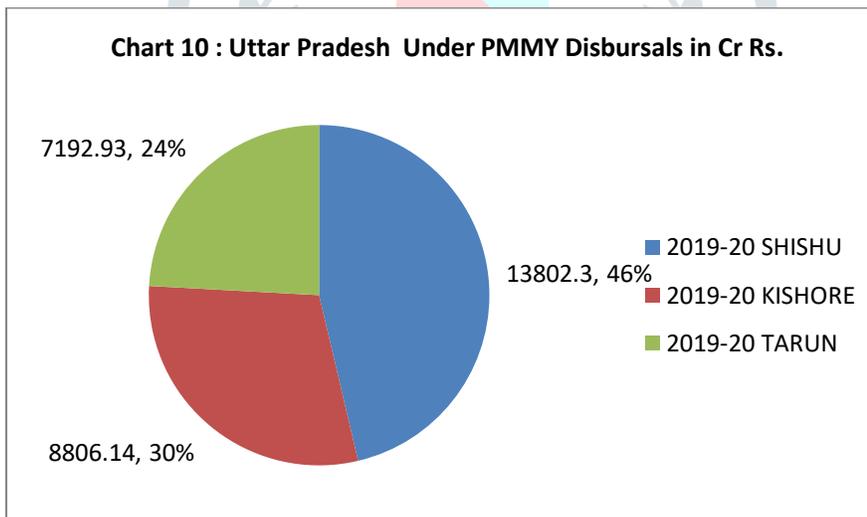
Amount Disbursed: 311811.38 Crore

The distribution under the three schemes was as follows:



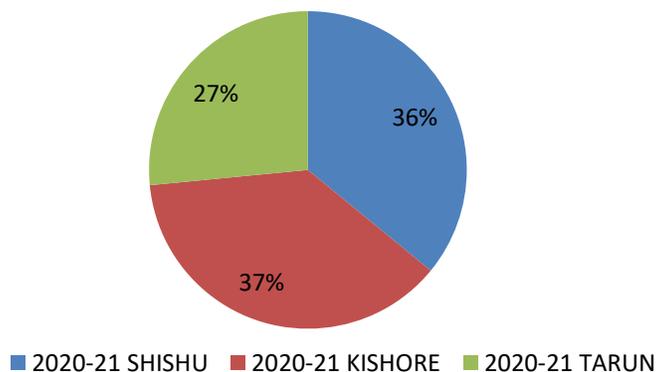
Shishu continued to dominate, with 39.99% of total disbursements and an increase of 0.33% compared to the previous year.

Financial Year:2019-2020
 No. Of PMMY Loans Sanctioned:62247606
 Amount Sanctioned: 337495.53 Crore
 Amount Disbursed: 329715.03 Crore
 The distribution under the three schemes was as follows:



Financial Year:2020-2021
 No. Of PMMY Loans Sanctioned:**50735046**
 Amount Sanctioned: **321759.25 Crore**
 Amount Disbursed: **311754.47 Crore**
 The distribution under the three schemes was as follows:

Chart 11: Uttar Pradesh Under PMMY Disbursals in Cr Rs.



Financial Year:**2021-2022**

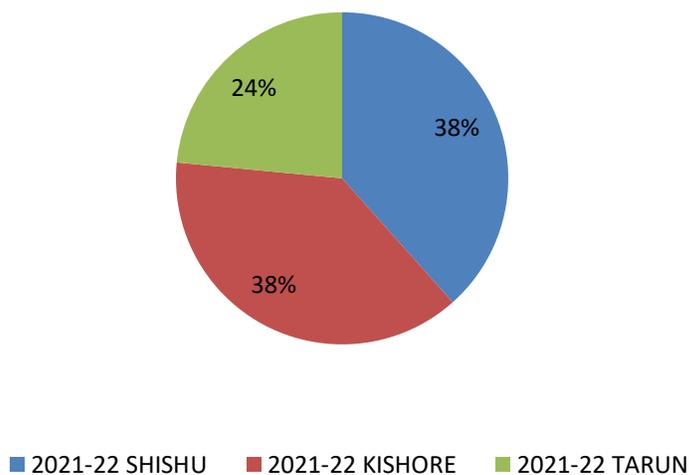
No. Of PMMY Loans Sanctioned:**53795526**

Amount Sanctioned: **339110.35 Crore**

Amount Disbursed: **331402.20 Crore**

The distribution under the three schemes was as follows:

Chart 12 : Uttar Pradesh Under PMMY Disbursals in Cr Rs.



Financial Year:**2022-2023**

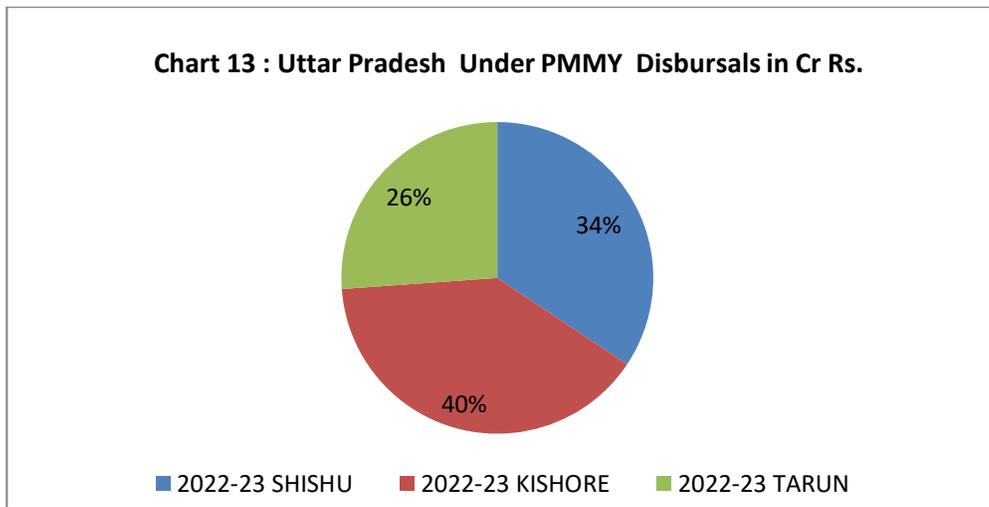
No. Of PMMY Loans Sanctioned:**62310598**

Amount Sanctioned: **456537.98 Crore**

Amount Disbursed: **450423.66 Crore**

The distribution under the three schemes was as follows:

Chart 13 : Uttar Pradesh Under PMMY Disbursals in Cr Rs.

**Year:2023-2024 (Provisional data)***

No. Of PMMY Loans Sanctioned:31253316 *

Amount Sanctioned: 250357.83 Crore *

Amount Disbursed: 243688.85 Crore *

Findings:

The findings of this study will contribute to the existing literature on the MUDRA Yojana and provide valuable insights for policymakers, financial institutions, and stakeholders involved in promoting MSEs and entrepreneurship in Uttar Pradesh. The study aims to shed light on the challenges and opportunities in implementing the scheme effectively and suggest recommendations for improving credit accessibility and the overall performance of the MUDRA Yojana in the state. High Demand for MUDRA Loans: The study found a substantial demand for MUDRA loans in Uttar Pradesh, driven by the state's entrepreneurial spirit and diverse business landscape.

Limited Credit Accessibility: Despite high demand, accessibility remains a challenge, with many micro and small enterprises facing difficulties in securing loans.

Socio-economic Impact: MUDRA loans have had a positive socio-economic impact in terms of income generation and job creation, but variations exist among different regions and sectors.

Gender Disparities: Women entrepreneurs face more significant challenges in accessing credit under the MUDRA Yojana, highlighting the need for targeted support.

Regional Disparities: The performance of the program varies across districts, with some areas benefiting more than others, necessitating a focused approach to address regional disparities.

Operational Challenges: Inefficient disbursement processes, bureaucratic hurdles, and limited financial literacy among beneficiaries are hindrances to the program's success.

Microfinance Institutions' Role: The presence of microfinance institutions has positively influenced credit accessibility, particularly in underserved areas.

Program Awareness: A lack of awareness about the MUDRA Yojana has hindered its impact, necessitating improved marketing and outreach strategies.

Policy Implications: The findings suggest the need for policy adjustments to enhance credit accessibility, promote financial literacy, and address gender disparities.

Recommendations: The study provides recommendations for improving the MUDRA Yojana's performance in Uttar Pradesh, including streamlining administrative processes and expanding financial education initiatives.

The MUDRA Yojana has been praised for its role in promoting entrepreneurship and job creation in India. Various studies have highlighted its impact on economic growth and financial inclusion, but there is limited research specific to Uttar Pradesh.

The demand for microloans in India is influenced by factors such as education, gender, and location. Understanding these dynamics is crucial for optimizing the MUDRA Yojana's impact in a state as diverse as Uttar Pradesh.

To assess the effectiveness of the MUDRA Yojana, it is essential to examine the socio-economic outcomes for borrowers. Previous research has indicated a positive impact on income generation and employment, but regional disparities may exist.

The performance of government programs like MUDRA depends on effective implementation and efficient monitoring. Literature on the program's execution and administration is vital to understanding its success in Uttar Pradesh.

Examining the credit accessibility in Uttar Pradesh requires a comprehensive review of the existing financial infrastructure, banking network, and the role of microfinance institutions.

Skill Development Gaps:

MUDRA is an online platform that offers skill development courses and workshops. The platform provides various training programs in fields like web development, digital marketing, software engineering, and technical writing. The courses are designed to help individuals with little to no prior experience develop the skills they need to succeed in their chosen industry. It offers a variety of courses that are tailored to different skill levels, and they cover a wide range of topics. The courses are designed to help individuals gain the knowledge and practical experience they need to succeed in their field, and many of them include hands-on projects and projects that allow learners to gain experience working with real clients. With it, you can fill the skill development gap and enhance your career prospects.

Knowledge Gaps:

MUDRA (Micro, Medium, and Large Enterprises) Scheme is a government of India initiative aimed at providing collateral-free loans to small and medium enterprises (SMEs). Knowledge gaps refer to the difference between what people know and what they need to know to be successful in their profession or personal lives. In the context of the MUDRA Scheme, knowledge gaps could refer to a lack of awareness about the scheme's eligibility criteria, loan disbursement process, or the benefits of accessing finance through the scheme. Addressing these knowledge gaps can help SMEs better understand the scheme and take advantage of its financing opportunities. **Information Asymmetry:**

Financial/Business Literacy:

As for enhancing financial/business literacy, it's a crucial skill that enables individuals to manage their finances effectively, make informed decisions, and ultimately achieve financial stability. There are various resources available, such as workshops, courses, books, and online resources, to improve financial/business literacy.

Information asymmetry:

Information asymmetry refers to the difference in information between two parties, where one party has more information than the other. In the context of the MUDRA Scheme, this could exist if one party is privy to confidential or sensitive information that the other party is not. For example, if an investor has access to financial information about a company that is not available to others, they may have an advantage in making investment decisions. To mitigate this, companies must ensure that all parties involved in the MUDRA Scheme have equal access to relevant information.

Lack of Growth Orientation:

Growth orientation refers to the belief that one's abilities can be developed through hard work and dedication. In a MUDRA (Micro, Meso, Macro) scheme, this type of mindset can help to drive success and promote long-term development for organizations. Without a growth orientation, individuals and organizations may struggle to adapt to changing circumstances or mount challenges, limiting their potential for growth and achievement. This review investigates whether MUDRA beneficiaries lack a growth-oriented approach in their businesses and whether the scheme encourages and supports a growth mindset. Based on the study, we recommend tailored interventions to bridge skill and knowledge gaps, enhance information dissemination, and promote financial and business literacy among MUDRA beneficiaries in Uttar Pradesh. These measures will facilitate a more growth-oriented small business landscape.

Conclusion:

In conclusion, this study sheds light on the state of credit accessibility, demand, impact, and performance of the MUDRA Yojana in Uttar Pradesh. While the program has demonstrated positive socio-economic impacts, there are significant challenges, including gender disparities, regional variations, and operational inefficiencies. Addressing these issues requires a multifaceted approach involving policy adjustments, better awareness campaigns, and targeted

support for underprivileged entrepreneurs. The findings of this research can guide policymakers and stakeholders in optimizing the MUDRA Yojana's effectiveness in one of India's most populous and diverse states. This review paper offers a comprehensive examination of the MUDRA Yojana, shedding light on its impact, performance, and the challenges faced by small business entrepreneurs in Uttar Pradesh. The findings can guide policymakers in enhancing the scheme's effectiveness, addressing skill and knowledge gaps, reducing information asymmetry, promoting financial/business literacy, and fostering a growth-oriented ecosystem for small businesses.

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