



# OPERATIONAL CONSTRAINTS FACED BY BUDDING ENTREPRENEURS IN SOUTH TAMILNADU – 2023 AN EMPIRICAL STUDY

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## ABSTRACT

Entrepreneurial endeavors in South Tamil Nadu have grown substantially, driven by the burgeoning support from governmental initiatives and a vibrant startup ecosystem. Despite this encouraging landscape, entrepreneurs continue to grapple with multifaceted challenges that could stifle their innovative pursuits. This paper delves into a comprehensive review and ranks the operational constraints perceived by entrepreneurs, aiming to shed light on the hurdles that hinder business growth and innovation within developing countries. Drawing upon empirical data, the study meticulously examines and summarizes entrepreneurs' key barriers, including limited access to capital, regulatory bottlenecks, infrastructural deficiencies, and the acute scarcity of skilled talent. By articulating these impediments, the research enhances our understanding of the entrepreneurial climate in South Tamil Nadu and advocates for strategic interventions to alleviate these constraints (Martins, 2020; Yoganandan & Vignesh, 2017). The ultimate goal is to pave the way for a more conducive entrepreneurial environment that nurtures innovation, facilitates ease of doing business, and propels economic growth.

**Keywords:** Entrepreneurship, Operational Constraints, Access to Capital, Regulatory Hurdles, Skill Shortage, and South Tamil Nadu

## I. Introduction

In India's current landscape, navigating the entrepreneurial path demands resilience, commitment, and unyielding effort. The nation's entrepreneurial sector has expanded substantially, significantly propelled by Make in India and Startup India initiatives. These programs have crafted a supportive backdrop, enabling budding entrepreneurs to unlock their potential fully (Sarkar, 2016). The surge in entrepreneurship is attributed to several key factors: the expansion of the middle-class workforce, seamless access to cutting-edge technology, and the proliferation of digital platforms. The number of startups achieving unicorn status, with valuations exceeding \$1 billion, has seen a remarkable increase in the last five years (Challenges and Opportunities Faced by Innovative Entrepreneurs in India, 2023). Furthermore, investments by global powerhouses like Google, Facebook, and Amazon have invigorated the entrepreneurial environment, encouraging more entrepreneurs to venture into and expand their businesses (Porter & Kramer, 2019).

### 1.1 Tamil Nadu has tripled its registered startup count from 2021: MSME minister

Tamil Nadu has seen a remarkable increase in registered startups since 2021, according to the State's MSME Minister, TM Anbarasan. As of now, the count has surged from approximately 2,300 in March 2021 to over 7,400. During the announcement made on Friday, Minister Anbarasan highlighted that Chennai-based startups alone attracted investments exceeding \$1.5 billion last year. Furthermore, he disclosed that the government has allocated Rs 42 billion to support 153 startups through various funding initiatives. These remarks were made at the unveiling of 'Startup Tamizha,' a business reality TV show aimed at identifying and funding 50 startups within the state through angel investors. Minister Anbarasan expressed ambition to elevate Tamil Nadu into the top 20 startup destinations globally, aiming to foster 10,000 startups by the 2024-25 timeframe. (Times of India, 2023)

### 1.2 Seventeen significant operational constraints in Indian entrepreneurs – 2023

1. **Limited Access to Capital:** For Indian entrepreneurs, especially early-stage startups, securing capital is a persistent challenge. The scarcity of funding options restricts their capacity to scale and seize new opportunities.



2. **Regulatory Hurdles:** Entrepreneurs frequently grapple with complex and cumbersome regulatory and legal frameworks, making license acquisition and bureaucracy navigation time-consuming and frustrating.
3. **Infrastructure and Logistics:** Inadequate physical and digital infrastructure, such as unreliable electricity, poor internet connectivity, and transportation issues, impede operational efficiency and growth.
4. **Talent Acquisition:** The need for more skilled labor poses a significant challenge, with the demand often surpassing supply, complicating the recruitment and retention of talented individuals.
5. **Limited Market Access:** Despite India's vast market potential, geographical and socio-economic diversity complicates customer outreach, distribution network building, and effective marketing strategy development.
6. **Competition:** The competitive landscape of the Indian entrepreneurial ecosystem necessitates differentiation and the development of sustainable business models to stand out among established entities and startups.
7. **Complex Tax Structure:** Navigating the intricate and ever-changing tax system, including GST compliance, poses a daunting task for startups.
8. **Inefficient Government Support:** Despite government initiatives to foster entrepreneurship, bureaucratic inefficiencies often hamper entrepreneurs' access to benefits and support.
9. **Limited Intellectual Property Protection:** The inadequacy of intellectual property laws and enforcement mechanisms leaves startups vulnerable to idea theft and infringement.
10. **Cultural Mindset:** A cultural predisposition towards stable employment and traditional career paths often discourages risk-taking and entrepreneurial ventures, making it challenging to persuade family and society of the viability of starting a business.
11. **Limited Support for R&D: More than sufficient support and funding for research and development curtails startups' ability to innovate and harness new technologies.**
12. **Inadequate Exit Options:** Entrepreneurs encounter obstacles when seeking to exit, with limited avenues for mergers, acquisitions, or

public offerings, complicating investment recovery and investor attraction.

**13. Changing Mindsets Towards Entrepreneurship:**

Shifting the perception of entrepreneurship as a viable career choice is essential. Promoting entrepreneurship education and innovation from an early age can cultivate a more conducive environment for startup formation.

**14. Technology Challenges:**

Staying abreast of rapidly evolving technology and digital trends is essential in today's business environment. Access to affordable and reliable technology can be difficult in specific sectors.

**15. Access to mentoring and networking:**

Start-ups may need access to experienced mentors or networks who can provide valuable advice and support.

**16. Market Fragmentation:**

India is a diverse country with multiple languages, cultures, and consumer preferences. Entrepreneurs may need to adapt their products and services to different regions and populations.

**17. Expansion Difficulties:**

Expanding a business can be difficult due to limited access to growth capital, operational scalability, and market saturation.

**1.3 Need for the Study:**

Despite the tremendous support for startups in India and Tamilnadu, the entrepreneurial journey still needs several constraints. Common challenges include difficulty raising capital, lack of guidance and resources for growth, and a complex regulatory environment. These are constraints that most entrepreneurs have dealt with in the past, and they will continue to be obstacles for the next generation. Since entrepreneurship is growing at the same time, most entrepreneurs face many operational constraints during the functions of business. This sample comprises empirical studies on operational constraints entrepreneurs face in India.

**1.4 Objectives of the Study**

- To analyze the operational constraints faced by entrepreneurs in Tamilnadu
- To analyze the experience of entrepreneurs and operational constraints faced by entrepreneurs
- To offer ranks and suggestions to overcome constraints for budding Entrepreneurs.

**II. Research Methodology**

**2.1 Sample Design**

The study is empirically based on the survey method. A random sampling technique was adopted to collect details



through questionnaires from Entrepreneurs.

### 2.2 Sample Size

The total number of entrepreneurs in Tamilnadu is 7400, announced by state MSME minister TM Anbarasan on Friday, 25 Nov 2023. Of the stated entrepreneurs, 154 were selected randomly for the empirical study.

### 2.3 Tools used for collection of Data and Analysis

Weighted Average method used for data analysis and interpretation data

### 2.4 Years of Experience of the Bank Employees

The entrepreneurs and their experience can create good problem-solving skills in daily business operations. For this reason, understanding the years of experience of entrepreneurs is essential. The greater the entrepreneurs' experience, the greater the operational constraints faced by banking products and problem-solving abilities.

**Table No. 1**  
**Experience of the Bank Employees**

Experience (in years)	No. of Respondents	Percentage
1	4	2.6
2	10	6.5
3	29	18.8
4	22	14.3
5	63	40.9
6	21	13.6
7-10	5	3.2
Total	154	100

**Source: Primary data**

The level of exposure and experience of entrepreneurs is displayed in the above table no. 1. A Maximum of 40.9 percent of the respondents have five years of experience in entrepreneurship, and 18.8 percent of the entrepreneurs have three years of experience in banking. Only 2.6 percent of the entrepreneurs have less than one year of experience.

## 2.5 Entrepreneurs' Opinion on the Most Encountered Operational Constraints:

All the entrepreneurs in south Tamilnadu face many challenges in their entrepreneurship journey. Here, the researcher listed 17 challenges to identify the most dominant ones. The table below expresses Entrepreneurs' Opinions on the Most Encountered operational constraints.

**Table No. 2**

**Entrepreneurs' Opinion on the Most Encountered Operational Constraints**

Sl.No.	PROBLEMS	Total score	Mean score	Rank
1	Limited Access to Capital	7909	51.357	VI
2	Regulatory hurdles	8871	57.604	II
3	Infrastructure and Logistics	9048	58.753	I
4	<b>Talent Acquisition</b>	6759	43.100	XIV
5	Limited market access	8070	52.403	V
6	Competition	8685	56.396	III
7	Complex tax structure	6905	44.838	XI
8	Inefficient government support	7553	49.045	VII
9	Limited Intellectual Property	6254	40.610	XIII
10	Cultural mindset	7185	46.656	VIII
11	Limited support for research and	6856	44.519	XII
12	Incorrect exit option	7161	46.500	IX
13	Changing mindsets towards	7090	46.039	X
14	Technology Challenges	6759	43.222	XVI
15	Access to mentoring and networking	8267	53.682	IV
16	Market Fragmentation	6638	42.890	XV
17	Expansion Difficulties	5880	41.23	XVII

**Source: Primary Data**

From the above table, all statements are ranked based on the mean perception score. From the ranking order, it is identified that **Infrastructure and Logistics** are major problems entrepreneurs face. Second place goes to regulatory **hurdles**, **third place is competition**, and last place is **expansion difficulties**.

Despite the positive trends, access to capital remains a significant hurdle for many startups. Early-stage entrepreneurs often struggle to secure the necessary funding to scale their ventures, several operational constraints. Limited



limiting their growth potential (The Office Pass, n.d.; Profitable Venture, n.d.). Regulatory hurdles further compound the challenges faced by these entrepreneurs. India's complex legal and regulatory framework makes it difficult for new businesses to navigate the bureaucratic landscape, often resulting in delays and additional costs (Yoganandan & Vignesh, 2017).

Infrastructure and logistics also present substantial barriers. Inadequate physical infrastructure, unreliable electricity, poor internet connectivity, and logistical challenges hinder operational efficiency and growth (Martins, 2020). Moreover, the acute scarcity of skilled talent exacerbates the situation. The demand for skilled labor often surpasses the supply, making it challenging for startups to recruit and retain talented individuals who can drive innovation and growth (Challenges and Opportunities Faced by Innovative Entrepreneurs in India, 2023).

### III. Findings and Suggestions:

Entrepreneurs face numerous hindrances, and the specific misfortune they will confront is challenging to anticipate. However, these seventeen constraints are logical. This is the way to manage and overcome each. The difficulties of beginning

entrepreneurship are notable. You would only be here if you considered what you are in for, as you may be overspending off the following application or fostering another drink. Before starting a business, review the challenges entrepreneurs face to avoid common rookie mistakes. Entrepreneurs will encounter difficulty en route, whether leaving on solopreneurship or infopreneurship or turning into the following Steve Occupations. If they decide to run your own business, here are some issues you will almost certainly encounter and how to deal with them.

- The study firmly says that most young and budding entrepreneurs face infrastructure and logistics constraints in the business and its process. Hence, the government has to focus more on infrastructure and logistics for entrepreneurs.
- An Entrepreneur might have the right stuff and energy to begin an organization, yet one significant factor in beginning a business is choosing what to sell. To begin, they might discover a need in their community that they could satisfy. They may benefit from the assistance of a marketing firm or independent researcher in conducting market research to

- determine which requirements exist and which ones they have the resources to meet.
- However, entrepreneurs might perceive an open door in a specific local area and explore the ideal way to offer it to that area. They might enlist an expert to make a showcasing plan or make one themselves. To do this, they can survey who their interest group is and what technique could best contact them. Establishing starting funds: If entrepreneurs open a business in a rural community where they know many people listen to the radio, they might create a digital advertisement to broadcast locally.
  - There are ways to raise money for entrepreneurs who start with less money. Their foundation may be a conventional bank loan or a federal small business loan. Assuming they intend to give an item or administration that they know has a critical interest as of now, they could begin a raising money crusade. Business visionaries who prefer a self-energized development model might begin by focusing on a small crowd and gradually working to serve more extensive client bases.
  - Since running an organization can be eccentric, a business person can remain ready by cautiously keeping a spending plan. They might do this by focusing on proficient showcasing techniques and distributing the rest per their exciting requirements. Surveying which costs are vital may assist business visionaries with changing their assets to prepare them more likely for changes. For instance, they might see that there is a more reasonable producer they can utilize and redistribute those reserve funds to address higher utility expenses.
  - It can take a ton of certainty to begin an organization and as much to run one. Business visionaries must keep up with certainty to lead and pursue fitting business choices. Business people might lay out lengthy and momentary objectives to follow and consider their prosperity. Maintaining a supportive community of employees and leadership may also be helpful. At the point when a business visionary is more sure, they might feel more ready to address difficulties.
  - Business people whose association is getting along nicely might consider collaborating with different





experts or organizations. However, this might assist them with distributing administration obligations and increment financing, and numerous considerations exist. To start with, business visionaries can evaluate areas of progress, whether an association could help, and how their abilities and characters could consolidate to help the association. It is essential to lay out the conditions of the organization with a legal counselor to safeguard every one of the gatherings' inclinations.

- After a business visionary lays out their business, they might arrive at a degree of progress where they need to grow. This phase of dealing with a business involves numerous contemplations, including sorting out a method for tending to more prominent interests, exploring new accomplices, and rethinking their jobs in the organization. A business person might amend existing cycles to address the organization's issues.
- While you are beginning to learn, entrepreneurs should sort out where they are promoting cash, which will get the most value for the money. Begin with free web-based

entertainment stages and evaluate a couple of draws near.

- Consider expansive, more capital-escalated approaches in light of a portion of the outcomes entrepreneurs see. Continuously start with a little promoting exertion and gather broad information and business measurements on different methodologies before going for it.
- Rivalry is an unavoidable truth in the business world. Separating your item or administration from the competition is fundamental to defeating the rivalry test. This can be accomplished by showcasing, marking, and assisting amazing clients. It is vital to remain informed about the opposition and consistently refine the procedures to remain ahead.
- Look for help and guidance from different business people to help you through the difficult stretches. Furthermore, it keeps sensations of uncertainty intact. Being honest with oneself and willing to learn from setbacks because they sometimes reveal issues that need to be fixed.
- Mishaps and disappointments are unavoidable in the realm of business. To beat these difficulties, it is fundamental to have a

development outlook, remain fixed on your objectives, and constantly gain from your encounters. Remember, disappointment is a valuable chance to learn and develop, not motivation to surrender.

The findings of this empirical study highlight the need for targeted interventions to alleviate the operational constraints entrepreneurs face in South Tamil Nadu. Addressing these challenges requires a multi-faceted approach involving governmental support and private-sector initiatives. Enhancing access to capital through more diverse funding options, simplifying the regulatory environment, improving infrastructure, and fostering skill development are critical areas of focus (Sarkar, 2016; Porter & Kramer, 2019). By tackling these issues, we can pave the way for a more vibrant and sustainable entrepreneurial ecosystem that supports business growth and innovation and contributes to the region's overall economic development.

#### **IV. Conclusion**

The operational constraints of entrepreneurship can be overcome with the right strategies and mindset. For instance, if a consulting firm uses software designed for a smaller client

list, it may better upgrade to one that suits a more extensive client base. By tending to the compels of the absence of capital and contest, using time productively, adjusting work and life, overseeing individuals, and beating difficulties and disappointments, entrepreneurs can accomplish long-haul development and achievement. Earnestly, with diligence and an uplifting outlook, you can transform your thoughts into a flourishing business and influence the world.

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