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Tourism Entrepreneurship and Financial Inclusion in India: Assessing the Role of Pradhan Mantri Mudra Yojana During 2015-2025

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Abstract

Tourism entrepreneurship plays a vital role in promoting employment generation, regional development, and inclusive economic growth in India. However, inadequate access to institutional finance remains a major challenge for micro and small tourism enterprises. This study examines the role of the Pradhan Mantri Mudra Yojana (PMMY) in promoting tourism entrepreneurship through financial inclusion during the period 2015-2025. The study is based entirely on secondary data collected from government publications, including the Department of Financial Services, MUDRA Ltd., the Ministry of Tourism, the Reserve Bank of India, and relevant peer-reviewed literature. A descriptive and analytical research design was adopted using trend analysis, comparative analysis, and documentary review. The findings indicate that PMMY has substantially expanded collateral-free institutional credit to micro-enterprises, thereby creating financial opportunities for tourism-related businesses such as homestays, restaurants, travel agencies, transport services, and handicraft enterprises. Although official PMMY statistics do not provide sector-wise information on tourism enterprises, the scheme's broad eligibility framework suggests an indirect contribution to tourism entrepreneurship through enhanced financial inclusion. The study concludes that PMMY has strengthened the entrepreneurial ecosystem by improving access to formal finance and recommends better sector-specific data reporting and stronger coordination between financial institutions and tourism authorities to enhance policy effectiveness.

Keywords: Tourism Entrepreneurship; Financial Inclusion; Pradhan Mantri Mudra Yojana (PMMY); Micro-enterprises; Tourism Development; India.

1. Introduction

Tourism is widely recognised as a significant driver of economic growth, employment generation, entrepreneurship, and regional development. Owing to its strong intersectoral linkages with accommodation, transportation, food services, handicrafts, retail trade, cultural industries, and several other service activities, tourism generates substantial multiplier effects across the economy. In developing countries, the sector assumes greater importance because it creates self-employment opportunities, supports micro and small enterprises (MSEs), and contributes to inclusive and sustainable development. Recent empirical evidence further suggests that tourism development is positively influenced by financial inclusion and institutional quality, highlighting the importance of an enabling entrepreneurial ecosystem for sustainable tourism growth (Shi et al., 2021).

Tourism entrepreneurship has consequently emerged as an important area of academic research and public policy. Unlike large-scale industrial investments, tourism businesses generally require relatively modest capital and are predominantly established as micro and small enterprises. Homestays, guest houses, restaurants, cafés, travel agencies, tour operators, local transport providers, handicraft enterprises, souvenir shops, and wellness services collectively form the foundation of tourism entrepreneurship in many destinations. These enterprises generate employment, diversify household income, strengthen local value chains, and encourage community participation in tourism development. In a widely cited study, Ngoasong and Kimbu (2016) demonstrated that improved access to finance enhances entrepreneurial resilience and supports the growth of small tourism enterprises, particularly in developing economies where formal financial markets remain underdeveloped.

Despite the growing importance of tourism entrepreneurship, inadequate access to institutional finance continues to be one of the most significant barriers to enterprise creation and expansion. Micro and small businesses frequently experience financing constraints because of limited collateral, information asymmetry, weak credit histories, and high transaction costs. Beck, Demirgüç-Kunt, and Maksimovic (2005) found that financial constraints impede the growth of smaller firms more severely than larger firms, emphasising the critical role of formal finance in entrepreneurial development. Greater access to institutional credit enables entrepreneurs to establish new businesses, undertake productive investments, adopt innovation, improve operational efficiency, and generate employment, thereby contributing to inclusive economic growth.

Financial inclusion has therefore become a major development priority across both developed and developing economies. Contemporary literature defines financial inclusion as ensuring affordable access to and effective use of a broad range of formal financial services, including savings, credit, insurance, and digital financial products. Rather than focusing solely on bank account ownership, recent studies emphasise that financial inclusion should be assessed through multiple dimensions such as accessibility, availability, affordability, usage, and quality of financial services. A systematic review by Pesqué-Cela et al. (2021) highlighted that comprehensive financial inclusion plays an important role in reducing financial exclusion and expanding entrepreneurial opportunities, particularly for underserved populations and micro-enterprises. Improved access to formal finance also encourages business formalisation, enterprise survival, and long-term business expansion.

Only recently has the relationship between financial inclusion and tourism received greater scholarly attention. Using evidence from advanced and emerging economies, Shi, Swamy, and Paramati (2021) reported that higher levels of financial inclusion significantly enhance various dimensions of tourism development, including tourism expenditure and the overall contribution of tourism to national economies. Their findings suggest that an inclusive financial system creates a supportive environment for tourism-related entrepreneurial activities by improving access to financial services and investment opportunities. However, empirical evidence examining this relationship at the level of tourism micro-enterprises, particularly in developing countries, remains limited.

Recognising the importance of institutional finance for promoting entrepreneurship, the Government of India launched the Pradhan Mantri Mudra Yojana (PMMY) on 8 April 2015 to improve access to collateral-free institutional credit for non-corporate, non-farm micro-enterprises. The scheme provides financial assistance through banks and other eligible lending institutions under the Shishu, Kishor, and Tarun categories to support enterprise creation, expansion, and self-employment. Since its inception, PMMY has become one of India's flagship financial inclusion initiatives and has financed millions of micro-enterprises operating across manufacturing, trading, and service sectors (Department of Financial Services, 2024; MUDRA Ltd., 2024).

Although PMMY is not a tourism-specific credit programme, a wide range of tourism-related enterprises are eligible to receive financial assistance under its operational framework. Businesses such as homestays, guest houses, restaurants, cafés, travel agencies, tour operators, local transport services, handicraft units, souvenir shops, and other tourism support services fall within the category of micro-enterprises targeted by the scheme. Considering the predominance of micro and small businesses in India's tourism sector, improved access to institutional finance has the potential to strengthen tourism entrepreneurship, encourage enterprise expansion, generate local employment, and support inclusive destination development. Nevertheless, existing literature has largely examined financial inclusion, tourism development, and entrepreneurship as separate areas of enquiry. Studies specifically assessing the contribution of PMMY to tourism entrepreneurship using comprehensive secondary evidence remain scarce.

Against this background, the present study examines the role of the Pradhan Mantri Mudra Yojana (PMMY) in promoting tourism entrepreneurship in India during the period 2015-2025. Using official government statistics, policy documents, and peer-reviewed literature, the study analyses trends in PMMY implementation alongside developments in India's tourism sector to assess the contribution of financial inclusion to tourism-related micro-enterprises. The study contributes to the emerging literature at the intersection of tourism entrepreneurship, financial inclusion, and public policy while providing evidence-based insights for policymakers, financial institutions, and tourism planners to strengthen inclusive and sustainable tourism entrepreneurship.

2. Objectives of the Study

The present study aims to assess the role of the Pradhan Mantri Mudra Yojana (PMMY) in promoting tourism entrepreneurship in India using secondary data for the period from 2015 to 2025. The specific objectives of the study are:

1. To examine the growth and performance of the Pradhan Mantri Mudra Yojana (PMMY) in India during the period from 2015 to 2025.

2. To analyse the growth trends of tourism and tourism-related entrepreneurship in India using official secondary data.
3. To assess the role of PMMY in enhancing financial inclusion and its potential contribution to tourism-related micro-enterprises in India.
4. To suggest policy measures for strengthening financial inclusion to promote sustainable tourism entrepreneurship in India.

3. Research Methodology

This study adopts a descriptive and analytical research design based entirely on secondary data to assess the role of the Pradhan Mantri Mudra Yojana (PMMY) in promoting tourism entrepreneurship in India during 2015 to 2025. Data were collected from authentic sources, including the Department of Financial Services, MUDRA Ltd., the Ministry of Tourism, the Reserve Bank of India, and relevant and available literature. The collected data were analysed using descriptive, trend, comparative, and documentary analysis techniques to interpret the relationship between financial inclusion and tourism entrepreneurship. The study relies exclusively on publicly available secondary data; therefore, ethical approval and primary data collection were not required.

4. Results and Discussion

4.1 Growth and Performance of the Pradhan Mantri Mudra Yojana (PMMY)

Table 1: Year-wise Performance of the Pradhan Mantri Mudra Yojana (PMMY), 2015-2025

Financial Year	Loan Accounts Sanctioned (Crore)	Amount Sanctioned (₹ Lakh Crore)
2015-16	3.49	1.37
2016-17	3.97	1.80
2017-18	4.81	2.54
2018-19	5.98	3.22
2019-20	6.23	3.37
2020-21	5.07	3.22
2021-22	5.38	3.39
2022-23	6.24	4.56
2023-24	6.67	5.41
2024-25*	5.47	5.53

Note: Data for 2024-25 are up to 28 February 2025.

Source: Compiled from the Department of Financial Services, Ministry of Finance, Government of India; PMMY Portal etc.

Table 1 shows that the Pradhan Mantri Mudra Yojana (PMMY) has expanded significantly since its launch in 2015. The number of sanctioned loan accounts increased from 3.49 crore in 2015-16 to 6.67 crore in 2023-24, while the sanctioned amount rose from ₹1.37 lakh crore to ₹5.41 lakh crore during the same period. This trend reflects the growing outreach of institutional credit to non-corporate, non-farm micro-enterprises and highlights PMMY's contribution to financial inclusion.

Although the COVID-19 pandemic affected economic activity during 2020-21, the scheme maintained substantial credit support, and a strong recovery was observed in subsequent years. The continued increase in the sanctioned loan amount indicates sustained demand for institutional finance among micro-enterprises.

From the perspective of tourism entrepreneurship, PMMY has considerable policy relevance because several tourism-related businesses, including homestays, restaurants, cafés, travel agencies, transport services, and handicraft enterprises, are eligible for financial assistance under the scheme. While official data do not separately report loans extended to tourism enterprises, the expansion of collateral-free institutional credit is likely to have strengthened the financial ecosystem for tourism-related micro-enterprises. These findings are consistent with previous studies highlighting the positive role of institutional finance in promoting entrepreneurship and tourism development (Beck et al., 2005; Ngoasong & Kimbu, 2016; Shi et al., 2021).

4.2 Growth Trends of Tourism in India (2015-2025)

Table: Growth Trends of Tourism in India

Period	Major Trend	Key Observation
2015-2019	Steady growth	Continuous increase in domestic tourist visits and foreign tourist arrivals supported by improved infrastructure, digital initiatives, and tourism promotion.
2020-2021	Pandemic-induced decline	COVID-19 and travel restrictions resulted in a sharp decline in domestic and international tourism activities.
2022-2025	Recovery and expansion	Tourism recovered gradually with strong growth in domestic tourism, improving foreign tourist arrivals, and increasing policy support for the tourism sector.

Source: Compiled from Ministry of Tourism, Government of India, *India Tourism Statistics* (various issues) and India Tourism Data Portal.

Table 2 shows that India's tourism sector experienced three distinct phases during the study period. Between 2015 and 2019, tourism recorded sustained growth, supported by increasing domestic travel, improving tourism infrastructure, and government initiatives promoting tourism. The COVID-19 pandemic caused a severe disruption during 2020-2021, leading to a substantial decline in both domestic and international tourist movements. However, the sector recovered steadily from 2022 onwards as travel restrictions were lifted and tourism demand rebounded. Official statistics indicate a strong recovery in domestic tourism, accompanied by a gradual increase in foreign tourist arrivals and tourism-related economic activity.

The recovery of tourism has increased opportunities for tourism-related micro and small enterprises operating in accommodation, transport, food services, travel agencies, handicrafts, and other allied services. As these businesses generally depend on institutional finance for establishment and expansion, the growing outreach of PMMY has enhanced the availability of collateral-free credit for eligible enterprises. Although official statistics do not separately identify PMMY loans extended to tourism businesses, the simultaneous expansion of tourism activities and institutional credit suggests that financial inclusion can indirectly support tourism entrepreneurship by improving access to formal finance for micro-enterprises. This observation is consistent with the findings of Shi et al. (2021), who reported a positive association between financial inclusion and tourism development.

Table 3: Tourism-related Micro-enterprises Eligible for Financial Assistance under PMMY

Tourism-related Enterprise	Eligible under PMMY	Business Category	Indicative PMMY Loan Category*	Potential Contribution to Tourism Entrepreneurship
Homestays	Yes	Service	Shishu / Kishor	Promotes rural tourism, community participation and local employment
Guest Houses	Yes	Service	Kishor / Tarun	Expands accommodation capacity and improves tourist services
Restaurants and Cafés	Yes	Service	Shishu / Kishor	Generates employment and strengthens the local tourism value chain
Travel Agencies	Yes	Service	Kishor	Promotes organised travel services and destination marketing

Tour Operators	Yes	Service	Kishor / Tarun	Supports tourism packages and visitor management
Tourist Transport Services (Taxi, Cab, Car Rental)	Yes	Service	Kishor / Tarun	Improves tourist mobility and destination accessibility
Handicraft and Souvenir Enterprises	Yes	Manufacturing / Trading	Shishu / Kishor	Promotes local products and increases tourist expenditure
Wellness, Adventure and Other Tourism-related Services	Yes	Service	Kishor / Tarun	Diversifies tourism products and enhances visitor experience

Source: Compiled by the author from the *Pradhan Mantri Mudra Yojana (PMMY) Operational Guidelines*, MUDRA Ltd., Government of India.

Note: *The indicative loan categories are based on the typical scale and financing requirements of tourism-related micro-enterprises and are intended only for analytical interpretation. PMMY operational guidelines do not prescribe enterprise-specific loan categories. The final loan category is determined by the lending institution based on the borrower's financing requirement and eligibility.*

Table 3 shows that although the Pradhan Mantri Mudra Yojana (PMMY) is not a tourism-specific credit scheme, it covers a wide range of tourism-related micro-enterprises, including homestays, restaurants, cafés, travel agencies, transport services, and handicraft businesses. Since these enterprises form the backbone of India's tourism sector, PMMY provides an important source of collateral-free institutional finance for tourism entrepreneurs.

Access to formal credit enables entrepreneurs to establish new enterprises, expand existing businesses, improve service quality, and create employment. Therefore, the continued expansion of PMMY has the potential to strengthen tourism entrepreneurship and support local economic development through enhanced financial inclusion.

However, official PMMY statistics do not provide sector-wise information on sanctioned loans. Consequently, the direct contribution of PMMY to tourism entrepreneurship cannot be measured using available secondary data. Nevertheless, the eligibility of tourism-related enterprises under the scheme indicates that PMMY has indirectly supported tourism entrepreneurship by improving access to institutional finance. These findings are consistent with earlier studies highlighting the positive role of financial inclusion in promoting entrepreneurship and tourism development (Beck et al., 2005; Ngoasong & Kimbu, 2016; Shi et al., 2021).

5. Policy Implications

The findings of the study suggest that financial inclusion can play an important role in strengthening tourism entrepreneurship in India. Although PMMY is not a tourism-specific scheme, its broad coverage of micro-enterprises provides significant opportunities for tourism-related businesses to access institutional credit. The Government may consider developing a dedicated reporting mechanism to identify and monitor PMMY loans extended to tourism enterprises. Such sector-wise data would enable better policy evaluation and evidence-based decision-making.

Financial institutions should increase awareness of PMMY among tourism entrepreneurs, particularly in rural, hill, coastal, and heritage destinations where access to formal finance remains limited. In addition, capacity-building programmes, digital financial literacy, and entrepreneurship development initiatives should be integrated with PMMY to improve enterprise sustainability. Stronger coordination among the Ministry of Tourism, MUDRA Ltd., banks, and State Tourism Departments would further enhance the effectiveness of financial inclusion in promoting sustainable tourism entrepreneurship and local employment.

6. Conclusion

This study examined the role of the Pradhan Mantri Mudra Yojana (PMMY) in promoting tourism entrepreneurship in India using secondary data for the period 2015-2025. The findings indicate that PMMY has significantly expanded access to collateral-free institutional credit for micro-enterprises, creating opportunities for tourism-related businesses such as homestays, restaurants, travel agencies, transport services, and handicraft enterprises. Although official PMMY data do not provide sector-wise information on tourism enterprises, the scheme's broad eligibility framework suggests that it has indirectly supported tourism entrepreneurship through enhanced financial inclusion.

The study highlights that financial inclusion is an important enabler of entrepreneurship and sustainable tourism development. However, the absence of tourism-specific loan data limits the direct assessment of PMMY's impact on the tourism sector. Future research may employ primary surveys or sector-specific databases to evaluate the scheme's contribution more comprehensively. Overall, the study contributes to the growing literature on financial inclusion and tourism entrepreneurship and provides useful insights for policymakers seeking to strengthen entrepreneurship-led tourism development in India.

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