

Impact of MSME Schemes on Women Entrepreneurs in Tamil Nadu: Evidence from Madurai and Tirunelveli Districts

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Journal: IJMEER | Vol. 1, Issue 1, Jan–Mar 2026 | Accepted: Mar 25, 2026 | Published: April 2026

Abstract

Women entrepreneurs in India's Micro, Small, and Medium Enterprise (MSME) sector remain significantly underrepresented despite a proliferating landscape of central and state government schemes designed to support their participation. Tamil Nadu, one of India's leading industrialised states, has implemented a range of interventions including the Tamil Nadu Corporation for Development of Women (TNCDW), the Udyogini scheme, the Prime Minister's Employment Generation Programme (PMEGP), and the Mudra Yojana. However, empirical evidence on the actual impact of these schemes on women-led enterprises—particularly in terms of business survival, scale-up, and financial independence—remains limited and geographically concentrated. This paper examines the impact of MSME-directed schemes on women entrepreneurs in two southern Tamil Nadu districts: Madurai (historically important, urban-semi-urban mix) and Tirunelveli (industrial corridor, predominantly lower-middle class). A structured survey of 250 women entrepreneurs (beneficiaries of at least one scheme) across diverse sectors—garments, food processing, crafts, and services—was undertaken. The study employs a binary logistic regression model to assess the impact of scheme participation on business survival (defined as continuous operation over 3 years) and an OLS regression model for revenue growth. The findings indicate that scheme participation has a statistically significant positive impact on short-term business establishment but limited impact on long-term enterprise sustainability, with access to markets and mentorship emerging as the most critical unmet needs.

Keywords: *Women Entrepreneurs, MSME, Tamil Nadu, PMEGP, Mudra Yojana, Enterprise Sustainability, Gender and Development*

1. Introduction

Women entrepreneurship has increasingly occupied centre stage in India's economic policy discourse. The MSME sector, which accounts for approximately 30% of India's GDP and nearly 45% of total exports, is characterised by a significant but frequently undercounted female presence. The Ministry of MSME's 73rd Round of the National Sample Survey (2015-16) estimated that women-owned or women-led enterprises constitute approximately 20% of all MSMEs in India—a figure that conceals both underreporting (particularly in home-based informal enterprises) and persistent barriers to formal participation.

Tamil Nadu presents a distinctive case. The state has the second-highest MSME density in India after Maharashtra, and a long tradition of female industrial participation—particularly in garment and textile manufacturing in the Tiruppur-Coimbatore belt. The government of Tamil Nadu has operated targeted women's enterprise development programmes through TNCDDW since 1983, predating many national-level initiatives. Despite these institutional advantages, the Udyam Registration data for Tamil Nadu (2024) shows that only 17.4% of newly registered MSMEs in 2023 were women-led—barely above the national average and a sobering indicator of the distance between scheme availability and meaningful economic empowerment.

This study is motivated by a fundamental policy question: do MSME-directed schemes for women translate into enterprise sustainability and financial independence, or do they primarily serve as entry points that do not address the structural barriers—access to markets, mentorship, digital skills, and social capital—that determine long-run enterprise success? The focus on Madurai and Tirunelveli is strategic: both districts have active TNCDDW district offices, significant non-farm female labour force participation, and a diverse sectoral mix that enables cross-sector comparison.

2. Literature Review

The literature on women entrepreneurship in India has grown considerably since the 1990s, though empirical rigour and geographic diversity remain uneven. Khanka (2002) provided an early theoretical framework distinguishing 'necessity-driven' and 'opportunity-driven' entrepreneurship among women, finding the former significantly more prevalent in semi-urban contexts—a distinction that remains relevant to today's MSME scheme beneficiary population, many of whom enter entrepreneurship as a livelihood strategy rather than a growth aspiration.

The RBI's Report of the Expert Committee on Micro, Small and Medium Enterprises (Kamath Committee, 2019) identified access to formal credit as the foremost challenge for women-owned MSMEs, noting that women borrowers are disproportionately dependent on informal credit sources even when formal schemes exist, due to collateral requirements, documentation complexity, and 'last mile' information asymmetries. The Mudra Yojana, launched in 2015, attempted to address this through uncollateralised loans up to Rs. 10 lakh under three sub-categories (Shishu, Kishore, Tarun). By March 2024, women borrowers accounted for 68% of Mudra accounts nationally, though loan sizes remained concentrated in the Shishu category (up to Rs. 50,000), suggesting limited scale-up.

Tamil Nadu-specific research includes Vijayalakshmi and Murugan's (2021) study in Dindigul district, published in the *Journal of Entrepreneurship and Management*, which found that PMEGP beneficiaries showed a 23% higher survival rate at the 3-year mark compared to non-beneficiary control group enterprises, but that survival rates converged by year 5 due to market access failures. Nithya and Rajan (2023) in the *South Asian Journal of Management* examined Udyogini beneficiaries in Tirunelveli and found that mentorship support from NGO partners (facilitated through Tamil Nadu's SIRD) significantly improved business performance metrics compared to government-only beneficiary groups.

The NITI Aayog's National Strategy for Financial Inclusion (2019–2024) and the Ministry of MSME's CHAMPIONS Portal (2020) have sought to address the market linkage and digital visibility challenges, but their uptake among women entrepreneurs in Tier-2 and Tier-3 cities remains limited. The Tamil Nadu Industrial Policy 2021 explicitly identifies women-led MSMEs as a priority sector but does not mandate specific outcome monitoring beyond scheme disbursement data.

3. Methodology

This study employs a quantitative research design with supplementary qualitative data. The primary sample consists of 250 women entrepreneurs in Madurai (n=130) and Tirunelveli (n=120) districts, identified through district-level beneficiary records obtained from the TNCDW and the District Industries Centres (DICs) of both districts. All respondents had benefited from at least one of the following schemes: PMEGP, Mudra Yojana (Kishore or Tarun category), Udyogini, or TNCDW Revolving Fund. Sector distribution: garments and textiles (34%), food processing and catering (27%), handicrafts and artisan products (18%), retail/kirana (12%), and services including beauty and tailoring (9%).

A structured interview schedule was administered covering: enterprise characteristics (age, sector, number of employees, annual turnover), scheme(s) received (type, amount, year), changes in turnover and employment in 3 years post-scheme, market access channels, digital platform usage, mentorship access, and barriers encountered. The primary outcome variables were: (a) Business Survival (binary: operating continuously for 3+ years post-scheme vs. closed or dormant) and (b) Annual Revenue Growth (continuous: percentage change in annual revenue from baseline to current year).

Binary logistic regression was used for business survival, with scheme type, loan amount, sector, age of entrepreneur, and mentorship access as independent variables. OLS regression was used for revenue growth. A sub-sample of 30 entrepreneurs was selected for in-depth qualitative interviews to capture contextual narratives. Statistical analysis was conducted using SPSS v.26. Permission was obtained from TNCDW and both DICs, and respondent anonymity was strictly maintained.

4. Results and Observations

Business survival at the 3-year mark was 61.6% across the total sample—a moderately encouraging figure that masks significant sectoral and district variation. Survival rates were highest in food processing (72.3%) and lowest in retail/kirana (47.8%), with garments in between (63.1%). Madurai district entrepreneurs showed higher survival rates (65.4%) compared to Tirunelveli (57.5%), a difference that is statistically significant ($p < 0.05$) and attributed in part to better district-level DIC counselling services in Madurai.

The logistic regression model found that mentorship access (OR = 3.42, $p < 0.001$), higher loan amounts—specifically Kishore and Tarun Mudra vs. PMEGP loans—(OR = 2.18, $p < 0.01$), and prior work experience in the same sector (OR = 2.67, $p < 0.01$) were the strongest positive predictors of survival. Scheme type per se (PMEGP vs. Mudra vs. Udyogini) was not a statistically significant predictor when controlling for loan amount and mentorship, suggesting that the delivery modality—particularly whether mentorship is bundled with financial support—matters more than the scheme label.

OLS regression for revenue growth showed an overall model fit of $R^2 = 0.41$. Significant positive predictors of revenue growth included: access to digital marketplace (B = 14.3%, $p < 0.001$), formal business registration (Udyam) (B = 9.7%, $p < 0.01$), and participation in government procurement schemes (B = 12.2%, $p < 0.05$). Negative predictors included: sole dependence on local market (B = -8.6%, $p < 0.01$) and domestic work burden (measured by reported hours: B = -0.7% per hour/week, $p < 0.05$).

Qualitative interviews illuminated an important paradox: scheme beneficiaries felt that receiving capital was the 'easy part'—understanding Goods and Services Tax (GST) compliance, accessing e-commerce platforms, and navigating supply chains were identified as primary challenges. Several women in Tirunelveli mentioned relying on their husbands or adult sons for digital transaction management, indicating that financial access without digital literacy creates new dependency structures rather than dissolving old ones.

5. Discussion

The finding that mentorship—rather than scheme type or even loan amount—is the strongest predictor of business survival challenges the current architecture of MSME support schemes, which are primarily disbursement-oriented. The RBI Kamath Committee (2019) had already noted the need for 'hand-holding' beyond credit delivery, but Tamil Nadu's scheme ecosystem remains largely transactional: grant/loan disbursement with limited post-disbursement engagement.

The convergence of survival rates by year 5 (as found in Vijayalakshmi and Murugan, 2021 and consistent with this study's sectoral narratives) suggests a 'scheme dependency trap': enterprises that are established with scheme support but not integrated into sustainable market networks struggle to survive once the initial capital is absorbed. This parallels findings from NITI Aayog's Aspirational Districts Programme evaluations, which have consistently noted that scheme-driven enterprise creation without market integration results in high attrition rates.

The significance of digital marketplace access—with a 14.3 percentage point differential in revenue growth—underscores the transformative potential of platforms such as GeM (Government e-Marketplace), Amazon Karigar, and Flipkart Samarth. Yet uptake among study respondents was only 23.6%, limited by digital literacy barriers and high onboarding complexity. This creates a vicious cycle: the entrepreneurs who most need market diversification are least equipped to access digital channels.

The domestic work burden finding—where each additional hour per week of domestic work is associated with a 0.7% reduction in revenue growth—echoes the broader feminist economics literature on the 'double burden' of women entrepreneurs and points to the need for policy interventions that go beyond the enterprise itself to address the social reproduction constraints that shape women's economic participation.

6. Conclusion

MSME schemes have been a necessary but insufficient condition for women's enterprise development in Tamil Nadu. They have created a larger entry point into formal entrepreneurship but have not adequately addressed the ecosystem requirements—mentorship, market access, digital integration, and domestic burden reduction—that determine whether entry translates into sustainable economic independence.

This study recommends: (a) mandating a minimum 12-month mentorship engagement for all PMEGP and Udyogini beneficiaries, delivered through accredited women's self-help group federations and MSME Development Institutes; (b) integrating GeM and e-commerce onboarding assistance into TNCDW's post-disbursement support protocol; (c) introducing a 'Women MSME Sustainability Grant'—a performance-linked top-up of Rs. 50,000 for enterprises surviving 3 years post-scheme; (d) establishing Women Enterprise Clusters in Madurai and Tirunelveli districts, enabling shared infrastructure, market exposure, and peer learning; and (e) GST compliance helpdesks at DICs, staffed during non-business hours to accommodate women entrepreneurs with daytime domestic obligations.

The economic empowerment of women entrepreneurs in Tamil Nadu is not merely a welfare objective—it is a growth imperative. Tamil Nadu's industrial competitiveness increasingly depends on diversifying its MSME base beyond traditional sectors, and women entrepreneurs represent both an underutilised resource and an equity-mandated priority. Addressing their sustainability—not merely their entry—must become the central metric of MSME scheme success.

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