IN PARTNERSHIP WITH

State of Micro Enterprise Financing Report 2023

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State of Micro Enterprise Financing Report 2023

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FOREWORD

The Indian economy has sustained its growth momentum, with overall economic activity remaining resilient. The Micro, Small and Medium Enterprise (MSME) sector has a major role in contributing to the country's economic growth and socio-economic development through employment generation and reducing inequalities and regional imbalances in incomes and economic opportunity. The government envisages MSMEs to contribute USD 2 trillion to the target of becoming USD 5 trillion economy by 2024.

The MSMEs have comparatively lower capital cost than large industries, provide low-cost raw material for different sectors, and provide employment in smaller towns and rural areas. One of the critical indicators to assess the successful development of MSME sector in an economy is the data on opening of new MSMEs; it depicts the conducive environment for opening and growth of such units in an economy as well as show the high morale of entrepreneurs in the macroeconomics of the economy.

India has approximately 6.3 crore MSMEs out of which 31% share is of manufacturing, 36% share of trade and 33% share is of other services. Micro sector accounts for more than 99% of total estimated number of MSMEs and around 97% of total employment in the sector (National Sample Survey (NSS) 73rd round conducted during 2015-16). Nearly 2 crore MSMEs are registered on the Udyam Portal of the Ministry of MSME, Government of India, of which 19.15 crore (96%) are micro enterprises.

MSMEs have great potential to push accelerated growth in this developing economy. However, lack of managerial, entrepreneurial, and marketing avenues and skills, access to and integration of advanced technology etc. are major bottlenecks for micro enterprises for growing and sustaining their businesses. Access to affordable, adequate and timely credit is often cited as the predominant barrier to their growth. There is a great relevance of the availability of loan facilities from traditional banking systems and efficiency of MSMEs in India. Complicated procedures, cost of availing credit, and the overall documentation affect the confidence of entrepreneurs to start up. High collateral requirement is another major factor affecting the capacity of availing loans at affordable interest rates. It further adds financial problems for small businesses.

MSMEs is a fairly diverse 'group' with substantial differences in business formality, sizes and credit needs. A large number of viable and resilient tiny enterprises —

with turnover of say between INR 50 lakhs - 1 crore — within the microenterprise segment, have the potential to drive local self-employment and job creation, including employing people with limited skills and education. These additionally offer avenues for participation of women in the formal economy and labour force. This is a segment of microenterprises that need loans of value higher than provided through the microfinance channel, and are not catered to by banks and other formal financial institutions through other products due to high risk, lack of past credit record and other associated challenges.

Over the years, Equifax - one of the leading credit information companies, has worked with Indian lenders to help maintain high levels of underwriting standards and helped with assisting consumers in in understanding and managing their credit. With the objective of providing a distilled view on the state of lending to the 'tiny' sub-set within the microenterprises, ACCESS has partnered with Equifax since 2020 to bring out an annual trend report titled Status of Microenterprise Lending. This Report tracks the performance metrics of portfolio of business loans up to Rs 25 lakhs as a proxy for reporting on loans to the tiny enterprises, in order to draw out gaps in lending to this segment, and advocate for necessary attention from financial service providers and policy to address this important sub-segment of microenterprises.

Helping tiny enterprises grow can present tremendous value for India's development. With the right investment, tools, and support, tiny and microenterprises offer the benefits of job creation, women economic empowerment, and boosting the country's economy. This Report aims to contribute to data based insights on access to loans to this critical segment.

I thank Aditya B Chatterjee, Managing Director, Equifax India on agreeing to this continued partnership. I place on record my appreciation for his team led by Shruti Joshi for providing the required data on various dimensions for the report. I appreciate Praveen Khedale's efforts in bringing together the data analysis and authoring the report.

With the Fourth edition of the Report, ACCESS is happy to present useful trends in the data covering portfolio growth and quality by loan sizes, geographical trends and performance by institutional types. The Report will be released at the 20th milestone edition of the Global Inclusive Finance Summit on December 13, 2023.

Radhika Agashe
Executive Director
ACCESS Development Services

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PREFACE

Equifax combines robust data, analytics and advanced technology to provide actionable insights to businesses, which in turn enable them to make sound decisions across customer acquisition, extending credit, mitigating fraud or better managing portfolio risk.

This report was developed in partnership with ACCESS Development Services to provide insights on the MSME Sector. The main insights highlighted from the data points, trends and their analysis from the report are focused on MSME are listed below:

Business Loan

Based on the analysis in the Business Loan segment, it can be seen that loans falling under 'Up to ₹3 Lakhs' category dominate the numbers while the larger ticket sizes contribute more significantly to the portfolio outstanding amount despite their small numbers. The data shows that the NBFCs lead the segment with a 36% share in loan sanctions, highlighting the segment as a functional business venture fueled by competitive market forces. The ' ₹5 to 7 Lakhs' ticket size has a POS of 9% while ' ₹3 to 5 Lakhs' ticket size has a value of 12%, revealing an imbalance to be addressed for a healthier MSME sector. A 90+ DPD of 16% in the 'Up to ₹3 Lakhs' category indicates that this portion requires investigation driven risk mitigation. Hence, the data encapsulates the dynamic market shift to micro loans suggesting the financial institutions to perform adaptive strategies for capturing the growing demands while maintaining economic stability in the MSME sector.

Business Loan Agriculture

The Business Loan Agriculture segment analysis affirms that the financial share is more evenly distributed across different loan sizes despite the smaller loans dominating in terms of the number of loans. It is observed that there is a shift towards larger loans marking a growth in business lending across the segment. State-wise loan distribution specifies that Uttar Pradesh and Telangana have high shares in terms of loan accounts and portfolio outstanding. The distribution also indicates a disparity in the distribution of loans in rural, semi-urban, and urban areas due to varying access and utility of financial services. In addition to the geographical analysis, it is noted that PSU banks contribute significantly to the segment lending.

Mudra Loan

As per the research on Mudra Loan segment's data a strong tilt towards smaller ticket loans can be perceived due to the 'Up to ₹3 Lakhs' category holding a majority of the accounts and a significant portion of the Portfolio Outstanding (POS). This increase in smaller ticket size loans coupled with the year on year shift towards the '₹3 to 5 Lakhs' and '₹7 to 10 Lakhs' size loans marks the segment's effectiveness as well as the growth of businesses in the MSME sector.

Aditya B. Chatterjee
Managing Director
EQUIFAX®

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1. INTRODUCTION

The MSME Sector

The Micro, Small and Medium Enterprise (MSME) sector plays a pivotal role in the Indian economy, marking its significance through substantial contributions to various economic facets. It stands as a key driver for employment, generating opportunities for about 11.1 crore individuals, a figure only surpassed by the agriculture sector. Remarkably, MSMEs contribute approximately 30% to India's Gross Domestic Product or GDP and account for over 48% of exports, alongside contributing about 45% to the manufacturing output. This sector, encompassing around 6.34 crore enterprises, is not just a cornerstone for economic growth but also a hub for innovation and inclusive development. Furthermore, MSMEs play a vital role in fostering entrepreneurship and self-employment at lower capital costs, often serving as ancillary units to larger industries. Their expanding domain across various sectors, producing a diverse range of products and services, positions them uniquely to meet both domestic and global market demands.

The institutional system for MSME credit in India is a comprehensive network regulated by the Reserve Bank of India (RBI) and involves various financial entities. This network includes scheduled commercial banks encompassing public sector banks, private sector banks (including small finance banks), foreign banks, co-operative banks, and regional rural banks, as well as Non-Banking Financial Companies (NBFCs) and Micro Finance Institutions (MFIs). Additionally, the Securities and Exchange Board of India (SEBI) oversees entities providing or mediating equity capital to MSMEs, such as SME Exchanges, angel investors, venture capital, and private equity. Key apex institutions like the Small Industries Development Bank of India (SIDBI) and Micro Units Development and Refinance Agency Ltd. (MUDRA) offer sectoral support under the Department of Financial Services, Government of India. The Ministry of MSME acts as the apex executive body for policy formulation and administration for these enterprises. Moreover, the Credit Guarantee Trust for MSMEs (CGTMSE) and National Credit Guarantee Company (NCGTC) play crucial roles in facilitating credit growth. Digital platforms like Trade Receivables Discounting System (TReDS) and OnlinePSB Loans, aided by credit bureaus and systems like Goods and Services Tax Identification (GSTIN) and Unique Identification Authority of India (UIDAI), further streamline the credit flow to MSMEs.

About the Report

The report is fully based on data from Equifax India, one of the leading credit information companies in the country. The credit bureau records all categories of loans taken by all classes of borrowers – microfinance loans, individual loans, business loans, and commercial loans.

This report examines data from Equifax, focusing on three types of credit extended to the MSME sector: Business Loans, Business Loans in Agriculture, and MUDRA loans up to ₹25 Lakhs. It was observed that certain data fields in the records provided by Equifax, particularly those related to ticket sizes and rural-urban classification, were incomplete and marked as 'Not Defined' (ND) in the tables. However, since the cumulative data for ND categories is negligible, they are not elaborated upon in this report. The analysis includes a review of the portfolio and repayment status data as of March 2023, comparing it with the data from March 2022 and March 2021. The report also investigates the sourcing of credit or loan sanctions from April 2022 to March 2023, alongside a comparison with figures from the previous year in these specific credit categories.

The report provides an in-depth insight of credit to the MSME sector in the country by analysis of data provided by Equifax, focusing on three crucial aspects: portfolio outstanding, repayment or overdue status, and loan sanction or sourcing. To gain a comprehensive understanding, the data on these aspects are dissected through various lenses.

Firstly, the analysis of the portfolio outstanding offers insights into the total amount of credit currently extended to MSMEs. This measure is crucial for understanding the scale of lending and the economic weight of the MSME sector within the credit market.

Secondly, the report examines the repayment or overdue status of these loans. This aspect is pivotal in assessing the financial health of MSMEs and their ability to meet financial obligations. It provides a window into the creditworthiness and potential risk factors associated with lending to this sector.

Lastly, the analysis of loan sanction or sourcing sheds light on the patterns and trends in new credit allocation to MSMEs. This aspect reveals how and where new loans are being originated, which can indicate shifts in lending strategies or emerging opportunities within the sector.

To add depth to the analysis, the report slices the data through various aspects such as loan ticket size, which helps in understanding the distribution and utilization of loans of different sizes. Demographics provide a lens to view how credit distribution varies among different groups, potentially highlighting inclusivity or gaps in the lending landscape. The contribution of various lending institutions is also examined, offering insights into their roles and impact within the MSME credit market. Additionally, the state-wise share in MSME lending is explored, uncovering regional disparities and trends.

Overall, this multifaceted analysis not only paints a detailed picture of the current state of MSME credit but also helps in identifying trends, potential risks, and opportunities for policy and strategic interventions in the sector.

2. BUSINESS LOANS

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the lifeblood of our economy, often dubbed as the backbone of industrial growth and employment generation. These enterprises, however, need more than just spirit and vision to thrive; they require capital. Business loans, especially those tailored for MSMEs, serve this very purpose. This chapter delves into the world of MSME loans characterized by ticket sizes up to ₹25 lakhs. By navigating through diverse loan portfolios, we explore the lending patterns and trends that empower these enterprises to scale new heights. These loans, modest in size but monumental in impact, not only support businesses but also stimulate economic growth and innovation. Welcome to the intricate tapestry of MSME business loans, where financial support meets entrepreneurial ambition.

PORTFOLIO

Size-Wise Analysis

Table 1 presents a detailed breakdown of the business loan portfolio segmented by ticket sizes. The most striking observation is the dominance of loans in the 'Up to 3 lakh' category, with 9,950 thousand accounts, representing a substantial portfolio outstanding (POS) amount of ₹52,728 crores. This indicates smaller ticket borrower make a significant portion of the total borrowers of financial institutions. In contrast, while the '3 to 5 lakh' and '5 to 7 lakh' categories have fewer accounts (962 thousand and 399 thousand respectively), their POS values, ₹26,394 crores and ₹15,621 crores respectively, underscore the significant financial heft these categories carry. The '7 to 10 lakh' category, despite having 577 thousand accounts, boasts a POS of ₹34,567 crores, highlighting the larger average loan amount within this bracket. Similarly, the '10 to 15 lakh', '15 to 20 lakh', and '20 to 25 lakh' categories, with 3.40 lakh, 2.12 lakh and 1.58 lakhd accounts respectively, have considerable POS values, emphasizing that while these ticket sizes may be fewer in number, they are substantial in monetary terms.

Table 1: Business Loan, Ticket Size wise '23

Ticket size ₹	A/c	Amount
Up to 3 lakh	9,950	52,728
3 to 5 lakh	962	26,394
5 to 7 Lakh	399	15,621
7 to 10 lakh	577	34,567
10 to 15 lakh	340	28,938
15 to 20 lakh	212	24,789
20 to 25 lakh	158	23,306
Not Defined *	250	8,539
Grand Total	**12,850**	**214,881**
A/c - Number of accounts in '000, Amt. – POS in ₹ Crore		

*Not Defined - The data value in particular qualifier is blank for these values. Same is applicable for all further mention of Not Defined.

In summary, while micro-loans are predominant in terms of the number of borrowers, larger loans, although fewer, constitute a significant portion of the overall portfolio balance. This diversity highlights the dynamic nature of the business lending landscape, catering to a wide range of financial needs and business scales.

Which Bucket is Full?

Following graphs provides interesting portrayal of the lending patterns, showcasing distinctive contrasts between the number of loans and the portfolio outstanding (POS) for different ticket sizes.

Micro Loans or 'Up to 3 lakh' category stands out in terms of volume, representing a staggering 77% of the total loans by March 2023. However, its contribution to the POS paints a different narrative. Despite its vast numbers, this category only accounts for 25% of the total POS in March 2023. This disparity highlights the essence of micro-financing: high in quantity but modest in individual loan value.

Mid-Range Loans encompassing the '3 to 10 lakh' brackets, these mid-range loans collectively make up 14% of the total number of loans in March 2023. Yet, their influence on the POS is more pronounced, with a combined contribution of 35% in March 2023 This emphasizes that these mid-tier loans, while less frequent in occurrence, possess a heftier individual financial impact.

Larger Loans, from '10 to 25 lakh' account for roughly 6% of the total number of loans in March 2023. However, their cumulative footprint in the POS is a robust

36%. This significant gap accentuates the pivotal role these larger loans play in the financial landscape.

Table 2: Percentage Share of Number of Loans

Ticket Size	Mar-21	Mar-22	Mar-23
Up to 3 lakh	63%	56%	77%
3 to 5 lakh	7%	6%	7%
5 to 7 Lakh	3%	3%	3%
7 to 10 lakh	4%	4%	4%
10 to 15 lakh	2%	3%	3%
15 to 20 lakh	1%	2%	2%
20 to 25 lakh	1%	1%	1%
Not Defined	3%	3%	2%

Table 3: Percentage Share of POS

Ticket Size	Mar-21	Mar-22	Mar-23
Up to 3 lakh	24%	20%	25%
3 to 5 lakh	13%	12%	12%
5 to 7 Lakh	8%	9%	7%
7 to 10 lakh	16%	18%	16%
10 to 15 lakh	13%	15%	13%
15 to 20 lakh	11%	13%	12%
20 to 25 lakh	9%	11%	11%
Not Defined	5%	2%	4%

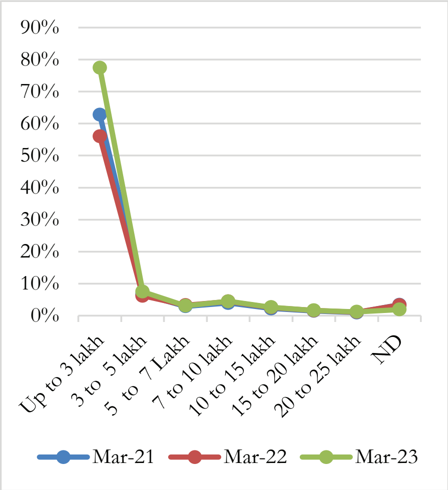

Figure 1: Percentage Share Number of Loans

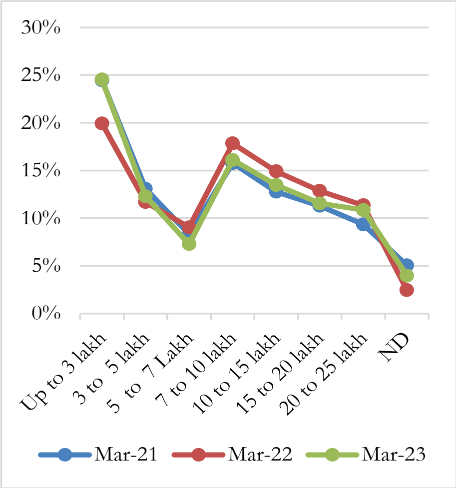

Figure 2: Percentage Share of POS

Across all ticket sizes, the year-to-year trend reveals a general shift towards micro-loans. The 'Up to 3 lakh' category saw a dip from March 2021 to March 2022 but experienced a significant surge by March 2023. Mid-range loans ('3 to 10 lakh') remained relatively stable in terms of both loan numbers and POS share over the years. Larger loans ('10 to 25 lakh'), while consistent in terms of the number of loans, showed a slight increase in their POS contribution. The Not Defined category displayed a downward trend in loan numbers but had a variable POS share, indicating potential reclassifications or shifts in lending dynamics.

The graphs, unveil a multi-layered story of the lending ecosystem. While smaller ticket sizes reign supreme in terms of sheer numbers, it's the heft of mid-range and larger loans that anchors the financial fulcrum. Their considerable value, albeit lower in volume, underscores the delicate equilibrium that lenders maintain.

State-Wise Performance

Some states have high population share but lower MSME credit share. With a 17% share in population, share of Uttar Pradesh in the number of accounts and credit amount are 8.5% and 7.5% respectively. This indicates that either the demand for MSME loans is low, financial institutions perceive higher risks in extending credit, or there's an under penetration of banking services. Despite having a 9% population share, Bihar's share in the number of accounts and credit amount is 4.2% and 2.9%, respectively. This could point towards either a lesser number of MSME establishments or a lack of accessibility to financial services. Population share of West Bengal stands at 8%. However, its share in the number of accounts and credit amount is only 3.5% and 4.2%. This mismatch suggests potential challenges in credit accessibility or lower demand for credit.

The trend reverses for some states. Despite a 1% population share, Delhi's share in the number of accounts and credit amount is 1.5% and 3.8%, respectively. This might be due to Delhi being a commercial hub with a higher concentration of businesses needing larger loan sizes. Similarly, Rajasthan with a 6% share in population, its shares in the number of accounts and credit amount are 4.1% and 6.7%. While Maharashtra's population and credit account shares match at 9%, its credit amount share stands higher at 11.6%, indicating that MSMEs in Maharashtra might be dealing with larger transactional values or have better credit accessibility. Tamil Nadu stands apart with only 6% population share, but its credit account and amount shares are 16.1% and 14.1%. This suggests a strong MSME sector and better financial integration.

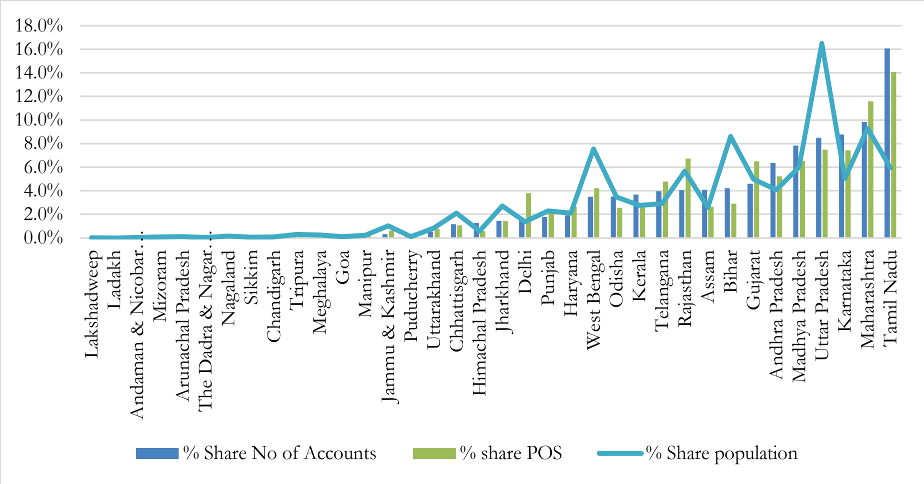

Figure 3: States percentage share in Business Loan

The graph highlights significant disparities in the distribution of MSME credit across states when juxtaposed against population shares. This variance could be due to regional economic disparities, the nature of industries prevalent in the states, risk perceptions of banks, or accessibility to financial services. There's a visible trend where some states, despite having substantial populations, have a lower share of MSME credit. This could be indicative of untapped potential and might signal a need for more targeted financial inclusion initiatives. Conversely, certain states outperform in credit metrics relative to their population, indicating strong economic activity, better financial infrastructure, or both. The dynamics between the number of credit accounts and the credit amount reveal the nature of MSME loans in states. Some states have a higher number of accounts but lower total amounts, suggesting many smaller loans, while others show the opposite trend.

Institutions Share

The landscape of MSME lending in the country showcases a diverse participation of various financial institutions. Public Sector Undertaking or PSU Banks, with their vast network and outreach, lead the pack, holding a substantial 35.7% of the number of MSME loan accounts. This dominance is reflected not just in the sheer number of accounts but also in the loan amounts, where they contribute 32.8%. Their widespread presence and commitment to fuelling the grassroots level of the economy are evident in these numbers.

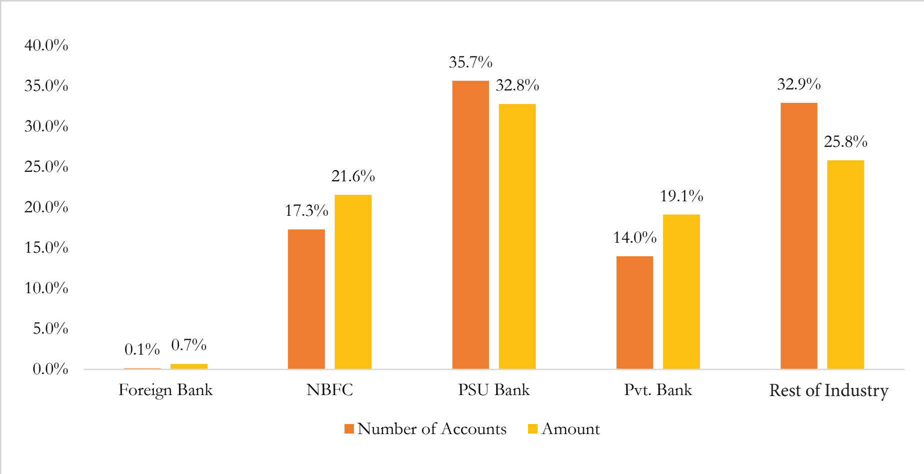

Figure 4: Lenders percentage share in Business Loan

On the other hand, NBFCs, often seen as agile and more adaptive entities, hold 17.3% of the number of accounts. What's striking is that their contribution to the loan amount stands at a higher 21.6%. This suggests that while they might have fewer borrowers compared to PSU Banks, the average loan size or the nature of enterprises they cater to might be different, leading to larger loan disbursements.

Private Banks have carved out a significant niche for themselves, holding 14.0% of the accounts. Their share in the loan amount stands even higher at 19.1%, indicating a focus on more substantial loans or catering to a segment of MSMEs requiring larger capital inputs.

In contrast, Foreign Banks seem to have a limited role in the MSME lending landscape of the country. They account for a mere 0.1% of the number of accounts and 0.7% of the loan amount. This could be attributed to their selective presence, specific focus sectors, or strategic business decisions.

Lastly, the Rest of Industry category, which might comprise smaller banks, cooperatives, and other financial entities, underscores the importance of diverse financial players. With 32.9% of accounts and 25.8% of the loan amount, this segment solidifies the notion that a multi-pronged financial ecosystem is essential for the holistic growth of the MSME sector.

Rural/Urban Distribution

In the rural financial landscape, the prominence of various institutions paints a vivid picture of grassroots economic empowerment. Dominating this space, the Rest of Industry category, potentially comprising regional banks and cooperatives, holds a significant 39% of the accounts and 36% of the POS. This suggests their deep-rooted connection to rural communities and commitment to financial inclusion. Following closely, PSU Banks underscore the role of traditional banking, holding 34% of accounts and 31% of the POS. Interestingly, NBFCs and Private Banks have carved niches, with the former's POS share (20%) outpacing its account share (16%).

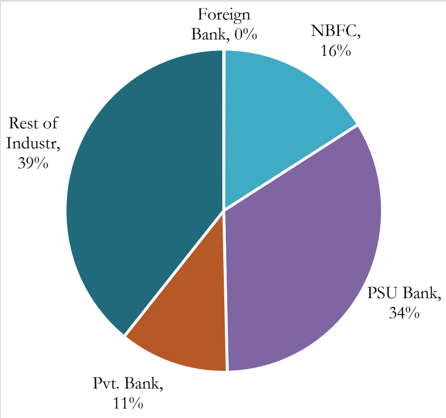

Figure 5: Lenders percentage Share in Number of accounts of in Rural Area

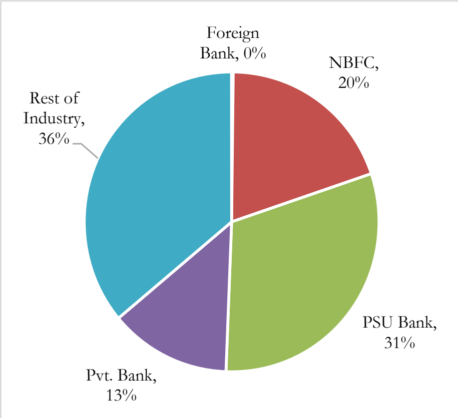

Figure 6: Lenders percentage Share in POS of in Rural Area

As seen in the accompanying pie charts, the rural segment showcases a dynamic blend of institutional engagements, with each entity playing a pivotal role in the financial well-being of rural India.

In the semi-urban lending domain, PSU Banks have a prominent presence, accounting for 38% of the accounts and 34% of the point-of-sale (POS) transactions. Their leading share demonstrates a consistent engagement with semi-urban businesses and residents, ensuring a steady flow of financial services.

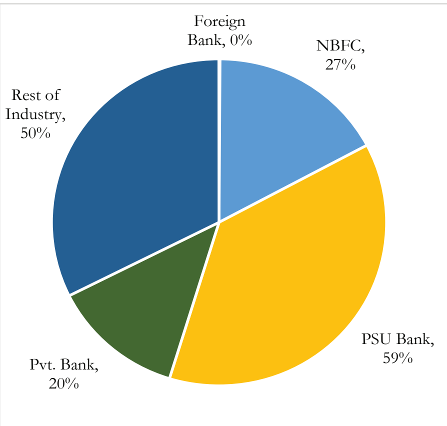

Figure 7: Lenders percentage Share in Number of accounts of in Semi Urban Area

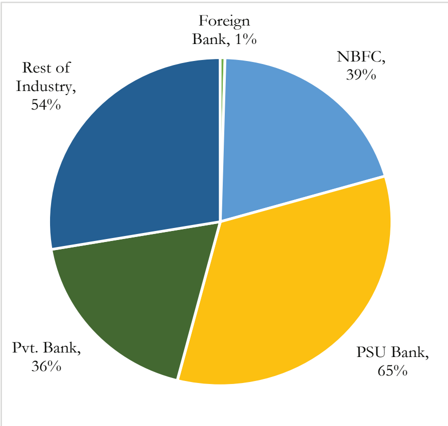

Figure 8: Lenders percentage Share in POS in Semi Urban Area

The 'Rest of Industry', likely consisting of smaller banks, cooperatives, and regional institutions, also plays a significant role, holding 32% of the accounts and 28% of the POS. Their substantial contribution indicates the importance of diverse financial entities in serving the semi-urban populace. Meanwhile, NBFCs account for 17% of the accounts with a slightly higher 20% of the POS, suggesting they might be handling larger transactions on average. Private Banks, with 13% of accounts and 18% of POS, also indicate a trend toward more substantial transactions or loans in this segment. Foreign Banks, in contrast, maintain a minimal footprint in both accounts and POS, reflecting their limited engagement or focus in this region.

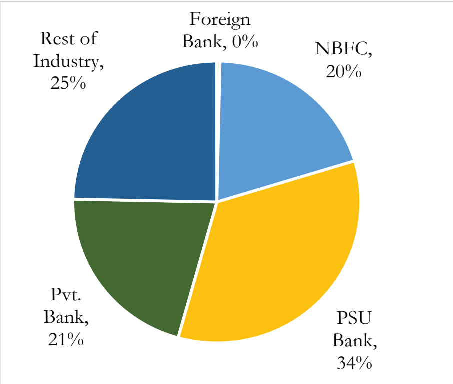

Figure 9: Lenders percentage Share in Number of accounts of in Urban Area

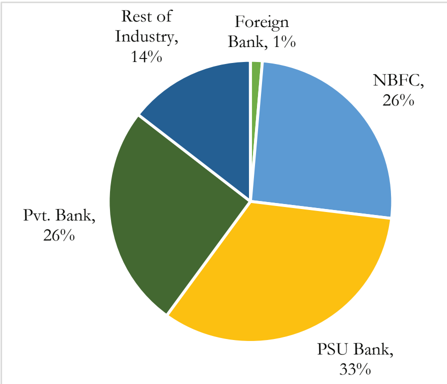

Figure 10: Lenders percentage Share in POS in Urban Area

In the urban lending sector, PSU Banks lead with 34% of the accounts and a similar 33% in the point-of-sale (POS) transactions. This highlights their consistent and widespread presence even in urbanized regions, ensuring businesses and individuals have adequate access to financial resources.

Following closely, the 'Rest of Industry' category accounts for 25% of the urban accounts but has a notably lower share in POS at 14%. This could indicate their engagement with a larger number of smaller accounts or transactions in urban areas.

NBFCs and Private Banks exhibit a significant presence in this segment. Both hold nearly equal shares in POS at 26%, with NBFCs accounting for 20% of the accounts and Private Banks slightly higher at 21%. Their similar POS shares, despite the difference in account numbers, suggest that both might be handling larger average transactions or loans.

Lastly, Foreign Banks maintain a minimal role in the urban accounts with a 0% share but show a slight presence in the POS with 1%. This suggests that while they might have fewer accounts, the average transaction or loan size could be larger, or they might be focusing on niche segments within the urban landscape.

REPAYMENT

Overdue by Ticket Size

The data reveals distinct patterns in the distribution of overdue business loans beyond 90 days for the year 2023. The category with loans 'Up to 3 lakh' emerges as a notable concern, holding a dominant 12% share of overdue accounts. This underscores a trend where smaller loans tend to have a higher likelihood of becoming overdue.

Table 4: Overdue in Business Loans 90+ DPD as of March '23

Ticket size	Number of A/c's	% of total A/c's in ticket size	POS ₹ Crore	% of total POS in ticket size	Average POS in ₹ 90+ DPD
Up to 3 lakh	1206	12%	8,789	17%	72,869
3 to 5 lakh	84	9%	2,978	11%	354,055
5 to 7 Lakh	25	6%	1.241	8%	488,536
7 to 10 lakh	33	6%	2,511	7%	765,223
10 to 15 lakh	16	5%	1,734	6%	1,055,853
15 to 20 lakh	11	5%	1,490	6%	1,364,942
20 to 25 lakh	8	5%	1,439	6%	1,807,095
Not Defined	6	2%	2,784	33%	4,625,046
Grand Total	**1,390**	**11%**	**22,966**	**11%**	**165,242**

A/c - Number of accounts in '000, Amt. – POS in ₹ Crore

Meanwhile, the '3 to 5 lakh' category, which accounts for 9% of the overdue accounts, only contributes 11% to the total overdue amount. This hints at a modestly better repayment behaviour in this ticket size. Similarly, both the '5 to 7 lakh' and '7 to 10 lakh' categories each hold a 6% share of overdue accounts but contribute slightly less, 8% and 7% respectively, to the overdue amount. This reinforces the notion of relatively better repayment behaviours in these brackets. In the higher ticket sizes, the '10 to 15 lakh', '15 to 20 lakh', and '20 to 25 lakh' loan categories demonstrate a consistent pattern. Each of these categories contributes nearly 6% to the total overdue amount, suggesting a uniform risk profile across these larger loan amounts.

Overdue by Location of Borrower

In assessing the financial health across different geographies, it's evident that loan delinquency is a concern across all areas, albeit to varying degrees. The Rural sector, while accounting for 9% of loans that are 90+ days past due (DPD), mirrors this trend in its total current balance with a similar 9% overdue.

Table 5: 90+DPD in different Population Group

Rural - Urban	A/c	% Share	Amount	% Share
Rural	361	9%	4,517	9%
Semi Urban	703	12%	9,462	9%
Urban	302	11%	8,621	14%
Not Defined	24	15%	365	16%
Grand Total	**1,390**	**11%**	**22,966**	**11%**
A/c - Number of accounts in '000, Amt. – POS in ₹ Crore				

This suggests a consistent repayment behaviour among its borrowers. Semi-Urban regions exhibit a higher loan delinquency rate of 12%. However, a slightly more encouraging picture emerges when considering the total current balance; only 9% is overdue, hinting that larger loans or more creditworthy borrowers might be more punctual in their repayments. In contrast, the urban sector presents a mixed scenario. While the loan delinquency is at 11%, a substantial 14% of its total current balance is overdue, indicating potential challenges with larger loans or higher value borrowers. This underscores the importance of continuous monitoring and proactive measures to mitigate the risk in urban settings.

Institution-Wise Overdue

In evaluating the financial landscape across various lending institutions, distinct patterns emerge regarding loan delinquency. Foreign Banks, despite having a relatively small presence in terms of account numbers, face a significant challenge with 14% of their loans being 90+ days past due (DPD). This becomes even more pronounced when analysing the amount, as a substantial 21% of their total loan balance falls into this overdue category. This suggests potential credit risks associated with their lending policies or clientele.

Table 6: Institution wise 90+ DPD portfolio

Lending Institutions	A/c	% Share	Amount	% Share
Foreign Bank	2	14%	290	21%
NBFC	162	7%	5,641	12%
PSU Bank	797	17%	11,581	16%
Pvt. Bank	78	5%	1,216	3%
Rest of Industries	350	8%	4,238	7%
Grand Total	**1,390**	**11%**	**22,966**	**11%**
A/c - Number of accounts in '000, Amt. – POS in ₹ Crore				

Non-Banking Financial Companies (NBFCs), on the other hand, have a 7% loan delinquency rate, which elevates to 12% when considering the overdue balance. This disparity indicates that while fewer accounts are delinquent, the amounts involved are considerably larger, pointing towards the possibility of higher-value loans being at risk. Public Sector Undertaking (PSU) Banks demonstrate a higher delinquency rate of 17% in terms of accounts, closely mirrored by a 16% overdue amount. This alignment in percentages suggests a fairly consistent risk profile across their loan portfolio. Private Banks showcase the most favourable scenario, with only 5% of their loans being 90+ DPD, and a mere 3% of their total loan balance being overdue. This may reflect stringent credit policies or effective recovery mechanisms in place. The 'Rest of Industries' segment, encompassing other miscellaneous lenders, has an 8% loan delinquency rate, which translates to 7% of the overdue balance. This indicates a relatively balanced lending scenario in this segment.

Performance of States in 90+ DPD Overdue

As of March 2023, the credit performance of various states in India, in relation to POS under 90+ DPD, when juxtaposed with their share in the national population as shown in following graph, presents an interesting perspective.

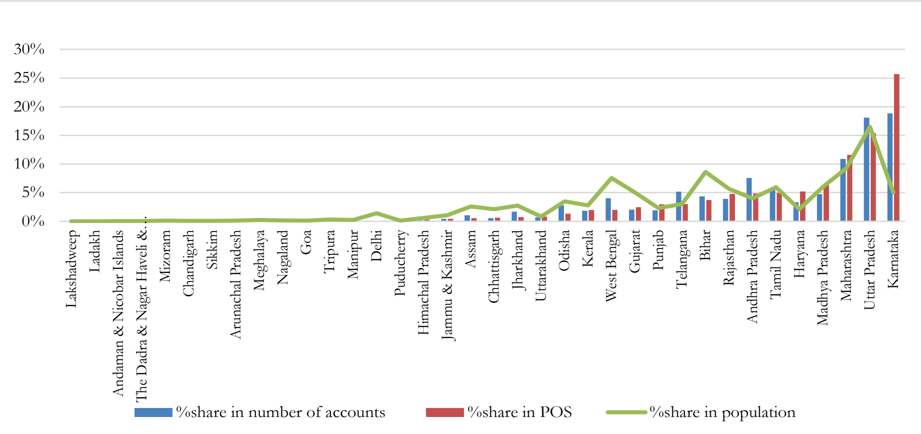

Figure 11: States percentage share in 90+DPD delinquency

States with negligible population contributions, such as Ladakh, Lakshadweep, The Dadra & Nagar Haveli & Daman & Diu, Andaman & Nicobar Islands, and others all the way up to Tripura, have varying levels of 90+ DPD POS percentages but relatively low contributions to the overall 90+ DPD POS.

Himachal Pradesh, Uttarakhand, and Jammu & Kashmir, each with a 1% share in the population, exhibit 13%, 9%, and 6% of their POS under 90+ DPD respectively. Delhi, despite its 1% share in the population, has the highest percentage of POS under 90+ DPD at 26%.

States like Haryana, Chhattisgarh, Punjab, Assam, Jharkhand, Kerala, Telangana, and Odisha have a population share ranging from 2% to 3%. Among these, Chhattisgarh stands out with 12% of its POS under 90+ DPD and an equal contribution to the overall 90+ DPD POS.

In the 4% to 6% population share range, Andhra Pradesh, Gujarat, Karnataka, Rajasthan, Tamil Nadu, and Madhya Pradesh exhibit varied 90+ DPD POS percentages. Rajasthan has an impressive 13% contribution to the overall 90+ DPD POS, despite having only 4% of its POS under the category.

West Bengal, Bihar, and Maharashtra, with population shares ranging from 8% to 9%, display 17%, 12%, and 12% of their POS under 90+ DPD respectively. Notably, Bihar contributes a significant 10% to the overall 90+ DPD POS.

Uttar Pradesh, the state with the largest population share at 17%, has 15% of its POS under 90+ DPD and contributes 7% to the overall 90+ DPD POS.

In summation, while states with larger populations do have significant POS under 90+ DPD, their contribution to the overall 90+ DPD POS isn't always proportional. The data suggests that credit discipline varies widely across states, irrespective of their size or population.

BUSINESS LOAN SOURCING

Following graphs shows three years trend in sanctioned number of accounts and amount for different ticket size buckets.

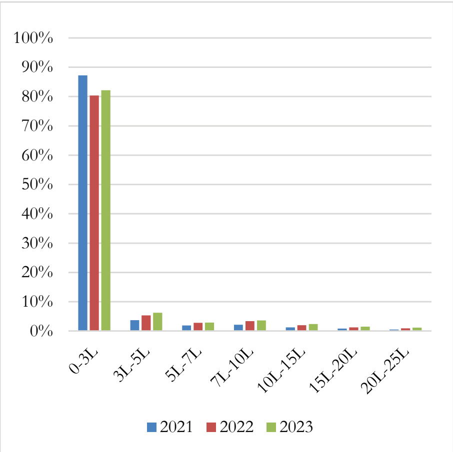

Figure 12: Three year trend of Number of Accounts - Ticket wise

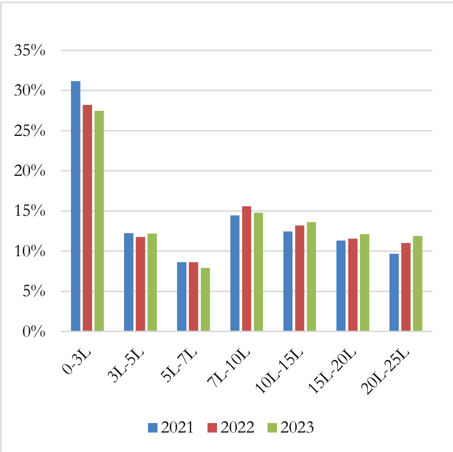

Figure 13: Three year trend of Sanction Amount - Ticket wise

The dominant 0-3L bucket experienced a dip from 87% in 2021 to 80% in 2022 in account share, but rebounded slightly to 82% in 2023. The sanctioned amount, however, consistently decreased over the years. This suggests that while a there is large number of borrowers in the small loan bucket the overall amount sanctioned in this category is declining. It possibly indicates that lower ticket size borrowers within this bracket are increasing.

The 3-5 lakh range showed steady growth in account share, while the sanctioned amount remained stable. This indicates a consistent demand for loans in this category without significant changes in the average loan size. The 3-5 lakh and 3-5 lakh ranges both saw growth in account share, with the 7-10 lakh experiencing an increase in sanctioned amounts too. This suggests a growing demand as well as eligibility among borrowers for these middle ticket sizes. The 10-15 lakh category, despite a stable account share, witnessed growth in the sanctioned amount, hinting at a trend where borrowers in this bracket are taking larger loans within the range. The 15-20 lakh and 20-25 lakh categories remained relatively stable, but the slight uptick in sanctioned amounts over the three years suggests an increasing confidence or need among borrowers to take larger loans, even if the number of such borrowers hasn't grown significantly.

The following table shows trend in loan distribution across various ticket sizes in FY 2022-23. A vast majority, approximately 82% of the total loan accounts, fall within the 0-3 lakh ticket size. This indicates a strong need for smaller loans among borrowers. However, when we shift our focus to the sanction amounts, it's evident that while the 0-3 lakh ticket size contributes only about 27% of the total sanctioned amount. The combined contribution of larger ticket sizes (from 3-25 lakh) is significant. For instance, the 3-5 lakh, 7-10 lakh, and 10-15 lakh ticket sizes each contribute between 12% to 15% of the total sanctioned amount, despite having considerably fewer accounts.

Table 7: Business loan Sanction - Ticket Size Basis - FY 2022-23

Ticket Size	A/c	Amount
0-3L	4,568	33,141
3L-5L	348	14,695
5L-7L	162	9,538
7L-10L	204	17,828
10L-15L	132	16,427
15L-20L	82	14,635
20L-25L	63	14,328
Grand Total	**5,558**	**120,592**

A/c - Number of accounts in '000, Amt. – Sanction Amount in ₹ Crore

Demographics-Wise Sanction

The data on the location-wise sanction of loan amounts over three financial years (FY 21 to FY 23) sheds light on the evolving rural-urban divide in credit distribution. Overall the share is consistent for last 3 years.

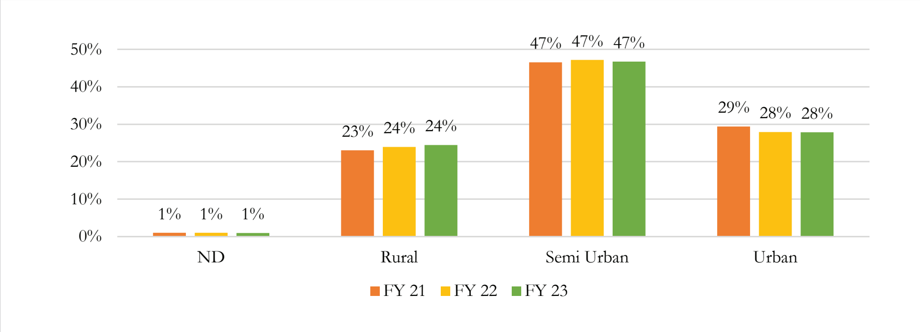

Figure 14: Location-wise percentage share in Sanction amount - Three year trend

Rural areas, representing the agricultural sectors of the nation, experienced a minor increase in loan sanctions from 23% in FY 21 to 24% in both FY 22 and FY 23. This slight increment indicates a positive shift towards enhancing credit facilities in rural sectors, possibly due to evolving policy measures or emerging market opportunities.

Semi-urban regions, acting as transitional zones bridging rural and urban areas, held a steady share of 47% throughout the three years. Their consistent share underscores a robust and unwavering demand for credit, driven by a blend of both agricultural and urban-centric activities.

In contrast, urban zones, the epicentres of industrial and service sector activities, showed a marginal decline from 29% in FY 21 to 28% in the subsequent years. This minor reduction could hint at a maturing credit demand in urban centres or a strategic shift by financial institutions.

In FY23, the loan sanction data underscores a stable lending landscape with semi-urban areas leading at 47%, reflecting their significant and consistent role in the economy. Rural areas followed with a 24% share, indicating ongoing support for sectors typical to these regions without change from the previous year, suggesting steady growth and investment in rural economies. Urban areas experienced a nominal decrease to 28%, hinting at either a slight shift in economic dynamics or a strategic redistribution of credit resources. Overall, the distribution points towards a balanced credit dispersal with semi-urban areas remaining as pivotal growth centres, rural areas holding firm to their share, and urban areas showing a small but notable decrease in their slice of the loan sanction pie.

Table 8: Demographics-Wise Average Loan Sanction Trend

Demographics	FY21	FY22	FY23
Not Defined	97,750	204,936	218,077
Rural	95,290	153,174	165,945
Semi Urban	117,618	187,403	207,558
Urban	221,832	252,338	264,373

Analysing the average loan sanctions across different demographics over the last three financial years reveals interesting trends. The Not Defined category experienced the most dramatic increase in average loan sanctions from FY21 to FY22 with an approximate growth of 109.65%, indicating a significant surge in loan approvals or an increase in the loan amounts during this period. However, the growth from FY22 to FY23 slowed down to 6.41%, suggesting a possible stabilization or a plateau in the growth of loan sanctions for this category.

In contrast, Rural and Semi-Urban areas showed consistent growth over the years. Rural demographics experienced a notable increase of 60.75% in loan sanctions from FY21 to FY22, followed by an 8.34% rise into FY23. Similarly, Semi-Urban areas observed a 59.33% jump in the first period and a 10.75% increase in the second, showcasing a healthy upward trend in loan sanction amounts. Urban areas, on the other hand, displayed a more modest growth pattern with a 13.75% increase from FY21 to FY22 and a 4.77% increase from FY22 to FY23, indicating a more gradual and steady increase in loan sanctions in these areas. Overall, while each demographic show growth in loan sanctions, the rates suggest a diverse financial landscape with varying degrees of lending activity.

Institution wise Sanction

The percentage shares of loan sanctions by different financial institutions across various geographical locations highlight distinct strategies and market focuses. Foreign banks show a strong urban emphasis with 73% of their loans sanctioned in urban areas, complemented by 24% in semi-urban and a minimal 2% in rural areas. This distribution likely reflects their focus on urban markets, where there are higher concentrations of corporate clients and affluent individuals.

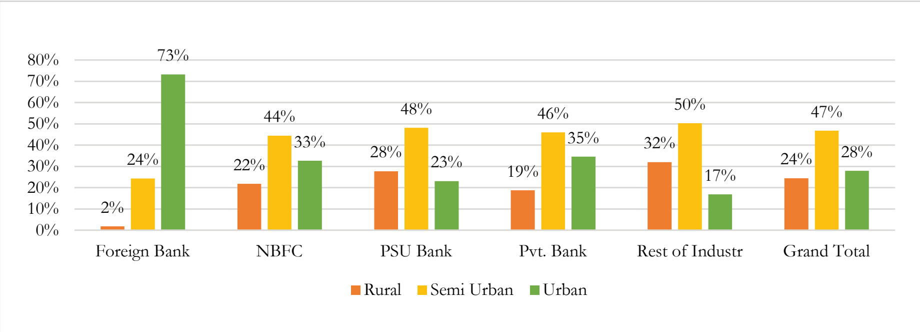

Figure 15: Lenders percentage share in population groups

Meanwhile, Non-Banking Financial Companies (NBFCs) display a more distributed approach, with the largest share of their loans, 44%, going to semi-urban areas, followed by 33% in urban and 22% in rural locales. NBFCs, known for filling the gaps left by traditional banking services, appear to be capitalizing on the diverse opportunities across these regions. Public Sector Banks (PSUs) prioritize rural (28%) and semi-urban (48%) areas, perhaps in line with their mandate for inclusive banking and support for underbanked sectors, while their urban share is relatively lower at 23%.

Private Banks allocate loans relatively evenly, with a slightly higher concentration in semi-urban (46%) and urban areas (35%), and 19% in rural areas. This indicates a balanced approach, serving a mix of clients from different sectors. The Rest of the Industry, possibly including smaller banks and other financial institutions, leans heavily towards rural (32%) and semi-urban areas (50%), with a significantly lesser focus on urban regions (17%), which might suggest a strategic targeting of niche markets or a specialization in serving less urbanized areas. Overall, the grand total reflects a diversified financial landscape with 24% of loans in rural, 47% in semi-urban, and 28% in urban areas, indicating a balanced distribution of credit across the country.

CONCLUSION ON BL

a. Micro-Loan Dominance: A staggering 77% of business loans fall under the 'Up to 3 lakh' ticket size category. However, these numerous small loans account for only 25% of the total Portfolio Outstanding (POS), reflecting the focused support towards nurturing small-scale MSMEs.

b. POS Disparity: There is a noticeable disparity in the POS contribution of larger loans, with those above ₹7 lakh showing a gradual decrease, which is economically sensible. Concerns arise particularly in the ₹5 to ₹7 lakh bracket and ₹3 to ₹5 lakh brackets, where POS stands at 9% and 12% respectively. Addressing this imbalance by aiming for a gradual reduction in the POS share of these categories could indicate a healthier MSME sector.

c. Loan Performance Metrics: A significant portion of the POS, specifically 16% within the ₹0 to ₹3 lakh category, being in the 90+ DPD bracket is of high concern. This high rate of delinquency necessitates a thorough investigation into the underlying causes to mitigate risks.

d. NBFCs in the Lead: The data shows Non-Banking Financial Companies (NBFCs) having a notable influence in the business loan category, with a 36% share in total loan sanctions. This underscores the viability of the loan category as a business venture, driven by competitive market forces rather than solely by governmental policies.

e. Market Dynamics: The dynamic market behaviour with a shift towards micro-loans and a diversified lender base. This suggests a need for adaptive strategies from financial institutions to accommodate the growing demand for small ticket loans while managing risk and maintaining economic stability within the MSME sector.

3. BUSINESS LOAN AGRICULTURE

Business loans tailored for the agricultural sector play a crucial role in bolstering the backbone of the rural economy, facilitating a wide array of commercial activities integral to this industry. Designed to support ventures such as the trading of agricultural products, dairy operations, and various other agri-businesses, these loans are pivotal for the growth and sustainability of Agri MSMEs. The comprehensive analysis provided in the accompanying report offers a detailed look at the trends, progress, and overall performance of these credit facilities, highlighting their impact on the agricultural micro, small, and medium enterprises that drive this vital segment of the economy.

PORTFOLIO

Size-Wise Analysis

The following table number 9 for March 2023 outlines the distribution of business loans across various ticket sizes, both in terms of the number of accounts (in thousands) and the total amounts (in crore rupees). A closer look at the data reveals that the smallest loan category, 'Up to 3 lakh', has the highest volume, with 111.22 lakh accounts. These accounts make up a substantial share of the total number of loan accounts, signifying a high demand for small-scale financing, possibly among micro-entrepreneurs or individuals with modest capital needs.

As we progress to larger loan sizes, the number of accounts diminishes. The '3 to 5 lakh' range comprises 7.69 lakh accounts, holding a 5.48% share of the total number of accounts, yet these loans account for 14.14% of the total loan amount, indicating that medium-sized loans contribute significantly to the financial volume of the portfolio. In stark contrast, the '20 to 25 lakh' category, while representing only 0.15% of the total number of accounts, accounts for a 2.02% share of the total loan amount, which highlights the impact of larger loans on the financial portfolio.

Table 9: Business Loan Agri, Ticket Size-Wise

	Mar-23	
Ticket size ₹	A/c	Amount
Up to 3 lakh	11,122	107,578
3 to 5 lakh	769	28,470
5 to 7 Lakh	259	13,961
7 to 10 lakh	229	17,012
10 to 15 lakh	82	9,139
15 to 20 lakh	43	6,658
20 to 25 lakh	21	4,072
Not Defined	1,496	14,121
Grand Total	**14,020**	**201,012**
A/c - Number of accounts in '000, Amt. – POS in ₹ Crore		

Overall, the aggregate data with 140.2 lakh accounts and a total amount of 201,012 crores suggest that while a larger number of smaller loans dominate the count, the financial share is more evenly distributed across different loan sizes. This reflects a balanced lending ecosystem catering to a wide range of financial needs, from small to large scales of business operations.

Which Bucket is Full?

The following tables show the percentage share of the number of accounts by ticket size and the percentage share of portfolio outstanding by ticket size from March 2021 to March 2023, we can draw several insights into the behaviour of borrowers/FIs and the dynamics of the loan portfolio.

Table 10: Trend in BL Agri Loans - Ticket Size Basis

Ticket Size Bucket	% share of the number of accounts			% share of Portfolio outstanding		
	Mar-21	Mar-21	Mar-22	Mar-23	Mar-22	Mar-23
Up to 3 lakh	82.57%	59.99%	60.32%	53.43%	83.40%	79.98%
3 to 5 lakh	5.27%	14.50%	14.31%	14.14%	5.36%	5.41%
5 to 7 Lakh	1.55%	6.30%	6.27%	7.00%	1.58%	1.83%
7 to 10 lakh	1.28%	6.97%	7.24%	8.45%	1.35%	1.60%
10 to 15 lakh	0.44%	3.84%	3.90%	4.59%	0.47%	0.58%
15 to 20 lakh	0.21%	2.51%	2.69%	3.32%	0.23%	0.30%
20 to 25 lakh	0.10%	1.52%	1.60%	2.15%	0.11%	0.15%
Not Defined	8.57%	4.37%	3.68%	6.93%	7.49%	10.16%

In both tables, there is a noticeable trend in the 'Up to 3 lakh' category, which sees a decline in both the number of accounts (from 82.57% to 79.98%) and the share of portfolio outstanding (from 60% to 53%) over the period. This suggests a shift away from the smallest loan sizes, both in terms of the number of loans and the total loan value, which could be indicative of borrowers graduating to higher loan brackets as their businesses grow or as they require more significant funds for their activities.

The stability in the '3 to 5 lakh' segment across both tables, holding steady at 14% for the share of portfolio outstanding and around 5% for the number of accounts, points to a consistent borrowing pattern in this ticket size. However, an increase in both the number of accounts and the portfolio share in the '5 to 7 lakh' and '7 to 10 lakh' brackets suggests that a segment of borrowers is opting for larger loans, which could reflect an expansion of business operations or increased capital needs.

Interestingly, the '10 to 15 lakh' and '15 to 20 lakh' categories show a modest increase in the share of portfolio outstanding compared to the number of accounts, indicating that while there may not be a large number of loans in these brackets, the loans that are taken out are for more considerable amounts. This is also reflected in the consistent share of the portfolio outstanding for larger ticket sizes, despite their lower prevalence in the number of accounts.

Overall, the analysis of these two tables suggests a shift in the agricultural loan landscape, with a move towards larger loan amounts over time, both in terms of the number of loans being taken out and the total value of loans outstanding. This shift could reflect broader economic trends, such as inflation or the increasing scale of agricultural operations. It also highlights the importance of offering a diverse range of loan products to meet the evolving needs of borrowers in the sector.

State-Wise Distribution

The figure 16 represent states percentage share in of number of loans and POS in the bar and population in the line graph.

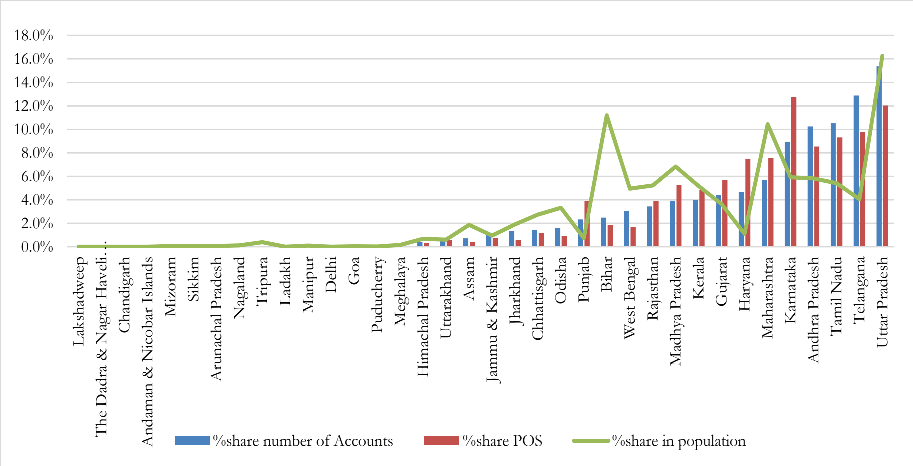

Figure 16: State wise percentage of share of Business Loan Agri and Population

The data from the above graph reflects the disparities in agricultural business loans across Indian states, with particular insights into the number of loan accounts and Portfolio Outstanding (POS) relative to the states' population shares. States like Uttar Pradesh and Telangana, for example, show a robust engagement in agricultural financing. Uttar Pradesh stands out with 15.9% of loan accounts and 12.8% of the POS, significantly higher than its 13% share of the nation's population. This suggests a strong agricultural sector within the state that has substantial financing needs.

On the other side of the spectrum, states such as Maharashtra and Karnataka, despite having smaller population shares, exhibit higher percentages of both loan accounts and POS. Maharashtra, for instance, has a 9% population share but accounts for 5.7% of loan accounts and 7.6% of the POS. The higher loan percentages might indicate a focus on larger or more valuable agricultural loans in these states, pointing to a more developed or commercially oriented agricultural financing environment.

Conversely, Bihar presents an interesting case. It has a high population share at 9%, but its agricultural loan accounts and POS stand at 2.5% and 1.9%, respectively. This discrepancy could be indicative of challenges such as lower access to credit, a smaller number of large-scale agricultural operations, or a reliance on informal lending mechanisms within the state.

The data highlights a complex relationship between a state's population share and its agricultural loan distribution, influenced by various factors including the state's economic structure, the prominence of agriculture within the state's economy, and the accessibility to financial services. This variability underscores the need for tailored agricultural financing strategies that consider the unique economic and agricultural landscapes of each state to ensure equitable access to credit across India's diverse agricultural sector.

Institutions Wise Details

The following bar graph depicts the percentage share of lending institutions in the agricultural sector.

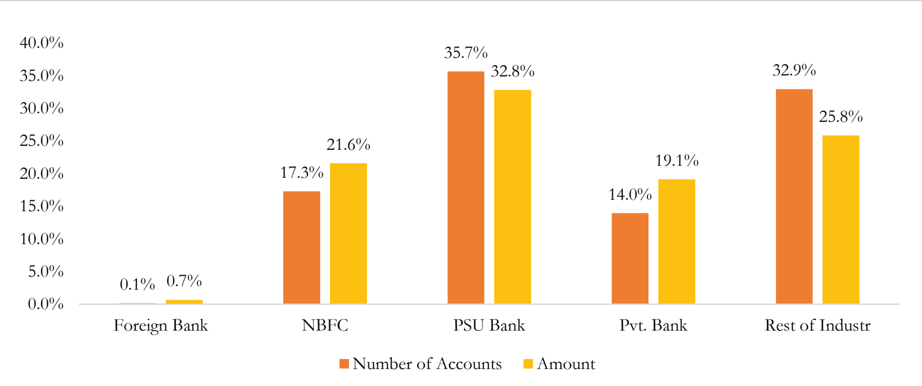

Figure 17: Percent of Share - Lending institution in BL Agri

Public Sector Banks (PSU Banks) dominate the market, holding the majority share of both the number of accounts and the POS. The percentage of the number of accounts is slightly higher than that of POS, indicating that while PSU Banks have a vast customer base, the average loan size per account might be smaller compared to other institutions.

Private Banks, while having a smaller footprint in terms of the number of accounts when compared to PSU Banks, show a higher share in the POS. This suggests that Private Banks might be focusing on larger loans, potentially catering to well-established agribusinesses or larger-scale farming operations that require more significant financial inputs.

The category of Rest of Industry which could include Non-Banking Financial Companies (NBFCs), Cooperatives, and other financial institutions, represents a modest share in both the number of accounts and POS. Notably, their share of POS is slightly higher than their share of the number of accounts, which could imply that these institutions also tend to issue larger loans on average, although they serve fewer customers than the banks.

NABARD (National Bank for Agriculture and Rural Development), despite its pivotal role in agricultural development, shows minimal direct involvement in terms of the percentage of both the number of accounts and POS. This could reflect NABARD's role as a refinancing and development institution rather than a direct lender, and its efforts might be more focused on policy development and capacity building in the agricultural sector.

Overall, the graph underscores the central role of PSU Banks in agricultural lending, the significant presence of Private Banks in terms of loan amounts, and the complementary roles of other financial entities in the sector. The analysis of this data can inform policy decisions, strategic planning for financial institutions, and the targeted design of financial products for the agricultural sector.

Rural/Urban Distribution

The table provides a comparative snapshot of the percentage share of a Business Loan Agriculture against the percentage share of the population across different geographic classifications—rural, semi-urban, and urban areas.

In rural areas, there is a slight decrease from 48% of the population to 45% in the BL Agriculture. This 3% drop might suggest a lower presence or uptake of the service or metric being measured in rural regions compared to their demographic weight. This could be due to various factors such as limited access, lower demand, or other socio-economic barriers.

Table 11: % Share of population group on BL Agri

Population Group	% share of Population group in Number of accounts	% share of Population group in POS
Not Defined	2%	2%
Rural	48%	45%
Semi-Urban	45%	47%
Urban	4%	6%

For semi-urban areas, the opposite is true; they represent 45% of the population but account for 47% in the BL Agriculture This over-representation could indicate a higher concentration or adoption of the service or metric in these areas, possibly because these regions strike a balance between rural accessibility and urban facilities.

The urban category shows the most significant difference, with only 4% of the population share but accounting for 6% of the BL Agri. This suggests a higher penetration or relevance of the measured service or metric in urban areas, which could be attributed to higher income levels, greater availability, or a targeted approach by service providers toward the urban population.

Overall, the disparities between the geographic classifications in the table could reflect inequalities in service provision or economic opportunities between rural, semi-urban, and urban areas. These differences are crucial for policy formulation, resource allocation, and targeted interventions by service providers to ensure equitable access and utilization across different population segments.

Institutions Share in Different Demographics

Rural Portfolio

The pie charts depict the percentage shares of different financial entities in rural areas in two different categories: the number of accounts and the presence in Point of Sale (POS) locations.

For the number of accounts, Public Sector Undertakings (PSU) Banks hold the majority with 61%, indicating a strong preference or reliance on government-owned banks in rural areas for opening accounts. Private Banks account for 7%, while Non-Banking Financial Companies (NBFCs) have a minimal share of 1%. The rest of the industry, which may include cooperatives, small finance banks, and other financial institutions, accounts for 31%. This suggests a significant presence of diverse banking options in rural areas, but a dominant preference for PSU Banks.

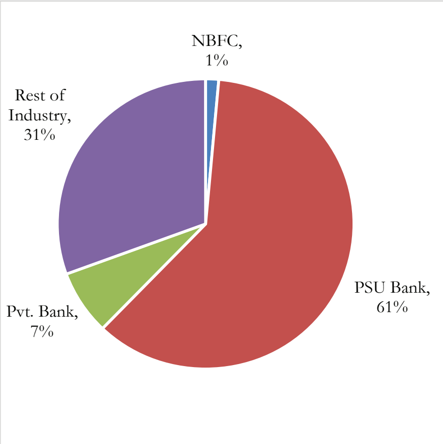

Figure 18: Percent of Share in Number of Accounts in Rural

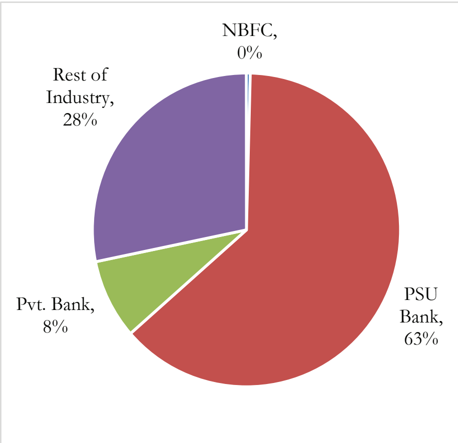

Figure 19: Percent of Share in POS Rural

The second chart, illustrating the percentage share in POS in rural areas, shows a slightly different distribution. PSU Banks still lead with a strong majority at 63%, slightly up from their share of accounts, indicating that they not only hold the majority of accounts but also dominate the POS services in these areas. Private Banks have a slightly higher share here at 8% compared to their share in accounts, while NBFCs have no share at all. The rest of the industry holds 28%, which is a minor decrease from their share in the number of accounts.

The near absence of NBFCs in the POS share could imply that NBFCs are either not focused on or not permitted to provide POS services in rural areas. Overall, the data suggests that PSU Banks are the backbone of financial services in rural areas, with a significant lead over private entities in both the number of accounts and POS services. Private Banks and other industry players have a smaller but notable presence, which may indicate competitive services or niche markets within rural financial ecosystems.

Semi-Urban Portfolio

The following pie charts represent the distribution of the percentage share in the number of accounts and Points of Sale (POS) in semi-urban areas, segmented by different types of banking institutions.

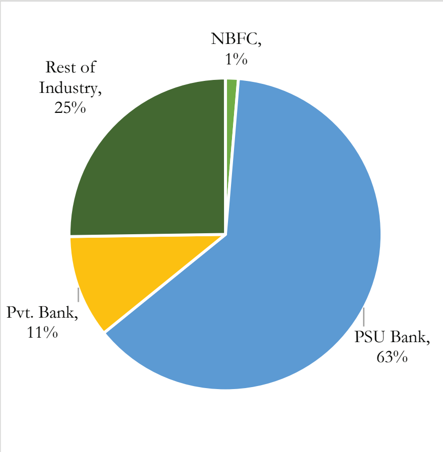

Figure 20: Percent of Share of Number of Accounts in Semi-Urban

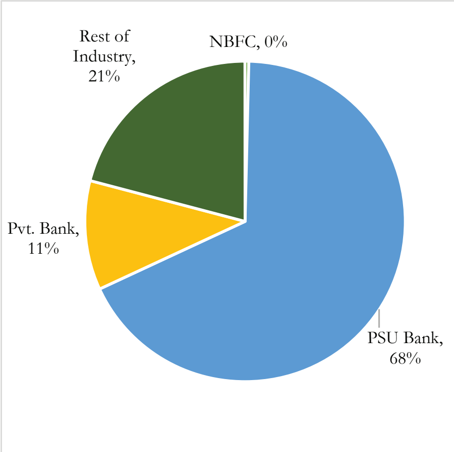

Figure 21: Percent of Share in POS in Semi Urban

In the first chart, which shows the percentage share in the number of accounts, Public Sector Undertakings (PSU) Banks again have the majority with 63%, demonstrating their prominence in semi-urban banking as well. Private Banks hold a share of 11%, and Non-Banking Financial Companies (NBFCs) make up a small fraction at 1%. The Rest of the Industry, which could include microfinance institutions, cooperatives, and other small financial entities, represents 25% of the accounts. This indicates that while PSU Banks are the leading choice for account holders, there is also a considerable portion of the population in semi-urban areas that opt for various other financial service providers.

The second chart details the percentage share of POS in semi-urban areas. PSU Banks have a slightly larger share of 68% in POS services compared to their share of accounts, suggesting their strong position in the market for daily financial transactions. Private Banks maintain an 11% share, identical to their share in the number of accounts, which may indicate a consistent customer base for both banking and transactional services. Notably, NBFCs do not have a presence in the POS segment, hinting at a lack of involvement or inability to compete in this space. The Rest of the Industry accounts for 21%, showing a slight decline from the share in the number of accounts.

These charts imply that PSU Banks are the dominant financial service providers in semi-urban areas, not just in terms of account holding but also in POS transactions. Private Banks and other industry players have a relatively consistent but smaller presence across both charts. The complete absence of NBFCs from the POS segment might reflect regulatory restrictions, strategic choices, or competitive disadvantages in semi-urban markets. The data suggests a stable market distribution with PSU Banks at the forefront, followed by a modest but persistent participation from Private Banks and other financial institutions.

Urban Portfolio

The following pie charts illustrate the distribution of the percentage share in the number of accounts and Point of Sale (POS) services among various financial institutions in urban areas.

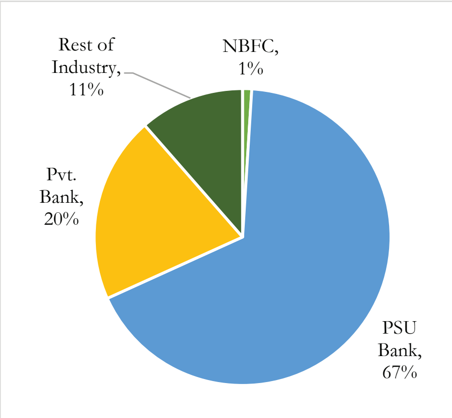

Figure 22: Percent of Share of Number of Accounts in Urban

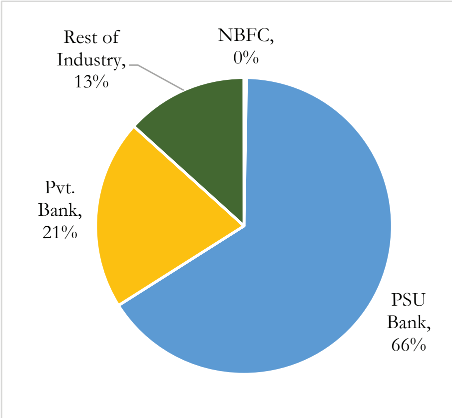

Figure 23: Percent of Share of POS in Urban

In the first chart, which details the percentage share in the number of accounts, Public Sector Undertakings (PSU) Banks have a dominant presence with 67% of the market share, indicating a strong consumer preference or trust in government-owned banks within urban settings. Private Banks hold a fifth of the market at 20%, which suggests a significant but smaller role compared to PSU Banks. Non-Banking Financial Companies (NBFCs) have a very small share at 1%, indicating a marginal presence in the urban account market. The rest of the industry, which likely includes small finance banks, cooperative banks, and other financial entities, accounts for 11% of the market share, pointing towards a moderate diversity of institutions that urban customers use for banking.

The second chart shows the percentage share of POS in urban areas. Here, PSU Banks have a slightly lesser share at 66%, which is still the majority, but indicates a small shift in market dynamics from account holding to transactional services. Private Banks have a marginally higher share in POS services at 21%, suggesting that their infrastructure for POS might be more utilized or preferred compared to their share of account holdings. The rest of the industry also sees a slight increase in share at 13%, while NBFCs have no share in the POS market, which might reflect a strategic focus away from POS services or a competitive disadvantage in this area.

These charts collectively suggest that while PSU Banks are the predominant entities in both the number of accounts and POS services in urban areas, there is a slight shift in market shares when it comes to transactional services. Private Banks and the rest of the industry appear to have a somewhat stronger presence in POS services compared to account holdings. The absence of NBFCs in the POS services indicates their limited role or absence in this particular urban financial service market.

REPAYMENT

Overdue by Ticket Size

The following table presents a comprehensive view of the overdue agricultural business loans segmented by ticket size for accounts that are more than 90 days past due. The most striking aspect of the data is the high proportion of overdue accounts in the 'Up to 3 lakh' category, which constitutes 21% of the total number of accounts and 22% of the total overdue amount in this segment. This suggests a significant risk concentration in the smallest loan bracket, implying that such loans are more likely to become overdue compared to larger loans.

Table 12: 90+ DPD delinquency - Ticket Size basis

Ticket size	Number of A/c's	% of total A/c's in ticket size	POS Rs. Crore	% of total POS in ticket size	Average POS in ₹ 90+ DPD
Up to 3 lakh	2,280	21%	24,066	22%	105,551
3 to 5 lakh	164	21%	7,449	26%	452,854
5 to 7 Lakh	52	20%	3,373	24%	647,933
7 to 10 lakh	42	19%	3,698	22%	872,211
10 to 15 lakh	16	20%	2,125	23%	1,301,458
15 to 20 lakh	7	17%	1,233	19%	1,735,275
20 to 25 lakh	4	20%	931	23%	2,214,866
Not Defined	127	8%	676	5%	53,331
Grand Total	**2,693**	**19%**	**43,551**	**22%**	**161,699**

A/c - Number of accounts in '000, Amt. – POS in ₹ Crore

Moving up the loan sizes, the ‘3 to 5 lakh’ and ‘5 to 7 lakh’ categories account for 21% and 20% of the overdue accounts, respectively. However, their contributions to the total overdue amounts are disproportionately higher at 26% and 24%. This discrepancy indicates that while fewer accounts in these brackets are overdue, the overdue ones tend to have larger outstanding balances. In contrast, the ‘7 to 10 lakh’ category, despite having a lower percentage of overdue accounts at 19%, contributes a relatively high 23% to the total overdue amount, pointing towards a smaller number of accounts with significantly larger individual overdue balances.

The higher ticket sizes, from ‘10 to 15 lakh’ to ‘25 to 50 lakh,’ show a decrease in the number of overdue accounts, ranging from 20% down to 8%. However, their contribution to the overdue amount remains relatively stable, indicating that while there are fewer overdue accounts in these segments, the overdue amounts are substantially larger. This uniformity in contribution to the total overdue amount across these higher loan brackets suggests that as the loan sizes increase, the frequency of overdue accounts decreases, but the impact of each overdue account becomes more pronounced.

Overdue by Location of Borrower

The following table presents data on agricultural business loans that are over 90 days past due, categorized by the rural-urban classification of the account holders. The analysis shows that the Not Defined category holds the largest percentage share of overdue accounts at 22%, and an even more significant 27% of the total overdue amount. This suggests that a significant portion of the overdue amount comes from accounts where the rural-urban status is unspecified or not determined.

Table 13: 90+ DPD Delinquency - Population group wise

Rural-Urban	A/c	% Share	Amount	% Share
Not Defined	76	22%	1,177	27%
Rural	1,283	19%	19,150	21%
Semi-Urban	1,262	20%	21,535	23%
Urban	73	12%	1,689	14%
Grand Total	**2,693**	**19%**	**43,551**	**22%**

A/c - Number of accounts in ‘000, Amt. – POS in ₹ Crore

In rural areas, which typically are significant in agriculture-related activities, there are 1,283 accounts representing 19% of the total overdue accounts and contributing 21% to the overdue amount. This indicates a relatively high level of engagement in agri-businesses in rural areas with a proportional share of the overdue amounts. Semi-urban areas follow closely with 1,262 accounts, accounting for 20% of the total overdue accounts and 23% of the overdue amount. This implies that semi-urban areas, which may benefit from a mix of urban and rural advantages, also have a substantial share of past-due accounts, with a slightly higher propensity towards larger overdue amounts.

Urban areas have the smallest share of overdue accounts at 12% and overdue amounts at 14%. The lower percentages may reflect less involvement in agricultural activities or perhaps better access to financial management resources, leading to a lower incidence of overdue loans. Across all categories, the total number of accounts is 2,693 with a 19% share of overdue accounts and a 22% share of the total overdue amount. This overall distribution suggests that while overdue loans are present across all categories, there is a higher concentration of overdue amounts in accounts without a clear rural or urban designation, which may point towards a need for better classification or targeted financial services in these areas.

Institution wise Overdue

The following table categorizes agricultural business loans that are more than 90 days overdue by the type of financial institution. Here is a detailed analysis:

Table 14: Lending institution wise 90+ DPD delinquency

FI	A/c	% Share	Amount	% Share
NBFC	40	22%	220	29%
PSU Bank	1,993	23%	32,672	25%
Pvt. Bank	111	9%	2,841	14%
Rest of Industry	550	14%	7,817	16%
Grand Total	**2,693**	**19%**	**43,551**	**22%**

A/c- Number of accounts in '000, Amt. – POS in ₹ Crore

Non-Banking Financial Companies (NBFCs) have the fewest accounts at 40, yet they have the highest percentage of both the number of accounts overdue (22%) and the amount overdue (29%). This suggests that while NBFCs have a smaller footprint in the agri-business sector, their exposure to overdue loans is disproportionately high relative to the number of loans they have issued.

Public Sector Banks (PSU Banks) have a substantial presence with 1,993 overdue accounts, making up 23% of the total overdue accounts and 25% of the overdue amount. This is indicative of their significant role in agricultural financing. Despite this, their share of overdue amounts is slightly higher than their share of accounts, pointing to a larger average overdue amount per account compared to private banks.

Private Banks, with 111 accounts, have a relatively small percentage of overdue accounts at 9%, and a correspondingly low percentage of the overdue amount at 14%. This may reflect a more conservative lending strategy in the agricultural sector or more effective loan recovery processes.

The Rest of Industry category, which could include cooperative banks and other financial institutions, shows 550 overdue accounts representing 14% of the overdue accounts and 16% of the overdue amount. This distribution suggests a moderate level of risk in this sector.

Overall, the data reflects a total of 2,693 overdue accounts with a 19% share and a total overdue amount that comprises 22% of the portfolio in value. The variations across different types of institutions highlight diverse lending practices and risk management strategies within the agricultural finance sector. The higher percentage of overdue amounts relative to the share of overdue accounts for NBFCs and PSU Banks might be an area of concern, signaling potential issues in loan performance and requiring targeted intervention to manage risks effectively.

Performance of States in 90+ DPD Overdue

The following table categorizes agricultural business loans that are more than 90 days overdue by the type of financial institution. Here is a detailed analysis:

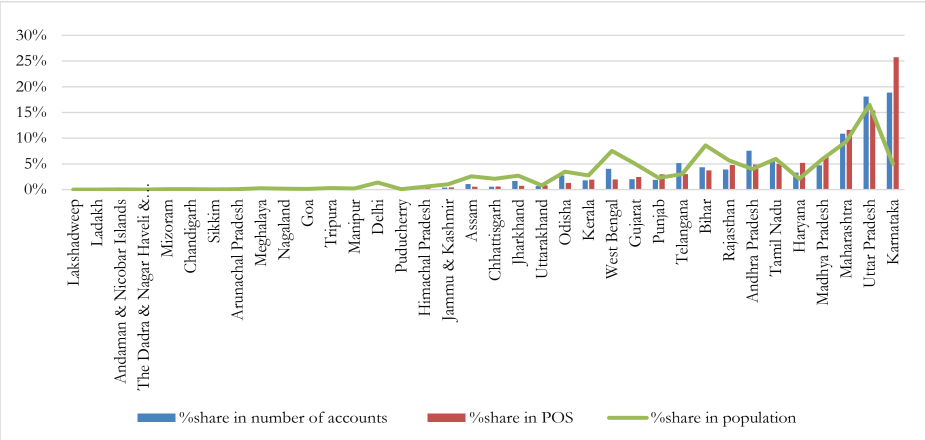

Figure 24 States Percent of contribution in 90+ DPD delinquency

The figure number 24 illustrates the pattern in agricultural loan delinquencies across different states in India. It is evident from the graph that there is a considerable variation in the percentage contribution to the number of accounts, the percentage share in point of sale (POS), and the percentage share in the population for loans that are past due over 90 days.

Uttar Pradesh shows a prominent presence with 18% in the number of accounts, which is closely aligned with its POS share (15%) and population share (17%). This indicates that the state's agricultural loan delinquency is proportionate to its population, which may be reflective of the state's agricultural dependency and the scale of its farming sector. The high number of delinquent accounts could be due to various factors including agricultural yield variability, market prices for crops, and the effectiveness of local financial institutions in managing credit risk.

Karnataka and Maharashtra present contrasting scenarios. Karnataka has a disproportionately high percentage in the number of accounts (19%) and POS share (19%) compared to its population share (12%), suggesting a significant impact of overdue loans on the state's agricultural sector. This could point to a higher risk profile for lenders in the state or a larger agricultural base that is not commensurate with the overall population. In contrast, Maharashtra maintains a balance across all three indicators with 5% in the number of accounts, POS share, and population share, indicating that loan delinquency is in line with the state's population and possibly, its agricultural activity.

Rajasthan, Bihar, and Tamil Nadu are notable for their higher percentages in the number of accounts and POS share relative to their population percentages. This implies that these states have a higher incidence of loan delinquency that could be influenced by regional challenges such as droughts, floods, or economic factors that affect farmers' ability to repay loans.

Interestingly, states such as Gujarat, Punjab, and Telangana exhibit lower percentages in all categories, which might suggest more robust agricultural loan repayment behaviours, better financial health among farmers, or less reliance on agricultural loans. This could be indicative of diverse economic activities beyond agriculture or effective state policies in managing agricultural credit.

Finally, several states and union territories like Ladakh, Lakshadweep, Andaman & Nicobar Islands show no contribution in any category. This could be due to the absence of significant agricultural activity, the effectiveness of loan recovery, or simply a lack of data for these regions. The zero percentage could also result from a very small number of accounts relative to the national figures, which rounds down to zero when expressed as a percentage.

Overall, this data reflects the complex interplay between agricultural activity, financial management, and demographic factors that influence the distribution of past-due agricultural loans across India. Understanding these dynamics is crucial for policymakers and financial institutions aiming to devise strategies to manage credit risk and support farmers effectively.

SOURCING

The following data table for agricultural business loan sanctions delineates a clear stratification across different loan ticket sizes. Here's an analysis incorporating the provided figures:

Table 15: Ticket Size wise Sanction in BL Agri

Ticket Size	Number of A/c in thousand	Sanction Amount in ₹ crore	Avg. Sanction Amount ₹
0-3L	4,845	48,080	99,234
3L-5L	242	9,816	405,172
5L-7L	87	5,256	601,738
7L-10L	75	6,687	887,503
10L-15L	25	3,193	1,277,552
15L-20L	13	2,439	1,824,831
20L-25L	6	1,402	2,335,742
Grand Total	**5,403**	**76,874**	**142,292**

In the smallest loan category, '0-3 lakh', there is a substantial number of accounts at 4,845 thousand, with the total sanction amount standing at 48,080 crores. This segment's average sanctioned amount is ₹99,234 reflecting a targeted approach to supporting a vast number of small-scale farmers and agri-businesses with modest loan amounts.

For the 3-5 lakh ticket size, there are 2.42 lakh accounts with a sanction amount of 9,816 crores, and the average sanctioned amount increases significantly to 4.05 lakh. This indicates that as the loan amount bracket increases, the number of accounts drops, but the average loan size per account grows, suggesting a greater capital allocation to medium-sized agricultural operations that may have more substantial financial needs.

The 5-7 lakh and 7-10 lakh loan categories have 87 and 75 thousand accounts respectively, with sanction amounts of 5,256 and 6,687 crores, and average sanctions of 6.01 lakh and 8.87 lakh. These higher average amounts per account indicate that financial institutions are providing larger loans to fewer, likely more established agricultural businesses that can handle and justify larger investments.

In the upper loan categories, 10-15 lakh, 15-20 lakh and 20-25 lakh the number of accounts drops to 25, 13, and 6 thousand respectively, yet the average sanctioned amounts per account are considerably larger: 12.77 lakh, 18.24 lakh and 23.25 lakh. This shows a concentration of high-value loans among a smaller cohort of borrowers, possibly representing large-scale agricultural enterprises with significant operational needs and the capacity to manage large-scale funding.

Overall, the data reflects a financial landscape where smaller-scale farmers are supported en-masse with smaller loan amounts, while larger-scale operations receive higher value loans, albeit in much fewer numbers. This stratification could reflect an attempt to balance risk while providing adequate support across the spectrum of agricultural business sizes.

Demographics-Wise Sanction

The following table highlights the distribution of agricultural loan sanctions in fiscal year 2023 across various population groups, providing insights into the lending patterns in the agricultural sector.

Table 16: Demographics-wise sanction of BL Agri

Population Group	Number of A/c in thousand	Sanction Amount in ₹ crore	Avg. Sanction Amount ₹
Not Defined	82	1,353	165,903
Rural	2,491	32,670	131,160
Semi-Urban	2,295	33,370	145,414
Urban	535	9,481	177,103
Grand Total	**5,403**	**76,874**	**142,292**

In rural areas, where traditional farming is most prevalent, there are 24.91 lakh accounts with a total sanctioned amount of 32,670 crores. The average loan sanction in this segment is 13.11 lakh, which is a substantial figure considering the typically smaller scale of rural farming operations. This could indicate a strategic focus on enhancing rural agricultural productivity and sustainability.

Semi-urban areas account for 22.95 lakh accounts, with a total sanctioned amount slightly higher at 33,370 crores, and an average loan sanction of 1.45 lakh. This higher average loan amount might reflect the transitionary nature of semi-urban areas where agricultural operations could be larger and more diverse, potentially including a mix of farming and processing activities that are closer to urban markets.

Urban areas have the smallest number of accounts at 5.35 lakh but a significant total sanctioned amount of 9,481 crores, leading to an average loan sanction of 1.44 lakh. This high average suggests that urban loans may support more capital-intensive agricultural activities, such as urban farming initiatives, supply chains, or processing facilities that require larger investments.

Demographic Trend

The following bar chart represents the percentage share of population groups in sanction amounts for the last three fiscal years, with the groups divided into Rural, Semi-Urban, and Urban and not defined.

Over the three fiscal years, the Rural sector consistently holds the largest share of the sanctioned amount, peaking at 43% in FY 2021, decreasing slightly to 42% in FY 2022, and maintaining a majority at 47% in FY 2023. This trend indicates the continued importance of the rural sector in agricultural lending, which is consistent with the larger population and the predominance of agriculture in these areas.

The Semi-Urban group follows a similar pattern to Rural, starting with a 44% share in FY 2021, which slightly decreases to 40% in FY 2022 before increasing again to 46% in FY 2023. The Semi-Urban areas are significant for agricultural lending, likely due to a combination of agricultural activities and proximity to urban markets that might support larger or more diversified agricultural operations.

The Urban group shows the smallest share across all three fiscal years, with a decreasing trend from 3% in FY 2021 to 1% in FY 2023. This reflects the lower prevalence of agricultural activities in urban settings and possibly a higher concentration of other types of businesses that may not require agricultural finance.

The Not Defined category remains consistent with a 2% share across all three fiscal years, suggesting a stable but small proportion of agricultural lending to entities that are not classified within the traditional rural-urban spectrum. This category might include specialized or large-scale agricultural operations.

In summary, the data indicates a strong focus on agricultural lending in Rural and Semi-Urban areas, aligning with where agricultural activities predominantly occur. The Rural segment seems to be receiving a slightly increasing share of loan sanctions, while Semi-Urban areas also demonstrate significant and growing investment. The consistent but low percentage in the Not Defined category suggests a niche market for agricultural loans, whereas the Urban sector is the least focused area for agricultural lending, as expected due to the urban setting.

Performance of Financial Institutions in Different Population Groups

The following bar chart illustrates the distribution of financial institutions (FIs) loan sanctioning percentages across different population groups: Not Defined, Rural, Semi-Urban, and Urban, as well as an overall category. It compares the lending behaviour of various types of FIs: NBFC (Non-Banking Financial Company), PSU Bank (Public Sector Bank), Pvt. Bank (Private Bank), and the Rest of Industry, which could include cooperative banks, microfinance institutions, and other lenders.

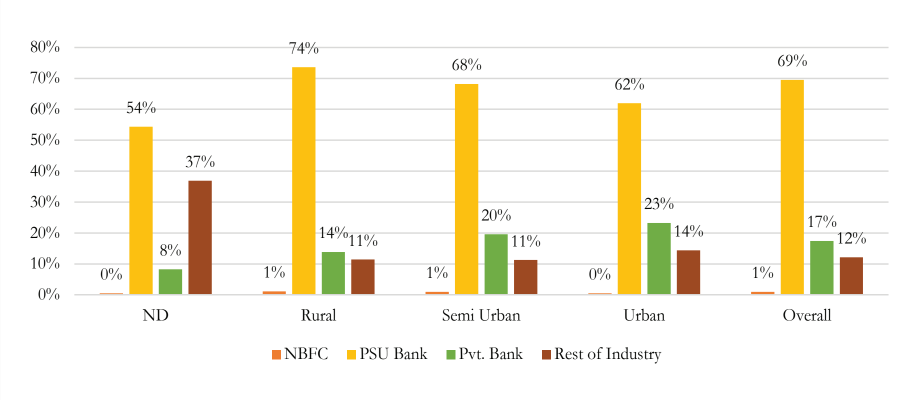

Figure 25: Percentage Share of FI's in Different Population groups

The data shows that PSU Banks have a substantial presence across all population groups, with the highest percentage in Rural (63%) and Semi-Urban (60%) areas, reflecting their mandate to support agriculture and rural development. Their participation is lower in Urban areas (11%) and the Not Defined category (37%), which may include specialized agricultural or agri-business operations not specific to any region.

NBFCs show a more even distribution, with a significant 55% in the Not Defined category, which could indicate their flexibility and focus on niche markets that may not be served by traditional banks. They also have a notable presence in Urban areas (17%), potentially reflecting their ability to cater to urban-centric agricultural businesses or small-scale urban farming initiatives.

Private Banks have a moderate presence in Rural (13%) and Semi-Urban (10%) areas and a smaller presence in Urban (4%) and Not Defined (5%) groups. This distribution suggests a selective approach to agricultural lending, possibly focusing on more commercially viable agricultural enterprises with lower risk profiles.

The Rest of Industry category has its highest percentages in Rural (20%) and Semi-Urban (16%) areas, which might represent other lending institutions like cooperative banks and microfinance institutions that typically focus on these segments for agricultural finance.

Overall, each type of FI has a unique lending profile that reflects its strategic focus, risk appetite, and operational mandates. PSU Banks dominate rural and semi-urban lending, likely due to their role in supporting government initiatives for agricultural and rural development. NBFCs appear to fill gaps in the market not covered by traditional banks, especially in the Not Defined and Urban categories. Private Banks and the Rest of Industry have more moderate shares, indicating a cautious approach to agricultural lending or a focus on specific segments within the agricultural sector.

CONCLUSION ON BL AGRICULTURE

1. Portfolio Analysis and Trends: Analysis highlights that smaller loans (up to ₹3 lakhs) dominate in volume, indicating a high demand among micro-entrepreneurs, while larger loans have a more significant impact on the financial portfolio. Over time, there's a noticeable shift from smaller to larger loans, indicating the growth of businesses and their increasing financial needs.

2. Geographic Distribution and Institutional Roles: The analysis of state-wise loan distribution shows variations in agricultural financing across states, with states like Uttar Pradesh and Telangana having higher shares in both loan accounts and portfolio outstanding. The chapter also discusses the role of different financial institutions, with Public Sector Banks playing a major role in lending, followed by Private Banks and other financial entities like NBFCs and Cooperatives.

3. Rural and Urban Distribution: The distribution of loans in rural, semi-urban, and urban areas, suggests disparities in access and utilization of financial services, which are crucial for policy formulation and resource allocation.

4. Loan Performance and Overdue Analysis: Overdue loans, categorized by ticket size, location of borrowers, and type of financial institution reveals that smaller loans (up to ₹3 lakhs) have a higher proportion of overdue, whereas larger loan categories have fewer overdue accounts but with larger overdue amounts. This section also highlights differences in loan performance across states and the varying risk profiles for different types of lenders.

5. Loan Sourcing and Sanction Patterns: The patterns in loan sanctions across different population groups and financial institutions shows that smaller loans are more common in rural areas, while larger loans are more frequent in urban settings. The chapter also highlights how different types of financial institutions, like PSU Banks, NBFCs, and Private Banks, have unique lending profiles across various population groups.

4. MUDRA LOAN

INTRODUCTION

In the intricate fabric of our economy, small and micro-businesses stand as vital threads, weaving together growth, innovation, and employment opportunities. These enterprises, often the nurturing grounds for entrepreneurial ambition, rely on more than just vision and dedication to thrive — they require financial support. Enter MUDRA loans, a cornerstone of financial empowerment for Micro, Small, and Medium Enterprises (MSMEs).

This chapter embarks on a journey into the world of MUDRA loans, where the ticket sizes are tailored to the unique needs of MSMEs, typically up to ₹10 lakhs. By delving into the diverse portfolio of MUDRA loans, we uncover the lending patterns and evolving trends that are instrumental in propelling these enterprises to new heights of success.

MUDRA loans, though modest in size, wield monumental impact. They not only support budding businesses but also catalyse economic growth and foster innovation. As we explore the intricate tapestry of MUDRA loans, we invite you to witness how financial support intertwines with entrepreneurial ambition to create a brighter future for small businesses and the overall economy. Welcome to the world of MUDRA loans — where dreams are empowered, and growth is fuelled.

PORTFOLIO

Size Wise Analysis

The following table presents data on MUDRA loan distribution across various ticket sizes, detailing the number of accounts in thousands ('000) and the portfolio outstanding (POS) in rupees crore.

Table 17: MUDRA Loan, Ticket Size wise '23

Ticket Size Rs.	A/c	Amount
Up to 3 lakh	2,395	16,881
3 to 5 lakh	298	10,294
5 to 7 Lakh	117	5,885
7 to 10 lakh	219	16,389
10 to 25 lakh	1.12	122.95
Not Defined	41	974
Grand Total	**3,071**	**50,546**
A/c - Number of accounts in '000, Amt. – POS in ₹ Crore		

The 'Up to 3 lakh' category commands the largest share in terms of account numbers, with 23.95 lakh accounts, and holds a substantial total value of 16,881 crores. This prevalence suggests that the MUDRA scheme is extensively utilized by borrowers seeking smaller-sized loans, which might be indicative of micro-enterprises or individual entrepreneurs who require lesser capital.

As the loan amount categories increase, there's a noticeable decrease in the number of accounts, with 2.98 lakh accounts in the '3 to 5 lakh' range and 1.17 lakhs in the '5 to 7 lakh' range. However, the total portfolio outstanding does not diminish proportionately, reflecting higher individual loan values in these brackets. Specifically, the '3 to 5 lakh' range accounts for 10,294 crores, and '5 to 7 lakh' for 5,885 crores, underscoring that while fewer loans are disbursed in these ranges, they constitute a significant portion of the financial portfolio.

In the higher ticket sizes, from '7 to 10 lakh' to '20 to 25 lakh', the number of accounts is markedly less, with the highest category having just 0.18,000 (or 180) accounts. Despite this, the portfolio values remain substantial, signalling that a smaller number of enterprises are securing larger amounts of capital. For instance, even though there are only 0.54,000 (or 540) accounts in the '10 to 15 lakh' range, they amount to a notable 48 crores in value.

The Not Defined category encompasses 41,000 accounts with a portfolio of 974 crores, indicating a segment of the MUDRA loan distribution where the loan amounts are unspecified or varied, yet still make up a considerable sum of the lending value.

Overall, the grand total of accounts is 30.71 lakh with a cumulative portfolio outstanding of 50,546 crores. This data not only highlights the MUDRA scheme's reach, particularly among smaller loan seekers but also shows a gradient of increasing loan values correlated with a decreasing number of accounts, hinting at a spectrum of business scales among the borrowers.

Trend on Various Loan Buckets

The following tables show the percentage share of the number of MUDRA loans and the percentage share in portfolio outstanding (POS) across various loan buckets for the last three years, revealing trends in how loan distribution and amounts have evolved.

Table 18: % Share of Number of Loans

% Share of Number of Loans	Mar-21	Mar-22	Mar-23
Up to 3 lakh	86%	81%	78%
3 to 5 lakh	6%	8%	10%
5 to 7 Lakh	2%	3%	4%
7 to 10 lakh	3%	6%	7%
10 to 25 lakh	0%	0%	0%
Not Defined	2%	1%	1%

Table 19: % Share of POS

Ticket Size	Mar-21	Mar-22	Mar-23
Up to 3 lakh	44%	36%	33%
3 to 5 lakh	18%	20%	20%
5 to 7 Lakh	10%	12%	12%
7 to 10 lakh	21%	29%	32%
10 to 25 lakh	0%	0%	0%
Not Defined	6%	2%	2%

From table 18, which presents the percentage share of the number of loans, we observe a gradual year-over-year decrease in the 'Up to 3 lakh' category, declining from 86% in March 2021 to 78% in March 2023. Despite this decrease, the category still constitutes the majority of MUDRA loans, signalling a strong preference or need for smaller loan amounts among borrowers, which are typically associated with micro and small enterprises.

The '3 to 5 lakh' and '7 to 10 lakh' loan categories, however, have witnessed an increase in their share of the number of loans over the years. The '3 to 5 lakh' category rose from 6% to 10%, and the '7 to 10 lakh' category from 3% to 7%. This suggests that there is a growing segment of borrowers who are either scaling up their business needs or are new entrants requiring more substantial loan amounts.

In table 19, detailing the percentage share of POS, a significant drop is noticeable in the 'Up to 3 lakh' range, from 44% in March 2021 to 33% in March 2023. This points to a redistribution of loan values, with larger shares being allocated to higher loan brackets over time.

Notably, the '7 to 10 lakh' category has seen a substantial increase in its POS share, from 21% to 32%. This aligns with the increased number of loans in this category, indicating not only more loans but also a larger total value of loans being disbursed within this range.

The Not Defined category shows some fluctuations in the number of loans and a decrease in POS share from 6% to 2%. This could imply an improvement in loan categorization or a shift in lending patterns, possibly towards more defined loan sizes.

Overall, the data reflects a diversification and a gradual shift in the MUDRA loan scheme from predominantly smaller-sized loans towards larger ones, both in terms of the number of loans and the loan values. This could be indicative of the growth and development of small businesses in the country, suggesting that they are moving towards larger-scale operations and possibly have increased credit needs.

State-Wise Distribution

The following graph reflects the distribution of MUDRA loans across various states and Union Territories of India, comparing the percentage share in the number of loans and the portfolio outstanding (POS) against the state's share of the population.

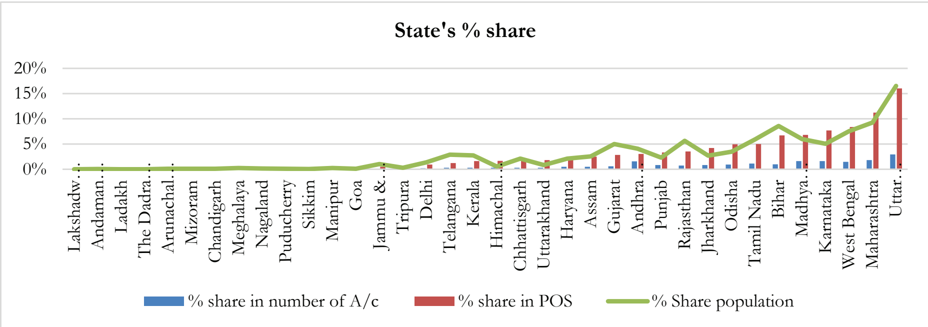

Figure 26: States percentage share in MUDRA Loan

A significant portion of the states and Union Territories, particularly the smaller regions or those with less population, show 0% shares across the number of loans and POS, as well as in their population percentages. This indicates that MUDRA loans are not as prevalent or possibly underreported in these regions.

On the other end of the spectrum, Uttar Pradesh stands out with a markedly high percentage in both the number of loans (11%) and POS (16%), compared to its population share (17%). This suggests that while Uttar Pradesh has a high engagement with the MUDRA scheme, the amount disbursed through the loans is not proportional to its population, which could point to a high volume of smaller ticket loans.

Similarly, West Bengal shows a significant discrepancy with a higher percentage in the number of loans (8%) and POS (11%) against its population share (9%). This may reflect a robust participation in the scheme and possibly a higher average loan value.

Karnataka, Maharashtra, and Tamil Nadu also show higher loan and POS percentages compared to their population shares, suggesting a strong uptake of MUDRA loans, indicative of a vibrant small business sector in these states.

Conversely, states like Bihar have a higher percentage of the number of loans (7%) compared to their population share (9%), but the POS percentage (6%) is lower than the population share, implying that while there is a significant number of loans, they may be of lower value on average.

Overall, the data suggests a varied uptake of MUDRA loans across the country, with some states showing higher engagement than others. The discrepancy between the number of loans, POS, and population percentages could indicate different levels of economic activity, the size of the small business sector, and the average loan size in each state. It could also reflect the varying success of the MUDRA loan scheme's implementation across India.

Institutions Wise Distribution

The following graph indicates the distribution of MUDRA loans across different types of lending institutions.

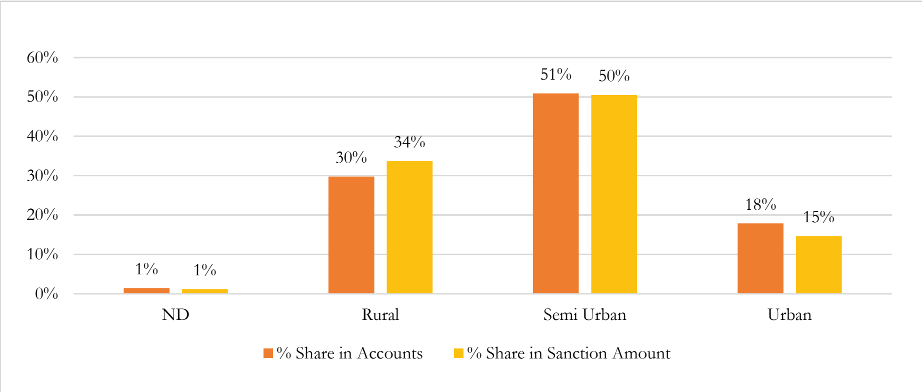

Figure 27: Lenders percentage share in MUDRA Loan

In the data, Public Sector Undertaking (PSU) Banks have a dominant share, both in terms of the number of accounts (93%) and the sum of amounts in rupees crore (96%). This overwhelming majority suggests that PSU Banks are the primary facilitators of MUDRA loans, which are designed to support micro, small, and medium enterprises (MSMEs) in India.

Private Banks have a negligible presence in the number of MUDRA loan accounts, which is shown as 0%, and only contribute 1% to the total amount in rupees crore. This could indicate several possibilities, such as private banks being less focused on this segment, or possibly having stricter lending criteria, which could result in fewer but larger loans, as suggested by the small but existent percentage in the loan amounts.

The 'Rest of Industry' category, which may include non-banking financial companies (NBFCs) and other financial institutions, accounts for 6% of the number of accounts and 3% of the amount in rupees crore. While this is a smaller share compared to PSU Banks, it shows that there is participation from other financial sectors in providing MUDRA loans.

Overall, the significant share held by PSU Banks may reflect the government's initiative to push for financial inclusion and support for small businesses through state-owned entities. The comparatively lower engagement of private banks and other institutions might be due to various strategic, operational, or risk-related decisions within these organizations. The data underscores the pivotal role of PSU Banks in the MUDRA loan scheme and possibly hints at a potential area of growth for private banks and the rest of the industry in this sector.

Rural/Urban Distribution

The following table illustrates the distribution of MUDRA loan accounts and the associated amounts across various population groups in India, categorized as Not Defined , Rural, Semi-Urban, and Urban.

Table 20: MUDRA loan Distribution in Population groups

Population group	A/c	Amount
Not Defined	51	710
Rural	991	15,887
Semi-Urban	1,588	26,418
Urban	441	7,531
Grand Total	3,071	50,546

A/c - Number of accounts in '000, Amt. – POS in ₹ Crore

The Semi-Urban category exhibits the highest engagement with 15.88 lakh accounts (51.70% of the total accounts) and a total loan amount of 26,418 crores (52.29% of the total POS). This prominence could be due to the strategic positioning of semi-urban areas as bridging points between rural and urban economies, often harbouring a significant number of growing businesses that can capitalize on both rural production and urban markets. The relatively higher loan amounts in these areas might also reflect the diverse nature of semi-urban businesses, which can range from small-scale industries to larger, more capital-intensive operations.

The Rural sector also shows substantial participation with 9.91 lakh accounts (32.26% of the total accounts) and 15,887 crores in POS (31.44% of the total POS). This indicates a focus of the MUDRA scheme on supporting rural entrepreneurship and small-scale agriculture-related businesses, which are vital for inclusive economic growth and employment in rural areas. The presence of MUDRA loans in rural areas is essential for enhancing the financial inclusion of unbanked and underbanked populations.

Urban areas, while having fewer accounts at 4.41 lakh (14.36% of the total accounts), still account for a significant POS amount of 7,531 crores (14.91% of the total POS), suggesting larger average loan sizes. This is likely reflective of the higher operational costs in urban settings and the nature of urban businesses, which may require more substantial capital investment.

The Not Defined category, with the least number of accounts and POS, suggests that a small portion of the lending does not have a defined geographical categorization, or it could represent a miscellaneous segment that includes loans not standardly classified within the other three population groups.

Overall, the data indicates that the MUDRA scheme is playing a vital role in the development of semi-urban and rural areas, with a notable percentage of resources allocated to these regions. The distribution of loans underscores the potential of the scheme to foster entrepreneurship and support small businesses across India's varied economic landscapes. It also highlights the economic diversity of the country, with a clear indication of the scheme's reach and its alignment with the needs of different population segments.

REPAYMENT

Overdue by Ticket Size

The following table provides a snapshot of 90+ days past due (DPD) loan portfolio across various ticket sizes, revealing the distribution and concentration of financial risk within a lending institution. A standout observation is the heavy concentration of past due accounts in the smallest ticket size, 'Up to 3 lakh', which implies that a significant portion of the portfolio's delinquencies stems from the most numerous, albeit smallest, loans. This could reflect a vulnerability of small-scale borrowers to financial instability or suggest that microloans, by their nature, are more susceptible to defaults.

Table 21: Overdue in MUDRA Loans 90+ DPD as of March '23

Ticket size	Number of A/c's	% of total A/c's in ticket size	POS ₹ Crore	% of total POS in ticket size	Average POS in ₹ 90+ DPD
Up to 3 lakh	323	14%	2,708	16%	83,754
3 to 5 lakh	31	10%	1,185	12%	380,648
5 to 7 Lakh	10	9%	533	9%	523,720
7 to 10 lakh	18	8%	1,509	9%	824,494
10 to 15 lakh	0.03	6%	4	8%	1,129,712
15 to 20 lakh	0.02	6%	3	7%	1,414,876
20 to 25 lakh	0.01	8%	3	12%	2,334,883
Not Defined	0.26	1%	12	1%	450,112
Grand Total	**383**	**12%**	**5,957**	**12%**	**155,438**

A/c - number of accounts in '000, Amt. - POS in ₹ Crore

The table provides a snapshot of 90+ days past due (DPD) loan portfolio across various ticket sizes, revealing the distribution and concentration of financial risk within a lending institution. A standout observation is the heavy concentration of past due accounts in the smallest ticket size, 'Up to 3 lakh', which implies that a significant portion of the portfolio's delinquencies stems from the most numerous, albeit smallest, loans. This could reflect a vulnerability of small-scale borrowers to financial instability or suggest that microloans, by their nature, are more susceptible to defaults.

As the ticket size increases, there's a decline in the number of past due accounts, yet these higher categories maintain a substantial share of the outstanding past due amount. This indicates that while individual loans in the '3 to 5 lakh' and '5 to 7 lakh' brackets are fewer, they contribute more significantly to the total overdue balance. It hints at the likelihood that as loans get larger, their impact on the financial health of the portfolio becomes more pronounced, even with fewer accounts being delinquent.

In the higher ticket sizes, such as '15 to 20 lakh' and '20 to 25 lakh', the number of accounts is minimal, yet the share of past due amounts is disproportionately large. This suggests that defaults in this segment, though fewer, represent large individual loan values and could pose a substantial risk if they are not managed effectively. Such high-value loans might require intensified credit scrutiny and a strategic approach to risk mitigation to prevent significant financial exposure.

The overall analysis reveals the nuances of risk distribution within the portfolio, emphasizing the need for a segmented approach to credit management. It underscores the potential necessity for the financial institution to reassess its lending strategies and risk assessment practices, especially for the smaller ticket sizes that form the bulk of the past due accounts. It also points to the importance of robust monitoring and recovery processes for larger loans, where the financial stakes are higher despite the lower numbers. This data is invaluable for informing strategic decisions and ensuring the sustainability of the loan portfolio.

Overdue by Location of Borrower

The following table portrays the segmentation of the 90+ days past due (DPD) portfolio based on the urbanization level of the account holders: Rural, Semi-Urban, Urban, and Not Defined . It provides a comparison in terms of the number of accounts in thousands and the corresponding portfolio outstanding in ₹ Crore, including the percentage share of each category in the overall 90+ DPD portfolio.

Table 22: 90+DPD in different Population Groups in MUDRA Loans

Rural-Urban	Number of A/c's	% of total A/c's in ticket size	POS ₹ Crore	% of total POS in ticket size
Rural	8	15%	98	14%
Semi-Urban	134	14%	1,860	12%
Urban	199	13%	3,212	12%
Not Defined	42	10%	787	10%
Grand Total	383	12%	5,957	12%

A/c - Number of accounts in '000, Amt. – POS in ₹ Crore

In rural areas, despite having the smallest number of accounts, there is a notably high percentage of the total 90+ DPD portfolio by value (14%). This could suggest that while there are fewer borrowers in rural areas, the average overdue amount per account is larger, indicating that rural borrowers might be facing greater challenges in repaying loans or that loans extended to these areas are of higher individual value.

The semi-urban segment, with 1.34 lakh accounts, holds a significant portion of the 90+ DPD portfolio both by number (14%) and value (12%). This illustrates that semi-urban areas have a substantial number of past due accounts but with a slightly lower average overdue amount per account compared to rural areas. This might reflect a different economic dynamic where semi-urban borrowers take smaller loans or are slightly better at managing repayments despite a large number of delinquencies.

Urban areas have the highest absolute number of accounts at 1.99 lakhs but a lower percentage of the total past due amount (12%). This suggests that the urban 90+ DPD portfolio is large in terms of account numbers but each account has a smaller overdue amount on average. Urban areas typically have more diversified economic activities and access to financial services, which might explain the higher number of accounts and the dispersion of overdue amounts.

The Not Defined category accounts for 42,000 accounts with 10% of both the account numbers and the total overdue value, which indicates a lower average overdue amount per account compared to rural areas. The Not Defined category could represent a mix of account types or geographic areas that don't fit into standard classifications, suggesting a need for further analysis to understand the nature of risk in this segment.

Overall, the data reflects the diverse nature of the 90+ DPD portfolio across different regions, highlighting the importance of context-specific risk management and recovery strategies. It also suggests that rural areas, while accounting for fewer accounts, may experience higher individual financial stress, whereas urban and semi-urban areas, with their larger number of accounts, present a different challenge of managing a higher volume of smaller delinquencies. The Not Defined category remains an area for further scrutiny to better tailor financial solutions and interventions.

Performance of States in 90+ DPD Overdue

The following graph depicts the state-wise distribution of 90+ days past due (DPD) portfolio outstanding as a percentage of the total Point of Sale (POS) in each state, as well as each state's contribution to the total 90+ DPD POS across the portfolio. The analysis of such data can provide insights into the regional performance of credit portfolios and help identify areas with higher financial distress.

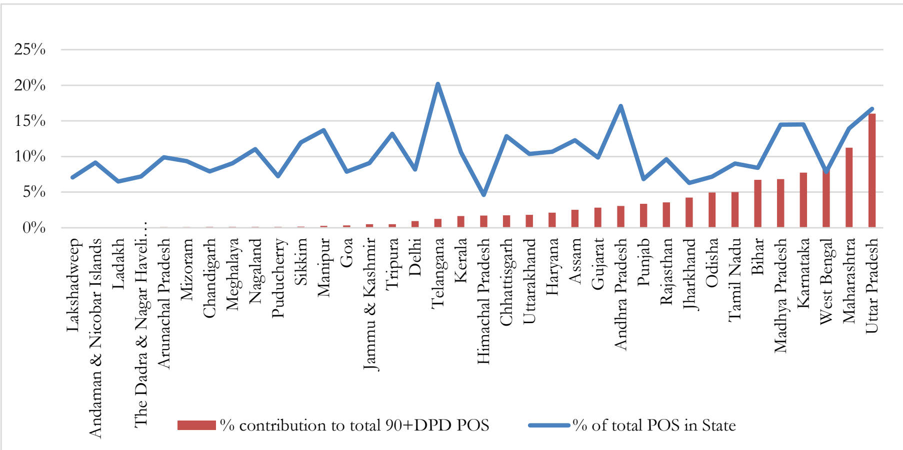

Figure 28: States wise 90+DPD delinquency

From the graph, it is immediately evident that certain states have a higher percentage of their POS in the 90+ DPD category, which is indicative of localized financial stress. States like Telangana, Karnataka, and Maharashtra stand out with a significant portion of their POS being 90+ DPD. This could signal underlying economic issues, such as unemployment or industry-specific downturns, which are affecting the borrowers' ability to repay loans.

The bar graph component highlights the contribution of each state to the total 90+ DPD POS. Maharashtra, with the highest bar, contributes a disproportionate amount to the total 90+ DPD POS, indicating that while the state may have a large economy, it also carries a significant amount of financial risk. In contrast, states like Andhra Pradesh and Tamil Nadu also have notable contributions to the 90+ DPD POS, reflecting the need for focused debt recovery strategies in these regions.

However, it is also crucial to consider the percentage of total POS represented by the 90+ DPD POS within each state (as shown by the line graph). While a state may contribute a significant percentage to the total 90+ DPD POS (such as Uttar Pradesh), it is also essential to evaluate what this represents in the context of the state's total POS. For example, a high percentage contribution to the total 90+ DPD POS may not be as alarming if it constitutes a small percentage of the state's total POS.

The graph and table together facilitate a dual-layered analysis of risk - one that looks at how widespread the issue of non-payment is within each state, and another that assesses the impact of each state's non-performing loans on the broader financial landscape. Such an analysis is instrumental for financial institutions in prioritizing areas for credit risk management and for policymakers to understand regional economic health and potentially direct economic support where it is needed most.

MUDRA LOAN SOURCING

The following table presents data on MUDRA (Micro Units Development & Refinance Agency) loans sanctioned during the financial year 23, segmented by various ticket sizes, with the number of accounts in thousands and the loan amounts in ₹ Crore.

Table 23: Business Loan Sanction- Ticket Size Basis- FY 2022-23

Ticket Size	Sum of A/c in '000	Sum of Amt. in ₹ Crore
Up to 3 lakh	655	5,936
3 to 5 lakh	84	3,754
5 to 7 Lakh	43	2,735
7 to 10 lakh	75	6,741
10 to 15 lakh	0.03	4
15 to 20 lakh	0.04	7
20 to 25 lakh	0.02	4
Grand Total	858	19,182

A/c - Number of accounts in '000, Amt. – Sanction Amount in ₹ Crore

The majority of the loans sanctioned fall in the smallest ticket size category, 'Up to 3 lakh', with 6.55 lakh accounts sharing a cumulative loan amount of ₹5,936 Crore. This suggests that the MUDRA scheme is predominantly serving its purpose of providing financial support to micro-enterprises and entrepreneurs requiring smaller amounts of capital, which is consistent with the scheme's objective of fostering micro-entrepreneurship.

As the ticket size increases, there is a steep decline in the number of accounts. The '3 to 5 lakh' bracket has 84,000 accounts with ₹3,754 Crore sanctioned, and the '5 to 7 lakh' bracket further drops to 43,000 accounts totalling ₹2,735 Crore. This decline illustrates that as the loan amount increases, fewer borrowers take advantage or qualify for the larger loan amounts, which may reflect tighter lending criteria or a reduced demand for higher loan amounts within the target demographic of MUDRA.

Interestingly, in the higher ticket sizes, '7 to 10 lakh' and above, the number of accounts is substantially lower, yet the loan amounts are relatively high. For instance, the '7 to 10 lakh' category has 75,000 accounts with a total loan amount of ₹6,741 Crore, indicating that each account in this category, on average, has a higher loan value compared to the smaller ticket sizes. The higher ticket size categories, although representing a minor portion of the total number of accounts, indicate a significant average loan amount per account, highlighting that MUDRA also caters to a segment of enterprises that require more substantial financial assistance.

In conclusion, the distribution of MUDRA loans across different ticket sizes in FY23 shows a strong inclination toward supporting a large volume of micro-enterprises with smaller loan requirements, while also providing for a smaller number of businesses with higher capital needs. The data reflects the scheme's broader financial inclusion goals and its role in supporting a range of business needs from micro to small enterprises.

Demographics-Wise Sanction

The following bar graph depicts the percentage share of population groups in MUDRA loan sanctioning, differentiated between the share in accounts and the share in sanction amount. It categorizes the population into four groups: Not Defined, Rural, Semi-Urban, and Urban.

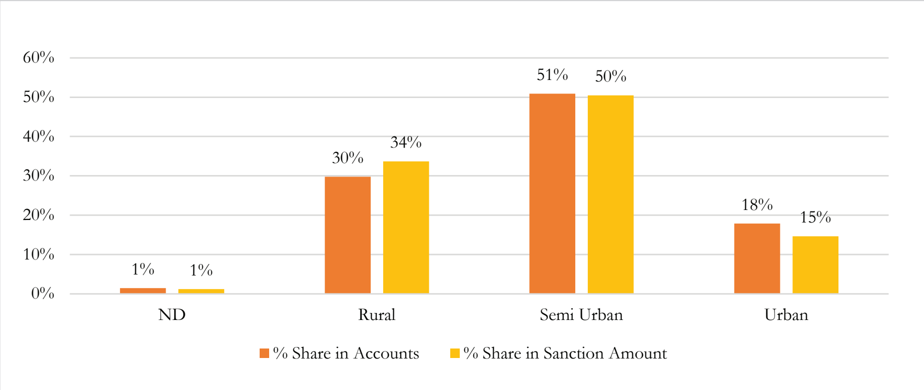

Figure 29: Percentage of population groups in MUDRA Sanction

A notable point is the significant proportion of MUDRA loans sanctioned to rural areas, which make up 38% of the accounts and 34% of the sanctioned amount. This high percentage demonstrates the scheme's reach in supporting rural entrepreneurship, which is critical for inclusive economic growth and development in these areas.

Semi-urban regions also have a substantial share, with 51% of the accounts and 50% of the sanction amount. This shows that MUDRA is actively used in these areas, possibly due to a mix of urban and rural characteristics that create a fertile ground for small businesses and micro-enterprises that the MUDRA scheme targets.

Urban areas, despite having the infrastructure and higher population density, account for 18% of the MUDRA accounts and 13% of the sanction amount. The lower share in urban regions could be due to the availability of diverse financing options, possibly making MUDRA less attractive or necessary, or it could reflect a strategic focus of MUDRA to empower semi-urban and rural areas.

The Not Defined category has a minimal share in both accounts and sanction amount, suggesting that there is a small segment of the population that does not fall into the standard rural-urban classification or that their classification is unknown. This could also indicate data classification issues that might need addressing for a more accurate analysis.

Overall, the data indicates that MUDRA loans are primarily benefiting semi-urban and rural areas, which aligns with the scheme's objectives to promote entrepreneurship and employment in less developed areas. The distribution suggests that the MUDRA scheme plays a pivotal role in financial inclusion and the development of micro and small enterprises outside the major urban centres.

States Share in Sanction

The following graph showcase the percentage share of MUDRA sanction amounts allocated to each state compared to the percentage share of the population in those states. This comparison can provide insight into the penetration and emphasis of the MUDRA scheme across different regions in relation to population density.

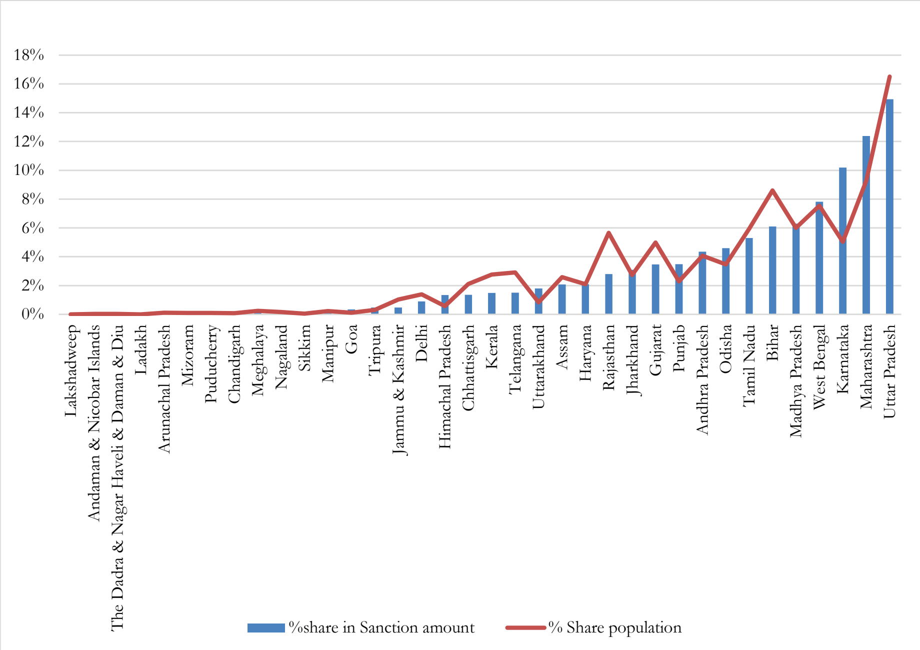

Figure 30: MUDRA Loan - Percentage of Share of States in Sanction Amount

From the data, there are states like Maharashtra and Uttar Pradesh where the percentage share in MUDRA sanction amount significantly exceeds their respective population shares. This indicates that a disproportionately higher amount of MUDRA loan funds are allocated to these states, which could be due to a higher number of eligible micro-enterprises or a greater demand for small-scale financing in these regions.

Conversely, several states and union territories, such as Lakshadweep, Andaman & Nicobar Islands, and others, show no representation in the MUDRA sanction amounts. These zero allocations could point to limited access to MUDRA loans, lesser demand, or a smaller micro-enterprise sector in these regions. It may also reflect broader economic factors or the efficacy of MUDRA's outreach programs in these areas.

States like West Bengal, Tamil Nadu, and Karnataka show a balance between their population share and the share in MUDRA sanction amount, suggesting that the MUDRA loan distribution is aligned with the population distribution, potentially indicating equitable access to MUDRA loans relative to the size of the population.

The analysis of this data is essential for understanding regional disparities in financial inclusion and the distribution of government-backed financing. It can also help in assessing whether the MUDRA scheme is meeting its goal of promoting entrepreneurship across all segments of the population, particularly in regions where the sanctioned amounts do not align with the population shares. This could be a signal for policymakers to investigate the effectiveness of MUDRA's implementation and potentially adjust strategies to ensure that the scheme's benefits are reaching all intended beneficiaries equitably.

CONCLUSION ON MUDRA

1. Prevalence of Micro Loans: The MUDRA loan scheme shows a strong tilt towards smaller ticket loans, with the 'Up to 3 lakh' category encompassing the majority of accounts and a significant portion of the Portfolio Outstanding (POS). This indicates the scheme's effectiveness in reaching out to micro-enterprises and individual entrepreneurs who form the backbone of the grassroots economy.

2. Diversification in Loan Sizes: There has been a year-on-year shift towards larger loan sizes, with the '3 to 5 lakh' and '7 to 10 lakh' categories seeing an increase in both the number of loans and the percentage share of POS. This trend suggests a maturing of the MSME sector, with businesses possibly scaling up their operations or new businesses starting with higher capital requirements.

3. State-Wise Loan Distribution: The distribution of MUDRA loans across states presents a mixed picture, with some states like Maharashtra and Uttar Pradesh having a higher share in MUDRA sanctions relative to their population, indicating strong uptake. In contrast, certain regions show negligible or no MUDRA loan allocations, pointing towards potential underutilization in those areas.

4. PSU Banks as Primary Lenders: Public Sector Banks (PSUs) dominate the MUDRA loan landscape, highlighting their pivotal role in facilitating these loans. The minimal presence of private banks and other financial institutions suggests room for growth and a more diversified lender base in the future.

5. Rural and Semi-Urban Focus: The MUDRA scheme is significantly active in rural and semi-urban areas, which is in line with the objective of promoting entrepreneurship and employment outside major urban centres. This focus is crucial for balanced regional economic development and reflects the scheme's intent of financial inclusion across diverse geographical landscapes.

6. The distribution of overdue loans across various ticket sizes reveals crucial insights into the financial behaviour of borrowers and the risk profile of the lending institution. The smallest ticket size, 'Up to 3 lakh', displays a high concentration of overdue accounts, constituting 14% of such accounts and representing 16% of the Portfolio Outstanding (POS) in this category. This indicates that the most common and modest-sized loans are more prone to repayment issues, possibly highlighting the financial vulnerability of smaller-scale borrowers or the inherent risk in microloan segments.

5. CONCLUSION

The Micro, Small, and Medium Enterprise (MSME) sector in India, comprising approximately 6.34 crore enterprises, plays a pivotal role in the economy, contributing around 30% to the GDP, over 48% to exports, and 45% to manufacturing output. The sector, a major employment generator, provides opportunities to about 11.1 crore individuals, surpassed only by agriculture. Financial support to this sector comes through a comprehensive network of institutions regulated by the Reserve Bank of India (RBI), involving a range of banks and Non-Banking Financial Companies (NBFCs). Apex bodies like the Small Industries Development Bank of India (SIDBI) and MUDRA also contribute to this support system.

In business loans, the portfolio analysis reveals a dominance of micro-loans (up to ₹3 lakh), constituting a staggering 77% of the total loans by March 2023. However, they account for just 25% of the total Portfolio Outstanding (POS). In contrast, loans in the '7 to 10 lakh' category, despite comprising only 5.77 lakh accounts, boast a significant POS of ₹34,567 crores. The trend across the years shows a general shift towards micro-loans, with the 'Up to 3 lakh' category increasing in both loan numbers and POS share over time.

State-wise distribution of business loans highlights disparities: Uttar Pradesh, with a 17% population share, has only 8.5% and 7.5% shares in the number of accounts and credit amount, respectively. In contrast, Tamil Nadu, with a 6% population share, accounts for 16.1% and 14.1% in the number of accounts and credit amount, suggesting better financial integration. The role of different financial institutions is varied, with PSU Banks leading with 35.7% in the number of MSME loan accounts and 32.8% in loan amounts. NBFCs, while holding 17.3% of the accounts, contribute significantly with 21.6% to the loan amount.

In Business Loan Agriculture, smaller loans (up to ₹3 lakh) are also prevalent, with 111.22 Lakhs accounts making up a substantial share of the total number. The '20 to 25 lakh' category, though representing only 0.15% of the total number of accounts, accounts for a 2.02% share of the total loan amount. Geographical disparities in agricultural loans are evident, with states like Uttar Pradesh showing robust engagement in agricultural financing, while Bihar shows lower shares in both loan accounts and POS relative to its population share.

MUDRA loans, tailored for MSMEs up to ₹10 lakhs, also show a strong preference for smaller loans. The 'Up to 3 lakh' category commands the largest share, with 23.95 lakh accounts, holding a total value of 16,881 crores. Larger loan categories have fewer accounts but represent significant financial values, suggesting that a small number of enterprises secure larger amounts of capital. MUDRA loans are actively utilized in semi-urban and rural areas, indicating the scheme's effectiveness in reaching micro-enterprises and individual entrepreneurs in these regions.

Repayment analysis across all loan categories points to a higher delinquency rate in smaller loans. For instance, in the business loan sector, the 'Up to 3 lakh' category has 12% of overdue accounts, indicating that smaller loans are more likely to become overdue. Similarly, in MUDRA loans, the 'Up to 3 lakh' category represents 14% of overdue accounts, underscoring potential vulnerabilities among small-scale borrowers.

In conclusion, the MSME sector in India, while demonstrating significant contributions to the economy, shows varied trends in loan distribution, with a pronounced emphasis on smaller loans. The sector faces challenges in loan repayment, particularly in the micro loan categories. The state-wise and institutional disparities in loan distribution underscore the need for tailored financial strategies to ensure equitable access and support across different regions and sectors.

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