

**A STUDY ON IMPACT OF MUDRA LOAN ON MICRO ENTERPRISES IN  
TAMILNADU**

**B. ELUMALAI**

Research Scholar

Arignar Anna Government Arts College  
Cheyyar, Tiruvannamalai (DT) Tamil Nadu

Phone:9843860438

[elumalai8488@gmail.com](mailto:elumalai8488@gmail.com)

**DR.P. RAMALINGAM M.COM, PH.D.**

Associate Professor & Research Supervisor

Head of the Department (Commerce)

Arignar Anna Government Arts College, Cheyyar

Tiruvannamalai (DT) Tamil Nadu

---

**Abstract**

The Government of India launched the MUDRA (Micro Units Development and Refinance Agency) scheme in 2015 under the Pradhan Mantri MUDRA Yojana (PMMY). MUDRA loans are provided under three categories: Shishu (Up to ₹50,000), Kishore (₹50,000 to ₹5 lakh), and Tarun (₹5 lakh to ₹10 lakh). This study seeks to assess the impact of MUDRA loans on micro-enterprises in Tamil Nadu, focusing on their contribution to business growth, financial inclusion, job creation, and sustainability. objectives is to assess the impact of MUDRA loans on the growth and sustainability of micro-enterprises in Tamil Nadu. Significance of the Study Tamil Nadu, one of India's leading industrial and economic states, has many micro-enterprises spread across various sectors such as agriculture, retail, services, and manufacturing. Samples are collected in different sector such as agriculture, textiles, retail, and services and primary and secondary data are collected. This study will provide an in-depth analysis of the impact of MUDRA loans on the growth, sustainability, and financial health of micro-enterprises in Tamil Nadu and Awareness Campaigns, Streamlining the Loan Process, Increasing Loan Limits, Support Systems for Start-ups, this Policy Recommended.

**INTRODUCTION**

Micro, small, and medium enterprises (MSMEs) play a vital function in the economic development of India, contributing significantly to employment creation, innovation, and regional economic growth. Among these, micro-enterprises are particularly vital, as they form the backbone of the informal economy, providing livelihoods to a large section of the population. In Tamil Nadu, micro-enterprises are spread across various sectors, including

agriculture, manufacturing, retail, and services. Despite their importance, these businesses face numerous challenges, particularly in accessing formal credit, which limits their growth potential and sustainability.

The Government of India launched the MUDRA (Micro Units Development and Refinance Agency) scheme in 2015 under the Pradhan Mantri MUDRA Yojana (PMMY). MUDRA loans are provided under three categories: **Shishu (Up to ₹50,000), Kishore (₹50,000 to ₹5 lakh), and Tarun (₹5 lakh to ₹10 lakh)**, catering to businesses at different stages of growth. These loans are offered without collateral, making them accessible to micro-enterprises that may not have the necessary assets to secure traditional loans. The Impact of this initiative on micro-enterprises in Tamil Nadu, however, remains underexplored. While some studies have assessed the role of MUDRA loans in supporting micro-enterprises across India, specific insights into Tamil Nadu's context are limited.

This study seeks to assess the impact of MUDRA loans on micro-enterprises in Tamil Nadu, focusing on their contribution to business growth, financial inclusion, job creation, and sustainability. By evaluating the challenges faced by entrepreneurs in accessing and utilizing MUDRA loans, this research aims to provide valuable insights into the effectiveness of the scheme and recommend improvements to enhance its reach and impact.

The importance of this study lies in its potential to offer a deeper understanding of how MUDRA loans have facilitated business expansion, addressed financial gaps, and empowered entrepreneurs in Tamil Nadu. Given the state's significant role in India's industrial and economic landscape, examining the influence of MUDRA loans on micro-enterprises in Tamil Nadu can provide valuable policy insights for strengthening the support structure for small businesses and enhancing the overall business ecosystem.

#### **OBJECTIVE OF THE STUDY:**

The main objectives of the study are:

1. To Assess the impact of MUDRA loans on the growth and sustainability of micro-enterprises in Tamil Nadu.
2. To Examine the challenges faced by entrepreneurs in accessing and utilizing MUDRA loans.

3. To Understand the effectiveness of MUDRA loans in promoting job creation and enhancing income levels for micro-enterprise owners.
4. To Evaluate the role of MUDRA loans in improving access to formal credit for the target population.

## SIGNIFICANCE OF THE STUDY

Tamil Nadu, one of India's leading industrial and economic states, has a large number of micro-enterprises spread across various sectors such as agriculture, retail, services, and manufacturing. These enterprises play a vital role in local economic development and job creation. However, access to finance remains a major barrier to their growth. MUDRA loans, launched by the Government of India in 2015, aim to provide financial support to micro and small enterprises, particularly in the informal sector. Understanding the impact of these loans on micro-enterprises in Tamil Nadu is crucial for evaluating the success of this initiative and improving policy interventions.

## STATEMENT OF THE PROBLEMS

**Awareness and Outreach:** Many micro-enterprises, especially in rural areas, may lack awareness of the MUDRA loan scheme. Even when they are aware, the loan application process can be confusing and time-consuming. **Documentation:** While MUDRA loans are promoted as collateral-free, the documentation and procedural requirements can still be a barrier, especially for informal businesses without proper records. **Financial Literacy:** Some micro-enterprises lack the financial literacy needed to navigate the loan process and manage the finances effectively post-disbursement. **Banking Infrastructure:** In rural areas, limited banking infrastructure and services can delay the loan application process and disbursement.

## REVIEW OF LITERARY

Verma R. Journal of Business Management and Information Systems (2023) Indian banking and financial system work as a catalyst to this growth trajectory. The study period is six years from 2016-17 to 2021-22. The Shishu category recorded the highest number of accounts i.e., 26,70,67,119 along with highest loan disbursement of Rs. 7,31,706.97 among all the categories. The study shows continuous growth among all the sub-categories (except in OBC in Shishu Loans) in all the Mudra Loans Schemes.

Tarak Nath Sahu(2024) Financial support through microcredit facilities has been acclaimed as instrumental in encouraging entrepreneurial activities and empowering individuals, especially women, in the process. Pradhan Mantri Mudra Yojana (PMMY), a microcredit programme, is an example of the Indian government's initiative to promote employment and sustain the livelihood status of the above-mentioned individuals. it suggests that the government and the banking sector may improve the existing policies and take initiatives to enhance the accessibility of the scheme and create a supporting environment to assist borrowers during the initial stage of the venture through different training programmes.

## **METHODOLOGY**

### **Data Collection:**

**Primary Data:** Surveys, structured interviews, and focus group discussions with micro-enterprise owners who have availed MUDRA loans in Tamil Nadu. Interviews with bank officials and government representatives involved in loan disbursement.

**Secondary Data:** Analysis of government reports, banking records, and research papers on MUDRA loans and micro-enterprises in Tamil Nadu.

### **Sample Size:**

A representative (200) sample of micro-enterprises across urban and rural areas of Tamil Nadu that have received MUDRA loans. The sample will cover various sectors such as agriculture, textiles, retail, and services.

### **Data Analysis:**

**Quantitative Analysis:** Descriptive statistics to measure the impact of MUDRA loans on business performance, including revenue growth, employment, and productivity. Statistical tools like regression analysis to determine the factors influencing the successful use of MUDRA loans.

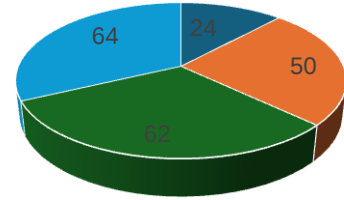
**Qualitative Analysis:** Thematic analysis of interview data to understand the perceptions, challenges, and experiences of micro-enterprises in accessing MUDRA loans.

## **ANALYSIS & INTERPRETATION**

TABLE:1

**EDUCATION WISE CLASSIFICATION OF BENEFICIARY MUDRA**

| Education           | Frequency | Percent |
|---------------------|-----------|---------|
| Above matriculation | 24        | 12      |
| ITI/Diploma/Degree  | 50        | 25      |
| Postgraduation      | 62        | 31      |
| Professional        | 64        | 32      |
| Total               | 200       | 100     |



■ Above matriculation ■ ITI/Diploma/ Degree  
■ PostGraduation ■ Professional

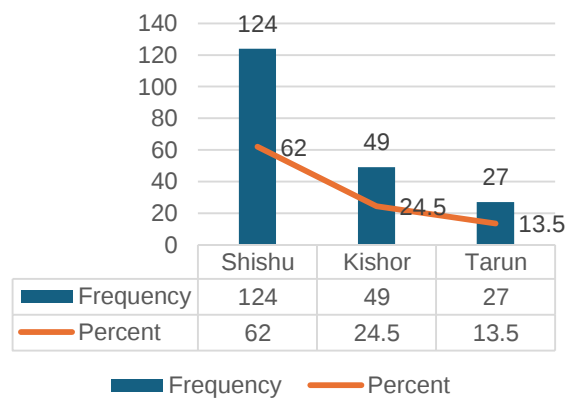
Source: Primary data

From Table No.1 most of the respondents are professionals. 64 out of 200 respondents are professionals; 50 have an ITI/Diploma/Degree, 62 are post-graduates; and 24 have an educational qualification above matriculation. That means a total of 64% of the respondents are professionals. ITI/Diploma/Degree and Postgraduate educational qualifications are held by 25 % and 31% respectively.

TABLE:2

**TYPE OF MUDRA LOAN OBTAINED BY BENEFICIARY MICRO ENTERPRISES**

| Type of Mudra loan | Frequency | Percent |
|--------------------|-----------|---------|
| Shishu             | 124       | 62      |
| Kishor             | 49        | 24.5    |
| Tarun              | 27        | 13.5    |
| Total              | 200       | 100     |



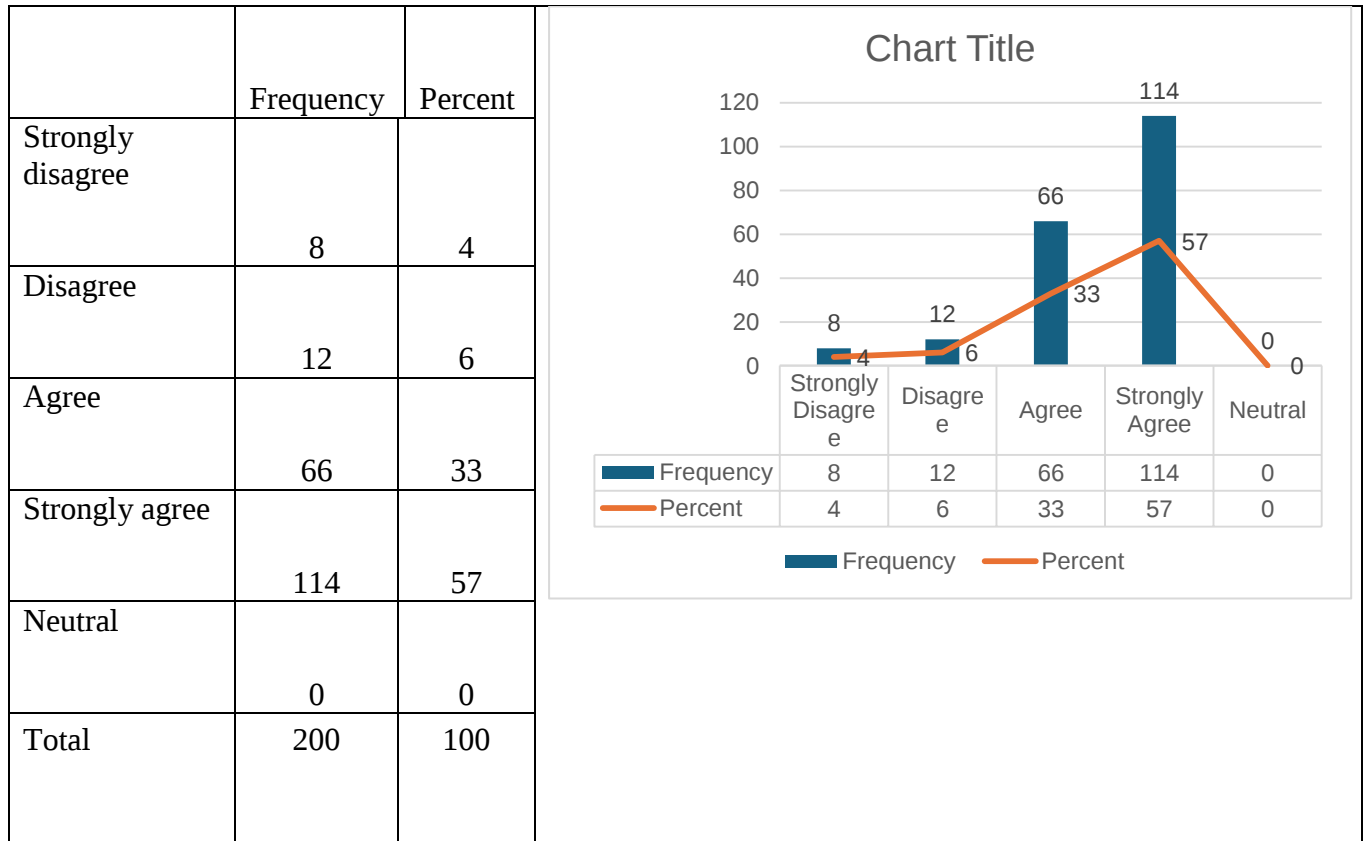
Source: Primary data

Three types of MUDRA Loans are available to entrepreneurs at different stage of development of their enterprises. They are Shishu, Kishor, and Tarun loans. The result of the study is presented in Table :2 MUDRA provides three categories of loan, and 24.5% of the

respondents have availed the MUDRA loan type Kishor, 62% have availed the benefit of the loan type Shishu, and 13.5% got the privilege of the loan Tarun.

TABLE:3

**CHALLENGES FACED BY ENTREPRENEURS TO OBTAIN AND UTILIZING LOANS**



**Source: Primary data**

When examining the table above, it is evident that entrepreneurs face significant difficulties in both accessing and utilizing MUDRA loans. These challenges arise due to various reasons, including lack of awareness about the MUDRA loan scheme and difficulties in completing the application process. According to the data, 57% of people agree that they encounter such challenges, while 6% disagree, likely because they are more educated and have a better understanding of the process.

## **FINDINGS**

- ❖ It is found that the ratio between men and women entrepreneurs who run Micro enterprises in Kerala is 48:51. It is a good achievement on the part of the women entrepreneurs who constitute 51% and shows their bold initiative to come up with equal status for men in the field of micro entrepreneurship. It is also a remarkable achievement of the MUDRA Yojana. It is also evidence of the achievement of one of the missions of inclusive growth.
- ❖ It is seen that 59% of the workers employed in respondent micro units are migrant workers, 31% from the local area, and 10% are from another district
- ❖ There are three categories of MUDRA loans provided: Shishu, Kishor, and Tarun. 24.5 percent of the respondents obtained a Kishor loan, which provides loan ranging from 50,000 to 5,00,000. 62% obtained Shishu with a limit up to 50,000, and 13.5% obtained Tarun which provides the highest amount as a loan up to 10,00,000. This is because the researcher took micro units, which were started two years before getting a MUDRA loan, so their good track record helped them to fetch a good amount as loan

## **CONCLUSION**

This study will provide an in-depth analysis of the impact of MUDRA loans on the growth, sustainability, and financial health of micro-enterprises in Tamil Nadu. It will highlight the effectiveness of the scheme in improving financial inclusion, fostering entrepreneurship, and contributing to regional economic development. The research will also offer valuable insights into the challenges faced by micro-enterprises in accessing and utilizing MUDRA loans and provide policy recommendations to enhance the scheme's outreach and effectiveness.

By understanding the role of MUDRA loans in transforming micro-enterprises, the findings can inform future government interventions and improve the overall ecosystem for small businesses in Tamil Nadu, ultimately leading to greater economic resilience and inclusive growth.

## **RECOMMENDATIONS**

- I. **Awareness Campaigns:** Conducting extensive awareness campaigns through local institutions, media, and workshops to inform start-up entrepreneurs about the benefits of MUDRA loans.
- II. **Streamlining the Loan Process:** Simplifying the loan application process and reducing bureaucratic barriers to facilitate easier and faster access to funds.
- III. **Increasing Loan Limits:** Reviewing the loan limits under MUDRA, especially for high-capital start-ups, to provide more substantial funding for business expansion.
- IV. **Support Systems for Start-ups:** Establishing mentorship programs and financial literacy workshops to guide start-ups on how to best utilize the loans and manage their finances.

#### REFERENCES:

1. R. P. P., & -, M. S. T. (2023). Performance Analysis of Pradhan Mantri Mudra Yojana (PMMY) and its Impact on NPA of the Banking Sector in India. *International Journal For Multidisciplinary Research*, 5(2). <https://doi.org/10.36948/ijfmr.2023.v05i02.4201>
2. Bharti, U., & Verma, M. (2023a). Pradhan Mantri Mudra Yojana. *Journal of Business Management and Information Systems*, 10(1). <https://doi.org/10.48001/jbmis.2023.1001007>
3. Bharti, U., & Verma, R. (2023b). Mudra Loan Disbursement Among Different Social Groups. *Journal of Business Management and Information Systems*, 10(02). <https://doi.org/10.48001/jbmis.2023.1002002>
4. Mudra Loan and Growth Path of Micro Small and Medium Enterprises in India. (2023). *Journal of Informatics Education and Research*. <https://doi.org/10.52783/jier.v3i2.352>
5. Rathee, S., & Aggarwal, D. (2023). Transition in Employability and Women Empowerment: Substantiates from Pradhan Mantri Mudra Yojana. *SEDME (Small Enterprises Development, Management & Extension Journal): A Worldwide Window on MSME Studies*, 50(3). <https://doi.org/10.1177/09708464231195918>
6. Sahu, T. N., Agarwala, V., & Maity, S. (2024). Effectiveness of microcredit in employment generation and livelihood transformation of tribal women entrepreneurs:

evidence from PMMY. *Journal of Small Business and Entrepreneurship*, 36(1).  
<https://doi.org/10.1080/08276331.2021.1928847>

7. Shinde, M. D., & Jadhav, B. (2023). A Study On The Status Of Non-Performing Assets (Npa) In Selected Mudra Banks Before And After The Covid-19 Pandemic. *Journal of Pharmaceutical Negative Results*, 13(9).
8. Ministry of Finance (2018). Annual Report on MUDRA Scheme.
9. National Bank for Agriculture and Rural Development (NABARD). (2020). Micro Enterprises and Financial Inclusion.
10. Tamil Nadu State Planning Commission (2020). Report on the Impact of MUDRA Loan on Employment and Business Growth.

### **ACKNOWLEDGEMENT**

I would like to express my sincere thanks to my supervising teacher Dr. P. Ramalingam, M.com Ph.D. Associate Professor and Research supervisor PG Department of Commerce, arignar anna govt arts & science college, cheyyar, Tiruvannamalai, for his wholehearted support and expert supervision. Without his guidance, motivation encouragement and blessings, I could not material my research work. The experience and knowledge I gained from my guide is enormous and exhaustive.