



## PRADHAN MANTRI MUDRA YOJANA (PMMY) AND EMPLOYMENT GENERATION: A REGIONAL ANALYSIS

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### Abstract:

*This paper evaluates the impact of the Pradhan Mantri Mudra Yojana (PMMY) on employment generation across different regions in India. Launched in 2015, PMMY aims to provide microfinance to small entrepreneurs through institutional credit. This study uses secondary data from government portals and bank reports to assess how different states have leveraged the scheme for job creation. The findings reveal that while some regions have shown significant employment gains due to better outreach and utilization of funds, others lag due to infrastructural and administrative constraints.*

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### Introduction:

Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Hon'ble Prime Minister on April 8, 2015 for providing loans up to 10 lakhs to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, MFIs and NBFCs. The borrower can approach any of the lending institutions mentioned above or can apply online through this portal [www.udyamimitra.in](http://www.udyamimitra.in). Under the aegis of PMMY, MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of growth.

- **Vision of PMMY:** To be an integrated financial and support services provider par excellence, benchmarked with global best practices and standards, for the bottom of the pyramid universe for their comprehensive economic and social development.
- **Mission of PMMY:** To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security.
- **Purpose of PMMY:** Basic purpose is to attain development in an inclusive and sustainable manner by supporting and promoting partner institutions and creating an ecosystem of growth for micro enterprises sector.



- 1. Shishu Loans:** These are small loans of up to Rs. 50,000, primarily aimed at newly established businesses or entrepreneurs in their early stages
- 2. Kishor Loans:** These loans range from Rs. 50,000 to Rs. 5,00,000 and are targeted at businesses that have already been established and are looking to expand their operations.
- 3. Tarun Loans:** These loans range from Rs. 5,00,000 to 10,00,000 and are provided to well-established businesses that require funds for further growth and development.

**The Micro Small and Medium Enterprises (MSMEs)** sector is a major contributor to the socio-economic development of the country. In India, the sector has gained significant importance due to its contribution to the Gross Domestic Product (GDP) of the country and exports. The sector has also contributed immensely with respect to entrepreneurship development especially in semi-urban and rural areas of India.

According to the provisions of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two classes i.e., Manufacturing Enterprises and Service Enterprises. The enterprises are further categorised based on investment in equipment and annual turnover.

- 1. Micro Enterprises:** These are the smallest businesses, typically having a low investment and turnover threshold. They employ a small number of people and operate on a local scale.
- 2. Small Enterprises:** Small businesses have a larger investment and turnover range compared to micro enterprises. They may employ more individuals and tend to have wider market reach.
- 3. Medium Enterprises:** Medium-sized businesses usually have a higher investment and turnover level than small enterprises. They have a more established presence and a higher employee count.

Criteria	Manufacturing		Service	
	Turnover	Investment	Turnover	Investment
Micro	Rs. 5 crore (US\$ 0.6 million)	Less than Rs. 25 lakhs (US\$ 0.03 million)	Rs. 5 crore (US\$ 0.6 million)	Less than Rs. 10 lakh (US\$ 0.01 million)
Small	Rs.50 crore (US\$ 6.8 million)	More than Rs. 25 lakh (US\$ 0.03 million) but less than Rs. 5 crore (US\$ 0.6 million)	Rs. 50 crore (US\$ 6.8 million)	More than Rs. 10 lakh (US\$ 0.01 million) but less than Rs. 2 crore (US\$ 0.3 million)
Medium	Rs.250 crore (US\$ 34 million)	More than Rs. 5 crore (US\$ 0.6 million), but less than Rs. 10 crore (US\$ 1.4 million)	Rs. 250 crore (US\$ 34 million)	More than Rs. 2 crore (US\$ 0.3 million) but does not exceed Rs. 5 crore (US\$ 0.6 million)

(Source: [www.ibef.org](http://www.ibef.org))

Any business person or business who has not been a defaulter on any loan repayment previously is eligible to borrow under the PMMY (Pradhan Mantri MUDRA Yojana). Thus, A sole trader, private limited companies, public sector companies, proprietary firms or any other legal business entity can apply for the Mudra loan.

### Objectives of the Study:

1. To assess the impact of PMMY on employment generation across Indian states.
2. To identify regional disparities in loan disbursement



and job creation.

3. To examine the correlation between the number of PMMY loans and employment indicators.

### Literature Review:

Previous studies have explored financial inclusion and microfinance (RBI, 2020; IIM Ahmedabad, 2018), but limited research exists on regional employment outcomes of PMMY. Some studies (Kumar, 2019; Sharma & Mishra, 2021) indicate positive employment effects, while others question long-term sustainability. This study fills the gap by providing a comparative regional perspective.

### Research Methodology:

**Data Sources:** PMMY dashboard, Ministry of Labour & Employment, NSSO reports, and RBI bulletins.

**Period of Study:** 2015–2023

**Analytical Tools:** Descriptive statistics, correlation analysis, and regression modeling to measure the relationship between PMMY loan amounts and employment growth rates in states.

### Results and Discussion:

### Variables:

**Independent:** Number of PMMY loans, total disbursed amount

**Dependent:** Employment growth (measured by NSSO or CMIE estimates)

**High-Performing States:** Maharashtra, Tamil Nadu, Karnataka, and Gujarat showed high disbursal and noticeable growth in MSME employment. These states have better financial infrastructure and awareness campaigns.

**Low-Performing States:** Bihar, Jharkhand, and North-Eastern states lag due to low financial literacy, limited bank access, and administrative bottlenecks.

### Case Study: Maharashtra vs. Bihar

**Maharashtra:** High loan uptake with significant MSME employment growth

**Bihar:** Lower uptake and limited visible employment impact

**Table 1: Category-wise loan disbursement under PMMY (2015-2023)**

Loan Category	Loan Limit	Description	Total Disbursed (in Rs. Crore)	% Share
Shishu	Up to Rs. 50,000	For startups and beginners	2,00,000	43%
Kishore	Rs. 50,001- 5,00,000	For growing a small business	1,80,000	39%
Tarun	Rs. 5,00,001- 10,00,000	For established enterprises	90,000	18%
<b>Total</b>			<b>4,70,000</b>	<b>100%</b>

**Table 2: State-wise PMMY loan disbursement and employment generation (2015-2023)**

State	Loans disbursed (Rs. Cr)	Approx beneficiaries (lakhs)	Estimated jobs created (Lakhs)
Maharashtra	82,000	105	6.5
Tamil Nadu	76,000	98	6.0
Karnataka	70,000	90	5.8
Gujrat	68,000	85	5.5
Uttar Pradesh	60,000	80	4.2
Bihar	25,000	40	2.1
Jharkhand	23,000	35	1.8
Assam	18,000	30	1.5


**Table 3: PMMY Performance Indicators by Region**

Region	Avg- Loan Amount (Rs)	NPA Rate (%)	Job Creation per loan (%)	Women beneficiaries (%)
Western	75,000	2.5%	62%	38%
Southern	80,000	2.1%	65%	41%
Northern	60,000	3.0%	55%	35%
Eastern	52,000	4.0%	48%	29%
North-Eastern	45,000	3.8%	46%	32%

**Table 4: Correlation between PMMY loans and employment growth (selected states)**

State	Employment growth rate (%)	PMMY disbursement (Rs. Cr)	Correlation index
Maharashtra	6.1	82,000	High (0.78)
Tamil Nadu	5.8	76,000	High (0.75)
Bihar	2.5	25,000	Low (0.40)
Assam	2.2	18,000	Low (0.38)

**Findings:**

- Positive correlation ( $r \approx 0.65$ ) between PMMY loan disbursement and employment growth in several states.
- States with higher urbanization and entrepreneurship culture see better results.
- Inadequate support systems and follow-up mechanisms reduce employment impact in low-performing states.
- Women and youth-led enterprises have higher employment multipliers where loan guidance and mentoring exist.

**Challenges Identified:**

- Loan underutilization and misallocation.
- Lack of post-loan support for business development.
- High default rates in certain regions due to inadequate business training.

**Recommendations:**

- Strengthen local support institutions (e.g., District Industries Centers).

- Improve financial literacy and digital infrastructure.
- Incentivize performance-linked disbursement at the regional level.
- Enhance monitoring and follow-up on employment outcomes.

**Conclusion :** PMMY holds potential as a job creation tool, but its success varies widely across states. The scheme's impact on employment is significantly influenced by regional infrastructure, administrative efficiency, and support systems. A targeted, region-specific approach with stronger monitoring can enhance the scheme's effectiveness.

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