INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSNNo. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

Performance Evaluation of Mudra Yojana in Karnataka

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DOI: https://doi.org/10.47772/IJRISS.2026.100600902

Received: 22 June 2026; Accepted: 27 June 2026; Published: 13 July 2026

ABSTRACT

Large corporate and business entities have a role to play in the country's economy, this has to be complemented by informal sector enterprises which generate maximum employment. There are some 5.77 crore small business units, mostly individual proprietorship, which run small manufacturing, trading or service businesses. This bottom of-the-pyramid, hard-working entrepreneurs find it difficult to access formal systems of credit. To provide the formal credit to unorganized sector Micro Units Development Refinance Agency (MUDRA) came into existence. With the tagline "**funding the unfunded".**

This research article studies the performance of MUDRA Yojana in Karnataka. From the inception of MUDRA Yojana Karnataka stood in top ranks for the sanctioning of loan under MUDRA Yojana. The article focused on a decade's performance evaluation of MUDRA Yojana in Karnataka, performance of different schemes under MUDRA Yojana in Karnataka. Performance evaluation of Karnataka state level in comparison with National level MUDRA Yojana performance. The article consists Introduction, Review of literature, Objectives, Profile of MUDRA Yojana, different schemes under MUDRA Yojana and their features, Data analysis and interpretations, Findings, suggestions and Conclusions.

Keywords: MUDRA Yojana, Performance evaluation of MUDRA Yojana, informal sector.

INTRODUCTION

Micro enterprises are an important sector of the economy providing jobs to millions of people and taking care of their income generation as well. It is estimated that there are more than 60 million micro units which support over 100 million people for their jobs and livelihood. In this scenario, providing funding support to these units becomes very important as far their growth and employment creation is concerned. Micro Units Development and Refinancing Agency MUDRA and MUDRA Yojana are meant to support these enterprises and provide the required funding support to these units.

The **Micro Units Development and Refinance Agency (MUDRA)**, MUDRA Yojana launched by the Government of India in 2015, is a flagship initiative aimed at promoting entrepreneurship and supporting the growth of micro and small enterprises across the country. The MUDRA Yojana provides easy and collateral-free credit to small business owners who often face difficulty accessing formal banking services. MUDRA loans are offered through banks, microfinance institutions, and non-banking financial companies, and the schemes are categorized as **Shishu**, **Kishor**, and **Tarun**-based on the stage of the business and funding requirements.

By improving access to finance, MUDRA Yojana seeks to empower small entrepreneurs, boost employment generation, and strengthen the grassroots economy. It plays a vital role in fostering self-employment and enabling the expansion of India's vast informal and micro-enterprise sector.

REVIEW OF LITERATURE

1. **Manish Agarwal & Ritesh Dwivedi (2017)** found in their research article **"Pradhan Mantri MUDRA Yojna: A critical review"** in the year 2017 with the objective to analyse the performance of the Yojana and analyse the state wise list based on disbursement of loan. State-wise performance shows Rajastan and West Bengal consists of a large population showing the growth of 68% and 100% growth respectively , this shows that people are aware of the Yojana and its benefits. So the PMMY if it is implemented properly, it may work as a game changing financial inclusion initiative of Government of India and may boost the Indian economy.
2. **Haris M & Dr. T. Subash (2018)** in their research article **"An innovative approach to small industries: Pradhan Mantri MUDRA Yojana (PMMY)"** in the 2018 traced that MUDRA Yojana encourage entrepreneurs and small business units to expand their capabilities and operations. And to reduce their indebtedness, to provide formal banking and other financial products.
3. **P.A.Ibrahim (2018)** in his study **"An empirical study on the role of MUDRA Yojana in financing micro enterprises"** His study has considered the credit deployment and accounts under MUDRA Yojanas. He found majority of the accounts are opened under the SHISHU Yojana only meager portion of accounts opened in TARUN Yojana. The government should focus on quality of the credit than quantity of the credit so as to ensure more participation in TARUN Yojana i.e., large projects. The overall participation in both creations of accounts and credit disbursement shows positive Trend.
4. **Dr. Vishal Rajendra Sandanshive (2019)** in his research **" An Analysis of Financial Performance of MUDRA Yojana"** focused to analyse agency-wise, state-wise, and district wise performances of MUDRA. He has found that Public and Private banks, Non banking financial Companiesand MFI has performed very well in sanctioning the all types of MUDRA loan to micro enterprise sector. Gujarat, Rajastan and Odisha have presented major growth of more than 45% in the FY 2017-18. In the analysis of less privileged sections of the society funded more than 55% And women entrepreneurs share 70% of total number of loan accounts. Finally he concluded MUDRA has thus helped the aspirations f many micro-entrepreneurs who were earlier excluded from the formal banking system. MUDRA has addressed the problem of 'funding the unfunded to a large range.
5. **Toran Lal Verma and DR. Hari Singh Gour (2019)** in their research **" Performance evaluation of MUDRA bank (with special reference to state of Madhya Pradesh)"** with the objective to study the progress of MUDRA bank in the State of MP. For a 3 years period from 2015-16 to 2017-18. They found that the customers were charged an average processing fee that is Rs. 383 or 1% of the total loan amount. This kind of activity kills the essence of such an ambitious Yojana. Due to variability in the working of supporting the institution, it is difficult to provide uniformity in the loan sanctioning procedure. Still banks are hesitant in promoting and extending MUDRA loans to first time borrowers with no credit history. 80% of loans are sanctioned in the SHISHU category, funds are not properly utilized by the borrowers. To avoid formation of Non Performing Assets, officials should ensure that the loan amounts are being utilised for purposes, for which they have been taken.

Objectives of the Study

Keeping in view the gaps in existing studies the following objectives were set for the present study**.**

1. To study Schemes under MUDRA Yojana.
2. To study the Scheme-wise performance of MUDRA Yojana in Karnataka.
3. To analyse the performance of MUDRA Yojana in Karnataka.
4. To analyse and evaluate the performance of MUDRA Yojana in Karnataka in comparison with the performance at National level.

Profile of Mudra Yojana

MUDRA—a wholly owned subsidiary of Small Industries Development Bank of India (SIDBI)—was instituted as a public limited company in March 2015. It was registered as a Non-Banking Financial Company (NBFC) with Reserve Bank of India (RBI) on April 07, 2015 and launched a day later on April 08, 2015 by the Honorable Prime Minister of India to support the micro enterprises sector in the country.

Pradhan Mantri Mudra Yojana (PMMY) and Micro Units Development & Refinance Agency Limited (MUDRA) had an integral role to play in this by catering to the credit demand at the bottom of the pyramid, thereby strengthening the process of nation building and wealth creation. In the last 10 years since the launch of PMMY, MUDRA loan has emerged as the go-to option for the unorganized and unfunded segment to generate livelihood and growth.

Schemes Under Mudra Yojana

MUDRA loans to income generating micro enterprises engaged in manufacturing, trading and services, they provide funds up to 10 lakh. The MUDRA loans are divided into three categories. Shishu, Kishor and Tarun are 3 types of schemes under MUDRA Yojana. Schemes represent the development stages of enterprises, as new businesses come under Shishu scheme, the business which are growing comes under Kishor scheme, And developed business in the expansion stage are covered by Tarun scheme. These three categories signify the growth and development of businesses. According to their need and stages of enterprises it provides funds to the entrepreneurs.

Shishu

Shishu which means infant or initial stage of any enterprise. It is ideal for startup micro-enterprises or new entrepreneurs looking for seed capital. Its target entrepreneurs are Small shops, food vendors, artisans and new service providers. It loans up to ₹50,000.

Kishor

Kishor meant to a teenager which is in growing process, it is second stage of any enterprise. It tries to support established small businesses requiring capital to expand operations or to purchase equipments. To get this loan applicants must provide a report demonstrating the economic and technical viability of the business. MUDRA Yojana loans under Kishor funds from ₹50,001 to ₹5,00,000.

Tarun

Tarun means a grown-up youth, matured enough to take decisions, the enterprise which is established and become competitive in the market. MUDRA Yojana this scheme is suitable for established businesses looking for significant expansion or operational modernization. Under this scheme loan amounts from ₹5,00,001 to ₹10,00,000.

Tarun Plus

It is additional one introduced in the budget of 2024-25. Introduced with the purpose to boost the successful entrepreneurs. It is specially meant for the entrepreneurs who have availed and successfully repaid previous loans under the TARUN category. Under this scheme loan amounts from ₹10,00,001 to ₹20,00,000.

Salient features of Schemes underMUDRA Yojana:

1. **No collateral:** MUDRA Yojana loans provide unsecured loans, so no collateral is required when applying for the loan.
2. **Easy process of loan disbursal:** Lending institutions like Banks, NBFC’s or micro finance companies have been directed to ensure easy and hassle free loan disbursement. Most of the small units do not have documents to satisfy a bank. The simplified process MUDRA Yojana takes care of the problem, that was always faced by the small units of not having satisfactory documentary evidence to prove credit worthiness.
3. **Favours small firms:** The MUDRA Yojana has been introduced as a tool to empower startups and small entrepreneurs to grow profitably. The Government stands in as the guarantor which works as a

ISSNNo. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

comfort factor for the banks. In case of default, the responsibility taken over by the Government. This feature greatly favours the incumbent applicant who can invest the borrowed funds for their growth.

4. **Multiple Credit Possibilities:** The MUDRA Yojana offers multiple opportunities to expand micro-unit enterprise with facilities like cash credit, equipment financing etc.
5. **Reasonably high loan amount:** The MUDRA Yojana offers upto ₹20 laks to a business enterprise. The terms of the loan are designed in a manner to encourage the growth of MSMEs, startups and small units. The maximum amount of loan is ₹20 lakh, which is reasonably good sum to meet the requirement of a small unit.
6. **MUDRA card:** The loanee can also apply for MUDRA card that provides instant and seamless access to funds and overdraft facilities to meet the working capital requirements.
7. **Interest Rates:** Rates are set by lending institutions usually ranging between 9% to 16% per annum based on risk assessment.
8. **Repayment Tenure:** Upto 5 years for loans below ₹5 lakh, and upto 7 years for loans above ₹5 lakh.
9. **Target groups:** Non-farm, income-generating activities like manufacturing, trading, or service sector. Activities allied to agriculture, such as dairy, poultry and beekeeping.
10. **Documents required:** Identity proof, address proof, Business plan i.e., project report detailing the business activity.

And finally loans can be applied through Public or Private sector banks, RRBs, Small Finance Banks, Micro Financial Institution (MFI) and NBFCs .

Data Analysis

MUDRA Yojana:

MUDRA Yojana is introduced with the objective to reach the unorganized sector, which is giving livelihood to more than 100 million people. This figure is big when it compared to organized sector employment generation. To fulfill its vision to reach unorganized sector, loans under MUDRA Yojana are collateral free and processing of sanctioning loan is made easy. Loans under MUDRA Yojana are available in all the financial institutions, (Public Sector Banks, Private sector Banks, Rural Banks, Non Banking Financial Institutions and Micro Finance Institutions).

MUDRA has came a long way of 10 years from its inception in the year 2015. World economy has faced a major setback as COVID-19 in 2020, but India managed to survive with its scientific research and technology. The following table shows the sanction of loan under MUDRA in 10 years with year on year growth rate.

Table No. 1: Sanction of loan under MUDRA Yojana

(in crores**)**

Year	**Sanctioned Amount**	**Growth % (YoY)**
2015-16	1,37,449.27	--
2016-17	1,80,528.54	31.35%
2017-18	2,53,677.1	40.52%
2018-19	3,21,722.79	26.82%
2019-20	3,37,495	4.90%
2020-21	3,21,759.30	-4.66%
2021-22	3,39,110.40	5.39%
2022-23	4,50,423.65	32.83%

ISSNNo. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

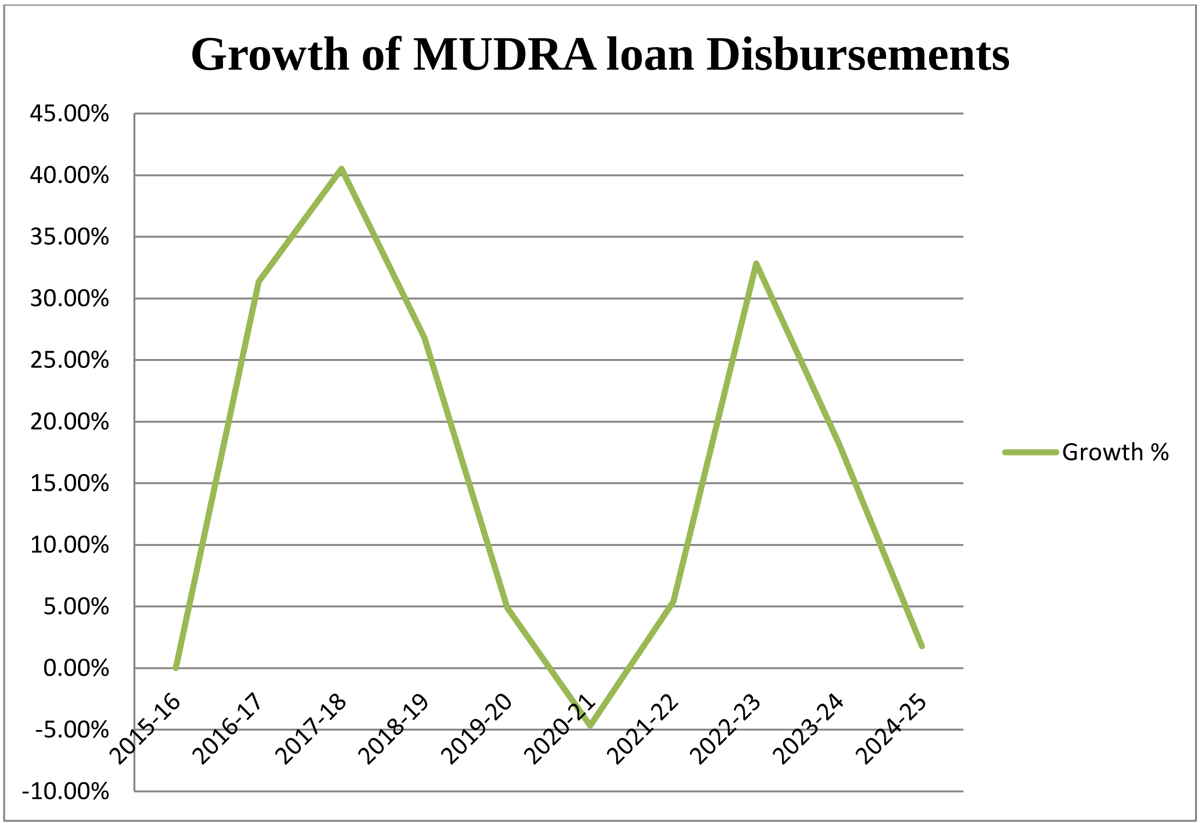
2023-24	5,32,358.35	18.19%
2024-25	5,41,802.58	1.77%

(Source: MUDRA Annual Reports)

Interpretation

The growth of loan sanctioned underMUDRA Yojana in the period of 2015-16 to 2024-25 ranges from -4.66% to 40.52%. In the year 2016-17 is with 31.35% growth and in the year 2017-18 as its peak with a growth rate of 40.52%. In the 2018-19 it showed up with a growth rate of 26.81% in reaching the small businesses. Its growth dropped down sharply to 4.90% in 2019-20, Growth went into negative -4.66% in 2020-21 it is a clear impact of COVID-19 pandemic. But in the 2021-22 recover phase started with mild recovery of 5.39% in loan sanction amount. The supportive policy has given spike in the MUDRA loan sanction in the year 2022-23 with a rise of 32.83% in the growth rate. As it continued in the year 2023-24 with a 18.19% growth rate. As MUDRA Yojana completed a decade but its growth slows down to 1.77% growth rate. It may be the effect of global challenges as tariff tensions are going on in the world economy. And it also shows that the MUDRA Yojana is more stable and came to its saturation phase. Now it requires a certain policy changes, to regain its approach to unorganized sector.

Chart No. 1: Growth of loan sanction under MUDRA Yojana



Scheme-wise Performance of loan under MUDRA Yojana in Karnataka

MUDRA Yojana loans are of 3 categories named as SHISHU, KISHOR and TARUN, SHISHU loan starts from minimum 10,000 maximum 50,000, it is ideal for Startups and new business ventures as it fulfills the need of seed capital requirements. KISHOR is the second stage of any start-up enterprise or growing businesses, the loan amount starts from 50,001 maximum 5,00,000, TARUN scheme meant for grown enterprises the loan amount ranges from 5,00,001 to 10,00,000 for the businesses looking for expansion.

MUDRA Yojana loans achieved high volumes in all categories, a SHISHU remains the most popular with 80% of total accounts opened under this category. Despite its high volume its share of the total sanctioned loan amount is lower compared to KISHOR and TARUN categories. KISHOR has seen cautious growth in Karnataka, reflecting a graduation from micro to small-scale enterprises. Whereas TARUN has seen most rapid expansion from micro enterprises to MSME's.

Table No. 2:Scheme-wise Sanction of loan under MUDRA Yojanain Karnataka

(in crores**)**

	Sanction Amount			
Year	**Shishu**	**Kishor**	**Tarun**	**Total**
2015-16	NA	NA	NA	16,861
2016-17	NA	NA	NA	18,002.55
2017-18	NA	NA	NA	23,009.73
2018-19	13,602.31 (45.35%)	10,014.47 (33.39%)	6,378.57 (21.27%)	29,995.35 (100%)
2019-20	14,039.11 (46.51%)	10,083.72 (33.41%)	6,062.90 (20.09%)	30,185.73 (100%)
2020-21	10,025.67 (33.20%)	13,094.63 (43.36%)	7,078.88 (23.44%)	30,199.18 (100%)
2021-22	9,689.76 (33.77%)	12,910.63 (44.99%)	6,094.90 (21.24%)	28,695.29 (100%)
2022-23	12,721.41 (31.05%)	19,378.72 (47.31%)	8,864.82 (21.64%)	40,964.95 (100%)
2023-24	14,812.21 (29.81%)	25,168.63 (50.66%)	9,703.47 (19.53%)	49,684.30 (100%)
2024-25	9,545.55 (19.30%)	26,882.46 (54.34%)	12,922.17 (26.12%)	49,470.21 (100%)
Average	12,062.29	16,790.47	8157.96	35,275.59

(Source: MUDRA Annual Reports)

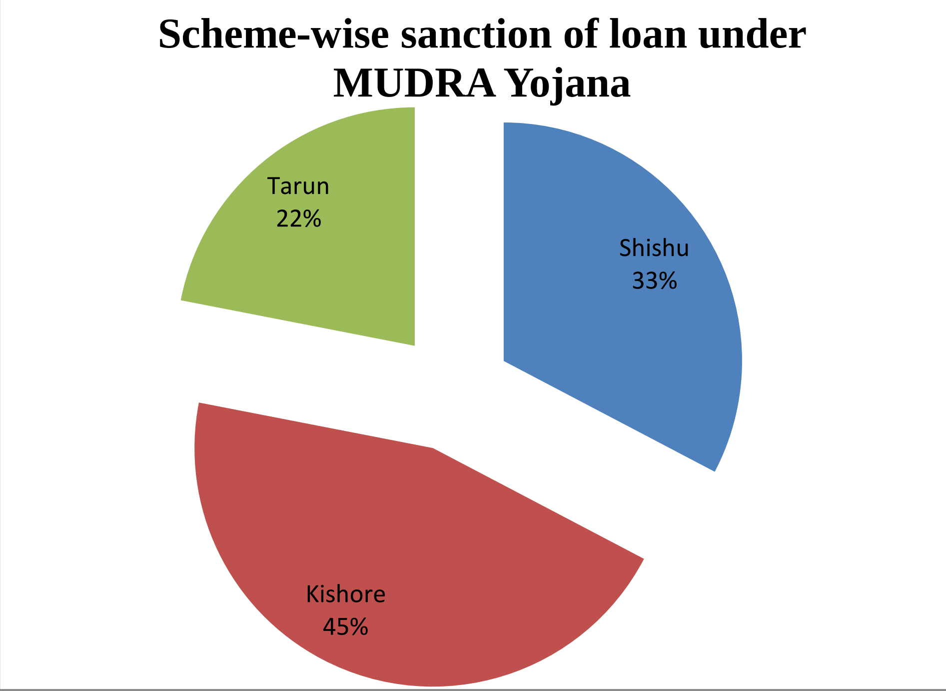
Interpretation

The above table depicts the performance of different MUDRA Yojana loans in Karnataka , as for the year 2015-16, 2016-17 and2017-18 scheme-wise data is not available. In the year 2018-19 Shishu scheme share the 46.51% of loan sanctioned, Kishor scheme shares 33.39%, whereas the share of Tarun scheme is 21.27%. In the year 2019-20 Shishu scheme share the 46.51% of loan amount sanctioned under MUDRA Yojana, Kishor scheme shares 33.41%, whereas Tarun scheme20.09% of loan amount sanctioned in Karnataka under MUDRA Yojana. In the year 2020-21 Shishu Yojana shares the 33.20% of loan amount sanctioned under MUDRA Yojana, Kishor scheme shares 43.36% in loan sanctioned it is increased by 10% compared to 2019-20, whereas the Tarun scheme shares 23.44% of loan amount sanctioned under MUDRA Yojana. In the year 2021-22 Shishu scheme shares the 33.77% of loan amount sanctioned under MUDRA Yojana. Kishor scheme shares 44.99% in loan amount sanctioned, whereas Tarun scheme shares 21.24% of total loan amount sanctioned under MUDRA Yojana. In the year 2022-23 Shishu scheme shares 31.05% of loan amount sanctioned, Kishor scheme shares 47.31% of loan amount sanctioned, whereas Tarun scheme21.64% of total loan amount sanctioned under MUDRA Yojana. In the year 2023-24 Shishu scheme shares 29.81% of the loan amount sanctioned. Kishor scheme share 50.66% of total loan amount sanctioned under MUDRA Yojana. Tarun scheme shares 19.53% of total loan amount

ISSNNo. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

sanctioned. In the year 2024-25 Shishu scheme shares only 19.30% Kishor scheme raised its share to 54.34%, Tarun scheme also increased its share of loan amount sanctioned to 26.12% of total loan amount sanctioned under MUDRA Yojana.

Chart No. 2 : Scheme-wise Sanction of loan under MUDRA Yojana in Karnataka



Performance of MUDRA Yojana in Karnataka

Karnataka is one of the India's top performing states under MUDRA Yojana. Ranking third in total sanctions of loan under MUDRA Yojana, Karnataka has 2.45 million registered micro enterprises. This vast MSME sector in Karnataka supports over 23 million jobs. Hence MUDRA Yojana is financially supporting these micro enterprises to expand their wings.

Table No.3: Sanction of loan under MUDRA Yojana in Karnataka

(in crores)

Year	Sanction Amount	Growth % (YoY)
2015-16	16,861	
2016-17	18,002.55	6.770
2017-18	23,009.73	27.814
2018-19	29,995.35	30.359
2019-20	30,185.73	0.635
2020-21	30,199.18	0.045
2021-22	28,695.29	-4.980
2022-23	40,964.95	42.758
2023-24	49,684.30	21.285
2024-25	49,470.21	-0.431

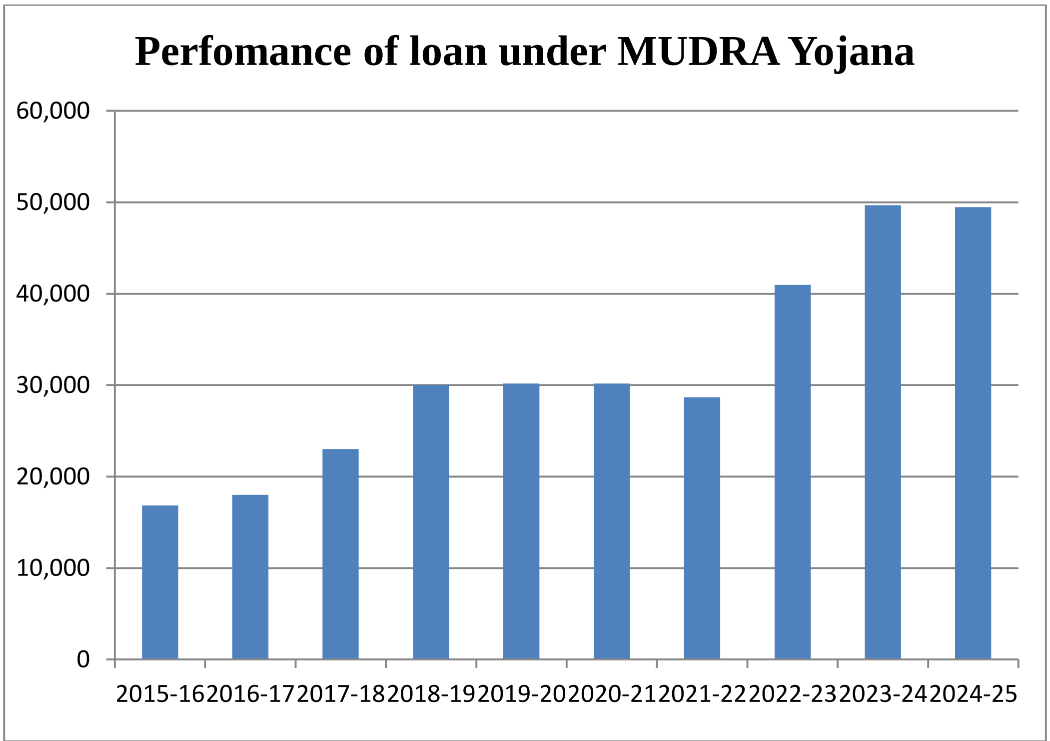
(Source: MUDRA Annual Reports)

ISSNNo. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

Interpretation

The above table shows the year-wise sanction amount and their corresponding growth rates over a period, reflecting fluctuations in loan sanctions. In 2015-16 inception year of MUDRA Yojana, loan sanction amount is ₹16,861 in Karnataka a good approach to financing the MSME sector, it's a good start. The growth rate of loan sanction under MUDRA Yojana ranges from -4.98% to 42.75%. In the year 2016-17, the loan sanction under MUDRA Yojana in Karnataka is 18,002.55 crore, with a growth rate of 6.77%. In 2017-18 the loan sanction amount is ₹ 23,009.73 crores showing a 27.81% growth. In 2018-19 by maintaining previous year legacy sanction amount is ₹29,995.35 crores with the consistency in growth rate as 30.35%. In 2019–20, the sanction amount stood at ₹30,185.73 crore, registering a marginal growth of 0.64%. In the year, 2020–21, growth at 0.04%, with the sanction amount slightly increasing to ₹30,199.18 crore. In 2021–22, the sanction amount declined to ₹28,695.29 crore, showing a negative growth of –4.98%. However, the trend reversed sharply in 2022–23, when the sanction amount of loan under MUDRA Yojana surged to ₹40,964.95 crore, demonstrating a strong growth of 42.75%. The upward trend continued in 2023–24, with the sanction amount rising to ₹49,684.30 crore, recording a healthy growth rate of 21.28%. Trend showed decline in the year 2024-25, with a sanction amount ₹49,470.21 crore, registering decrease in growth rate by negative -0.43%.

Chart No.3: Sanction of loan under MUDRA Yojana in Karnataka



MUDRA Yojana performance of Karnataka in Comparison with National level performance

Karnataka is highest performing state in sanctioning of loan under MUDRA Yojana as compared to National level performance. It consistently ranking among the top five states nationwide in loan sanctions. Karnataka recorded over 3 lakh crore in loan sanction, showcasing a strong uptake by micro enterprises. Karnataka has shown a consistency in sanction of loan under MUDRA Yojana.

Table No.4: Sanction of loan under MUDRA Yojana in Karnataka in comparison with National level

(in crores)

Year	Sanction amount at National level	Sanction amount at State level	% Share of Karnataka
2015-16	1,37,449.27	16,861	12.26%

ISSNNo. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

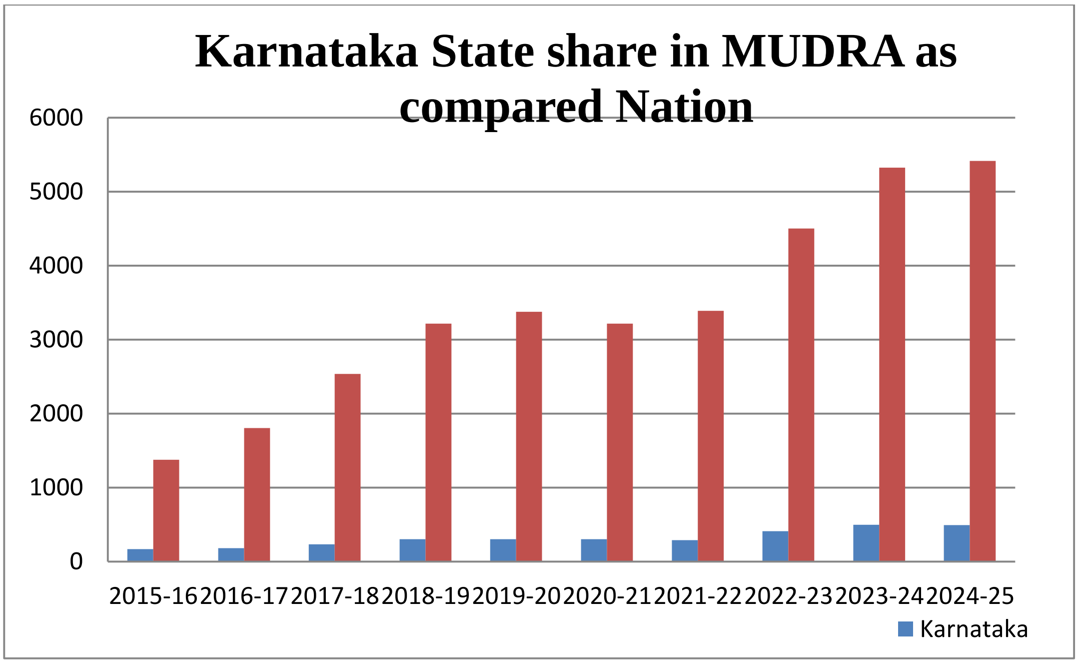
2016-17	1,80,528.54	18,002.55	9.97%
2017-18	2,53,677.1	23,009.73	9.07%
2018-19	3,21,722.79	29,995.35	9.32%
2019-20	3,37,495	30,185.73	8.94%
2020-21	3,21,759.30	30,199.18	9.38%
2021-22	3,39,110.40	28,695.29	8.46%
2022-23	4,50,423.65	40,964.95	9.09%
2023-24	5,32,358.35	49,684.30	9.33%
2024-25	5,41,802.58	49,470.21	9.13%

(Source: MUDRA Annual Reports)

Interpretation

The total sanction of loan amount under MUDRA Yojana in India increased significantly from ₹1.37 lakh crores in 2015-16 to ₹5.42 lakh crore in 2024-25. Sanction of loan under MUDRA Yojana in Karnataka rose from ₹16,861 crore in 2015-16 to ₹49,470.21 crore in 2024-25. In the year 2016-17 share of Karnataka in the sanction of loan under MUDRA Yojanais 9.97%. In 2017-18 the share is 9.07%. Whereas in the year 2018-19 share of Karnataka in the sanction of loan under MUDRA Yojana is9.32%. In 2019-20 the share 8.94%. Perfomance of Karnataka in sanctioning of loan under MUDRA Yojana in 2020-21 9.38%. In the year 2021-22 the share of Karnataka in MUDRA Yojana is 8.46%. In 2022-23 it rose to 9.05%. In the year 2023-24 the share of Karnataka in sanctioning of loan under MUDRA Yojanais 9.30%. In the year 2024-25 it is 9.10%.

Chart No.4: Sanction of loan under MUDRA Yojana in Karnataka in comparison with National level



MUDRA Yojana has come a long way of 10 years. It has successfully achieved its mission to fund the unfunded and to reach the unorganized sector. Informal enterprises are getting financial support from MUDRA Yojana. Seed capital to start a new business in the name of Shishu scheme. Financial assistance to the expansion of business which is well established already in market under Tarun scheme. And Kishor scheme if fulfilling the working capital requirements of the enterprises. Karnataka is performing harmoniously in sanction of loan amount under MUDRA Yojana. MUDRA Yojana has attained its vision to cover unorganized sector under formal credit facility.

ISSNNo. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

FINDINGS

- The MUDRA Yojana schemes are designed to cover the unorganized sector and MSME's. Focused on the sectors which find limited access to formal credit facility.
- As it started well in the year 2015-16 with sanction of loan under MUDRA Yojanais amounted to₹1,37,449.27 in total. This reflects a strong long term expansion of finance to micro enterprises lending in India**.**
- Its growth dropped down sharply to 4.90% in 2019-20, it marks the beginning of saturation, which gives insights to policy check its regulations and make it more borrowers friendly.
- Growth becomes negative -4.66% in 2020-21 it is a clear impact of COVID-19 pandemic, which reduced economic activity, leading to cautious lending and borrowing.
- 2021-22 is the year of recovery started with mild come back of 5.39% in sanctioning loan under MUDRA Yojana. Which may be the effect of "2% Interest subvention Yojana for MUDRA-Shishu loans" by Government of India under Aatmanirbhar Bharat Package aimed to mitigate the impact of COVID-19. Where as an interest subvention of 2% is provided to all the MUDRA Yojana – Shishu scheme borrowers.
- As MUDRA Yojana completeda decade but its growth rate slows down with 1.77%. It may be the effect of global challenges as tariff tensions are going on in the world economy. And it also shows that the MUDRA Yojana is more stable and came to its saturation phase.
- In Karnataka, MUDRA Yojana SHISHU scheme is doing well with its share ranging from 19.30% to 46.51% of sanction of loan.
- Kishor scheme under MUDRA Yojana in Karnataka is gradually increased its share of sanction of loan amount in the last decade which ranges from33.39% in 2018-19 to 54.34% share in 2024-25. Kishor scheme is performing well in Karnataka.
- Tarun scheme under MUDRA Yojana in Karnatka raised its share of sanction of loan amount from 21.27% in 2018-19to 26.12% in 2024-25.
- Karnataka is performing well with a year on year growth rate ranging from -4.98% to 42.75%. In 2021–22, the loan sanction amount declined to ₹28,695.29 crore, showing a negative growth of –4.98%. This marks the only contraction in the series and reflects ongoing economic stress and reduced credit uptake.
- In 2022–23, when the sanction of loan under MUDRA Yojana surged to ₹40,746.09 crore, demonstrating a strong growth of 42.75%. This significant rebound suggests improved economic conditions, increased credit demand, and possibly supportive policy interventions.
- Karnataka trend showed decline in the year 2024-25, with a sanction amount ₹49,470.21 crore, registering decrease in growth rate by negative -0.43%, Global economic conditions remain challenging, rising trade tensions, tariff uncertainties and continuing geopolitical risks have posed challenges for India's exports.
- Karnataka has given good start with ₹16,861 crore loan sanctioned under MUDRA Yojana in the inception year with a 12% contribution to total loan sanctioned at a National level.
- Finally in the past decade Karnataka stood consistent with around 9% contribution of sanction of loan under MUDRA Yojana sanctioned amount as compared National level, maintaining its place. It shows Karnataka remains a major contributor in absolute terms.

Suggestions

In order to enhance the effectiveness and to have a wider reach of the scheme the MUDRA Yojana should follow the salient suggestions.

- The MUDRA should take initiative to make sure whether the scheme is reached to the targeted group i.e., units working in unorganized sector.
- The MUDRA should ensure the loan amount must be used for the defined project.
- The MUDRA should take special care to conduct awareness programmes of MUDRA Yojana and its different schemes.
- MUDRA must ensure the compliance with its guidelines.

CONCLUSION

The foundation of economic development lies in the support and strengthening of small businesses. And to undertake these unfunded micro economic activities to formal credit facility regime. The Government of India has launched the Pradhan Mantri MUDRA Yojana , this initiative not only to providing loans, it aims to stimulate economic activities to uplift underprivileged.

The MUDRA Yojana has played a significant role in expanding credit access in India. While the early years saw aggressive growth, recent trends indicate a transition towards stability and maturity, with growth coming more moderate after recovering from pandemic related disruptions.

The decade trend in sanction amounts reveals a period of subdued growth followed by a temporary setback and a strong recovery in the subsequent years. While the initial stagnation and the decline in 2021–22 highlight the challenges faced during and after the pandemic, the sharp rise in sanction of loan from 2022–23 onward reflects renewed economic activity, improved credit flow, and greater confidence among borrowers. The sustained growth in 2023–24 further reinforces this positive trajectory, indicating that the financial ecosystem has not only stabilized but is progressing toward stronger and more consistent expansion. The decline in the 2024-25 represents global economic stress and saturation stage of the MUDRA Yojana, which indicated the requirement of replenishing its policy to face the future challenges.

In all these years Karnataka stands absolute contributor to the Nations initiative MUDRA Yojana to reach informal sector to provide formal finance. It has contributed consistent 9% in outreaching the micro enterprises by formal financial assistance.

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