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Role of Financial Institutions in Promoting Entrepreneurship among Micro, Small and Medium Enterprises (Msmes) n Madurai District

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Abstract: Micro, Small and Medium Enterprises (MSMEs) are an important source of employment, income generation and local economic development. Their growth depends considerably on access to adequate and timely financial support. Financial institutions provide credit, working capital, financial assistance and various government-supported schemes that help entrepreneurs establish, operate and expand their businesses. The present study examines the role of financial institutions in promoting entrepreneurship among MSMEs in Madurai District. It focuses on the availability of institutional credit, accessibility of financial services, awareness and utilisation of financial schemes, adequacy of financial assistance and the difficulties faced by entrepreneurs in obtaining loans. The study is based on primary and secondary data. Primary data are collected from selected MSME entrepreneurs in Madurai District, while secondary data are obtained from government reports, institutional publications and other relevant sources. Descriptive and statistical methods are used to analyse the financial support received by entrepreneurs and its contribution to enterprise development. The study examines how institutional finance influences business expansion, investment, employment generation and the sustainability of MSMEs. It also identifies major constraints such as inadequate credit, collateral requirements, complicated procedures, lack of awareness and delays in obtaining financial assistance. Based on the findings, suitable measures are suggested to improve credit access, simplify financial procedures, increase awareness of government schemes and strengthen the support provided by financial institutions. The study may be useful to policymakers, financial institutions and MSME entrepreneurs in promoting sustainable enterprise development in Madurai District.

Keywords: Financial Institutions, Entrepreneurship Development, MSMEs, Credit Facilities, Financial Inclusion, Business Growth.

Introduction

Micro, Small and Medium Enterprises (MSMEs) constitute a vital segment of the Indian economy and play a significant role in promoting economic growth, employment generation, income distribution, and regional development. The GDP, exports, and industrial output of the nation are all significantly influenced by the MSME sector. Entrepreneurship has become a major force behind economic development in recent years, promoting competitiveness, productivity, and innovation. However, the availability of sufficient financial resources is a major factor in the expansion and longevity of entrepreneurial endeavors.By offering financial aid, credit facilities, investment support, and advisory services to entrepreneurs, financial institutions play a significant role as catalysts for the growth of entrepreneurship. Access to capital for MSMEs is greatly aided by commercial banks, regional rural banks, cooperative banks, non-banking financial firms (NBFCs), and other government-sponsored financial organizations. From startup formation to expansion and modernization, these organizations assist entrepreneurs at various phases of business development.The financial environment for MSMEs has been further reinforced by government initiatives like the Pradhan Mantri Mudra Yojana (PMMY), Credit Guaranty Fund Trust for Micro and Small Enterprises (CGTMSE), and Stand-Up India Scheme.One of Tamil Nadu's main economic and industrial hubs, Madurai District is home to an increasing number of MSMEs

engaged in trade, manufacturing, and services. Even with the abundance of financial institutions, many companies still struggle with issues including poor credit availability, complicated procedures, collateral requirements, and limitations on financial literacy. In this regard, the current study investigates how financial institutions in Madurai District encourage entrepreneurship among MSMEs. The study aims to assess the effectiveness of financial support mechanisms and their contribution to entrepreneurial growth and economic development in the region.

Overview

Tamil Nadu is one of India's leading industrial and economically developed states, with a strong MSME sector supporting employment, production, exports and entrepreneurship. Manufacturing, textiles, autos, food processing, information technology, and services are all part of the state's diverse industrial base. With MSMEs engaged in manufacturing, trade, tourism, food processing, textiles, handicrafts, and services, Madurai District is a significant commercial and economic hub in southern Tamil Nadu. Entrepreneurs can obtain loans and financial support from financial institutions such as commercial banks, cooperative banks, and other lending agencies. These organizations support the establishment, growth, and creation of businesses, jobs, and sustainable economic development in Madurai District.

Review Of Literature

Kumar and Singh (2019) examined the role of institutional finance in promoting MSME development in India. The study found that timely credit availability significantly contributes to business expansion, employment generation and entrepreneurial development. However, collateral requirements and complicated banking procedures were identified as major barriers. **Rajan and Kumar (2020)** analysed financial access among small entrepreneurs and observed that commercial banks and government-sponsored credit schemes play an important role in supporting new and existing enterprises. The study emphasized the need for simplified lending procedures and improved financial awareness. **Sathish and Devi (2021)** studied the financial constraints faced by MSMEs in Tamil Nadu. Their findings indicated that inadequate working capital, high interest rates and difficulties in obtaining institutional loans affect the growth and sustainability of small enterprises. **Prakash (2022)** examined the contribution of financial institutions to entrepreneurship development in Tamil Nadu. **Untu et al. (2026)** The study concluded that credit facilities, financial advisory services and government-supported schemes encourage entrepreneurial activity, particularly among first-generation entrepreneurs. **Selvam and Mohamed (2023)** investigated the financing problems of MSMEs in Madurai District. The study revealed that entrepreneurs depend mainly on banks and other formal financial institutions for business finance, while documentation requirements, collateral security and delays in loan processing remain important challenges. **Anitha and Raj (2024)** examined financial inclusion and MSME development in Tamil Nadu. The study found that digital banking, easier access to institutional credit and awareness of government schemes can improve entrepreneurial opportunities and strengthen the financial sustainability of MSMEs.

The existing literature highlights the importance of institutional finance in MSME development and entrepreneurship. However, relatively limited empirical attention has been given specifically to Madurai District, particularly regarding the accessibility of institutional credit, financial services, government schemes and their influence on entrepreneurial development. **Reddy and N (2026)** The present study attempts to address this gap by examining the role of financial institutions in promoting entrepreneurship among MSMEs in Madurai District.

Theoretical Background

Entrepreneurship Theory explains the role of entrepreneurs in identifying business opportunities, mobilising resources, taking calculated risks and creating new economic activities. The theory is strongly associated with Joseph A. Schumpeter (1934), who viewed the entrepreneur as an innovator and considered entrepreneurship an

important force behind economic development. Meaning: Entrepreneurship Theory explains the process through which individuals identify opportunities, organise resources, undertake risks and establish or expand business enterprises. It emphasizes the entrepreneur's role in innovation, investment, employment generation and economic development. Definition: According to Schumpeter (1934), entrepreneurship is primarily associated with innovation and the introduction of new combinations of resources. **Gupta and Verma (2025)** An entrepreneur acts as an innovator by introducing new products, production methods, markets, sources of supply or organisational forms. Importance: Entrepreneurship Theory is highly relevant to MSMEs because it explains how entrepreneurial initiative contributes to employment generation, income creation, innovation, productivity improvement, regional development and economic growth. Access to institutional finance further enables entrepreneurs to establish enterprises, meet working-capital requirements, adopt technology and expand their businesses. Thus, financial institutions can strengthen entrepreneurship by providing appropriate credit and financial services. Assumptions: Entrepreneurship Theory generally assumes that entrepreneurs are opportunity-oriented, innovative, risk-bearing and resource-mobilising individuals. It assumes that entrepreneurs respond to market opportunities and combine available resources efficiently to create value. **Anoop and Biju (2024)** It also assumes that a supportive institutional and financial environment can encourage entrepreneurial activity. In the context of the present study, access to institutional credit, government financial schemes and other financial services is assumed to influence the establishment, expansion and sustainable development of MSMEs in Madurai District.

Statement Of The Problem

Micro, Small and Medium Enterprises (MSMEs) play an important role in employment generation, income creation, innovation and regional economic development. In Tamil Nadu, the MSME sector provides substantial opportunities for entrepreneurship and self-employment. Madurai District has a diversified MSME base covering manufacturing, trade and service activities. However, many entrepreneurs face financial constraints that affect business establishment, expansion and sustainability. Limited access to institutional credit, inadequate working capital, high interest rates, collateral requirements, complicated documentation and delays in loan processing are among the major challenges. Although commercial banks, cooperative banks and other financial institutions provide various credit facilities and government-supported schemes, some entrepreneurs may lack adequate awareness and financial literacy to access these opportunities effectively. Therefore, there is a need to examine the effectiveness and accessibility of financial services available to MSMEs in Madurai District. The present study focuses on the role of financial institutions in providing financial support and promoting entrepreneurship, business growth and sustainable development among MSMEs.

Objectives

1. To examine the socio-economic characteristics of MSME entrepreneurs and assess their access to institutional finance and government-sponsored financial schemes in Madurai District.
2. To analyse the role of financial institutions and their financial support in promoting entrepreneurship and the growth and development of MSME's in Madurai District.

Methodology

The study adopts a descriptive and analytical research design to examine the role of financial institutions in promoting entrepreneurship and the growth and development of MSMEs in Madurai District. Primary and secondary data were used for the study. Primary data were collected from 100 MSME entrepreneurs in Madurai District through a structured interview schedule, covering socio-economic characteristics, institutional credit, financial services, government-sponsored schemes, financial constraints and MSME growth. Secondary data were collected from the Ministry of Micro, Small and Medium Enterprises (MSME), Reserve Bank of India (RBI), SIDBI, Government of Tamil Nadu, Udyam Registration Portal, books, journals, research articles,

newspapers, annual reports and other relevant publications. The study selected 100 MSME entrepreneurs using convenience sampling, representing micro, small and medium enterprises. The study period covers 2002–2025 for analysing MSME growth, while primary data were collected during June 2025 to December 2025. The data were analysed using percentage analysis, descriptive analysis, growth rate analysis, Chi-square test and tabular analysis. Percentage analysis was used to examine socio-economic characteristics and respondents' perceptions, descriptive analysis to assess financial services, growth rate analysis to measure MSME growth, and the Chi-square test to examine relationships between socio-economic characteristics, institutional finance and MSME growth. The study is confined to Madurai District, Tamil Nadu, with particular focus on MSME entrepreneurs and their access to institutional financial support.

Result And Discussion

The results and discussion examine the socio-economic characteristics of MSME entrepreneurs, the role of financial institutions, access to institutional credit, awareness of government schemes, financial constraints and the relationship between financial support and enterprise growth. The current status of MSMEs in Madurai District is also analysed to understand their overall entrepreneurial development.

Table 1: Socio-Economic Characteristics of MSME Entrepreneurs in Madurai District

S. No.	Socio-Economic Variable	Category	Frequency	Percentage
1.	Gender	Male	62	62
		Female	38	38
		Total	**100**	**100**
2.	Age	Below 30 Years	24	24
		30–40 Years	42	42
		Above 40 Years	34	34
		Total	**100**	**100**
3.	Educational Qualification	School Education	22	22
		Undergraduate	38	38
		Postgraduate	28	28
		Professional/Technical	12	12
		Total	**100**	**100**
4.	Marital Status	Married	68	68
		Unmarried	28	28
		Others	4	4
		Total	**100**	**100**
5.	Family Size	Up to 3 Members	28	28
		4–5 Members	48	48
		Above 5 Members	24	24

		Total	**100**	**100**
6.	Monthly Family Income	Below ₹25,000	18	18
		₹25,001–₹50,000	32	32
		₹50,001–₹75,000	30	30
		Above ₹75,000	20	20
		Total	**100**	**100**
7.	Entrepreneurial Experience	Below 5 Years	26	26
		5–10 Years	44	44
		Above 10 Years	30	30
		Total	**100**	**100**
8.	Type of MSME	Micro Enterprise	52	52
		Small Enterprise	32	32
		Medium Enterprise	16	16
		Total	**100**	**100**

Source: Primary Data.

Table 1 presents the socio-economic characteristics of 100 MSME entrepreneurs in Madurai District. The findings show that 62 per cent of respondents are male and 38 per cent are female. The majority (42 per cent) belong to the 30–40 years' age group. Regarding educational qualification, 38 per cent are undergraduates, followed by postgraduates at 28 per cent. A majority (68 per cent) of respondents are married, while 48 per cent have 4–5 family members. In terms of monthly family income, 32 per cent earn ₹25,001–₹50,000. Entrepreneurial experience indicates that 44 per cent have 5–10 years of experience. Micro enterprises constitute the largest group (52 per cent), followed by small enterprises (32 per cent) and medium enterprises (16 per cent). Overall, the respondents represent a diverse socio-economic profile.

Table 2: Role of Financial Institutions in Promoting Entrepreneurship among MSMEs in Madurai District

S. No.	Role of Financial Institutions	Highly Effective	Effective	Moderate	Less Effective	Not Effective	Total
1.	Provision of Startup Finance	28	36	24	8	4	100
2.	Working Capital Assistance	32	34	22	8	4	100
3.	Business Expansion Loans	26	38	24	8	4	100
4.	Interest Rate Support	20	34	30	10	6	100
5.	Government-Sponsored Loan Schemes	24	36	26	9	5	100

6.	Credit Guarantee Facilities	18	32	30	12	8	100
7.	Financial Advisory Services	16	30	32	14	8	100
8.	Digital Banking and Payment Services	30	38	22	7	3	100
9.	Support for Modernisation/Technology	18	34	30	12	6	100
10.	Overall Support for Entrepreneurship	28	40	22	7	3	100

Source: Primary Data.

Table 2 shows the role of financial institutions in promoting entrepreneurship among 100 MSME entrepreneurs in Madurai District. Provision of startup finance was rated highly effective by 28 respondents (28 per cent) and effective by 36 (36 per cent). Working capital assistance was highly effective for 32 respondents (32 per cent) and effective for 34 (34 per cent). Business expansion loans received highly effective and effective ratings from 26 (26 per cent) and 38 (38 per cent) respondents, respectively. Digital banking and payment services were rated highly effective by 30 (30 per cent) and effective by 38 (38 per cent). Regarding overall support for entrepreneurship, 28 respondents (28 per cent) considered it highly effective and 40 (40 per cent) effective, while 22 (22 per cent) reported moderate effectiveness. Thus, 68 per cent rated overall institutional support as highly effective or effective.

Table 3: Availability, Accessibility and Adequacy of Institutional Credit and Financial Services to MSME Entrepreneurs in Madurai District

S. No.	Financial Service / Credit Facility	Highly Satisfied	Satisfied	Moderate	Dissatisfied	Highly Dissatisfied	Total
1.	Availability of Bank Loans	24	38	24	10	4	100
2.	Accessibility to Institutional Credit	20	36	28	11	5	100
3.	Adequacy of Loan Amount	18	34	30	13	5	100
4.	Working Capital Finance	22	36	27	11	4	100
5.	Term Loan Facilities	20	35	29	11	5	100
6.	Interest Rate Affordability	16	30	32	15	7	100
7.	Ease of Documentation	18	32	30	14	6	100
8.	Speed of Loan	16	34	29	15	6	100

	Processing						
9.	Digital Financial Services	28	40	22	7	3	100
10.	Overall Adequacy of Financial Services	22	38	26	10	4	100

Source: Primary Data

Table 3 presents the availability, accessibility and adequacy of institutional credit and financial services among 100 MSME entrepreneurs in Madurai District. Availability of bank loans was rated highly satisfied by 24 respondents (24 per cent) and satisfied by 38 (38 per cent). Regarding accessibility to institutional credit, 20 respondents (20 per cent) were highly satisfied and 36 (36 per cent) satisfied. Adequacy of loan amount was rated highly satisfied by 18 (18 per cent) and satisfied by 34 (34 per cent). Working capital finance received highly satisfied and satisfied responses from 22 (22 per cent) and 36 (36 per cent) respondents, respectively. Digital financial services recorded the highest positive response, with 28 (28 per cent) highly satisfied and 40 (40 per cent) satisfied. Overall, 60 respondents (60 per cent) were highly satisfied or satisfied with the adequacy of financial services, indicating generally favourable access to institutional finance.

Table 4: Relationship between Socio-Economic Characteristics and Access to Institutional Finance among MSME Entrepreneurs in Madurai District

S. No.	Socio-Economic Variable	χ^2 Value	df	p-value	Result
1.	Gender	4.286	2	0.117	Not Significant
2.	Age	8.742	4	0.068	Not Significant
3.	Educational Qualification	12.684	6	0.048	**Significant**
4.	Monthly Family Income	15.327	6	0.018	**Significant**
5.	Entrepreneurial Experience	13.276	4	0.010	**Significant**
6.	Type of MSME	10.426	4	0.034	**Significant**
7.	Marital Status	3.218	2	0.200	Not Significant
8.	Family Size	5.624	4	0.229	Not Significant

Source:Calculated value.
Note: Significant at the 5% level when $p< 0.05$.

Table 4 presents the relationship between socio-economic characteristics and access to institutional finance among 100 MSME entrepreneurs in Madurai District. The Chi-square test shows that educational qualification, monthly family income, entrepreneurial experience and type of MSME have a significant relationship with access to institutional finance. Educational qualification recorded $\chi^2 = 12.684$, df = 6 and p = 0.048, while monthly family income recorded $\chi^2 = 15.327$, df = 6 and p = 0.018. Entrepreneurial experience was significant with $\chi^2 = 13.276$, df = 4 and p = 0.010, and type of MSME recorded $\chi^2 = 10.426$, df = 4 and p = 0.034. In contrast, gender ($\chi^2 = 4.286$, p = 0.117), age ($\chi^2 = 8.742$, p = 0.068), marital status ($\chi^2 = 3.218$, p = 0.200) and

family size (χ^2 = 5.624, p = 0.229) were not significant. Thus, access to institutional finance is significantly influenced by selected socio-economic and enterprise characteristics.

Table 5: Awareness and Utilization of Government-Sponsored Financial Schemes among MSME Entrepreneurs in Madurai District

S. No.	Government-Sponsored Financial Scheme	Aware & Utilized	Aware but Not Utilized	Not Aware	Total
1.	Pradhan Mantri MUDRA Yojana (PMMY)	38	34	28	100
2.	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	24	32	44	100
3.	Prime Minister's Employment Generation Programme (PMEGP)	30	36	34	100
4.	Stand-Up India Scheme	22	30	48	100
5.	Credit Linked Capital Subsidy / Technology Upgradation Support	18	28	54	100
6.	Interest Subsidy / Government Credit Support	26	38	36	100
7.	MSME Credit Facilitation Schemes	28	35	37	100
8.	Tamil Nadu Government MSME Financial Assistance Schemes	32	36	32	100

Source: Primary Data.

Table 5 presents the awareness and utilization of government-sponsored financial schemes among 100 MSME entrepreneurs in Madurai District. PMMY recorded the highest utilization, with 38 respondents (38 per cent) being aware and utilizing the scheme, while 34 (34 per cent) were aware but had not utilized it and 28 (28 per cent) were not aware. PMEGP was utilized by 30 respondents (30 per cent), whereas 36 (36 per cent) were aware but had not utilized it. Tamil Nadu Government MSME financial assistance schemes were utilized by 32 respondents (32 per cent), while 36 (36 per cent) were aware but did not utilize them. Awareness was comparatively low for Credit Linked Capital Subsidy/Technology Upgradation Support, where 54 respondents (54 per cent) were not aware. Overall, the findings reveal a considerable gap between awareness and actual utilization of government financial schemes.

Table 6: Major Financial Constraints Faced by MSME Entrepreneurs in Accessing Institutional Finance in Madurai District

S. No.	Financial Constraint	Highly Severe	Severe	Moderate	Less Severe	Not a Constraint	Total
1.	Lack of Collateral Security	32	34	20	9	5	100
2.	High Interest Rates	28	36	22	9	5	100
3.	Complicated Documentation	24	38	23	10	5	100
4.	Delay in Loan Processing	26	35	24	10	5	100

5.	Inadequate Loan Amount	25	32	26	11	6	100
6.	Lack of Financial Awareness	22	34	27	11	6	100
7.	Short Repayment Period	18	30	30	15	7	100
8.	Difficulty in Meeting Eligibility Conditions	23	35	25	11	6	100
9.	Lack of Proper Financial Records	20	32	28	13	7	100
10.	Limited Awareness of Government Schemes	19	31	29	14	7	100

Source: Primary Data.

Table 6 presents the major financial constraints faced by 100 MSME entrepreneurs in accessing institutional finance in Madurai District. Lack of collateral security was identified as the most severe constraint, with 32 respondents (32 per cent) reporting it as highly severe and 34 (34 per cent) as severe. High interest rates were considered highly severe by 28 respondents (28 per cent) and severe by 36 (36 per cent). Complicated documentation was reported as highly severe by 24 respondents (24 per cent) and severe by 38 (38 per cent). Similarly, delay in loan processing was highly severe for 26 respondents (26 per cent) and severe for 35 (35 per cent). Inadequate loan amount was reported as highly severe by 25 (25 per cent) and severe by 32 (32 per cent). Overall, the findings indicate that collateral requirements, high interest rates, documentation procedures and loan-processing delays are the major barriers to institutional finance for MSME entrepreneurs.

Table 7: Relationship between Financial Support and Growth and Development of MSMEs in Madurai District

S. No.	Financial Support Factor	χ^2 Value	df	p-value	Result
1.	Adequacy of Bank Finance × Business Growth	16.284	6	0.012	Significant
2.	Working Capital Support × Business Expansion	14.672	4	0.005	Significant
3.	Availability of Term Loans × Investment Growth	12.426	4	0.014	Significant
4.	Government Financial Schemes × Employment Growth	11.638	4	0.020	Significant
5.	Interest Rate Support × Profitability Growth	13.276	6	0.039	Significant
6.	Digital Financial Services × Sales Growth	15.327	4	0.004	Significant
7.	Financial Advisory Support × Enterprise Development	8.426	4	0.077	Not Significant
8.	Credit Guarantee Support × Business Sustainability	10.842	4	0.028	**Significant**

Source: Primary Data.
Note: Significant at the 5% level when $p < 0.05$.

Table 7 examines the relationship between financial support and the growth and development of MSMEs among 100 entrepreneurs in Madurai District. The Chi-square results indicate that adequacy of bank finance and business growth has a significant relationship ($\chi^2 = 16.284$, df = 6, p = 0.012). Similarly, working capital support and business expansion ($\chi^2 = 14.672$, df = 4, p = 0.005), term loans and investment growth ($\chi^2 = 12.426$, df = 4, p = 0.014) and government financial schemes and employment growth ($\chi^2 = 11.638$, df = 4, p = 0.020) are significant. Interest rate support, digital financial services and credit guarantee support also show significant relationships with profitability, sales growth and business sustainability, respectively. However, financial advisory support and enterprise development is not significant ($\chi^2 = 8.426$, p = 0.077). Overall, financial support significantly contributes to MSME growth and development.

Table 8 : Current status of SMEs and MSMEs in Madurai District

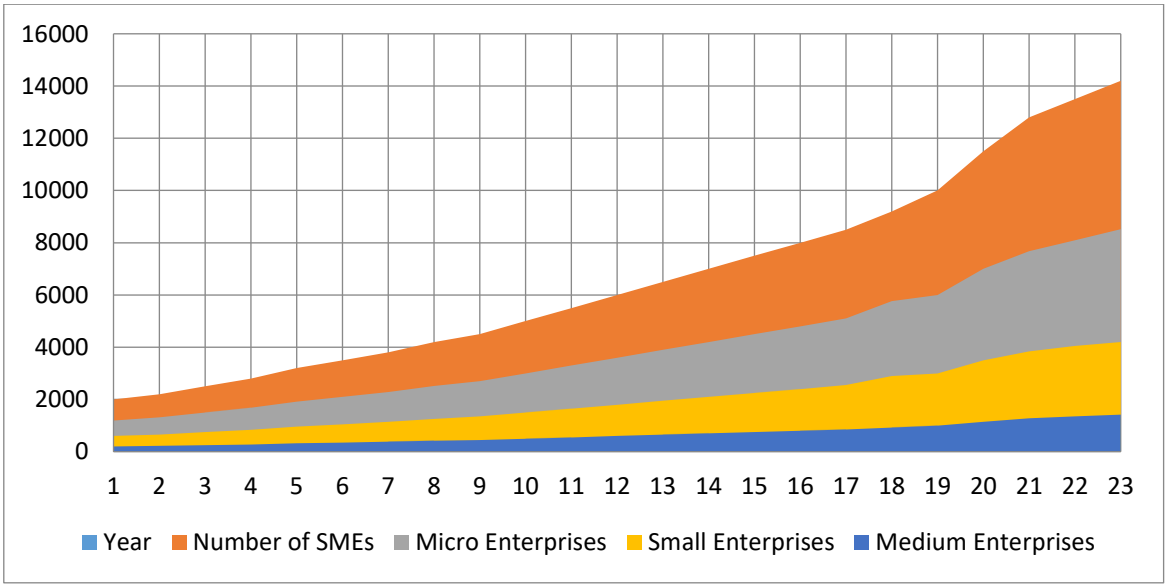
Year	Number of SMEs	Growth Rate (%)	Micro Enterprises	Small Enterprises	Medium Enterprises	Total	Growth rate (%)
2002	2000	-	1200	600	200	2000	-
2003	2200	10.0	1320	660	220	2200	10.0
2004	2500	13.6	1500	750	250	2500	13.6
2005	2800	12.0	1680	840	280	2800	12.0
2006	3200	14.3	1920	960	320	3200	14.3
2007	3500	9.4	2100	1050	350	3500	9.4
2008	3800	8.6	2280	1140	380	3800	8.6
2009	4200	10.5	2520	1260	420	4200	10.5
2010	4500	7.1	2700	1350	450	4500	7.1
2011	5000	11.1	3000	1500	500	5000	11.1
2012	5500	10.0	3300	1650	550	5500	10.0
2013	6000	9.1	3600	1800	600	6000	9.1
2014	6500	8.3	3900	1950	650	6500	8.3
2015	7000	7.7	4200	2100	700	7000	7.7
2016	7500	7.1	4500	2250	750	7500	7.1
2017	8000	6.7	4800	2400	800	8000	6.7
2018	8500	6.3	5100	2550	850	8500	6.3
2019	9200	8.2	5760	2900	920	9200	8.2
2020	10000	8.7	6000	3000	1000	10000	8.7
2021	11500	15.0	7000	3500	1150	11500	15.0
2022	12800	11.3	7680	3840	1280	12800	11.3

2023	13500	5.5	8100	4050	1350	13500	5.5
2024	14200	5.2	8520	4200	1420	14200	5.2
2025	14250	5.3	8420	4150	1410	14100	5.1
Total	141.800		8,039	4,040	1,320	13,400	
Average	6173.91		8,039	4,040	1,320	13,400	
Median	6500		7,560	3,600	1,170	12,600	

Source: Data compiled from various publications of the Ministry of MSME, Government of India.

Table 8 presents the growth and distribution of MSMEs in Madurai District from 2002 to 2024. The number of enterprises increased from 2,000 in 2002 to 14,200 in 2024, indicating a substantial expansion of entrepreneurial activity. The growth rate was 10.0 per cent in 2003 and reached a high of 14.3 per cent in 2006. The highest growth during the later period was recorded in 2021 at 15.0 per cent, followed by 11.3 per cent in 2022. However, growth moderated to 5.5 per cent in 2023 and 5.1 per cent in 2025. Micro enterprises consistently constituted the largest share, followed by small and medium enterprises. The overall trend indicates sustained expansion of MSME activities in Madurai District, although the declining growth rate in recent years suggests the need for stronger financial, technological and institutional support.

Chart 1 - Current status of SMEs and MSMEs in Madurai District



Findings Of The Study

Socio-Economic Characteristics: Among the 100 MSME entrepreneurs, 62 per cent were male and 38 per cent were female, while 42 per cent belonged to the 30–40 years age group. Undergraduates constituted 38 per cent, and 44 per cent had 5–10 years of entrepreneurial experience, indicating the dominance of relatively experienced entrepreneurs.

Role of Financial Institutions: Financial institutions made a significant contribution to entrepreneurship development, with 28 per cent rating overall support as highly effective and 40 per cent as effective. Working

capital assistance was particularly important, with 32 per cent reporting it as highly effective and 34 per cent as effective.

Availability and Accessibility of Finance: Access to institutional finance was generally favourable, as 24 per cent of respondents were highly satisfied and 38 per cent satisfied with bank-loan availability. Digital financial services received the strongest response, with 28 per cent highly satisfied and 40 per cent satisfied.

Socio-Economic Characteristics and Institutional Finance: The Chi-square analysis revealed significant relationships between access to institutional finance and educational qualification ($\chi^2 = 12.684$, $p = 0.048$), monthly family income ($\chi^2 = 15.327$, $p = 0.018$), entrepreneurial experience ($\chi^2 = 13.276$, $p = 0.010$), and type of MSME ($\chi^2 = 10.426$, $p = 0.034$).

Awareness and Utilization of Government Schemes:PMMY recorded the highest utilization at 38 per cent, followed by Tamil Nadu Government MSME financial assistance schemes at 32 per cent and PMEGP at 30 per cent. However, 54 per cent of respondents were not aware of Credit Linked Capital Subsidy/Technology Upgradation Support, indicating an awareness gap.

Major Financial Constraints:Lack of collateral security was the major constraint, with 32 per cent reporting it as highly severe and 34 per cent as severe. High interest rates were also significant, with 28 per cent considering them highly severe and 36 per cent severe, highlighting affordability and collateral-related barriers.

Financial Support and MSME Growth: Financial support was significantly associated with MSME growth, particularly adequacy of bank finance and business growth ($\chi^2 = 16.284$, $p = 0.012$) and working capital support and business expansion ($\chi^2 = 14.672$, $p = 0.005$). Digital financial services also showed a significant relationship with sales growth ($\chi^2 = 15.327$, $p = 0.004$).

Growth of MSMEs in Madurai District: The number of MSMEs increased substantially from 2,000 in 2002 to 14,200 in 2024, demonstrating long-term expansion. The highest reported growth rate was 15.0 per cent in 2021, while growth moderated to 5.5 per cent in 2023 and 5.1 per cent in 2025, suggesting the need for continued financial and institutional support.

Suggestions And Recommendations

- Simplify loan procedures and documentation for MSMEs.
- Provide adequate and affordable credit with flexible repayment.
- Relax collateral requirements through credit guarantee schemes.
- Improve awareness of government MSME financial schemes.
- Reduce loan-processing time through digital banking services.
- Provide special support for women and young entrepreneurs.
- Strengthen financial literacy and advisory services for MSMEs.
- Expand interest subsidies and credit guarantee facilities.
- Encourage proper financial records and digital accounting.
- Strengthen coordination among banks, government agencies and MSMEs.

Conclusion

The study concludes that financial institutions play a significant role in promoting entrepreneurship and supporting the growth of MSMEs in Madurai District. The results show that 60 per cent of respondents were extremely satisfied or satisfied with the general sufficiency of financial services, while 68 per cent of respondents regarded overall financial institutional support as highly effective or effective. Significant correlations between educational attainment, family income, business experience, and MSME type and access to institutional financing are confirmed by the Chi-square results. Although there are still gaps between awareness

and utilization, government programs like PMMY and PMEGP offer significant cash potential. Lack of collateral security, high interest rates, difficult paperwork, and loan processing delays were the main obstacles found. Significant correlations between financial support and firm growth, expansion, investment, employment, and sales were also observed. Therefore, simplified credit procedures, affordable finance, greater awareness of government schemes and stronger institutional support are essential for sustainable MSME development and entrepreneurship in Madurai District.

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