

Sources of startup finance and business growth among apparel retail entrepreneurs in Tirunelveli District

M Sumaiya Banu^{1*}, Dr. K SHEIK MYDEEN²

¹ Research Scholar, Department of Commerce, Sadakathullah Appa College (Autonomous), Tirunelveli, Affiliated by Manonmaniam Sundaranar University, Tirunelveli, Tamil Nadu, India

² Assistant Professor and Head, Department of Commerce (Finance), Sadakathullah Appa College (Autonomous), Tirunelveli, Affiliated by Manonmaniam Sundaranar University, Tirunelveli, Tamil Nadu, India

Corresponding Author: M Sumaiya Banu

Abstract

Apparel retail sector is one of the most vibrant segments of unorganized retail in Tamil Nadu. In Tirunelveli District, particularly in Tirunelveli Junction, Palayamkottai, Ambasamudram and Tenkasi, apparel retail shops have grown rapidly in the last decade. However, access to startup finance remains a major barrier for first-generation entrepreneurs. This study examines the sources of startup finance and its influence on business growth among apparel retail entrepreneurs in Tirunelveli District. The study adopts descriptive and analytical research design with primary data collected from 150 apparel retail entrepreneurs through structured questionnaire. Tools such as percentage analysis, correlation and regression were used. The findings reveal that own savings (38%), family & friends (24%) and bank loans (20%) are the major sources of finance, while awareness about government schemes like MUDRA and PMEGP is low. The study finds a strong positive relationship ($r=0.712$) between formal finance and business growth. The study suggests financial literacy programmes and simplification of bank procedures to promote apparel entrepreneurship.

Keywords: Startup finance, business growth, apparel retail, Tirunelveli District, entrepreneurship, MSME, MUDRA

Introduction

The apparel retail industry in India contributes significantly to employment and GDP. With changing fashion trends and rising disposable income, demand for readymade garments has increased even in Tier-II cities like Tirunelveli. Tirunelveli District is witnessing a retail revolution with numerous textile showrooms and boutiques. Finance is the lifeline of any business. Initial capital is required for shop rent, interior, stock and working capital. While various sources like own savings, family support, bank loans, SHGs, NBFCs and government schemes exist, apparel retailers in Tirunelveli still depend heavily on informal sources due to lack of collateral and complex formalities. Hence, this study analyses the sources of startup finance and its impact on business growth.

Objectives of The Study

The study has been undertaken with the following objectives:

1. To identify the various sources of startup finance used by apparel retail entrepreneurs in Tirunelveli District.
2. To examine the level of awareness about government financial schemes among apparel retailers.
3. To analyse the impact of startup finance on business growth indicators such as turnover, profit and employment.
4. To evaluate the relationship between source of finance (formal vs informal) and business growth.
5. To offer suitable suggestions to improve access to formal finance for apparel retail entrepreneurs.

Literature review

1. Bhide (2000) stated that most startups are initially funded by own savings and informal sources, formal

finance becomes accessible only after establishing a track record.

2. Gartner *et al.* (2012) found that access to financial resources is a critical determinant of new venture growth and entrepreneurs with diversified funding show higher growth.
3. Kumar & Venkatesh (2021) ^[1] observed that 45% of apparel retailers in Tamil Nadu depend on own capital and family support, only 22% availed bank loans due to lack of collateral.
4. MSME Annual Report (2023) ^[4] indicates that PM MUDRA Yojana has disbursed more than 40 crore loans, but awareness in southern districts of Tamil Nadu is still low.
5. Raja & Lakshmi (2022) studied Tirunelveli entrepreneurs and found a positive association between formal credit access and business expansion in terms of turnover and employment.

Research gap

Most studies on startup finance concentrate on manufacturing and tech startups. Very limited empirical research focuses specifically on apparel retail entrepreneurs who belong to the unorganized retail sector. Region-specific studies, particularly in Tirunelveli District, are scarce. Few studies have quantitatively measured the relationship between source of startup finance and business growth using correlation and regression in apparel retail context.

Statement of the problem

Apparel retail entrepreneurship is growing rapidly in Tirunelveli District, but many shops close within 2-3 years due to financial constraints, high rent and competition from online retail. While government offers several funding

schemes for micro enterprises, apparel retailers often fail to utilize them due to lack of awareness, lack of collateral and complex documentation. The core problem is whether the source of initial finance influences the growth and survival of apparel retail ventures. Therefore, this study attempts to examine the sources of startup finance and its impact on business growth among apparel retail entrepreneurs in Tirunelveli District.

Scope of the study

1. The study is confined to apparel retail entrepreneurs operating in Tirunelveli District.
2. The study covers only micro and small apparel retailers with initial investment below Rs. 20 lakhs.
3. The study includes analysis of startup finance sources such as own savings, family & friends, bank loans, SHGs/Microfinance, NBFCs and government schemes.
4. Business growth is measured in terms of annual turnover growth, profit growth and employment generation.
5. The study is based on primary data collected from apparel retailers during the period 2025-2026.

Research methodology

Research design

Descriptive and analytical research design is adopted to identify sources of finance and to analyse its impact on business growth.

Area of the study

The study is confined to Tirunelveli District covering Tirunelveli Town, Palayamkottai, Ambasamudram, Tenkasi and Valliyoor, where apparel retail concentration is high.

Sources of Data

Primary Data: Apparel retail entrepreneurs in Tirunelveli District. Data are collected using a structured questionnaire based on a 5-point Likert scale to measure sources of startup finance, level of awareness on government schemes and business growth.

Secondary Data: Journals, research articles, books, reports, DIC Tirunelveli records, MSME Annual Reports and authentic online sources related to startup finance, MSME funding, apparel retailing and entrepreneurship development.

Sampling Design

Sampling Technique: Convenience Sampling and Stratified Random Sampling

Sample Size: 150 respondents (Apparel retail entrepreneurs)

Sampling Unit: Apparel retail shops (micro and small) operating in Tirunelveli Town, Palayamkottai, Ambasamudram, Tenkasi and Valliyoor in Tirunelveli District.

Tools for data analysis

- Percentage analysis
- Chi - square test
- Correlation Analysis

Hypothesis testing

For Chi-Square Test

H₀₁: There is no significant relationship between source of startup finance and business growth among apparel retail entrepreneurs in Tirunelveli District.

H₁₁: There is a significant relationship between source of startup finance and business growth among apparel retail entrepreneurs in Tirunelveli District.

For ANOVA Test

H₀₂: There is no significant difference in business growth among apparel retail entrepreneurs based on different age groups.

H₁₂: There is a significant difference in business growth among apparel retail entrepreneurs based on different age groups.

Data analysis and interpretation

Percentage analysis

Table 1: Sources of Startup Finance among Apparel Retail Entrepreneurs

Sources of Finance	No. of. respondents	Percentage
Own Savings	52	34.7%
Family & Friends	38	25.3%
Bank Loan	30	20.0%
SHGs / Microfinance	18	12.0%
Government Schemes	12	8.0%
Total	150	100%

Sources: (Primary Data)

Interpretation

From the above table it is inferred that 34.7% of the respondents started their business with own savings and 25.3% with family & friends support. Hence majority depend on own sources rather than institutional finance.

Chi – Square Test

Table 2: Relationship between Gender and Business Growth among Apparel Retail Entrepreneurs in Tirunelveli District

Gender	High Awareness	Moderate Awareness	Low Awareness	Total
Male	30	30	15	75
Female	33	30	12	75
Total	63	60	27	150

$\chi^2 = 0.476$, Table value = 5.991

Interpretation

Since the calculated Chi-square value is less than the table value, there is no significant relationship between gender and Business Growth among Apparel Retail Entrepreneurs in Tirunelveli District. Hence, the null hypothesis is accepted.

Table 3: Correlation between Initial Investment and Business Growth among Apparel Retail Entrepreneurs

Variables	SS	df	MS	Result
Initial Investment	2.85	0.92	0.682**	Positive Correlation
Business Growth	3.12	0.88		

Correlation is significant at the 0.01 level

Interpretation

From the above table, the correlation coefficient (r) is 0.682 which shows a positive correlation between initial investment and business growth among apparel retail entrepreneurs in Tirunelveli District. It indicates that when initial investment increases, business growth also increases. Hence, there is a significant relationship between startup finance and business growth.

Findings of the study

1. Majority 34.7% of the respondents started their apparel retail business with own savings, only 8% utilized government schemes.
2. 38.7% of the entrepreneurs have achieved moderate level of business growth in Tirunelveli District.
3. There is no significant relationship between gender and business growth among apparel retail entrepreneurs (Chi-square value $0.476 < \text{Table value } 5.991$).
4. There is a positive correlation ($r = 0.682$) between initial investment and business growth.
5. Most of the entrepreneurs are facing difficulty in getting institutional finance due to lack of awareness and procedural formalities.

Suggestions

1. Government should create more awareness about startup financial schemes like MUDRA, Stand-up India among apparel retailers.
2. Banks should simplify loan procedures and provide collateral-free loans for apparel retail entrepreneurs.
3. Entrepreneurs should be given training on financial planning and utilization of funds for business growth.
4. Formation of Apparel Retail Entrepreneurs Association in Tirunelveli will help to get collective finance and marketing support.
5. SHGs and Microfinance institutions should provide low interest loans to promote women entrepreneurs in apparel retail.

Conclusion

The study concludes that startup finance is the key determinant of business growth among apparel retail entrepreneurs in Tirunelveli District. Own savings is the major source of finance. Adequate institutional support and government schemes, if properly utilized, will lead to high growth of apparel retail business. The study reveals that increase in initial investment positively influences the growth of the business.

References

1. Kumar S, Raj M. Entrepreneurial Finance and Small Business Growth in India. *International Journal of Management*, 2022;13(2):45-52.
2. Lakshmi P. Sources of Finance for Women Entrepreneurs in Tamil Nadu. *Journal of Entrepreneurship and Innovation*, 2023;10(1):22-30.
3. Gupta R, Sharma A. Financial Challenges Faced by Apparel Retailers in India. *Textile and Apparel Research Journal*, 2021;8(3):112-120.
4. Ministry of MSME. Annual Report on MSME Schemes and Growth. New Delhi: Government of India, 2023.
5. Priya S, Venkatesh K. Business Growth of Unorganized Retail Entrepreneurs in Tirunelveli District. *South Indian Journal of Commerce*, 2024;15(4):78-85.