

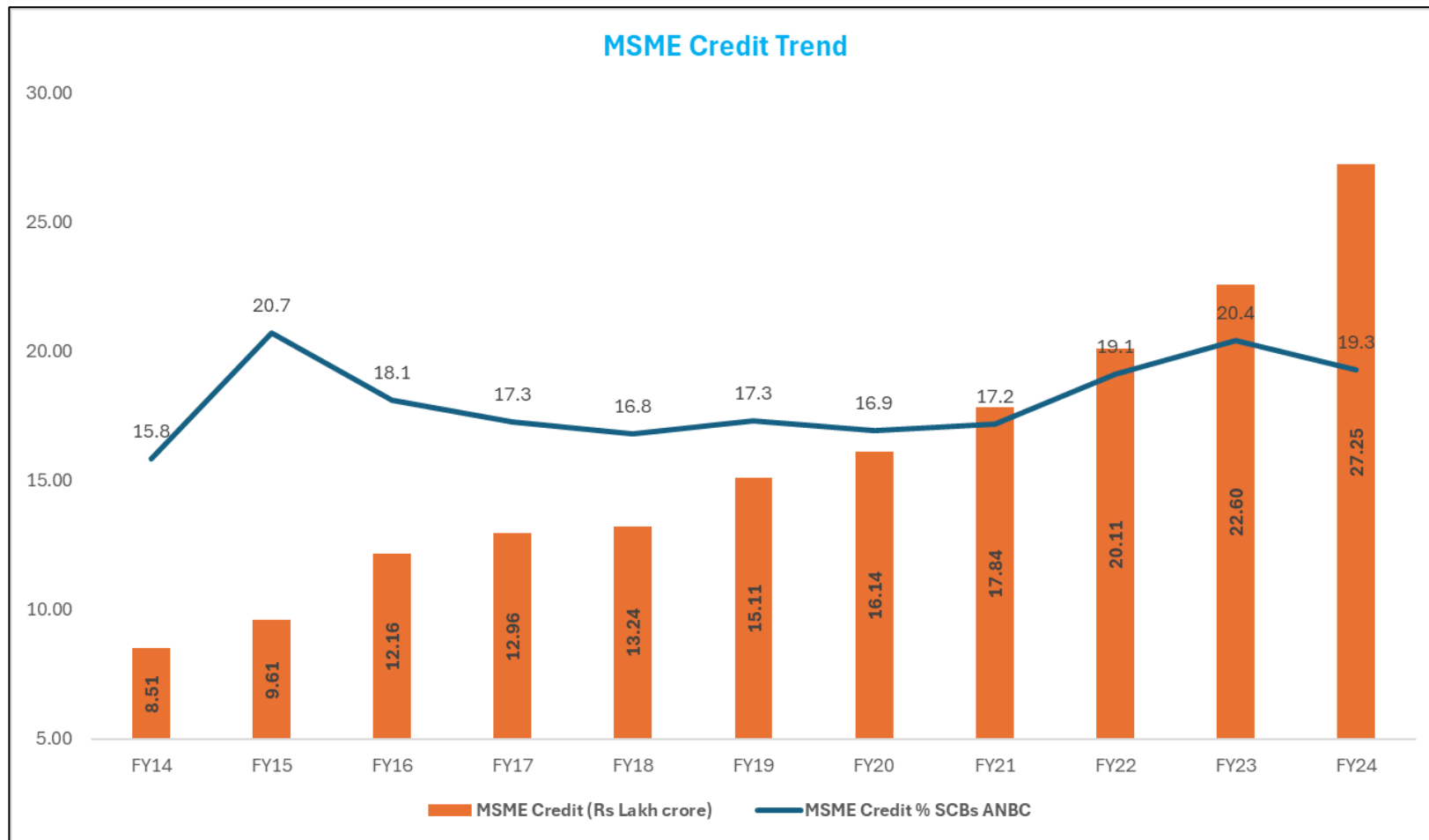
PMMY: A Decade of Audacious Dreams: Bolder, Bigger and Indeed Beautiful

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- ❑ The renewed emphasis on building blocks of production, chiefly MSMEs (apart from agri/allied activities) as twin growth enablers has seen credit offtake to MSMEs more than trebling to Rs 27.25 lakh crore in FY24, from Rs 8.5 lakh cr in FY14 (& estimated to hover around Rs 30 lakh crore in FY25)... In priority sector, MSME credit stood at ~19.3% of SCBs adjusted net bank credit (ANBC) in FY24, compared to ~15.8% in FY14
- ❑ Launched by the PM in 2015 with a vision of enabling transparent, barrier-free (nil collateral) and adequate access to finance for the grassroots, that ultimately became a lynchpin of entrepreneurial dreams for scores of millions, Micro Units Development and Refinancing Agency (MUDRA) has been the ubiquitous vector of transformative change in bringing a credit revolution, curating the policy approach and credit decisions
- ❑ During the decadal journey, cumulatively more than 52 crore accounts of MUDRA have been opened, of which 78% of the accounts are Shishu (~40 crore), 20% are Kishor (~10 crore) and 2% Tarun/Tarun Plus (~2 crore)... Interestingly, the share of Shishu in total accounts has declined from ~93% in FY16 to ~51.7% in FY25, while the Kishor account share has increased to ~44.7% in FY25 from a meagre ~5.9% in FY16. **This clearly indicates that many Shishu accounts have grown (natural progression) and availed Kishor loans of higher limit**
- ❑ A kaleidoscopic view of the MUDRA landscape vouches the uber effectiveness across diversified intended beneficiary classes, raising the economic clout of the bottom the MOST as told by numbers... The growth in amount of loans disbursed averaged ~33% in the first three years. Again, disbursement increased by ~36% in FY23 signaling return of animal spirits at the bottom of the pyramid... also, average ticket size of the loans have shown maturity; ~Rs 1.02 lakh in FY25 from ~Rs 38,000 in FY16 indicating. A beacon of rising economies of scale and deepening of market depth/width
- ❑ **The impact of PMMY on bringing the hitherto entrepreneurially devoid social groups is commendable, instilling a true sense of financial independence...** close to half of the ~52 crore PMMY accounts belongs to SC/ST and OBC social classes... Going a step further, ~68% of total account holders are women entrepreneurs while ~11% belongs to minority groups
- ❑ Among states, Bihar has the largest number of PMMY women entrepreneurs (4.2 crore), followed by Tamil Nadu (4.0 crore) and West Bengal (3.7 crore)...Maharashtra has the largest share of women account holders (79%) in total followed by Jharkhand (75%) and West Bengal (73%)

- ❑ We strongly believe that increasing women participation in PMMY (~68% of account holders are women) leads to better financial situation of women borrowers...In the last nine years (FY25 over FY16), while per woman PMMY disbursement amount increased by a CAGR of 13% to Rs 62,679, the per woman incremental deposits increased by a CAGR of 14% to Rs 95,269 branding PMMY an effective power tool for women empowerment at grass roots level
- ❑ Further, analyzing the UDYAM portal, Women-owned MSMEs constitute 20.5% of the total number of MSMEs registered on the portal since its inception on 1st July 2020. These women-owned MSMEs' contribution to the employment generated by the total Udyam registered units is 18.73%. **Thus, women-led MSMEs not only contribute to output generation but also to gender inclusivity....**State wise data reveals that Tamil Nadu has highest employment generation (15.7%) in women-led MSMEs followed by Maharashtra (12.1%) , Karnataka and Uttar Pradesh (8%). Thus, financial inclusion programmes like PMMY are pivotal in empowering women-led MSMEs
- ❑ States which have higher share of disbursements to women have significantly shown higher employment creation by women-led MSMEs further reinforcing the efficacy of targeted financial inclusion policies in fostering economic empowerment and labour market participation
- ❑ The impact of Mudra on financial inclusion across states (if states at lower quantiles of financial inclusion benefit differently from Mudra disbursements—especially those targeted at minorities and women—compared to states at higher quantiles), through a financial inclusion metric show Mudra disbursements have a stronger impact on states with lower financial inclusion levels...**Mudra disbursements are benefiting financially weaker regions more, improving financial inclusion in underdeveloped states rapidly leading to convergence.... states that are less financially included receive proportionately greater benefits from the scheme, in a self-fulfilling prophecy**
- ❑ Our analysis shows that while the overall diversity (entropy) of Mudra disbursements has become more skewed, **but this skewness reflects a positive structural shift:** the proportions allocated to developed regions has declined, while underdeveloped regions such as Bihar (from 5.67% to 10.97%), UP (from 9.27% to 11.30%), Odisha (from 4.24% to 4.51%) , and the North-East have experienced significant gains..... demonstrating a strategic reorientation of the Mudra scheme towards regions that need it the most

- ❑ Credit growth by SCBs to the MSME sector increased to Rs 27.25 lakh crore in FY24 and estimated to be more than Rs 30 lakh crore in FY25, which accounts to around 20% of the total adjusted net bank credit (ANBC)
- ❑ In priority sector, MSME credit stands out to ~19.3% of SCBs adjusted net bank credit (ANBC) in FY24, compared to 15.8% in FY14



Pradhan Mantri MUDRA Yojana (PMMY) Progress of 10 Years

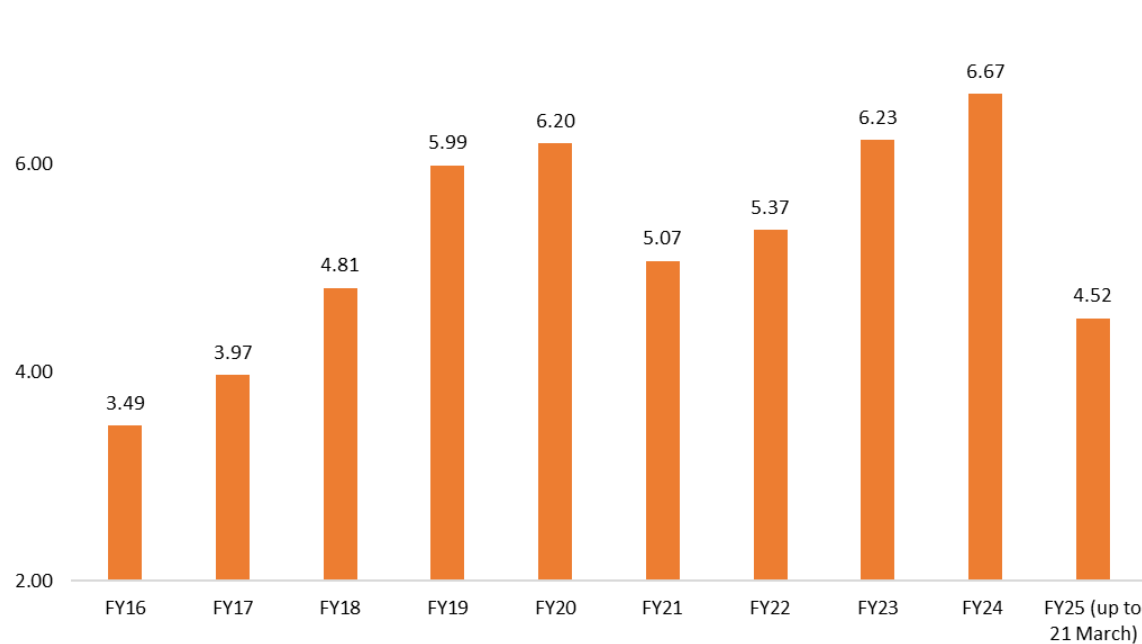
- Micro enterprises constitute a major economic segment in our country and provides large employment after agriculture. This segment include micro units engaged in manufacturing, processing, trading and services sector. It provides employment to nearly 10 crore people. Many of these units are proprietary/ single ownership or Own Account enterprises and many a time referred as Non Corporate Small Business sector. However, they were facing various challenges: (i) Access to Finance; (ii) Infrastructure Gaps; (iii) Lack of growth orientation; (iv) Skill Development Gaps; (v) Policy Advocacy Needs; (v) Lack of Market Development / Market Making; (vi) Knowledge Gaps; (vii) Information Asymmetry; and (viii) Entry Level Technologies
- **Pradhan Mantri Mudra Yojana (PMMY)** under the Micro Units Development and Refinancing Agency (MUDRA) was set up by Government of India for development and refinancing activities relating to micro units
- PMMY ensures collateral-free institutional credit up to Rs 20 lakh is provided by Member Lending Institutions (MLIs) i.e. Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), Non-Banking Financial Companies (NBFCs) and Micro Finance Institutions (MFIs).
- Under the scheme, three categories of interventions have been formulated which include
 - **Shishu** : Loan up to ₹50,000
 - **Kishor** : Loan above ₹50,000 and up to ₹5 lakh
 - **Tarun** : Loan above ₹5 lakh and up to ₹10 lakh
 - **Tarun Plus** : Loans above ₹10 lakh and up to ₹20 lakh (designed specifically for Tarun category, who have previously availed and successfully repaid loans)
- Loans are guaranteed by Credit Guarantee Fund for Micro Units (CGFMU) which is the Trust Fund set up by Government of India, managed by NCGTC as a Trustee. It provides Portfolio-level guarantee against default

On 8th April, 2015 Honourable Prime Minister launched MUDRA Yojana: It will complete 10 years in a week

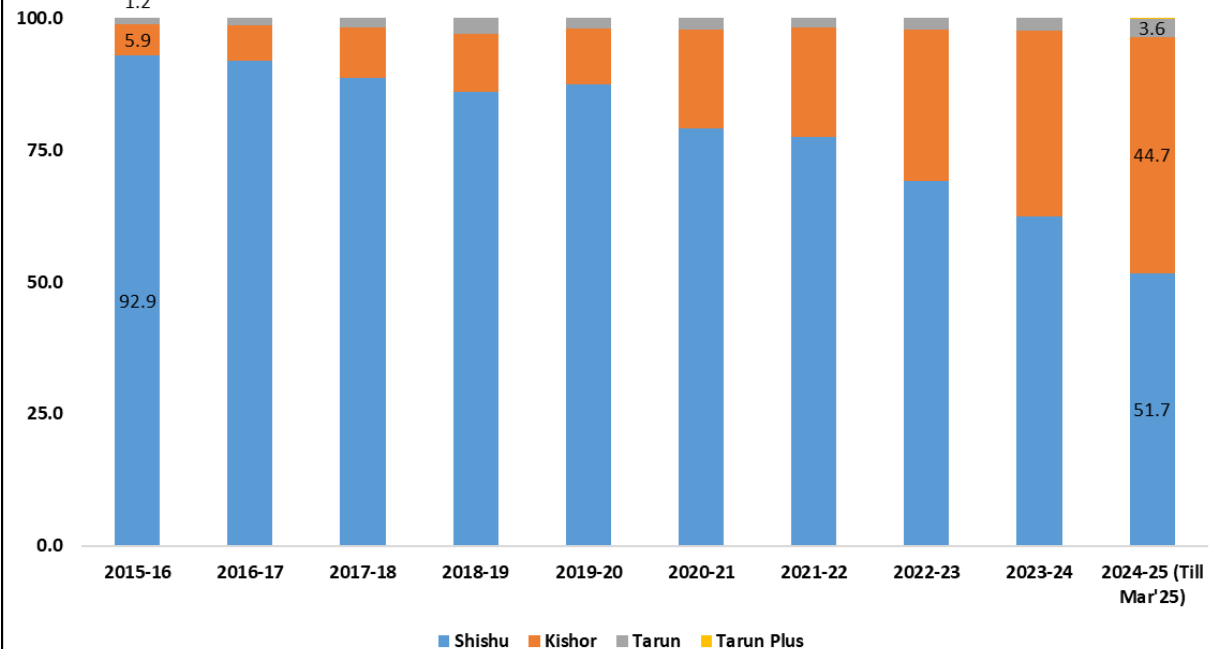
- ❑ MUDRA Card introduced wherein the borrower can avail of credit in a hassle free and flexible manner
- ❑ Initially, PMMY covered income generating activities in the manufacturing, trading, services sector only. In FY17, activities allied to agriculture, viz; pisciculture, beekeeping, poultry, livestock rearing, grading, sorting, aggregation Agro industries, dairy, fishery, agri-clinics and agribusiness centres, food and agro-processing, etc which promote livelihood or are income generating were brought under the ambit of PMMY
- ❑ In FY18, loans sanctioned for purchase for Tractors and Power Tillers included as eligible loans under PMMY. In FY19, loans sanctioned for purchase of two-wheelers by individuals for commercial purpose have also been included under PMMY
- ❑ Handholding support for facilitating submission of loan applications
- ❑ Provision for online applications through [PSBloansin59minutes](#) and [Udyamimitra](#) portal
- ❑ Simplification of application forms
- ❑ Nomination of MUDRA Nodal Officers in Public Sector Banks (PSBs)
- ❑ Periodic monitoring of performance of PSBs with regard to PMMY
- ❑ Interest Subvention of 2% on prompt repayment of Shishu loans extended under PMMY for a period of 12 months to all eligible borrowers

- ❑ In 10-years, cumulatively more than 52 crore accounts of MUDRA have been opened, of which 78% of the accounts are Shishu (~40 crore), 20% are Kishor (~10 crore) and 2% Tarun/Tarun Plus (~2 crore)
- ❑ Interestingly, the share of Shishu in total has declined from 93% in FY16 to 51.7% in FY25, while the Kishor account share has increased to 44.7% in FY25 from 5.9% in FY16. **This clearly indicate that some Shishu accounts have grown and availed Kishor loans of higher loan limit...MSME units are getting bigger**

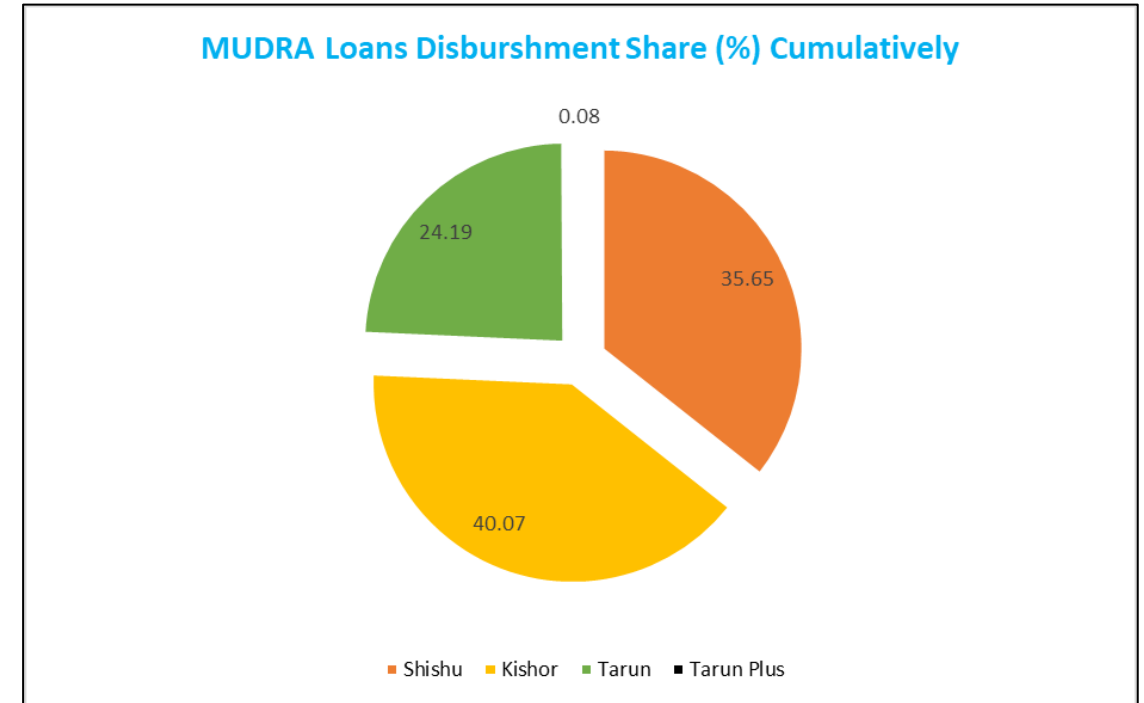
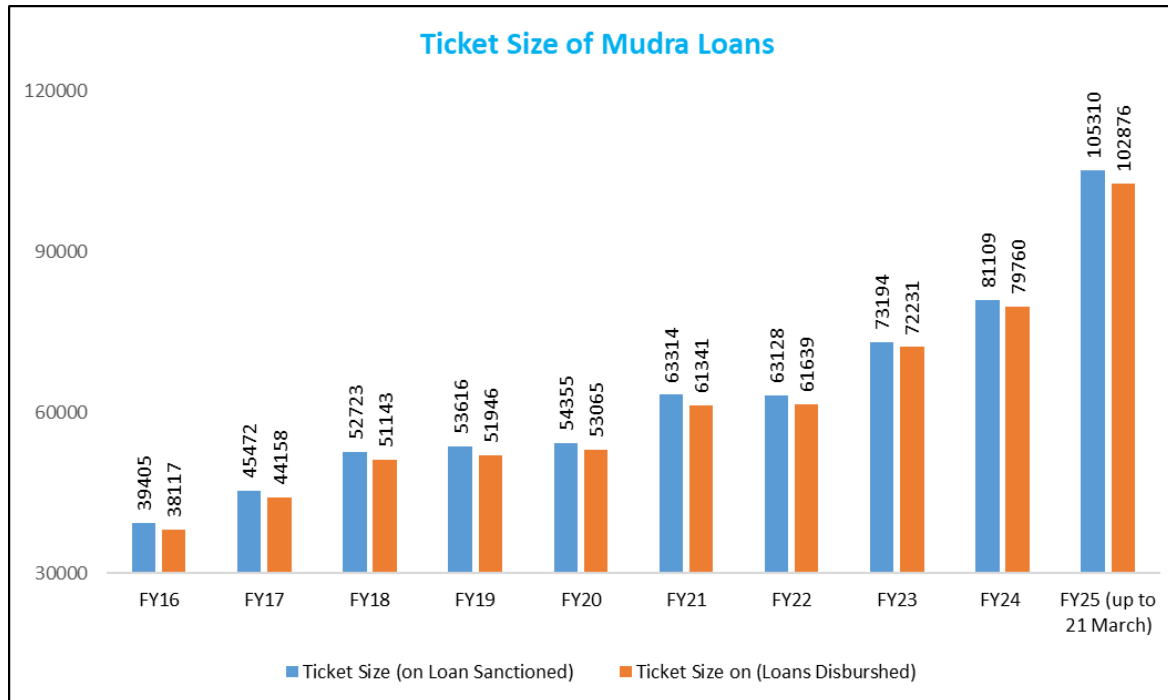
More than 50 Crore Accounts Opened during the last 10 Years



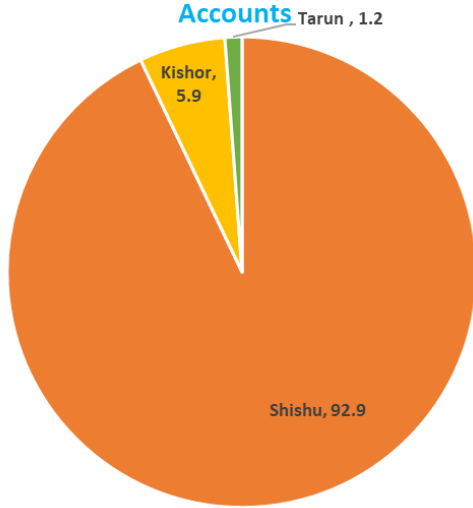
Distribution of Mudra Accounts (% Share)



- A telescopic view of the total loans sanctioned/disbursed under the scheme shows that since its launch, the Unique Selling Proposition of PMMY has been well received by diversified intended beneficiary classes, raising the economic clout of the bottom
- The growth in amount of loans disbursed average 33% in the first three years but declined there after due to COVID-19. Again, disbursal increased by ~36% in FY23 signaling return of animal spirits at the bottom of the pyramid of India Inc.
- Average ticket size of the loans have nearly tripled; ~Rs 1.02 lakh in FY25, ~Rs 72,000 in FY23 from ~Rs 38,000 in FY16

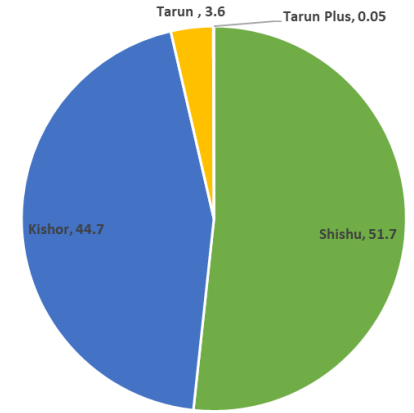


2016: Scheme-wise % Share in PMMY number of Accounts

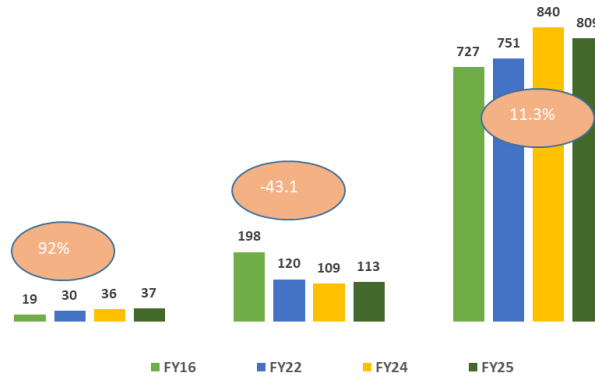


MUDRA Units are getting Bigger

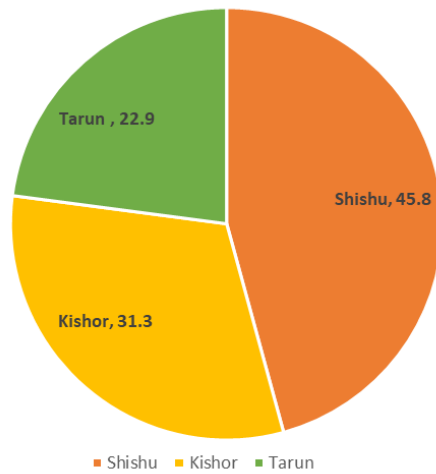
2025: Scheme-wise % Share in PMMY number of Accounts



Ticket Size of PMMY Loans (in Rs'000)

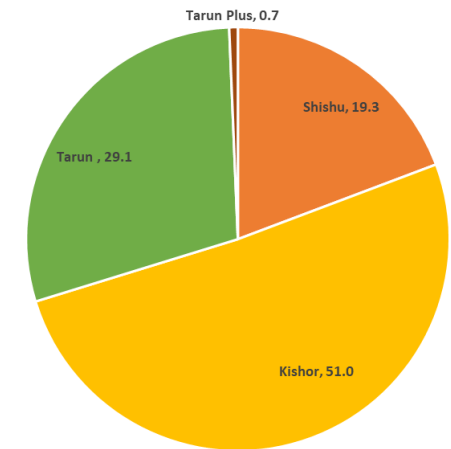


2016: Scheme-wise % Share in Disbursement of PMMY Loans



Share of Kishor Loan Increased

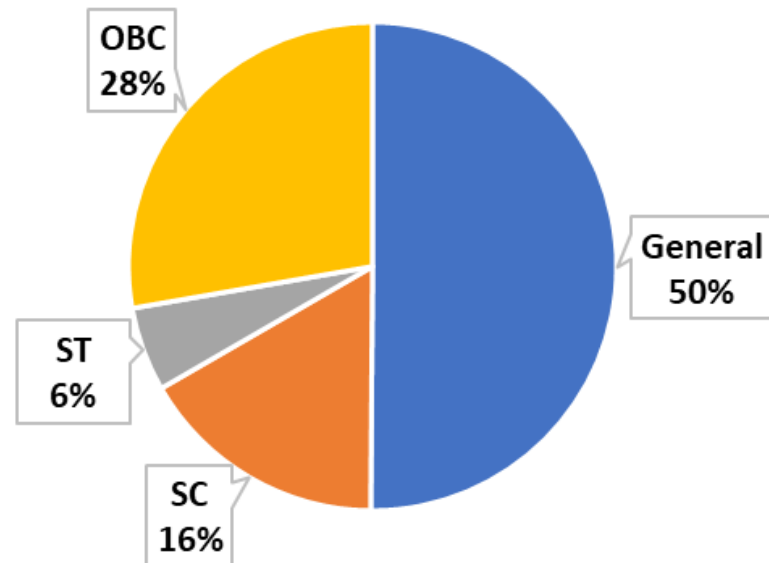
2025: Scheme-wise % Share in Disbursement of PMMY Loans



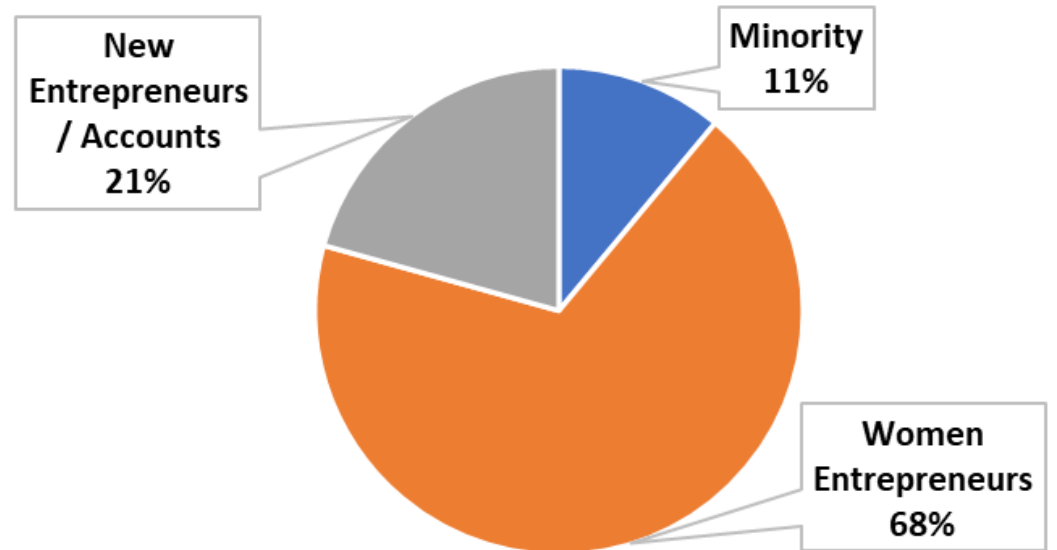
50% of PMMY account holders are belong to non-General social class

- ❑ PMMY is making non-General social classes financially independent
- ❑ 50% of 52 crore PMMY accounts belongs to SC/ST and OBC social class
- ❑ Interestingly, 68% of total account holders are women entrepreneurs and 11% belongs to minority

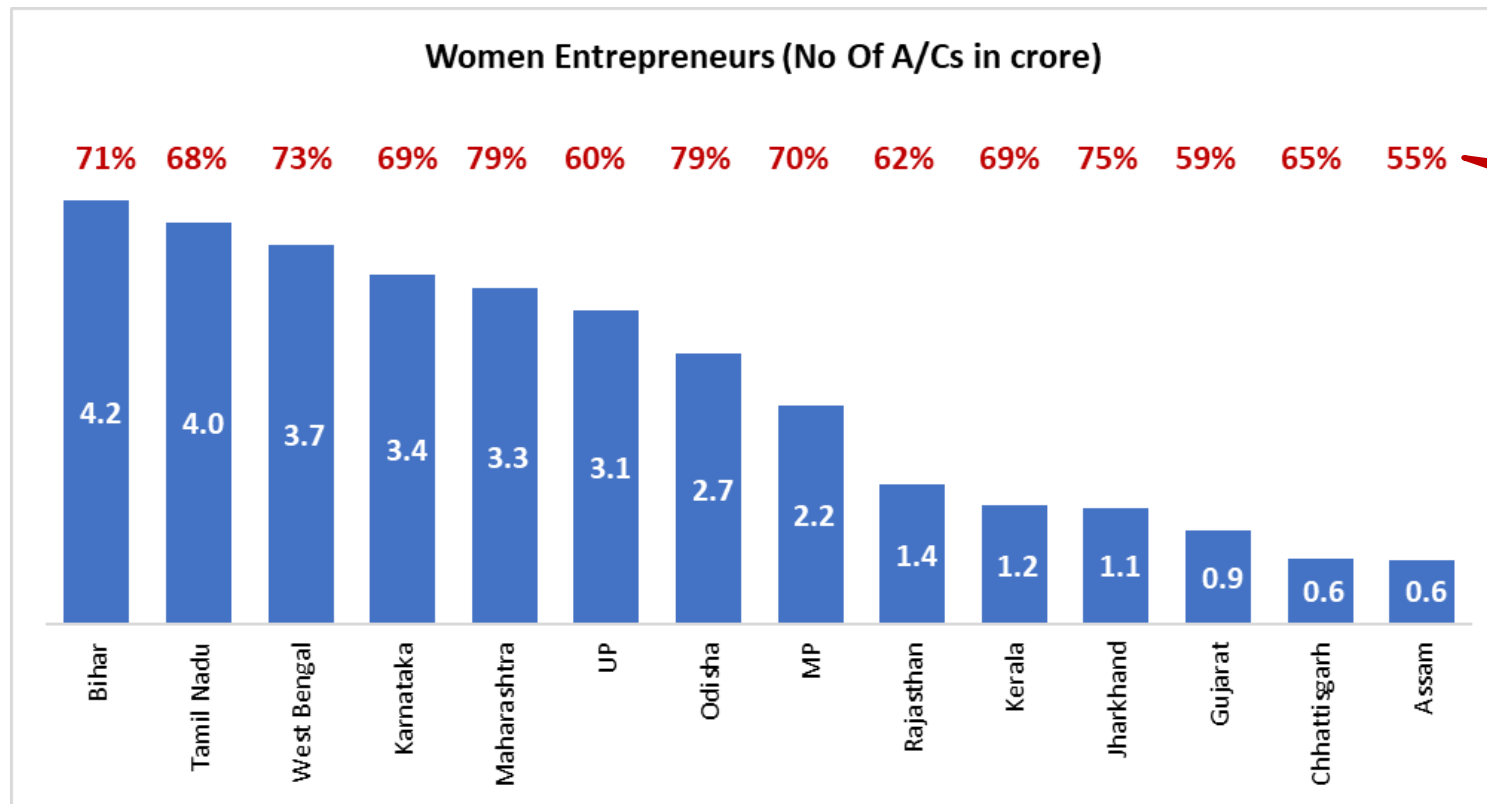
Social Class wise share in total PMMY accounts



Category wise share in total PMMY accounts

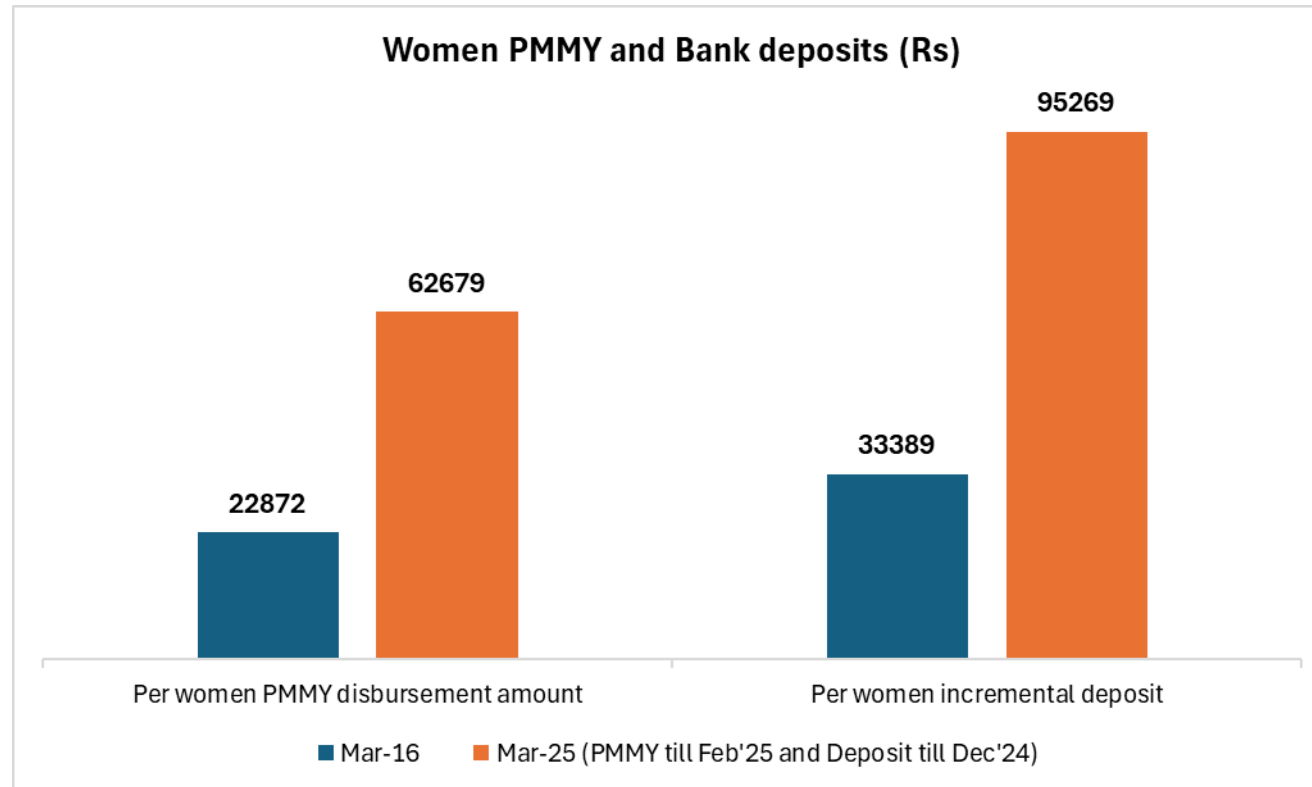


- Among states, Bihar has the largest number of PMMY women entrepreneurs (4.2 crore) followed by Tamil Nadu (4.0 crore) and West Bengal (3.7 crore)
- Maharashtra has the largest share of women account holders (79%) in total accounts followed by Jharkhand (75%) and West Bengal (73%)

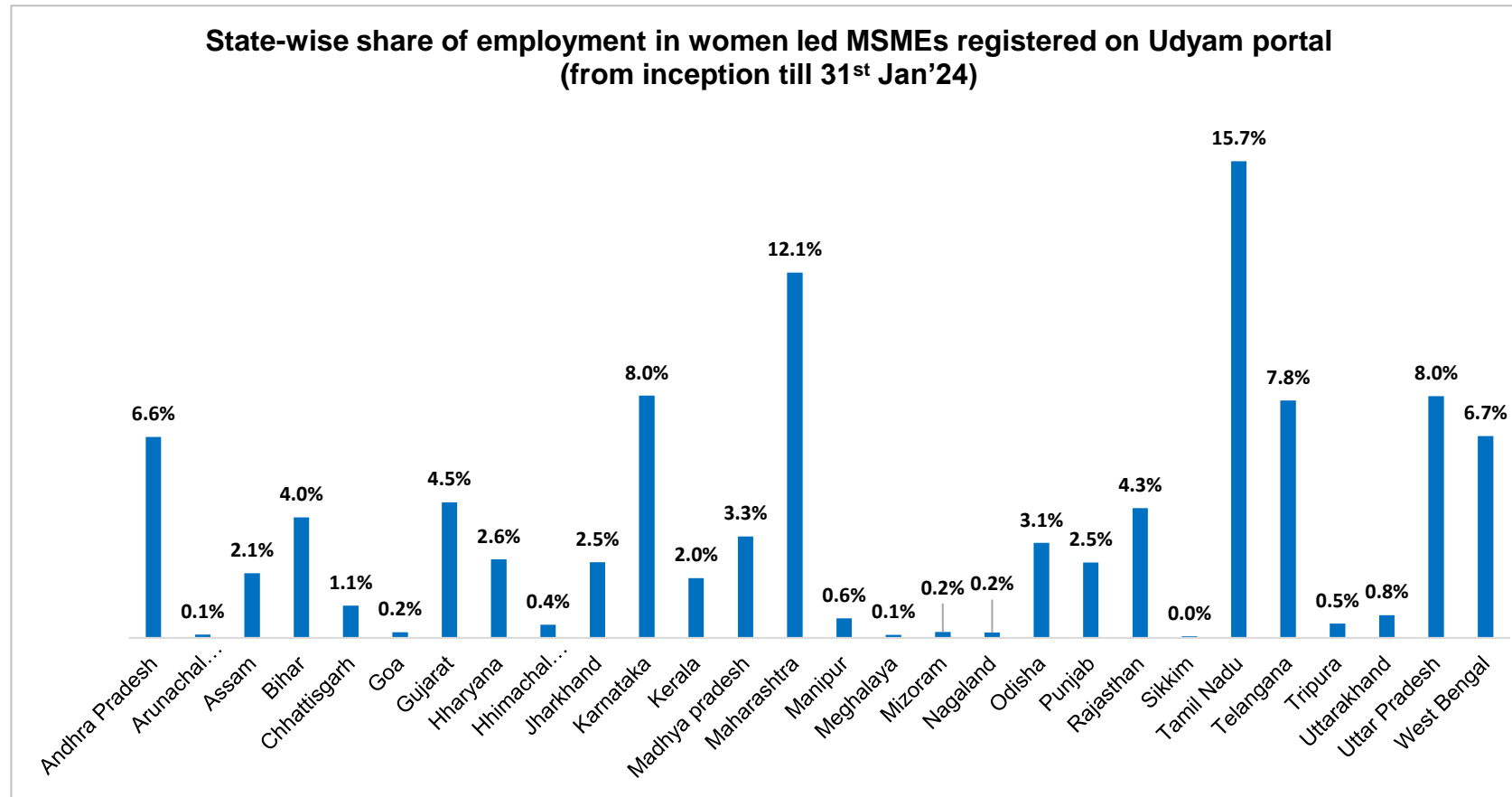


**Share of women
in total PMMY
accounts**

- We believe that increasing women participation in PMMY (68% of account holders are women) leads to better financial situation of women borrowers
- In the last nine years (FY25 over FY16) while per woman PMMY disbursement amount increased by a CAGR of 13% to Rs 62,679, the per woman incremental deposits increased by a CAGR of 14% to Rs 95,269
- **Thus, PMMY is an effective power tool for women empowerment at grass roots level**



- Women-owned MSMEs constitute 20.5% of the total number of MSMEs registered on the Udyam portal since its inception on 1st July 2020. These women-owned MSMEs' contribution to the employment generated by the total Udyam registered units is 18.73%. Women-led MSMEs not only contribute to output generation but also to gender inclusivity
- State wise data reveals that Tamil Nadu has highest employment generation (15.7%) in women-led MSMEs followed by Maharashtra (12.1%) , Karnataka and Uttar Pradesh (8%). Thus, financial inclusion programmes like PMMY are pivotal in empowering women-led MSMEs



Pradhan Mantri MUDRA Yojana (PMMY) An Econometric Approach

- We tried to find how MUDRA loans have led to women empowerment across States...States which have higher share of disbursements to women have significantly shown higher employment creation by women-led MSMEs

Group 1- States where the share of MUDRA disbursements allocated to women surpassed 40% of the total sanctioned amount

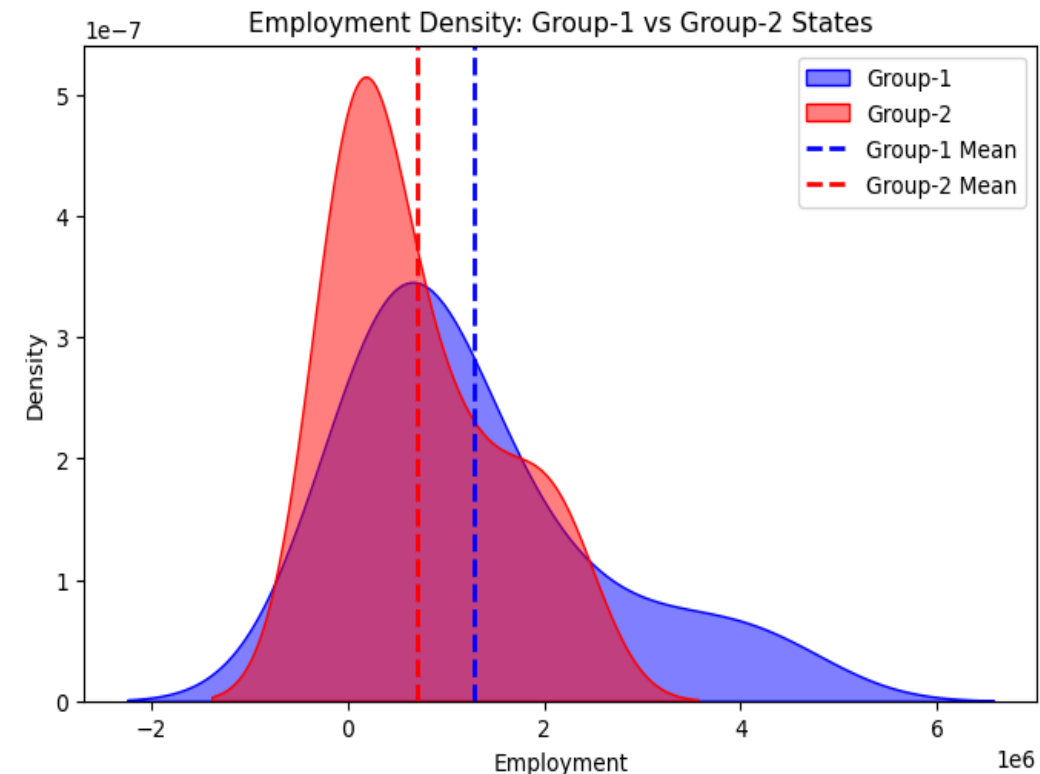
Group 2- States where this proportion remained below the 40% threshold.

Welch's t-test is given by
$$t = \frac{\bar{x}_2 - \bar{x}_1}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$
, where \bar{x}_1 and \bar{x}_2 are mean employment of group 1 and group 2 states, s_1^2 and s_2^2 represent variance of employment in each group and n_1 and n_2 are the respective sample sizes

- The statistically significant estimates of Welch's T-test indicates the significant difference in employment by women led MSME'S between these two classifications implying **that States which have allocated more than 40% of loans to women have witnessed higher employment in women led MSMEs as compared to states which have allocated less than 40%**
- Kernel Density Estimation plot, visualizing the distributional characteristics of employment across both groups delineate that Group 1 has higher density as compared to group 2 validating the argument of enhanced employment in Group-1.
- This reinforces the efficacy of targeted financial inclusion policies in fostering economic empowerment and labour market participation

| Welch T-test Estimation Results | | | | | |
|---------------------------------|--------------|-----------|---------|-------------------------|----------|
| Group | Observations | Mean | Std Dev | 95% Confidence interval | |
| 2 | 15 | 702288.9 | 801660 | 258343 | 1146234 |
| 1 | 13 | 1281169 | 1279750 | 507824 | 2054515 |
| Difference | | -578880.1 | | -1437074 | 279313.3 |
| Diff= Mean(2)- Mean(1) | | | | t=-1.0489 | |
| H0: Diff=0 | | | | | |
| Ha: Diff<0 | | | | | |
| Pr(T < t)=0.0873* | | | | | |

* Significant at 10%



Problem Statement

- ❑ We tried to investigate whether the impact of the Mudra scheme on financial inclusion varies across the distribution of financial inclusion indicators at the state level
- ❑ Specifically, the research explores if states at lower quantiles of financial inclusion (e.g., those lagging in bank penetration or RuPay cards issuance) benefit differently from Mudra disbursements—especially those targeted at minorities and women—compared to states at higher quantiles.
- ❑ The analysis will help uncover if the Mudra scheme's effects are more pronounced among the financially disadvantaged or if its benefits are uniformly distributed

Methodology

- ❑ We created a financial inclusion metric for the purpose of our study – comprising of equally weighted indicators balancing **Financial Access** (captured through number of bank accounts opened and RuPay cards issued, **Usage** (captured through balance in beneficiary accounts) and **Empowerment** (women-owned MSMEs)
- ❑ Unlike standard OLS regression which estimates the average effect, **we employed quantile regression** which allow us to estimate the effects of Mudra disbursements at various points (e.g. 25th, 50th, and 75th percentiles) of the financial inclusion distribution. This approach can reveal whether states that are most or least financially included benefit differently from the scheme

$$Q_{FI}(\tau|X) = \beta_0(\tau) + \beta_1(\tau) * Minoriy_Dis + \beta_2(\tau) * Women_Dis + \beta_3(\tau) * PCY$$

- where $Qy(\tau|X)$ represents the τ th conditional quantile of the financial inclusion outcome
- The coefficients $\beta(\tau)$ across different quantiles will illustrate whether the impact of Mudra funds is stronger or weaker at different levels of financial inclusion

Results

- ❑ The coefficients on Minority and Women Disbursements are larger at lower quantiles than at the higher, suggesting that Mudra disbursements have a stronger impact on states with lower financial inclusion levels
- ❑ Further, the magnitude of positive impact is larger on minorities (SC, ST, OBC, etc.) than women beneficiaries – reflecting the profound impact of Mudra Scheme on minorities
- ❑ Mudra disbursements are benefiting financially weaker regions more, improving financial inclusion in underdeveloped states rapidly leading to convergence
- ❑ Finally, using this approach, we can conclude that... **states that are less financially included receive proportionately greater benefits from the scheme, thus serving the very purpose of it**

| Quantile Regression Results: Impact on Financial Inclusion | | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| | (25 th Quantile) | (50 th Quantile) | (75 th Quantile) |
| | FI_Index | FI_Index | FI_Index |
| Minority Disbursements | 0.279* | 0.194** | 0.166* |
| | [0.094] | [0.042] | [0.191] |
| Women Disbursements | 0.174* | 0.137* | 0.011 |
| | [0.083] | [0.091] | [0.167] |
| Constant | 0.198*** | 0.191*** | 0.205** |
| | [0.046] | [0.061] | [0.093] |
| Observations | 28 | 28 | 28 |

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Context

- ❑ Since PMMY is a national scheme, the spatial dispersion is an important consideration from the point of view of balanced economic growth. One of the objectives of growth policy has been to bridge the divide between the prosperous western part and lagging eastern parts of the country
- ❑ Spatial dispersion analysis examines how a variable (e.g., Mudra disbursements) is distributed across different geographical regions (states, districts, etc.). It helps in understanding regional inequalities, spatial clustering, and dispersion patterns in financial activity

Our Study

- ❑ In this study, we evaluate the MUDRA scheme through the lens of regional disparities
- ❑ Our primary objective is to determine whether MUDRA disbursements are distributed evenly across Indian states or concentrated within specific regions. More specifically, we investigate whether the allocation of funds reaches economically weaker states, or if it is predominantly channeled toward wealthier regions
- ❑ By applying a suite of spatial analysis techniques—including entropy calculations (Shannon's Formulation), and trend analysis—we assess the distribution pattern of disbursements over time

Mathematical Formulation

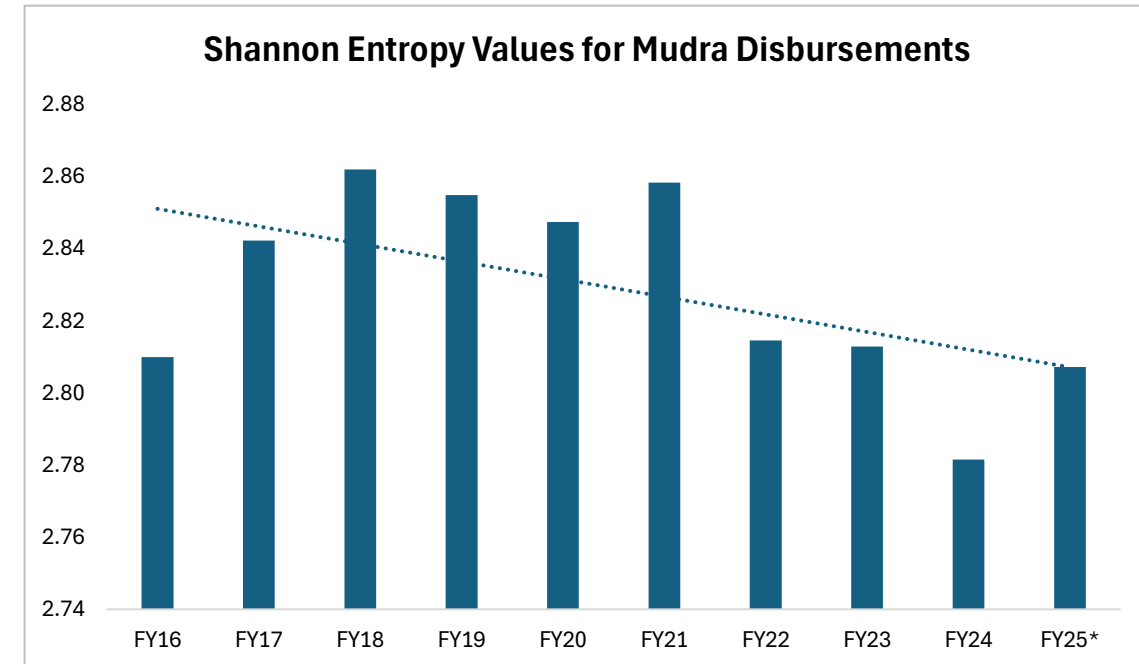
- We used **Shannon entropy**, which is a measure of the diversity or evenness of the distribution—in this case, how Mudra disbursements are spread across regions

$$H = -\sum (p_i * \log(p_i))$$

p_i = proportion of disbursements given to a state

Observations

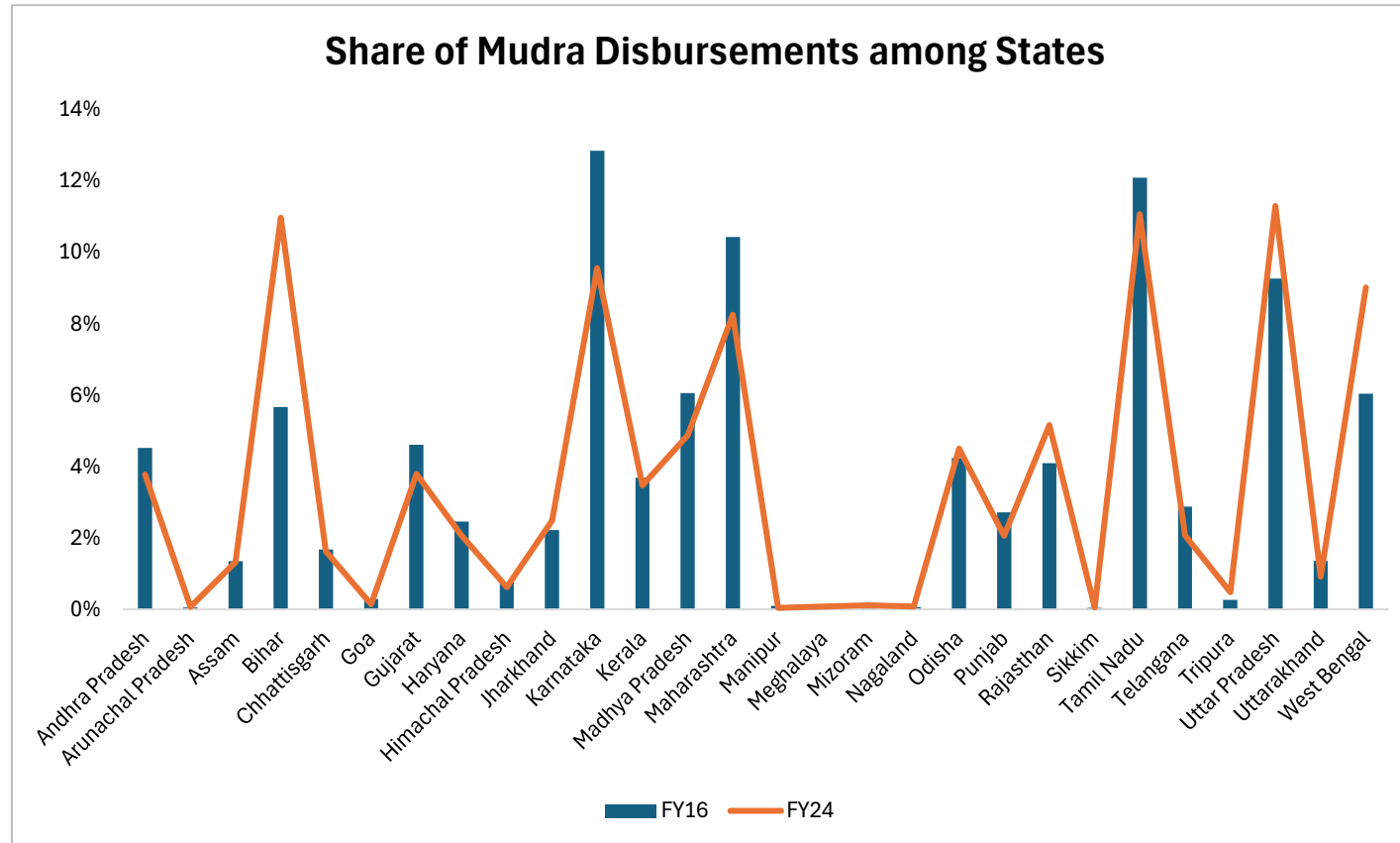
- As evident from the plot, Shannon entropy values reveals a declining trend over the past decade – indicating that the distribution of MUDRA disbursements has become little skewed
- However, rather than signifying a negative picture, this growing skewness reflects a positive structural shift in funding allocations
- Trend analysis suggests that MUDRA scheme is progressively targeting economically weaker states, ensuring that financial support reaches those in need...thus supporting financial inclusion



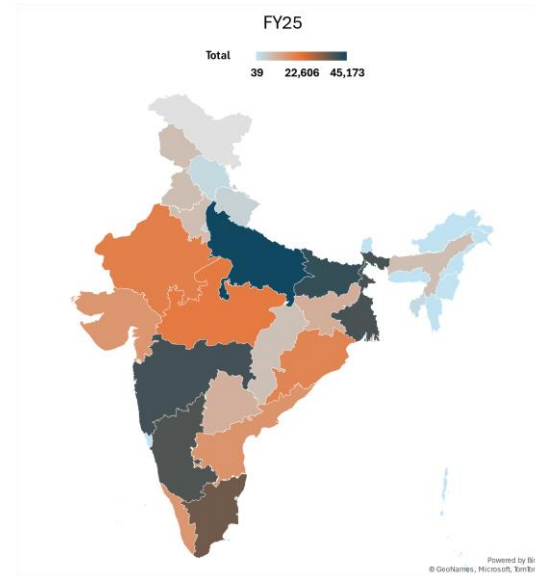
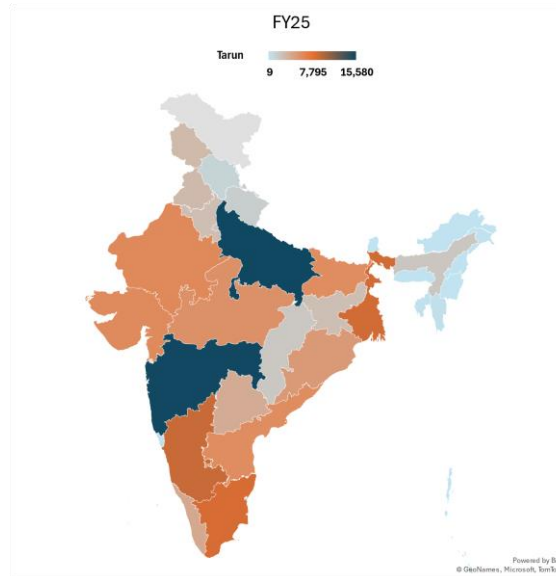
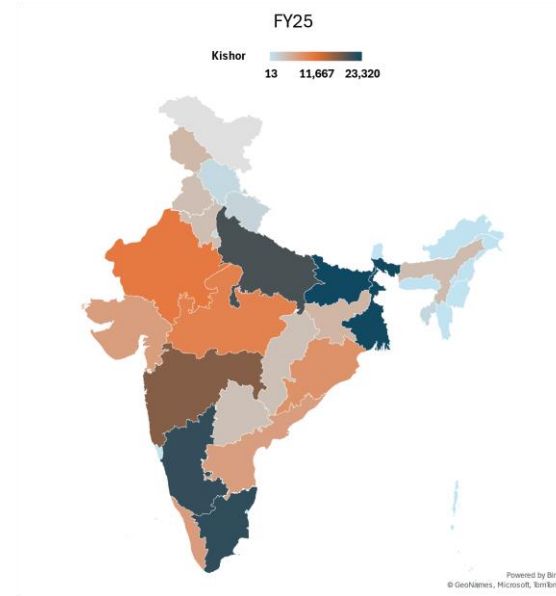
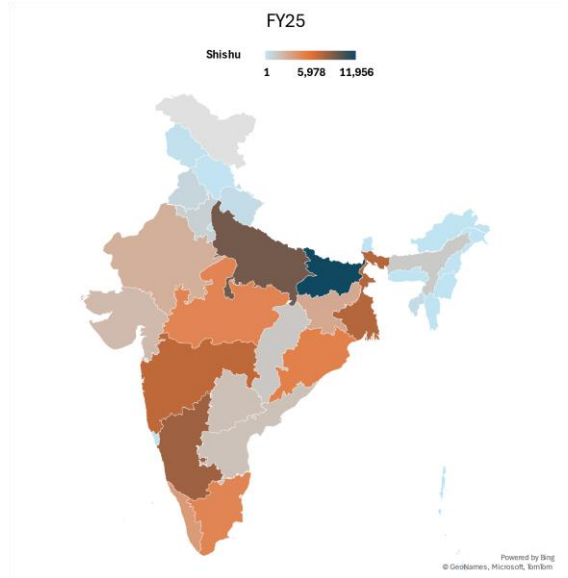
* Till 28-02-25

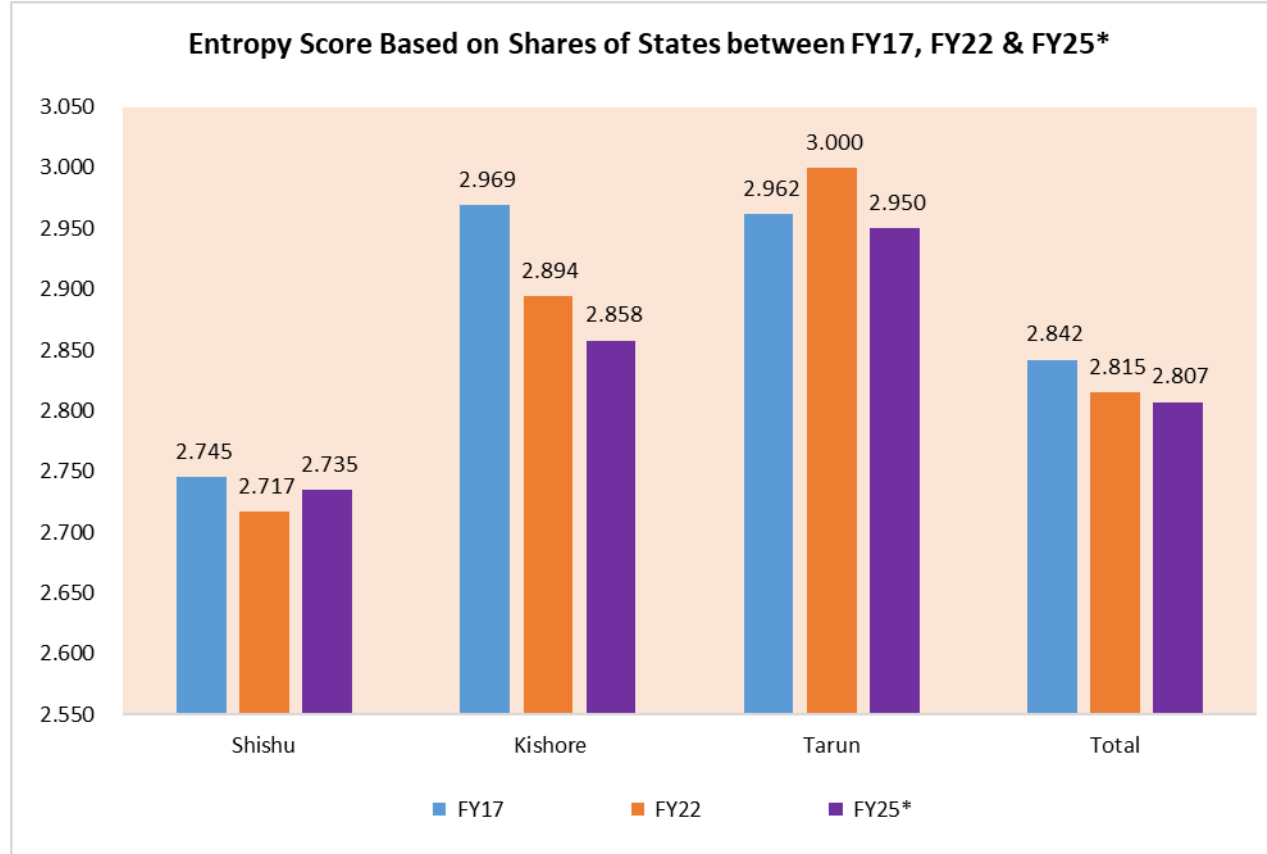
Conclusion Remarks

- Our analysis shows that while the overall diversity (entropy) of Mudra disbursements has become more skewed, but this skewness reflects a positive structural shift: the proportions allocated to developed regions has declined, while underdeveloped regions such as Bihar (from 5.67% to 10.97%), UP (from 9.27% to 11.30%), Odisha (from 4.24% to 4.51%), and the North-East have experienced significant gains..... demonstrating a strategic reorientation of the Mudra scheme towards regions that need it most



Spatial distribution of disbursements of PMMY as of FY25





- ❑ Shishu has seen wider spread after pandemic
- ❑ Overall spread after pandemic remains unchanged

* As of 28th Feb'25

- Going forward, we expect 'digital first' approach of NBFCs, e.g., utilisation of account aggregator framework, will help further in flow of credit to MSMEs
- This is expected to get a boost from the proposed unified lending interface (ULI). In the pilot of ULI, the average ticket size of loans disbursed to MSME is Rs 9 lakh, so this will reduce turn-around-time further in a cost-effective manner



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