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Impact of Pradhan Mantri Mudra Yojana on the Growth and Sustainability of Small Enterprises: A Study of Gautam Buddh Nagar District, Uttar Pradesh

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ABSTRACT

The Pradhan Mantri Mudra Yojana (PMMY) has emerged as an important government initiative for improving access to institutional credit among micro and small enterprises that traditionally face difficulties in obtaining formal finance. Launched in 2015, the scheme provides collateral-free credit through the Shishu, Kishor, Tarun, and Tarun Plus categories for eligible income-generating activities in manufacturing, trading, services, and activities allied to agriculture. By March 2026, PMMY had disbursed more than ₹40.07 lakh crore through over 57 crore loan accounts, demonstrating its extensive reach across the Indian economy. The present study investigates the impact of PMMY on the growth and sustainability of small enterprises in Gautam Buddh Nagar district of Uttar Pradesh. The study examines access to finance, business expansion, employment generation, working-capital availability, asset creation, revenue growth, financial inclusion, and enterprise sustainability. A qualitative and analytical methodology based on secondary literature, official government data, MSME reports, and district-level economic information is adopted. Gautam Buddh Nagar represents an important study area because Noida and Greater Noida constitute major industrial and entrepreneurial centres, including a substantial ready-made garment cluster and diverse manufacturing and service activities. The findings indicate that PMMY has contributed to improving formal credit access and entrepreneurial opportunities, particularly for first-time entrepreneurs and small businesses. However, challenges relating to awareness, documentation, repayment capacity, financial literacy, market competition, technology adoption, and access to larger growth capital continue to affect long-term enterprise sustainability. The study concludes that strengthening financial literacy, post-loan handholding, digital financial services, market linkages, and enterprise development support can increase the long-term effectiveness of PMMY in Gautam Buddh Nagar.

Keywords- Pradhan Mantri Mudra Yojana; PMMY; Small Enterprises; Micro Enterprises.

I. INTRODUCTION

Micro and small enterprises constitute an important component of India's economic structure by generating employment, supporting local production, encouraging entrepreneurship, and providing goods and services to diverse sections of society. Their development, however, has historically been constrained by limited access to affordable institutional credit. Small entrepreneurs frequently face difficulties in providing collateral, maintaining formal financial records, establishing credit histories, and meeting conventional banking requirements. As a result, many micro enterprises have traditionally depended upon personal savings, informal borrowing, family resources, or local moneylenders. Improving access to formal finance is therefore an important prerequisite for promoting sustainable enterprise development and inclusive economic growth [1–4].

The Pradhan Mantri Mudra Yojana was launched on 8 April 2015 with the objective of providing institutional, collateral-free credit to micro enterprises. The scheme initially operated through three categories—Shishu, Kishor, and Tarun—and was subsequently expanded through the Tarun Plus category for eligible entrepreneurs who have successfully repaid previous Tarun loans. Under the present framework, Shishu covers loans up to ₹50,000, Kishor covers loans above ₹50,000 and up to ₹5 lakh, Tarun covers loans above ₹5 lakh and up to ₹10 lakh, and Tarun Plus covers loans above ₹10 lakh and up to ₹20 lakh for qualifying repeat borrowers. PMMY supports manufacturing, trading, services, and activities allied to agriculture such as dairy, poultry, and beekeeping [5–7].

The scale of PMMY has increased considerably since its introduction. Official government information indicates that, as of 27 March 2026, the scheme had disbursed approximately ₹40.07 lakh crore through more than 57 crore loan accounts. More than 12 crore accounts were associated with new entrepreneurs, highlighting the role of PMMY in bringing previously underserved entrepreneurs into the formal financial system. Government data also indicate substantial participation by women and entrepreneurs from historically disadvantaged social groups, demonstrating the scheme's financial-inclusion dimension [8,9].

Gautam Buddh Nagar provides an important regional context for studying the relationship between institutional credit and enterprise growth. The district includes Noida and Greater Noida, which constitute major industrial, manufacturing, service, technology, trading, and entrepreneurial centres in Uttar Pradesh. The district also contains established industrial clusters, including a significant ready-made garment cluster distributed across Noida and Greater Noida. Government MSME documentation identifies more than 1,700 operating units in Noida and around 1,000 in Greater Noida within this cluster, illustrating the importance of small and medium business activity to the district economy [10].

The availability of formal credit can influence enterprise growth through several channels. Access to working capital enables entrepreneurs to purchase raw materials, maintain inventories, pay wages, manage receivables, and respond to changing market demand. Term financing can support the purchase of machinery, equipment, vehicles, shop infrastructure, technology, and other productive assets. For newly established enterprises, access to institutional credit may also reduce dependence on informal sources of finance and facilitate entry into the formal business economy [11–14].

PMMY is particularly relevant to small enterprises because its collateral-free structure attempts to address one of the major barriers faced by entrepreneurs without substantial fixed assets. The scheme's four-stage loan architecture also provides an institutional pathway through which enterprises may progress from very small initial financing toward larger credit requirements. Nevertheless, access to credit alone does not automatically ensure enterprise sustainability. Long-term survival depends upon market demand, managerial capability, financial discipline, technological adaptation, productivity, competition, repayment capacity, and access to business-development services [6,12,15].

The relationship between credit and enterprise performance is therefore multidimensional. While additional finance can increase production capacity and business turnover, excessive borrowing or inadequate working-capital management may increase financial pressure. Similarly, entrepreneurs who receive credit without adequate market knowledge, accounting skills, digital capabilities, or technical assistance may not achieve the expected growth outcomes. Consequently, the effectiveness of PMMY should be assessed not only through the number and value of loans sanctioned but also through enterprise-level outcomes such as business expansion, employment generation, income improvement, asset formation, survival, and repayment performance [13–16].

Recent developments have also increased the importance of digital financial systems in enterprise lending. Digitization of MUDRA transactions and emerging digital credit-assessment mechanisms have the potential to improve transparency, reduce transaction costs, and accelerate loan processing. The Government reported that digitalization has enhanced efficiency and ease of credit access, while newer digital credit-assessment approaches for MSMEs seek to use verifiable digital information for faster lending decisions [9,17].

Against this background, the present study investigates the impact of Pradhan Mantri Mudra Yojana on the growth and sustainability of small enterprises in Gautam Buddh Nagar district, Uttar Pradesh. The study focuses on the role of PMMY in improving access to institutional finance, strengthening working capital, supporting business expansion, generating employment, encouraging entrepreneurship, promoting financial inclusion, and improving the sustainability of small enterprises. It also examines the challenges that may limit the effectiveness of the scheme and identifies measures for strengthening its contribution to local economic development.

II. MATERIALS AND METHODS

The present study adopts a comprehensive qualitative and analytical research methodology to investigate the impact of Pradhan Mantri Mudra Yojana on the growth and sustainability of small enterprises in Gautam Buddh Nagar district, Uttar Pradesh. The research is primarily based on secondary data and integrates concepts from economics, commerce, entrepreneurship, financial inclusion, banking, development studies, and MSME management. The approach enables systematic assessment of the relationship between institutional credit availability and enterprise-level outcomes including business expansion, employment generation, working-capital adequacy, asset creation, income improvement, and long-term sustainability [1,2].

Data were collected through an extensive review of peer-reviewed research articles, books, conference proceedings, government reports, policy documents, banking publications, MSME reports, and official statistical sources published between 2017 and 2026. Information was obtained from publications and databases associated with the Ministry of Finance, Department of Financial Services, Ministry of Micro, Small and Medium Enterprises, Reserve Bank of India, Small Industries Development Bank of India, MUDRA, Government of Uttar Pradesh, Uttar Pradesh MSME Department, and district-level economic and industrial development agencies. Official PMMY information confirms that the scheme provides collateral-free institutional credit through banks, NBFCs, MFIs, and other eligible lending institutions [5,7,8].

The geographical focus of the study is Gautam Buddh Nagar district, with particular consideration of the economic environments of Noida and Greater Noida. The district was selected because of its substantial industrial and entrepreneurial base, diversified manufacturing and service sectors, and concentration of small and medium enterprises. Government MSME documentation identifies Gautam Buddh Nagar as an important cluster location, including the Noida–Greater Noida ready-made garment cluster [10].

The study examines PMMY through major dimensions of enterprise development including access to formal credit, adequacy of working capital, investment in fixed assets, business expansion, sales and revenue growth, employment generation, technology adoption, inventory management, entrepreneurial entry, financial inclusion, and repayment capacity. Particular attention is given to the four PMMY categories—Shishu, Kishor, Tarun, and Tarun Plus—and their potential relationship with different stages of enterprise development [6,7].

A qualitative content-analysis approach was used to identify recurring findings in previous studies concerning the effectiveness of PMMY and micro-enterprise finance. Comparative analysis was undertaken between the initial stages of enterprise development and subsequent growth requirements, particularly with respect to working capital, asset acquisition, business diversification, employment, and market expansion. National-level PMMY trends were used as contextual evidence, while Gautam Buddh Nagar's industrial and MSME environment was considered for regional interpretation. The analysis does not claim that national PMMY statistics constitute direct measurements of enterprise outcomes within Gautam Buddh Nagar.

The study further examines constraints affecting enterprise sustainability, including limited awareness of loan categories, difficulties in documentation, delays in credit processing, inadequate financial literacy, repayment pressure, insufficient market access, competition from larger firms, limited technological capabilities, and difficulty in obtaining larger amounts of growth capital. The study also considers the potential role of digital lending, financial literacy, enterprise-development training, market linkages, and post-loan institutional support in improving the effectiveness of credit interventions [9,13–17].

To ensure reliability and validity, information from different official and academic sources was cross-verified through data triangulation. Particular preference was given to official government sources for current PMMY statistics and scheme provisions. As of 26 June 2026, official government information reported 59.14 crore PMMY loans amounting to ₹41.71 lakh crore sanctioned since inception, demonstrating the continuing expansion of the scheme [18]. Any differences among published statistics were interpreted with reference to the reporting date and whether the figures represented sanctioned or disbursed amounts. The synthesized evidence was then used to assess the likely contribution of PMMY to small-enterprise development and sustainability in Gautam Buddh Nagar.

III. RESULTS

The findings indicate that PMMY has substantially expanded the availability of formal credit to micro and small entrepreneurs in India and provides an important institutional framework for examining enterprise development in Gautam Buddh Nagar. Since its launch in 2015, the scheme has reached tens of crores of loan accounts, demonstrating considerable demand for small-business finance. By March 2026, official data reported more than 57 crore loan accounts and ₹40.07 lakh crore in cumulative disbursements, while later government reporting placed cumulative sanctions at 59.14 crore loans worth ₹41.71 lakh crore as of 26 June 2026 [8,18].

The analysis indicates that PMMY can contribute to enterprise growth by providing working capital and investment finance without requiring traditional collateral. Small businesses can use such finance for inventory purchases, machinery, equipment, shop establishment, transportation, business expansion, and other income-generating activities. The scheme therefore addresses a significant financial constraint faced by entrepreneurs who possess viable business opportunities but lack sufficient personal capital or collateral. This mechanism is particularly relevant to the diversified small-enterprise environment of Gautam Buddh Nagar.

The findings further indicate that PMMY has an important role in promoting first-time entrepreneurship and financial inclusion. Government information reported more than 12 crore new-entrepreneur accounts by March 2026. Women represented approximately 59.81% of loan accounts in the reported data, while SC, ST, and OBC borrowers collectively represented 45.52% of loan accounts. These figures suggest that the scheme has extended formal credit beyond established business owners and has facilitated participation by groups traditionally facing greater barriers to institutional finance [9].

The four-category structure of PMMY also provides a framework corresponding to different stages of enterprise financing. Shishu is particularly relevant to very small and newly established businesses requiring limited initial capital, while Kishor and Tarun provide progressively larger financing for enterprises with greater working-capital and investment requirements. Tarun Plus further creates an opportunity for successful Tarun borrowers to access loans up to ₹20 lakh after repayment of earlier Tarun borrowing. This progression may support enterprise continuity and gradual expansion when accompanied by adequate managerial and market capabilities [5,7].

The study identifies several potential sustainability benefits associated with improved access to formal credit. Adequate working capital can help enterprises maintain regular operations during periods of fluctuating demand, while investment financing can support modernization and capacity expansion. Access to institutional finance may also reduce dependence on informal lenders and encourage entrepreneurs to develop formal banking relationships. In an industrial district such as Gautam Buddh Nagar, these factors may support enterprises operating within manufacturing, trading, repair, transport, apparel, services, and other local business segments.

However, the findings also indicate that credit availability alone is insufficient to guarantee long-term enterprise sustainability. Small enterprises continue to face challenges associated with market competition, inadequate financial management, limited technological adoption, rising input costs, repayment obligations, shortage of skilled labour, and changing consumer demand. Entrepreneurs may also require additional assistance in marketing, accounting, digital commerce, quality certification, and business planning. Therefore, the developmental impact of PMMY is likely to be stronger when credit is combined with appropriate non-financial support.

The analysis of the Gautam Buddh Nagar context indicates substantial opportunities for linking credit access with the district's established industrial and entrepreneurial ecosystem. Government MSME planning documents identify a significant ready-made garment cluster across Noida and Greater Noida, with more than 2,700 units reported across the two areas in the cited cluster assessment. Such industrial concentration provides opportunities for small enterprises to use formal credit for technology upgrading, inventory financing, supply-chain participation, product diversification, and employment expansion.

The results also demonstrate increasing importance of digital financial infrastructure. Government information indicates that digitization of MUDRA transactions has improved efficiency and transparency, while newer digital credit-assessment models are intended to accelerate MSME lending decisions. These developments may reduce administrative barriers and improve access to formal finance, particularly for enterprises capable of maintaining verifiable digital financial records [9,17].

Overall, the evidence suggests that PMMY has made a significant contribution to financial inclusion and has created an important financing channel for small and micro enterprises. In Gautam Buddh Nagar, its potential contribution is strengthened by the district's industrial base and diversified enterprise environment. Nevertheless, sustainable enterprise growth requires complementary interventions in entrepreneurship training, financial literacy, digital capabilities, market access, technology adoption, and post-loan business support.

Table 1. Impact of PMMY on Growth and Sustainability of Small Enterprises

Indicator	Impact of PMMY	Significance for Enterprises
Access to formal credit	Improved	Reduces dependence on informal lenders
Working capital	Improved	Supports inventory, wages and daily operations
Fixed-asset investment	Increased	Facilitates machinery, equipment and infrastructure
Business expansion	Positive	Supports increased production and market reach
Employment generation	Positive	Creates additional employment opportunities
Entrepreneurship	Improved	Encourages new and first-time entrepreneurs
Financial inclusion	Strong positive impact	Brings underserved groups into formal finance
Digital financial adoption	Increasing	Improves payments, records and credit access
Enterprise sustainability	Moderately positive	Depends on management, markets and repayment capacity
Major constraints	Remain significant	Financial literacy, competition, technology and market access

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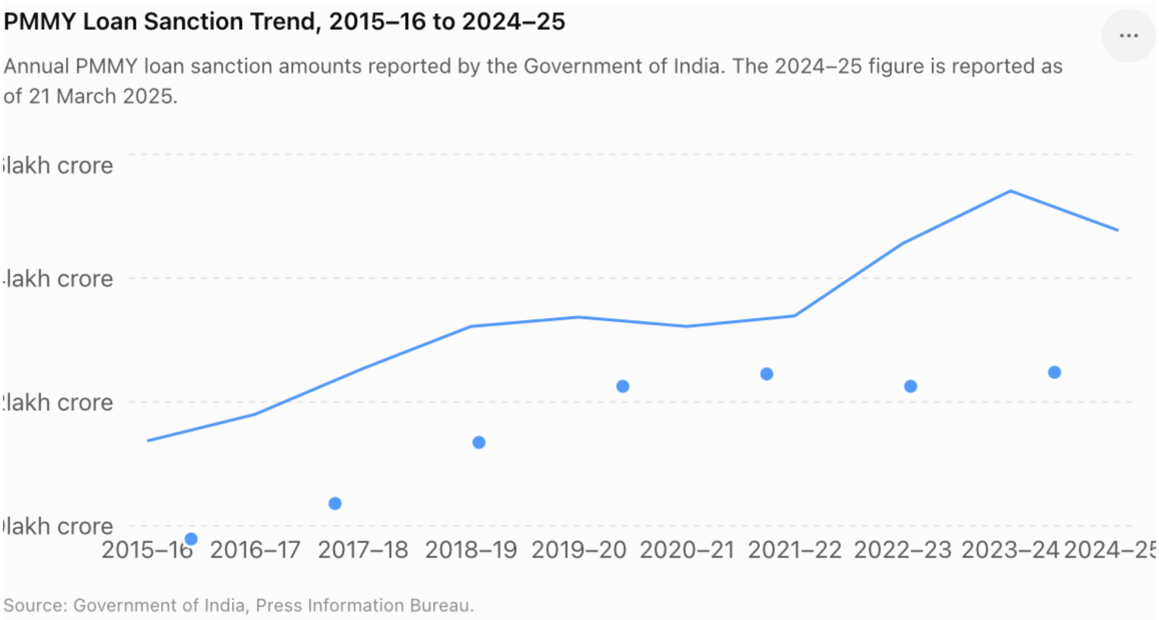

Graph

IV. DISCUSSION

The findings demonstrate that PMMY has played a substantial role in expanding access to institutional credit for India's micro and small enterprise sector. Its collateral-free structure addresses one of the most important barriers faced by entrepreneurs who possess limited fixed assets. The rapid growth in the number and value of PMMY loans indicates strong demand for small-business finance and demonstrates the importance of accessible credit in promoting entrepreneurship and financial inclusion [5,8,18].

The increasing scale of PMMY is particularly relevant to Gautam Buddh Nagar because the district contains a highly diversified business environment encompassing manufacturing, trading, services, technology-related activities, apparel, transport, repair services, and other enterprises. The presence of Noida and Greater Noida as major industrial centres creates opportunities for small enterprises to participate in local and regional supply chains. Credit can therefore support not only independent micro-businesses but also enterprises supplying larger industrial and service organizations.

The results suggest that the scheme's greatest contribution may occur through the combination of credit access and entrepreneurial entry. New entrepreneurs frequently face difficulty obtaining loans because they lack established credit histories and collateral. PMMY's institutional design reduces some of these barriers. Official data showing more than 12 crore new-entrepreneur accounts by March 2026 indicate the scheme's significant role in bringing first-time entrepreneurs into formal finance [9].

Women entrepreneurship is another important dimension. Government data indicate that women account for a substantial majority of PMMY loan accounts. This suggests that the scheme can contribute to economic participation among women by providing financing for home-based enterprises, retail businesses, service activities, food-related businesses, manufacturing, and other income-generating activities. In the context of Gautam Buddh Nagar, improved access to finance may help women entrepreneurs participate more effectively in the district's expanding commercial and service economy.

At the same time, the sustainability of enterprises depends on more than loan availability. Small businesses require appropriate business planning, financial management, technology, skilled labour, market knowledge, and customer access. A borrower who receives credit without sufficient capacity to manage cash flows or identify profitable markets may face repayment difficulties. Therefore, the policy focus should gradually move from credit delivery alone toward an integrated model of credit plus capability plus market access.

The introduction of Tarun Plus is potentially important from a sustainability perspective because it creates an additional financing pathway for eligible entrepreneurs who have successfully repaid earlier Tarun loans. This can support enterprises that have demonstrated repayment discipline and now require additional capital for expansion. However, larger credit should be accompanied by stronger financial planning and enterprise-development support to prevent excessive leverage.

Digitalization represents another important opportunity. Digital financial records can improve transparency, enable faster credit assessment, and potentially strengthen the formal financial history of small enterprises. The government's reported expansion of digital credit-assessment mechanisms indicates a broader movement toward data-supported MSME

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lending [17]. For enterprises in a technologically advanced district such as Gautam Buddh Nagar, digital finance, e-commerce, online accounting, and digital payments can potentially increase the productivity and market reach of PMMY-supported enterprises.

The study therefore suggests that PMMY should be integrated with other MSME-support programmes covering entrepreneurship development, skill training, technology upgrading, quality certification, digitalization, market access, and cluster development. Such integration can increase the probability that credit translates into productive investment rather than merely short-term consumption or debt servicing.

The present study concludes that the Pradhan Mantri Mudra Yojana has emerged as an important instrument for expanding institutional credit access among micro and small enterprises in India, with considerable relevance to the entrepreneurial environment of Gautam Buddh Nagar. Since its launch in 2015, PMMY has expanded dramatically, and official data reported more than ₹40.07 lakh crore in cumulative disbursements through over 57 crore accounts by March 2026.

In Gautam Buddh Nagar, where Noida and Greater Noida constitute major industrial and commercial centres, improved access to collateral-free credit can support working capital, asset acquisition, business expansion, entrepreneurship, employment generation, and participation in industrial supply chains. The scheme's focus on women, new entrepreneurs, and underserved groups also strengthens its contribution to financial inclusion.

However, long-term enterprise sustainability cannot be achieved through credit alone. Entrepreneurs require financial literacy, managerial skills, digital capabilities, technology support, market linkages, business mentoring, and appropriate post-loan assistance. The effectiveness of PMMY can therefore be strengthened by integrating financial support with enterprise-development services.

Future research should undertake primary field surveys of PMMY beneficiaries in Gautam Buddh Nagar to quantitatively measure changes in turnover, employment, profitability, asset formation, repayment performance, business survival, and productivity before and after receiving PMMY finance. Such district-specific empirical research would provide stronger evidence regarding the actual enterprise-level impact of the scheme.

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