

## **Sector-Wise Analysis of PMMY Impact on Manufacturing, Trade, and Service MSMEs**

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### **Abstract**

The Pradhan Mantri Mudra Yojana (PMMY), launched in 2015, aims to provide financial support to micro and small enterprises through collateral-free loans, thereby promoting inclusive growth and entrepreneurship in India. This study focuses on a sector-wise analysis of the impact of PMMY on Manufacturing, Trade, and Service MSMEs. The research examines how access to Mudra loans has influenced business expansion, employment generation, income levels, and financial stability across these sectors. The Manufacturing sector shows gradual but sustainable growth, and the Service sector demonstrates significant potential in employment generation. The study also highlights challenges such as inadequate loan size, repayment issues, and limited awareness among beneficiaries. Overall, PMMY has played a crucial role in strengthening MSMEs, though sector-specific strategies are necessary to enhance its effectiveness.

**Keywords:** (PMMY), MSMEs, Mudra Loans, Sector-wise Analysis, Manufacturing Sector, Trade Sector, Service Sector.

### **Introduction**

Micro, Small, and Medium Enterprises (MSMEs) are considered the backbone of the Indian economy, contributing significantly to GDP, employment generation, exports, and regional development. Despite their importance, MSMEs often face challenges such as limited access to formal credit, lack of collateral, and financial constraints, which hinder their growth and sustainability. To address these issues, the Government of India launched the Pradhan Mantri Mudra Yojana (PMMY) in April 2015 under the Micro Units Development and Refinance Agency (MUDRA).

PMMY aims to provide collateral-free loans up to ₹10 lakh to non-corporate, non-farm small and micro enterprises. The scheme is categorized into three segments—Shishu (loans up to ₹50,000), Kishore (₹50,000 to ₹5 lakh), and Tarun (₹5 lakh to ₹10 lakh)—to cater to enterprises at different stages of development. By enhancing financial inclusion, PMMY seeks to encourage entrepreneurship, reduce dependency on informal sources of credit, and support the growth of MSMEs across various sectors.

The impact of PMMY, however, is not uniform across sectors. Manufacturing enterprises typically require higher capital investment and longer gestation periods, whereas Trade businesses often benefit from quicker turnover cycles and immediate returns. On the other hand, the Service sector, which includes a wide range of activities such as transport, repair services, and small-scale professional services, shows diverse financial needs and growth patterns. Therefore, a sector-wise analysis is essential to understand how effectively PMMY addresses the unique requirements of each segment.

This study aims to examine the differential impact of PMMY on Manufacturing, Trade, and Service MSMEs, focusing on key indicators such as access to credit, business growth, employment generation, and financial performance. By analysing sector-specific outcomes, the study seeks to provide insights into the strengths and limitations of the scheme and suggest measures to improve its effectiveness in promoting balanced MSME development.

### Objectives of the Study

1. To examine the role of Pradhan Mantri Mudra Yojana (PMMY) in promoting the growth of MSMEs.
2. To analyze the sector-wise distribution of Mudra loans among Manufacturing, Trade, and Service enterprises.
3. To evaluate the impact of PMMY on business expansion in the three sectors.
4. To assess the contribution of PMMY in employment generation across Manufacturing, Trade, and Service MSMEs.
5. To identify the challenges faced by MSMEs in availing and utilizing Mudra loans.

### Review of Literature

A number of studies have examined the role of Pradhan Mantri Mudra Yojana (PMMY) in promoting MSME development, financial inclusion, and entrepreneurship in India.

**Kumar (2017)** analyzed the initial performance of PMMY and found that the scheme significantly improved access to institutional credit for micro enterprises, especially in rural areas. The study highlighted that a large proportion of beneficiaries belonged to first-time entrepreneurs, indicating progress in financial inclusion.

**Sharma and Kaur (2018)** studied the impact of Mudra loans on small business growth and observed that PMMY contributed positively to income generation and business expansion. However, they also pointed out challenges such as inadequate loan size and lack of awareness among beneficiaries.

**RBI Report (2019)** emphasized that the Trade sector accounted for the highest share of Mudra loan disbursements, followed by Services and Manufacturing. The report indicated that while loan disbursement increased significantly, concerns regarding repayment capacity and non-performing assets (NPAs) needed attention.

**Singh (2020)** examined the employment impact of PMMY and concluded that the scheme has generated substantial self-employment opportunities, particularly in the Service sector. The study noted that small service-based enterprises required lower capital but had higher employment elasticity.

**Mehta and Patel (2021)** conducted a sector-wise analysis and found that Manufacturing units experienced steady but slower growth compared to Trade enterprises due to higher capital requirements and longer gestation periods. The study recommended sector-specific policy support to enhance effectiveness.

**Government of India (2022)** reports indicate that PMMY has sanctioned millions of loans since its inception, with a significant share going to women entrepreneurs and marginalized sections. The scheme has played a vital role in promoting inclusive growth and reducing dependency on informal credit sources.

**Verma (2023)** highlighted the role of digital platforms in improving access to Mudra loans and suggested that digitization has streamlined loan processing and increased transparency, especially in urban and semi-urban areas.

## Research Methodology

### 1. Research Design

The study adopts a **descriptive and analytical research design**, focusing on evaluating the impact of PMMY across different MSME sectors.

### 2. Sources of Data

- Annual reports of MUDRA (Micro Units Development and Refinance Agency)
- Ministry of MSME reports
- RBI publications and reports
- Government of India official portals ([mudra.org.in](http://mudra.org.in), [msme.gov.in](http://msme.gov.in))
- Research journals, articles, and published papers
- Reports from financial institutions and banks

**The role of PMMY in MSME growth can be examined through the following keys aspects:**

- ❖ Access to Finance
- ❖ Business Expansion
- ❖ Employment Generation
- ❖ Income Enhancement
- ❖ Entrepreneurship Development
- ❖ Reduction in Regional Imbalances

#### Sectoral Classification of MSMEs

Section	Sector Category	Sub-Sectors / Industries
Section I	Manufacturing and Allied Sectors	<ul style="list-style-type: none"> <li>• Auto Components</li> <li>• Basic Metals (Iron and Steel)</li> <li>• Cotton Textile</li> <li>• Defence Equipment</li> <li>• Drugs and Pharmaceuticals</li> <li>• Electrical Equipment</li> <li>• Fabricated Industrial Metal Products</li> <li>• Food Processing</li> <li>• General Purpose Machinery</li> <li>• Paper and Paper Products</li> <li>• Plastics and Plastic Products</li> </ul>

		<ul style="list-style-type: none"> <li>• Readymade Garments</li> <li>• Tiles and Sanitaryware</li> </ul>
<b>Section II</b>	<b>Service Sectors</b>	<ul style="list-style-type: none"> <li>• Transport Services</li> <li>• Repair and Maintenance Services</li> <li>• IT and IT-enabled Services</li> <li>• Hospitality (Hotels, Restaurants)</li> <li>• Healthcare Services</li> <li>• Financial and Business Services</li> <li>• Educational Services</li> <li>• Logistics and Warehousing</li> </ul>
<b>Section III</b>	<b>Trading Sectors</b>	<ul style="list-style-type: none"> <li>• Retail Trade</li> <li>• Wholesale Trade</li> <li>• E-commerce Activities</li> <li>• Distribution and Supply Chain Services</li> <li>• Export-Import Trading</li> </ul>

### Sector-wise Distribution of PMMY Loans in India (Latest Trends)

Particulars	Manufacturing Sector	Trade Sector	Service Sector	Total / Remarks
Share of Total Loans (%)	20% – 25%	40% – 45%	30% – 35%	Trade dominates
Estimated Loan Amount (₹ Crores)	5,50,000 – 6,50,000	10,50,000 – 12,00,000	7,50,000 – 9,00,000	Based on total ₹27 lakh crore
Number of Loan Accounts (Crore)	8 – 10	18 – 20	12 – 15	Out of ~45 crore accounts
Dominant Loan Category	Kishore / Tarun	Shishu	Shishu	Micro units dominate overall
Nature of Credit Usage	Machinery, equipment, infrastructure	Working capital, inventory	Business setup, service tools	Sector-specific needs
Capital Requirement	High	Low to Medium	Low	Influences loan share
Gestation Period	Long	Short	Short	Affects repayment cycle
Employment Generation Potential	Moderate to High	Moderate	High	Services lead in jobs
Risk Level (Lenders' Perspective)	High	Low	Medium	Impacts credit flow

Particulars	Manufacturing Sector	Trade Sector	Service Sector	Total / Remarks
Growth Impact	Long-term, sustainable	Short-term, quick returns	Steady and scalable	Varies by sector
Urban/Rural Presence	Semi-urban/industrial clusters	Both urban & rural	More urban/semi-urban	Distribution varies
Women Participation (%)	Moderate	High	Very High	Especially in services
Key Challenge	High capital requirement	Market competition	Skill & demand variability	Sector-specific issues

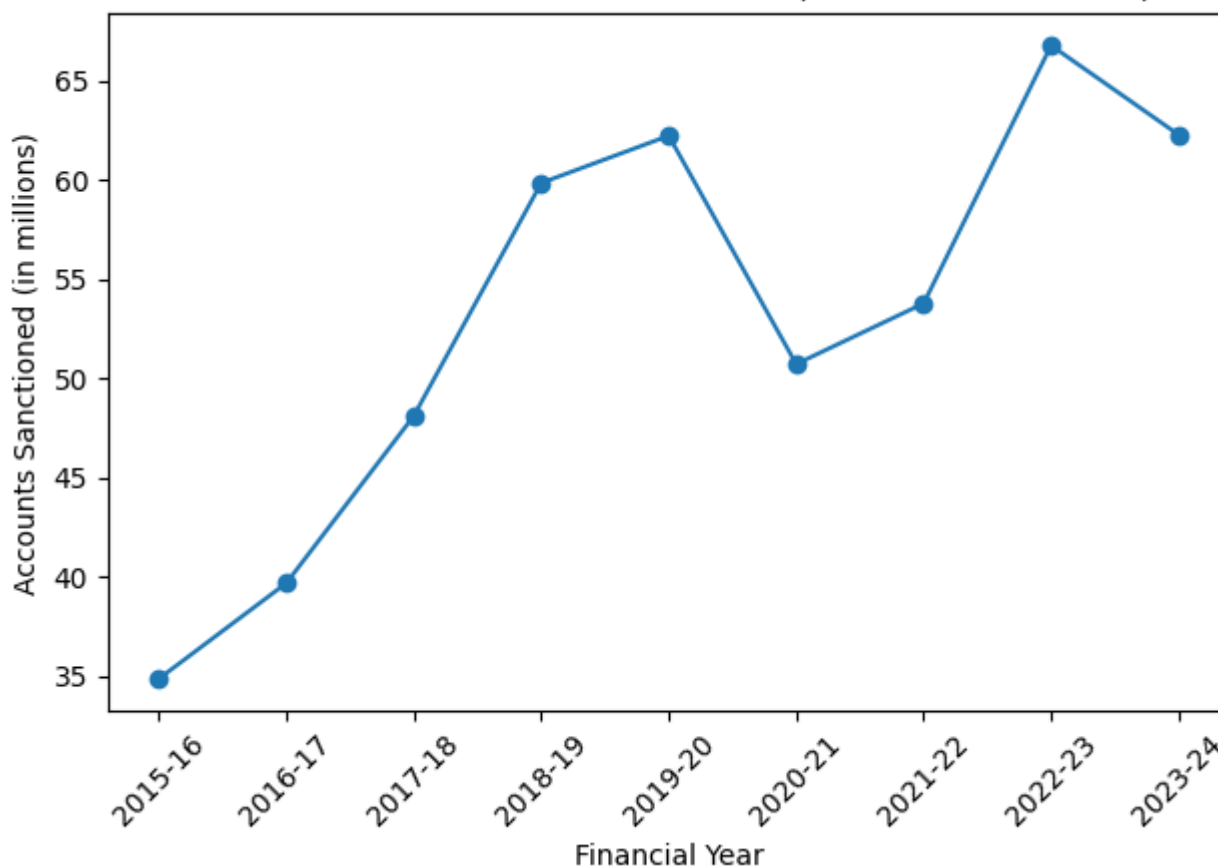
#### Category-wise Distribution Across Sectors

Loan Category	Loan Limit	Share (%)	Major Sector Beneficiaries
Shishu	Up to ₹50,000	65% – 70%	Trade, Services
Kishore	₹50,000 – ₹5 lakh	20% – 25%	Manufacturing, Trade
Tarun	₹5 lakh – ₹10 lakh	5% – 10%	Manufacturing

#### PMMY Performance (2015–16 to 2023–24)

Financial Year	Accounts Sanctioned (in millions)	Amount Sanctioned (₹ Crore)	Amount Disbursed (₹ Crore)
2015–16	34.88	137,449	132,955
2016–17	39.70	180,529	175,312
2017–18	48.13	253,677	246,437
2018–19	59.87	321,723	311,811
2019–20	62.25	337,496	329,715
2020–21	50.74	321,759	311,754
2021–22	53.80	339,110	331,402
2022–23	66.80	541,012	532,358
2023–24	62.30	456,538	450,424
<b>Cumulative Total</b>	<b>478.46</b>	<b>2,889,293</b>	<b>2,822,169</b>

Trend of PMMY Accounts Sanctioned (2015-16 to 2023-24)



The performance of the Pradhan Mantri Mudra Yojana (PMMY) over the period 2015–16 to 2023–24 shows a clear pattern of growth, disruption, and recovery. In the initial years, the scheme witnessed steady expansion, with the number of accounts sanctioned increasing from **34.88 million in 2015–16 to 62.25 million in 2019–20**. During the same period, the amount sanctioned rose significantly from **₹137,449 crore to ₹337,496 crore**, reflecting growing acceptance of the scheme and improved access to institutional credit for micro enterprises. However, in **2020–21**, there is a noticeable decline in both the number of accounts (**50.74 million**) and loan amounts sanctioned and disbursed. This downturn can be attributed to the economic disruption caused by the **COVID-19 pandemic**, which affected business operations, credit demand, and repayment capacity of MSMEs. Following this, the scheme demonstrated resilience and recovery. From **2021–22 onwards**, there is a gradual improvement, culminating in a sharp rise in **2022–23**, where the number of accounts reached **66.80 million**, and the amount sanctioned peaked at **₹541,012 crore**—the highest during the study period. This surge indicates strong policy support, revival of economic activity, and increased credit demand from MSMEs. In **2023–24**, although there is a slight decline in the number of accounts (**62.30 million**) and loan amounts, the figures remain significantly higher than pre-pandemic levels, suggesting stabilization rather than contraction.

### Impact of PMMY on Business Expansion in Manufacturing, Trade, and Service Sectors

The Pradhan Mantri Mudra Yojana (PMMY) has played a significant role in facilitating business expansion across MSMEs by providing timely and collateral-free credit. Its impact, however, varies across the **Manufacturing, Trade, and Service sectors** due to differences in capital requirements, operational structures, and market dynamics.

## 1. Manufacturing Sector

In the manufacturing sector, PMMY loans have supported expansion primarily through investment in machinery, tools, and infrastructure. Enterprises have been able to:

- Increase production capacity
- Upgrade technology and equipment
- Improve product quality and efficiency

However, the extent of expansion is relatively gradual due to higher capital needs and longer gestation periods. While fewer enterprises access large loans, those that do often achieve sustainable and long-term growth.

## 2. Trade Sector

The trade sector has experienced the most immediate and visible impact of PMMY on business expansion. With easy access to working capital, traders have been able to:

- Increase inventory and product range
- Expand into new markets and customer segments
- Improve turnover and sales volume

Since trade businesses require lower capital and have quicker returns, the expansion is often rapid and short-term, leading to higher participation in PMMY.

## 3. Service Sector

In the service sector, PMMY has encouraged expansion through **self-employment and small-scale enterprise development**. Beneficiaries have utilized loans to:

- Start new service-based ventures
- Upgrade equipment (e.g., vehicles, tools, IT systems)
- Enhance service quality and customer reach

This sector shows **moderate but consistent growth**, with strong potential for **employment generation**, especially in urban and semi-urban areas.

## Challenges Faced by MSMEs under PMMY

### A. Challenges in Availing (Getting) Loans

1. Lack of awareness about PMMY schemes and benefits
2. Complex documentation requirements
3. Low financial literacy among small entrepreneurs
4. Difficulty in preparing business plans or proposals
5. Reluctance of banks to lend to first-time borrowers
6. Absence of credit history
7. Delays in loan processing and approval
8. Inadequate loan amount sanctioned (especially under Shishu)
9. Limited access to banking facilities in rural areas
10. Dependence on intermediaries or agents

### **B. Challenges in Utilizing Loans**

1. Improper use of funds for non-business purposes
2. Lack of managerial and technical skills
3. Poor financial planning and budgeting
4. Market competition and demand uncertainty
5. Fluctuation in raw material prices
6. Difficulty in scaling up business operations
7. Limited access to technology and infrastructure
8. Lack of training and business support services
9. Inefficient inventory and cash flow management
10. Low productivity and operational inefficiencies

### **C. Repayment-Related Challenges**

1. Irregular income leading to repayment issues
2. High dependence on seasonal business cycles
3. Risk of loan defaults and NPAs
4. Interest burden for small businesses
5. Lack of proper repayment planning

### **D. Sector-Specific Challenges**

- Manufacturing: High capital requirement, longer gestation period
- Trade: Intense competition, low profit margins
- Services: Skill dependency, demand variability

### **Conclusion**

The study on the *Sector-wise Impact of Pradhan Mantri Mudra Yojana (PMMY) on MSMEs* clearly indicates that the scheme has played a significant role in promoting financial inclusion, entrepreneurship, and overall MSME development in India. By providing collateral-free loans, PMMY has enabled micro and small enterprises to access formal credit, thereby reducing their dependence on informal sources of finance. The sector-wise analysis reveals that the **Trade sector** has received the highest share of loans due to its low capital requirements and quick returns, followed by the **Service sector**, which has shown strong

potential for employment generation. Although the **Manufacturing sector** receives a comparatively smaller share, it contributes significantly to long-term economic growth through asset creation and productivity enhancement. This trend analysis highlights a steady growth in PMMY performance since its inception, with a temporary setback during the COVID-19 period, followed by a strong recovery. However, challenges such as lack of awareness, inadequate loan amounts, procedural issues, and repayment difficulties continue to limit the full potential of the scheme. Overall, PMMY has emerged as a vital policy tool for strengthening MSMEs, but there is a need for **sector-specific strategies, improved financial literacy, simplified procedures, and enhanced support systems** to maximize its effectiveness and ensure balanced and sustainable development across all sectors.

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