

Quote by Raksha Sharda, Vice President, Primus Partners

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From local strength to global supply chains: The challenges before Tamil Nadu MSMEs

Despite the benefits of a cluster-based industrial ecosystem, MSMEs in Tamil Nadu continue to face challenges such as limited awareness of government schemes, cumbersome processes, and a higher dependence on exports, which hold them back from realising their full growth potential.

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Tamil Nadu, the second-largest state economy after Maharashtra with Rs 35.29 lakh crore gross state domestic product (GSDP) in 2025-26, has a flourishing MSME (micro, small, and medium enterprise) ecosystem. Spread across sectors such as textiles,

automotive, engineering, food processing, leather, and electronics, the state has more than 62.2 lakh registered MSMEs, as per data from Udyam.

But while Tamil Nadu has all the ingredients of a strong MSME ecosystem starting from a deep manufacturing base, established industrial clusters, skilled talent, and a growing presence across sectors, MSMEs in the state still grapple with challenges relating to limited awareness of government schemes, cumbersome processes, and a higher dependence on exports.

Raksha Sharda, Vice President, Primus Partners, says Tamil Nadu benefits from a broader presence of its cluster-based industrial ecosystem. “Unlike ecosystems concentrated around a few large cities, Tamil Nadu has developed specialised clusters across multiple regions, creating strong supplier networks and local capabilities. This gives its MSMEs a natural advantage in moving from standalone enterprises to globally integrated value chains.”

The challenge now, she says, is to move from scale to productivity, technology adoption, and global market readiness, particularly among microenterprises. “The objective should shift from simply creating more MSMEs to creating more globally competitive MSMEs. This requires a focused agenda around Industry 4.0 adoption, quality certification, product design, research & development (R&D), export readiness, and integration with global supply chains. Tamil Nadu should identify high-potential clusters and provide shared testing, technology, design, and market-access infrastructure, allowing smaller firms to achieve capabilities that would otherwise be unaffordable individually,” she emphasises.

Industry stakeholders also support her views. K.E. Raghunathan, National Chairman, Association of Indian Entrepreneurs, says that one major challenge is the excessive dependence on exports across sectors. “Tamil Nadu has traditionally had strong export markets. Textiles, leather, and several other sectors are export-oriented. The challenges include fluctuations in dollar exchange rates and the high cost of manufacturing in Tamil Nadu. Land costs are high, and labour costs have also increased. Electricity tariffs have gone up, so the overall operational cost is becoming a challenge,” he says.

Raghunathan says that another challenge for Tamil Nadu is the growing cost advantage Andhra Pradesh offers manufacturing, driven by lower land prices. “Andhra is also taking a decentralised approach to its expansion plans, and a lot of corporate investment is coming into Andhra that we are currently missing out on in Tamil Nadu.”

Raghunathan believes marketing support should be planned to radically improve things on the ground. He suggests that the government immediately launch a ‘Made in Tamil

Nadu' campaign and set up facilitation counters in markets where India has favourable free trade agreements (FTAs).

Another factor impeding MSME growth in the state is the lack of awareness regarding available schemes for the sector. Sridevi Arunachalam, Founder of the Indo-UAE Economic Chamber of Commerce, says there is insufficient know-how on how to apply for them and approach the relevant authorities to access such schemes. "That awareness is not really available to everyone. When it comes to the benefits, people approaching the MSME department and trying to access these opportunities do have possibilities. But there are still a lot of procedures involved. The process is not very user-friendly. It can become a long and tedious process," she says.

Arunachalam says that the government needs to increase its outreach programmes and create more platforms where entrepreneurs can engage with officials. "They should clearly tell entrepreneurs how much funding is available and what schemes have already been allocated for them. That is largely missing. At the end of the day, the government says it is doing a lot and that people are not availing themselves of the schemes. But how will people avail themselves of them if they don't know about them? That is the catch-22," she rationalises.

Taking note of such aspects can also help position Tamil Nadu as a significant global MSME hub. Sharda of Primus Partners says that Tamil Nadu should position its MSME strategy around one central ambition: making the state a global production and innovation platform, not merely a large base of small enterprises. "The next phase will depend on helping MSMEs scale, adopt technology, and become suppliers to global value chains. If finance, technology, skills, and market access are brought together at the cluster level, Tamil Nadu can convert its existing industrial depth into a significant global competitive advantage," she elucidates.