Government Doubles Mudra Loan Limit to Rs 20 Lakh in New 'Tarun Plus' Category

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Why in News?

The government has increased the loan limit under the Pradhan Mantri Mudra Yojana (PMMY) from Rs 10 lakh to Rs 20 lakh, introducing a new 'Tarun Plus' category aimed at supporting emerging entrepreneurs.

This enhancement will aid entrepreneurs in growth and expansion, furthering the Mudra Scheme's mission to "fund the unfunded" and strengthen India's entrepreneurial ecosystem.

Finance Minister Nirmala Sitharaman initially announced the increase in her July 2024 Union Budget, specifying that it applies to those who have availed and successfully repaid previous loans in the 'Tarun' category.

Pradhan Mantri Mudra Yojana (PMMY)

- **About**
  - PMMY was launched in April 2015 for providing loans up to 10 lakh to the non-corporate, non-farm small/micro enterprises.
  - These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, MFIs and NBFCs.
  - **Institution created – MUDRA**
  - **MUDRA**, which stands for **Micro Units Development & Refinance Agency Ltd.**, is the financial institution set up by the Government to provide these loans.
  - It provides funding to the non-corporate small business sector through various last-mile financial institutions like **Banks**, **Non-Banking Financial Companies** (NBFCs) and **Micro Finance Institutions** (MFIs).
  - Eligible person can avail benefits under PMMY by applying for loan from any of the above-mentioned institutions.
    - MUDRA does not lend directly to micro-entrepreneurs/individuals.
- **Categories of Loans under PMMY**:

- Under the aegis of PMMY, MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth/development and funding needs of the beneficiary micro unit/entrepreneur.
  - **Shishu** – Covering loan up to Rs. 50,000/-
  - **Kishore** – Covering loans above Rs 50,000/- and up to Rs. 5 lakh
  - **Tarun** – Covering loans above Rs. 5 lakh and up to Rs. 10 lakh

- **Eligibility for PMMY**
  - Any Indian Citizen who has a business plan for a non-farm income generating activity such as manufacturing, processing, trading or service sector.
  - The applicant should not be a defaulter to any bank or financial institution and should have a satisfactory credit track record.
  - The borrower can approach any of the lending institutions mentioned above or can apply online through this portal www.udyamimitra.in .
- **Interest on Mudra loans**
  - Interest on Mudra loans by PSBs and private banks ranges from 9.15 per cent -12.80 per cent and 6.96 per cent –28 per cent, respectively based on the cost of funds, risk profile of the borrower, tenure of loans, etc.
- **Benefits of PMMY:**
  - **No Collateral Security:** The borrowers do not need to furnish any form of collateral to procure these loans. Hence, one doesn't need to risk one's personal or business property in order to secure some funds.
  - **Easily Available**: This loan is easily available to entrepreneurs trying to set up micro-sized enterprises anywhere in India and in almost every industry domain.
  - **Defaulting Procedure**: In case of defaulting the loan legally, due to unforeseen circumstances or for losses due to natural causes, the government bears the responsibility to repay the loan.
  - **Quick Capital**: The loans under the MUDRA scheme are available to micro-sized enterprises in a quick, effortless manner. Loans of up to 10 lakh can be easily availed in this process.
  - **Empowering Women**: Women entrepreneurs have added special concessional benefits to the loans offered under the MUDRA scheme.
  - **Rural Empowerment**: The MUDRA Yojana loans are equally available to small-scale businesses in both rural and urban areas. Besides, rural locales benefit more from such loans due to greater accessibility.
  - **Flexible Repayments**: Although one can choose to repay the loan in a shorter period, the time frame of loan repayment can also be extended for a period of up to 7 years.
  - **Multiple Credit Possibilities**: The MUDRA scheme offers multiple opportunities to expand one's micro-unit enterprise with facilities like cash credit, equipment financing, etc.
  - **MUDRA Card**: You can also apply for a MUDRA card that provides instant and seamless access to funds and overdraft facilities.
- **Achievement**

- According to government data, 66.8 million loans were sanctioned under PMMY in 2023-24, amounting to Rs 5.4 trillion.
- As of June 2024, more than 487.8 million loans totaling Rs 29.79 trillion have been sanctioned since the inception of the scheme.
- Non-performing assets (NPA) of public sector banks in Mudra loans have decreased to 3.4 per cent in FY24, down from a high of 4.77 per cent in 2020-21, and 4.89 per cent in 2019-20.
    - In contrast, the gross NPA of scheduled commercial banks in the country is 2.8 per cent as of March 2024.

Q.1. What is the new loan limit for Mudra loans under the ‘Tarun Plus’ category?

The Pradhan Mantri Mudra Yojana (PMMY) has introduced a ‘Tarun Plus’ category, raising the Mudra loan limit from Rs 10 lakh to Rs 20 lakh. This increase aims to support emerging entrepreneurs who have previously availed and repaid loans, boosting business growth and expansion opportunities.

Q.2. How does the increased Mudra loan limit benefit emerging entrepreneurs?

By raising the Mudra loan ceiling, the government seeks to empower new entrepreneurs with enhanced access to capital. This move aligns with the mission to “fund the unfunded,” enabling businesses to scale more effectively and contributing to the growth of India’s entrepreneurial ecosystem.

News: Mudra Yojana: FinMin notifies increase in loan limit to Rs 20 lakh for micro, small enterprises | MUDRA | Business Standard

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