



Analysing the Influence of Mudra Loans on Small/Micro Enterprises in Pune City, Maharashtra

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ABSTRACT

Background: The Mudra initiative plays a crucial role in supporting entrepreneurship and facilitating financial assistance to small and microbusinesses. Through a combination of quantitative and qualitative methods, this study analyzes the accessibility, utilization, and effectiveness of Mudra loans in Pune City. The research investigates the financial performance, job creation, and entrepreneurial prospects of businesses that have availed of mudra loans compared to those that have not. Additionally, we explore the challenges and opportunities that entrepreneurs face in the context of this government scheme.

Purpose: The purpose of this paper is to examine how MSMEs utilize Mudra loans and for what purpose, and to identify the major challenges they face in accessing these loans.

Methods: Our study uses qualitative factors to study the impact of mudra loans on SME's. The present study is descriptive in nature. The data was collected by the personal interview method using a pre-tested schedule prepared for the purpose. I collected data from 300 respondents from Pune city from August 2023 to December 2023. Secondary data was collected through reference books, annual reports, discussions with bank officials, etc.

Results: The findings of this contribute valuable insights to policymakers, financial institutions, and entrepreneurs, enabling them to make informed decisions to enhance the support and success of SMEs in Pune City, Maharashtra.

Conclusions: The paper studied the impact of mudra loans on SMEs in terms of utilization of mudra loans by the SMEs and challenges faced while availing the mudra loans. The research found that the mudra loan scheme has been beneficial to the small and micro enterprises in the Pune city area. SMEs utilized the Mudra loans as working capital, for fixed capital, and for business expansion. But there has been no significant improvement in employment generation and standard of living of the beneficiaries due to the mudra loan



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1. Introduction

One of the most crucial elements in the fight against poverty and the creation of chances is finance (Bharti & Verma, 2023). In India, one of the most cherished tactics is financial inclusion. Our financial structure has consistently been guided by a fundamental blueprint for both pragmatic and all-encompassing growth (Bharti & Verma, 2023). Among the population, small, micro, and medium-sized businesses employ more than 20% of the workforce (Bindal & Singh, 2022). The Government of India established the MUDRA (Micro Units Development and Refinance Agency Limited) Bank in April 2015 in the Union Budget. Its goal is to offer comprehensive financial support to the microenterprise sector, which includes, among other things, small manufacturing, food service, and industrial businesses. The scheme has increased

financial inclusion, allow businessman who traditionally absence access to formal credit markets to accept funding (Bansal, 2016). Many beneficiaries informed of difficulties in paying back their loans, inducing concerns over default risks in the longer period (Verma & Yadav, 2018). MUDRA loans, with their lessen reliance on collateral, benefited connect this gap, even though the paper caring that the long-term sustainability of the scheme establish on strict controlling of loan repayment rates (Das, 2019). Continuous importance on financial literacy will maximize the advantages derived from these Loans (Ghosh, 2020). Even though, scheme gives easy access to credit, the study saying that less financial literacy among borrowers leads to delays in loan disbursement, and inadequate handholding support are key disadvantages to the using of funds (Kumar & Gupta, 2021). The primary goal of MUDRA's establishment was to provide small businesses engaged

in a range of manufacturing, service, and trading sectors with access to institutional financing (Bindal & Singh, 2022). It is vital that these MSME firms are supplied with government support in the form of loans, training, exposure, and support in marketing their products. Micro, small, and medium-sized businesses are the cornerstones of India's economic development (Mahajan, 2021). The micro and small business sectors were unable to obtain credit from the formal financial system, so they had to borrow money at exorbitant interest rates from the informal financial system. This drove the micro-entrepreneurs into a debt trap and away from the business and economic activity (Mahadule, 2022). MUDRA is still offering banks, NBFCs, and MFIs refinancing support against their PMMY loans, offering this sector reasonably priced funding support. In FY 2021-2022, MUDRA approved ~ 15,623 crore and disbursed ~ 15,253 crore, the highest amount since the organization's founding.

1.1. MUDRA Vision

To be the world's pre-eminent provider of integrated financial and support services, measured against international best practices and standards, for the entire economic and social development of the world's poor (Mutha & Dankunwar, 2020).

1.3. Trends in Refinance Sanctions

Table 2: Yearly Trends in Refinance Sanctions

Bank Category	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
PSB +RRB	2,671.25	2,068.52	4,072.48	4,329	2,244	10,479.65	11,807.87
PVT+SFB	0	0	1,350	1,470	265	947	708.28
MFI	616	787	369.5	314	932	508.5	705
NBFC	0	399	1005	708	559	367.5	1965
PTC	49.95	271.42	704.07	309.46	0	0	66.66
Total	3,337.20	3,525.94	7,501.05	7,130.46	4,000.00	12,302.65	15,252.81

2. Methodology

Our study uses qualitative factors to study the impact of mudra loans on SME's. The present study is descriptive in nature. The data needed for the study was collected from the respondents by the personal interview method using a pre-tested schedule prepared for the purpose. Authors collected data from 300 respondents from the Pune city area in the months from August 2023 to December 2023. Secondary data was collected through reference books, annual reports, newspapers, websites, discussions with bank officials, etc.

1.2. Loan Category Analysis

Mudra loans are extended in three categories based on the size of the loans. They are Shishu (up to ₹50,000), Kishor (above ₹50,000 and up to ₹5 lakh), and Tarun (above ₹5 lakh and up to ₹10 lakh).

Table 1: Performance of Top 10 States

S.no	Name of the state	Sanction amount (₹) (2021-2022)	Sanction amount (₹) (2020-2021)
1	West Bengal	34,893.20	29,335.98
2	Uttar Pradesh	33,663.73	29,231.35
3	Tamil Nadu	32,477.55	28,967.97
4	Bihar	32,096.95	25,589.31
5	Karnataka	28,695.29	30,199.18
6	Maharashtra	25,797.74	25,208.63
7	Rajasthan	18,999.20	18,571.38
8	Madhya Pradesh	18,814.95	18,474.24
9	Odisha	16,900	15,328.63
10	Gujarat	15,328.63	15,328.63
Total		2,54,491	2,32,485.93

2.1. Sampling Design

As per data available from MUDRA website, the total sanctioned Mudra loans in Pune District is shown below in Table 3.

Table 3: Total Sanctioned Mudra Loans in Pune

S.no	Year	Total amount sanctioned (in crores)
1	2021-2022	2,437.19
2	2020-2021	2471
3	2019-2020	2348

Only microenterprises as per the new classification of industries were taken for the study. Also, enterprises receiving loans in 2019-20, 2020-21, and 2021-22 were only considered, as they can only have meaningful impacts on employment generation, standard of living, and business expansion.

Sampling method: As the data is well dispersed in Pune city, convenience sampling (probability sampling) was used to collect data from the respondents.

3. Data Analysis

Maximum respondents (50%) were in the age group of 36-45, followed by 36.67% in the age group of 46-55. The remaining respondents were in the age groups of 26-35 and 55-67. (Table 4)

Table 4: Age of the Respondents

Age	Frequency	Percentage
25-35	28	9.33%
36-45	150	50%
46-55	110	36.67%
Above 55	12	4%
Total	300	

The educational qualification profile is as follows: Maximum respondents (37.67%) were graduates, followed by 12th (24.67%) and 10th (24.67%). (Table 5)

Table 5: Educational Qualification of Respondents

Education	Frequency	Percentage
No Schooling	05	1.67%
Below 10 th	10	3.33%
10 th	74	24.67%
12 th	94	31.33%
Graduate	113	37.67%
Post-Graduate	06	2%
Total	300	

70% of the respondents were male, and 30% were female. (Table 6)

Table 6: Gender of Respondents

Gender	Frequency	Percentage
Male	210	70%
Female	90	30%
Total	300	

The social classification based on caste is as follows: 41.67% belong to the open category, followed by 25% from the SC category and 21.33% from the OBC category. This classification also shows that approximately 25% of SC has been benefitted under the mudra loan scheme. (Table 7)

Table 7: Caste Structure of Respondents

Category	Frequency	Percentage
SC	75	25%
ST	3	1%
OBC	64	21.33%
NT	26	8.67%
SBC	07	2.33%
OPEN	125	41.67%
Total	300	

53.33% of the respondents have start-up capital, which was below 1 lakh rupees. 26.67% of the respondents have start-up capital of 1–5 lakh rupees. (Table 8)

Table 8: Start-up Capital of the Business

Startup capital	Frequency	Percentage
Below 1 Lakh	160	53.33%
1-5 Lakh	80	26.67%
5-10 Lakh	40	13.33%
10-15 Lakh	10	3.33%
15-20 Lakh	05	1.67%
Total	300	

Maximum 57% of the respondents were service providers, followed by 41% of the respondents who were in trading business. 1% of the respondents were manufacturers. Service providers include rickshaw drivers, cab drivers, fabrication, salons, beauty parlors, garages, paper agencies, tailors, etc. (Table 9)

Table 9: Type of Business

Type	Frequency	Percentage
Trading	123	41%
Service provider	171	57%
Food stall	2	0.66%
Manufacturer	3	1
Others	1	0.33%
Total	300	

Maximum respondents (63.33%) have taken loans in 2022, followed by 24% in 2021. (Table 10)

Table 10: Year of Availing Mudra Loan

Year	Frequency	Percentage
2019	02	0.66%
2020	36	12%
2021	72	24%
2022	190	63.33%
Total	300	

Maximum respondents (55%) have taken loans to buy new equipment or machinery for their businesses, followed by 28.6% of respondents, who said they took mudra loans for working capital requirements. Remaining respondents have taken loans for business expansion. (Table 11)

Table 11: Purpose for Availing Loan

Purpose of Loan	Frequency	Percentage
Working Capital	86	28.67%
New Equipment/Machinery Purchase	165	55%
Business Expansion	49	16.33%
Total	300	

Maximum respondents (45.33%) said that they have received loans in less than 15 days, followed by 26.67% in 15-30 days. (Table 12)

Table 12: Easiness to Obtain Mudra Loan

Days	Frequency	Percentage
Less than 15 Days	136	45.33%
15-30 days	80	26.67%
30-45 Days	46	15.33%
45-60 Days	38	12.66%
Total	300	

53.33% of the respondents said that it is easy to obtain mudra loans, while approximately 28% said that it is difficult to get mudra loans from banks. (Table 13)

Table 13: Difficulty Level in Obtaining Mudra Loan

Loan	Frequency	Percentage
Difficult	86	28.66%
Easy	160	53.33%
Very Easy	6	2%
Can't say	48	16%
Total	300	

From the below Table 14, it is clear that 55% of respondents said that they have faced the adequate and timely credit

facility challenges, and 26.67% of the respondents have faced the speediness of sanction and disbursal.

Table 14: Challenges Faced by Micro Enterprises in Availing Mudra Loan

Challenges	Frequency	Percentage
Lack of adequate and timely credit facilities	165	55%
Speed for sanction and disbursal	80	26.67%
Cost and interest rates	10	3.33%
Types of collateral	45	15%
Total	300	

4. Results

Mudra loans have been beneficial to the SMEs. Qualitative analysis shows that SMEs have benefitted from mudra loans. The documentation is also less while applying for the loan. Bank staff is also cooperative. The loan amount received is less than the loan applied for. The loan amount should be increased. The disbursement is also quick and fast. Business expansion for the firms has also been possible due to mudra loans for the SMEs in the Pune city area. The standard of living has not increased due to mudra loans, as can be seen from the data analysis. There has been no significant employment generation due to mudra loans for the SMEs in Pune city area. Maximum respondents (37.67%) were graduates, followed by 12th (31.33%) and 12th (24.67%). Approximately 25% of respondents were from the backward class who have benefitted under the mudra loan scheme. The mudra loan was taken by the majority of respondents for working capital (28.67%) and new equipment/machinery purchases (55%). 95% of the respondents said they did not face any problem while procuring a mudra loan from the bank. Almost all respondents received mudra loans (45.33%) within one month of applying to the bank. 53.33% of the respondents said that it is easy to avail mudra loan from banks, and 28.66% of the respondents said that it is difficult to avail mudra loan from banks. Almost all respondents said that they have used mudra loans for business purposes, for which they were taken. Most of the respondents were not aware of the exact rate of interest on mudra loans. 55% of respondents said that they have faced adequate and timely credit facility challenges.

5. Discussion

Most of the loans were given by banks to achieve the targets by the government to the banks at the end of the financial

year. This dilutes the objectives of such a scheme launched by the government. Proper procedure should be followed by banks to provide mudra loans, keeping in view the objectives of the mudra loan scheme. Mudra loans should not be given by the banks based on relation, information about the applicant, political interference, etc. People who are genuine are overlooked in such situations. Proper counseling and detailing of the mudra loan, like interest rate, period of loan repayment, etc., should be provided to the applicant. Most of the applicants are not aware of these particulars. Proposals submitted for mudra loans are not of good quality. So, banks should undertake training sessions for developing good business proposals for loans. More awareness about the scheme should be raised by the bank through marketing and publicity. Banks should properly display banners on the bank premises, showing the procedure and eligibility criteria for the mudra loan scheme. SMEs should prepare proper business proposals before applying for a mudra loan. Female entrepreneurs should be promoted by giving a special interest rate on mudra loans. Separate staff should be provided for the mudra loan process in the bank, as the implementation of the mudra loan scheme increases the additional burden on the existing bank employees, which affects the quality of their work. The Mudra Yojana is a financial initiative for facilitating MSMEs with sufficient funds to help them develop their businesses. The research paper analyzed the influence of Mudra loans on small and micro enterprises in Pune City, Maharashtra. The paper studied the impact of mudra loans on SMEs in terms of utilization of mudra loans by the SMEs and challenges faced while availing the mudra loans. Both qualitative and quantitative data was collected from the 300 respondents with the help of a structured questionnaire. The research found that the mudra loan scheme has been beneficial to the small and micro enterprises in the Pune city area. SMEs utilized the Mudra loans as working capital, for fixed capital, and for business expansion. But there has been no significant improvement in employment generation or the standard of living of the beneficiaries due to the mudra loan.

6. Conclusion

The Mudra Yojana is a financial initiative for facilitating MSMEs with sufficient funds to help them develop their businesses. The research paper analyzed the influence of Mudra loans on small and micro enterprises in Pune City, Maharashtra. The paper studied the impact of mudra loans on SMEs in terms of utilization of mudra loans by the SMEs and challenges faced while availing the mudra loans. Both qualitative and quantitative data were collected from the 300 respondents with the help of a structured questionnaire. The research found that the mudra loan scheme has been

beneficial to the small and micro enterprises in the Pune city area. SMEs utilized the Mudra loans as working capital, for fixed capital, and for business expansion. But there has been no significant improvement in employment generation and standard of living of the beneficiaries due to mudra loans.

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Authorship Contribution

Sushmitha Rao: Conceptualization, Methodology, Software, Formal analysis, Investigation, Writing – original draft, and Writing – review & editing.

Komal Singh: Conceptualization, Methodology, Validation, Visualization, Supervision, and Writing – review & editing.

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Declaration

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Conflict of Interest

Authors declare no conflict of interest.

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