

SBI Research

How Prime Minister Mudra Yojana (PMMY) has revolutionized the Socio Cultural Fabric of Nation in a short span: Rising Mudra Atmanirbhar Quotient lends credence to deep and durable changes in the offing!

27-April-2023

- ❑ In a brief span of 8 years, PMMY/ MUDRA has brought forth a Leap of Faith inculcating robust credit dispensation among MLIs (Member Lending Institutions) while fostering superior credit culture among diversified credit seeker groups, chiefly from the bottom strata that had remained unserved for a long tenor, thus being an efficient vector for 'uniform credit at population scale'!
- ❑ Through relentless promoting by a wide array of MLIs (SCBs, NBFCs, RRBs, MFIs) to meet credit needs of the hitherto fringe sections, MUDRA has created an indelible print on India's rising MSME prowess
- ❑ Credit saturation of hitherto 'thin credit file' customers with little or NIL credit history has provided a credible data moat to lenders and policy makers, enabling them to craft better calibrated financial offerings to vulnerable groups
- ❑ Empowering the grass root level has been one of the most remarkable feat of the MUDRA scheme, our research shows analysing total disbursement under the scheme since its launch which showcases that the Unique Selling Proposition of PMMY has been well received by diversified intended beneficiary classes, rising the economic clout of the bottom and ensuring equitable redistribution of resources and efficiently embedding resultant prosperity uniformly
- ❑ **Having successfully weathered the pandemic blunt in both disbursal as also number of accounts, MUDRA now appears destined for higher glories benefitting the social fabric of the country through bringing financial freedom to fringe groups of Women, Minorities, SCs, STs, OBCs as also fueling new age entrepreneurship across manufacturing/services/trade**
- ❑ While average ticket size has nearly doubled, there are encouraging trends being seen in disbursal of Tarun and Kishor variant with higher loan limits addressing the 'Missing Middle problem' in enterprises growth...Also, the portfolio has been well balanced across retail trade, services and manufacturing and process is geared towards operational excellence through digitalization of journey at both Pre and Post disbursal stage at MLIs end

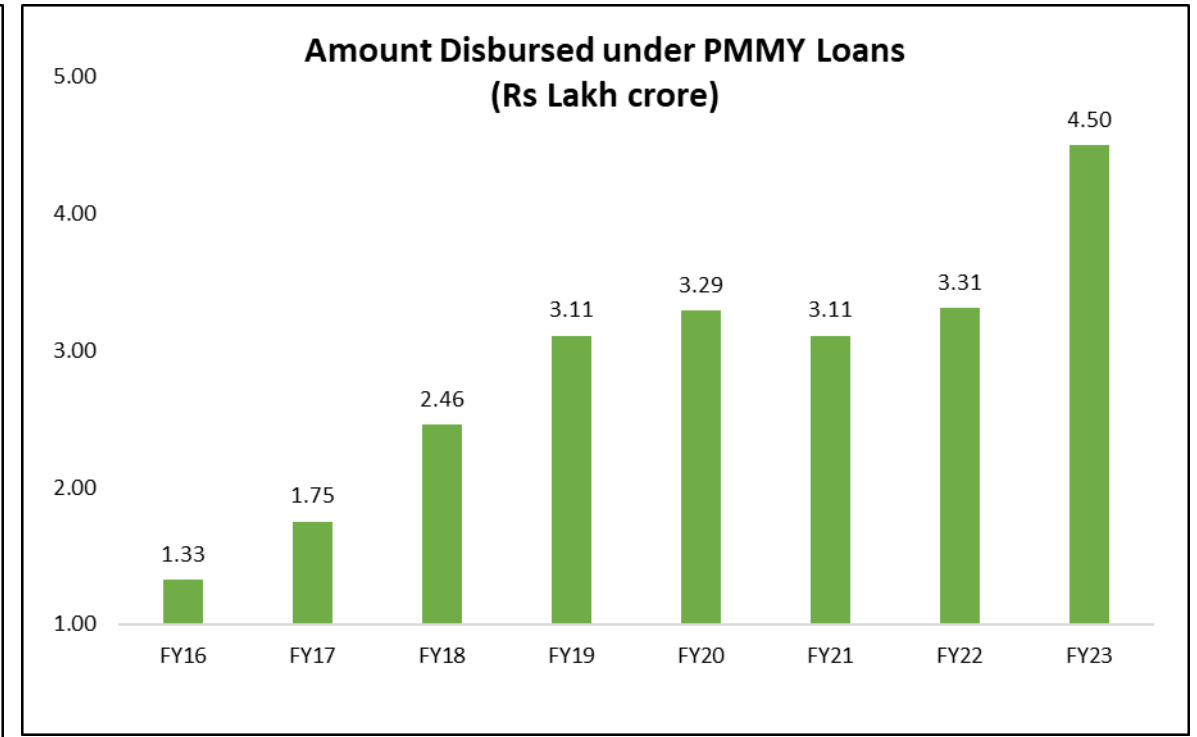
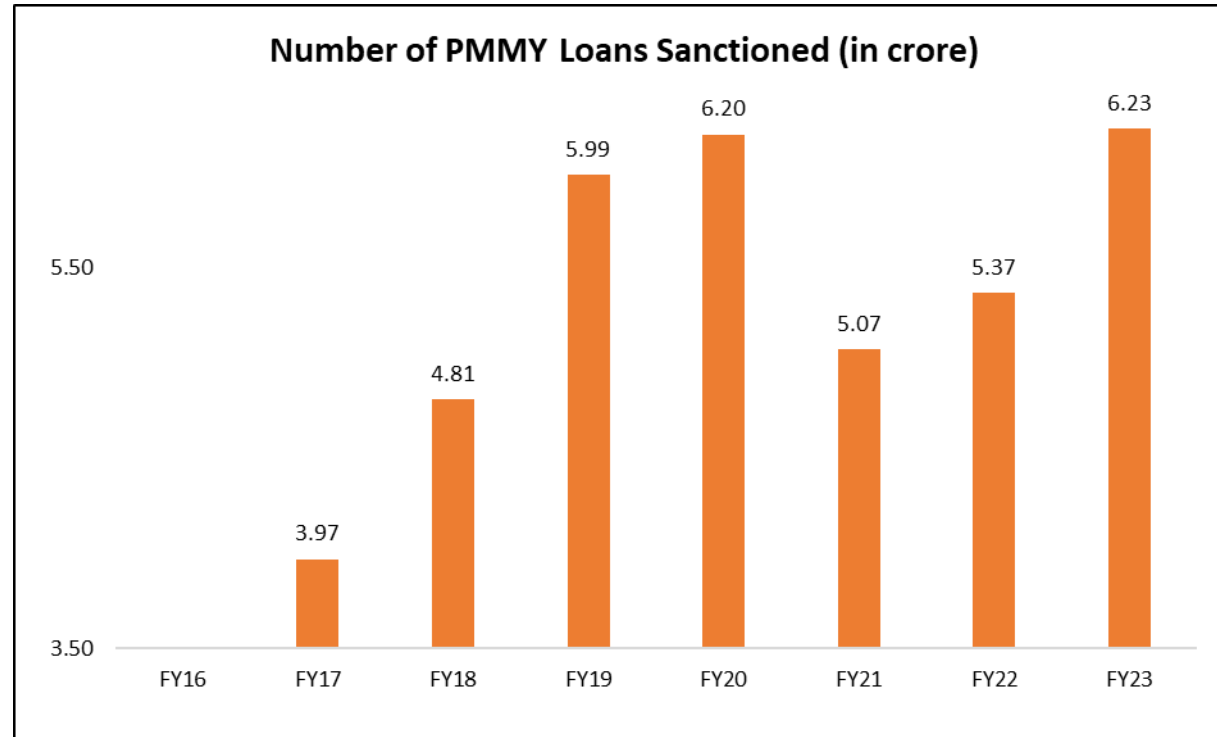
- ❑ **At Macro Level, India's Social Fabric Index / SFI**, representing the participation & celebration of underprivileged in formal banking system shows 3.2 times jump for the 5-year period ended FY22
- ❑ **At Micro Level, India's Mudra Atmanirbhar Quotient / MAQ** defined as the propensity of a particular social strata to repay based purely on cash flow generated from business, thus capturing his/ her becoming atmanirbhar over the life cycle of the product
 - The MAQ was estimated by adjusting for the following factors (a) The propensity of repayment capability for different social segments and (b) The traction in repayments for class of borrowers for each social strata
 - The repayment capability for each social strata is adjusted by the number of accounts for that particular strata. This is to ensure that the MAQ captures different stages of life cycle growth of the mudra beneficiary from Shishu to Tarun and hence the atmanirbhata in being an entrepreneur
- ❑ **Mudra Atmanirbhar Quotient has increased from 0.81 for SC and ST in FY16 to 2.20 and 2.02 in FY22 respectively while for OBCs, it has increased from 0.82 to 1.98. For minority, it has increased from 0.99 to 2.71 while for women entrepreneurs, it has increased from 0.82 to 2.28 in FY22**
- ❑ Regarding disbursements, highest disbursement is in Shishu product in the hitherto fringe social segments of SCs, STs, OBCs, Women & Minorities. **Disbursements to Minorities are highest in Kishore variant across all social strata..**
- ❑ We believe that increasing women participation in PMMY leads to better financial situation of women borrowers, reinforcing our belief that PMMY is an effective power tool for women empowerment at grass roots level
- ❑ **We find a jump in Mudra Empowerment Multiplier / MEM....**Reflecting substantive impact on state subsidy allocation evident through higher MUDRA disbursement

Pradhan Mantri MUDRA Yojana Progress So Far

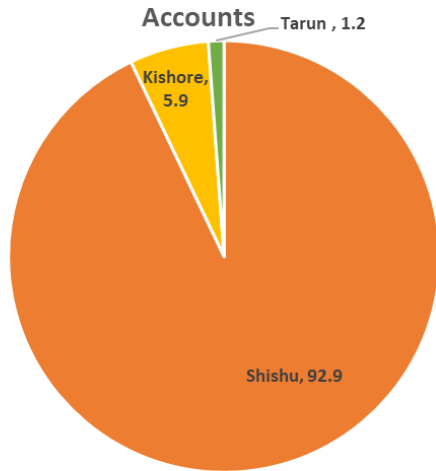
On 8th April, 2015 Honourable Prime Minister launched MUDRA Yojana: **It Completed 8-Years of Operations**

- **Pradhan Mantri Mudra Yojana (PMMY)** under the Micro Units Development and Refinancing Agency (MUDRA) is a relatively new institution set up by Government of India for development and refinancing activities relating to micro units
 - PMMY ensures collateral-free institutional credit up to Rs. 10 lakh is provided by Member Lending Institutions (MLIs) i.e. Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), Non-Banking Financial Companies (NBFCs) and Micro Finance Institutions (MFIs).
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- Under the scheme, three categories of interventions have been formulated which include
 - **Shishu** :- Loan up to ₹50,000
 - **Kishore** :- Loan ranging from ₹50,000 to ₹5 lakh
 - **Tarun** :- Loan above ₹5 lakh and below ₹10 lakh
 - Loans are guaranteed by Credit Guarantee Fund for Micro Units (CGFMU) which is the Trust Fund set up by Government of India, managed by NCGTC as a Trustee. It provides Portfolio-level guarantee against default
-
- Initially, PMMY covered income generating activities in the manufacturing, trading, services sector only
 - In FY17, activities allied to agriculture, viz; pisciculture, beekeeping, poultry, livestock rearing, grading, sorting, aggregation agro industries, dairy, fishery, agri-clinics and agribusiness centres, food and agro-processing, etc which promote livelihood or are income generating were brought under the ambit of PMMY
 - In FY18, loans sanctioned for purchase for Tractors and Power Tillers included as eligible loans under PMMY
 - In FY19, loans sanctioned for purchase of two-wheelers by individuals for commercial purpose have also been included under PMMY

- A telescopic view of the total disbursement under the scheme shows that since its launch, the Unique Selling Proposition of PMMY has been well received by diversified intended beneficiary classes, raising the economic clout of the bottom
- The growth in amount of loans disbursed average 33% in the first three years but declined there after due to COVID-19. Again, disbursal increased by ~36% in FY23 signaling return of animal spirits at the bottom of the pyramid of India Inc.
- Average ticket size of the loans have nearly doubled; ~Rs 72,000 in FY23 from ~Rs 38,000 in FY16

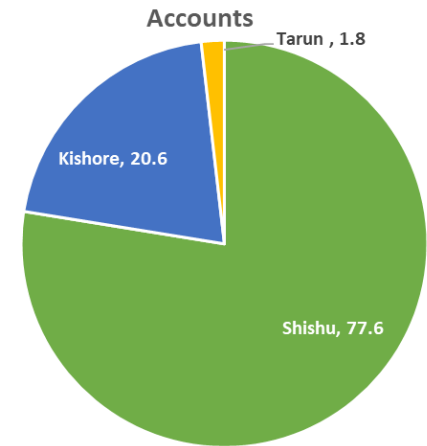


2016: Scheme-wise % Share in PMMY number of Accounts

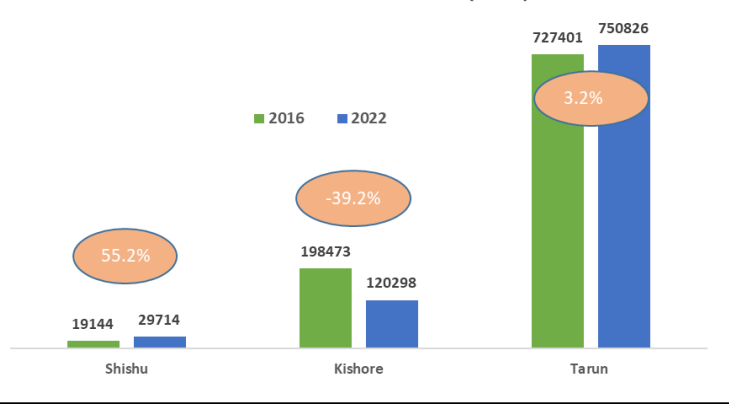


MUDRA Units are getting Bigger as Shishu Share Declined

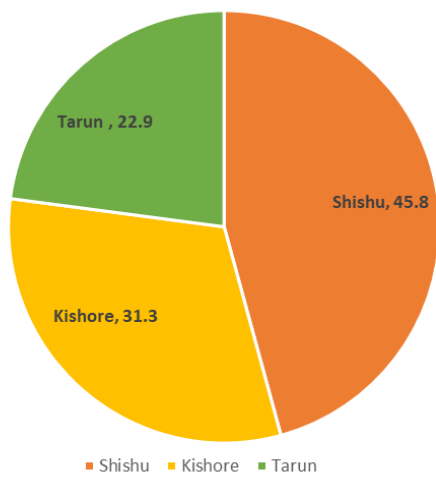
2022: Scheme-wise % Share in PMMY number of Accounts



Ticket Size of PMMY Loans (in Rs)

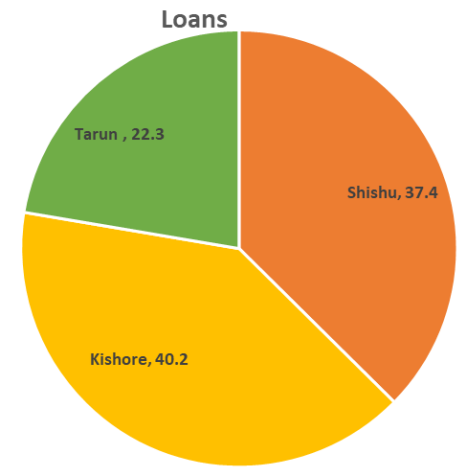


2016: Scheme-wise % Share in Disbursement of PMMY Loans

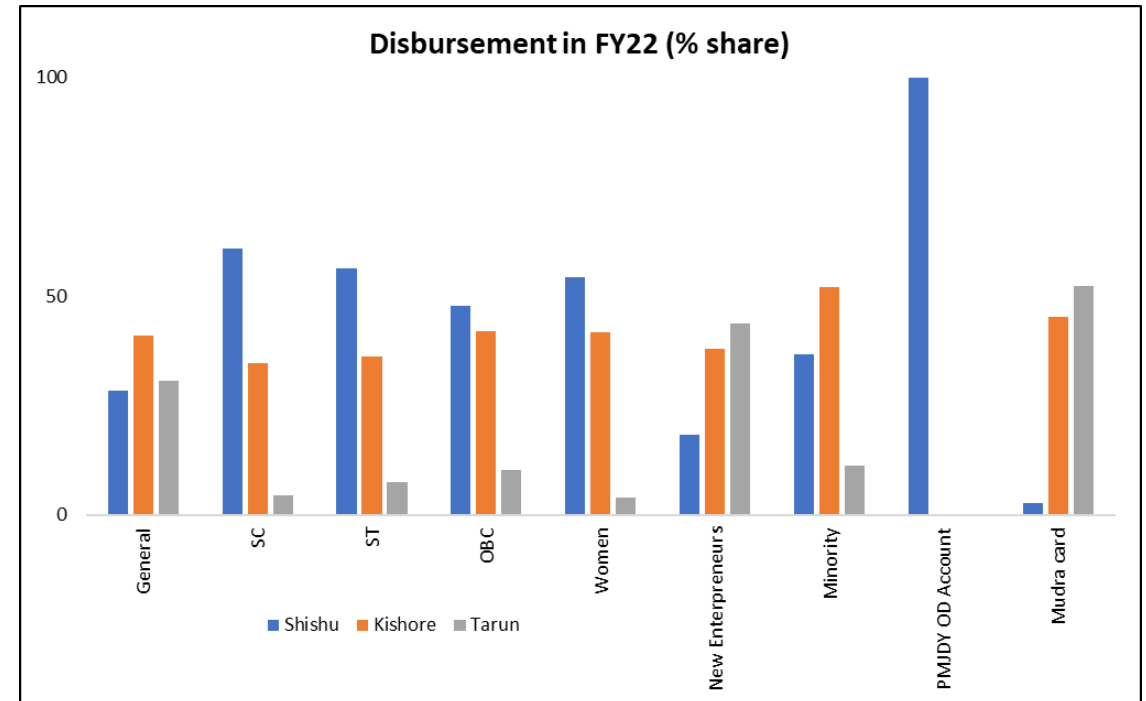
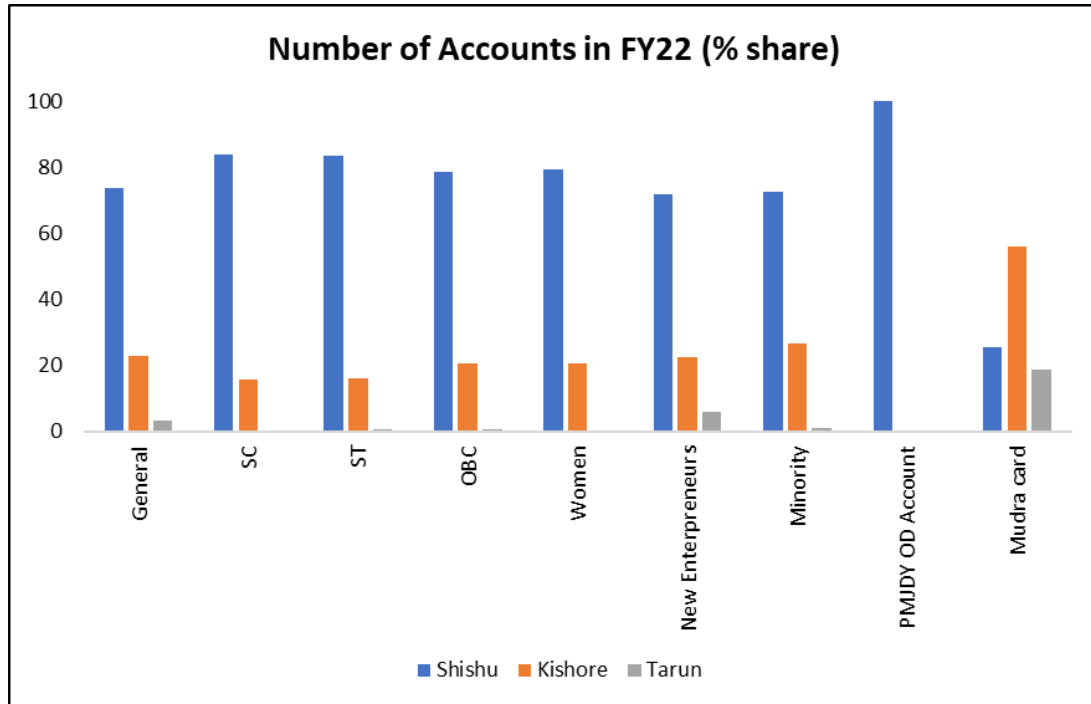


Kishore Loans Share Increased

2022: Scheme-wise % Share in Disbursement of PMMY Loans

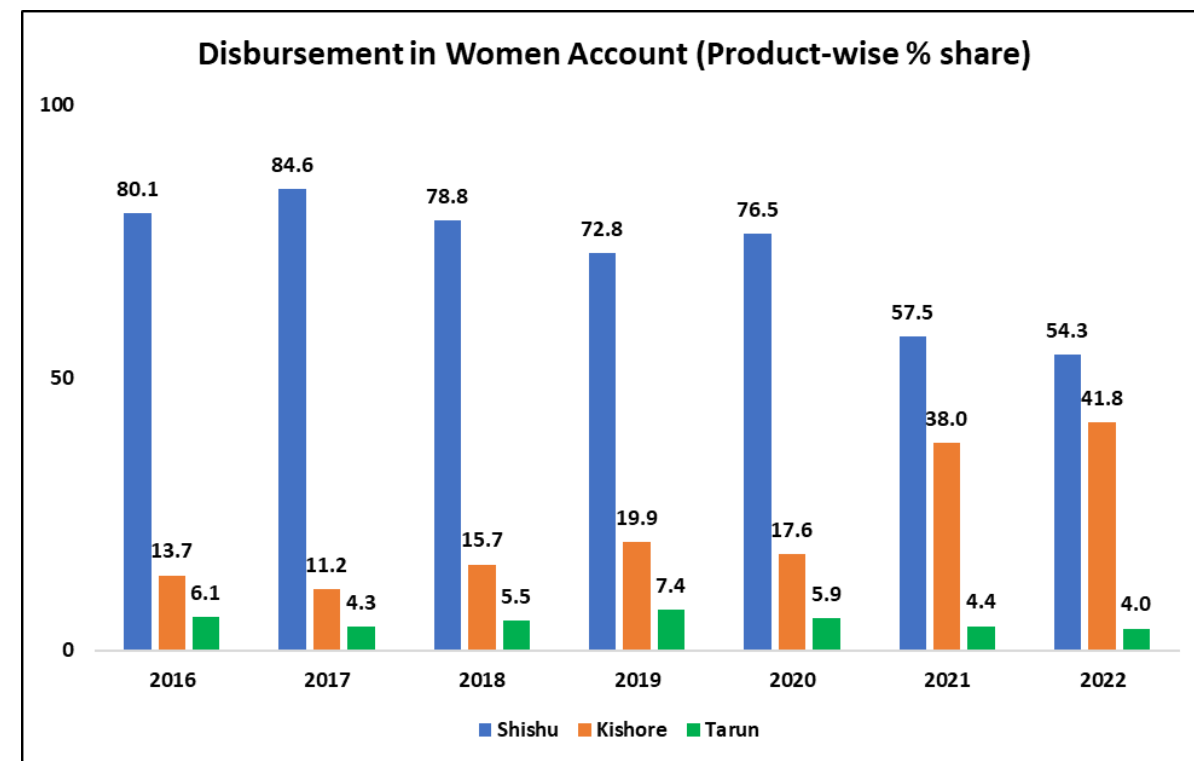
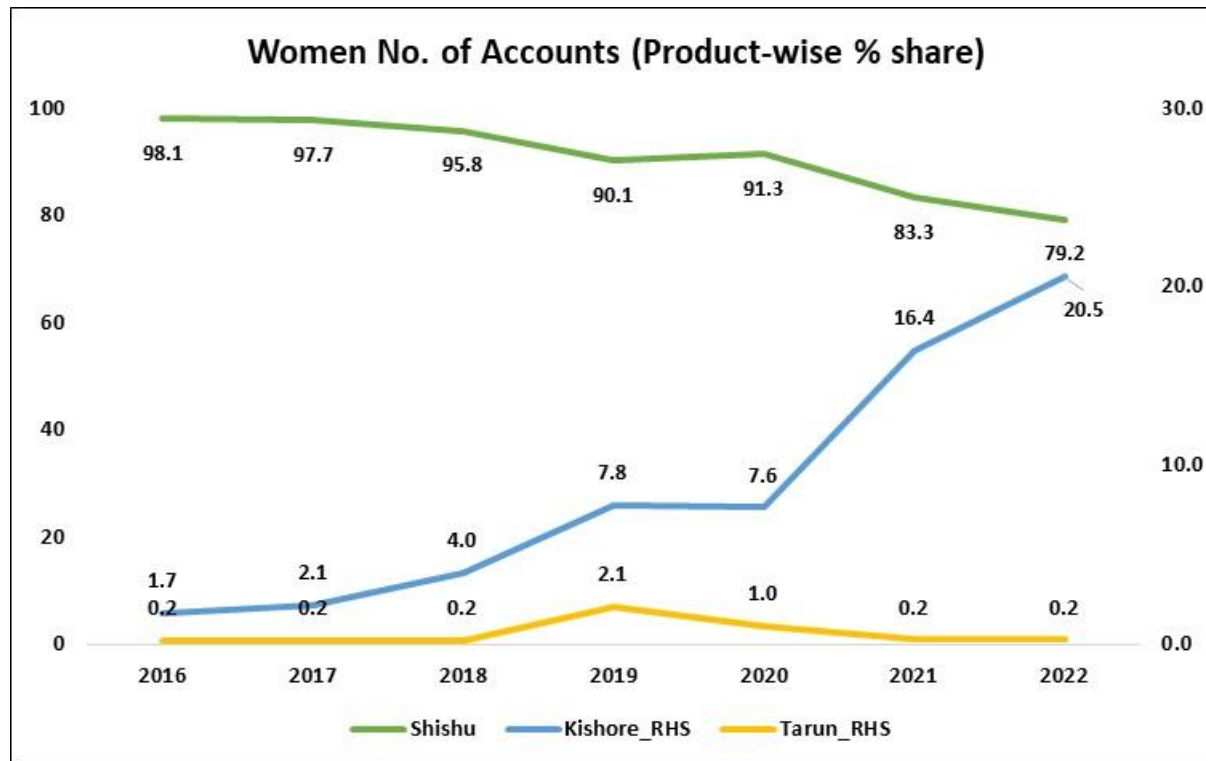


- Shishu is the mostly widely availed Mudra product across all Social Segments except Mudra Card, where number of accounts is evenly distributed with major focus towards Kishore product
- With regard to disbursements, highest disbursement is in Shishu product in the hitherto fringe social segments of SC, ST, OBC, Women etc. Disbursements to Minorities are higher in Kishore Product than Tarun product
- Entrepreneurs such as New Entrepreneurs and Mudra Card owners have availed most disbursement under Tarun product and least under Shishu product

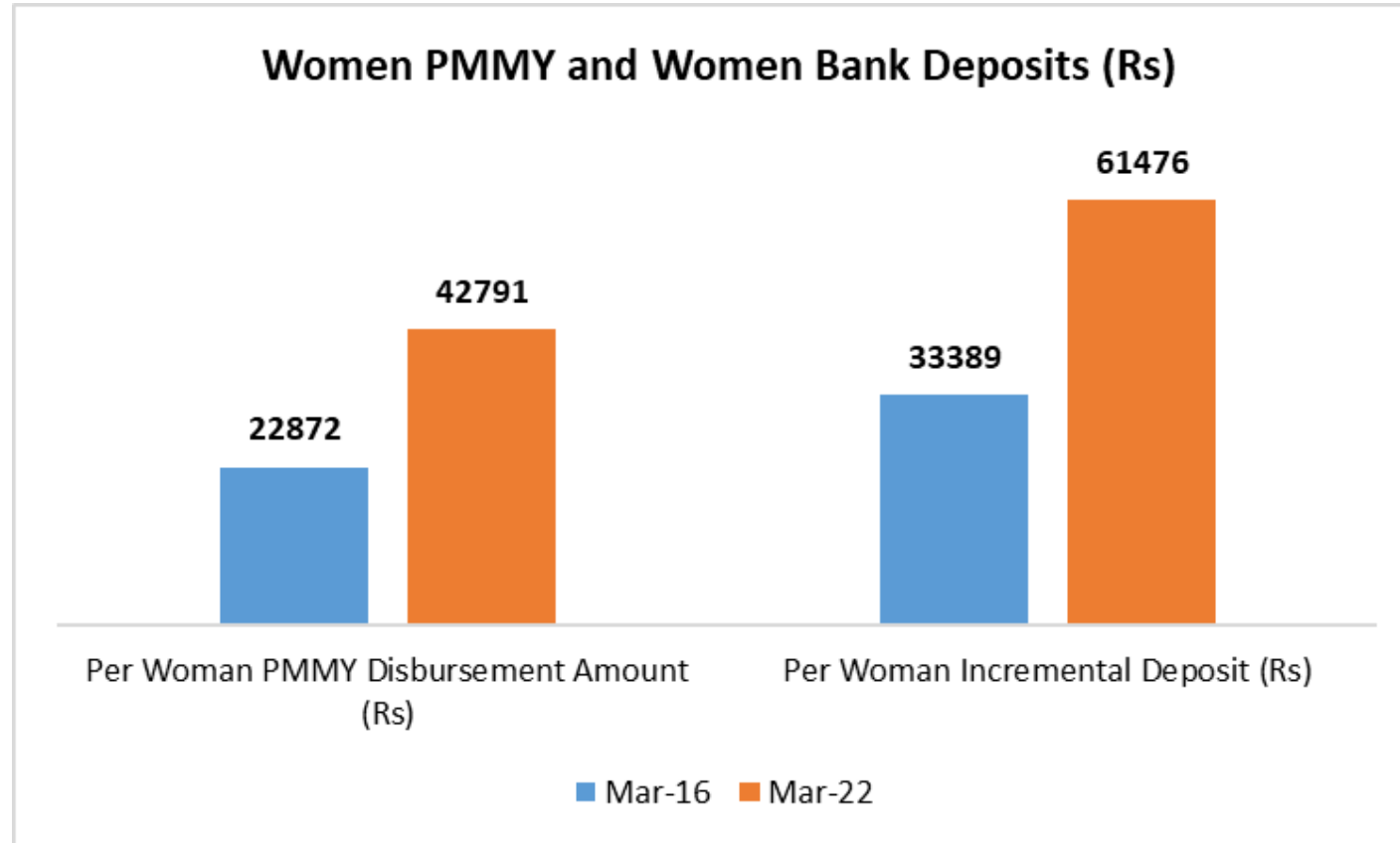


% share of disbursements to Women Entrepreneurs under Kishore has jumped 2.4 times since pandemic....clear evidence of unique value proposition and integration in SME value chain..

- ❑ Shishu is dominating Mudra products availed by Women Entrepreneurs, however, % share of Kishore Product category is continuously increasing
- ❑ With respect to disbursement, % share of Kishore product is nearly touching the % share under Shishu variant
- ❑ Increasing share of Kishore in both number of accounts and specifically in disbursements under Women Entrepreneurs accounts signify progression of women entrepreneurs in their businesses



- We believe that increasing women participation in PMMY leads to better financial situation of women borrowers
- In the last six years (FY22 over FY16) while per woman PMMY disbursement amount increased by a CAGR of 11% to Rs 42,791, the per woman incremental deposits increased by a CAGR of 10.7% to Rs 61,476
- **Thus, PMMY is an effective power tool for women empowerment at grass roots level**



PMMY

How it Improves Social Fabric in India

- ❑ Our objective through present research was to see:
 - a) Whether Mudra Yojana is contributing towards increase in Economic independence of different socio-economic segments?
 - b) Is Mudra Yojana strengthening **Social Fabric** of the country?
 - c) Is Economic Independence achieved through Mudra Yojana contributing towards lesser allocation of subsidies by States?
- ❑ We have taken data of Mudra Products, and their state wise and Social segment wise data from Mudra website (<https://www.mudra.org.in>)
- ❑ **We propose an evaluation at both macro as also micro level.....**

- ❑ We constructed a **Social Fabric Index /SFI** using Principal Component Analysis:
- ❑ Variables used in the construction were
 - a) SC, ST, OBCs Mudra Accounts and Disbursements,
 - b) Women Number of deposit accounts and deposits held in them,
 - c) Revenue and Capital Expenditure of Govt towards welfare of SC, ST, and OBCs
- ❑ Incremental Change in variables were considered during the construction of index
- ❑ Results suggest that combined impact of all aforesaid variables have increased index of social fabric from 0.813 in FY17 to 2.64 in FY22
- ❑ India's **Social Fabric Index / SFI**, representing the participation of underprivileged and women in the formal banking finance and the increased Government allocation for the welfare of underprivileged has jumped by a significant 3.2 times in the last 5 years....

Strengthening Social Fabric	
Time	Social Fabric Index
2016-17	0.813
2021-22	2.640
Source: SBI Research	

At Macro level...Our estimated Mudra Atmanirbhar Quotient /MAQ across social strata shows a significant jump....

- ❑ We define **Mudra Atmanirbhar Quotient / MAQ** as the propensity of a particular social strata to repay based purely on cash flow generated from business, thus capturing his/ her becoming atmanirbhar over the life cycle of the product
- ❑ In terms of numbers, if sanctioned amount under PMMY is A, disbursed amount is B, then a higher outstanding amount, say C relative to B indicates that the repayments are lower as outstanding amount reflects accumulation of principal and interest during a particular year. Thus, if the gap between B and C is large / small, it reflects better repayment / lower repayment capability of the borrower. For example, Rs 3.12 lakh crore is outstanding of Rs 3.31 lakh crore disbursed in FY 22, signaling the repayment of Rs 19.69 thousand crores during the dated time. The positive difference is the repayment done by the particular social cohort
- ❑ Buoyancy of **MAQ** would also increase with larger repayments juxtaposed with relatively lower number of Mudra Accounts / more of Kishore accounts thus effectively capturing the economic transformation in the lives of Mudra Beneficiaries
- ❑ Applying the above principles
 - Lower the outstanding than disbursement, **higher would be MAQ**
 - Higher the total amount of repayment by Socio Economic Segment in comparison to total repayment, **higher would be MAQ**
 - Higher the total amount of repayment by Socio Economic Segment by a lower share in Mudra Accounts in comparison to total accounts. **higher would be MAQ**
- ❑ Better repayment signals better financial discipline as also a robust and prudent credit culture in borrowing groups with incremental aspiration to attain scale getting fructified *suo moto* in general

Mudra Loans in FY22 (In lakh Crores)		
Sanctioned Amt	Disbursement Amt	Outstanding Amt
3.39	3.31	3.12
Source: Mudra Website		

Jitni Aabadi,....Utna Empowerment

- **Mudra Atmanirbhar Quotient (MAQ)** of different social segments was calculated to check unit utilization of Mudra Loans with repayment ability of the businesses for which loan has been availed
- Driven by approach of '**Jitni Aabadi, Utna Empowerment**', we have taken Relative terms wherein significance of '**Jitni Aabadi**' has been captured through Relative No of Mudra Accounts (Share in total accounts of each socio-economic segment) and significance of '**Utna Empowerment**' has been captured through Relative Repayment (Share in total Repayment of Each Socio-Economic Segment).
 - MAQ, for a particular FY, would be zero if the repayment by overall Socio-Economic Segment is zero, meaning Mudra loan availed is not able to give enough sustainable income to the Socio-Economic Segment beneficiaries to repay the Mudra Loan availed
 - MAQ, for a particular FY, would be negative if the repayment by overall Socio-Economic Segment is in negative domain i.e Outstanding amount for a particular year is higher than the disbursement, **indicating pending repayments**
 - MAQ, for a particular FY, would be positive if the repayment by overall Socio-Economic Segment is positive i.e outstanding amount for a particular year is lower than the disbursement amount... **the higher is the difference, the better it signifies in terms of repayment**

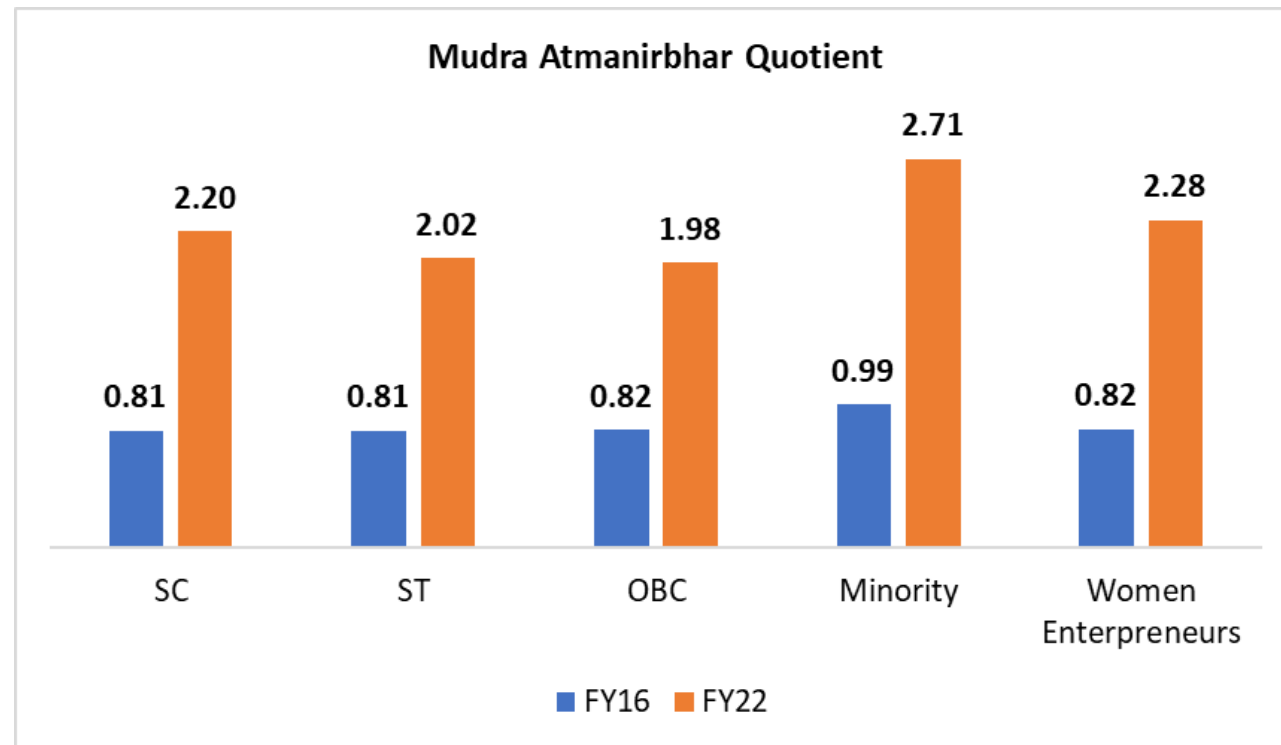
$$\begin{aligned}
 \square \text{ *Mudra Atmanirbhar Quotient (MAQ)* } &= \frac{\text{Relative Segmental Repayment}}{\text{Relative Segmental Accounts}} = \frac{\frac{\text{Segmental Repayment}}{\text{Total Repayment}}}{\frac{\text{Segmental Accounts}}{\text{Total Accounts}}} \\
 &= \frac{\frac{\text{Segmental Disbursement} - \text{Segmental Outstanding}}{\text{Total Disbursement} - \text{Total Outstanding}}}{\frac{\text{Segmental Accounts}}{\text{Total Accounts}}}
 \end{aligned}$$

Mudra Atmanirbhar Quotient							
	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
SC	0.81	0.77	0.74	0.75	0.78	1.08	2.20
ST	0.81	0.83	0.71	0.75	0.78	1.01	2.02
OBC	0.82	0.85	0.83	0.73	0.72	0.74	1.98
Women Entrepreneurs	0.82	0.47	0.81	0.83	0.88	1.02	2.28
New Entrepreneurs Accounts	1.17	1.38	1.25	1.09	1.26	2.09	3.54
Minority	0.99	0.97	0.96	1.17	0.95	1.26	2.71
PMJDY OD Accounts	0.07	0.11	0.03	0.00	-0.09	0.03	0.10
Mudra Card	0.67	1.44	1.60	1.79	4.31	11.81	16.98
NULM	-	1.25	1.34	1.55	1.88	2.00	10.30
NRLM	-	1.41	4.62	-17.51	2.74	3.86	10.53
Other Govt Sponsored Prog	-	1.29	1.34	1.55	1.22	0.71	2.85
Skill Trained Persons	0.92	-	-	-	-	-	-
Skill Certified	-	-	-	-	-	4.53	4.89
Self Certified	-	-	-	-	-	1.82	5.39
Unskilled	-	-	-	-	-	0.75	3.66

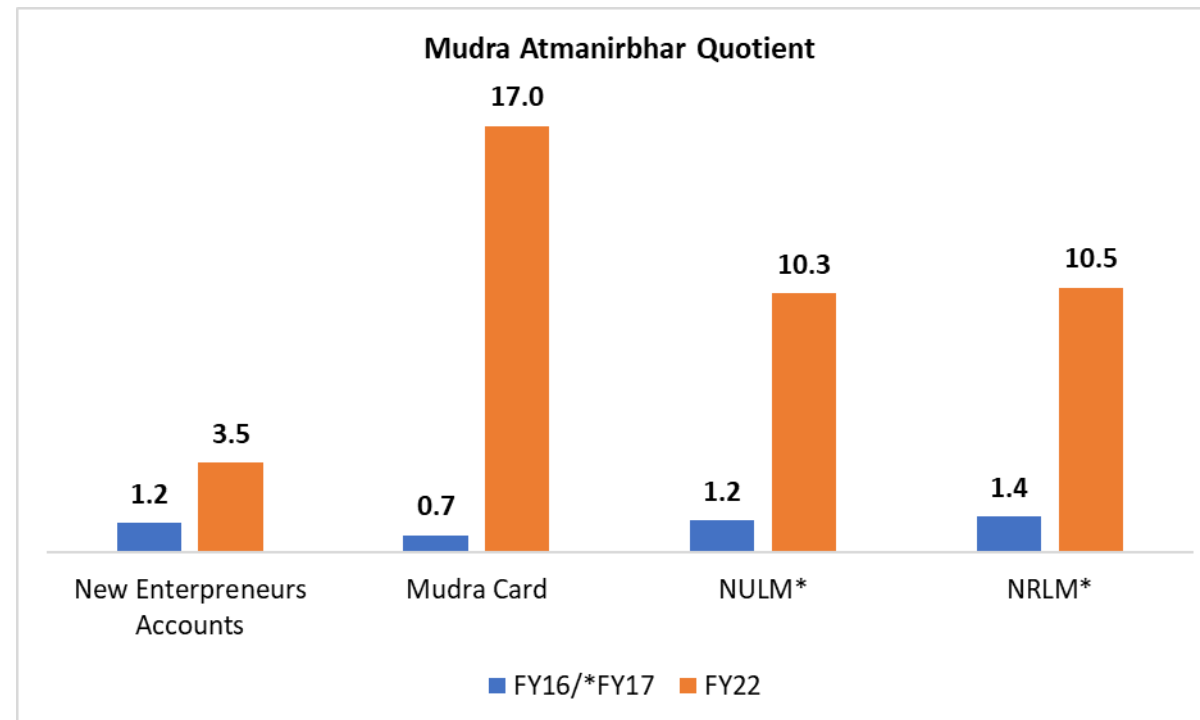
Source: SBI Research

Figures for General cohort do not show significant change in the quotient/disbursement share and hence have not been reported

- ❑ Mudra Atmanirbhar Quotient (MAQ) has increased from 0.81 for SC and ST social groups in FY16 to **2.20 and 2.02 respectively in FY22**, showing marked improvement in efficient funds utilization and ensuing better repayment capacities
- ❑ For OBCs, it has increased from 0.82 in FY16 to **1.98 in FY22**
- ❑ For Minorities, it has increased from 0.99 in FY16 to **2.71 in FY22**
- ❑ For Women entrepreneurs, it has increased from 0.82 in FY16 to **2.28 in FY22**



- ❑ When it comes to select businesses, Mudra loan has been better utilized by businesses (as distinguishable cohorts) than social segments (various sub-groups as different cohorts)
- ❑ Mudra Atmanirbhar Quotient for New Entrepreneurs has increased from 1.17 in FY16 to **3.54 in FY22**
- ❑ For Mudra Cards, it has increased highest from 0.67 in FY16 to **16.98 in FY22**
- ❑ For NULM and NRLM, it has increased from 1.25 and 1.41 in FY17 to **10.30 and 10.53** respectively in FY22



Mudra Empowerment Multiplier / MEM is lowering subsidies....responsible and targeted fiscal support is always win-win proposition than a reckless fiscal exuberance through freebies



- Panel Data Analysis of 30 States for the time period of FY19-FY22, reveal the following
- An increase of Rs 1 crore in Mudra Disbursement has led to decline of Rs 1.67 crore in States' subsidies allocation
- Shishu and Tarun Products of Mudra Yojana have more meaningful impact in decreasing states subsidies
 - An increase of Rs 1 crore in Disbursement under Mudra Shishu Product leads to Rs 3.54 crore decrease in States' subsidy allocation
 - An increase of Rs 1 crore in Disbursement under Mudra Tarun Product leads to Rs 6.67 crore decrease in States' subsidy allocation

Panel Data Model			
Dependent variable: State Subsidies			
No of States: 30			
Time period: FY 19-FY 22			
Total Disbursement (Fixed Effect Model)			
Variable	Coefficient	Std Error	P value
Mudra Total Disbursement	-1.67	0.82	0.046**
Constant	26970.47	8685.78	0.003***
Shishu Disbursement (Fixed Effect Model)			
Mudra Shishu Disbursement	-3.54	0.85	0.000***
Constant	25101.85	3858.611	0.000***
Kishore Disbursement (Random Effect Model)			
Mudra Kishore Disbursement	2.22	0.448	0.000***
Constant	1278.401	2538.29	0.615
Tarun Disbursement (Fixed Effect Model)			
Mudra Tarun Disbursement	-6.67	3.54	0.061*
Constant	25542.11	8524.422	0.004***
Source: SBI Research			
***significant at 1%, ** Significant at 5%, * Significant at 10%			



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