

# Assessing Entrepreneurial Growth, Prospects and Problems in the MSME Sector in Erode District

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**Abstract:** *In our country like India, the MSME sector is being considered as the backbone of district economic growth and that helps in diversification, creating jobs and innovations of their industries. These businesses are still facing with a continuous challenge where it touches the facilities such as infrastructure, finance, skilled labour and regulatory compliance. The backdrop is against that the current study seeks to evaluate the opportunities which are existing to the MSME entrepreneurs. For the purpose, it is to investigate the nature of the problems that limit performance and also review the relationship that exists between the two dimensions. A sample of the entrepreneurs was surveyed using a structured questionnaire intended to assess the perception of growth opportunities and business issues from Micro, Small and Medium Enterprises (MSMEs) in Erode District, Tamil Nadu. The results explicitly brought out that the MSME entrepreneurs in the erode district believe strongly that there are excellent growth opportunities due to the increasing market, accessibility of human resources, the adoption of better technology and support by government policies. At the same time, the results also indicated continuing difficulty in navigating complicated regulatory processes, accessing credit, controlling escalating input prices and experiencing skill shortages. Interestingly, the research revealed that there is no inverse effect between perceptions of growth and problems. Despite the challenges of operations, the sector remains resilient and adaptable as entrepreneurs remain optimistic about expansion and innovation. This paper concludes that empowering financial inclusion, fostering skills and streamlining policy processes are essential in facilitating sustainable growth and competitiveness of MSMEs in regional economies.*

**Keywords:** MSMEs, Entrepreneurial Prospects, Business Challenges, Resilience, Financial Access, Policy Support, Regional Development and Erode District

## INTRODUCTION

Micro, Small, and medium enterprises (MSMEs) form the core of the Indian industrial and economic system. The drivers of inclusive growth are critical in ensuring the realization of balanced development of a region, employment creation, and enterprise dynamism in the entire country. With more than 63 million businesses, contributing almost 30 percent to the GDP of India and 45% to the total exports, the MSME sector is the symbol of both the flexibility and strength of the Indian economy. It helps to link macro-level industrial action to the recreation of jobs at the local level, leading to innovation and creating an equal distribution of income.

For more than a decade, MSMEs have been seen as an effective tool for transmuting available resources and talents into value-added production or manufacturing. They must diversify the economy and act as a key technological propellant in semi-urban and rural areas. The disadvantages that these enterprises face are usually the same despite their huge potential, lack of access to funding, volatile market conditions, poor infrastructure, and limited technological ability. The synergies of these forces dictate the growth opportunities that can be achieved by the entrepreneurial group and how long it can remain competitive in an increasingly global world.

In Tamil Nadu, MSMEs play a key role in terms of industry and job creation, particularly in industrial districts with a great production base, including Coimbatore, Tiruppur, and Erode. Coimbatore is commonly known to have a thriving entrepreneurial culture that is mainly inspired by industrial innovativeness and start-up mindsets, and the Erode District offers an alternative economic environment. Erode, textile processing, turmeric cultivation, agro-based industries, and small-scale engineering enterprises are examples of the transformation of traditional resource-based activities into organized growth-oriented MSMEs. The industrial diversity of the region and the changing entrepreneurial ecosystem are promising areas for studying enterprise development and the practical issues facing local businessmen.

## REVIEW OF LITERATURE

Recent research indicates that Micro, Small, and Medium Enterprises (MSME) are central to driving industrialization, job creation, and inclusive economic

development throughout India, as well as highlighting structural barriers to competitive positioning that persist regardless of potential industry performance. Ravi (2025) emphasizes that the MSME sector continues to be a keystone of India's industrial policy regime, although its growth is limited by limited access to finance, obsolete technologies, and a lack of market influences. At the same time, Nanda and Kumar (2023) in their paper charted the systemic lack of provisions of credit given by banks or NBFCs, adoption of new technology, and HR training. Despite the introduction of several policy initiatives, the implementation of responsibilities across states is still immense.

MSMEs were vulnerable to the COVID-19 pandemic, but it also revealed their adaptive strength. Agarwal, Singh, and Gupta (2022) reported on the role of entrepreneurial agility, innovativeness, and recovery efforts supported by the government. They especially supported traditional sectors, including handicrafts. Further development of the topic. Sahoo and Kumar (2025) studied the trend towards green production and concluded that the combination of sustainability and resilience strategies is essential to recover after the pandemic and ensure long-term competitiveness.

The existence of optimism and structural constraints among Indian entrepreneurs is also empirically evidenced. According to Jayakumar and Thangaraj (2025), MSME owners often view strong growth potential amidst the overwhelming challenges of business operations. This is the hallmark of a unique entrepreneurial optimism that has remained strong despite unfavorable circumstances. This is in pushbike with the results of Emerging Economy Studies (2025), which highlights that the growth of the Indian MSME sector is being increasingly driven by various factors of diversification, digitalization, and regional industrialization. Access to finances has been a constraint in previous studies. According to Nanda and Kumar (2023) and Martin Ravi (2025) in their view, mixed collateral requirements and the predominance of informal sources of credit remain a struggle for MSMEs to grow. Especially in semi-urban areas, new digital credit networks and fintech innovations are starting to fill this financing void (Sahoo and Kumar, 2025).

Research on policy also suggests that institutional and regulatory reforms are essential to maintain MSME growth. The partial effectiveness of Entrepreneurship Development Programmes (EDPs) in promoting business formalization and skill level at the expense of insufficient coverage in rural and semi-urban agglomeration zones was cited in the International Journal of Economics, Finance and Research (2024). According to Advances in Management and Business Studies (2025), restrictions in decision-making are coupled with financial and operational bottlenecks that significantly reduce effective strategic performance in small firms.

Taken together, these studies coherently build up to a unitary story: MSMEs in India are incredibly tenacious and capable of growing despite years of financial, infrastructural, and human-capital constraints. The data constantly indicate that the attitude of optimism towards business ventures is coupled with limitations in the system, including its systems and infrastructure, where the disparities between the two areas (semi-urban areas) such as Erode

District are even more evident. Greater institutional support, facilitated access to financing, and increased tech utilization are imperative drivers to transform this optimism into long-term enterprise growth and economic progress in the region.

## RESEARCH OBJECTIVES

This study assesses the entrepreneurial growth prospects and problems in the MSME sector of the Erode District. The objectives are

- To identify and analyze the key growth prospects available to MSME sector entrepreneurs, with reference to access to finance, policy support, technology adoption, market expansion, and human resource availability.
- To investigate the major operational and strategic problems faced by MSMEs in the district, including financial constraints, infrastructural deficiencies, skill shortages, and competitive pressure.
- To study the relationship between growth prospects and entrepreneurial problems, and to determine whether opportunities and challenges coexist or counterbalance each other in influencing business performance

## METHODOLOGY

The current research focuses on the relationship between growth prospects, opportunities, issues, and problems encountered by MSME entrepreneurs in the Erode District. The factors contributing to their success, both systemic and those that facilitate or constrain their business development path, will be identified. This study adopts a descriptive and analytical research design, combining qualitative and quantitative methods to examine the problems and prospects of MSME entrepreneurs in the Erode District. Erode, a leading industrial region in Tamil Nadu, hosts diverse clusters such as textiles, agro-processing, pumps and engineering, leather, and food processing. Thus, the research area reflects both traditional and modern entrepreneurial dynamics.

The population comprises active MSME entrepreneurs, and stratified random sampling was used to ensure sectoral representation. A sample of 150 respondents was selected from the key industrial clusters. Primary data were gathered through a structured questionnaire covering demographic details, entrepreneurial growth prospects, and business constraints. Supplementary interviews and observations provided qualitative depth. Secondary data were obtained from government reports, MSME databases, and scholarly sources.

Data were analyzed using SPSS, applying descriptive statistics and regression analysis to determine the impact of entrepreneurial problems and enabling factors on growth performance. The model identified key predictors of entrepreneurial growth and provided insights into strengthening MSME competitiveness in the Erode District.

## Research Hypothesis

- Null Hypothesis ( $H_0$ ): There is no significant difference in the perception of growth prospects among MSME entrepreneurs across different educational levels.

- Null Hypothesis ( $H_0$ ): There is no significant relationship between growth prospects and entrepreneurial problems among MSMEs.

## RESULTS

**Table showing Regression Analysis of Growth Prospects among MSME Entrepreneurs**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling		0.871
Bartlett's Test of Sphericity	Approx. Chi-Square	385.173
	df	10
	Sig.	0

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.397	67.933	67.933	3.397	67.933	67.933
2	0.491	9.826	77.759			
3	0.431	8.629	86.388			
4	0.372	7.438	93.826			
5	0.309	6.174	100			
Extraction Method: Principal Component Analysis.						

### Interpretation

An EFA using the Principal Component Analysis (PCA) method was conducted to identify the underlying dimensions of entrepreneurial growth prospects among MSME entrepreneurs in the Erode District. The Kaiser-Meyer-Olkin (KMO) value of 0.871 indicated excellent sampling adequacy, while Bartlett's Test of Sphericity ( $\chi^2 = 385.173$ ,  $df = 10$ ,  $p < 0.001$ ) confirmed sufficient inter-variable correlations for factor analysis. All Measures of Sampling Adequacy (MSA) exceeded 0.85, and communalities ranged from 0.628 to 0.708, suggesting a strong shared variance among the variables.

A single dominant factor with an eigenvalue of 3.397 explained 67.93% of the total variance, establishing a unidimensional structure of the scale. High factor loadings (0.792–0.842) were observed for access to finance, policy support, technology adoption, market expansion, and availability of skilled labor, reflecting their cohesive contribution to the construct. The analysis indicates that entrepreneurial growth prospects represent a unified dimension, and favorable financial policies and ecosystems are relatively more so than multiple discrete dimensions. These are clearly confirmed by the supportive policies and market opportunities that are the mediators and key drivers of sustainable MSME growth in the Erode District.

**II. Table showing Regression Analysis of Problems among MSME Entrepreneurs**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling		0.879
Bartlett's Test of Sphericity	Approx. Chi-Square	403.679
	df	10
	Sig.	0

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.458	69.156	69.156	3.458	69.156	69.156
2	0.444	8.883	78.039			
3	0.407	8.145	86.184			
4	0.391	7.817	94.001			
5	0.3	5.999	100			

### Interpretation

In order to identify the factors that are underlying the structure of operational and strategic problems faced by MSME entrepreneurs in Erode District an Exploratory Factor Analysis is being used the PCA (Principal Component Analysis) extraction method was conducted. The Kaiser-Meyer-Olkin value of 0.879 which confirmed the excellent sampling adequacy, while Bartlett's Test of Sphericity = 403.679,  $df = 10$ ,  $p < 0.001$ , validated the suitability of the data for factor analysis. All the measures of sampling adequacy exceeded 0.85, and communalities ranged from 0.667 to 0.735, indicating strong variance among the variables.

A predominant factor with an eigenvalue of 3.458, which explained 69.16% of the total variance, revealed a unidimensional construct. It is noted that factor loadings are high, ranging from 0.817 to 0.857, for the issues including credit access, raw material costs, skilled labor shortages, marketing limitations, and regulatory constraints. The results demonstrate that MSME entrepreneurs perceive the challenges as interrelated components of a unified problem that affects the performance of the enterprise. The unidimensional nature of the factor suggests that MSME entrepreneurs in Erode District perceive the operational and strategic problems as interrelated phenomena, where financial constraints, manpower shortages, marketing difficulties, and regulatory burdens coexist as part of an integrated challenge to enterprise growth.

### Correlation Analysis

**III. Table showing the Correlation Analysis between the growth prospects and entrepreneurial problems**

Descriptive Statistics			
	Mean	Std. Deviation	N
Prospect Mean	4.007	0.4383	158
Problem Mean	2.846	0.5901	158

Correlations			
		Prospect Mean	Problem Mean
Prospect Mean	Pearson Correlation	1	0.029
	Sig. (2-tailed)		0.717
	N	158	158
Problem Mean	Pearson Correlation	0.029	1
	Sig. (2-tailed)	0.717	
	N	158	158

## Interpretation

To investigate the relationship between perceived growth prospects and entrepreneurial problems among MSME entrepreneurs in the Erode district, a Pearson correlation analysis was also conducted. The mean entrepreneurial problems (2.846, SD = 0.5901) and the average growth prospects (4.007, SD = 0.4383) showed a fairly positive attitude towards the prospects of business and reflected an average perspective on the issues of finances (financial), infrastructural (infrastructure), and skills (expertise).

The correlation coefficient (0.029 ( $p = 0.717$ )) indicated that there was no significant linear relationship between the two variables. This indicates that the perception of growth opportunities depends not only on the challenges that entrepreneurs face. That is, when MSME owners face more operational issues, they might not lose hope that the future will be bright. The results emphasize the duality of the MSME environment, in which chance and difficulty coexist, and the perseverance of the business with its structural and financial limitations commensurable to the pliability of the entrepreneurs and their readiness to continue working with the growth of the business to expand the range of their operations.

## DISCUSSION

The study clearly revealed that MSME entrepreneurs in the Erode District perceive growth prospects and entrepreneurial problems as two distinct yet significant aspects of their entrepreneurial environment. Factor analysis confirmed that entrepreneurial growth prospects are shaped by interrelated factors such as financial accessibility, policy support, technology adoption, skilled labor, and market expansion opportunities. In contrast, entrepreneurial problems were found to form a unified construct dominated by challenges such as credit access, rising input costs, manpower shortages, limited marketing networks, and regulatory complexities. The correlation analysis ( $r = 0.029$ ,  $p = 0.717$ ) indicated no significant linear relationship between prospects and problems, implying that entrepreneurs maintain optimism towards growth despite operational difficulties, reflecting resilience and adaptability in the MSME sector. The suggestions are

1. Financial Inclusion to streamline loan processes and deepen credit connections by lending to MSMEs (via targeted programs) and digitizing the financial process.
2. Skill Development to facilitate technical and vocational training in response to market demands.
3. Technology Renovation to Promote the use of low-cost technology, with subsidies and incubation facilities.
4. Market Support Access to local and online markets through government-sponsored trade networks and electronic marketplaces.
5. Regulatory Reforms to improve, streamline compliance, and increase transparency in policy implementation.

## CONCLUSION

The empirical discussions show that despite the pandemic's operational deficiencies, MSMEs in the Erode district are facing many challenges. Business owners are highly optimistic about future growth patterns. The contract of observed opportunities is at perceived significant levels and medium levels of disturbances that represent an active and vigorous business brain to succeed and compete. Therefore, the data clearly underscore the urgency of specific policy interventions deemed to support this optimism by increasing institutional support, simplifying regulatory processes, and providing greater access to finance, skilled workforce, and modern technology. By enabling these conditions and strengthening them, decision-makers can transform the entrepreneurial potential into measurable business development, which consequently leads to sustainable enterprise performance and balanced regional economic growth in MSME sectors in the Erode district.

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