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Challenges and Opportunities of Small-Scale Entrepreneurs: A Study with Special Reference to Coimbatore District

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ABSTRACT: Small-scale entrepreneurs form the backbone of India's economy, contributing significantly to employment generation, industrial output, and regional development. Despite their critical role, these entrepreneurs continue to face multifaceted challenges that hinder their growth and sustainability. This paper examines the challenges and opportunities encountered by small-scale entrepreneurs in the Coimbatore district of Tamil Nadu. Based on primary data collected from 250 respondents through a structured questionnaire, the study employs Simple Percentage Analysis, Ranking Analysis, Chi-Square Test, and One-Way ANOVA for data analysis. The findings reveal that financial constraints, regulatory hurdles, and talent acquisition are the most critical challenges, while investing in research and development, digital transformation, and entering new industries emerge as the most impactful opportunities. The study concludes that systemic and structural barriers affect entrepreneurs uniformly across gender, sector, and business location, necessitating inclusive and comprehensive policy interventions.

KEYWORDS: Small-Scale Entrepreneurs, Financial Constraints, Digital Transformation, Coimbatore, MSME, Challenges, Opportunities.

I. INTRODUCTION

Small-scale enterprises are pivotal drivers of economic growth, employment generation, and social equity across developing nations. In India, the Micro, Small and Medium Enterprises (MSME) sector contributes approximately 30% of the national GDP, provides employment to over 110 million people, and accounts for nearly 48% of the country's total exports. Coimbatore, often referred to as the 'Manchester of South India,' hosts a vibrant ecosystem of small-scale industries spanning textiles, engineering, auto components, food processing, and services.

Despite their economic significance, small-scale entrepreneurs operate in a complex and challenging environment. They face persistent barriers including limited access to formal finance, regulatory compliance burdens, intense market competition from large corporations, skill deficits, and vulnerability to economic fluctuations. At the same time, the rapid proliferation of digital technologies, government support initiatives, and evolving consumer markets presents unprecedented opportunities for growth and expansion.

This study investigates the challenges and opportunities of small-scale entrepreneurs in the Coimbatore district, drawing on primary data from 250 respondents. By integrating demographic analysis, ranking methods, and inferential statistical tools, the study offers empirically grounded insights that can inform policy, institutional support, and entrepreneurial strategy.

II. REVIEW OF LITERATURE

Extensive research has examined the challenges and growth prospects of small and medium enterprises (SMEs) globally. Beck et al. (2020) demonstrated that digital financial services significantly improved SME resilience during economic crises. The World Bank (2021) highlighted that the financing gap for SMEs widened in the post-COVID



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period, though digital lenders partially addressed this shortfall. UNCTAD (2021) identified digital trade as a powerful pathway creating new growth opportunities for small businesses in developing economies.

From a technological perspective, Brynjolfsson et al. (2021) confirmed that technology enhances efficiency and output even in small firms, while Bharadwaj et al. (2021) demonstrated through regression analysis that strong IT capability significantly improves small firm performance. Thong and Yap (2021) cautioned that cost and skill constraints continue to hinder digital adoption in small firms across Asia.

Regarding financial challenges, Hussain et al. (2021) found that SMEs face higher borrowing costs and that alternative finance is growing as a substitute. Storey and Greene (2021) highlighted cash flow management and managerial skill gaps as critical constraints limiting expansion. In the Indian context, MSME Ministry India (2022) reported that government schemes significantly improved MSME access to formal credit, while Mohapatra and Roy (2022) demonstrated that mobile technology-enabled frameworks benefit rural Indian enterprises.

The GEM Report (2022) emphasized that growing entrepreneurial ecosystems create significant opportunities, while Audretsch and Belitski (2021) found that strong local ecosystems significantly promote SME growth. Despite this body of research, a critical gap exists: most studies examine challenges and opportunities in isolation rather than as interconnected dimensions. The present study addresses this gap by adopting a holistic, integrated framework specific to the Coimbatore context.

III. OBJECTIVES OF THE STUDY

The study is guided by the following objectives:

- To identify and analyze the common challenges faced by small-scale entrepreneurs in Coimbatore.
- To analyze the impact of technology and digitalization on small-scale enterprises.
- To investigate the opportunities available to small-scale entrepreneurs.
- To evaluate the effectiveness of existing support systems and resources for small-scale entrepreneurs.

IV. RESEARCH METHODOLOGY

The study adopts a descriptive research design and is conducted exclusively in the Coimbatore district of Tamil Nadu. A sample of 250 small-scale entrepreneurs was selected through Convenience Sampling from manufacturing, retail, service, and technology sectors across urban, semi-urban, rural, and e-commerce-based business locations.

Primary data was collected through a structured questionnaire employing a Five-Point Likert Scale. The questionnaire was pre-tested on 20 respondents before final deployment. Data collection was carried out over four to six weeks through personal interviews and online Google Forms. Secondary data was sourced from government reports, peer-reviewed journals, and international organisations including the World Bank, OECD, and GEM.

The data was analysed using: (i) Simple Percentage Analysis for demographic profiling; (ii) Ranking Analysis using the Weighted Score method to prioritise challenges and opportunities; (iii) Chi-Square Test to examine associations between categorical variables; and (iv) One-Way ANOVA to test mean differences across group categories. IBM SPSS Statistics was used for all inferential analyses.

V. DATA ANALYSIS AND FINDINGS

A. Percentage Analysis

The demographic analysis reveals that 31.2% of respondents belong to the 35–44 age group, constituting the most active entrepreneurial segment. Youth entrepreneurs (18–34 years) account for 30.4%, reflecting healthy youth participation. Male entrepreneurs dominate at 56.0%, while female entrepreneurs represent 38.4% — a notable and growing share. Urban businesses account for 43.2% of respondents, followed by semi-urban (27.2%), rural (20.4%), and e-commerce-based (9.2%) enterprises. The manufacturing sector is the most dominant (34.0%), followed by retail (26.8%) and services (26.0%).



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Financial constraints were identified as the biggest challenge by 34.8% of respondents, followed by marketing and sales difficulties (24.0%), regulatory hurdles (21.2%), and talent acquisition and retention (20.0%). Among financial constraints, limited access to funding was reported by 34.4%, cash flow management difficulties by 26.0%, and high interest rates by 24.4%.

Table 1: Biggest Challenge Faced by Small-Scale Entrepreneurs

S.No	Challenge	Frequency	Percentage
1	Financial Constraints	87	34.8%
2	Marketing and Sales Difficulties	60	24.0%
3	Regulatory Hurdles	53	21.2%
4	Talent Acquisition and Retention	50	20.0%
	Total	250	100%

B. Ranking Analysis

The Weighted Score method was used to rank challenges and opportunities (Weighted Score = $\Sigma(11 - \text{Rank assigned})$ per respondent). Table 2 presents the ranking of challenges:

Table 2: Ranking of Challenges Faced by Small-Scale Entrepreneurs

Rank	Challenge	Weighted Score
1	Financial Constraints	1417
2	Regulatory Hurdles	1397
3	Talent Acquisition and Retention	1392
4	Technological Advancements	1371
5	Cybersecurity Threats	1369
6	Changing Market Trends	1359
7	Reputation Management	1354
8	Supply Chain Disruptions	1347
9	Marketing and Sales Difficulties	1328
10	Increasing Competition	1315

Financial Constraints (1417) topped the ranking, followed by Regulatory Hurdles (1397) and Talent Acquisition (1392). For opportunities, Investing in Research and Development ranked first (1444), followed by Entering New Industries (1425) and Investing in Digital Transformation (1422). These results indicate that entrepreneurs prioritise innovation, diversification, and digital adoption as their primary growth pathways.

Table 3: Ranking of Opportunities for Business Growth

Rank	Opportunity	Weighted Score
1	Investing in Research and Development	1444
2	Entering New Industries	1425



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3	Investing in Digital Transformation	1422
4	Expanding Globally	1400
5	Expanding into New Markets	1389
6	Enhancing Customer Experience	1377
7	Building Strategic Partnerships	1349
8	Leveraging Emerging Technologies	1345
9	Improving Operational Efficiency	1300
10	Developing New Products or Services	1294

C. Chi-Square Test Results

Three Chi-Square tests were conducted to examine associations between categorical variables:

(i) Gender vs. Biggest Challenge: $\chi^2 = 10.416$, $df = 9$, $p = 0.3179$. Since $p > 0.05$, the null hypothesis is accepted. Challenges are experienced with similar frequency across gender categories, indicating that structural barriers are gender-neutral.

(ii) Business Location vs. Opportunity Leveraged: $\chi^2 = 9.915$, $df = 9$, $p = 0.3574$. Since $p > 0.05$, the null hypothesis is accepted. Entrepreneurs across urban, semi-urban, rural, and e-commerce settings access similar growth opportunities, suggesting digital platforms have created a level playing field.

(iii) Business Sector vs. Digital Tool Adopted: $\chi^2 = 12.73$, $df = 9$, $p = 0.1752$. Since $p > 0.05$, the null hypothesis is accepted. Digital tool adoption does not differ significantly across sectors, with social media and e-commerce platforms uniformly adopted.

D. ANOVA Results

Three One-Way ANOVA tests were conducted to examine mean differences across group categories:

Table 4: Summary of ANOVA Results

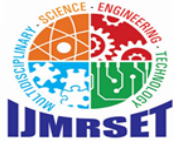
Test	F-Value	p-Value	Result	Decision	df
Age Group vs. Resource Effectiveness	0.908	0.4377	Not Significant	Ho Accepted	3, 246
Business Sector vs. Marketing Strategy Effectiveness	0.244	0.8654	Not Significant	Ho Accepted	3, 246
Business Location vs. Government Initiative Effectiveness	2.511	0.0593	Not Significant*	Ho Accepted	3, 246

*Near-significant result (p close to 0.05) warrants further investigation with a larger sample.

ANOVA results confirm that resource effectiveness and marketing strategy effectiveness do not differ significantly across age groups or business sectors, reinforcing the systemic and uniform nature of challenges. Notably, the near-significant result for government initiative effectiveness across business locations ($p = 0.0593$) suggests that semi-urban and rural entrepreneurs may perceive government schemes as less effective than their e-commerce and urban counterparts.

VI. DISCUSSION

The findings of this study converge on a central theme: financial constraints constitute the most formidable and universal challenge facing small-scale entrepreneurs in Coimbatore. This finding is consistent with global literature



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(Beck et al., 2020; Hussain et al., 2021; World Bank, 2021) and reaffirms the primacy of capital access in entrepreneurial success. The persistence of this challenge despite multiple government schemes suggests that outreach and accessibility remain critical gaps in the financial support ecosystem.

The uniform distribution of challenges across gender, business location, and sector — as confirmed by Chi-Square tests — is a particularly significant finding. It implies that challenges are not the product of demographic or geographic specificity but rather reflect systemic market and regulatory conditions. This calls for universal rather than targeted policy responses.

The recognition of R&D investment, digital transformation, and new market entry as the top opportunities reflects a forward-looking and aspirational orientation among entrepreneurs. The growing adoption of social media and e-commerce across all sectors signals a digital transition in progress, though cost and skill barriers continue to slow full-scale adoption. Government support programmes, while acknowledged, are not perceived as sufficiently effective — particularly by semi-urban entrepreneurs — pointing to a communication and accessibility gap.

VII. SUGGESTIONS

A. Addressing Financial Constraints

Financial institutions and government bodies should expand affordable credit access by simplifying loan procedures and reducing collateral requirements. The reach of schemes such as PMEGP, Mudra Yojana, and Stand-Up India should be widened, particularly in semi-urban and rural areas. Financial literacy programmes should be introduced to help entrepreneurs manage cash flow and plan strategically.

B. Simplifying Regulatory Compliance

The government should simplify the GST framework for small businesses, introduce a single-window clearance system, and make digital compliance portals available in regional languages. Regular awareness workshops on taxation and labour laws should be conducted in partnership with local trade associations.

C. Enhancing Digital Adoption

Targeted digital literacy programmes should be organised through the District Industries Centre (DIC) and local engineering colleges. Training should cover social media marketing, e-commerce operations, cybersecurity basics, and productivity software at affordable or subsidised rates.

D. Strengthening Government Scheme Outreach

Since 13.2% of respondents were entirely unaware of available support resources, a focused outreach strategy leveraging social media, community organisations, and regional languages is urgently required. Awareness camps at industrial clusters and trade association offices can significantly improve scheme uptake.

E. Supporting Women and Youth Entrepreneurs

Female entrepreneurs (38.4%) and youth entrepreneurs (30.4%) should be supported through special credit facilities, mentorship programmes, women's self-help group linkages, incubation centres, and reduced interest rate schemes to address systemic barriers they face.

VIII. CONCLUSION

This study on the challenges and opportunities of small-scale entrepreneurs in the Coimbatore district provides a comprehensive, empirically grounded understanding of the entrepreneurial landscape at the grassroots level. The findings unequivocally establish that financial constraints remain the most formidable barrier to small-scale entrepreneurial growth, followed by regulatory hurdles, talent acquisition challenges, and technology adoption pressures.



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The statistical analyses confirm that challenges and opportunities are broadly systemic and affect entrepreneurs uniformly across gender, sector, and location categories, underscoring the need for universal, inclusive policy interventions. At the same time, small-scale entrepreneurs in Coimbatore demonstrate resilience, digital awareness, and aspirational growth orientation — recognising research and development, digital transformation, and market diversification as their most promising pathways forward.

In conclusion, the growth and sustainability of small-scale entrepreneurship in Coimbatore depends on the creation of an enabling ecosystem that addresses financial barriers, reduces regulatory complexity, promotes digital adoption, and ensures equitable access to government support. Small-scale entrepreneurs are not merely economic actors; they are the backbone of local economies, generators of employment, and drivers of inclusive growth. With targeted policy support, institutional backing, and improved resource access, these entrepreneurs possess the potential to transform challenges into catalysts for innovation, resilience, and long-term prosperity.

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