

The Impact of Mudra Loans on Local Businesses (2020-2024) In Bhandara District

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Abstract—This research paper examines the transformative impact of the Pradhan Mantri MUDRA Yojana (PMMY) on the small business landscape in Bhandara, Maharashtra. By providing security-free credit, the scheme has empowered local vendors, small-scale farmers, and women entrepreneurs, facilitating a crucial shift from informal moneylenders to the formal banking system.

Launched on April 8, 2015, the PMMY was designed to "Fund the Unfunded". Historically, small shopkeepers, tailors, and mechanics in Bhandara were forced to borrow from local moneylenders at exorbitant interest rates due to a lack of collateral like gold or land. MUDRA Loans addressed this gap by offering mortgage-free loans through public/private banks, Regional Rural Banks (RRBs), and Micro Finance Institutions (MFIs).

I. INTRODUCTION

1.1 Loan Categories and Features

The scheme offers four distinct categories based on the stage of business development:

Category	Loan Amount	Target Audience	Bhandara Usage
Shishu	Up to ₹50,000	Startups, tea stalls, vegetable vendors	85%
Kishore	₹50,001 to ₹5 Lakh	Established businesses scaling operations	12%
Tarun	₹5 Lakh to ₹10 Lakh	Stable businesses with expansion plans	3%
Tarun Plus	₹10 Lakh to ₹20 Lakh	Entrepreneurs who successfully repaid Tarun loans	—

Key Features:

Repayment: 1 to 7 years depending on cash flow.

MUDRA Card: A RuPay debit card for flexible working capital withdrawals.

Credit Guarantee: Loans are covered by the Credit Guarantee Fund for Micro Units (CGFMU).

II. METHODOLOGY AND NUMERICAL OVERVIEW

This study utilizes primary data from local surveys and secondary data from MUDRA annual reports, NITI Aayog studies, and Ministry of Finance records.

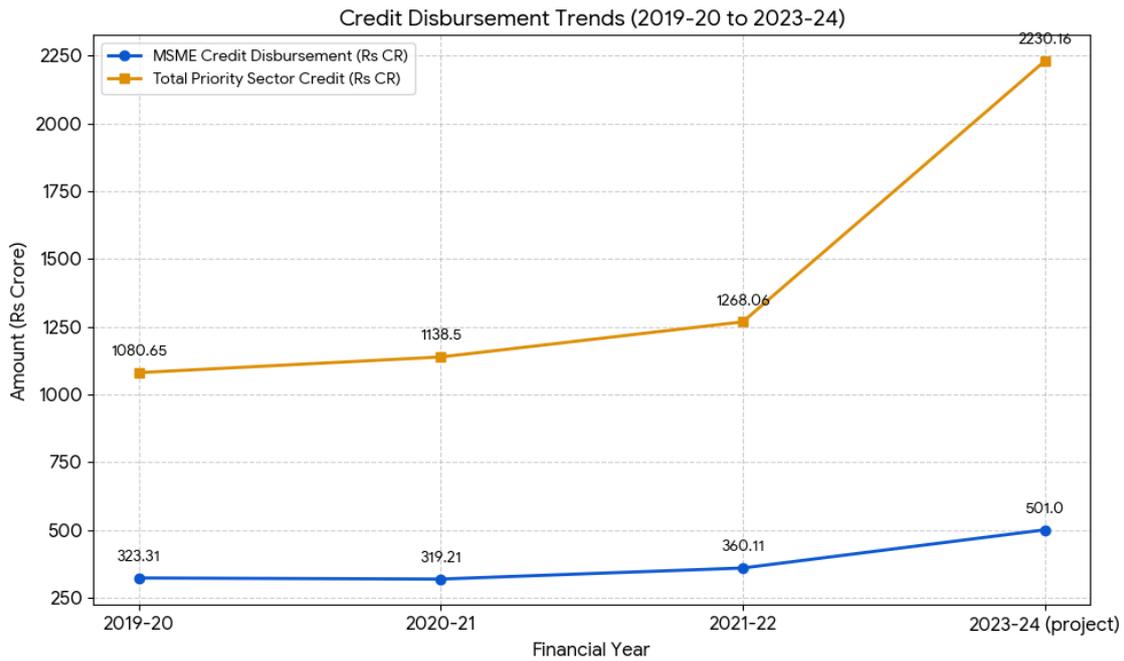
2.1 Credit Flow Trends in Bhandara

Data from NABARD indicates balanced growth in credit flow to MSMEs in the district:

2019-20: ₹323.31 Cr (MSME Credit) / ₹1080.65 Cr (Total Priority)

2023-24 (Projected): ₹501.00 Cr (MSME Credit) / ₹2230.16 Cr (Total Priority).

The significant jump in 2023-24 projections reflects intense efforts toward self-employment and small-scale manufacturing. Nationally, the average loan size has increased by ~168%, growing from ₹38,000 in FY 2016 to over ₹1 Lakh by 2024, indicating that businesses are successfully scaling from "Shishu" to higher levels



III. IMPACT ANALYSIS

3.1 Economic and Social Development

Income Growth: Beneficiaries saw average monthly income rise from ₹9,200 to ₹16,500.

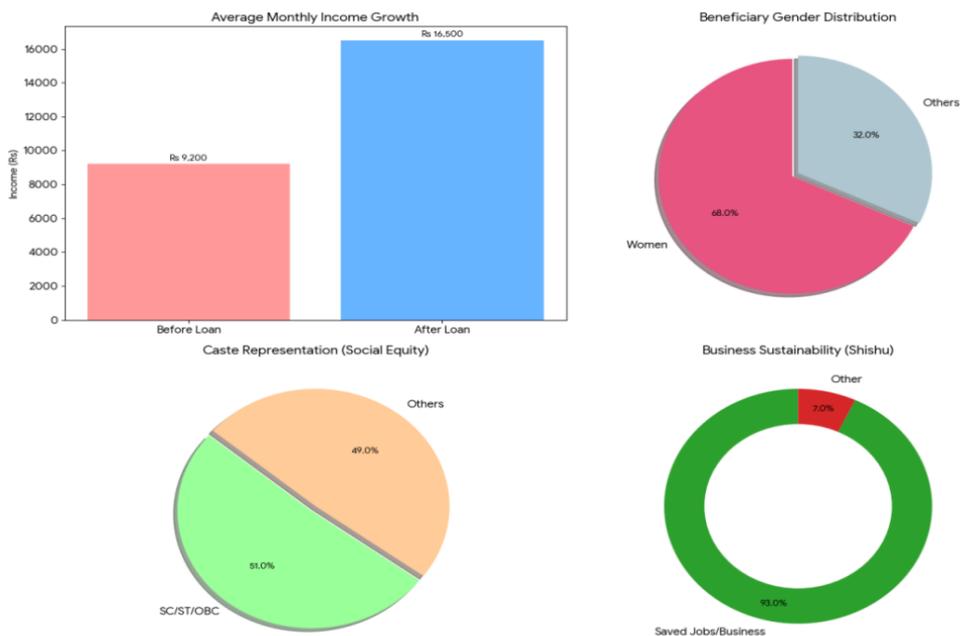
Business Expansion: 85% of Shishu takers used funds for inventory, resulting in a 30-40% turnover increase.

Job Creation: Small units like rice mini-mills or poultry farms reported hiring 1-2 additional staff members.

Women Empowerment: 68% of regional beneficiaries are women, leading to the rise of papad and pickle-making units.

Social Equity: Over 50% of loans reached SC/ST and OBC entrepreneurs.

Impact of MUDRA Loans: Key Metrics



3.2 Challenges Faced

Despite its success, several hurdles remain in Bhandara:

Financial Literacy: 25% of borrowers struggle with digital banking and documentation.

Repayment Pressure: 30% of small traders face difficulties during market fluctuations.

Rising NPAs: Non-performing assets reached approximately 6.5% in certain areas by 2023.

Inflation: The ₹50,000 Shishu limit is increasingly insufficient for growing needs.

IV. CONCLUSION AND RECOMMENDATIONS

The MUDRA scheme has been a vital lifeline for Bhandara, stabilizing the informal workforce and increasing household incomes by 50-60%. With the new ₹20 lakh limit, the focus is shifting from survival to scaling.

Recommendations:

Simplification: Bank should simplify the forms for the Shishu category.

Training: Provide mandatory business management and digital literacy training.

Visibility: Organize "MUDRA Melas" in rural Bhandara to bridge the gap between banks and villagers.

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