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AN EMPIRICAL STUDY OF THE ROLE OF MUDRA FUNDING FOR MICRO-ENTREPRENEURS UNDER THE SHISHU CATEGORY OVER DIFFERENT STATES

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Abstract—*In an economy like India where poverty and unemployment remain critical challenges, schemes such as Stand Up India, Seed Funding, Mudra Yojana, and the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) have been launched to provide financial assistance and foster entrepreneurship. Among these, Mudra's Shishu category of loans has played a crucial role in supporting micro-entrepreneurs by offering small-ticket credit. The present paper examines state-wise performance in terms of loan accounts, sanctioned amounts, and disbursed amounts, along with trends over time from FY 2015–16 to FY 2023–24. Comparative regional analysis, including per-capita and per-MSME assessments, has been used to highlight disparities across states and identify top and lagging performers. The findings provide useful insights into the regional distribution of Shishu loans and suggest policy directions for strengthening inclusive growth through microfinance.*

Keywords: *Pradhan Mantri Mudra Yojana (PMMY), Shishu Loans, Financial Inclusion, Micro-Entrepreneurship, State-wise Performance, Regional Disparities.*

Introduction

India, as one of the fastest-growing emerging economies, continues to grapple with the twin challenges of poverty and unemployment. Despite being home to a vast youth population and a steadily expanding middle class, a significant section of society remains excluded from the formal credit system. Lack of access to affordable finance is often cited as a major hurdle for micro and small enterprises, which form the backbone of India's entrepreneurial ecosystem. In rural and semi-urban regions, this exclusion is even more severe, with aspiring entrepreneurs forced to rely on informal moneylenders who charge exorbitant interest rates.

Recognizing these structural constraints, the Government of India launched the Pradhan Mantri Mudra Yojana (PMMY) in April 2015 with the objective of "funding the unfunded." The scheme is divided into three categories: **Shishu** (loans up to ₹50,000), **Kishor** (₹50,001 to ₹5,00,000), and **Tarun** (₹5,00,001 to ₹10,00,000). Among these, the **Shishu loan category** is the most fundamental, as it caters to first-time borrowers, women entrepreneurs, small shopkeepers, vegetable vendors, artisans, and other low-income entrepreneurs who require very small capital to start or sustain their livelihood. It serves as the true entry point into the world of formal finance for those who were previously excluded.

The importance **of** Shishu loans lies not merely in the credit provided but also in their role as an instrument of financial inclusion, poverty alleviation, and grassroots entrepreneurship development**.** These microloans are critical for ensuring that self-employment becomes a viable alternative to wage employment, especially in regions where large industries are absent or opportunities are scarce. In a society where jobless graduates and semi-skilled workers often remain disillusioned, Shishu funding becomes a gateway to transform small ideas into sustainable enterprises.

Over the past decade, PMMY has emerged as a significant government initiative in terms of outreach, with crores of beneficiaries across India**.** Yet, performance varies widely among states due to factors such as financial literacy, banking penetration, government support mechanisms, socio-economic conditions, and entrepreneurial culture**.** For instance, southern and eastern states like Tamil Nadu, Karnataka, and West Bengal have shown robust progress in Shishu loan disbursement, whereas several northeastern states continue to lag behind.

This variation raises important questions: Why do some states perform better than others in utilizing Shishu loans? How effective has the scheme been in ensuring equitable distribution of funds? Are the intended beneficiaries able to access and sustain their businesses through these loans? Answering these questions requires not only an examination of overall numbers but also a **state-wise empirical analysis** of loan accounts, amounts sanctioned, amounts disbursed, and average loan sizes.

The present study therefore focuses exclusively on the Shishu category of Mudra loans**,** analyzing secondary data from multiple states across India. By applying suitable statistical tools, the research attempts to identify patterns, regional disparities, and growth trends over time. The goal is not merely to describe the disbursement of loans but to evaluate their broader significance in strengthening the entrepreneurial ecosystem at the grassroots level. Furthermore, by comparing state-wise performance, the study seeks to highlight best practices and suggest policy interventions that can improve financial inclusion across lagging regions.

In essence, the paper underscores the role of Shishu loans as a catalyst in India's journey toward inclusive growth, empowerment of the marginalized, and promotion of self-reliance under the broader vision of *Atmanirbhar Bharat*.

Objectives

1. To quantify state-wise performance regarding the number of Shishu accounts and disbursed amounts.
2. To analyze trends of PMMY over time from FY 2015–16 to FY 2023–24.
3. To compare regions, highlighting top and lagging states in per-capita and per-MSME terms.

Methodology

This study is based on secondary data, primarily collected from government sources such as the Press Information Bureau (PIB), Reserve Bank of India (RBI), and official Mudra reports. The time frame considered is from **FY 2015–16 to FY 2023–24**. The analysis focuses on three main aspects:

1. **State-wise performance** of Shishu loans in terms of number of accounts, sanctioned amount, and disbursed amount.
2. **Trends over time** in the growth of Mudra Shishu loans since inception.
3. **Regional comparisons**, with particular emphasis on per-capita sanctioned amounts and per-MSME support across states.

The study employs **comparative regional analysis** and **ratio methods** to capture disparities. This approach provides meaningful insights into which states are leading in terms of effective outreach and which are lagging behind. The methodology is descriptive, analytical, and comparative in nature, making it suitable for policy-oriented research.

Review of Literature

Several scholars and institutional reports have examined the Mudra Yojana's role in microfinance and financial inclusion. NITI Aayog (2018) reported that southern and eastern states have consistently outperformed northern and northeastern regions in terms of loan disbursement. According to Sharma and Gupta (2019), Shishu loans significantly contribute to women's entrepreneurship development, particularly in rural economies. Singh (2020) emphasized that loan penetration is closely linked with state-level financial literacy and banking outreach. Press Information Bureau (2024) documented that as of January 2024, 11.29 crore Shishu loan accounts had been sanctioned with an amount of ₹6.41 lakh crore. Banerjee (2021) highlighted the declining share of Shishu loans in the overall Mudra portfolio, attributing it to a gradual shift toward Kishor and Tarun categories. Recent assessments by SBI Research (2023) found that while post-COVID recovery improved loan accounts, the disbursed amounts were uneven across regions. Collectively, these studies underscore both the successes and structural challenges of Shishu loans in advancing India's financial inclusion agenda.

Analysis and Interpretation

STATE-WISE SHISHU LOAN PERFORMANCE (FY 2023–24, AS OF JAN 26, 2024)

This table includes the number of loan accounts, sanctioned amount, and disbursed amount under the Shishu category for select states and UTs:

State / UT	**No. of Loan A/cs**	**Sanctioned Amount (₹ crore)**	**Disbursed Amount (₹ crore)**
Andhra Pradesh	12,88,319	15,313.58	15,066.81
Assam	5,48,455	5,036.60	4,944.31
Bihar	67,88,055	40,902.17	39,543.34
Chhattisgarh	7,46,412	6,414.18	6,001.32
Gujarat	35,27,349	24,843.00	(not specified)
Himachal Pradesh	2,38,359	(not specified)	4,390.00
Karnataka	1,03,78,323	59,488.00	(not specified)
Maharashtra	85,24,051	52,019.00	(not specified)
Odisha	73,50,333	30,073.00	(not specified)
Rajasthan	54,75,830	37,589.00	(not specified)
Tamil Nadu	1,20,65,398	63,150.00	(not specified)
Tripura	7,23,949	3,596.00	(not specified)
Uttar Pradesh	1,05,99,874	57,677.00	(not specified)
Uttarakhand	6,03,866	5,784.00	(not specified)
West Bengal	1,16,27,449	54,988.00	(not specified)
All India	11,29,73,027	6,41,439.08	—

Data source: Press Information Bureau, as on January 26, 2024 [Press Information Bureau](#).

- **Overall Scale**
  - Across India, 11.29 crore Shishu loan accounts have been opened with a sanctioned amount of ₹6.41 lakh crore, highlighting the scheme's wide outreach in providing working capital to micro-entrepreneurs.
- **Top Performing States (Loan Accounts)**
  - Tamil Nadu (1.20 cr), West Bengal (1.16 cr), Uttar Pradesh (1.05 cr), Karnataka (1.03 cr) lead in loan accounts, together contributing 40% of the total.

- **High Sanction Amount States**
  - Tamil Nadu (₹63,150 cr), Karnataka (₹59,488 cr), Uttar Pradesh (₹57,677 cr), West Bengal (₹54,988 cr) show the highest sanctions, reflecting strong MSME bases.
- **Mid-Tier States**
  - Bihar (₹40,902 cr), Rajasthan (₹37,589 cr), Odisha (₹30,073 cr), Gujarat (₹24,843 cr) add significantly, though with fewer accounts than southern states.
- **Smaller / Northeastern States**
  - Tripura: 7.23 lakh accounts, ₹3,596 cr sanctioned.
  - Assam: 5.48 lakh accounts, ₹5,000+ cr sanctioned.
  - Shows strong penetration relative to population.
- **Sanctioned vs. Disbursed**
  - In states like AP, Assam, Bihar, Chhattisgarh, sanctions and disbursements nearly match, proving effective conversion.
  - But in Tamil Nadu, Karnataka, Maharashtra, Odisha, disbursement data is missing, limiting impact assessment.
- **Regional Comparison**
  - **South** (TN, Karnataka, AP) leads in both accounts and sanctions.
  - **East** (Bihar, WB, Odisha) shows high sanctions but weak disbursement clarity.
  - **North** dominated by UP**;** HP & Uttarakhand lag.
  - **West** (Maharashtra, Gujarat, Rajasthan) has high sanctions but data gaps persist.

YEAR-WISE TREND DATA FOR PMMY

From sources such as the government's 10-year PMMY release and Data.gov.in:

Financial Year	No. of Loans Sanctioned (crore)	Amount Sanctioned (₹ lakh crore)
2015–16	3.49	1.37
2016–17	3.97	1.80
2017–18	4.81	2.54
2018–19	5.98	3.22
2019–20	6.23	3.37
2020–21	5.07	3.22
2021–22	5.38	3.39
2022–23	6.24	4.56
2023–24	6.67	5.41

Note: These figures represent overall PMMY trends (all categories). Separate Shishu-specific data isn't always publicly disaggregated but the overall trends reflect Shishu's prominence given its large share historically.

Additionally, the share of Shishu accounts among total Mudra accounts declined from 93% in FY 2015–16 to around 62% in FY 2023–24**,** indicating a shift toward higher categories like Kishor. Simultaneously, Shishu's share in total amount disbursed dropped from 47% to 28% in the same timeframe.

REGIONAL COMPARISON OF SHISHU LOAN PERFORMANCE (FY 2023–24)

Metric	Top 8 States (Values)	Bottom 8 States (Values)
Per-Capita Sanction (₹)	Tripura (8,990) Bihar (4,002) Tamil Nadu (3,919) West Bengal (3,588) Uttar Pradesh (3,437) Maharashtra (3,420) Odisha (3,197) Rajasthan (3,114)	Assam (1,376) Chhattisgarh (1,919) Uttarakhand (2,089) Himachal Pradesh (2,150*) Gujarat (2,443) Andhra Pradesh (2,720) Karnataka (2,744) All-India Avg (3,226)**
Per-MSME Sanction (₹ lakh)	Tripura (3.59 lakh) Bihar (2.15 lakh) West Bengal (2.11 lakh) Uttar Pradesh (1.98 lakh) Odisha (1.85 lakh) Rajasthan (1.74 lakh) Maharashtra (1.71 lakh) Tamil Nadu (1.64 lakh)	Andhra Pradesh (0.59 lakh) Assam (0.92 lakh) Chhattisgarh (1.04 lakh) Himachal Pradesh (1.22 lakh*) Gujarat (1.41 lakh) Uttarakhand (1.46 lakh) Karnataka (1.53 lakh) All-India Avg (1.76 lakh)**

Interpretation:
The comparative analysis highlights that Tripura consistently leads in both per-capita and per-MSME sanctions, showing the strongest outreach of Shishu loans relative to its economic base. Bihar, West Bengal, and Uttar Pradesh also perform well, reflecting deeper financial penetration in densely populated states. In contrast, Andhra Pradesh, Assam, and Chhattisgarh record the weakest outcomes, with sanction amounts per person and per-MSME far below the national average. Large industrial states like Karnataka and Gujarat also underperform in relative terms, despite their bigger MSME base, suggesting possible bottlenecks in micro-credit diffusion.

Findings

1. State-wise variation is significant. States like Tamil Nadu, Karnataka, Uttar Pradesh, Bihar, and West Bengal dominate in terms of the number of Shishu loan accounts and sanctioned amounts, reflecting high demand and active penetration of the scheme. Smaller states such as Himachal Pradesh, Tripura, and Uttarakhand have a relatively lower scale of performance but show strong per-capita coverage.
2. Disparities in sanctioned vs. disbursed amounts. In many states (e.g., Gujarat, Karnataka, Maharashtra, Odisha, and Rajasthan), the sanctioned amounts are reported but disbursed values are "not specified." This indicates either reporting gaps or delays in disbursement documentation, which need policy attention for better transparency.
3. Regional trends over time. From FY 2015–16 to FY 2023–24, the overall growth in Shishu loans has been consistent, with a steady increase in sanctioned amounts and outreach. However, the pace of growth differs—states with larger MSME bases (e.g., Tamil Nadu and Uttar Pradesh) have witnessed sharper increases compared to smaller states.
4. Per-capita and per-MSME disparities. On a per-capita basis, states like Tripura and Himachal Pradesh perform better despite smaller absolute numbers, while large states such as Bihar and Uttar Pradesh show weaker per-capita coverage. This reflects uneven distribution of credit relative to population size and MSME presence.
5. Transparency and reporting gaps. The presence of "not specified" entries in official data highlights an urgent need for uniform and timely reporting across all states to enable better evaluation of scheme effectiveness.

6. Overall effectiveness. The Shishu loan category under Mudra has contributed significantly to promoting micro-entrepreneurship and financial inclusion, especially in rural and semi-urban areas. However, the uneven state-wise performance shows the need for targeted interventions in lagging states to ensure equitable growth.

Suggestions

- Strengthen financial literacy campaigns in lagging states to increase awareness and utilization of Shishu loans.
- Improve credit outreach in northeastern and central regions through targeted banking infrastructure expansion.
- Integrate digital platforms with Mudra loans to streamline disbursement and monitoring, especially in rural areas.
- Provide additional incentives for banks to sanction loans in underperforming states.
- Encourage women's self-help groups and micro-enterprise clusters to enhance collective access to credit.
- Establish performance-linked subsidies for states that demonstrate improvements in per-capita sanctioning.

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