

Revamp of PM SVANidhi Scheme (UPI Linked Credit Cards)

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Executive Summary

1. The PM SVANidhi Scheme, launched in June 2020, provides collateral-free working capital loans to street vendors, promoting financial inclusion and digital transactions.
2. The scheme intends to facilitate collateral-free working capital loans of up to ₹10,000/- of one-year tenure, to approximately 50 lakh street vendors with interest subsidy of 7% per annum on regular loan repayments and cash back incentives up to ₹1,200 per year for undertaking prescribed digital transactions.
3. With 1.15 crore applications and ₹13,758.94 cr disbursed, the scheme has achieved 97% loan sanction success and enabled 40 lakh digital transactions, significantly boosting vendor participation. It has empowered women (45% participation) and marginalized communities (50% SC/ST/OBC beneficiaries), ensuring social equity in financial access.
4. Key issues include low (47%) loan repayment, outdated vendor lists, slow loan processing, and limited private bank involvement, affecting overall efficiency.
5. The revamped scheme (2025-26 Budget) introduces higher loan limits, UPI-linked credit cards, and capacity-building support.
6. Recommendations include comprehensive vendor surveys, single-window clearance, digital literacy programs, and global best practices from Thailand and South Africa.

I. Introduction: Empowering Street Vendors through Financial Inclusion

The Pradhan Mantri Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) scheme was launched by the Ministry of Housing and Urban Affairs (MoHUA) on June 1, 2020, to provide financial assistance to street vendors. It was needed to provide affordable, collateral-free working capital loans to street vendors, particularly those impacted by the COVID-19 pandemic, allowing them to resume their businesses and livelihoods by offering financial support to restart their operations with minimal barriers to access credit; essentially aiming to uplift the economic status of this crucial segment of the informal urban economy by facilitating their participation in the formal financial system. The scheme aims to formalise street vendors, provide access to credit, promote digital transactions, and ensure financial inclusion in urban economies. The scheme intends to facilitate collateral-free working capital loans of up to INR10,000/- of one-year tenure, to approximately 50 lakh street vendors, to help resume their businesses in the urban areas, including surrounding peri-urban/rural areas.

A. Loan Tranches & Repayment Terms

The scheme targets street vendors who were vending on or before March 24, 2020, and facilitates loans in three tranches:

1. First Tranche: Loan up to ₹10,000 for a tenure of 12 months.
2. Second Tranche: Loan between ₹15,000 and ₹20,000 for a tenure of 18 months.
3. Third Tranche: Loan between ₹30,000 and ₹50,000 for a tenure of 36 months.

B. Main Features

This scheme provides an Interest Subsidy of 7% per annum on regular loan repayments and Cash Back Incentives up to ₹1,200 per year for undertaking prescribed digital transactions.

C. Eligibility Criteria

1. Vendors with Urban Local Bodies (ULB) identity cards.
2. Vendors identified in ULB surveys without a Certificate of Vending.
3. Vendors left out surveys but had a Letter of Recommendation (LoR) from the ULB/Town Vending Committee (TVC).

D. Revamp

Our Finance Minister Smt Nirmala Sitharaman Ji said while presenting the Union Budget 2025-26, "***PM SVANidhi scheme for street vendors will be revamped with enhanced loans from banks and UPI-linked credit cards with ₹30,000 limit.***" She also said the scheme has benefited more than 68 lakh street vendors through respite from high-interest informal sector loans.¹

The Revamped Scheme will include enhanced bank loans and will offer UPI Linked Credit Cards with a Rs 30,000 limit and also offer robust capacity-building support.

II. Analysis

The PM SVANidhi Scheme has made significant strides in providing micro-credit to street vendors, with 1.15 crore eligible applications received and 97% of sanctioned loans disbursed, amounting to ₹13,758.94 crore². The scheme has successfully promoted digital and financial inclusion, with 40 lakh vendors actively using digital transactions. Additionally, it has empowered marginalized groups, with 45% of beneficiaries being women and nearly 50% from SC/ST/OBC categories. Government banks, including SBI and Bank of Baroda, have played a crucial role in the scheme's success.

Madhya Pradesh leads the implementation, with 15.82 lakh applications and ₹13.41 lakh sanctioned loans, followed by Uttar Pradesh (₹9.96 lakh sanctioned loans). Andhra Pradesh and Karnataka also show strong participation, each having over ₹5.5 lakh sanctioned loans³. The scheme's overall impact highlights its role in formalizing street vending, improving access to credit, and encouraging digital transactions, ultimately strengthening the urban informal economy.

¹[The Economic Times](#)

²[PM SVANidhi Dashboard](#)

³[PM SVANidhi Dashboard](#)

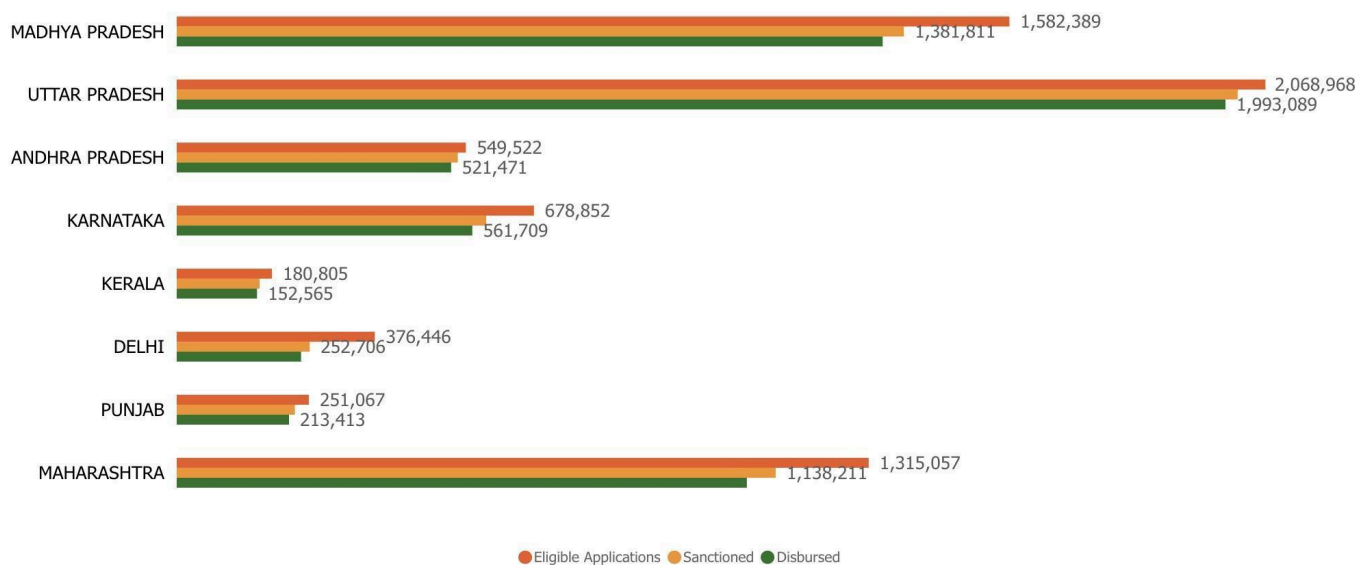


Image1: Top Lending States ⁴

III. Challenges

Even with great achievements, the PM SVANidhi scheme still faces a lot of shortcomings such as

A. Loan Repayment Issues

1. The scheme faces significant loan repayment challenges, with only a 47% repayment success rate, leading to increased financial burdens on public sector banks and microfinance institutions. This situation requires higher provisions for bad debts, reducing their capacity to issue new loans.
2. State-wise NPA Data reveals critical issues, with Uttar Pradesh reporting the highest number of NPAs at ₹1.85 lakhs, followed by Madhya Pradesh (₹95,807), Telangana (₹55,763), Maharashtra (₹36,130), and Karnataka (₹28,516)⁵. This indicates regional credit flow disruptions, suggesting that a substantial portion of beneficiaries are struggling with repayments.
3. A notable concern is the misuse of loans for personal expenses rather than business expansion, adversely impacting loan recovery rates. Year-wise NPA trends show a steep rise from 98,958 bad loans in FY 2020-21 to 4.13 lakh (413,278) NPAs in FY 2021-22, underscoring growing repayment difficulties.⁶

B. Outdated Vendor Lists

Urban Local Bodies (ULBs) have outdated street vendor lists, leaving many vendors unregistered and ineligible. A major challenge for this scheme is also the high mobility of street vendors, as a large portion are migrants. This makes the approval process by ULBs more cumbersome, given the need for proof of residence and local verification. Additionally, corruption within ULBs complicates the process of

⁴ [PM SVANidhi Dashboard](#)

⁵ [CHRI](#)

⁶ [CHRI](#)

obtaining vendor certificates, leading to delays and increased costs for applicants. This bureaucratic inefficiency discourages eligible street vendors from enrolling, further reducing the scheme's reach.

C. Digital Adoption Gap

Lack of digital transaction adoption among vendors, limiting the scheme's potential for financial inclusion. The state-wise comparison of digital payment adoption highlights notable disparities. Chhattisgarh leads with the highest per capita transactions at 38.48, demonstrating strong digital penetration. In contrast, northeastern states show significantly lower adoption rates, with Nagaland at 0.584, Mizoram at 0.548, and Meghalaya at 1.176, reflecting infrastructural and digital literacy challenges. High-population states like Uttar Pradesh (7.731) and Bihar (1.041) also show lower per capita usage compared to other regions. These figures highlight the need for focused digital inclusion initiatives to bridge the regional digital divide.⁷

D. Limited Banking Support

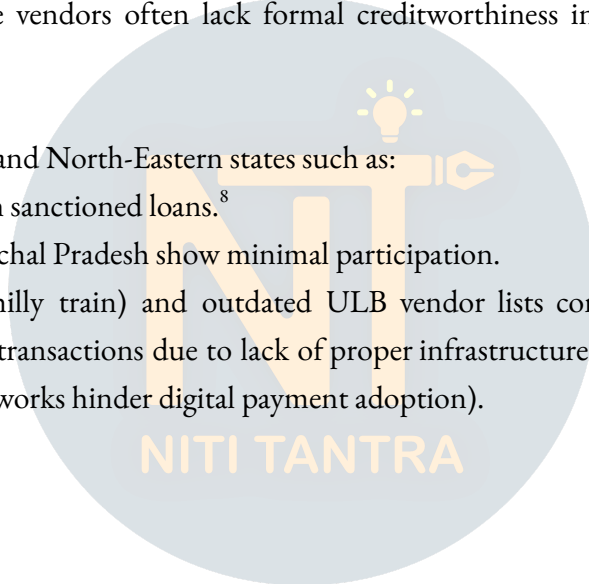
No involvement of private commercial banks and local rural banking bodies, limiting credit availability and reach. Many banks follow stringent lending norms, including checks on CIBIL (Centre Information Bureau (India) Limited) scores, PAN cards, and IT returns, making it difficult for street vendors to qualify for loans. This is because vendors often lack formal creditworthiness in the eyes of India's traditional banking system.

E. Regional Disparities

Low engagement in hilly and North-Eastern states such as:

1. Assam: Only 1.79 lakh sanctioned loans.⁸
2. Meghalaya and Arunachal Pradesh show minimal participation.

Geographical challenges (hilly terrain) and outdated ULB vendor lists contribute to low outreach with significantly lower digital transactions due to lack of proper infrastructure (poor internet connectivity and lack of reliable mobile networks hinder digital payment adoption).



⁷ [Digipay](#)

⁸ [PM SVANidhi](#)

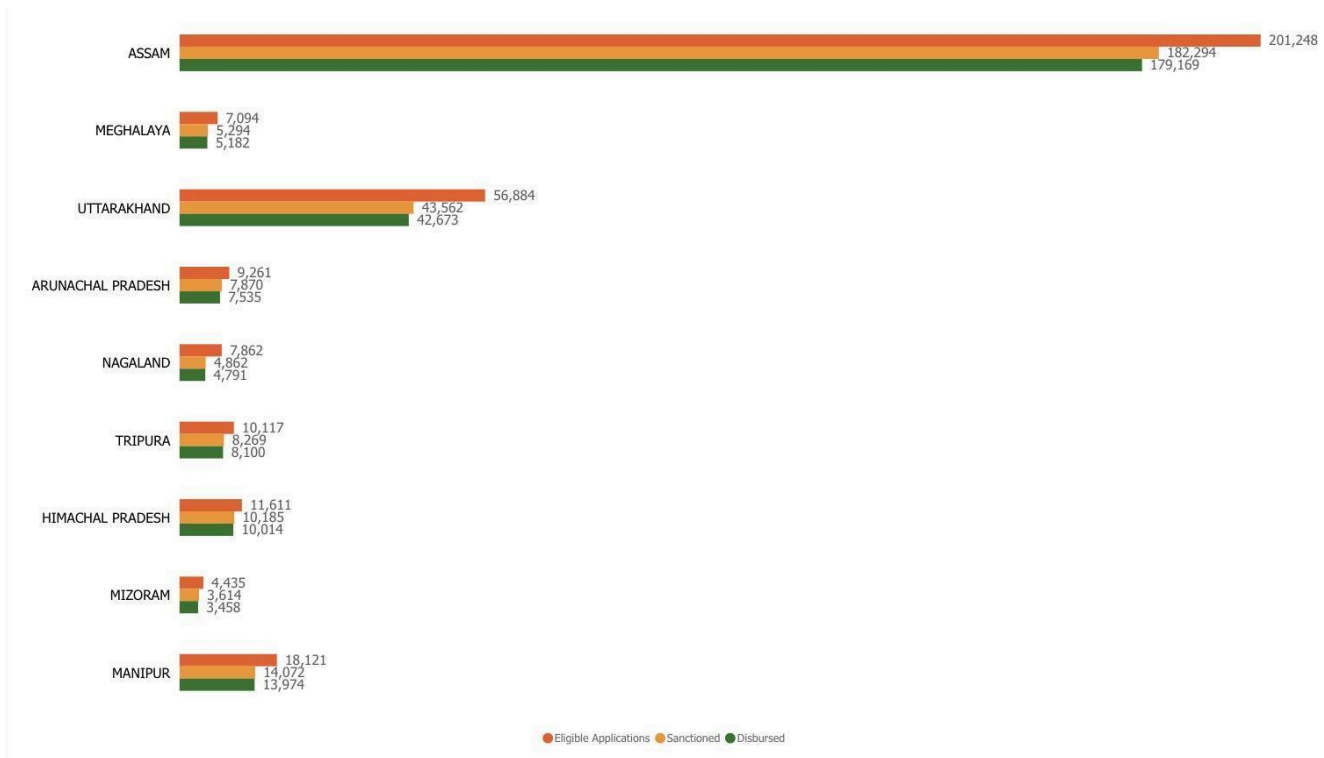


Image 2: North Eastern States⁹

IV. Policy Recommendations

In the Union Budget of 2025-26, there is gonna be a revamping of the PM SVANidhi Scheme which is the right step towards the empowerment of street vendors and local bodies, but to ensure its success, several improvements should be considered such as :

A. Enhancing Financial Access & Loan Repayment

1. **Faster Loan Disbursement:** Reduce the average sanction period (22 days) by automating the verification process and linking vendor registration with Aadhaar-based digital approvals.
2. **Flexible Repayment Mechanism:** Introduce customized repayment plans (seasonal payment options) to match vendors' fluctuating income patterns and reduce default risks.
3. **Higher Loan Limits for Consistent Payers:** Offer higher credit limits (beyond ₹50,000) for vendors with strong repayment histories to encourage long-term financial growth.

B. Promoting Digital Literacy

1. **Ensuring Digital Inclusion:** It is recommended that the Government ensures that every street vendor has access to mobile phones or provides them with the help of Self Help Groups/ NGOs. Teaching Digital Literacy: Provide basic smartphone training to vendors through local digital literacy programs.
2. **Localized Awareness Campaigns:** The Government can partner with self-help groups (SHGs) and NGOs to promote digital payment awareness in low-adoption regions (Northeast, small towns).
3. **Incentives for Digital Transactions:** Digital payment platforms like Paytm and GPay can introduce cashback rewards and reduced transaction fees for street vendors to boost digital adoption. The government can collaborate by facilitating awareness programs and integrating digital transaction records into formal credit assessments to encourage greater participation..

⁹ [PM SVANidhi](#)

C. Role Played By Urban Local Bodies (UBL)

1. **New Surveys:** UBL should conduct new surveys to accurately identify and recognise all street vendors and they should also collaborate with local market associations to verify vendor identities and enhance the accuracy of the registration process.
2. **Single Window Clearance:** To minimize corruption and streamline processes, a single window clearance system should be implemented. This system would facilitate the issuance of vending certificates, as well as the application and approval of loans.

D. Global Learnings

1. **Thailand– The "Bangkok Street Vendor Policy":** Emphasizes clear legal frameworks that define vending zones and grant official permits to street vendors, ensuring their rights and responsibilities. They also support street vendors by providing low-interest microfinance, including government welfare cards and housing support, to enhance economic stability for vendors.
2. **South Africa - Informal Traders Policy:** It focuses on empowering vendors through business skills training and financial literacy programs, enabling better management of their enterprises. The government has legalized street vending and provides designated trading areas in cities like Johannesburg & Cape Town. Vendors join trader associations that negotiate with the government for better conditions.

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