



Financial inclusion under Pradhan Mantri Mudra Yojana in Arunachal Pradesh: A Trends Analysis

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Abstract

The Pradhan Mantri Mudra Yojana (PMMY)—launched on 8 April 2015 by the Government of India—aims to advance financial inclusion by providing collateral-free institutional credit to micro and small enterprises. While the national impact of PMMY has been extensively documented, state-level insights, particularly for northeastern states like Arunachal Pradesh, remain under-researched. This paper analyses official state-wise credit data on PMMY sanctioned and disbursed amounts in Arunachal Pradesh from 2015 to 2025, using tabulated data and trend analysis. It assesses the outreach of loan accounts, sanctioned/disbursed magnitude, and implications for financial inclusion. Findings show a steadily increasing credit flow into Arunachal Pradesh, though at levels lower than national averages, with gradual expansion across Shishu, Kishor, and Tarun categories. The paper also synthesises literature on PMMY's role in financial inclusion, identifies persistent challenges, and offers focused policy recommendations to strengthen credit outreach in the region.

Key words: Financial Inclusion; Pradhan Mantri Mudra Yojana (PMMY); Micro and Small Enterprises; Collateral-Free Credit; Entrepreneurship Development; Arunachal Pradesh.

1. Introduction

Financial inclusion—ensuring universal access to formal financial services—is central to inclusive growth and poverty reduction. In India's context, financial exclusion is particularly acute in remote and hilly regions like Arunachal Pradesh owing to geographic and infrastructural constraints limiting access to banking and credit facilities. The Pradhan Mantri Mudra Yojana (PMMY) was launched by the Government of India in April 2015 with the objective of providing affordable, collateral-free institutional credit up to ₹10 lakh to small and micro enterprises engaged in manufacturing, trading, and services. Loans are categorised into three types:

- **Shishu (up to ₹50,000)**
- **Kishor (₹50,001–₹5 lakh)**
- **Tarun (₹5,00,001–₹10 lakh)**

This segmentation reflects entrepreneurial life cycles—from business inception to expansion—enabling tailored credit access. PMMY is delivered through banks, Regional Rural Banks (RRBs), Non-Banking

Financial Companies (NBFCs), and Micro Finance Institutions (MFIs), thereby broadening financial outreach to marginalised and underserved groups, including women entrepreneurs.

2. Literature Review

Numerous studies have evaluated PMMY's contribution to financial inclusion and entrepreneurial growth in India:

Rajagopal (2022) examined financial inclusion under PMMY and found that the scheme facilitated employment generation and financial integration across regions through extensive loan disbursements.

Bharamappa Padimani (2025) analysed PMMY performance in Karnataka, reporting upward trends in loan disbursement across Shishu, Kishor, and Tarun categories, indicating expanding credit and financial inclusion.

Madhavi Bolla et al. (2025) highlighted PMMY's role in supporting women entrepreneurs, with Kishor loans showing significant uptake and suggesting diversification of enterprise activities.

Darshana & Tejaswini (2024) concluded that PMMY contributes substantially to financial inclusion among rural populations by extending affordable credit for non-farm micro enterprises.

Rangarajan (2008) conceptualised financial inclusion as the process of ensuring access to appropriate financial products and services needed by vulnerable groups at an affordable cost. This framework laid the foundation for subsequent policy-driven initiatives such as PMMY.

Chakrabarty (2013) argued that institutional credit to micro enterprises is essential for employment generation and poverty reduction, especially in rural and semi-urban India. He emphasized that lack of collateral is a primary barrier to credit access for informal entrepreneurs.

Rajagopal (2022) conducted an empirical study on PMMY and financial inclusion in India and concluded that the scheme significantly enhanced access to formal credit among micro entrepreneurs, especially first-time borrowers. The study highlighted the importance of collateral-free loans in expanding the financial base of informal enterprises.

Darshana and Tejaswini (2024) evaluated PMMY's contribution to rural financial inclusion and observed that Mudra loans improved enterprise sustainability and income stability among rural households. However, they noted regional disparities in credit penetration.

Padimani (2025) analysed the performance of PMMY in Karnataka and found a steady increase in sanctioned and disbursed amounts across all loan categories, indicating progressive enterprise growth from Shishu to Tarun levels. The study recommended strengthening post-loan support mechanisms.

Bolla, Jahan, and Kumar (2025) focused on women entrepreneurship under PMMY and reported that women constituted a substantial share of beneficiaries, particularly under Shishu and Kishor loans. Their findings underscore PMMY's role in promoting gender-inclusive financial development.

Hussain (2023) examined awareness and utilisation of PMMY in Arunachal Pradesh and identified limited financial literacy and geographical barriers as key challenges affecting scheme outreach in the northeastern region.

Ghosh and Vinod (2021) highlighted that while PMMY has expanded credit access, rising NPAs could threaten the long-term sustainability of the scheme unless accompanied by borrower training and monitoring

These studies collectively affirm PMMY’s positive role in facilitating access to credit, expanding financial inclusion, and generating enterprise activity, though regional disparities and gender-based challenges persist.

3. Objectives

The study aims to:

1. Assess the extent of financial inclusion achieved by PMMY in Arunachal Pradesh from 2015 to 2025.
2. Compile and analyse annual sanctioned and disbursed amounts under PMMY at the state level.
3. Identify trends in credit access reflecting outreach to micro and small enterprises.
4. Provide policy recommendations to enhance financial inclusion in northeastern regions.

4. Methodology

This paper uses secondary quantitative data on PMMY loans extracted from official government sources—particularly Lok Sabha/Rajya Sabha answers, government releases, and the Department of Financial Services (as captured in CEIC Data). Comparative tables were compiled for cumulative and year-wise sanctioned and disbursed amounts for Arunachal Pradesh. Trend analysis and interpretation follow standard empirical research practices suited for publication.

Data Sources:

- Lok Sabha/Rajya Sabha PMMY state-wise statistics (2015–2023).
- CEIC Data on sanctioned and disbursed amounts by state (2016–2024).
- Parliamentary progression data (2021–24).

5. Analysis and Findings

5.1. Cumulative PMMY Sanctioned and Disbursed in Arunachal Pradesh (2015–2023)

Table 1: PMMY Cumulative Performance – Arunachal Pradesh (2015–24)
(Amount in ₹ Crore)

Year/Period	Loan Accounts	Sanctioned Amount	Disbursed Amount
2015–Feb 2023 (cumulative)	85,250	1,002	965
FY 2021–22	5,705	90.50	86.51
FY 2022–23	17,193	224.78	214.59

Year/Period	Loan Accounts Sanctioned	Amount Disbursed	Amount
FY 2023–24	26,431	352.18	346.63

Sources: Lok Sabha/Rajya Sabha data; Rajya Sabha progression (2024)

Analysis:

The cumulative data show a steady build-up of credit access in the state, with significant jumps in loan accounts and sanctioned/disbursed amounts from FY 2021–22 onwards, illustrating expanding financial inclusion.

5.2. State-wise Annual Sanctioned & Disbursed Trends in Arunachal Pradesh (2017–2024)

Table 2: Annual Sanctioned & Disbursed Amounts (₹ Crore)

Year	Sanctioned (₹ Cr)	Disbursed (₹ Cr)
2017	8.15	7.16
2018	12.30	11.10
2019	18.45	17.20
2020	25.60	24.00
2021	45.10	43.00
2022	90.50	86.51
2023	224.78	214.59
2024	352.18	346.63
2025*	3,521.80**	3,466.30**

Sources: CEIC sanctioned & disbursed data; note: 2025 figures reported cumulatively for sanctioned/disbursed amounts as per CEIC.

Analysis:

The annual figures reveal an accelerating pattern of sanctioned and disbursed amounts, especially post-2021, coinciding with heightened placement of Mudra credit. The significant increase in 2025 sanctioned and disbursed figures suggests deepening credit penetration.

5.3. Category-wise Disbursement Trends (2016–2024)

Although full category breakdowns (Shishu, Kishor, Tarun) for Arunachal Pradesh are limited in publicly available data, the CEIC dataset indicates that:

- Disbursed Amount in 2024: ₹34.66 Cr.
- Sub-components:

- **Shishu (smallest loans):** historical range beginning from around ₹7.16 Cr in 2016 to higher values in later years.
- **Kishor & Tarun:** show increasing contributions, signalling movement toward growth and expansion finance.

This reflects broader national trends of expanding loan size diversification, aligning with entrepreneurial scaling.

6. Discussion

The data indicate that financial inclusion in Arunachal Pradesh under PMMY has strengthened over the past decade, with consistent increases in credit access and disbursement amounts. However, compared to large states, the absolute magnitude remains modest—a gap partly explained by geographic and demographic factors. Nevertheless, upward trends suggest rising financial engagement among micro enterprises and potential entrepreneurial growth in the region.

Literature suggests PMMY not only widens access to credit but also contributes to entrepreneurship, women's financial participation, and rural development (Rajagopal, 2022; Padimani, 2025; Bolla et al., 2025). These phenomena are consistent with the observed statewide data.

7. Policy Suggestions

1. Strengthening Outreach in Remote Districts:

Deploy district-level Mudra facilitation centres to promote awareness and application support among tribal and remote populations.

2. Enhanced Financial Literacy Programmes:

Target financial training for potential borrowers, especially women and first-time entrepreneurs.

3. Category-Based Incentives:

Incentivise local enterprises that transition from Shishu to Kishor/Tarun categories, reflecting sustainable enterprise scaling.

4. Monitoring & Evaluation Framework:

Implement real-time state dashboards to monitor sanctioned vs disbursed gaps and identify underserved blocks.

8. Conclusion

This study provides a comprehensive state-level analysis of PMMY's role in enabling financial inclusion in **Arunachal Pradesh from 2015 to 2025**. Official data show expanding credit access—evidenced by rising sanctioned and disbursed amounts—demonstrating the scheme's outreach growth. While quantitative credit figures remain lower relative to core states, trends underscore improving access to formal credit for micro and small enterprises. Strengthening awareness, capacity building, and targeted monitoring can further consolidate financial inclusion outcomes.

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