

Impact of MUDRA Yojana on Women Entrepreneurs in India

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Abstract

The MUDRA Yojana, launched By the Government of India in 2015, was designed to make it easier for small business owners to access loans without the stress of heavy paperwork or collateral. For many women across India, especially in rural and semi-urban areas, this as been more than just a loan scheme it has been a doorway to independence. This study explores how MUDRA loans have helped women start new ventures, expand existing businesses, and gain financial confidence. Through surveys and conversations with women entrepreneurs, we found that many have used these loans to improve their income, support their families, and take more active role in household and community decisions. However, not everything is smooth some women still struggle with small loan amounts, long approval times, and limited awareness about how to manage and grow their businesses. Overall, MUDRA Yojana has sparked positive change, but with a little more support in training, market connections, and awareness, it could become an even stronger engine for women's entrepreneurship in India

Key words: MUDRA Yojana, Women Entrepreneurship, Financial Inclusion, Rural Development, Small Business Loans, Women Empowerment, Self-Reliance, Income Generation, Microfinance, Government Schemes, Financial Confidence, Women in Rural India, Access to Credit, Entrepreneurship Development, Economic Empowerment

Introduction:

Entrepreneurship is a powerful tool for socio-economic development, especially when it involves women, as it not only promote gender equality but also contributes significantly to household income, community upliftment, and national growth. In India, access to formal credit has traditionally been a main barrier for women entrepreneurs, particularly those from rural and underprivileged backgrounds. To address this gap, the Government of India launched the **Pradhan Mantri MUDRA Yojana (PMMY)** in 2015, with the aim of offering collateral-free microloans to support non-corporate, non-farm micro enterprises. The scheme operate under three loan categories **Shishu (up to ₹50,000), Kishor (₹50,001–₹5 lakhs), and Tarun (₹5–₹10 lakhs)** based on the stage of the business. A significant focus of the initiative has been to empower women by enhancing their access to finance, promoting financial inclusion, and fostering entrepreneurship among them. Over the years, a large percentage of MUDRA loan beneficiaries have been women, indicating the scheme's potential in transforming the entrepreneurial landscape for womens in India. This

Study aims to explore the **impact of MUDRA Yojana on women entrepreneurs**, examining How the scheme has influenced their business growth, income levels, social empowerment, and challenges faced accessing and utilizing the credit effectively. Understanding this impact is crucial for shaping future policy interventions aimed at supporting inclusive and sustainable women-led entrepreneurship in India.

Literature review:

Kavitha & Rani in 2017, "A study on the Impact of MUDRA Scheme on women Entrepreneurs in Rural Tamil Nadu". This study explored how the Pradhan Mantri MUDRA Yojana influenced the entrepreneurial activities of women in rural areas of Tamil Nadu. The researchers conducted field surveys among women Beneficiaries who had availed Shishu-category loans (up to ₹50,000). The findings revealed that the scheme enabled women to start small-scale ventures such as tailoring units, home-based food businesses, and handicraft production. The study also noted improvements in household income, economic independence, and participation in local decision-making. Many

women expressed increased self-confidence and a sense of empowerment after receiving financial support under the scheme. However, the authors highlighted the need for ongoing business training and awareness programs to help women sustain and grow their enterprises. Overall, the study concluded that MUDRA loans played an essential role in promoting grassroots entrepreneurship among rural women. Sharma, R. in 2018 "Financial Inclusion Through MUDRA Yojana: A Gender-Based Assessment" Sharma's study analyzed the gender-wise disbursement and utilization of MUDRA loans across India, with a special focus on urban and semi-urban women borrowers. The research found that approximately 70% of MUDRA loan beneficiaries were women, reflecting the scheme's effectiveness in promoting financial inclusion. The study highlights that most women preferred Shishu and Kishor loan categories for ventures such as beauty parlors, tuition centers, and food stalls. Sharma noted that access to credit helped women increase their household income and reduce dependence on informal lenders. However, the study also pointed out that many women lacked complete knowledge of loan terms, repayment procedures, and interest obligations. The researcher recommended strengthening awareness campaigns and linking the scheme with skill development programs to maximize its long-term benefits. The study concluded that MUDRA Yojana has been a powerful financial tool for enhancing women's entrepreneurship and social empowerment. Rao, S., & Patel, N. in 2019 "Challenges Faced by Women Entrepreneurs under MUDRA Yojana: A Field-Based Study" This study focused on the post-loan phase and explored the real-world challenges encountered by women entrepreneurs who availed of loans under the MUDRA Yojana. Based on interviews and case studies from Gujarat and Maharashtra, the research found that while the scheme increased women's access to institutional credit, it did not sufficiently address the non-financial barriers to entrepreneurship. Many women struggled with limited market access, inadequate financial literacy, and lack of mentorship or guidance on business planning. A significant number lacked knowledge of digital payment systems and inventory management. These challenges often led to poor business performance and repayment stress. Rao and Patel emphasized the

essential for integrated support systems, including financial education, business training, and marketing assistance. They also suggested stronger linkages between MUDRA loans and Skill India or Startup India initiatives. The study concluded that while MUDRA has been instrumental in promoting financial inclusion, it needs to evolve into a more holistic entrepreneurial support system for women. NABARD in 2020 "Status of Microfinance and Women Entrepreneurship in India – Role of MUDRA Yojana" This report by the National Bank for Agriculture and Rural Development provided a comprehensive analysis of the effect of microfinance schemes, with a particular focus on the MUDRA Yojana and its role in promoting women-led enterprises in Rural and semi-urban areas. The findings indicated that MUDRA loans had significantly contributed to enhancing financial inclusion & enabling women to start micro-businesses in areas such as dairy farming, tailoring, petty shops, and food processing. Women beneficiaries reported increased confidence, improved savings, and greater participation in household decision-making.

However, the report also highlighted several structural limitations. It pointed out the lack of proper monitoring mechanisms to track fund utilization and noted that many businesses suffered due to insufficient post-loan support, especially in areas like marketing, training, and digital literacy. NABARD recommended a multi-stakeholder approach, involving banks, NGOs, and local institutions, to ensure better follow-up, handholding support, and long-term sustainability of women-led enterprises. The report concluded that while MUDRA has empowered women financially, systemic improvements are essential for sustained impact.

Research gap:

Although Many studies have highlighted the positive Effect of the MUDRA Yojana on women entrepreneurs in India, several research gaps remain unaddressed. Most existing research has been short-term, focusing primarily on immediate financial outcomes like loan disbursement and repayment, without evaluating the long-term sustainability of women-led enterprises. There is also limited geographic diversity in the literature, with many studies concentrated in specific states,

lacking a comprehensive pan-India perspective that compares rural and urban contexts. Furthermore, the emphasis has largely been on financial metrics, often overlooking crucial non-financial outcomes such as personal empowerment, decision-making ability, digital literacy, and social mobility. Very few studies have critically examine the availability and effectiveness of post-loan support services like business training, market access, or mentoring. In addition, much of the existing research is based on secondary data, leaving a gap in primary, field-based studies that reflect real-time challenges and success stories. Lastly, there is insufficient focus on the gender-specific barriers that women face in patriarchal societies, which often limit the effectiveness of financial interventions. Addressing these gaps is essential for a more holistic understanding of how MUDRA Yojana can be strengthened to truly empower women entrepreneurs.

Objectives:

- To assess how MUDRA Yojana has influenced the growth & development of women-led micro Business and small enterprises.
- To evaluate the extent to which MUDRA-loans have contributed to financial independence and income generation among women entrepreneurs.
- To study the social and psychological impact of the scheme on women's empowerment and decision-making ability.
- To identify the key challenges faced by women in accessing, utilizing, and sustaining businesses through MUDRA support..

Research methodology

For this analysis, information was not gathered only from direct conversations with women entrepreneurs, but also from a variety of reliable published sources. Reports from the Ministry of Finance, MUDRA, and the RBI helped in understanding how the scheme works on paper, while research papers and case studies shed light on its real-world impact. News articles and credible online resources brought in fresh stories and updates about women who were successfully used MUDRA loans. Inputs from NGOs and business associations

added a ground-level view of the challenges and also opportunities faced by women in different regions. Together, these sources helped in building a complete and balanced picture of the scheme's role in empowering women entrepreneurs across India.

Limitations:

- **Geographical Constraints:** The focus is limited to selected rural and semi-urban areas, which may not reflect the effect of the scheme in metropolitan or remote tribal regions.
- **Self-Reported Data:** The study relies on respondents' self-assessment, which may lead to biases or inaccuracies in reporting financial or personal outcomes.
- **Lack of Longitudinal Data:** The analysis captures the short-term effect of the MUDRA scheme and does not assess the long-term sustainability or growth of businesses financed.

Strategies of MUDRA Loan

Inclusive Financial Access

The MUDRA Yojana aims to bring small entrepreneurs especially women, rural business owners, and first-time borrowers into the formal financial system by offering collateral-free loans.

Categorised Loan Products

Loans are offers 3 categories:

- **Shishu:** Up to ₹50,000 for very small or startup businesses.
- **Kishore:** ₹50,000 to ₹5 lakh for growing enterprises.
- **Tarun:** ₹5 lakh to ₹10 lakh for well-established small businesses ready to expand.

Focus on Entrepreneurship Development

Special emphasis is placed on encouraging women to begin or grow their businesses by offering preferential interest rates & simplified documentation.

Support for Business Growth

The scheme not only finances startups but also supports business expansion, purchase of equipment, and improvement of existing operations.

Partnership with Financial Institutions

MUDRA loans were disbursed through a network of banks, microfinance, institutions, NBFCs to ensure accessibility in rural, semi-urban, and urban areas.

Promotion of Job Creation

By supporting small enterprises, the scheme helps create employment opportunities, encouraging self-reliance rather than dependence on salaried jobs.

Capacity Building and Awareness Alongside loans, awareness campaigns and training programs are conducted to educate entrepreneurs about financial management, repayment discipline, and business planning.

Opportunities of MUDRA Loan Encourages Entrepreneurship

The scheme removes one of the biggest barriers for aspiring entrepreneurs lack of collateral by providing unsecured loans. This opens the door for youth, homemakers, and first-time business owners to make their ideas into viable enterprises.

Empowers Women

Women borrowers are given priority under MUDRA, with least interest rates and simplified application processes. This financial independence often converted into greater confidence, participation in decision-making, and improved social status.

Supports Business Growth

Funds can be used not just for starting a business but also for expansion—buying new machinery, improving production capacity, opening new branches, or diversifying products and services.

Boosts Rural Economy

By targeting rural and semi-urban areas, MUDRA loans help stimulate local economies. More small businesses mean better access to goods, services, and job opportunities within the community.

Generates Employment

Small businesses funded through MUDRA often hire additional staff, creating local jobs and reducing migration to cities. This supports balanced economic growth across regions.

Facilitates Financial Inclusion

Many micro-entrepreneurs previously relied on informal lenders. MUDRA brings them into the formal banking sector, enabling them to access other financial services like savings accounts, insurance, and digital payments.

Flexible Loan Categories

The Shishu (up to ₹50,000), Kishore (₹50,000–₹5 lakh), and Tarun (₹5–₹10 lakh) categories allow borrowers to choose funding that matches their stage of business—whether it's an idea, an emerging venture, or a growing enterprise.

Improves Credit History: Repaying a MUDRA loan on time helps entrepreneurs build a positive credit score, making it easier for them to secure larger loans in the future for further growth.

Encourages Skill Development: Many borrowers are connected to government or NGO-led training programs that teach financial literacy, digital skills, marketing, and operational management, increasing their chances of long-term success.

Reduces Dependence on Moneylenders: By offering loans at competitive low interest rates with clear repayment terms, MUDRA helps small business owners avoid high-interest informal loans that often trap them in cycles of debt.

Case Study: The Journey of Sangeeta – A MUDRA Loan Success Story

Background

Sangeeta, a 32-year-old woman from a semi-urban town in Maharashtra, ran a small tailoring business from her home. Her orders were increasing, but she couldn't expand because she lacked funds to buy additional sewing machines and hire helpers.

Awareness and Promotion: One afternoon, Sangeeta attended a financial literacy camp organised by the local branch of State Bank of India in collaboration with the District Industries Centre. A bank officer explained the MUDRA Yojana, its loan categories, and benefits for women entrepreneurs.

Simplified Loan Application: Encouraged, Sangeeta visited the bank. The loan officer guided

her in filling out the one-page MUDRA application form, explained the documents needed (ID proof, address proof, and a simple business plan), and assured her there was no collateral required.

Categorised Loan Disbursement: The bank evaluated her business and approved a Kishore loan of ₹3 lakh under MUDRA. The loan amount was credited directly to her account within two weeks at a lower interest rate for women borrowers.

Support Beyond Finance: Along with the loan, Sangeeta was connected to a Skill India training program where she learned basic business management, bookkeeping, and digital payments.

Use of Funds: She purchased two new sewing machines, hired one assistant, and invested in better fabric stock.

Monitoring and Follow-up: A bank field officer visited her shop after three months to check how the funds were being used and to offer guidance on increasing her customer base.

Encouraging Digital Payments: The bank also set her up with a UPI QR code for customer transactions, making her payments faster and more transparent.

Business Growth: Within a year, her monthly income increased by 60%. She began taking bulk orders for uniforms from local schools and even started supplying to nearby towns.

Credit History Improvement: Her on-time loan repayments improved her credit score, making her eligible for a Tarun category loan in the future for further expansion.

Impact on Personal Life: The success of her business allowed Sangeeta to contribute significantly to her household expenses, pay for her children's education, and gain respect as a financially independent woman in her community.

Real Time Examples:

1. Tailoring Business – Women Entrepreneur

Name: Meena Sharma

Age: 34

Location: Jaipur, Rajasthan

Loan Category: *Shishu*

Loan Amount: ₹45,000

Purpose: To buy a sewing machine and fabric stock to start a small tailoring shop.

Impact: Increased monthly income from ₹3,000 to ₹12,000; now takes orders for school uniforms and wedding clothes.

2. Street Food Vendor Expansion

Name: Arif Khan

Age: 28

Location: Lucknow, Uttar Pradesh

Loan Category: *Kishore*

Loan Amount: ₹2.5 lakh

Purpose: To purchase a food cart, gas stove, and bulk cooking equipment.

Impact: Expanded from a roadside stall to a permanent shop; income doubled in 6 months.

3. Mobile Repair & Accessories Shop

Name: Suresh Patil

Age: 31

Location: Nashik, Maharashtra

Loan Category: *Kishore*

Loan Amount: ₹1.8 lakh

Purpose: To set up a shop, buy mobile spare parts, and advertise locally.

Impact: Became the only full-service repair shop in the area; hired one assistant technician.

4. Dairy Farming Expansion

Name: Ravi Kumar

Age: 29

Location: Rural Uttar Pradesh

Loan Category: *Kishore*

Loan Amount: ₹4 lakh

Purpose: To buy cows and install modern milking machines.

Impact: Milk production more than doubled; created two rural jobs.

5. Beauty Salon Upgrade

Name: Priya Nair

Age: 27

Location: Kochi, Kerala

Loan Category: *Tarun*

Loan Amount: ₹7 lakh

Purpose: To renovate her salon, buy modern beauty equipment, and train two staff.

Impact: Customer base increased by 50%; offers bridal packages and employs three women.

Conclusion:

The MUDRA Yojana has appear as a lifeline for small entrepreneurs, especially women, by give them with access to credit without the burden of collateral. It has opened doors for individuals who once found formal banking unreachable, enabling them to dream bigger and act on their ambitions. From tailoring shops in small towns to food stalls in busy streets, MUDRA loans have transformed simple ideas into thriving businesses. Women, in particular, have used this scheme to achieve financial independence and contribute actively to household income, while also generating local employment that boosts rural and semi-urban economies. With its loan categories like Shishu, Kishore, and Tarun, it supports businesses at every stage of growth. The reasonable interest rates and simplified process have reduced dependence on moneylenders, bringing dignity, security, and stability to borrowers. Beyond finances, it has helped build confidence, skills, and decision-making abilities among women entrepreneurs. Stories from across India highlight that MUDRA loans are not just about providing money—they are about empowerment, transformation, and community upliftment. With greater awareness and efficient implementation, the scheme can continue to serve as a high powerful tool for inclusive economic growth. The gain of the MUDRA Yojana lies not only in its financial assistance but also in its ability to integrate women into the formal economic system. By promoting self-employment, it aligns with the government's vision of "Atmanirbhar

Bharat" (self-reliant India). Many women beneficiaries have gone on to train others, creating a chain of skill and knowledge transfer within their communities. The scheme's focus on collateral-free lending is particularly beneficial for women, as they often face challenges in owning property or assets for loan security. Additionally, partnerships with training programs like PMKVY (Pradhan Mantri Kaushal Vikas Yojana) have helped women learn financial management, marketing, and digital literacy, enabling them to manage their ventures more effectively. Data from government reports show that a important portion of MUDRA loans—over 68%—have been sanctioned to women, proving its role as a targeted empowerment tool. The scheme's ripple effects extend beyond business growth, fostering greater social acceptance of women has business leaders, enhancing their decision-making role in households, and providing to the overall progress of rural & urban communities alike.

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