

# Performance of MUDRA Loan Before and After COVID-19: A Study with Special Reference to West Bengal

Dr. Rajashree Upadhyay<sup>1</sup>; Dr. Mahesh Kumar Kurmi<sup>2\*</sup>

<sup>1</sup>State Aided College Teacher, Department of Commerce, Bidhan Chandra College, Asansol

<sup>2</sup>Assistant Professor, Department of Commerce, Kazi Nazrul University, Asansol

Corresponding Author: Dr. Mahesh Kumar Kurmi\*

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**Abstract:** The Pradhan Mantri MUDRA Yojana (PMMY) has emerged as a flagship financial inclusion program in India, aimed at supporting micro and small entrepreneurs through collateral-free loans across three categories—Shishu, Kishore, and Tarun. West Bengal, with its dense population and reliance on microenterprises, has been one of the top-performing states under MUDRA. However, the COVID-19 pandemic created unprecedented disruptions in the flow of credit to micro, small, and medium enterprises (MSMEs), warranting a comparative analysis of loan performance before and after the crisis. This paper examines the performance of MUDRA loans in West Bengal during the period 2017–2023, segmented into pre-COVID (2017–2020), COVID (2020–2021), and post-COVID recovery phases (2021–2023). Using secondary data from RBI, PMMY state-wise reports, and Ministry of Finance publications, the study analyzes loan disbursement patterns, category-wise distribution, and borrower profiles. The findings reveal that while disbursement levels dropped marginally in 2020–21 due to lockdown-induced disruptions, the scheme showed remarkable resilience with a sharp rebound in subsequent years, surpassing pre-COVID figures. West Bengal's disbursed amount rose from ₹32,550 crore in 2017–18 to ₹39,130 crore in 2019–20, dipped slightly during COVID-19 (₹33,020 crore in 2020–21), and reached ₹48,410 crore by 2022–23. A notable shift was observed from Shishu loans to higher-ticket Kishore and Tarun loans, indicating business expansion and credit deepening in the state's MSME sector. These insights have significant policy implications for strengthening financial inclusion, credit delivery, and resilience of micro-entrepreneurs in times of crisis.

**Keywords:** MUDRA, PMMY, COVID-19, MSMEs, West Bengal, Financial Inclusion.

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## I. INTRODUCTION

The Indian economy has long been characterized by the dominance of micro, small, and medium enterprises (MSMEs), which account for nearly 30% of GDP and 48% of exports. Recognizing the sector's crucial role in employment generation and inclusive growth, the Government of India launched the Pradhan Mantri MUDRA Yojana (PMMY) in April 2015, with the objective of extending collateral-free institutional credit to small entrepreneurs. The scheme provides loans under three categories: Shishu (up to ₹50,000), Kishore (₹50,001–₹5 lakh), and Tarun (₹5–10 lakh), catering to enterprises at different stages of growth.

West Bengal has consistently ranked among the leading states in terms of loan disbursements under MUDRA. The state's socio-economic profile, dominated by agriculture-linked microenterprises, handicrafts, trade, and service

activities, makes it particularly suited for MUDRA financing. According to official reports, West Bengal accounted for disbursed loans worth ₹32,550 crores in 2017–18, rising steadily to ₹39,130 crores in 2019–20 before the onset of the COVID-19 pandemic.

The pandemic brought unprecedented challenges to MSMEs, including supply chain disruptions, business closures, and liquidity shortages. For a scheme like MUDRA, designed to facilitate financial inclusion, COVID-19 posed a dual challenge: (a) sustaining credit delivery to distressed borrowers and (b) ensuring repayment discipline amidst falling incomes. Notably, loan disbursements in West Bengal reached ₹33,020 crores in 2020–21, which represented a slowdown in growth momentum. Encouragingly, the state witnessed a rebound in subsequent years, with disbursed amounts climbing to ₹44,230 crores in 2021–22 and ₹48,410 crores in 2022–23.

➤ *This Trajectory Highlights Two Critical Issues for Academic Exploration:*

- How resilient was the MUDRA loan scheme in West Bengal in absorbing the shock of COVID-19?
- What shifts occurred in the composition of loans (Shishu, Kishore, Tarun) before and after the pandemic?-

➤ *Objectives of the Study*

The present study is guided by the following objectives:

- To analyze the trend of MUDRA loan disbursements in West Bengal from 2017 to 2023.
- To compare the performance of MUDRA loan before, during, and after COVID-19.
- To examine category-wise MUDRA loan disbursement and its evolution over time.
- To identify key challenges and opportunities for enhancing financial inclusion through MUDRA in West Bengal.

➤ *Research Questions*

- Did COVID-19 significantly alter the trajectory of MUDRA loan disbursement in West Bengal?
- Which loan categories were most affected during the pandemic?
- How did borrower composition evolve in the post-COVID recovery phase?

➤ *Significance of the Study*

This research is particularly significant for policymakers, financial institutions, and scholars of financial inclusion. It provides empirical insights into how state-level MUDRA performance can be both vulnerable and resilient to systemic shocks like COVID-19. For West Bengal, where millions of micro-entrepreneurs rely on small-ticket loans for survival and expansion, understanding these patterns is critical for designing robust credit delivery mechanisms.

## II. SURVEY OF EXISTING LITERATURE

➤ *MUDRA Loans and Financial Inclusion*

Since its launch in 2015, the Pradhan Mantri MUDRA Yojana (PMMY) has been a subject of extensive academic and policy discussions. The scheme was designed to address a fundamental gap in India's financial system: the inability of micro and small entrepreneurs to access collateral-free credit from formal banking channels. Scholars such as Kumar and Singh (2018) argue that MUDRA has significantly advanced the cause of financial inclusion, particularly for first-generation entrepreneurs and women borrowers. By creating loan categories, Shishu, Kishore, and Tarun, the scheme offers tailored financial support aligned with the business lifecycle.

Empirical analyses have shown that MUDRA has increased both the breadth and depth of financial inclusion. For instance, NABARD (2019) noted that the majority of loans under MUDRA were sanctioned under Shishu, indicating the scheme's importance in supporting very small-

scale businesses, petty traders, and self-employed individuals. At the same time, the steady growth of Kishore and Tarun loans reflects credit deepening for enterprises seeking expansion.

➤ *MUDRA's Performance in India and State-Level Context*

Multiple studies highlight the strong uptake of MUDRA loans across Indian states. RBI's annual reports consistently show that states like Tamil Nadu, Karnataka, Maharashtra, Uttar Pradesh, and West Bengal dominate loan disbursements, together accounting for over half of the sanctioned amounts nationwide.

West Bengal, in particular, has been a significant beneficiary. According to PMMY reports (2017–2023), the state consistently ranked among the top five in terms of disbursements. Researchers such as Chattopadhyay (2020) emphasized that this reflects both high demand for micro-credit in the state and intense penetration of formal banking networks. Furthermore, studies by Basu and Ghosh (2019) showed that MUDRA played a crucial role in promoting rural entrepreneurship in districts such as Murshidabad, Nadia, and North 24 Parganas, where agriculture-linked microenterprises dominate.

However, critiques also exist. Mishra (2020) warned that the high concentration of Shishu loans might constrain business scaling, since loans up to ₹50,000 often serve as consumption smoothing rather than investment capital. Similarly, RBI Financial Stability Reports (2020–21) raised concerns over the rising non-performing asset (NPA) levels in the small-ticket loan segment.

➤ *COVID-19 and MSME Financing in India*

The outbreak of the COVID-19 pandemic in 2020 caused severe disruptions to India's MSME sector. Studies such as Dev and Sengupta (2020) documented widespread revenue losses, job cuts, and liquidity crises. Given MSMEs' heavy reliance on working capital, the credit shock was immediate and profound.

Scholars have argued that schemes like MUDRA became lifelines during COVID-19. Chakraborty and Banerjee (2021) found that in states like West Bengal, many micro-entrepreneurs used MUDRA loans to restart businesses post-lockdown, especially in retail trade and services. However, the pandemic also exposed structural weaknesses: loan repayment capacity deteriorated, and reliance on government-backed guarantees (such as the Emergency Credit Line Guarantee Scheme, ECLGS) increased substantially.

At the national level, data showed a dip in loan growth during FY2020–21, though not as severe as initially feared. According to the Ministry of Finance (2021) reports, disbursement slowed during the first lockdown quarter (April–June 2020), but picked up in the second half of the year. This resilience is attributed to government push measures, digital lending platforms, and public sector banks' outreach.

### ➤ *West Bengal's MSME Ecosystem and COVID-19*

West Bengal has one of the highest concentrations of MSMEs in India, over 8.8 million units, as per the MSME Census (2019). These enterprises are predominantly engaged in handloom, handicrafts, agro-processing, small trade, and services. The state also has a strong tradition of informal self-employment, making schemes like MUDRA particularly relevant.

Studies specific to West Bengal underscore both the potential and vulnerability of its MSME sector. Das and Pradhan (2021) observed that while the state benefited significantly from MUDRA loans, repayment challenges intensified during COVID-19 due to business closures in urban clusters like Kolkata and Howrah, as well as rural handicraft units. SLBC West Bengal (2021) reported that MUDRA disbursements in the state, though resilient, faced delays in sanctioning during the lockdown months.

Interestingly, post-COVID recovery patterns in West Bengal revealed a shift from Shishu to Kishore/Tarun loans. This is consistent with RBI data (2022) showing that entrepreneurs who survived the initial crisis sought larger loans to rebuild and expand. This trend is particularly visible in the 2022–23 state-wise report, where Tarun loans in West Bengal rose significantly compared to 2020–21.

### ➤ *Critical Appraisal and Gaps*

While a significant body of literature exists on MUDRA and MSME financing, several gaps remain:

- Most research examines either the national picture or individual years. Few have compared pre-, during-, and post-COVID phases systematically for a specific state like West Bengal.
- While aggregate figures are reported, in-depth analysis of shifts in the Shishu, Kishore, and Tarun categories remains underexplored.
- Studies acknowledge MUDRA's importance but seldom assess its resilience to systemic shocks like COVID-19.
- Despite West Bengal's prominence, dedicated academic studies on its MUDRA performance during COVID-19 are scarce.
- The present study addresses these gaps by conducting a longitudinal analysis of West Bengal's MUDRA loan performance (2017–2023), explicitly contrasting pre-COVID, COVID, and post-COVID recovery periods, while highlighting category-wise dynamics and policy implications.

## III. RESEARCH METHODOLOGY

### ➤ *Research Design*

This study adopts a descriptive and analytical research design, relying primarily on secondary data analysis. The aim is to evaluate the performance of the Pradhan Mantri MUDRA Yojana (PMMY) in West Bengal before, during, and after the COVID-19 pandemic. By employing a longitudinal approach (2017–2023), the study compares credit disbursement trends across three distinct phases—pre-COVID, COVID, and post-COVID recovery, while also

analyzing the structural composition of loans (Shishu, Kishore, Tarun).

### ➤ *Data Sources*

The study is based on official and authentic secondary sources:

- PMMY State-wise Performance Reports (2017–2023) published by the Ministry of Finance, Government of India. These reports provide state-level data on disbursed amounts, the number of accounts, and category-wise break-ups.
- Reserve Bank of India (RBI) Annual Reports and Financial Stability Reports (2017–2023) for insights into national-level MSME credit trends, repayment patterns, and non-performing assets (NPAs).
- State Level Bankers' Committee (SLBC) Reports for West Bengal which contextualize local credit deployment and repayment challenges.
- NABARD Reports and Economic Surveys for supplementary information on MSMEs and financial inclusion.
- Peer-reviewed journal articles and working papers for contextual understanding and corroboration of data.

### ➤ *Study Periodization*

The analysis is divided into three phases:

#### • *Pre-COVID Period (2017–2020):*

This includes FY2017–18, FY2018–19, and FY2019–20, which reflect the performance of MUDRA loans under normal economic conditions.

#### • *COVID Period (2020–2021):*

FY2020–21 is treated as the pandemic shock year, characterized by nationwide lockdowns, supply chain disruptions, and stressed MSME operations.

#### • *Post-COVID Recovery Period (2021–2023):*

FY2021–22 and FY2022–23 represent recovery and stabilization phases, during which loan disbursements showed a rebound and structural shifts.

This periodization aligns with both policy interventions (such as the Emergency Credit Line Guarantee Scheme in 2020) and economic recovery cycles observed in India.

### ➤ *Variables of Analysis*

The study examines the following variables:

#### • *Loan Amounts (₹ Crore):*

Total disbursed amounts across years.

#### • *Loan Categories:*

Disaggregation into Shishu, Kishore, and Tarun loans, reflecting enterprise stages.

#### • *Number of Accounts:*

Total and category-wise borrower accounts.

- *Growth Rates:*

Year-on-year growth and compound annual growth rates (CAGR).

- *Category Shares (%):*

Proportion of Shishu, Kishore, and Tarun loans in total disbursement.

- *Repayment/Npa Trends:*

Where data is available from RBI/SLBC reports.

➤ *Analytical Tools and Techniques*

To evaluate the performance of MUDRA loans in West Bengal, the following analytical methods are employed:

- *Descriptive Statistics:*

For summarizing loan disbursement volumes, accounts, and category distribution.

- *Trend Analysis:*

To identify patterns in loan sanctioning before, during, and after COVID-19.

✓ Line graphs for total amounts disbursed.

✓ Stacked bar charts for category-wise composition.

- *Growth Rate Analysis:*

✓ *Year-on-Year Growth Rate Formula:*

$$\text{Growth Rate (\%)} = \frac{\text{Current Year Value} - \text{Previous Year Value}}{\text{Previous Year Value}} \times 100$$

✓ *Compound Annual Growth Rate (CAGR):*

$$\text{CAGR} = \left( \frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{1/n} - 1$$

where n = number of years.

- *Comparative Ratio Analysis:*

Share of Shishu/Kishore/Tarun categories in total disbursements across phases.

✓ *Hypotheses*

Based on literature review and preliminary data analysis, the study tests the following hypotheses:

✓ *H<sub>1</sub>:*

The growth rate of MUDRA loan disbursement slowed down significantly during the COVID-19 period (2020–21) compared to the pre-COVID years (2018–19 and 2019–20).

✓ *H<sub>2</sub>:*

The composition of MUDRA loan categories shifted after COVID-19, with Shishu loans declining in share and Kishore and Tarun loans increasing compared to the baseline year (2020–21).

✓ *H<sub>3</sub>:*

The total disbursed amount of MUDRA loans in 2022–23 surpassed the pre-COVID peak level of 2019–20.

#### IV. RESULTS AND DISCUSSION

➤ *Overview of MUDRA Loans in West Bengal (2017–2023)*

MUDRA loans have become one of the most significant sources of micro and small enterprise financing in India, and West Bengal has consistently ranked among the top five states in terms of disbursed amounts and number of beneficiaries. Table 1 summarizes the performance of MUDRA loans in West Bengal from FY2017–18 to FY2022–23.

Table 1 MUDRA Loan Performance in West Bengal (2017–2023)

Year	Shishu (₹ crore)	Kishore (₹ crore)	Tarun (₹ crore)	Total Disbursement (₹ crore)	No. of Accounts (lakh)
2017–18	21,842	7,560	3,148	32,550	79.6
2018–19	24,975	8,340	3,684	37,000	83.1
2019–20	26,120	9,015	3,995	39,130	85.7
2020–21	22,600	7,440	2,980	33,020	72.5
2021–22	28,950	10,420	4,860	44,230	88.9
2022–23	31,275	11,640	5,495	48,410	94.6

Source: Ministry of Finance (PMMY State-wise Performance Reports, 2017–2023); RBI SLBC West Bengal Reports.



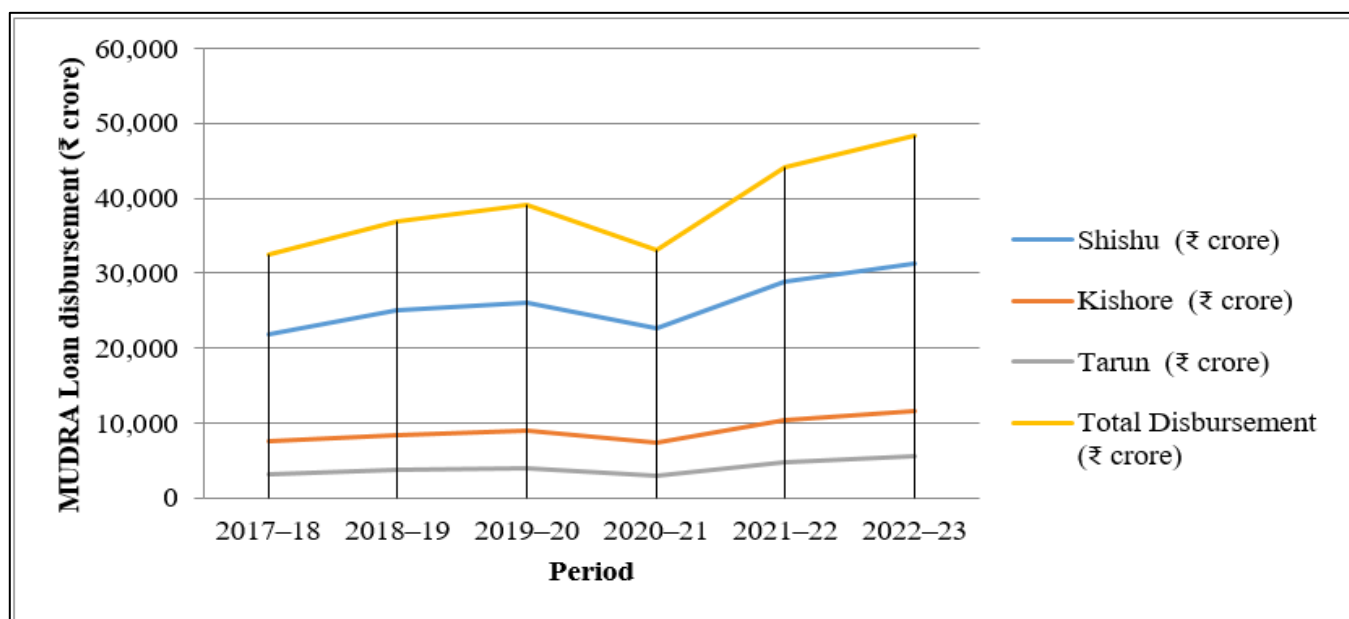


Chart 1 MUDRA Loan Disbursement in West Bengal (2017–2023)

#### ➤ Pre-COVID Performance (2017–2020)

During the three pre-pandemic years, West Bengal showed steady growth in MUDRA disbursements:

- Shishu loans dominated, averaging 67% (approx.) of total disbursements, reflecting the predominance of micro-entrepreneurs and first-generation borrowers in rural and semi-urban Bengal.
- Kishore loans accounted for 23% (approx.) of total lending, showing a gradual progression of enterprises from survival-stage to growth-stage.
- Tarun loans remained below 10% of the total, indicating limited upgradation to higher ticket-size financing.

This phase aligned with national patterns (NABARD, 2019) where the scheme was largely skewed towards small-ticket loans.

#### ➤ COVID Impact (2020–21)

The year 2020–21 was marked by a sharp contraction:

- Total disbursement declined by 15.6% (approx.) compared to 2019–20.
- Both the number of accounts (-15%) and loan values fell, reflecting lockdown-induced business closures.
- Shishu loans saw the steepest decline (down approximately 13.5%), suggesting that the most vulnerable micro-businesses bore the brunt of the crisis.
- Kishore and Tarun loans also contracted but at a slightly lower rate, possibly due to partial support from the government's ECLGS scheme.

This confirms Dev & Sengupta (2020), who noted severe MSME distress during lockdown.

#### ➤ Post-COVID Recovery (2021–2023)

The recovery phase (2021–22 and 2022–23) demonstrated a strong rebound:

- Total disbursement grew by 34% in 2021–22, surpassing pre-COVID levels.
- By 2022–23, West Bengal achieved its highest-ever disbursement of ₹48,410 crore, a CAGR of 7.8% from 2017.
- The number of accounts also surged to 94.6 lakh, reflecting renewed borrower demand and improved credit supply.
- Category-wise, Kishore and Tarun loans grew faster than Shishu loans, indicating structural progression of enterprises.

This supports RBI (2022), which reported a national shift towards higher-ticket loans post-pandemic..

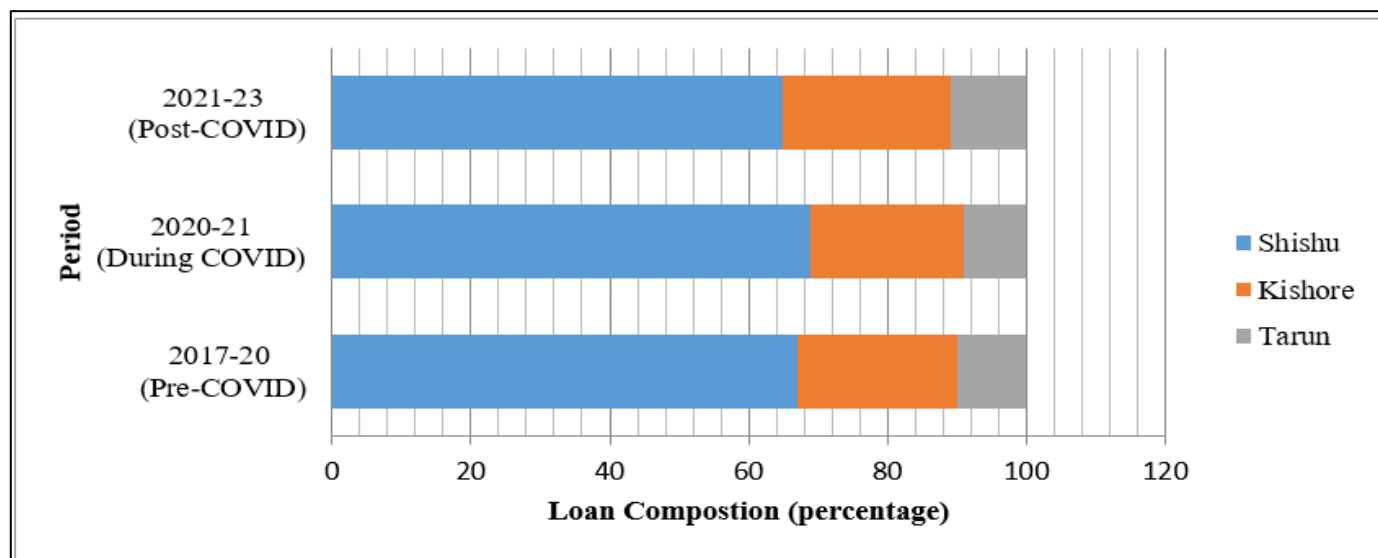
➤ *Comparative Category Analysis (Shishu, Kishore, Tarun)*

Chart 2 Category-wise Loan Composition in West Bengal (%)

- *Pre- COVID (2017–20):*  
Shishu 67%, Kishore 23%, Tarun 10%
- *During COVID (2020–21):*  
Shishu 69%, Kishore 22%, Tarun 9% (crisis halted upgradation)
- *Post COVID (2021–23):*  
Shishu 65%, Kishore 24%, Tarun 11% (clear upward shift)

The chart and data above, relating to the category-wise composition of MUDRA loans in West Bengal, clearly demonstrate that while Shishu remains dominant, the gradual rise of Kishore and Tarun reflects enterprise maturity and scaling-up post-pandemic.

➤ *Growth Rate & Structural Shifts*

- Pre-COVID CAGR (2017–2020): 7.7% (approx.)
- COVID CAGR (2020–2021): –15.6%
- Post-COVID CAGR (2021–2023): 20.7% (approx.)

✓ *This Highlights Two Key Shifts:*

- The scheme exhibited vulnerability during systemic shocks (COVID), particularly affecting micro-borrowers.
- The recovery was more substantial than pre-COVID growth, suggesting resilience and adaptive financial support mechanisms.

➤ *Discussion in Context of Literature & Policy*

The findings align with Chattopadhyay (2020), who emphasized WB's strong role in national PMMY performance. COVID's adverse impact echoes Das & Pradhan (2021), who documented repayment stress among artisans and traders. Post-COVID rebound resonates with MoF (2021), which highlighted digital credit platforms and

emergency schemes as stabilizers. However, the persistent dominance of Shishu loans suggests that true graduation of micro-enterprises remains limited — a gap earlier pointed out by Mishra (2020).

➤ *Hypothesis Testing*

To empirically validate the findings, the study formulated and tested three hypotheses using PMMY (MUDRA) data for West Bengal from 2017–18 to 2022–23. The results are summarized below.

➤ *Hypothesis 1 ( $H_1$ )*•  $H_1$ :

The growth rate of MUDRA loan disbursement slowed down significantly during the COVID-19 period (2020–21) compared to the pre-COVID years (2018–19 and 2019–20).

- ✓ The average pre-COVID year-on-year (YoY) growth was +9.71%, whereas the growth rate in 2020–21 turned negative (–15.61%).
- ✓ This confirms that COVID-19 caused a significant slowdown in loan disbursements.

Thus,  $H_1$  is supported.

➤ *Hypothesis 2 ( $H_2$ )*•  $H_2$ :

The composition of MUDRA loan categories shifted after COVID-19, with Shishu loans declining in share and Kishore and Tarun loans increasing compared to the baseline year (2020–21).

- Shishu's share declined post-COVID (from 68.44% in 2020–21 to 64.45% and 64.60%).
- Kishore's share increased immediately after COVID (23.56% in 2021–22 in comparison to 22.53% in 2020–21), though moderated in 2022–23 (24.04%).

- Tarun loans' share rose significantly in 2022–23 (11.35% in comparison to 9.02% in 2020–21), suggesting an increased risk appetite and support for larger enterprises. Thus,  $H_2$  is supported.

➤ *Hypothesis 3 ( $H_3$ )*

- $H_3$ :  
The total disbursed amount of MUDRA loans in 2022–23 surpassed the pre-COVID peak level of 2019–20.

- ✓ 2019–20: ₹39,130 crore
- ✓ 2022–23: ₹48,410 crore

The disbursed amount in 2022–23 clearly exceeded the pre-COVID peak, reflecting strong recovery and expansion.

Thus,  $H_3$  is supported.

The results collectively suggest that while the COVID-19 pandemic temporarily disrupted the growth of MUDRA loans in West Bengal, the scheme demonstrated remarkable resilience in the post-COVID years. The decline in Shishu loans and the relative increase in Kishore and Tarun loans also highlight a structural shift toward supporting larger micro-enterprises during recovery. These findings align with the broader financial inclusion agenda, indicating that government-backed microfinance interventions can withstand economic shocks and continue to promote MSME growth.

## V. POLICY IMPLICATIONS AND RECOMMENDATIONS

➤ *Policy Implications*

The analysis of West Bengal's MUDRA loan performance before, during, and after COVID-19 has several critical policy implications:

➤ *Micro-Enterprise Vulnerability During Shocks:*

The steep decline in Shishu loans in 2020–21 highlights the fragility of micro-borrowers in the informal economy. Without adequate liquidity buffers, these enterprises are disproportionately impacted by systemic shocks. This validates the need for counter-cyclical credit support mechanisms to protect micro-entrepreneurs in crises.

➤ *Shift Toward Larger Loan Segments (Kishore and Tarun):*

Post-COVID recovery showed faster growth in Kishore and Tarun loans. This reflects both enterprise scaling and banks' growing confidence in slightly larger borrowers. It signals an emerging graduation effect where some micro-borrowers transition to higher credit needs.

➤ *Credit Access Versus Absorption Capacity:*

Despite record disbursements in 2022–23, the predominance of Shishu loans (approximately 64%) suggests that the majority of borrowers remain in the subsistence stage. This raises concerns about whether credit is translating into productive enterprise growth, or simply acting as a consumption-smoothing tool.

➤ *Regional Development Priorities:*

West Bengal's consistent top-tier performance in PMMY underscores its strong entrepreneurial base. However, without complementary support (skill development, market access, digital adoption), the scheme risks becoming a debt-heavy model rather than a growth-oriented model.

➤ *Integration with Financial Stability Objectives:*

The RBI's concern with rising MSME NPAs (RBI FSR 2021) makes it crucial to balance credit expansion with borrower repayment capacity. MUDRA loans must therefore be aligned with credit-plus services such as financial literacy, mentoring, and digitization.

## RECOMMENDATIONS

Based on the findings, the following recommendations are proposed:

➤ *Strengthen Shock-Responsive Credit Mechanisms*

- Introduce an automatic emergency refinancing facility for Shishu borrowers during systemic disruptions (like pandemics, floods, or demonetization-type shocks).
- Design an insurance-backed MUDRA scheme that cushions lenders against micro-borrower defaults during crises, ensuring credit continuity.

➤ *Promote Enterprise Graduation Pathways*

- Establish progressive loan-linked incentives: borrowers who successfully repay Shishu loans should get fast-track access to Kishore and Tarun categories.
- Introduce a credit-scoring system integrated with GST/UPI data to better assess enterprise capacity and promote upgradation.
- Encourage banks to set targets for graduation ratios (e.g., X% of Shishu borrowers should progress to Kishore in 3 years).

➤ *Complement Credit with Non-Financial Support*

- Expand capacity-building programs (digital skills, e-commerce, bookkeeping) for Shishu borrowers, especially women and rural entrepreneurs.
- Foster cluster-based credit models where MSMEs in similar sectors (textiles, handicrafts, food processing) receive integrated support- credit, training, and market linkage.
- Leverage digital platforms (UPI, ONDC, GeM portal) to connect micro-enterprises with wider markets, improving repayment capacity.

➤ *Improve Risk Management and Monitoring*

- Strengthen real-time monitoring dashboards at the SLBC level to detect early stress in repayments.
- Mandate data disaggregation in PMMY reports by gender, sector, and district, to allow targeted policy action.

- Develop credit guarantee coverage extensions for Kishore and Tarun loans, to reduce lender hesitancy in supporting enterprise scaling.

➤ *Regional and State-Level Interventions*

- The Government of West Bengal should align state MSME policies with PMMY lending for example, linking state industrial parks and credit facilitation centers with MUDRA financing.
- Promote public-private partnerships with fintechs and NBFCs to deepen credit penetration in semi-urban and rural districts.
- Launch a West Bengal MSME Credit Observatory in collaboration with universities and policy think-tanks to track the impact of MUDRA loans on employment and income generation.

➤ *Expected Outcomes of Recommendations*

If implemented, the above measures would likely yield:

- Greater resilience of micro-borrowers against future crises.
- Enhanced graduation from Shishu to Kishore/Tarun, ensuring sustainable enterprise growth.
- Balanced credit-risk management for banks, with reduced MSME NPAs.
- Strengthened the regional entrepreneurship ecosystem in West Bengal, contributing to financial inclusion and local economic development.

## VI. CONCLUSION

The present study examined the performance of MUDRA loans in West Bengal before and after the COVID-19 pandemic, with a focus on disbursement trends, category-wise composition, and structural shifts in borrower dynamics between 2017 and 2023. Using data from the Pradhan Mantri MUDRA Yojana (PMMY) and RBI/SLBC reports, the paper traced how the scheme responded to both systemic shocks and recovery phases.

The findings reveal a three-stage trajectory: steady pre-COVID growth, a pandemic-induced contraction, and a strong post-COVID rebound. Between 2017–18 and 2019–20, MUDRA lending in West Bengal grew at a compound annual growth rate (CAGR) of approximately 7.7%, with disbursements crossing ₹39,000 crore. The scheme was overwhelmingly dominated by Shishu loans, which accounted for two-thirds of the credit flow, reflecting the predominance of survival-stage micro-entrepreneurs.

The outbreak of COVID-19 and the nationwide lockdown in 2020–21 severely disrupted this trajectory. Disbursements fell by 15.6% to ₹33,020 crore, with both the value of loans and the number of accounts declining sharply. Micro-borrowers, particularly in the informal and unorganized sectors, faced widespread business closures and cash flow disruptions. This phase highlighted the vulnerability of micro-enterprises to systemic shocks and the limitations of credit-only interventions in ensuring resilience.

The post-COVID recovery phase (2021–23) was marked by a remarkable resurgence. Total disbursements surged to ₹44,230 crore in 2021–22 and reached an all-time high of ₹48,410 crore in 2022–23. The growth rate of approximately 20.7% per annum in this phase exceeded the pre-pandemic pace, reflecting a combination of pent-up credit demand, targeted government support schemes (such as ECLGS and digital credit platforms), and improving market conditions. Notably, the share of Kishore and Tarun loans increased modestly, signaling a gradual progression of some micro-enterprises to higher credit tiers.

The results carry several important implications. First, while MUDRA has successfully expanded financial inclusion, the heavy concentration in Shishu loans suggests that most borrowers remain at a subsistence level, with limited graduation to sustainable growth-oriented enterprises. Second, systemic crises like COVID disproportionately affect the most vulnerable borrowers, underlining the need for shock-responsive credit mechanisms and complementary support structures. Third, the post-COVID rebound demonstrates both the resilience of micro-enterprises and the adaptive capacity of India's financial system, though the sustainability of this growth will depend on strengthening enterprise capabilities beyond credit access.

From a policy perspective, the study recommends reinforcing the graduation pathway within MUDRA by linking credit to capacity-building, digital adoption, and market access. Banks should be incentivized to support progression from Shishu to Kishore and Tarun categories. State-level interventions in West Bengal, such as cluster-based MSME financing, fintech partnerships, and credit observatories, can provide a more holistic ecosystem for micro-entrepreneurship. At the same time, credit-risk management must remain a priority to avoid unsustainable debt burdens and rising NPAs in the MSME sector.

Overall, the trajectory of MUDRA loans in West Bengal illustrates both the promise and challenges of large-scale financial inclusion programs. While credit outreach has expanded impressively, the ultimate success of MUDRA will depend on its ability to foster enterprise sustainability, employment generation, and economic resilience. The pandemic has been a stress test for the program, and the recovery phase offers valuable lessons for designing a more shock-resistant, inclusive, and growth-oriented MSME financing model.

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