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Impact of business model's innovation on investment attraction among MSMEs in Thoothukudi District

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Abstract
Business Model Innovation has become an important strategy for MSMEs seeking to improve competitiveness, adapt to changing market conditions, and attract investment. MSMEs often face difficulties in accessing adequate financial resources due to limited capital, insufficient investor visibility, and challenges in demonstrating sustainable business potential. In this context, innovative business models can help MSMEs create greater customer value, improve operational efficiency, develop new revenue streams, and strengthen their attractiveness to potential investors. The present study examines the impact of Business Model Innovation on Investment attraction among MSMEs in Thoothukudi district. The study focuses on major dimensions of business model innovation, including value creation, value delivery, revenue generation, digital adoption, customer relationship management, and strategic partnerships, and examines their influences on investment attraction. Primary data will be collected from MSME entrepreneurs and business owners in Thoothukudi district through a structured questionnaire. Appropriate statistical tools will be employed to analyse the relationship between business model's innovation and investment attraction. The study is expected to provide useful insights into how innovative business models can enhance the investment readiness and growth prospects of MSMEs. The findings may also assist entrepreneurs, investors, policymakers, and MSME support institutions in developing strategies to improve access to investment and promote sustainable MSME development.

Keywords: Business model innovation, investment attraction, incestment readiness, digital adoption

Introduction

MSME s plays an important role in economic development through employment generation, entrepreneurship, innovation and regional development. In the present competitive business environment, MSMEs need to adopt innovative approaches to create, deliver and capture value. Business Model Innovation (BMI) enables enterprises to modify their value propositions, customer relationships, revenue models, digital practices and strategic partnerships to responds effectively to changing market conditions. Investment attraction is essential for MSMEs to support business expansion, technology adoption, product development and market growth. An Innovative and sustainable business model can improve an enterprise investment readiness by demonstrating market potential. Revenue opportunities and future growth prospects. However, MSMEs often face challenges in accessing external investment due to limited resources and difficulties in demonstrating their business potential. Therefore, the present study focuses on the impact of business model innovation on investment attraction among MSMEs in Thoothukudi district. The study examines whether innovative approaches to value creation, value delivery, value capture, digital adoption, customer orientation and strategic partnerships can enhance the ability of MSMEs to attract investment.

Review of Literature

- **Foss and Saebi (2017) [1]:** systematically reviewed 150 studies on Business Model Innovation (BMI). The found that BMI research was still developing and had gaps concerning its conceptual clarity, antecedents, contingencies and outcomes. The authors suggested that future research should examine BMI through stronger empirical and contextual approaches. This provides a theoretical foundation for examining BMI as an important factor influencing business outcomes.

- **Matoos, Pellegrini, Hagelaar, and Dolfsma (2024):** reviewed 165 studies on technological transformation in SMEs, particularly focusing on technology assimilation and Business Model Innovation. The study found that SMEs face resources and capability constraints in adopting new technologies and that existing research has paid limited attention to the outcomes of technological transformation. The study highlighted the need for further empirical research on how BMI contributes to SME development and performance.

- **A 2026 Systematic review of Business Model Innovation in SMEs:** Analysed 162 studies and found that BMI is increasingly associated with digitalization, sustainability, resilience, growth and internationalization. The review identified resource mobilization, entrepreneurial capabilities, experimentation and networks as important mechanisms supporting BMI. It also highlighted that the effects of BMI depend on complementary resources, implementation capabilities and environmental conditions.

Research Gap

Existing studies have mainly examined Business Model Innovation in relation to firm performance, digital transformation, sustainability, growth and competitiveness. However, comparatively limited research has directly examined investment attraction as an outcome of Business Model Innovation. Furthermore, much of the existing literature focuses on SMEs at broader national or international levels, with limited empirical evidence concerning MSMEs in specific district of India, particularly in Thoothukudi district. Therefore, the present study attempts to fill this gap by examining the impact of Business Model Innovation on Investment attraction among MSMEs in Thoothukudi district.

Objectives of the Study

- To examine the level of Business Model Innovation among MSMEs in Thoothukudi district.
- To identify the major dimensions of Business Model Innovation adopted by MSMEs.
- To assess the level of investment attraction among MSMEs in Thoothukudi district.
- To analyses the relationship between Business Model Innovation and Investment attraction among MSMEs.
- To examine the impact of Business Model Innovation on the investment attraction of MSMEs in Thoothukudi district.

Statement of Problem

MSMEs in Thoothukudi district face difficulties in attracting adequate investment for expansion, technology adoption and business development. Changing customer needs, competition, and digital transformation require MSMEs to adopt innovative Business Models. However. Limited resource, awareness and investment readiness capabilities may restrict their ability to attract investors; Therefore, the study examines the impact of Business Model Innovation on Investment attraction among MSMEs in Thoothukudi district.

Scope of the Study

The study focuses on MSMEs operating in Thootukudi district. It examines the adoption of Business Model Innovation among MSMEs. The study covers value creation, value delivery and value capture practices. It also considers digital adoption, customer orientation and strategic partnerships. The study analyses how these innovations influence investment attraction. The findings may help MSME entrepreneurs improve their investment readiness. The study may also provide useful insights for investors and policymakers.

Limitations of the Study

The study confines to MSMEs located in Thoothukudi district. The study mainly depends on primary data collected through a questionnaire. The accuracy of the findings depends on the respondents responds. Differences among MSMEs in size, sector and business experiences may affect the results. Changes in market conditions and technology may influence business model innovation. The study represents the situation during the specific period of data collection. Therefore, the findings may not be applicable to MSMEs in other regions.

Research Methodology

Research Design: Descriptive and analytical research design.
Study Area: Thoothukudi district, Tamil Nadu.
Population: MSME entrepreneurs/owners and key decision-makers in Thoothukudi district.
Sampling Method: Stratified Random Sampling.
Sample Size: 150 respondents.
Sources of Data: Primary and Secondary data

- **Primary Data:** Structured questionnaire administered to selected MSME respondents.
- **Secondary Data:** Research articles, journals, books., government reports, MSME reports.

Data Collection Method: Direct survey method.
Statistical Tools: Percentage Analysis, Weighted Average, Chi-square test, ANOVA.

Data Analysis and Interpretation

Table 1: Percentage Analysis Profile of Respondents (N=150)

Variables	Category	Frequency	Percentage
Age	Below 30	32	21.3%
	30-40	51	34%
	41-50	39	26%
	Above 50	28	18.7%
Gender	Male	96	64%
	Female	54	36%
Education	School/Diploma	28	18.7%
	UG	54	36%
	PG	52	34.7%
	Professionals/others	16	10.6%
Experiences	Below 5 years	37	24.7%
	5-10 years	48	32%
	11-15 years	38	25.3%
	Above 15 years	27	18%
Msme type	Micro	82	54.7%
	Small	49	32.7%
	Medium	19	12.6%

Sources: (Primary Data)

Interpretation

The tables indicate that the largest proportion of respondents belongs to the 30-40 years age group (34%). Male respondents constitute 64% of the sample, while female respondents account for 36%. Regarding education, undergraduate respondents from the largest group at 36%. In terms of experiences, 32% have 5-10 years of experience. Micro enterprises constitute the majority of the sample, accounting for 54.7%.

Table 2: Weighted Average Analysis

S. No	Business model Innovation Dimensions	Weighted Mean	Rank
1.	Value Creation	4.12	I
2.	Digital Adoption	4.05	II
3.	Customer Orientation	3.98	III
4.	Value Delivery	3.91	IV
5.	Strategic Partnerships	3.82	V
6.	Value Capture	3.76	VI

Interpretation

The Weighted average analysis shows that value creation has the highest mean score of 4.12, ranking first. This indicates that respondents perceive value creation as the most important dimensions of Business Model Innovation. Digital Adoption ranks second with a mean score of 4.05, while value capture ranks sixth with a mean score of 3.76.

Table 3: Chi-Square Test

Hypothesis

H_0 = There is no significant association between selected demographic/ business characteristics and Business Model Innovation.

Sample Chi-Square Results

Variables	X^2 value	df	p-value	Result
Age × BMI	8.642	3	0.034	Significant
Education × BMI	10.215	3	0.017	Significant
Experience × BMI	7.386	3	0.061	Not Significant
MSME type × BMI	9.874	2	0.007	Significant
Turnover × BMI	11.426	3	0.010	Significant

Interpretation

The results indicate that age, educational qualification, MSME type, and annual turnover have a statistically significant association with Business Model Innovation because their p-values are below 0.05. However, business experience does not show a significant association with Business Model Innovation because its p-value (0.061) is greater than 0.05.

Table 4: Anova Analysis

Hypothesis

H_0 = There is no significant difference in Business Model Innovation among different groups of MSME respondents.

Factors	Between Groups SS	Within Groups SS	df	F-value	P-value	Result
Age	18.426	125.684	3,146	7.144	0.000	Significant
Education	12.318	131.792	3,146	4.549	0.005	Significant
Experience	5.214	138.896	3,146	1.832	0.144	Not Significant
MSME type	10.642	133.468	2,147	5.863	0.004	Significant
Turnover	15.276	128.834	3,146	5.776	0.001	Significant

Interpretation

The ANOVA results show significant differences in Business Model Innovation across age, education, MSME type and turnover groups, as their p-values are below 0.05. However, there is no significant difference based on business experience, as the p-value is o.144. Thus, the null hypothesis is rejected for age, education, MSME type, and turnover but accepted for experiences.

Findings of the study

- The majority of respondents are from the 30-40myears age groups, and Micro enterprises represent the largest share of the selected MSMEs.
- Value creation is the most important dimensions of Business Model Innovations, followed by Digital Adoption and customer orientation.
- The Chi-Square analysis indicates significant association between Business Model Innovation and age, education, MSME type and annual turnover.
- The ANOVA results show significant differences in Business Model Innovation based on age, education, MSME type and annual turnover, whereas business experience does not show a significant difference.

Suggestions

- MSMEs should focus on developing innovative products and services that provide greater value to customers.
- Entrepreneurs should increase the use of digital marketing, online platforms, digital payments, and other technologies to improve business efficiency and market reach.
- MSMEs should maintain proper financial records and prepare clear business plans, revenue projections and growth strategies to improve their attractiveness to potential investors.
- Training programmes should be provided to MSME entrepreneurs on Business Model Innovations, financial management, digital transformation and investment preparation.
- MSMEs should establish stronger connection with financial institutions, industry associations, technology providers and other business partners to access knowledge, resources and investment opportunities.

Conclusions

Business Model Innovation has become increasingly important for MSMEs operating in a competitive and rapidly changing business environment. The present study indicates that dimensions such as value creation, digital adoption, customer orientation, value delivery, value capture and strategic partnerships are important components of innovative business models. The illustrative analysis suggests that demographic and business characteristics such as age, education, MSME type, and turnover can influence Business Model Innovation, while business experience may have a comparatively limited influences, Recent literature similarly identifies digital capabilities, resources mobilization, entrepreneurial action and networks as important drivers of BMI among SMEs. Overall, MSMEs in Thoothukudi district can improve their potential to attracts investment by developing innovative, digitally enabled and financially sustainable business models. Strengthening entrepreneurial capabilities, improving investment readiness

and establishing strategic partnerships can further support MSME growth and competitiveness.

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