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The Contribution Of MUDRA In Supporting Msmes And The Associated Agricultural Sector In Both Rural And Urban India

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ABSTRACT

The Pradhan Mantri MUDRA Yojana (PMMY) aims to provide loans of up to 10 lakh to non-corporate, non-farm micro-enterprises, facilitating income generation and employment in sectors such as manufacturing services, retail MSMEs, SMEs, and agriculture-related activities including beekeeping, horticulture, aquaculture, poultry, agro-industries, dairy, agriclinics, and agribusiness. This initiative, supported by SIDBI and NABARD, is designed to enhance national wealth by providing essential working capital. According to the Economic Survey 2020-21 presented in Parliament, approximately 54.6% of the workforce is still involved in agricultural and allied sectors (Census 2011). Furthermore, MSMEs have significantly contributed to India's economic growth and women's empowerment, accounting for over 40% of the nation's GDP and serving as a crucial employment source. The budget highlights the importance of MSMEs and agriculture-related activities. MUDRA functions as a refinancing institution for commercial banks, NBFCs, MFIs, RRBs, and SFBs through its Shishu, Kishor, and Tarun schemes, utilizing a credit outreach model that includes SHGs/JLGs, women entrepreneurs, and agripreneurs. This support aims to enhance employment opportunities in small and medium-sized enterprises (SMEs/MSEs) within non-farm activities, contributing to the goal of achieving a US$5 trillion economy, where microfinance plays a pivotal role. The research paper utilizes secondary statistics gathered from various sources, including websites and published articles. Following a literature review, it identifies gaps and prospects for analyzing MUDRA's role in addressing the funding needs of MSMEs, SMEs/MSEs, and the agriculture allied sector, framed within an ABCD listing framework.

The research reveals that the maximum limit for MUDRA Schemes should be increased, and there is a need for greater awareness regarding MUDRA loans for agricultural allied activities and Agriclinics. Additionally, the study highlights the ambiguity surrounding MUDRA's role in refinancing schemes for banks, as well as the involvement of NABARD in promoting Self-Help Groups (SHGs) and agricultural allied activities. This study focused on the significance of MUDRA funding in providing working capital for agricultural

entrepreneurship within the allied sector, aiming to boost employment opportunities in both rural and urban regions of India.

Keywords: Pradhan Mantri MUDRA Yojana (PMMY), MSME, Agriculture allied activity, Women Empowerment, SHGs and NABARD

1. INTRODUCTION:

Rural Richness will boost the employment and income of the population, through the MUDRA LOAN is provides working capital and promote economic entrepreneurial activities in the field of food processing, dairy farming, Sericulture, bee-keeping, Mushroom cultivation, fisheries, and other allied activities and has a potential to attain a considerably faster pace of economic growth. The budget funding allocations to Pradhan Mantri Mudra Yojana (PMMY) Through National Credit Guarantee Trustee Company Limited (NCGTC) increased the funding from 500 to 2500 crores. The Agriculture allied sector contributed the gross amount of 17.8% to the total economy for the year2019-20and 54.6% of the total workforce is engaged in agricultural and allied sector activities (Census 2011). The players in the microfinance are 3 main groups-SHG-Bank linkage model by NABARD, RRBs, NBFCs, SFBs and Trusts, Society, NGOs (Lall, A. R. 2018) [1]. The MSME sectors contribute immensely to the development of entrepreneurship in both semi-urban and rural areas and also Gross Domestic Product (GDP) and export. MSME is the second-biggest sector in India second after Farming (Joshi et al. (2020) [2]) and the food and agriculture sector. The revision of the definition of MSMEs and Udyam Registration is strengthening and growth of MSMEs and reducing the transaction time.

Growth and various growth stages of small businesses were promoted by mudra bank through several schemes such as Shishu, Kishor, and Tarun Shishu provide loan amount up to Rs.50000 for small business enterprises, Tarun provides loan amount up to Rs.500000 for slightly bigger business enterprises, and Kishor provides loan amount up to Rs.1000000 for small business enterprises. Institutional credit is offered by MUDRA to Micro financial institutions MFI, Non-banking finance companies NBFCs, Scheduled commercial banks SCBs, and Regional rural banks RRBs. Micro Unit Development and Refinance Agency Limited (MUDRA) OR MUDRA Bank, a wholly-owned subsidiary of Small Industrial Development Bank of India (SIDBI), provides refinance support to Micro, Small, and Medium business units under Pradhan Mantri MUDRA Yojana. Mudra card and a debit card on the Rupay platform to enhance the liquidity of trouble-free working capital to the borrowers. Amounts of Rs.4300 crore worth 8.30 lakh mudra cards have been issued to beneficiaries. According NSSO Survey 2013 there are 5.77 Core small business unity owned by SC, ST, and other backward classes and speared in rural (54%) and urban (46%) with trading (36%), Manufacturing (30%) and Service (34%) sectors with Funding support micro-entrepreneur con contribute GDP growth and Generate employment.

1.1 Mudra and Allied Agriculture Sector, MSMEs& SMEs:

MUDRA loan is provided to the Activities allied to agriculture including Horticulture, Poultry, Fishery, dairy forming, Agriculture marketing, social foresty animal husbandry and Agriclinic and agri-Business sectors include setting up vermiculture units, Apiaries bee keeping-honey bee products processing, Rural marketing dealerships of farm inputs, outputs, livestock health cover, Tissue culture labs, Seed processing units, Information Technology Kiosks in the rural area and Food product Sectors and promoting "agripreneur increases the income level and employment opportunities in rural, as well as urban areas (Chand, K. K. 2019) [3]" and they, are using farm Mechanization and usage of technology and improve rural income. The National Bank for Agriculture and Rural Development (NABARD) (Roy, M. 2018) [4] along with Non-Government Organisations (NGOs) planned and established Self- Help groups (SHGs) and RBI recognized SHGs as another credit flow model. Mudra loan provides enormous support to both Joint Liability Groups(JLGs) and Self Help Groups in the form of Bank linkage programmes like overdraft and Loanin establishing and innovating way of doing Farm- NonFarm business and scaling up of SHGs social, Economi and Financial empowerment of women (Kuchibhotla, et al. (2020) [5] to take up income-generating undertakings. MUDRA Loan is extended to SMEs/MSE and MSMEs for purchasing Machinery, equipment up to 10 lakhs and working capital through MUDRA Card. The five statutory bodies are (Khadi and Village Industries Commission (KVIC), National Small Industries Corporation Limited (NSIC), National Institute for Micro, Small and Medium Enterprises, (NI-MSME), Mahatma Gandhi Institute for Rural Industrialization (MGIRI)), Coir Board is responsible for adding government schemes and policies. The number of MSMEs in Indiaenlarged by a CAGR of 18.5% from 2019-to 2020 and in FY2021 the loan disbursals to MSMEs stoodat Rs.9.5 trillion (US$128.06 billion) a 40% increase associated with 6.8 trillion in FY2020. The Reserve Bank of India (RBI) expert committee on micro, small and medium enterprises (MSMEs) has recommended doubling the cap on collateral-free loans to Rs 20 lakh from the current Rs 10 lakh.

This will be extended to borrowers falling under the Mudra scheme, self-help groups, and MSMEs and "Asof February 1, 2019, over 15.73 crore loans amounting to Rs 7.59 trillion have been extended by MLIs (member lending institutions) under the PMMY, since the commencement of the scheme. Almost 73 per cent of the loans under the PMMY have been extended to women borrowers," IBEF. MSME sector is succeeding in agriculture in terms of providing employment fifth of MSMEs are based in the rural area and play an important role in economic growth, export, generating large scale employment in the rural area and balanced regional development.

The Mudra offers the Credit Guarantee for MUDRA Loan and Technology enabler to the beneficiaries. and the MUDRA Schemes with the Minimum and Maximum Limit with Development and promotion support by MUDRA BANK to the Beneficiaries with MUDRA Agencies.

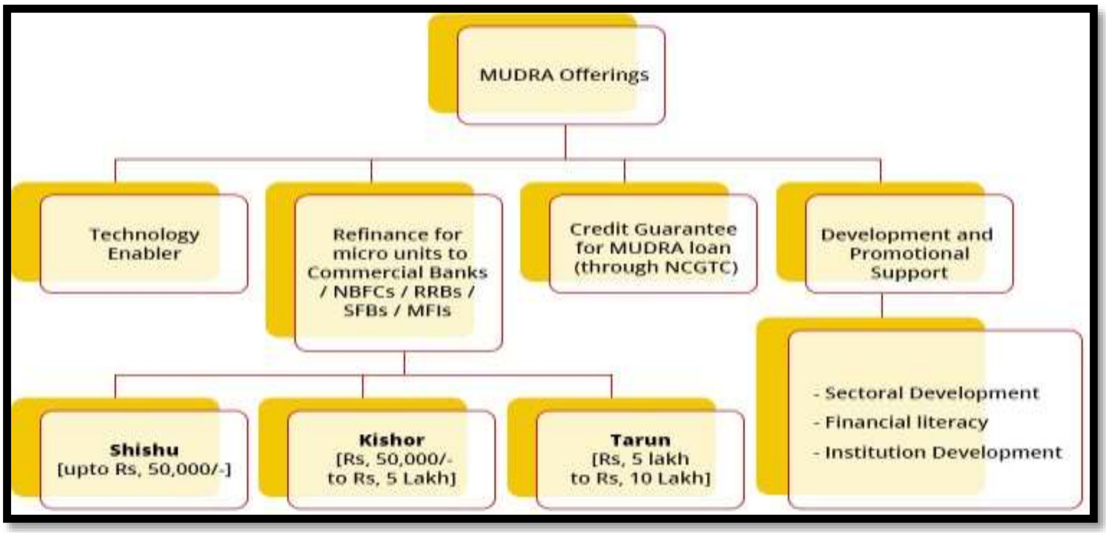

Fig.1: Mudra Bank Offerings to the Agencies and Beneficiaries

1.2. Market Size of Agri Allied Sectors:

Agriculture and allied sector (Mohan, R. (2006) [6] agro Industry, horticulture, aquaculture, pisciculture, dairying, poultry, and food processing plays an important role in the sustainable farming system and contribute to Gross Value Add by the agriculture, forestry, fishing was estimated at Rs 19.48(US$ 276.37) Billion in the FY2020, Food processing Industry accounts for 32% of the total country food market. The natural food segment in India is expected to grow at a CAGR of 10% during 2015-25 predictable to attain Rs 75,000 CroreUS$ 10.73 billion by 2025 from 2700 crore US$386.32 million in 2015.Indian Agrtech startups investment worth US$ 30.35 billion in the Y 2021. India exported 1.91 lakh of bananas worth Rs619 croreUS$82.90 million and 24 metric tonnes of groundnuts(as per ibef report 2021).

Refinance made for Agriculture and Allied Activity, non-farm and Self-help groups for the period 2020 and 2021.

Table 1: Refinance –Investment Credit disbursements (Rs Crore)

Particulars	**FY2020**	**FY2021**
Agriculture and Allied Activity	17.127	18.124
Non- Farm Activity	29.634	48.344
Self-help groups	25.256	24.032

Source: NABARD-Annual report 2021

Rural Infrastructure Index (RII) constructed by the Economic and Political Weekly a Research Foundation a benchmark for allotting higher RIDF Corpus annually as per RII Agriculture and allied activities to identify the investment required in Agri in fracture for the state. RII rated the State’s Best Performer and Worst performers in agriculture and allied activities as per (NABARD Annual Report).

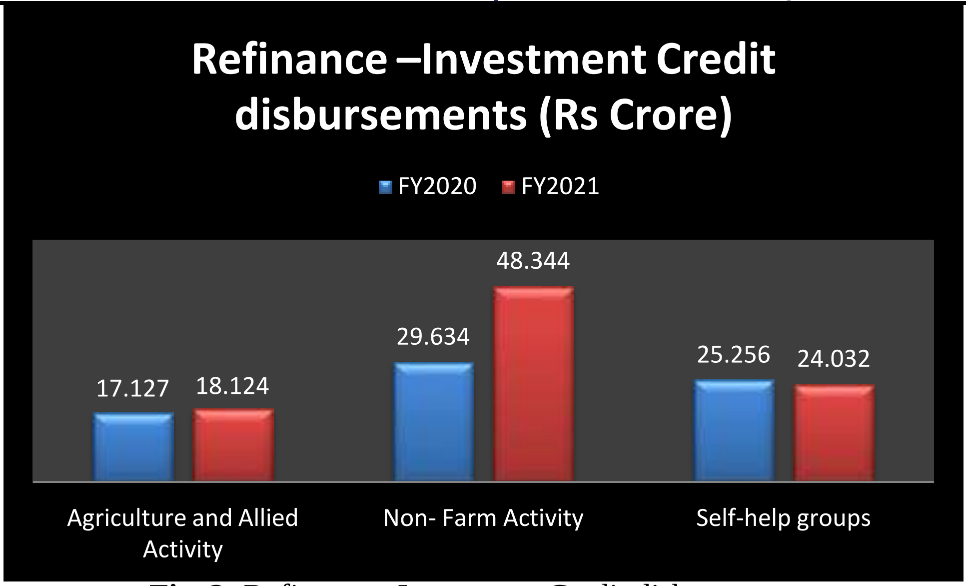

Fig. 2: Refinance –Investment Credit disbursements

Table 2: State-wise Best and Worst performers

State Best performers	Worst performers
Andhra Pradesh	Sikkim
Telangana	Arunachal Pradesh
Maharashtra	Nagaland
Tamil Nadu	Meghalaya
Karnataka	Manipur

Source: NABARD Annual Report 2021

The states which are listed in the table show performance. According to NABARD AP, TEL, MH, TN and Karnataka are the best performers. The worst performers are Sikkim, Arunachal Pradesh, Nagaland and Manipur.

2. NEED FOR THE STUDY:

Evaluating the effectiveness of the Mudra scheme in both rural and urban settings is essential for fostering the socio-economic development of the nation, particularly by promoting small and medium enterprises (SMEs), micro and small enterprises (MSEs), and related sectors. Additionally, it is crucial to enhance awareness of the various Mudra offerings, such as Shishu, Kishor, and Tarun, which are designed to support the growth and advancement of businesses at different stages, as well as to inform about institutional credit options. This analysis provides a comprehensive overview of the Pradhan Mantri Mudra Yojana, which encompasses a range of products, including microcredit schemes, bank credit guarantees, and a business correspondent model for financing Mudra loans. Furthermore, the study highlights that women's self-help group borrowers can access Mudra loans at reduced interest rates, thereby facilitating financial assistance for the empowerment of women.

3. SCOPE OF THE STUDY:

This field of study focuses on the advancement of Micro, Small, and Medium Enterprises (MSMEs) and Small and Medium Enterprises (SMEs) within related agricultural sectors, as well as the empowerment of women and the promotion of self-help groups through various Mudra products that contribute to the nation's economic development. It also highlights the successes of self-help group bank linkage programs that provide financial assistance under the Mudra scheme. The primary emphasis of this article is on the effectiveness of the Pradhan Mantri Mudra Yojana, which was initiated by the Government of India.

4. REVIEW OF LITERATURE:

The important related scholarly papers are searched using Google scholar search engine using the keywords mentioned in keyword section and are discussed in table 3.

Table 3: Showing literature work

S. No.	Focus	Authors & Reference
1	C. Vijai (2018), has published an article in the Journal of Banking, Finance and Insurance Management, titled "A Study on the performance of MUDRA yojana in Tamilnadu". The paper discusses the opportunity, benefits and performance of PMMY in India, particularly in Tamilnadu. The author opines that this most recent scheme boosts the small and micro business units in India. This scheme has been taken to focus exclusively on entrepreneurs. The author also has observed that this scheme has added to the well-being of the individuals engaged in small-scale industries which will positively shape the progress of the economy as a whole.	C. Vijai (2018) [7]
2	Arvindaraj K and Jai Ganesh Bala (2018), have published an article in the journal - IOSR Journal of Business and Management, titled "Performance analysis of PMMY in South India", where the authors have analysed the performance of the MUDRA loan scheme and have opined that it's not just youth becoming self- dependent, but they are employing more people through this scheme. The authors opine that a lot of awareness has to be created among the youths through social media so that mass media can take up initiatives to reach the program to the end-users. This will be an alternative to job creation as it is a humongous task to create employment in a densely populated country like India.	Arvindaraj K and Jai Ganesh Bala (2018) [8]

3	Krishna Chander (2018) analyses the impact assessment of MUDRA schemes in Coimbatore in an article published in the International Journal of Research in Social Sciences. The article is titled "Impact Assessment of MUDRA Scheme in Micro and Small Industries Sector of Coimbatore". He reveals that the impact has been positive on employment generation and improvement in the standard of living has not been effective on women empowerment. In Coimbatore, the author has observed that there have been effective methods used to improve the awareness of the scheme as advertisements through banks and television. It is also very important to note that 89% of the MUDRA sanctions were made on women entrepreneurs and there was an increase in the overall performance by 31% in the year 2016-17. The author has obtained the primary data from the office bearers of the Coimbatore Tirupur District Micro and Cottage Entrepreneurs Association (COTMA) using structured questionnaires.	Krishna Chander (2018) [9]
4	Anil Kumar Singh, Ashutosh Upadhyaya, Sona Kumari, Prem K Sundaram and Pawan Jeet (2020) in their Research Article titled "Role of Agriculture in making India $5 Trillion Economy under Corona Pandemic Circumstance" have observed this study that India is finding difficult to get a level of dollar 5 trillion economies though agriculture is contributing nearly $400 billion to the Indian economy is the 2nd largest after China. They also predicted that by 2026-27 India might reach a $5 trillion economy but not earlier than 2026.	Anil Kumar Singh,Ashutosh Upadhyaya, Sona Kumari, Prem K Sundaram and Pawan Jeet (2020) [10]
5	Sonika Gupt and Dainik Sanghvi (2020), in their Research Article titled "A Study on Socio-Economic Impact of Mudra Scheme" have focused on interpreting the socio-economic impact of the MUDRA Scheme which was introduced in the year 2015. Authors have collected secondary information from the official website of Pradhan Mantri MUDRA Yojana starting from the year 2015 to 2019 and have analysed the patterns of loans given to female borrowers as well as loans given to backward communities like scheduled castes and scheduled tribes.	Sonika Gupt and Dainik Sanghvi (2020) [11]

6	Gurudatt Raikar and Mallikarjun Naik (2021), in their paper titled "Brief Case Study of PMMY Scheme in Karnataka", opined that small industries and start-ups play a vital role in raising the standard of living of the people of India, particularly in rural India. In this paper, they have highlighted small industries related to MUDRA and have depicted how MUDRA has helped them increase their performance over the past three years in Karnataka. They conclude in this paper that the "Make in India" initiative has contributed immensely to the growth of MSMEs in Karnataka. This has significantly increased the confidence of the youth, educated and skilled workers to get into the first generation of business and have become entrepreneurs. Existing small businesses have expanded and increased their performances.	Gurudatt Raikar and Mallikarjun Naik (2021) [12]
7	Role of micro, small, and medium enterprises in the economic development of India: Mr. Dipak Kumar das, university department of commerce and business management, Ranchi university, Rachi. The author has viewed that the performance of MSME has a greater impact on the social-economic development of the country in terms of production Employment generation and also contributions to the GDP of the country. He also analyses the growth and development of MSME in both rural and urban areas.	Dipak Kumar Das [13]

5. RESEARCH GAP:

Numerous research articles have examined the enhancement of micro, small, and medium enterprises (MSMEs) through the Mudra scheme, specifically evaluating the effectiveness of the Pradhan Mantri Mudra Yojana in Tamil Nadu and Karnataka. Additionally, these studies investigate the contributions of the Make in India initiative to the growth of MSMEs in Karnataka. This current research not only emphasizes the impact of the Mudra scheme on MSME development but also addresses various agricultural allied sectors, including dairy farming, poultry farming, livestock, and beekeeping. It highlights the diverse offerings under the Mudra scheme, recent advancements in women's empowerment, and a category-wise analysis of the Pradhan Mantri Mudra Yojana.

6. OBJECTIVES:

1. To explore the function of MUDRA in meeting funding needs.
2. To recognize the significance of MSMEs, SMEs, and the Allied Agricultural Sector in both rural and urban contexts.
3. To evaluate the financial support provided to MSMEs, SMEs, and the Allied Agricultural Sector in pursuit of a 5 Trillion Economy.
4. To examine the relationship between MUDRA and women's empowerment through Self-Help Groups (SHGs).
5. To assess the refinancing activities conducted by MUDRA and NABARD for various organizations.
6. To investigate the advantages, benefits, limitations, and drawbacks of Mudra schemes utilizing the ABCD analysis framework.

7. METHODOLOGY:

The research paper utilizes secondary data gathered from various sources, including websites and published articles. Following a comprehensive literature review, it identifies a gap in existing research and presents an opportunity to examine the role of MUDRA in supporting MSMEs, SMEs/MSEs, and agricultural allied sectors through the ABCD listing framework.

8. TO ACHIEVE US 5 TRILLION DOLLAR ECONOMY [7]:

As per the working group constituted by the government of India, Ministry of Commerce and Industry, towards achieving a US 5 trillion-dollar Economy, the target is for 1 trillion dollars from Agriculture and allied activities, 1 trillion from manufacturing and 3 trillion from Services to the GDP and with globally competitive, sustainable and Inclusive. MUDRA Bank will provide credit to SMEs & MSMEs] Abiramib, B. V. A. (2019). [14] Agri startups in generating large scale employment in both rural and urban areas and contribute to GDP for the Indian economy to scale the $5 trillion mark. The Agriculture and SME/MSMEs (Muchie, M., & Bekele, E. (2009)[15] are creating a positive impact on the agrotech startups improving the lives of farmers. The Mudra enables the Gross- origin economy of the country to contribute to a bigger way to achieve Trillion Dollar Economy.

8.1 The Distribution of MSMEs in Rural and Urban Areas:

The establishment of MSMEs in both rural and urban areas will strengthen the economy. Table 1 indicates the Distribution of MSM enterprises in the rural and urban wise with the percentage of share.

Table-4: Distribution of MSME Rural and Urban area wise (Numbers in Lakhs)

Sector	Micro	Small	Medium	Total	%Share
RURAL	324.09	0.78	0.01	324.88	51
URBAN	306.43	2.53	0.04	309.00	49
ALL	630.52	3.31	0.05	633.88	100

Source: MSME Annual Report 2020-21

The Micro sector distribution is high i.e. Rs.324.09 lakhs it is for urban is Rs.306.43 lakhs. The small and medium sector is having a very small amount.

8.2 The Role Played by Mudra:

Micro Units Development and Refinance Agency Limited(MUDRA) is set up under the Pradhan Mantri Mudra Yojana to extend funds for funding to the Micro and Small entrepreneurs for creating entrepreneur culture and strong economic growth in collaboration with Financial Institutions with rotational pricing with various MUDRA Products(Ibrahim, P. A. 2018)[16]. It is one of the Subsidiaries of SIDBI and it plays a dual role.

(1) **Refinance support to Financial Institutions** like Public Sector Banks, Private Sector Banks, Regional Rural Banks, Non-Banking Finance Companies, and Micro Finance Institutions loans range from Rs 50,000/- to 10,00,000 under Shishu, Kishor and Tarun.

(2) **Monitoring the progress, and implementation of PMMY** by capturing the lending loan data of borrowers.

(3) **MUDRA Interest rates** for products are to be indicted as per the policy decision of the bank. Scheduled Commercial Banks, RRBs and Cooperative Banks requiring to avail of refinancing from MUDRA will have to pin their interest rates, as recommended by MUDRA Ltd., from period to period and mudra refinance to keep the interest rate at Marginal Cost of Funds Based Lending Rate (MCLR)/Base rate.

8.3 MUDRA Products offered by MUDRA BANK:

MUDRA provides funding needs to Micro, Small and Medium Entrepreneurs, individuals, Self-Help Groups, Professionals or Startups in Food processes, Non-farm activity, artisans, Beauty parlours, manufacturers and service providers in rural and urban areas with finance requirements upto10lakh under Shishu, Kishor and Tarun to the beneficiaries.

MUDRA offers the Micro Credit Schemes, Refinance scheme for Banks, Credit guarantee, Equipment finance and Business Correspondent (BC) model for funding MUDRA loans.

Fig. 4: Mudra Products

Mudra plays non-funding development support to MFI in Accreditation/Rating to facilities capital flow to Micro Enterprises and support in mitigating issues relating to the collateral securities to provide fundto Micro, Small, Medium enterprises through Credit Guarantee Fund and extend the financial literacy and social support services.

8.4 Beneficiaries of Scheme:

Any Individual Indian citizen who is willing to startup the Micro, Small and Medium enterprise in either manufacturing, service or Agri allied activities including SHGs and the rural and urban areas. The sizeof the amount varies from 50,000 Rupees to Rs10,00,000 provided by Public Sector Banks, Private Sector Banks, Regional Rural Banks, Non-Banking Finance Companies, Micro Finance Institutions loan.

8.5 Mudra and Women Empowerment:

MUDRA provides financial support to fostering women entrepreneurs of Self-Help Group Bank linkage programme, Beauty Parlor, artisans, Weavers in Micro, Agri allied activities of MSE/SME without any collateral security to make women empowerment and socio-economic development (Kumar, P.and Divya 2021)[17] and have potential to make India self-reliant. Initially, the National Bank for Agriculture and Rural Development (NABARD) planned and established SHGs for the ancillary credit flow model and women entrepreneurs in micro and small businesses will help in economic growth (Kumar, P., & Nandrajog, D. 2021)[18]. MUDRA act as "Last mile financiers" of Small business to improve the status of women and other backwards classes of the society. Women borrowers can applyfor fora loan on the Udyamimitra portal. As per the report of NSSO female participants are 53% and 53.8% in rural and urban areas respectively. Self-help groups (SHG) involve a small group of women who come together to make fixed monetary contributions to enhance entrepreneurship aptitudes amongrural women. In India, the SHG movement began in the 1980s with the support of several Non- government organizations that mobilized the women communities in the rural area and with the supportof The National Bank for Agriculture and Rural Development bank linking programme to achieve Socio-economic self-reliant or atmanirbhar. To boost the participation of women in the entrepreneurship ecosystem, PMMY is micro Finance opportunity for all women-led small-scale industrial units in the rural area and urban areas to make SHG economic empowerment.

Table 5: Achievements of SHG-Bank Linkage Programme 31st March 2021

Particulars	Physical (No.in Lakhs)	Financial in Crore
Total No of SHG's Saving linked with Bank	112.23	37477.61
Total number of SHGs (credit linked)	28.87	58070.68
Total number of SHGs (loan O/S)	57.80	103289.71
Average loan amount O/S	---	1786.94
Joint Liability Group promoted(JLGS)	41.27	-----
Loan disbursed to Joint liability groups	----	58311.78
Total Women SHGs	97.25	32686.08
Credit liked during SHGs Women	25.90	54423.13
Loan O/S	53.11	96596.60

Source: NABARD- Micro Credit Innovations Department

Table 6: Percentage of Male/ Female entrepreneurs Category wise

Category	Male	Female	All
MICRO	79.56	20.44	100
SMALL	94.74	5.26	100
MEDIUM	97.33	2.67	100
ALL	79.63	20.37	100

Source: MSMEs Annual Report 2021

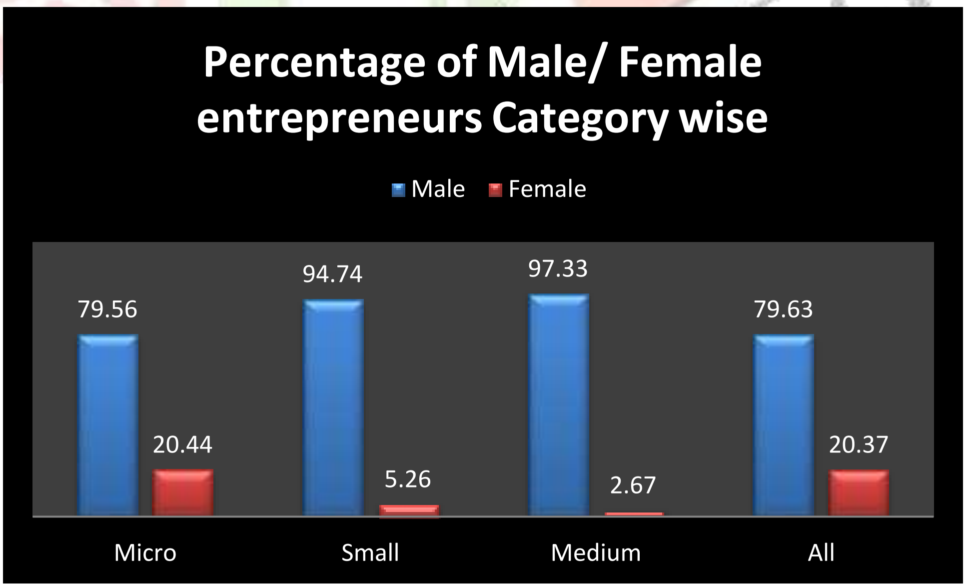

Fig. 5: Percentage of Male/ Female entrepreneurs Category wise

8.6 Mudra Card and Working Capital to SMES / MSE:

Mudra Card enables the SMEs/MSEs MUDRA Shishu, Kishore and Tarun beneficiaries the benefit of borrowing the working capital fund in the form of cash credit and overdraft through debit RuPay card at an affordable cost and can be operated across the country at ATMs and Points of sale. It facilities digital MUDRA loan transactions to the beneficiaries.

8.7 MUDRA and Covid-19 Economic Stimulus Package to MSE:

Mudra loan has great demand during the pandemic that to Sishu loan "(Business Line, December 2021,Mudra loan disbursals to pre-covid levels)" with2% of interest subvention as Economic Stimulus package to make small business as self-reliant under Atmanirbhar Bharat Abhiyaan for the period of 12month. The NPA level of MUDRA loans for the period 2019-2020 was 4.80% of the total loan disbursed.

9. RESULTS AND ANALYSIS :

Table 7: Market Size of MSMEs in India for FY 2022 (Lakh Units)

Types	Units	Percentage
Micro Enterprises	54,41,220	94%
Small Enterprises	2,93,555	5%
Medium Enterprises	32,959	1%

Source: Indian Brand Equity Foundation

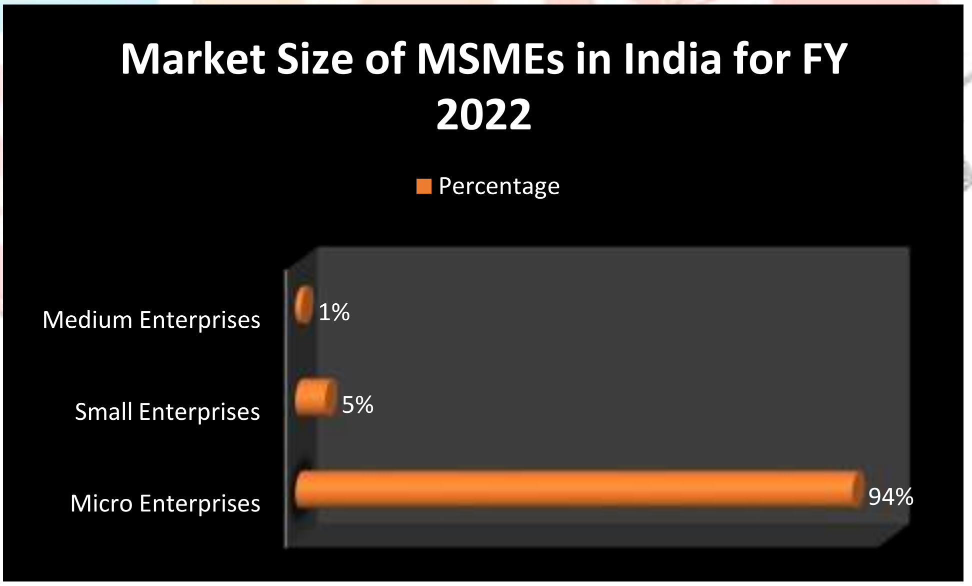

Fig. 6: Market Size of MSMEs in India for FY 2022

Table 8: PMMY No of Loans Sanctioned, amount Sanctioned and Disbursed

Financial Year 2020-2021	2020-2021 Rs in Cr	2019-20 Rs in Cr	2021-2022 (Provisional)
No of PMMY Loans Sanctioned	50735046	62247606	42996261
Amount Sanctioned	321759.25	337495.539	266654.40
Amount Disbursed	311754.47	329715.03	259428.55

Source: MUDRA.org

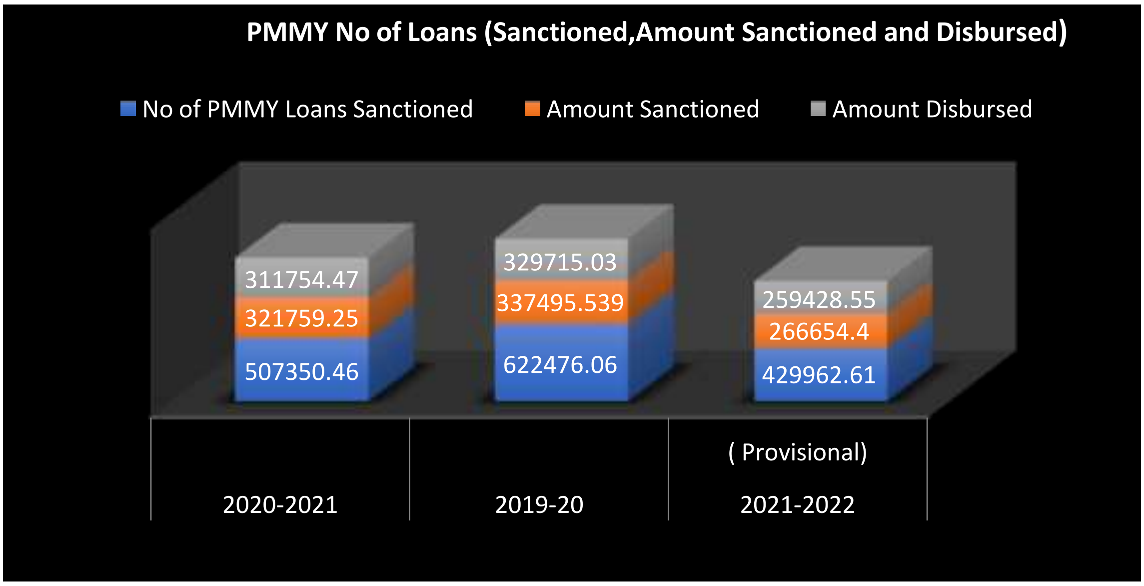

Fig. 7: PMMY No of Loans Sanctioned, amount Sanctioned and Disbursed

Micro Units Development and Refinancing Agency Ltd., (MUDRA) has played a dual role by assistants the lending Financial Institutions and Monitoring the growth.

Table 9: MUDRA -Institution wise performance (Amount in Crore)

Category	**Target (2020-2021)**	**Sanction Amt.(2020-2021)**	**Sanction Amt. (2019-20)**	**Growth**
Public Sector Banks (incl. RegionalRural Banks)	1,28,500	1,29,915 (101%)	1,17,729	10%
Private Sector Banks (incl. Foreign Banks)	91,700	93,613.20 (102%)	91,780	2%
SFB (Small Finance Banks)	29,800	19,646.68 (66%	29,501	(33%)
MFI (Micro Finance Institutions)	59,200	46,601.40 (79%)	57,967	(20%)
NBFCs (Non-Banking FinanceCompanies)	40,800	31,983.17 (78%)	40,518	(21%)
TOTAL	3,50,000	3,21,759 (92%)	3,37,495	(5%)

Source: MUDRA Annual Report 2020-2021

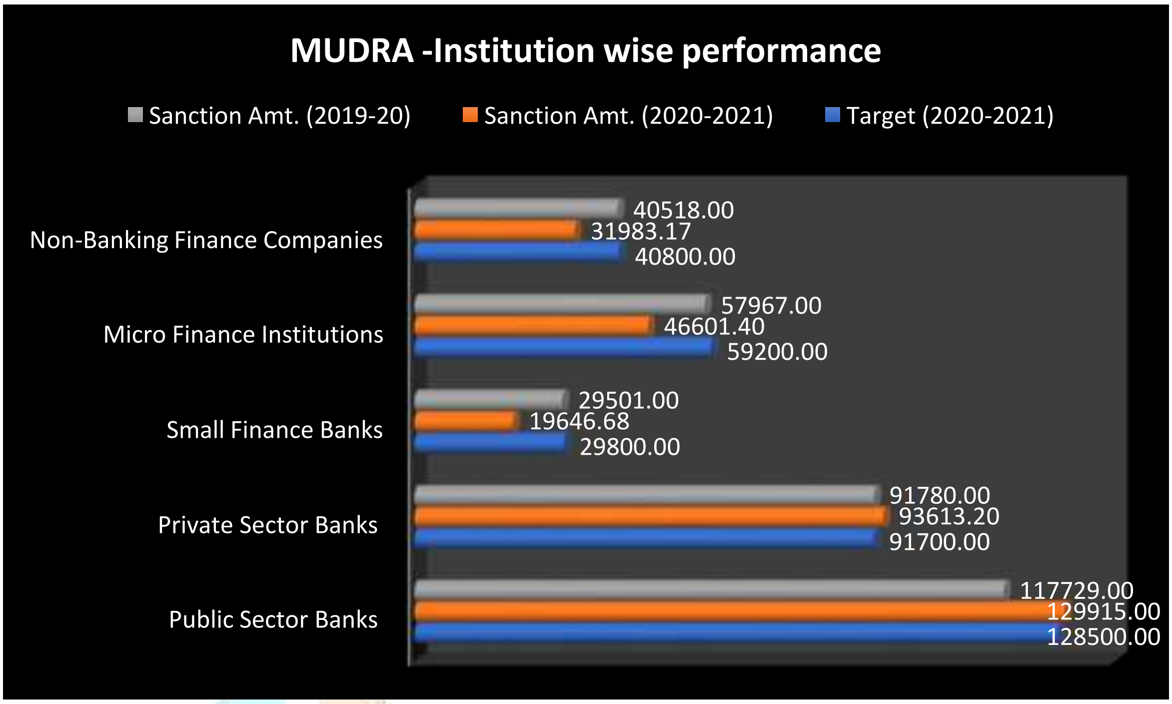

Fig. 8: MUDRA -Institution wise performance

Table 10: Category wise analysis of PMMY scheme

Category	2020-2021		2019-2020		% change (Sanction amount)
	No. of loan accounts	Sanction Amt.	No. of loan accounts	Sanction Amt.	
SHISHU	4,01,80,115	1,09,953	5,44,90,617	1,63,528	33%
KISHOR	94,86,160	1,32,516	64,71,873	95,578	39%
TARU	10,68,771	79,290	12,85,116	78,358	1%
TOTAL	5,07,35,046	3,21,759	6,22,47,606	3,37,495	5%

Source: MUDRA Annual Report 2020-2021

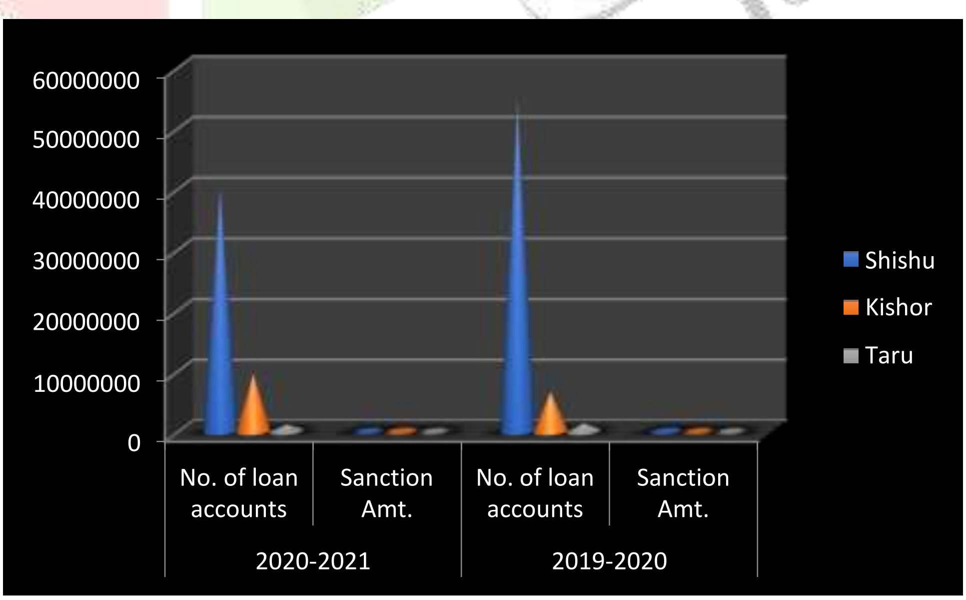

Fig. 9: Category wise analysis of PMMY scheme

State-level Performance of MUDRA LOAN:

State-level performance of MUDRA Loan is monitored by State Level Bankers Committee in India (SLBCs) and Sanction by MUDRA to various lending institutions.

Table 11: Top 10 states Performance (Rs in Cores)

Name of the state	Sanction Amt. (2020-21)	Sanction Amt. (2019-20)
KARNATAKA	30,199.18	30,188
WEST BENGAL	29,335.98	26,790
UTTAR PRADESH	29,231.35	30,949
TAMIL NADU	28,967.97	35,017
BIHAR	25,589.31	27,442
MAHARASHTRA	25,208.63	27,903
RAJASTHAN	18,571.38	19,662
MADHYA PRADESH	18,474.24	19,060
ODISHA	15,328.63	15,419
ANDHRA PRADESH	12,028.33	10,439.93
TOTAL	2,32,935	2,42,869.93

Source: Mudra Annual Report 2020-2021

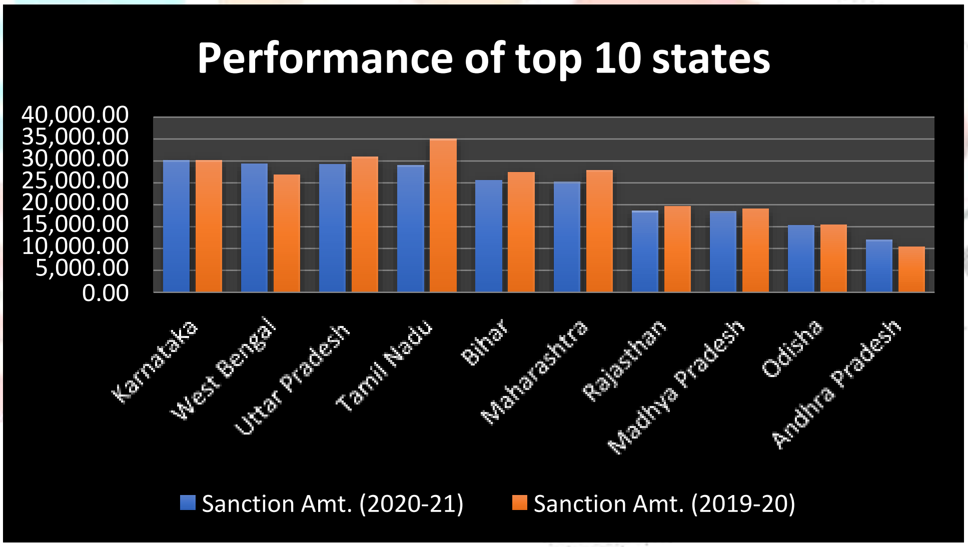

Fig. 10: Performance of top 10 states

Table 12: Borrowers Subcategories: Sanctions (2020-21)

Category	SHISHU		KISHOR		TARUN		TOTAL	
	No. of A/c	Amount	No. of A/c	Amount	No. of A/c	Amount	No. of A/c	Amount
GENERAL	1,91,09,271	52,164	58,33,669	94,426	9,21,759	69,353	2,58,64,699	2,15,942
SC	73,34,828	19,714	10,38,947	9,430	24,642	1,680	83,98,417	30,824
ST	26,62,727	7,218	4,43,598	4,344	16,957	1,168	31,23,282	12,730
OBC	1,10,73,289	30,857	21,69,946	24,317	1,05,413	7,089	1,33,48,648	62,263
TOTAL	4,01,80,115	1,09,9539	94,86,160	1,32,516	10,68,771	79,290	5,07,35,046	3,21,759
OUT OF THE ABOVE								
WOMEN	2,77,53,288	74,490	54,68,211	50,731	82,105	6,082	3,33,03,604	1,31,303
NEW ENTREPRENEUR ACCOUNTS	56,18,675	13,439	16,54,007	34,562	4,67,899	35,336	77,40,581	83,337
MINORITIES	28,83,587	8,004	12,38,860	15,260	49,614	3,653	41,72,061	26,917

SCARAB:= State Cooperative Agriculture and Rural Development Bank, RRB: = RegionalRural Bank, SHG = Self-Help Group, NBFC = Non-Bank Finance Company

Table 13: Disbursement of long-term refinance by agency and purpose (Rs.crore)

Purpose	Commercial banks	State Cooperative Banks	SCARABS	RRBS	NBFCS
Agriculture Allied	6765.8	365.61	1364.6	6092	246.4
Agri Clinics and Agribusiness	144.6	3.6	00	2.4	105.7
SHG's	11205.8	775.1	00	6758.7	4477.1
Off-farm sector (MSME)	37300.1	1223.9	137.4	1618.7	534.1

Source: NABARD Annual report-2020-2021

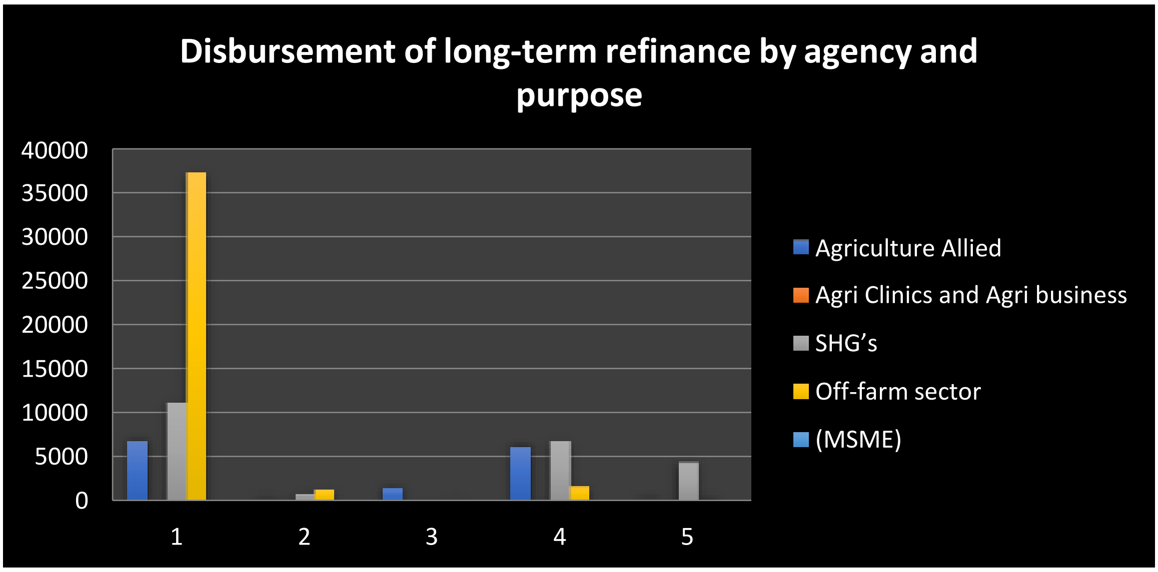

Fig. 11: Disbursement of long-term refinance by agency and purpose

Contribution of MSMEs to GDP According to the National Statistical office NSO M/O Statistics& PI:

- The Share of MSMEs' gross value added (GVA) in All India Gross Domestic product of CurrentPrices in the year 2019-20 is 30 per cent and in 2020-21 49.5 per cent.
- The contribution of the Allied Agriculture sector to the total Economy in the year 2019-20 is 18.4per cent and in 2020-21 20.2 per cent.

In the Union Budget 2021-22, the government allocated funds worth Rs. 2,500 crores (~US$ 335 million) to the Pradhan Mantri MUDRA Yojana (PMMY).

10. ABCD ANALYSIS:

An analysis is used to explain the advantages, benefits, Constraints and disadvantages of the MUDRA funding to SMEs, MSMEs and Agri. Allied Activities to achieve 5 Trillion Economy [19-23].

ADVANTAGES:

1) Mudra Funding is provided to Micro, Small, MSMEs and Agri. allied business without collateralsecurity in both rural and urban areas.
2) It provides both fund and non-fund based to the SMEs and MSMEs.
3) Mudra funding is obtained for developing and expanding Non-corporate and Nonfarm sectors.
4) Beneficiaries can avail of Fund to meet the working capital requirement and overdraft facilities.
5) Mudra beneficiaries can apply MUDRA Card for digital transactions.
6) Women, SHGs borrowers of Mudra loan get lesser interest rates, interest rates vary from bank tobank.

BENEFITS:

1) The Mudra loan scheme comes under 3 schemes namely Shishu-50,000, Kishore 5 Lakhs and TarunRs 10 Lakhs respectively.
2) The Funding requirement is disbursed by Public Sectors Banks, Private Sectors Banks, Regional Rural Banks, Small Finance Banks, NBFCs, Microfinance Institutions, and Co-operative Banks in bothrural and urban areas
3) Mudra's funding target is Women, SHGs, Minorities, the Backward class, and Tribals to encourageMicro, Small entrepreneurs to contribute to the economy and create jobs.
4) Mudra funding to MSEs/SMEs and MSMEs will lead to economic development in terms of employment creation and GDP growth.
5) Mudra Yojana is providing Micro Credit, Refinance schemes for banks to support and encourage SMEs, MSMEs, Agri allied activities and women entrepreneurs.

CONSTRAINS:

1) MUDRA can assign the Fin-techs and Small Finance Bank to assess the credit history and preparethe Business Plan to avail of the MUDRA loan.

2) Union Budget allocation is not sufficient for refinancing to the agencies MSMEs & Agri. allied arethe backbone to achieve greater economic development.

3) The interest rate of MUDRA loans is not uniform and not disclosed by leading financial institutions

4) MUDRA loan Schemes Maximum limit is very less for SMEs and MSMEs due to a change in thedefinition of MSMEs

5) For Agri. allied financing, who to approach is one of the Major construes, due to the role ofNABARD as refinance agency for Agri. allied activities.

DISADVANTAGES:

1) Mudra Bank should come out with a clear procedure for Agri. allied sectors in colouration withNABARD in terms of refinancing requirements to Agencies.

2) Mudra Card limit is very less to achieve 5 trillion Economy, credit limit must be enhanced.

3) There is no uniformity in the Mudra loan interest rate due to not presence of RBI guidelines forMudra interest rate.

4) MUDRA Bank network must be established in a rural area along with Micro Finance Institutions toreach schemes in rural areas.

5) For providing Non-fund based requirements MUDRA bank has to establish an internal cell to provide services to Entrepreneurs.

11. CONCLUSIONS:

Microfinance institutions and small finance banks should enhance their support for the rural population in rebuilding their enterprises. There is a need for greater integration of digital technology within allied SMEs/MSMEs and agriculture-related sectors, alongside increased financial literacy initiatives in both rural and urban communities regarding MUDRA loans. The interest rates associated with these loans are inconsistent and vary significantly between banks, necessitating MUDRA to raise the maximum limits for its Shishu, Kishor, and Tarun schemes. Additionally, there is a lack of data on refinancing for agricultural entrepreneurs and the creation of new jobs; however, MUDRA has the potential to significantly impact the funding landscape for micro and small enterprises in the long term.

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