

# IMPACT OF COVID 19 ON PRADHAN MANTRI MUDRA YOJANA

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## ABSTRACT

*Pradhan Mantri Mudra Yojana has been started to provide loans for businesses without guarantee. Three types of loans are provided under this scheme: Shishu Mudra Loan, Kishore Mudra Loan, and Tarun Mudra Loan. Loan up to 50000 is provided under Shishu Mudra Loan. Loans ranging from 50000 to 500000 are provided under Kishore Mudra Loan, and Mudra loan from 500000 to ₹ 1000000 is provided under Tarun Mudra Loan. PMMY was launched on 8th April 2015.*

*So far in the last six years, loans worth Rs 14.96 lakh crore have been provided to 28.68 beneficiaries through Pradhan Mantri Mudra Loan Yojana. Between 2015 and 2018, about 1.12 crore additional jobs have been created through this scheme. Small business has been encouraged through this scheme.*

**Keywords:** Mudra Yojana, Micro Enterprises, Financial Assistances, Marginalised Groups.

## INTRODUCTION

The Central Government has launched Pradhan Mantri Mudra Yojana (PMMY) to start new small scale industries. Through this scheme people are given small loan to start their own business. This scheme has been started in April 2015.

### **What is the purpose of Mudra Yojana?**

The central government's currency scheme (PMMY) has two objectives. First, easy loans for self-employment. Secondly, to create employment through small scale industries. If you too are facing capital issues to start your own business, you can make your dream come true with the central government's PMMY scheme.

The ideology of the government is that getting easy loans will motivate a large number of people for self-employment. It will also create a lot of employment opportunities. Before the Mudra Yojana (PMMY), small businesses had to go through a lot of formalities to get a loan from a bank. People had to endure a lot of hardships due to the need to get a loan, so many people were reluctant to take a loan from a bank even though they wanted to start a business.

### **What are the benefits of Pradhan Mantri Mudra Yojana (PMMY)?**

Unsecured loan is available under Mudra Yojana (PMMY). Apart from this no processing fee is charged for the loan. Under Mudra Yojana (PMMY) loan repayment period

can be extended up to 5 years. The borrower gets a currency card, which allows him to spend on business needs.

### **Who can avail loan under Mudra Yojana (PMMY)?**

Anyone who wants to start their own business can get a loan under PMMY. If you want to continue your current business and need money for it, you can apply for a loan of up to Rs 10 lakh under Pradhan Mantri Mudra Yojana.

There are three types of loans available in PMMY:

1. Infant debt (Shishu): If you are starting your own business and looking for financial help, you can get a loan of up to Rs. 50,000. The annual interest rate is 10% to 12% with a repayment period of 5 years.
2. Teen loans (Kishor): If your business is already started, but not yet established, you can get a loan of up to Rs 50,000 to Rs 5 lakh. Interest rates vary depending on the lender. The credit record of the applicant along with the business plan plays an important role in determining the interest rate.
3. Young debt (Tarun): This loan is for people who have set up a business and need funds for expansion and purchase of property, in which the loan amount is between Rs 5 lakh to Rs 10 lakh. The interest rate and repayment period is based on the plan and the applicant's credit record.

### **What are the interest rates on Currency Loan (PMMY)?**

There is no fixed interest rate under Pradhan Mantri Mudra Yojana (PMMY). Different banks may charge different interest rates for currency loans. The interest rate also depends on the nature of the borrower's business and the risk involved. The minimum interest rate is generally 12%.

#### **A plan that focuses on women**

Pradhan Mantri Mudra Yojana (PMMY's full name is Micro Units Development Refinance Agency).

### **How can you get a PMMY Loan?**

You will need to apply for a government or bank branch loan under Mudra Yojana (PMMY). If you want to start your own business, you will need to provide home ownership or rent documents, work related information, Aadhaar, PAN number and many more.

The branch manager of the bank will get the job information from you. On that basis PMMY approves you loan. Depending on the nature of the work, bank managers may ask you to prepare a project report.

### **Who is eligible for a MUDRA Loan?**

Any Indian citizen with a business plan for an income-generating micro/small business activity in the manufacturing, processing, trade, or service sector and a credit requirement of fewer than ten lakhs can approach a bank/ MFI to apply for MUDRA loans under PMMY. For loans under PMMY, the lending agency's standard terms and conditions may have to be followed. The loan rates are set following the RBI's rules, which are updated regularly.

### **MUDRA Card**

MUDRA Card is an innovative credit instrument that allows borrowers to obtain loans in a convenient and flexible manner. It offers the borrower a working capital solution in the form of an overdraft facility. Because the MUDRA Card is a RuPay debit card, it may be used to withdraw cash from ATMs or Business Correspondents, as well as make purchases at Points of Sale (POS) machines. There is also the option to return the amount as and when additional cash is available, lowering the interest cost.

### **MUDRA Mitra**

MUDRA MITRA is a mobile phone application that is available in the Google Play Store and the Apple App Store that provides information on the 'Micro Units Development and Refinance Agency Ltd. (MUDRA)' and its numerous products/schemes. It will direct a loan applicant to visit a banker in order to obtain a MUDRA loan under the Pradhan Mantri Mudra Yojana (PMMY). Users can also have access to valuable loan-related content, such as sample documents.

## **LITERATURE REVIEW**

B Devaki and Dr M Prakash MUDRA (Micro Units Development and Refinance Agency) are an Indian Public Sector Financial Institution. It makes loans to non-banking organisations, microfinance institutions, and small and medium-sized businesses at extremely cheap interest rates. Singh, The critical restraint was a shortage of funds for the formation and expansion of new businesses. The PMMY Scheme, its current condition, and good ideas were the focus of the discussion. According to the expert, the main impediment to establishing a Non-Corporate is a lack of financial assistance for independent companies.

Patil & Chaudhari noted that a lack of capital is the most significant barrier for the small and micro-business sectors. The Government of India is assisting small and emerging enterprises through this initiative. This plan will aid in the survival of the small and micro-enterprise sectors by providing financial support at reasonable rates.

Mahammad Shahid and Mahammad Irshad According to the experts, MSMEs suffer several obstacles; hence, implementing a programme such as Mudra will considerably assist small manufacturing enterprises and provide self-employment chances for individuals in urban and rural regions.

## **RESEARCH METHODOLOGY**

### **Research Design**

The research will be descriptive in character. This research report investigates and assesses the situation of Mudra loans in all the states of India.

### **Data Collection**

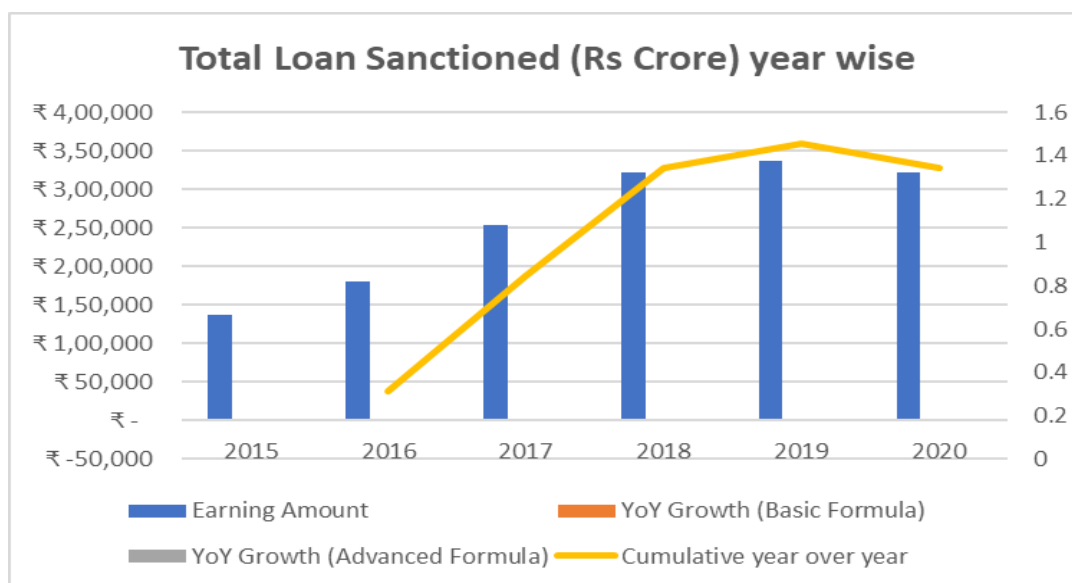
Secondary data is gathered through reference books, newspapers, websites, and talks with bank staff. Data is gathered in both qualitative and quantitative forms.

## **DATA ANALYSIS AND INTERPRETATION**

### **Performance of Mudra Scheme in India**

Sr. No	Year	Total Amount Sanctioned (Rs. Crores)	Year Percentage increase (Year on Year)
1	2015-2016	137449.27	
2	2016-2017	180528.54	31%
3	2017-2018	253677.10	41%
4	2018-2019	321722.79	27%
5	2019-2020	337495.53	5%
6	2020-2021	321759.25	-5%

Source: <https://www.mudra.org.in>



**Figure 1**  
**TOTAL LOAN SANCTIONED (RS CRORE) YEAR WISE**

From the chart, Table 1 & Figure 1 it can be seen that the number of loan sanctions and the sanctioned amount has been increasing year on year. It shows, banks are implementing government scheme in a very positive way. Also we can see the effect of Covid-19 on the loan sanction process.

### State Wise Performance

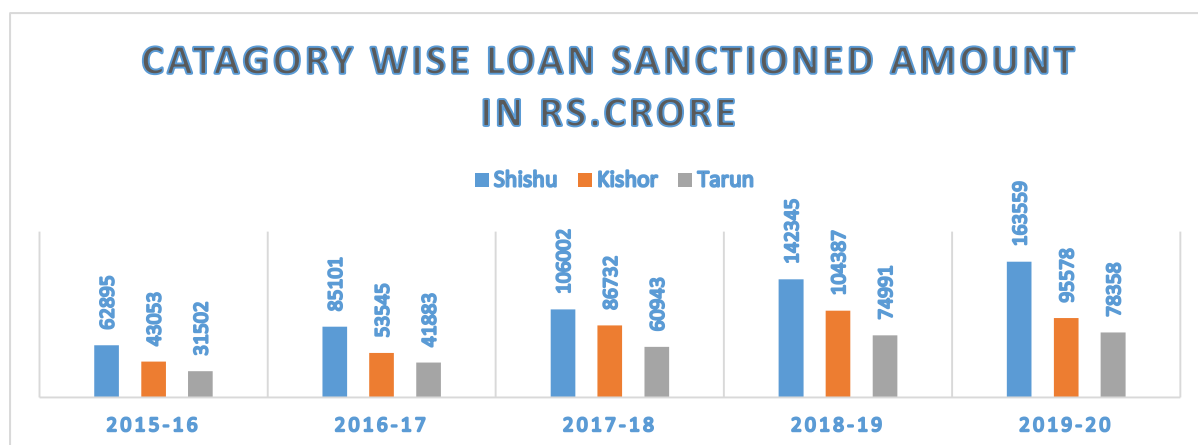
Sr. No.	State	2016-17	2017-18	2018-19	2019-20
1	Tamil Nadu	18052.68	25331.68	34260.05	35017.28
2	Karnataka	18002.55	23009.73	29995.35	30187.52
3	Maharashtra	17286.66	22751.41	26438.94	27902.63
4	West Bengal	15480.03	20552.19	26462.13	26789.63
5	Uttar Pradesh	15282.61	22077.89	26190.58	30949.36
6	Bihar	12190.61	15919.41	24405.99	27442.46
7	Madhya Pradesh	10506.45	14886.15	17407.92	19060.01
8	Rajasthan	9024.71	13862.55	17506.39	19961.94
9	Odisha	7891.34	11558.91	15770.28	15418.6
10	Gujarat	7781.94	11386.52	13216.78	13745.58

### Interpretation

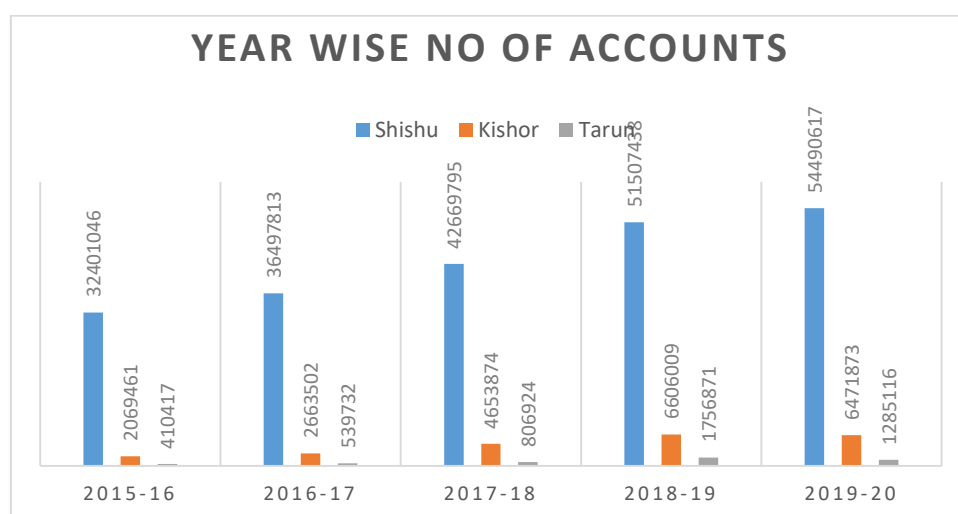
From the Table 2, it can be seen that Tamilnadu, Gujrat and Maharashtra states are among top three states in all the last four years. It shows the success of Mudra in Tamilnadu, Gujrat and Maharashtra. Out of total loan sanctioned for all India, 10 to 13% is sanctioned for these states Figure 2 & Figure 3.

Category/Year	Shishu		Kishor		Tarun	
	Number of Accounts	Sanctioned Loan (Rs Crores)	Number of Accounts	Sanctioned Loan (Rs Crores)	Number of Accounts	Sanctioned Loan (Rs Crores)
2015-16	32401046	62895	2069461	43053	410417	31502
2016-17	36497813	85101	2663502	53545	539732	41883
2017-18	42669795	106002	4653874	86732	806924	60943
2018-19	51507438	142345	6606009	104387	1756871	74991
2019-20	54490617	163559	6471873	95578	1285116	78358

Source: <https://www.mudra.org.in>



**Figure 2**  
**CATAGORY WISE LOAN SANCTIONED AMOUNT IN RS. CRORE**



**Figure 3**  
**YEAR WISE NO OF ACCOUNTS**

## Interpretation

Loan approvals have increased by more than 25% and 31 per cent, respectively, year on year. Also, in 2017-18, women borrowers accounted for 40% of the total loan amount sanctioned, accounting for 40% of the total loan amount approved. Shishu loans are gaining in popularity year after year.

The data shows that the number of loan sanctions and the amount sanctioned has grown year after year. It demonstrates that banks are positively adopting government schemes. The significant impact of Covid 19 lowered the number of accounts.

## Findings

1. Mudra loans have experienced continuous growth in the granting of loans to micro firms in India.
2. Shishu accounts for a large share of the loan category.
3. In Maharashtra, the number of loan sanctions and the amount sanctioned have increased yearly. The percentage rise in loan approval is greater than 28 % and 35 % year on year.
4. It demonstrates that banks are implementing government schemes in a very favourable way.
5. The involvement of the society's weaker groups (SC/ST/OBCs) in the PMMY programme was 57 per cent in loan accounts and 43 per cent in loan amount sanctioned.
6. Women borrowers accounted for 30 % of the total loan amount sanctioned.
7. In terms of the number of accounts, women make about 76% of the Shishu group.
8. PMMY is a government initiative that provides loans of up to ten lakh rupees to non-corporate, non-farm small/micro-enterprises. Under PMMY, these loans are categorised as Mudra loans.

## CONCLUSION

According to the present trend, the disbursement of small business loans under the Pradhan Mantri Mudra Yojana (PMMY) is virtually out of the Covid. It may match the previous fiscal's level. Given that banking operations and business were hampered for nearly two quarters, the current performance of Mudra loans is undoubtedly exceeding original expectations. The reasons for the consistent demand for Mudra loans are diverse. Because the loss of work in urban regions due to pandemic-induced conditions has resulted in reverse migration to rural and semi-urban areas, some individuals are now starting up small businesses to earn a livelihood, and PMJY is assisting this.

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