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Critical Drivers for Enhancing Organizational Performance in Textile MSMEs: Insights from Literature Review

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Abstract

Purpose: The textile sector, particularly Micro, Small, and Medium Enterprises (MSMEs), is a cornerstone of global economic development. This study aims to identify and analyse the critical factors influencing organizational performance in this sector, with a focus on sustainability, technology adoption, knowledge management, employee empowerment, supply chain optimization, human resource development, and supportive policy frameworks. **Methodology:** This article synthesizes recent research studies, leveraging qualitative and quantitative data to highlight the trends, challenges, and opportunities for enhancing performance in textile MSMEs. A systematic review approach was used to aggregate insights from peer-reviewed journals, industry reports, and case studies. **Findings:** Key drivers of improved organizational performance in textile MSMEs include the adoption of sustainable practices, the integration of advanced technologies such as IoT and AI, effective knowledge-sharing mechanisms, employee empowerment initiatives, and optimized supply chain management. Additionally, the study emphasizes the importance of supportive government policies and industry collaboration in overcoming sector-specific challenges. **Implications:** The findings provide actionable insights for policymakers, industry leaders, and MSME owners to implement targeted strategies that enhance competitiveness and resilience. Emphasizing sustainability, digital transformation, and workforce development can drive long-term growth and enable MSMEs to adapt to the evolving demands of global markets. **Originality:** This article consolidates cutting-edge research from 2020 to 2025, offering a comprehensive perspective on the factors critical to the performance of textile MSMEs. It contributes to the literature by bridging the gap between theoretical frameworks and practical applications, providing a roadmap for future interventions and policy development in the textile industry.

Keywords: Textile Sector, MSMEs, Organizational Performance, Technology Adoption, Knowledge Management, Supply Chain Optimization

Introduction

The textile sector is a vital contributor to many economies, especially in developing countries. MSMEs, which account for a significant portion of this industry, play a crucial role in employment generation and economic development. Despite their potential, MSMEs in the textile sector face several challenges, including resource constraints, market volatility, and technological disruptions. To address these challenges and improve organizational performance, it is essential to identify and implement key performance-enhancing factors. This paper explores such factors, integrating insights from studies conducted.

Factors Impacting Organizational Performance of Textile MSMEs:

1. Sustainability and Green Practices:

Sustainability has emerged as a cornerstone of organizational performance. Integrating green practices into core operations enhances not only environmental outcomes but also financial performance. (Jabeen *et al.*, 2020), found that Pakistani textile MSMEs leveraging green innovation and green finance reported significant improvements in efficiency and profitability. Additionally, adopting green supply chain management practices positively impacts brand equity and customer loyalty, as demonstrated by (Chatterjee and Kar, 2021), in the Indian context.

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Sustainability is no longer optional but a necessity for MSMEs in the textile sector. Green practices, including eco-friendly manufacturing, waste management, and energy efficiency, have been linked to improved organizational performance. (Jabeen et al., 2020), demonstrated that sustainability initiatives not only reduce costs but also enhance brand reputation and customer loyalty. Moreover, government incentives for adopting green technologies have further incentivized MSMEs to invest in sustainable practices, (European Commission, 2023).

Green practices encompass a range of initiatives, including the use of eco-friendly raw materials, energy-efficient production processes, and waste reduction strategies. For instance, textile MSMEs that switch to organic cotton or recycled fibres not only reduce their environmental footprint but also meet the growing demand for sustainable products, (Gupta & Verma, 2022). Energy-efficient technologies, such as solar-powered machinery, have been shown to reduce operational costs significantly while minimizing carbon emissions, (Sharma et al., 2023).

Furthermore, implementing green certifications, such as the Global Organic Textile Standard (GOTS) and OEKO-TEX®, enhances marketability and consumer trust, (Kumar et al., 2022). These certifications ensure compliance with international environmental and social standards, enabling MSMEs to access premium markets. Companies that engage in transparent reporting of their sustainability initiatives through frameworks like the Global Reporting Initiative (GRI) have also experienced increased investor confidence and stakeholder engagement, (Singh & Narayan, 2023).

Collaboration with supply chain partners to adopt sustainable practices is equally vital. (Javed and Ahmed, 2021), highlighted that green procurement—sourcing materials and services from environmentally responsible suppliers—contributes to cost savings and reduces supply chain disruptions. Similarly, reverse logistics practices, such as recycling and reusing waste materials, have been linked to improved resource efficiency and lower production costs, (Patel et al., 2024).

Government incentives and regulatory support play a crucial role in driving sustainability among textile MSMEs. Subsidies for renewable energy installations, tax benefits for eco-friendly initiatives, and grants for research into sustainable technologies have encouraged MSMEs to invest in green practices, (European Commission, 2023). Countries such as Bangladesh have introduced green finance programs, where banks offer preferential loan terms to businesses that adopt environmentally sustainable practices, (Rahman & Chowdhury, 2023).

The integration of digital tools, such as IoT and block-chain, has further facilitated the implementation of green practices. IoT-enabled sensors allow real-time monitoring of energy and water usage, enabling MSMEs to identify inefficiencies and reduce waste, (Choi & Kim, 2022). Block-chain technology enhances transparency in supply chains by providing

verifiable records of sustainable sourcing and ethical practices, (Suri & Gupta, 2024).

In conclusion, sustainability and green practices are no longer optional for textile MSMEs but are integral to achieving long-term organizational performance. By adopting a holistic approach to sustainability that includes eco-friendly materials, energy-efficient technologies, and collaborative supply chain practices, MSMEs can achieve environmental, social, and financial benefits.

2. Innovation and Product Development:

Innovation is a cornerstone of organizational performance, enabling MSMEs to differentiate themselves in competitive markets. Studies indicate that innovation in product design, manufacturing processes, and business models significantly enhances performance. For instance, (Kumar et al., 2023), reported that MSMEs adopting innovative practices in textile design and production achieved a 15-20% increase in market share. Additionally, digital innovation, such as 3D printing and AI-driven textile design, has streamlined operations and improved product quality, (Zhang et al., 2022).

3. Leadership and Organizational Culture:

Effective leadership and a supportive organizational culture are essential for driving performance improvements. Transformational leadership, in particular, fosters a shared vision and motivates employees to achieve organizational goals. (Chatterjee and Kar, 2021), found that leadership styles emphasizing employee engagement and collaboration led to higher productivity and innovation in Indian textile MSMEs. Furthermore, creating a culture of continuous learning and adaptability has been identified as a key driver of success, (Kapoor & Malik, 2021).

4. Technology Adoption and Digital Transformation:

Technological advancements, including automation, artificial intelligence (AI), and block-chain, are revolutionizing the textile industry. (Kumar et al., 2023), showed that the adoption of AI-based demand forecasting reduced production waste and improved inventory management in Indian MSMEs. Similarly, block-chain technology enhances transparency and trust in supply chain operations, (Suri & Gupta, 2024). Embracing Industry 4.0 technologies enables MSMEs to enhance operational efficiency, reduce costs, and adapt to market demands.

The adoption of advanced technologies has become indispensable for MSMEs aiming to improve efficiency and competitiveness. Automation, artificial intelligence, and block-chain technology are transforming traditional textile processes. (Kumar et al., 2023) highlighted that AI-driven inventory management systems reduced operational costs by 12% in MSMEs. Similarly, block-chain technology has enhanced supply chain transparency, fostering trust among stakeholders, (Suri & Gupta, 2024). These advancements enable MSMEs to respond effectively to market demands and regulatory requirements.

Digital transformation has enabled MSMEs to optimize production processes, reduce errors, and increase scalability. For example, AI-powered quality control systems can identify defects in textiles with high precision, reducing waste and ensuring consistent product quality, (Singh et al., 2023). Automation of manufacturing tasks, such as weaving and dyeing, has also reduced labour costs while maintaining efficiency, (Sharma et al., 2023).

The Internet of Things (IoT) plays a crucial role in enabling real-time monitoring and predictive maintenance of machinery. IoT devices collect data on equipment performance, helping MSMEs identify potential breakdowns before they occur, thereby reducing downtime and maintenance costs, (Chen & Wang, 2022). Furthermore, IoT-driven inventory management systems improve supply chain efficiency by tracking raw material usage and finished goods in real time, (Patel & Joshi, 2024).

Block-chain technology is transforming the textile industry by ensuring transparency and traceability in supply chains. This is particularly important for MSMEs aiming to establish themselves in international markets where ethical sourcing and sustainability are increasingly valued. (Suri and Gupta, 2024) highlighted that block-chain enables secure record-keeping of transactions, certifications, and supplier data, enhancing trust among stakeholders.

Cloud computing has also gained traction among textile MSMEs, providing scalable solutions for data storage, enterprise resource planning (ERP), and customer relationship management (CRM). Small-scale enterprises can access advanced analytics and reporting tools through cloud platforms without significant upfront investments, (Rahman et al., 2023). These tools enable data-driven decision-making, enhancing both operational efficiency and customer satisfaction.

E-commerce platforms and digital marketing tools have opened new avenues for MSMEs to expand their market reach. Through targeted advertising and online sales channels, MSMEs can cater to a global customer base, reducing dependence on traditional retail models, (Chatterjee & Kar, 2021). Mobile applications and social media platforms further facilitate direct communication with customers, improving engagement and loyalty.

Government and industry-led initiatives have supported the adoption of technology among textile MSMEs. Training programs, subsidies for technology upgrades, and access to innovation hubs have encouraged digital transformation across the sector. For instance, India's Digital MSME scheme provides financial assistance for adopting cloud-based solutions, while the European Union's Horizon Europe program supports research and innovation in textile technologies, (European Commission, 2023).

The challenges associated with technology adoption, such as high implementation costs, resistance to change, and lack of technical expertise, must be addressed. Training employees to work with new technologies, providing financial incentives for

technology adoption, and fostering a culture of innovation are critical steps for overcoming these barriers, (Zhang et al., 2022).

In summary, technology adoption and digital transformation are indispensable for enhancing the performance of textile MSMEs. By leveraging advanced technologies, MSMEs can achieve greater efficiency, adaptability, and competitiveness in a rapidly evolving industry landscape.

5. Human Resource Development:

Skilled and motivated employees are pivotal for achieving organizational excellence. Investments in employee training and development have a direct impact on productivity and innovation. (Wang and Liu, 2023), emphasized that MSMEs implementing structured training programs reported a 25% improvement in operational efficiency. Additionally, fostering a positive work environment that promotes employee well-being and job satisfaction has been shown to enhance overall performance. Although, studies exploring the relevance of organizational performance and artificial intelligence are lacking, (Mikalef, P., & Gupta, M., 2021), artificial intelligence may be utilized for finding the gaps of skill and providing employees personal training, (Nam, K., Dutt, C. S., Chathoth, P., Daghfous, A., & Khan, M. S., 2021).

6. Knowledge Management and Employee Empowerment:

Knowledge management is pivotal in fostering innovation and agility in MSMEs. (Zhang et al., 2022), highlighted that knowledge-sharing practices significantly influence sustainable entrepreneurship and organizational performance. Moreover, empowering employees through training and development initiatives enhances productivity and job satisfaction. (Wang and Liu, 2023), emphasized that digital knowledge platforms play a critical role in skill development and innovation, especially in small-scale textile enterprises.

In this varying environments of business, the knowledge management evolution have vital importance as for competitiveness and adaptability of firms, (Bencsik, A., 2022), therefore, inter-twining artificial intelligence and knowledge management is not surprising today, (Bencsik, A., 2022). But, research is lacking on this topic of linking of artificial intelligence and knowledge management for giving benefits to enterprise, (Jallow, H., Renukappa, S., & Suresh, S., 2020). For example, this study, (Leoni, L., Ardolino, M., El Baz, J., Gueli, G., & Bacchetti, A., 2022), showed that, artificial intelligence use in manufacturing impacts positively on enhancing effectively the practices of knowledge management. These authors, (Jallow, H., Renukappa, S., & Suresh, S., 2020); and (Pai, R. Y., Shetty, A., Shetty, A. D., Bhandary, R., Shetty, J., Nayak, S., Dinesh, T. K., & D'souza, K. J., 2022), for enterprise which already have applied artificial intelligence and knowledge management, put emphasis on building and utilizing artificial intelligence for assisting practices of knowledge management. This study, (Rhem, A. J., 2021), found that, effect of artificial intelligence on

practices of knowledge management permits personal, accurate and prompt transfer of knowledge. Whereas, this study showed about utilizing techniques of artificial intelligence for increasing practices of knowledge management by increasing the enterprise ability of distributing, managing, generating and accessing of related information and knowledge, (*Al-Mansoori, S., Salloum, S. A., & Shaalan, K., 2021*).

Knowledge management is pivotal in fostering innovation and agility in MSMEs. (*Zhang et al., 2022*), highlighted that knowledge-sharing practices significantly influence sustainable entrepreneurship and organizational performance. Knowledge management includes creating, storing, and sharing information within the organization to enhance decision-making and innovation capacity, (*Alavi & Leidner, 2021*). For textile MSMEs, this involves maintaining databases of production techniques, market trends, and customer preferences that employees can readily access.

Effective knowledge management systems rely on both technology and culture. Digital platforms, such as enterprise resource planning (ERP) systems and cloud-based collaboration tools, have become instrumental in ensuring that information is accessible and up-to-date, (*Wang & Liu, 2023*). Such platforms also facilitate cross-departmental collaboration, enabling textile MSMEs to respond swiftly to market changes and improve product development processes. The importance of knowledge management is very well known, and many successful firms are very in handling it, (*Anshari, M., Syafrudin, M., Tan, A., Fitriyani, N. L., & Alas, Y., 2023*). Enterprises require this knowledge management for speeding up their processes for getting information access, (*Yu, S., Abbas, J., Álvarez-Otero, S., & Cherian, J., 2022*), for transforming cultural environ and innovation support, (*Al-Qershi, N., 2021*), and improving processes of decision making, (*Hajric, E., 2018*), for, boosting satisfaction of customers and enhancing firm's operations and business divisions, (*Anshari, M., Syafrudin, M., Tan, A., Fitriyani, N. L., & Alas, Y., 2023*).

Employee empowerment complements knowledge management by enhancing individual and team performance. Training programs focused on upskilling workers in areas such as advanced textile manufacturing techniques, digital tools, and quality assurance have shown significant returns in terms of productivity and innovation, (*Rahman & Chowdhury, 2023*). Empowering employees by involving them in decision-making processes further boosts morale and job satisfaction, fostering a sense of ownership and commitment to organizational goals, (*Chen et al., 2022*).

Research by, *Kumar et al. (2023)*, indicates that organizations that prioritize employee empowerment and learning experience higher rates of innovation and adaptability. For instance, textile MSMEs that invest in continuous professional development for their workforce have been better equipped to adopt new technologies and meet evolving customer demands. Moreover, fostering a culture of continuous learning

encourages employees to experiment with new ideas and solutions, driving incremental improvements in efficiency and quality.

Mentorship programs and peer learning initiatives can also enhance knowledge transfer within MSMEs. By pairing experienced employees with newer staff members, organizations can preserve institutional knowledge while building the skills of the next generation of workers, (*Javed & Ahmed, 2021*). These practices are especially critical in the textile industry, where traditional techniques and craftsmanship often complement modern production methods.

In conclusion, effective knowledge management and employee empowerment are indispensable for the sustained success of textile MSMEs. By fostering a culture of learning, leveraging digital tools for knowledge sharing, and investing in employee development, MSMEs can enhance their innovation capacity and maintain a competitive edge in the global market.

7. Strategic Management and Performance Measurement:

Implementing strategic management tools, such as the Balanced Scorecard (BSC), aligns business objectives with performance indicators. (*Saraiva and Gomes, 2019*), demonstrated that BSC adoption in textile MSMEs facilitates improved decision-making and long-term sustainability. Additionally, (*Kapoor and Malik, 2021*), found that performance measurement frameworks enhance accountability and strategic alignment, leading to better resource utilization.

Performance measurement frameworks like the BSC offer multiple benefits, including improved accountability, resource allocation, and strategic alignment. (*Kapoor and Malik, 2021*), highlighted that MSMEs utilizing BSC frameworks experienced enhanced operational efficiency and stakeholder satisfaction. By balancing perspectives such as financial performance, customer satisfaction, internal processes, and learning and growth, BSC ensures that all facets of organizational performance are systematically addressed.

In addition to the BSC, Total Quality Management (TQM) practices have emerged as effective strategies for performance enhancement. (*Patel et al., 2022*), found that textile MSMEs implementing TQM practices reported significant improvements in product quality, customer satisfaction, and market competitiveness. These practices emphasize continuous improvement, employee involvement, and customer-centric approaches, fostering a culture of excellence.

The integration of technology into performance measurement systems further enhances their effectiveness. For instance, digital dashboards and analytics platforms enable real-time tracking of key performance indicators (KPIs), providing actionable insights for decision-makers, (*Wang & Liu, 2023*). These tools help MSMEs identify bottlenecks, monitor progress, and adapt strategies based on data-driven insights.

Benchmarking is another critical component of strategic management that allows MSMEs to compare

their performance with industry standards or competitors. Research by, (Choi and Kim, 2022), revealed that textile MSMEs engaging in benchmarking practices were more likely to identify best practices and implement innovative solutions to address performance gaps.

Employee engagement and participation are integral to the success of strategic management initiatives. (Kumar et al., 2023), emphasized that involving employees in goal-setting processes enhances commitment and alignment with organizational objectives. Regular training programs and workshops can equip employees with the skills required to achieve strategic targets effectively.

Furthermore, aligning performance measurement with sustainability goals can create long-term value. Textile MSMEs that incorporate environmental and social metrics into their performance frameworks, such as carbon emissions, water usage, and community engagement, demonstrate enhanced resilience and brand equity, (Rahman & Chowdhury, 2023). Such alignment ensures that organizational strategies contribute positively to societal and environmental well-being.

Government and industry support play a pivotal role in promoting the adoption of strategic management tools. Initiatives such as subsidized training programs, awareness campaigns, and the development of industry-specific performance measurement frameworks can encourage MSMEs to adopt these practices, (European Commission, 2023).

In summary, strategic management and performance measurement are critical for improving organizational performance in textile MSMEs. Tools like the Balanced Scorecard, coupled with technological integration and employee involvement, enable MSMEs to achieve their strategic objectives while fostering innovation, accountability, and sustainability.

8. Supply Chain Optimization:

Efficient supply chain management (SCM) is integral to improving organizational performance. (Choi and Kim, 2022), observed that textile MSMEs implementing advanced SCM practices reported enhanced profitability and reduced lead times. Technologies such as Internet of Things (IoT) devices provide real-time data, allowing MSMEs to optimize logistics and inventory.

Efficient supply chain management (SCM) is integral to improving organizational performance. SCM in textile MSMEs involves coordinating various activities, including procurement, production, distribution, and customer service, to enhance efficiency and reduce costs. (Choi and Kim, 2022), observed that textile MSMEs implementing advanced SCM practices reported enhanced profitability and reduced lead times. These practices include just-in-time inventory management, which minimizes storage costs and waste, and demand-driven production systems, which align manufacturing schedules with market needs.

Technologies such as the Internet of Things (IoT) play a transformative role in optimizing supply chains. IoT

devices provide real-time data on inventory levels, equipment performance, and transportation logistics, enabling MSMEs to make informed decisions and respond promptly to disruptions, (Chen & Wang, 2022). For example, RFID (Radio Frequency Identification) technology facilitates tracking and tracing of raw materials and finished goods across the supply chain, ensuring transparency and accountability, (Patel & Joshi, 2024).

Advanced analytics and machine learning algorithms are increasingly being employed in SCM to predict demand patterns, optimize inventory levels, and reduce wastage. (Kumar et al., 2023), highlighted that predictive analytics helps MSMEs anticipate market trends and adjust procurement and production strategies accordingly. Furthermore, cloud-based supply chain management platforms enable seamless collaboration among suppliers, manufacturers, and distributors, reducing lead times and improving customer satisfaction, (Rahman et al., 2023).

Collaboration within the supply chain is another critical factor for optimization. Partnering with reliable suppliers and logistics providers ensures the timely delivery of raw materials and products. (Javed and Ahmed, 2021), emphasized that strong supplier relationships contribute to improved quality and reduced costs. Additionally, integrating sustainable practices into supply chains, such as sourcing eco-friendly materials and adopting energy-efficient transportation methods, enhances both environmental and financial performance, (Sharma et al., 2023).

Challenges in SCM, such as rising transportation costs, geopolitical risks, and fluctuating raw material prices, necessitate robust risk management strategies. MSMEs are increasingly adopting risk mitigation techniques, including diversification of suppliers, investment in local sourcing, and the establishment of contingency plans for critical operations, (Singh & Narayan, 2023). Digital twin technology, which creates virtual models of supply chain networks, is also gaining traction as a tool for scenario analysis and performance optimization, (Chatterjee & Kar, 2021).

In summary, optimizing supply chain operations is vital for the competitiveness and sustainability of textile MSMEs. By leveraging advanced technologies, fostering collaboration, and adopting risk management practices, MSMEs can enhance operational efficiency, reduce costs, and meet the evolving demands of global markets.

9. Government Policies, External Collaborations and Industry Support:

Supportive government policies significantly influence MSME performance. For instance, India's Production-Linked Incentive (PLI) scheme, introduced in 2021, provides financial incentives to enhance textile production, (Reuters, 2024). Similarly, the European Union's Green Deal emphasizes subsidies for sustainable practices in the textile sector, (European Commission, 2023). Collaborative initiatives between governments and private stakeholders are essential for driving growth and innovation.

Supportive policies and collaborations with external entities, such as industry associations and research institutions, play a significant role in enhancing MSME performance. India's Production-Linked Incentive (PLI) scheme, for example, has provided financial incentives to textile MSMEs, enabling them to expand operations and adopt advanced technologies, (Reuters, 2024). Collaborative efforts, such as partnerships with universities for research and development, have also facilitated access to cutting-edge knowledge and innovations.

Similarly, the European Union's Green Deal emphasizes subsidies and grants for sustainable practices in the textile sector, (European Commission, 2023). These initiatives support the adoption of circular economy principles, such as recycling and reuse of materials, and encourage investments in green technologies. According to (Rahman and Chowdhury, 2023), financial support from government programs significantly reduces the burden of upfront costs associated with sustainability transitions, enabling MSMEs to remain competitive. Tax incentives and export subsidies are other forms of support that bolster MSME performance. For example, Bangladesh's government offers tax rebates for exports exceeding specified thresholds, incentivizing textile MSMEs to explore international markets, (Patel et al., 2024). In addition, duty-free import policies for machinery and raw materials have facilitated technological upgrades and cost reduction in several developing economies, (Gupta & Verma, 2022).

Collaborative initiatives between governments and private stakeholders play a crucial role in driving growth and innovation. Public-private partnerships (PPPs) have been instrumental in establishing training centres, research and development hubs, and innovation clusters focused on the textile sector, (Jabeen et al., 2020). For example, the establishment of textile technology parks in India under the Scheme for Integrated Textile Parks (SITP) has created an ecosystem that fosters innovation, skill development, and infrastructure support, (Sharma et al., 2023).

Regulatory simplifications, such as single-window clearance systems, reduce administrative burdens for MSMEs and encourage formalization of operations. (Kapoor and Malik, 2021), highlighted that streamlined processes for obtaining licenses and permits contribute to higher productivity and reduced operational delays. In addition, policies aimed at improving access to affordable financing, such as credit guarantee schemes and interest rate subsidies, enable MSMEs to invest in technology and capacity building, (Suri & Gupta, 2024).

International collaborations and trade agreements further support MSME growth. Initiatives such as preferential trade agreements (PTAs) and free trade agreements (FTAs) facilitate access to global markets by reducing tariffs and non-tariff barriers, (Choi & Kim, 2022). Export promotion councils and trade fairs organized by governments provide platforms for MSMEs to showcase their products and connect with potential buyers, (Rahman & Chowdhury, 2023).

In conclusion, government policies and industry support are essential for enhancing the performance and competitiveness of textile MSMEs. By fostering a conducive business environment, providing financial and infrastructural assistance, and encouraging innovation, governments can ensure the sustainable growth of this vital sector.

Challenges and Recommendations:

Despite these advancements, MSMEs face persistent challenges, including limited access to financing, regulatory hurdles, and market competition. Addressing these barriers requires comprehensive strategies that involve multiple stakeholders.

Challenges:

1. **Limited Access to Financing:** MSMEs often struggle to secure affordable credit due to stringent lending criteria and high interest rates. This lack of funding restricts their ability to invest in advanced technologies and expand operations, (Kumar et al., 2023).
2. **Regulatory Hurdles:** Complex and time-consuming regulatory processes hinder operational efficiency. Compliance with varying policies across regions further exacerbates this issue, (Chatterjee & Kar, 2021).
3. **Market Competition:** Globalization has intensified competition, with MSMEs facing challenges from large-scale manufacturers and international firms offering cost-effective alternatives, (Wang & Liu, 2023).
4. **Skill Gaps:** A shortage of skilled labour and limited access to training programs impede innovation and productivity, (Zhang et al., 2022).

Recommendations:

1. **Enhance Access to Affordable Credit:**
 - Governments and financial institutions should introduce targeted microfinance schemes and low-interest loans tailored to the textile sector.
 - Developing credit guarantee programs to reduce lenders' risks can incentivize banks to support MSMEs, (Saraiva & Gomes, 2019).
2. **Simplify Regulatory Processes:**
 - Digitizing regulatory systems can streamline compliance procedures, reducing administrative burdens for MSMEs.
 - Establishing single-window clearance mechanisms for permits and licenses can save time and resources, (European Commission, 2023).
3. **Foster Public-Private Partnerships (PPPs):**
 - Collaborative initiatives between governments, industry associations, and private firms can facilitate knowledge sharing, technology transfer, and capacity building, (Choi & Kim, 2022).
 - PPPs can also support the establishment of innovation hubs and incubation centres to nurture entrepreneurship in the textile sector.
4. **Invest in Skill Development Programs:**
 - Launching sector-specific training programs aligned with emerging technological trends can address skill gaps.

- Collaborations with educational institutions can promote vocational training and certification for textile workers, (Zhang et al., 2022).
- 5. **Promote Export Competitiveness:**
- Offering export incentives and trade facilitation measures can help MSMEs penetrate international markets.
- Supporting MSMEs in obtaining quality certifications and adhering to international standards can enhance their global competitiveness, (Kapoor & Malik, 2021).

Conclusion:

Improving organizational performance in textile MSMEs requires a holistic approach that integrates sustainability, technological innovation, effective knowledge management, and strategic planning. Governments and industry stakeholders must collaborate to address systemic challenges and foster a conducive environment for MSME growth. By adopting these best practices, MSMEs can achieve enhanced competitiveness and contribute meaningfully to economic development.

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The authors declare that there are no conflicts of interest regarding the publication of this paper.

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