

# A Trend Analysis of MUDRA Loan Disbursements and Rural Entrepreneurship: Evidence from Dindigul District (2020–2025)

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## Abstract

Pradhan Mantri MUDRA Yojana (PMMY) is an initiative that helps to improve micro-enterprises and rural entrepreneurship in India. This paper is an analysis of the trend and performance of MUDRA loan disbursements in Dindigul District between 2020-21 to 2024-25 based on secondary data on loan account and loan disbursement value.

The results show that the trend is overall increasing, and both accounts and disbursement values are increasing significantly, especially in 2021-22 and 2023-24, signifying a better financial inclusion and entrepreneurial activity. A slight decline in the number of accounts in 2024–25, and the level of disbursement, indicates the transition to loans with a higher value.

The introduction of the Tarun Plus segment (₹10–₹ 20 lakh) in FY 2025–26 is expected to further support enterprise expansion. The paper concludes that MUDRA credits have played a positive role in the rural entrepreneurship of Dindigul District and that there is a need to enhance credit provisions and financial literacy to ensure further increase.

**Keywords:** MUDRA Loans, Rural Entrepreneurship, Financial Inclusion, Tarun Plus, Dindigul District

## Introduction

The MSME sector plays a crucial role in employment generation and economic development in India. Rural entrepreneurship and enhancement of micro-enterprises in India require access to timely and adequate credit. In this regard, the Pradhan Mantri MUDRA Yojana (PMMY), which was introduced in 2015 has been instrumental in bringing institutional finance to non-corporate, non-farm small business segments (Ministry of Finance, 2015). The scheme will assist businesses in various levels of development by providing them with loans without collateral in the categories of Shishu, Kishore, and Tarun.

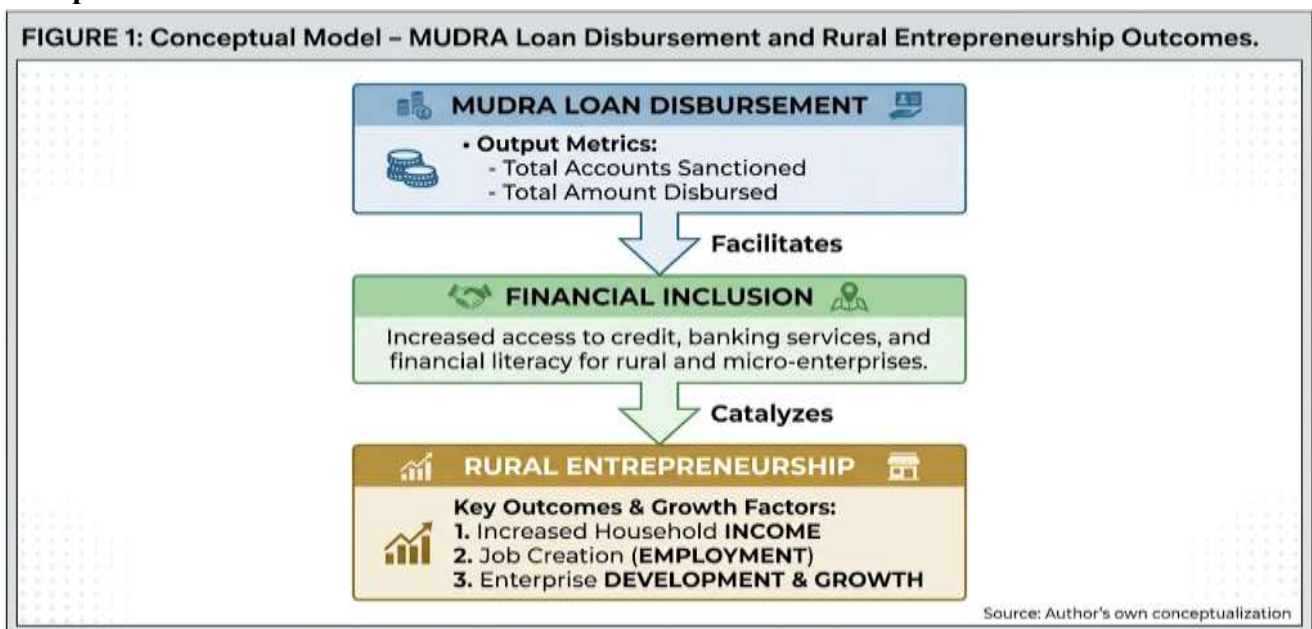
MUDRA lending has over the years helped in financial inclusion by introducing many small borrowers into the formal banking system (Reserve Bank of India, 2022). It has also helped to develop micro and small businesses, especially in rural and semi-urban regions, where formal credit access has been historically low (NABARD, 2022). Small-ticket loans have helped first-generation entrepreneurs to start income-generating ventures and enhance their lives (Kumar, 2020).

The current trends show that there is a slow transition of access to credit to the expansion and sustainability of enterprises. This can be seen in the fact that in FY 2025-26, PMMY will introduce the Tarun Plus category (Rs.10-Rs.20 lakh), which is aimed at helping to scale up existing enterprises (MUDRA Ltd., 2023). These developments indicate a changing policy agenda on enhancing the growth path of micro-enterprises.

It is based on this background that the performance of MUDRA loans at the regional level should be looked into. District level analysis gives more information on the trend of credit flow and its effect on rural entrepreneurship. Dindigul District, with its diversified economy, which includes agriculture and non-farm activities, provides a good environment to carry out such a study.

This paper, thus, examines the trend in MUDRA loan disbursements in Dindigul District between 2020-21 and 2024-25 and discusses the implication of this trend on the development of rural entrepreneurship.

### Conceptual Framework:



### Review of Literature

The availability of institutional credit has been greatly acknowledged as a motivating factor in rural entrepreneurship and micro-enterprises growth. Several studies have examined how financial inclusion programs can be utilized to support economic operations in the rural regions.

Kumar (2020) examined the effectiveness of MUDRA loans in financial inclusion and rural entrepreneurship and concluded that the access to credit without collaterals has contributed immensely towards first generation entrepreneurs starting micro-enterprises. The research has pointed out that MUDRA financing has enhanced livelihoods and minimized use of informal sources of credit.

Sharma and Kaur (2021) focused on the effects of MUDRA loans on the development of micro-enterprises in India and noticed that the scheme has led to the growth of the flow of credit to small business and specifically in rural and semi urban areas. Nevertheless, other issues raised in the study were awareness-related and the efficient use of credit.

According to reports issued by the Reserve Bank of India (2022), priority sector lending has been an important force in increasing access to formal credit and empowering the micro-enterprise segment. On

the same note, NABARD (2022) underscored that microfinance and small credit programs have impacted positively on the livelihoods and the growth of enterprises in rural areas.

According to the Micro Units Development and Refinance Agency Ltd (MUDRA) (2023) Annual Report, the scheme has seen a consistent rise in loan disbursements indicating the increasing demand of the institutional finance by micro-enterprises. It also observes the need to tighten credit delivery and tracking systems.

In spite of such contributions, the available literature mostly dwells on national trends, and scanty reference is given to district trends. Regional studies should be done to know how MUDRA loans help stimulate the entrepreneurship at the grassroots level.

The aim of the current research is to fill this gap through analysing the trend and performance of the MUDRA loans disbursements in the Dindigul District and discuss how this will influence the development of rural entrepreneurship.

### **Objectives of the Study**

The objectives of the study are:

- To examine the trend in the MUDRA loan disbursement in Dindigul District in the years 2020-21 to 2024-25.
- To check the growth trend in regards to the number of loan accounts and the amount disbursed.
- To determine the extent to which MUDRA loans can foster rural entrepreneurship in the research field.
- To establish the latest trends in the lending of MUDRA and their effects on the growth of the enterprise.

### **Hypothesis of the Study**

The hypothesis on which the study is founded is as follows:

$H_0$  (Null Hypothesis): MUDRA loan disbursements in Dindigul District do not increase significantly over the study period.

$H_1$  (Alternative Hypothesis): MUDRA loans disbursements in Dindigul District have grown significantly within the period of study.

### **Research Methodology**

The current research design is descriptive as well as analytical research design to investigate the trend and performance of MUDRA loans disbursements in Dindigul District. This analysis will be purely on secondary data regarding the number of loan accounts and the amount disbursed through the Pradhan Mantri MUDRA Yojana (PMMY) between 2020-21 to 2024-25. The analysis is primarily based on descriptive statistical techniques to interpret trends in MUDRA loan disbursements.

The data was collected from official banking records of the Lead Bank Office, Dindigul District, along with reports of MUDRA. The information is collected, categorized and tabulated to analyse the information systematically.

To simplify the analysis, simple statistical tools like the trend analysis and the percentage growth rates have been used. Comparisons have been done on a yearly basis to get the knowledge of the variations in the number of loan accounts and the credit being disbursed within the period of study. The rate of growth has been established to determine the rate of increase or decrease, in the disbursements over the varying

years. These instruments assist in making patterns and constructing relevant conclusions concerning the growth of MUDRA lending.

The paper is particularly centred around Dindigul District, which serves as an appropriate setting in which this aspect of institutional credit is discussed regarding encouraging rural entrepreneurship. The economic nature of the district, which is a combination of agricultural and non-farm-based activities, has rendered the district to be pertinent in the analysis of the outreach and effectiveness of MUDRA loans.

It is, however, limited in its study. It is pegged only on secondary data and the analysis is limited to a given geographical location and time. The results, thus cannot be extrapolated outside the area of study. In spite of these shortcomings, the research yields some valuable information in terms of the trends and implications of the disbursement of MUDRA loans, on a district scale. The data for the study has been collected from the Lead Bank Office, Dindigul District, based on consolidated banking statistics relating to MUDRA loan disbursements.

### Limitations of the Study

There are some limitations to the current research. To begin with, the analysis will be conducted based purely on secondary data that will be gathered at the Lead Bank Office and Dindigul District and other published materials. Therefore, the results are limited to the quality and the completeness of the received data.

Second, the research is limited to a smaller geographical region, i.e., Dindigul District, and thus, they might not be generalised to other regions with other economic and institutional environments.

Thirdly, the research deals with a narrow time range of 2020-21 to 2024-25, which might not ensure the full projection of long-term trends and changes in the structure of MUDRA lending.

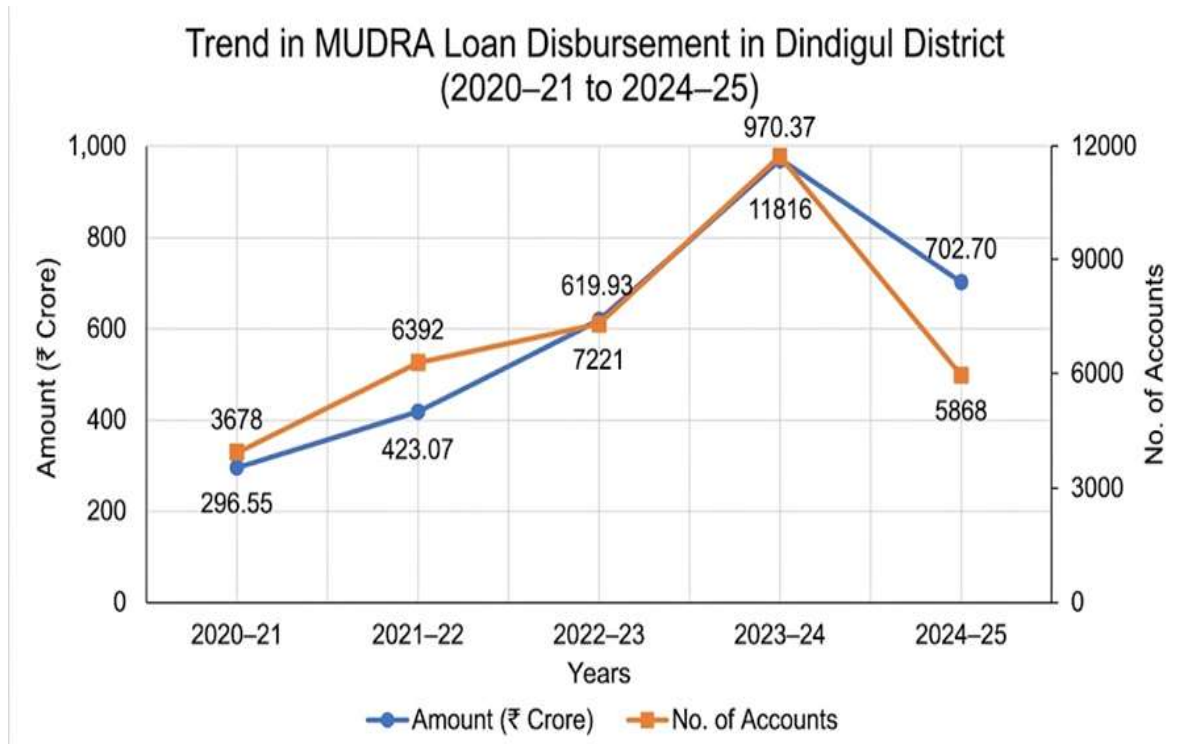
Moreover, the analysis is mostly done on a descriptive approach like trend analysis and does not involve complex statistical approaches that might offer further details on causal relationship.

Lastly, the research does not involve primary data of the beneficiaries and as such, behavioural variables such as utilisation of loans, generation of income and performance of enterprises could not be studied in details.

### Data Analysis and Interpretation

**Table 1: Year-wise MUDRA Loan Disbursement in Dindigul District (2020–21 to 2024–25)**

Financial Year	No. of Accounts	Amount Disbursed (₹ Crore)
2020–21	36781	296.55
2021–22	63920	423.07
2022–23	72218	619.93
2023–24	118160	970.37
2024–25	58684	702.70



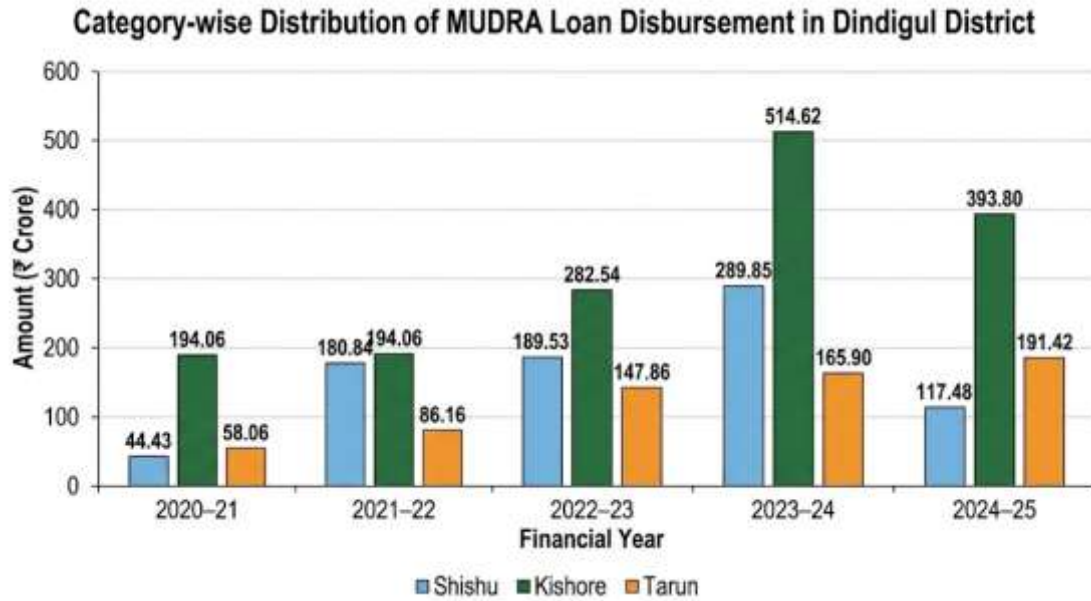
The trend of MUDRA loan disbursement in the Dindigul District in the years 2020-21 to 2024-25 has shown a clear pattern of disruption, recovery, and subsequent consolidation. The year 2020-21 indicates the influence of the second wave of COVID-19 when the economic activity was negatively impacted. Consequently, the amount of loan accounts and the total disbursement were relatively lower and this reflected subdued credit demand as well as restraint lending environment.

There is a sharp recovery beginning in 2021-22 and the number of accounts in addition to amounts disbursed increased significantly. This positive trend extends until 2022-23 and reaches its peak in 2023-24, as the economy is expected to improve, more entrepreneurs are expected to be active, and more institutions will reach their target clients through the Pradhan Mantri MUDRA Yojana. The high increase in this period indicates that micro-enterprises recorded a resurgence and actively tapped into formal credit to use in their business operations and growth.

Nevertheless, in 2024-25, one can see a significant decrease in the indicators of the number of loan accounts, and the total disbursement is comparatively high in comparison with previous years. This variance implies that there is a change in lending behaviour in that the reduced number of accounts allude to increased amounts of loans. This trend implies that the average loan amount will grow and will indicate towards the maturing of businesses accessing MUDRA finance.

**Table 2: Category-wise Trend in MUDRA Loan Disbursement (Shishu, Kishore, and Tarun)**

Financial Year	Shishu (₹ Crore)	Kishore (₹ Crore)	Tarun (₹ Crore)	Total (₹ Crore)
2020-21	44.43	194.06	58.06	296.55
2021-22	180.84	156.05	86.18	423.07
2022-23	189.53	282.54	147.86	619.93
2023-24	289.85	514.62	165.9	970.34
2024-25	117.48	393.8	191.42	702.7



This structural change is also supported by the category-wise distribution of loans. The Shishu segment, which mainly serves small and first-time borrowers shows significant growth up to 2023–24, followed by a decline in 2024–25. This indicates a reduced focus on very small loans in the later period. The Kishore section is the predominant one during the study period and it is an indication of growth of emerging enterprises which need moderate amounts of credit.

It is worth noting that the Tarun category portrays steady growth in all the years including 2024-25. The gradual growth in Tarun loans signifies an increase in the demand of credit of higher value and shows that there is a section of borrowers who have moved out of the initial phases and adapted to growth and expansion of their enterprises. This tendency is an emphasis on the fact that the credit absorption capability and enterprise growth has improved.

In general, the discussion shows that MUDRA lending shifted its focus towards supporting entry-level entrepreneurship, but now it is used to support enterprise growth and sustainability. The fact that there is an increase in higher-value loans, especially those under the Tarun category, can be explained by the recent launch of the Tarun Plus segment (Rs.10 lakh-Rs.20 lakh) in the FY 2025-26. Even though this development does not coincide with the study period, the current trend indicates that such a policy initiative is timely, and it is responsive to the changing credit requirements of micro and small enterprises.

## CONCLUSION

The present study examined the trend and performance of MUDRA loan disbursement in Dindigul District during 2020–21 to 2024–25. The report indicates that MUDRA lending has made considerable contribution in terms of access to institutional credit and entrepreneurship among the rural population in the district.

The paper points out that the second wave of Covid-19 had a negative impact on the year 2020-21 and led to decreased credit disbursement and a reduction in entrepreneurial activity. Nevertheless, there was a sharp recovery after 2021-22 where the number of loan accounts increased steadily as well as the amount disbursed. The high performance in 2023-24 indicates the better economic conditions and more involvement of micro-entrepreneurs.

There is a good change in 2024-25 as the loan account decreased whereas the disbursement was relatively high. This is a sign of switching to more value lending and is an indication of the maturity and growth of

enterprises. The growing proportion of the higher categories of loans and most of the Tarun segment in particular indicates that the borrowers are out of the entry level activities into the business development and sustenance.

On the whole, the paper has found that MUDRA loans have played a positive role in developing rural entrepreneurship in Dindigul District through financial inclusion, enterprise creation, and expansion of businesses.

## POLICY SUGGESTIONS

According to the results of the research the following recommendations are offered:

**Enhancing credit outreach:** Credit to MUDRA loans should be increased due to the rural and semi-urban regions of the country to attract more first-time entrepreneurs.

**Promoting Enterprise Developmen:** More attention should be drawn towards helping existing enterprises to expand their businesses by providing them with loans of higher value.

**Financial literacy promotion:** Reporting and awareness training must be done to enhance the financial literacy among the borrowers regarding the use of credit and financial management.

**Equal distribution of categories:** Although the category of higher value loans should be supported, the Shishu category should also have sufficient attention so that the support of new businessmen could be guaranteed.

**Proper monitoring and follow up:** Enhancement of monitoring systems will assist in ensuring that the loans are utilised appropriately and there is minimisation of the risk of defaults.

**Policy agenda:** The policy agenda of high loan products like the Tarun Plus (Rs.10 lacs-Rs. 20 lakh) must be executed adequately to support the process of converting micro-enterprises into growth-driven small business.

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