



## A Study on Opportunities and Challenges faced by MSMEs with special reference to Tirupur District

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### **ABSTRACT:**

This study investigates the challenges and opportunities confronting Micro, Small and Medium Enterprises (MSMEs) functioning within Tirupur, a leading textile cluster in South India. The study sheds light on the constraints faced by MSMEs, including access to finance, competition, and technological adoption. Additionally, it explores the opportunities available to these enterprises, such as government initiatives, market expansion, and technological advancements. By outlining these challenges and opportunities, this research aims to contribute valuable insights for policymakers, business consultants, and MSME entrepreneurs in Tirupur. The findings of this study contribute to a deeper understanding of the unique context of MSMEs in Tirupur and provide valuable insights for policymakers, industry stakeholders, and MSMEs themselves to address challenges effectively and capitalize on opportunities for sustainable growth and development.

**Keywords:** MSMEs, Tirupur, Textile Cluster, Challenges, Opportunities

### **I. INTRODUCTION:**

Micro, Small, and Medium Enterprises (MSMEs) are a vital segment of the business ecosystem, contributing substantially to economic development, employment generation, and fostering entrepreneurship. These enterprises are characterized by their relatively smaller size and operational scale compared to larger corporations. The exact criteria for categorizing businesses as micro, small, or medium may vary from country to country, but they typically include factors such as

the number of employees, annual turnover, or a combination of both.

MSMEs have played an essential role in providing employment opportunities in underprivileged areas. They have helped in the industrialization of such areas with a low capital cost compared to the larger industries in cities. MSMEs have also contributed and played an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, low rate of imports, and a high contribution to domestic production.

### **Statement of the Problem:**

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of India's industrial landscape, contributing significantly to economic growth, employment generation, and fostering entrepreneurship. In the vibrant industrial hub of Tirupur District, known for its prowess in the textile and garment sector, MSMEs play a vital role. However, the success and sustenance of these enterprises are beset by a myriad of challenges while also presenting opportunities for growth and development. Small and medium-sized enterprises (MSMEs) in Tirupur face number of internal and external challenges. By addressing the critical issues, this research aims to provide a nuanced understanding of the ecosystem in which MSMEs operate in Tirupur District, shedding light on both the impediments that hinder their growth and the opportunities that can propel them forward. Such insights are essential for policy formulation, industry advocacy, and the development of targeted



support programs to fortify the MSMEs sector in Tirupur.

#### Objectives:

- To study about the market scenario of MSMEs in Tirupur District.
- To investigate the difficulties MSMEs face in securing loans and investments.
- To analyse the effectiveness and awareness of government programs and policies supporting MSMEs.
- To recognize the obstacles of implementing new technologies and maintaining one's competitive in a market.

#### Scope of the study:

The scope of a study on the challenges and opportunities faced by Micro, Small, and Medium Enterprises (MSMEs) with special reference to Tirupur District would involve a comprehensive examination of various factors influencing the performance and growth of MSMEs in this specific geographical context. The study would offer valuable insights into the specific dynamics of MSMEs in Tirupur, aiding in the formulation of targeted strategies for their sustainable growth and development. The study focuses on the challenges and opportunities faced by MSMEs in Tirupur, a prominent textile hub in India, would encompass various dimensions to provide a comprehensive understanding.

## II. Research Methodology:

#### Data Collection:

The data and other information's required for the study were collected from both primary and secondary sources. The primary data is collected through respondents directly and the secondary data is collected from various sources including libraries, journals, newspapers and websites. The mode of data collection is survey method.

#### Sample Method:

The sampling technique used for the study is convenience sampling. It is a type of non – probability which involves the sample being drawn from the population which is close to hand. Sample size taken in this study is 120 respondents.

#### Area of the Study:

A study is conducted in Tirupur District.

#### Tools used for Analysis:

The following statistical tools are applied in accordance with the objective of study.

- Simple percentage Analysis
- Weighted Average Method with Ranking

#### Limitations of the Study:

- The sample respondents may not cover the entire MSMEs Community in Tamil Nadu.
- The samples are restricted to Tirupur District.
- The findings of the study are based on information provided by the respondents only.

## III. Review of Literature:

**Pratima Pandey (2023)**<sup>1</sup>, have stated that MSMEs contribute to the nation's growth and income. Indian govt, an initiative of the Atma Nirbhar Bharat scheme has provided much-needed support for uplifting MSMEs. The plethora of challenges like getting adequate finance, lack of digital support, and intended beneficiaries being out of reach of govt. support has been adequately addressed under the relief package provided by the govt. In the pandemic era govt. support has not only helped the MSMEs to survive, but it has also built long-term sustainability and competitive advantage for this sector.

**Dr. Amit Angadi, Jayadatta S, Pushparaj Kodaganur (2023)**<sup>2</sup>, Researchers have found that small and medium-sized enterprises (SMEs) benefit greatly from increased digitalization of their operations, both in terms of output and efficiency. Fortunately, there is not much proof that using technology to deal with the aftermath of major disasters like COVID-19 is effective. Therefore, MSMEs must immediately boost their business chances by implementing a number of initiatives. Adoption of platforms equipped with digital technologies is one such measure.

**Jolly's (2020)**<sup>3</sup>, analysed the COVID-19 pandemic has had a significant impact on India's Micro, Small and Medium Enterprises (MSME) sector, which is responsible for creating jobs and industrializing rural and underdeveloped regions, leading the government to launch a major initiative, the Atmanirbhar Bharat Abhiyaan, aimed at reviving the economy, with a focus on the MSME sector, involving six reforms, such as collateral-free automatic loans, subordinate debt for MSMEs, equity infusion through MSME Fund of Funds, revised definition of MSMEs, disallowing global tender up to Rs 200 crores, and other interventions for MSMEs.

**Srirang K Jha and Ashish Kumar (2020)**<sup>4</sup>, conclude in their literature that the MSMEs are facing an unusual crisis in recent times due to Covid-19 pandemic in terms of suspended



operations, supply-chain disruptions, labour shortage, cash flow crunch, lower demands for goods and services, among many other recurrent problems posing challenge to the sector. The MSME sector, is the backbone of the economy that provides 32% of GDP, 25% of employment, and 45% of exports. The Rs.3 trillion line of credit for loans available today without collateral is still inadequate. The MSME experience, indicates that lenders are generally not supportive in extending loans without collaterals. The Government, PSUs and the leading Private Sector Companies owe them as much as Rs 5 trillion, which has resulted in a round-robin situation in which they do not have the resources to pay wages or meet fixed costs on electricity, rent or interest during the lockdown period. Another view is that MSME owners have a good appetite for taking risk. That is why they jumped into business instead of being a salaried employee. Besides indomitable risk abilities, these smart entrepreneurs have also learnt the tricks of organizing resources for their business operations. Unlike popular belief, these resilient MSME entrepreneurs have not depended on bank credit too much.

**Sonia Mukherjee (2018)<sup>5</sup>**, analyses the Indian coir industry with respect to its export trend for five years. The major reason for its deteriorating export competitiveness found out to be the absence of appropriate technology. She concludes that higher investment in advanced technology and R&D, higher usage of the digital platform, transfer of technology, higher investment in HR, improved access to finance and liberal business regulations can improve its global competitiveness. The study also includes a detailed analysis of the several measures taken by the Indian government for the technological development of Indian MSMEs.

#### IV. DATA ANALYSIS AND INTERPRETATION

##### Simple Percentage Analysis:

Simple percentage analysis is carried out for most of all the questions gives in questionnaire. This analysis describes the classification of the respondents falling in each category. Through the use of percentages, the data's are reduced in the standard form with base equal to 120 respondents, which fact facilities relative comparisons.

##### Formula:

$$\text{Percentage Analysis} = \frac{\text{no. of respondents}}{\text{total no. of respondents}} * 100$$

S. No	Variables	Categories	No. of Respondents	Percentage(%)
01	Zone of the Organization	Tirupur North	22	18
		Tirupur South	26	22
		Tirupur East	34	28
		Tirupur West	38	32

S. No	Variables	Categories	No. of Respondents	Percentage(%)
02	Capital Investment	Below 1 Crore	62	52
		1 Crore – 5 Crore	38	32
		5 Crore - 10 Crore	10	8
		10 Crore – 20 Crore	10	8
		Above 20 Crore	0	0
03	Nature of Organization	Micro	62	52
		Medium	10	8
		Small	48	40
04	Form of Organization	Sole proprietorship	41	34
		Partnership	54	45



		Private Limited	25	21
05	Nature of Activity	Textiles & Garments	38	32
		Fabrication	37	30
		Jewellers Making	7	6
		Others	38	32
06	Source of Finance	Own fund	28	23
		Bank Loan	49	41
		Both own funds and bank loan	43	36
07	Sectors Where they face more struggles	Manufacturing	54	45
		Trading	9	8
		Services	46	38
		Sales	11	9

S. No	Variables	Categories	No. of Respondents	Percentage (%)
08	Opportunities that Organization see in the Current Market	Diversification of Products/Services	27	23
		Export Opportunities	30	25
		Digital Transformation	34	28
		Government Initiatives and Incentives	29	24
09	Growth Prospects of the Organization in next 2-3 years	Very Optimistic	19	16
		Optimistic	43	36
		Neutral	21	17
		Pessimistic	28	24
		Very Pessimistic	9	7
10	Digital Technology that Creates Positive Impact	Digital Marketing	28	24
		E-commerce Platforms	39	32
		Cloud Computing	22	18
		Data Analytics	19	16
		Cybersecurity	12	10
11	Perceive level of Competition in the Industry	Low	23	19
		Moderate	32	27
		High	65	54
12	Benefits from Government Initiatives or Support Programs aimed at Assisting MSMEs in Securing loans or Investments	Yes, significantly	8	8
		Yes, to some extent	41	34
		No, not at all	28	23



		Not sure	28	23
		Not applicable	15	12

S. No	Variables	Categories	No. of Respondents	Percentage(%)
13	Challenges have you Encountered during the Loan Application Process	Lengthy documentation requirements	20	16
		Complex application procedures	38	32
		High collateral demands	44	37
		Lack of transparency in the process	18	15
14	Challenges do you Face in Providing the Required Collateral for Securing loans	Sufficient collateral available	29	24
		Insufficient collateral available	35	29
		Unclear collateral requirements	24	20
		Reluctance to risk personal assets	32	27
15	Main Challenges faced during the Implementation Process	Lack of financial resources	18	15
		Lack of technical expertise	21	18
		Resistance from employees	37	30
		Integration issues with existing systems	29	24
		Security concerns	15	13

### INTERPRETATION

The table shows that Most (32%) of the respondent's organization is located in Tirupur West Zone. Majority (52%) of the respondent's capital investment is below 1Crore. majority (52%) of the respondents belongs to Micro Enterprise. Most (45%) of the respondents runs enterprise as Partnership firm. Most (32%) of the respondent's activity falls under Textiles and Garments and other activity. Most (41%) of the respondent's source of

finance is Bank Loan. Most (45%) of the respondent's face struggle in Manufacturing Sector. Most (28%) of the respondent's choose Digital Transformation as their current market opportunities. Most (36%) of the respondent's growth prospects of the organization is Optimistic. Most (32%) of the respondents think that E-commerce Platforms have created positive impact in their organization. Majority (54%) of the respondents perceive level of competition in the



industry is High. Most (34%) of the respondents have benefited to some extent from the government. Most (37%) of the respondents have High collateral demands as the challenge faced during the loan application process. Most (29%) of the respondents have Insufficient collateral for securing loans. Most (30%) of the respondents have

Resistance from employee's problem during the implementation process.

**Weighted Average Method with Ranking**

Weighted average may be defined as the average whose component items are being divided by the total sum of their Weight instead of the sum of the items.

**Weighted Arithmetic Mean:**  $\bar{xw} = \frac{\sum wx}{\sum w}$

XW - Represents the weighted arithmetic mean

V - Represents the variables.

W - Represents the weight attracted to the variable X

$$\bar{xw} = \frac{\sum wx}{\sum w}$$

**Table showing Rank Factors Challenges that is found Most Significant in MSMEs**

FACTORS	No.of. Respondents							Total	Mean Score	Rank
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank 7			
a) Product Quality	33(7)	38(6)	27(5)	9(4)	5(3)	7(2)	1(1)	660	23.5	I
b) Pricing Strategy	30(7)	43(6)	19(5)	14(4)	8(3)	3(2)	3(1)	652	23.2	II
c) Brand Reputation	20(7)	16(6)	15(5)	22(4)	17(3)	18(2)	12(1)	498	17.7	III
d) Customer Service	14(7)	6(6)	21(5)	22(4)	20(3)	19(2)	18(1)	443	15.8	IV
e) Innovation	8(7)	7(6)	21(5)	19(4)	19(3)	18(2)	28(1)	400	14.2	V
f) Marketing Effectiveness	9(7)	10(6)	13(5)	22(4)	22(3)	23(2)	21(1)	363	12.9	VI
g) Distribution Channels	6(7)	0(6)	4(5)	12(4)	29(3)	32(2)	37(1)	298	10.6	VII

**INTERPRETATION:**

From the above table it shows that most of the respondents ranked Product Quality as the first preference factors that affect the competitiveness in the market, Pricing strategy as Rank 2, Brand Reputation as Rank 3, Customer Service as Rank 4, Innovation as Rank 5, Marketing Effectiveness as Rank 6 and Distribution Channels as Rank 7.

**Table showing Rank Factors Challenges that is found Most Significant in MSMEs**

FACTORS	No.of. Respondents										Total	Mean Score	Rank
	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10			
a) Access to Finance	9(10)	35(9)	12(8)	8(7)	4(6)	5(5)	8(4)	14(3)	10(2)	15(1)	715	13	IV
b) Regulatory Compliance	15(10)	19(9)	6(8)	19(7)	10(6)	14(5)	11(4)	7(3)	10(2)	9(1)	726	13.2	II
c) Market Competition	32(10)	8(9)	7(8)	17(7)	14(6)	13(5)	16(4)	4(3)	7(2)	2(1)	808	14.7	I
d) Skilled Labor Shortage	14(10)	13(9)	13(8)	16(7)	14(6)	10(5)	11(4)	10(3)	8(2)	11(1)	708	12.9	V
e) Technology Adoption	14(10)	14(9)	17(8)	12(7)	9(6)	11(5)	14(4)	15(3)	9(2)	5(1)	719	13.1	III
f) Infrastructure Constrains	8(10)	10(9)	7(8)	14(7)	7(6)	14(5)	16(4)	19(3)	10(2)	15(1)	592	10.7	VIII
g) Current Business Environment	6(10)	12(9)	21(8)	12(7)	12(6)	6(5)	4(4)	12(3)	17(2)	18(1)	626	11.4	VI
h) Growth Prospects in the Next 2-3 Years	13(10)	2(9)	14(8)	6(7)	17(6)	17(5)	15(4)	9(3)	14(2)	13(1)	617	11.2	VII



i) Ease of Attracting Skilled Employees	1(10)	3(9)	14(8)	7(7)	14(6)	20(5)	18(4)	15(3)	13(2)	0(1)	525	9.5	X
j) Level of Technology Adoption	6(10)	5(9)	10(8)	9(7)	19(6)	10(5)	7(4)	16(3)	22(2)	16(1)	548	9.9	IX

**INTERPRETATION:**

From the above table it shows that most of the respondents have ranked Market Competition as the major challenge faced by MSMEs, Regulatory Compliance as Rank 2, Technology Adoption as Rank 3, Infrastructure Constraints Rank 8, Level of Technology Adoption Rank 9 and Ease of Attracting Skilled Employees Rank 10.

**V. FINDINGS:**

- 32% of the respondent’s organization is located in Tirupur West Zone.
- 52% of the respondent’s capital investment is Below 1 Crore.
- 52% of the respondents belongs to Micro Enterprise.
- 45% of the respondents runs enterprise as Partnership Firm.
- 32% of the respondent’s activity falls under Textiles and Garments and Other Activity.
- 41% of the respondent’s source of finance is Bank Loan.
- 45% of the respondent’s face struggle in Manufacturing Sector.
- 28% of the respondent’s choose Digital Transformation as their current Market Opportunities.
- 36% of the respondent’s growth prospects of the organization is Optimistic.
- 32% of the respondents think that E-commerce Platforms have created Positive Impact in their Organization.
- 54% of the respondents perceive level of competition in the industry is High.
- 34% of the respondents have benefited to some extent from the Government.
- 37% of the respondents have High Collateral Demands as the Challenge faced during the loan Application Process.
- 29% of the respondents have Insufficient collateral for Securing Loans.
- 30% of the respondents have Resistance from employee’s problem during the Implementation Process.

**VI. FINDINGS FOR RANK ANALYSIS:**

- From the analyse it shows that most of the respondents have ranked Product Quality as their I preference, then Pricing strategy as their II

preference, then Brand Reputation as their III preference, then Customer Service as their IV preference, Innovation as their V preference, then Marketing Effectiveness as their VI preference and then at last VII preference is given for Distribution Channels.

- From the analyse it shows that most of the respondents have ranked Market Competition as their I preference, then Regulatory Compliance as their II preference, then Technology Adoption as their III preference, then Access to Finance as their IV preference, Skilled Labor Shortage as their V preference, then Current Business Environment as their VI preference and then Growth Prospects in the Next 2-3 Years as their VII preference, then Infrastructure Constraints as their VIII preference, then Level of Technology Adoption as their IX preference and then X preference is given for Ease of Attracting Skilled Employees

**VII. SUGGESTIONS:**

- The Financial Institutions can reduce the high collateral demand for securing loans.
- The MSMEs must adopt technology to improve their production sustainably.
- The Government need to take initiatives to enhance technical expertise through training programs, facilitate access to finance by addressing collateral requirements and promoting government support schemes, and fostering digital transformation to capitalize on emerging market opportunities.
- The MSMEs need to examine strategies for managing employee resistance during the implementation of digital transformation initiatives, considering the impact on organizational growth and competitiveness.

**VIII. CONCLUSION:**

The main purpose of the study is to investigate empirically how the entrepreneurs managed the micro, small and medium enterprises and what are the various problems faced by these enterprises. Despite being a thriving hub for MSMEs, these businesses encounter several obstacles that impede their growth and sustainability. Key challenges include inadequate access to finance, limited technological adoption, intense competition, and regulatory burdens. The



study also shows that Tirupur's MSMEs have natural advantages like highly skilled labour, a strong sense of entrepreneurship, and an effective supplier and buyer network. Furthermore, technological breakthroughs offer opportunities for creativity and productivity gains.

The study has revealed that policymakers, financial institutions, industry associations, and MSMEs themselves must collaborate closely. Implementing tailored financial solutions, fostering innovation through technology adoption, providing skill development programs, and streamlining regulatory processes are essential steps towards unlocking the full potential of MSMEs in Tirupur.

Ultimately, by addressing challenges and seizing opportunities, MSMEs in Tirupur can not only sustain their businesses but also contribute significantly to economic growth, employment generation, and overall prosperity in the region. And government must provide more support for the development of MSMEs in Tirupur City.

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