



A Study on the Role of Micro, Small and Medium Enterprises (MSMEs) in Employment Generation in Tirupur District

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Abstract:

This study examines the role of Micro, Small and Medium Enterprises (MSMEs) in employment generation in Tirupur District, with special focus on the textile and garment sector. The study analyses the contribution of MSMEs to direct and indirect employment and their role in improving income and livelihood opportunities. Primary data were collected from 91 respondents comprising employees, owners, and managers of selected MSMEs using a structured questionnaire. Convenience sampling was adopted, and secondary data were collected from books, journals, government reports, research papers, and online sources. The study examines employment opportunities for youth, women, migrant workers, and other sections of the workforce. The findings indicate that MSMEs provide significant employment opportunities and contribute to reducing youth unemployment in Tirupur. The study also identifies challenges such as seasonal employment, skill gaps, financial constraints, labour shortages, and technological changes. Respondents generally expressed positive opinions regarding job opportunities, regular wages, welfare facilities, apprenticeships, and future employment prospects. A Chi-Square Goodness-of-Fit test produced a calculated value of 53.01, which is greater than the table value of 9.488 at the 5% level, indicating a significant difference in respondents' opinions. The study concludes that MSMEs are important drivers of employment generation and inclusive economic development in Tirupur, and recommends strengthening skill development, financial assistance, technology adoption, and employment-support measures.

Keywords: MSME, Employment Generation, Migrated labours, Self-Employment

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play a vital role in the economic development of a country by promoting industrial growth, reducing regional imbalances, and generating large-scale employment opportunities. In a developing country like India, MSMEs are considered the backbone of the economy because they contribute significantly to GDP, exports, and employment generation. According to government reports, the MSME sector accounts for nearly 30% of India's GDP and provides employment to more than 110 million people across manufacturing, services, and trade sectors. These enterprises require relatively low capital investment, adopt flexible production methods, and are able to generate employment quickly compared to large-scale industries.

MSMEs are especially important in labour-intensive industries such as textiles, garments, leather, food processing, handicrafts, and small-scale engineering. These enterprises provide job opportunities to both skilled and unskilled workers, women, youth, and rural migrants. They help in reducing poverty by creating income sources and improving living standards. MSMEs also encourage entrepreneurship by allowing individuals with small savings and innovative

ideas to start businesses. Thus, MSMEs not only create employment but also promote self-employment and economic independence.

In India, the MSME sector has grown rapidly due to government initiatives like the MSME Development Act, financial support schemes, startup policies, skill development programs, and digital platforms for marketing and financing. Institutions like Ministry of Micro, Small and Medium Enterprises and schemes such as MUDRA loans, Startup India, and Skill India have strengthened the MSME ecosystem. These policies aim to provide financial assistance, technology support, training, and market access to small entrepreneurs. As a result, MSMEs have become a major driver of employment generation in both rural and urban areas.

Within India, the textile and garment industry is one of the largest employment-generating sectors. The city of Tirupur in Tamil Nadu is popularly known as the “Knitwear Capital of India” because of its massive contribution to textile exports. Tirupur has thousands of MSME units engaged in knitting, dyeing, printing, stitching, packaging, and exporting garments. These enterprises collectively provide employment to lakhs of workers, including migrants from different states of India. The MSME sector in Tirupur has transformed the local economy by increasing income levels, improving infrastructure, and creating business opportunities in transport, banking, housing, and retail sectors.

The growth of MSMEs in Tirupur is closely connected to global demand for textile products. Many MSMEs in Tirupur export garments to countries such as the United States, United Kingdom, Germany, France, and Australia. The export-oriented nature of these enterprises has increased foreign exchange earnings for India and strengthened the local economy. However, MSMEs also face several challenges such as rising raw material costs, labour shortages, environmental regulations, lack of finance, and competition from other countries like Bangladesh and Vietnam. Despite these difficulties, MSMEs in Tirupur continue to generate employment and contribute to economic growth.

Employment generation through MSMEs has both direct and indirect impacts. Direct employment is created within factories and production units, while indirect employment is generated in supporting sectors like transport, packaging, marketing, tailoring, logistics, and food services. For example, garment factories in Tirupur employ workers for knitting, cutting, sewing, quality checking, ironing, and packing. At the same time, drivers, shopkeepers, brokers, accountants, and service providers also get income due to MSME activities. Thus, MSMEs help create a multiplier effect in the local economy.

Another important feature of MSMEs is their role in promoting inclusive growth. They provide job opportunities for women workers in garment stitching and packaging units. They also employ rural migrants who come to cities in search of work. By providing income to economically weaker sections, MSMEs help reduce inequality and improve social welfare. In Tirupur, many workers from states like Bihar, Odisha, West Bengal, and Uttar Pradesh are employed in textile MSMEs. This shows how MSMEs contribute to national integration by bringing workers from different regions together.

Technology adoption has also influenced MSME growth. Many enterprises in Tirupur have started using modern knitting machines, dyeing techniques, computer-aided design, and online marketing platforms. Digital tools have

improved productivity and expanded market reach. However, small units still need training and financial support to upgrade technology. Government agencies and industry associations are working to provide skill training and technical guidance to MSMEs.

The importance of MSMEs became more visible during crises like the COVID-19 pandemic. Many large industries were affected, but MSMEs played a key role in economic recovery by restarting production and re-employing workers. Government relief packages, loan moratoriums, and subsidy programs helped MSMEs survive difficult times. In Tirupur, garment MSMEs gradually resumed operations and continued providing employment after lockdowns.

This study focuses on understanding the role of MSMEs in employment generation in Tirupur. It examines how MSMEs create job opportunities, what types of employment they provide, and how they impact workers' income and living conditions. The study also looks at the challenges faced by MSMEs in generating employment and suggests possible solutions to improve their performance. By analysing the MSME sector in Tirupur, this project aims to highlight the importance of small-scale industries in regional economic development.

The case of Tirupur clearly shows how MSMEs can transform a small town into an international textile hub. Understanding their role in employment generation will help policymakers, entrepreneurs, and researchers design better strategies for sustainable growth and inclusive development.

Overview of the MSME Industry

Micro, Small and Medium Enterprises (MSMEs) are one of the most important sectors in the economy of India. MSMEs include small manufacturing units, service providers, trading businesses, and export-oriented firms. They are classified based on their investment in plant, machinery, and turnover as per the guidelines of the Ministry of Micro, Small and Medium Enterprises. MSMEs are known for their flexibility, low capital requirement, labor-intensive production, and quick employment generation.

The MSME sector contributes significantly to industrial output, exports, GDP, and employment. It supports balanced regional development by encouraging industries in rural and semi-urban areas. MSMEs are also important in promoting entrepreneurship, innovation, and skill development among youth and women. In labour-intensive industries such as textiles and garments, MSMEs play a major role in providing jobs to large numbers of workers.

Textile and Garment MSME Industry

Among various MSME sectors, the textile and garment industry is one of the largest employment generators. It includes spinning, weaving, knitting, dyeing, printing, stitching, finishing, and exporting of garments. This industry provides employment to both skilled and unskilled labourers and supports related sectors such as transport, packaging, marketing, and retail.

The textile industry in India has a long history and strong global demand. Many textile units operate as MSMEs because garment production often requires smaller production units working together in clusters. These clusters improve efficiency, specialization, and employment opportunities.

Structure of MSME Units in Tirupur

The MSME textile industry in Tirupur operates through a cluster system where different small units specialize in different stages of production. For example:

Knitting Units – Produce fabric from yarn

Dyeing and Bleaching Units – Add colour and finishing Printing Units – Add designs and logos

Garment Units – Stitch clothes

Packaging Units – Pack products for export

This specialization improves efficiency and creates more job opportunities. Many MSME units depend on each other, forming a strong industrial network.

Employment in the Industry

The MSME textile industry in Tirupur provides employment to lakhs of workers.

It offers jobs for:

- Skilled workers like tailors, machine operators, designers.
- Semi-skilled workers like helpers and packers
- Unskilled workers in loading, transport, and cleaning
- Many workers are migrants from states like Bihar, Odisha, West Bengal, and Uttar Pradesh. Women workers also play an important role in stitching, checking, and packing units. Thus, MSMEs in Tirupur promote inclusive employment and reduce poverty.

Contribution to the Economy

The Tirupur MSME textile industry contributes to:

Export earnings for India, Growth of local businesses, Development of transport, banking, and housing sectors Increase in income and living standards. The industry has transformed Tirupur from a small town into a global textile hub. Many local entrepreneurs have started small units and expanded into export businesses.

Government Support to the Industry

The MSME textile industry receives support from government policies such as: Subsidies and low-interest loans, Skill development programs, Technology upgradation programs. These initiatives help MSMEs improve productivity, quality, and global competitiveness.

Challenges Faced by the Industry

Despite its growth, the MSME textile industry in Tirupur faces several challenges: Rising cotton and raw material costs, Labour shortages, Environmental regulation for dyeing units, Lack of finance for small units. These issues

affect production and employment generation. However, with proper planning and government support, MSMEs can overcome these challenges.

Gap Analysis

The existing literature provides substantial evidence on the **general contribution of MSMEs to employment generation**, but several gaps remain:

1. **Limited Tiruppur-specific analysis:** Many studies examine MSMEs at the national, state, or district level, but there is limited recent empirical research specifically focusing on **employment generation among MSMEs in the Tiruppur textile cluster**.
2. **Insufficient focus on employment determinants:** Existing studies identify finance, technology, skills, infrastructure, and government support as important factors, but relatively few studies examine **how these factors collectively influence employment generation** among MSMEs.
3. **Limited sector-specific research:** Tiruppur is a major textile and garment manufacturing cluster, yet much of the existing literature discusses MSMEs across different sectors. There is a need for a **focused study on textile and garment MSMEs**.
4. **Changing business environment:** Digitalisation, e-commerce, automation, sustainable fashion, changing consumer preferences, rising input costs, and global competition are transforming the textile industry. Earlier studies may not adequately capture their **recent impact on employment**.
5. **Limited study of employment quality:** Most studies focus on the **number of jobs created**, while relatively less attention is given to employment quality, job stability, wages, skill requirements, working conditions, and opportunities for career development.
6. **Impact of government schemes:** Although several studies discuss government financial assistance and MSME schemes, there is insufficient evidence regarding the **awareness, accessibility, utilization, and effectiveness of such schemes among Tiruppur MSMEs**.
7. **Technology and employment relationship:** Technology adoption is generally considered beneficial for productivity, but there is a need to examine whether **automation and digitalisation create new employment opportunities or reduce demand for traditional workers** in Tiruppur's textile MSMEs.
8. **Post-pandemic and global-market changes:** There is limited recent empirical evidence on how MSMEs in Tiruppur have adapted to **post-pandemic market conditions, global competition, supply-chain disruptions, and fluctuations in cotton and production costs**, and how these changes have affected employment.

Statement of the Problem

Tiruppur, often referred to as the "Knitwear Capital of India," has a large concentration of Micro, Small, and Medium Enterprises (MSMEs), primarily in the textile and garment sector. Despite their significant contribution to the local economy, there is limited empirical research on the specific role these enterprises play in generating employment opportunities, especially for women and migrant workers. Challenges such as skill gaps, competition, technological

adoption, and financial constraints may affect the capacity of MSMEs to create sustainable jobs. This study seeks to analyze how MSMEs in Tirupur contribute to employment generation, identify the factors influencing their employment potential, and highlight areas where policy intervention or support could enhance job creation.

Furthermore, the rapid growth of MSMEs in Tirupur has brought both opportunities and challenges for the local workforce. While these enterprises provide livelihoods and support economic development, issues like seasonal employment, low wages, and lack of formal training persist. Understanding the dynamics of employment in MSMEs will help policymakers, entrepreneurs, and stakeholders devise strategies that ensure not only job creation but also skill development, job security, and equitable growth in the region.

Significance of the Study

MSMEs are important drivers of economic growth and employment generation in India. This study examines their contribution to employment generation in Tirupur and highlights the direct and indirect job opportunities they create. MSMEs improve the income and livelihoods of skilled, semi-skilled, and unskilled workers while promoting inclusive growth through employment opportunities for women and migrant workers. The study identifies key challenges affecting MSME growth and employment. Its findings can help policymakers strengthen financial support, skill development, and infrastructure facilities. It also encourages entrepreneurship and self-employment among young people. Overall, the study provides useful insights for policymakers, entrepreneurs, students, and researchers and highlights the role of MSMEs in sustainable employment and regional development.

Objectives of the Study

- To study the role of MSMEs in generating employment opportunities in Tirupur.
- To analyze the number and type of jobs created by MSMEs in the textile and garment sector.
- To study the participation of women and migrant workers in MSME employment.
- To study the future prospects of MSMEs in creating sustainable employment.

SCOPE OF THE STUDY

The scope of this study is limited to examining the role of Micro, Small and Medium Enterprises (MSMEs) in generating employment in the textile and garment sector of Tirupur. The study focuses mainly on how MSME units create direct and indirect job opportunities, the types of employment provided to workers, and the impact of these jobs on income levels and living standards. It includes workers employed in different activities such as knitting, dyeing, stitching, printing, packaging, and related services connected with MSME operations.

The study also considers the participation of women, migrant workers, and local labour in MSMEs and examines the challenges faced by these enterprises in providing employment. However, the study is restricted to selected MSME units in Tirupur and does not cover large-scale industries or MSMEs in other regions. Even with these limitations, the study provides a clear understanding of how MSMEs contribute to employment and economic development in Tirupur.

LIMITATIONS OF THE STUDY

The present study has certain limitations. The study covers only a small sample of MSME units in Tirupur, which may limit the generalizability of the findings. The data is mainly based on respondents' answers, which may not always accurately reflect the actual situation. Limited time also restricted the detailed analysis of seasonal and long-term employment trends. Furthermore, the study primarily focuses on employment-related aspects and does not examine the financial performance of MSME units in depth. In addition, language barriers encountered while collecting data from migrant workers affected the extent and detail of information that could be gathered.

2. Research Methodology

In this study, the descriptive approach helps in analyzing the opinion and responses of the **91** respondents representing different types of MSMEs to ensure diversity selected through the Convenience Sampling method as Primary data. The Secondary data for this study was collected from various published sources such as books, research papers, journals, government reports, and online databases related to MSMEs and employment generation. The questionnaire included questions related to demographic details, employment patterns, working conditions, and challenges faced by employees. Responses were collected from employees, owners, and managers of various MSMEs in Tirupur. This method helped obtain first-hand, relevant, and reliable data to analyze the employment impact of MSMEs in the region.

Major Findings of the Study

The majority of respondents (63%) belong to the 21–30 age group, indicating that MSMEs in Tirupur primarily employ young adults in the workforce.

The workforce in MSMEs of Tirupur shows a relatively balanced gender distribution, with males (56%) slightly outnumbering females (44%).

The majority of respondents (86%) are employees, indicating that MSMEs in Tirupur predominantly engage working professionals rather than students or business owners.

Most respondents (71%) are undergraduates, indicating that MSMEs in Tirupur primarily employ individuals with basic higher education qualifications.

Most respondents (38%) earn between ₹25,001 and ₹50,000, indicating that MSMEs in Tirupur provide moderate income levels for the majority of their workforce.

A majority of respondents (66%) are unmarried, indicating that the workforce in MSMEs of Tirupur largely consists of young, single individuals.

The majority of respondents (71%) agree or strongly agree that MSMEs provide sufficient job opportunities, indicating a positive perception of MSMEs' role in employment generation in Tirupur.

A majority of respondents (68%) agree or strongly agree that MSMEs help reduce youth unemployment, highlighting the significant role of MSMEs in providing employment opportunities for young people in Tirupur.

A majority of respondents (67%) agree or strongly agree that the number of women workers in MSMEs has increased in recent years, indicating a positive trend in gender participation in Tirupur's MSME workforce.

A majority of respondents (71%) agree or strongly agree that MSMEs provide job opportunities for migrant workers, indicating that MSMEs in Tirupur play a key role in supporting employment for migrant labor.

A majority of respondents (73%) agree or strongly agree that they receive their salary regularly, indicating that MSMEs in Tirupur maintain timely wage payments for most employees.

A majority of respondents (65%) agree or strongly agree that they feel secure in their jobs, indicating that MSMEs in Tirupur provide a relatively stable work environment for employees.

A significant portion of respondents (59%) agree or strongly agree that MSMEs do not provide employment throughout the year, indicating that seasonal or temporary employment is common in Tirupur's MSME sector.

A majority of respondents (64%) agree or strongly agree that basic welfare facilities are available, indicating that MSMEs in Tirupur provide essential employee benefits, though some gaps still exist.

A majority of respondents (64%) agree or strongly agree that MSMEs provide part-time opportunities, indicating flexibility in employment options within Tirupur's MSME sector.

A majority of respondents (72%) agree or strongly agree that MSMEs create extra job opportunities during peak production seasons, indicating that employment in Tirupur's MSMEs increases to meet seasonal demand.

A majority of respondents (64%) agree or strongly agree that MSMEs provide apprenticeship opportunities for new workers, indicating that MSMEs in Tirupur support skill development and training for newcomers.

A majority of respondents (62%) agree or strongly agree that MSMEs provide employment opportunities for school dropouts, indicating that MSMEs in Tirupur support inclusive workforce participation.

A majority of respondents (66%) agree or strongly agree that the expansion of MSMEs in Tirupur will create more employment opportunities, indicating optimism about future job growth in the sector.

A majority of respondents (70%) agree that they would recommend others to work in MSMEs, indicating overall satisfaction and a positive perception of employment in Tirupur's MSME sector.

A Chi-Square Goodness-of-Fit test was conducted to examine whether there was a significant difference among the five response categories. The observed frequencies were 26, 34, 28, 1, and 2, with an expected frequency of 18.2 for each category. The calculated Chi-Square value was **53.01** with **4 degrees of freedom**. At the 5% level of significance, the table value was **9.488**. Since the calculated value of **53.01** is greater than the table value of **9.488**, the null hypothesis is rejected. Therefore, there is a significant difference among the respondents' opinions. The responses were predominantly positive, with **37.4% agreeing** and **28.6% strongly agreeing** with the statement.

3. SUGGESTIONS

Skill Development Programs: MSMEs should conduct regular skill training and technical workshops to improve worker productivity and employability.

Increase Women Employment: MSMEs should create safe workplaces, flexible hours, and maternity benefits to encourage more women participation.

Improve Wage Levels: Employers should revise salary structures based on cost of living to ensure fair wages for workers.

Provide Social Security Benefits: MSMEs should offer benefits like PF, ESI, insurance, and paid leave to improve employee welfare.

Government Support & Subsidies: Government should provide financial support, tax relief, and easy loans through schemes of the Ministry of Micro, Small and Medium Enterprises to help MSMEs expand and create more jobs.

Better Working Conditions: MSMEs should improve safety measures, ventilation, working hours, and hygiene facilities.

Support for Migrant Workers: MSMEs should provide accommodation support, language training, and fair treatment for migrant workers.

Apprenticeship and Internship Programs: MSMEs should collaborate with colleges and it is to give practical training to students.

Encourage Part-Time Opportunities: MSMEs should provide flexible jobs for students and homemakers to increase employment participation.

Expansion of MSMEs: Encouraging expansion and new MSME startups in Tirupur will create more employment opportunities and improve local economic growth.

4. CONCLUSION

The study clearly shows that MSMEs play a vital role in employment generation in Tirupur. Micro, Small, and Medium Enterprises (MSMEs) have emerged as a critical pillar of Tirupur's economy, particularly in providing employment opportunities to a diverse workforce. The study shows that MSMEs employ people across different age groups, educational backgrounds, and genders, creating jobs for young adults, migrant workers, women, and even school dropouts. Through regular salaries, part-time and seasonal opportunities, and basic welfare facilities, these enterprises ensure a level of economic stability for their employees. The data collected indicates that a significant majority of respondents are satisfied with their employment in MSMEs, feel secure in their jobs, and recognize the sector's contribution to reducing unemployment among youth and supporting inclusive workforce participation.

MSMEs also contribute significantly to skill development in Tirupur through apprenticeship programs, training for new workers, and on-the-job learning. These initiatives not only help employees gain practical skills but also strengthen

the overall productivity and competitiveness of the enterprises. While the study highlights positive aspects of employment in MSMEs, it also points to challenges such as seasonal employment, limited year-round job security, and occasional gaps in welfare measures.

Overall, it is evident that MSMEs play a strategic and indispensable role in Tirupur's socio-economic development. The expansion and strengthening of MSMEs have the potential to create even more employment opportunities, empower marginalized groups, and contribute to regional economic growth. The positive perception of employees, reflected in their willingness to recommend MSMEs as a workplace and optimism about future opportunities, further reinforces the importance of these enterprises.

Furthermore, the study highlights that the growth and success of MSMEs in Tirupur are closely linked to the overall development of the local community. By providing jobs, promoting skill development, and supporting women and marginalized groups, MSMEs not only improve individual livelihoods but also contribute to social stability and economic progress. Encouraging innovation, adopting modern technology, and expanding markets will further enhance the capacity of MSMEs to generate employment and strengthen the region's competitive advantage in the textile and garment sector. Therefore, continuous support from government policies, financial institutions, and community initiatives is essential to ensure that MSMEs continue to thrive and provide sustainable employment for years to come.

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