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### Micro, Small and Medium Enterprises in India: A Review of Growth and Challenges in the Present Scenario

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#### ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) constitute an important segment and accepted as the engine of economic growth across the globe. They contribute significantly to the industrial production, employment and exports of the country. They are second to agriculture in terms of employment generation and contribute significantly to the exports of the country bringing in important foreign exchange. In current scenario, MSMEs suffer from many of problems related to access to finance, marketing, infrastructure, human resource, etc. This not only hampers the growth of the sector, but also results into losses. In certain cases, the hurdles to growth can lead to the closure of the units. In the above context, it is not only important to understand the issues faced by them, but also find solution to these issues. The researcher in this paper examines the growth and performance of the sector in recent past, find out the factors affecting the growth of MSMEs and to provide appropriate suggestions for overcoming these challenges faced by MSME's.

**Keywords:** MSME, Indian economy, Performance, GDP, Challenges, Government.

#### 1. INTRODUCTION

“MSME” is an acronym for “Micro, Small and medium enterprises”. MSME sector is not a new phenomenon for India economy and has been there as an integral part since the Harappan era. However, the entrepreneurial spirit of India was demoralized and almost destroyed during the long British rule, as also reflected in the GDP growth rate of 0.9% during the first half of the 20th century (Kishore, 2010). Then came the Swadeshi Movement, with the aim of improving the economic conditions of the people of the country by making them self-reliant. The Indians in this movement boycotted the British products and stressed on the revival of domestic-made products. The movement not only was important in terms

of self-reliance but also provided employment opportunities to the unemployed (Meshram, 2012). The post-independence evolution of the MSME sector in India can be broadly divided into two time-frames, before and after The MSMED act, 2006. The firms were categorized as small scale Industries before the MSMED Act, 2006 whereas after the enactment of MSMED act, these units were called enterprises and were categorised into micro, small and medium enterprises.

In present scenario, these MSME units have been accepted as the engines of economic growth across the globe. These enterprises are considered by various researchers, to be essential for the economic development of developed, developing and under - developed countries. They are key instruments for promoting equitable development. MSMEs constitute more than 90 percent of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports (Report of MSMEs in India, 2013).

In India, the MSME sector is highly heterogeneous and is involved in a wide range of business activities. It is the second largest generator of employment after agriculture (report of prime minister task force, 2010). MSMEs not only plays a crucial role in providing employment opportunities at comparatively lower capital cost compared to large industries but also helps in industrialisation of rural, Semi – urban and urban masses providing ultimate support to reducing regional imbalances and assuring more equitable distribution of national income and wealth, by eliminating poverty and unemployment problems (Meshram, 2012). These enterprises contribute immensely in economic development of the nation, yet they are suffering from Lack of finance, improper marketing strategy and deficient distribution network, shortage of skilled manpower, lack of infrastructure and inability to upgrade themselves by acquiring newer technologies. The inability to adapt to change due to the problems faced by enterprises, results into weakness which in turns results into high failure rate of units in the sector (Smallbone and Rogut,2005).

This study is an effort to analyse the past performance of the MSME sector and aims at achieving a better understanding of the various factors that create hurdles faced by MSMEs affecting their growth. Various secondary sources like research papers, websites, reports of concerned departments, websites, etc. have been referred to for achieving the same. Also, suitable measure that could help the sector to overcome these barriers has been suggested in Indian context.

The structure of this article is as follows: section 1 Introduction and definition of MSME sector in India in general; section 2 discuss growth and performance of Indian MSME sector since 1990-91 to 2014-15; section 3 examine the various factors which hinder the growth of MSMEs; section 4 presented conclusion of the study; section 5 discuss recommendations of the study.

### **Definitions of Micro, Small and Medium Enterprises in Indian Context**

The definition of MSME involves a broad spectrum of definition and it varies widely across countries and regions based on the number of employees, capital investment, annual sales turnover and amount of total assets in the firm.

The MSME sector in India is defined as per the MSMED Act, 2006. The government of India had enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006, by merging of Ministry of Agri and Rural Industries & Ministry of Small Scale Industries into the present Ministry of Micro Small & Medium Enterprises (MSME). Under this act MSME sector is classified in two

categories, manufacturing and Services (MSMED act, 2006). Manufacturing units are classified according to their investment in plant and machinery and service units are classified based on investment in equipment.

**Table 47.1**  
**Classification of MSME Sector in India**

<i>Manufacturing Enterprises</i>	
<i>Micro</i>	Investment Up to ₹2.5 Million
<i>Small</i>	Investment Above ₹2.5 Million and Up to ₹50 Million
<i>Medium</i>	Investment Above ₹50 Million and Up to ₹100 Million
<i>Services Enterprises</i>	
<i>Micro</i>	Investment Up to ₹1 Million
<i>Small</i>	Investment Above ₹1 Million and Up to ₹20 Million
<i>Medium</i>	Investment Above ₹20 Million and Up to ₹50 Million

### **Growth and Performance of Indian MSME Sector**

MSMEs not only contributing significantly to the overall wealth (GDP) of the nation but also drive the economy. 80 percent of the enterprises in India make up for this sector. They make up for 45 percent of the manufacturing output and nearly 40 percent of the total exports. They have registered a CAGR (compounded annual growth rate) of 10.8 percent over the past few years and make up for 8 percent of the total GDP of the country (Sharma & Afroz, 2014). The sector employs an estimated 117.13 Million persons spread over 51.05 Million enterprises. Also, MSMEs' must respond to the continuous change in market demand, opportunities in new markets, technological advancement, etc. by upgrading and updating themselves (Annual Report 2015-16).

### **Growth and Performance of MSME Sector Prior to MSMED Act 2006 (1991-2006)**

In the post liberalization period, the sector has observed significant changes. From a protective environment in the pre-economic liberalization period with help of a wide range of concessions, incentives and institutional facilities, the focus shifted to promoting them through competition, both domestic and international (Shastri et al., 2011).

The effect of this change can be seen from the below table. In 1991, there were 6.79 Million units in the country which increased to 12.34 Million units by 2005-06 (Ravi, 2009). Also the gross production increased to ₹4978.42 Billion from ₹788.02 Billion in the same period. An important observation is that though the number of units, manpower and investment doubled during this phase, the gross output increased by almost 6.3 times.

**Table 47.2**  
**Performance of MSME sector under Pre MSMED Act 2006 (1991-2006)**

<i>S. No.</i>	<i>Year</i>	<i>Total Working Enterprise (In Millions)</i>	<i>Employment (In Millions)</i>	<i>Market Value of Fixed Assets (In Billion)</i>	<i>Gross Output (In Billion)</i>
1	1990-91	6.79	15.83	935.55	788.02
2	1991-92	7.06 (4.07%)	16.69 (5.46%)	1003.51 (7.26%)	806.15 (2.30%)
3	1992-93	7.35 (4.08%)	17.48 (4.70%)	1096.23 (9.23%)	844.13 (4.71%)
4	1993-94	7.64 (4.05%)	18.26 (4.46%)	1157.97 (5.63%)	987.96 (17.03%)

S. No.	Year	Total Working Enterprise (In Millions)	Employment (In Millions)	Market Value of Fixed Assets (In Billion)	Gross Output (In Billion)
5	1994-95	7.96 (4.07%)	19.14 (4.80%)	1237.90 (6.90%)	1221.54 (23.64%)
6	1995-96	8.28 (4.07%)	19.79 (3.41%)	1257.50 (1.58%)	1477.12 (20.92%)
7	1996-97	8.62 (4.07%)	20.59 (4.01%)	1305.60 (3.82%)	1678.05 (13.60%)
8	1997-98	8.97 (4.06%)	21.32 (3.55%)	1332.42 (2.05%)	1872.17 (11.56%)
9	1998-99	9.34 (4.07%)	22.06 (3.47%)	1354.82 (1.68%)	2104.54 (12.41%)
10	1999-00	9.72 (4.06%)	22.91 (3.88%)	1399.82 (3.32%)	2337.60 (11.07%)
11	2000-01	10.11 (4.07%)	23.87 (4.20%)	1468.45 (4.90%)	2612.97 (11.78%)
12	2001-02	10.52 (4.07%)	24.93 (4.44%)	1543.49 (5.11%)	2822.70 (8.02%)
13	2002-03	10.95 (4.07%)	26.02 (4.36%)	1623.17 (5.16%)	3148.50 (11.54%)
14	2003-04	11.39 (4.07%)	27.14 (4.31%)	1702.19 (4.86%)	3645.47 (15.78%)
15	2004-05	11.86 (4.07%)	28.26 (4.11%)	1786.99 (4.98%)	4297.96 (17.89%)
16	2005-06	12.34 (4.07%)	29.49 (4.37%)	1881.13 (5.26%)	4978.42 (15.83%)

Note: The figures in brackets show the percentage growth over the previous year. The above prescribed data is of small scale industries (Year 2005-06) Source: Annual Report 2011-12.

### Growth and Performance of MSME Sector Post MSMED Act 2006

MSMEs are, at present, operating in wide variety of sectors such as manufacturing, trade and services and there by constitute a formidable component of country's industrial production. The year MSMEs reached at a level on the optimum utilization of available domestic resources and produces quality products and services.

Table 47.3 shows the immediate impact of the MSMED Act, 2006. Inclusion of service sector and medium enterprises and merging them with SSI sector along with new definitions for categorization of

**Table 47.3**  
**Growth and Performance of MSME sector Post MSMED Act 2006**

Year	Total Working Enterprise (In Lakh)	Employment (In Lakh)	Market Value of Fixed Assets (In Crore)
2005-06	123.42(4.07%)	294.91 (4.37%)	188113 (5.26%)
2006-07	361.76†(-193.11%)	805.23† (-173.04%)	868543.79* (-361.71%)
2007-08#	377.37(4.32%)	842.00 (4.56%)	920459.84(5.97%)
2008-09#	393.70(4.33%)	880.84 (4.61%)	977114.72(6.15%)
2009-10#	410.82(4.34%)	921.79 (4.64%)	1038546.08(6.28%)
2010-11#	428.73(4.35%)	965.15 (4.70%)	1105934.09(6.48%)
2011-12#	447.64 (4.41%)	1011.69 (4.82%)	1182757.64 (6.94%)
2012-13#	467.54 (4.44%)	1061.4 (4.91%)	1268763.67 (7.27%)
2013-14#	488.46 (4.47%)	1114.29 (4.98%)	1363700.54 (7.48%)
2014-15#	510.57 (4.52%)	1171.32 (5.11%)	1471912.94 (7.93%)

The figures in brackets show the percentage growth over the previous year. The data upto year 2005-06 is related to Small Scale Industry post which data with reference to MSMEs are being compiled.

Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing (except cold storage) for which data were extracted from †Economic Census 2005, Central Statistics Office, M/o SPI and \*4th All India Census of MSME, unregistered sector.

# Projected Source: Annual Report 2015-16

enterprises were some of the major results of the act. The Fourth all India Census was done in the light of these new changes and included both, registered and unregistered units. To find out the trend of growth and performance of MSME sector and to understand the impact of the act, SSI data of 2005-06, just prior to the MSMED Act, 2006, has been also taken.

**Number of Enterprises:** After Implementation of MSMED act 2006, the numbers of working enterprises significantly increased. In 2006-07 the number of working enterprises was 36.18 Million which increased to 51.05 Million in 2014-15, average growth rate in no of units during this period was 4.35percent.

**Employment Generation:** The number of employment generated by MSME sector was 80.52 Million in 2006-07 which increased to 117.13 Million in 2014-15. During this period the annual growth registered was in the range of 4.5 to 5.11 percent, year on year.

**Fixed Investment:** The market value of fixed assets or total capital employed was ₹8685.48 Billion in 2006-2007. In 2014-15, the total capital employed in the MSME sector was ₹14719.12 Billion approximately. The effect of the act and the investor's confidence in the steps taken by the policy makers was clearly being reflected in the growth which was consistently at a rate of more than 5.5 percent with highest growth being 7.93 percent in 2012-13.

**Gross Output and GDP:** On the basis of the data on Gross Domestic Product (GDP) published by Central Statistics Office (CSO), Ministry of Statistics & Program Implementation (MoSPI) and the MSMEs' annual report 2015-16 shows that the MSME's have made immense contribution to national GDP and gross output whereas, The gross output for the manufacturing sector was 13227.77 Billion INR for the year 2007-08 with a contribution of 7.81% to GDP. The same increased to 18099.76 Billion INR in 2012-13 but the contribution decreased to 7.04% of GDP (Annual Report 2015-16) However, the same has increased to 8.0% approximately in 2014-15 (SME chamber of India, 2016).

**Table 47.4**  
**Contribution of MSME Sector in GDP and Gross Output (at 2004-05 Prices)**

Year	Gross Value of Output of MSME Manufacturing Sector (INR in crore)	Share of MSME sector in total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output (%)
		Manufacturing Sector MSME	Services Sector MSME	Total	
2006-07	1198818	7.73	27.40	35.13	42.02
2007-08	1322777	7.81	27.60	35.41	41.98
2008-09	1375589	7.52	28.60	36.12	40.79
2009-10	1488352	7.45	28.60	36.05	39.63
2010-11	1653622	7.39	29.30	36.69	38.50
2011-12	1788584	7.27	30.70	37.97	37.47
2012-13	1809976	7.04	30.50	37.54	37.33

Source: Fourth All India Census of MSME 2006-07. National Account Statistics (2014), CSO, MoSPI. Annual Survey of Industries, CSO, MoSPI. Annual Report 2015-16

**Contribution in Exports:** The share of MSME sector in total export has continuously increased. As per the available statistics, the total MSMEs export increased from ₹69,797 crore (Babu, 2014) during 2000-01



to ₹6,29,860 crore in 2011-12. In the year of 2012-13 the export of MSME's is ₹6,97,201 crore (Growth & Performance of Medium and small scale industries, 2014). During 2000-01 to 2012-13 the share of MSMEs in the total exports has ranged in between 26% and 45%. The sector contributed 44.70% in the country's total export for the year 2014-15 (SME Street, 2015). The share of MSMEs in export is expected to rise to 50% by the year 2017 (Business Standard, 2013).

These figures clearly indicate that MSME sector has been consistently growing in terms of units, employment, investment, output, export or contribution to GDP therefore are in true sense, the growth engine of the economy. This has led the policy makers and government to take initiatives to provide an enabling environment for the betterment of the sector. Campaigns like Make in India and schemes like CGTMSE, PMEGP, CLCSS, etc have been implemented. Initiative like MUDRA scheme has been launched to financially enable the micro enterprise segment.

### **Challenges of MSME Sector and its Effects**

MSMEs have been doing commendable contribution to the national economy, however, they have been suffering from many problems which are mostly depending on the level of social and economic development of the country. Various reports highlight that in India, some of the enterprises have gone sick and ultimately closed. MSME registered sector report states that in the survey of 2.25 Million Enterprises, of which 0.49 Million enterprises are permanently closed and 0.19 Million units are non-traceable. The final report of fourth all India census of MSME 2006-07 reveals that lack of demand, shortage of working capital, power storage, non-availability of raw material, marketing & labour problem, management problems and equipment problems are the key reasons for sickness of the sector (Fourth All India census of MSME 2006-07).

Here, some major problems which create obstacle in growth path of MSME in India has been discussed below:

**Access of Finance:** Finance is required by all businesses for their operations and growth, it play a dominant role in every economic activity and without adequate financial facilities no sound industrial base can be built up or reconstructed. In India, good number of commercial banks and their branches are available but they have failed to fulfil the financial demand of the industries (Schiffer and Weder (2001). Small firms consistently report higher financing obstacles than medium and large enterprises (Beck et. al., 2006). Increasing access to finance for MSMEs is important for improving overall economic growth in India. Small businesses in India are not currently able to grow to their full potential because the flow of finance to these enterprises is restricted. The restriction stems from both involuntary and voluntary exclusion. Involuntary exclusion occurs because the prices, terms, and conditions of formal financial services are unfavorable to small borrowers. On the other hand, small firms might voluntarily exclude themselves from formal banking services due to their own financial illiteracy (Parada et al., 2010).

According to the Fourth Census of MSME sector, only 5.18 percent of units had availed finance through institutional sources while 2.05 percent of them had availed finance from non-institutional sources and the majority of units (92.77 percent) had no finance or depended on self-finance (Khosla, 2012).

As per the Survey done by IFC, the overall demand for finance in Indian MSME sector is estimated to be INR 32.5 Trillion (\$ 650 Billion) and assumes that all finance demand by the MSME sector is fulfilled by the formal and informal sources. (Report of MSME Finance in India, 2012).

**Table 47.5**  
**Overall Finance Gap in MSME sector in INR Trillion (\$ Billion)**

<i>Demand</i>	<i>Entrepreneurs Contribution</i>	<i>Potential Finance</i>	<i>Formal Supply</i>	<i>Total Gap</i>
32.5 (650)	4.6 (92)	27.9 (558)	7 (140)	20.9 (418)

*Source:* Report of Micro, Small and Medium Enterprise Finance in India, International Finance Corporation (IFC)

Table 47.5 shows that there exists a huge gap between the demand and supply of finances for MSMEs in India where total potential demand of finance is INR 27.9 Trillion out of INR 32.5 Trillion of total demand, Only INR 7 Trillion demand fulfill by formal sources and create finance gap of INR 20.9 Trillion in Indian MSME sector.

This finance gap is created due to factors related to both demand and supply side. Limited knowledge of sources of finance, insufficient collateral availability, heavy paperwork, higher rate of interest and fee and charges are demand side factors whereas the supply side factors are limited information on enterprises in the sector, cost of multiple and frequent small ticket transactions in branch banking mode, Poor historic performance of the sector resulting into higher NPA, etc. that hinder decision making in terms of extending finance facilities to the sector. Therefore, most of the MSME units depend on personal channel and informal source of finance for their financial requirement.

**Access to Market:** “Marketing is about identifying and meeting human and social needs.” In other words, Marketing is an organizational function and a set of processes for creating, communicating and delivering value of customers and for managing customer relationship in ways that benefit the organization and its stakeholders (Kotler et al., 2012). High competition, speed and change are the factors that pressure the enterprises to respond quickly to changing market scenario (Marjanova and Stojanovski, 2012).

Generally Indian MSMEs sector, face strong competition from products and sales strategies of the large scale of industries due to cost, standards, quality and meeting dynamic demands of customers (Problems Relating to MSMEs). Small firms face a shortage of managerial skills. Usually, they depend on knowledge and marketing ability of Owners/Managers Thus, limited marketing and promotional activities are performed and as a result, MSMEs are not able to understand and respond quickly and correctly to the current as well as continuously changing market trends scenario (Marjanova and Stojanovski, 2012).Lack of proper knowledge of consumer demands results into faulty forecasting of future demand and improper launch timing for their products as such firms use reactive strategies rather than planned marketing (Marjanova and Conevska, 2011)

As per the report of Grant Thornton, only 6 percent MSMEs use online advertising platform for marketing their products whereas the rest of them are depended on traditional media for marketing needs as unaware about the effectiveness of the online medium to reach the target customers (Grant Thornton & FICCI , 2011). MSME sector also has weak bargaining power, especially when they are dealing with big buyers and hence end up selling their products with minimum margin. They face greater difficulty in the marketing and distribution of their products as they are unable to build a large distributor base.

**Access to People:** MSMEs find it difficult to hire required number of people or manage them effectively (Problems Relating to MSMEs). Any enterprise achieves success because of its employees and the owner. The owner has to be a visionary and the employees should have appropriate skills for the responsibilities

as per their job role. Any deficiency on the skill side will result into failure of the enterprise (Patil and Chaudhari, 2014).

MSMEs are promoter driven enterprises and therefore have a very flat structure. Hence most of the HR policies and processes are not followed. Generally, the owner – promoter does not support skill development initiatives through conducting workshop by specialist for their employee's skill enhancement due to huge expenditure involved. Also, the owner-promoter is at the top of the decision - making hierarchy and hence HR policies and processes are compromised (Saini and Budhwar, 2008). Scarce resources, a flat hierarchy, lack of specialist, low interest on innovation, unskilled or low-skilled and scarcely trained employees, etc. are some constraints that MSMEs operate under.

Lack of growth opportunities due to a flat structure, better salaries by larger enterprises, direct involvement of the owner-promoter in decision making and under usage of skill and knowledge in the case of a high-calibre employee are some of the demotivating factors that lead to the staff leaving the enterprises. The Personnel department thus finds it very difficult to retain the employees as they also have to manage costs involved for all of the above factors (Madhani, 2012).

**Access to Infrastructure:** The absence of proper infrastructural facilities can cause serious damages to an enterprise's value chain process, like production, distribution and consumption of products and services (Firstbiz, 2014). Large organisations have the ability to build infrastructure capability and can protect themselves from infrastructure deficiencies (Conclave on Empowering Indian SME Sector, 2008) whereas MSMEs rely on basic infrastructural facilities like roads, ports, water, power, railways and airport etc. which offer constraints in this sector.

A survey of 540 SMEs across India done by *Firstbiz*, highlighted that lack of reliable electricity resources, inadequate cluster infra reducing competitiveness, insufficient methods of industrial waste management, lack of facilities like tool rooms, inadequate supply of water and increase price of coal and gas are major infrastructural factors that hamper regular business operations in a MSMEs (Firstbiz, 2014). In absence of appropriate power supply, access to raw material, transportation and telecommunication facilities, etc. make it difficult to integrate small industries with large industries.

**Access to Technology/Technological Barriers:** Technology plays a very essential role in an economy, particularly in its development phase. In the present scenario, MSME sector not only competes at the local level or national level but also at the global level (Grant Thornton & FICCI, 2011). So there is need to use modern and latest technology for various business activities performed by MSME sector for their sustainable growth. The enterprises cannot afford new machines and equipments equipped with latest technology due to financial constraints. Hence, productivity and quality of their goods tend to be low and cost per unit generally very high (Problems Relating to MSMEs)

MSMEs have a limited interaction with technology providers, minimal knowledge about upcoming technologies (Grant Thornton & FICCI, 2011) and limited access to professional journals, technical literature or information about new product launches. Also, procurement of technology is a major issue because there are barriers to the import of technology and problems relating to technology transfer, after sales support, procedures of import or vendor capability, etc. which create obstacles. Finally, adequate finance for acquiring the concerned technology is also a problem because most of MSMEs depends on external source of finance but they do not get enough finance on timely basis, therefore, they are bound to use old technology.



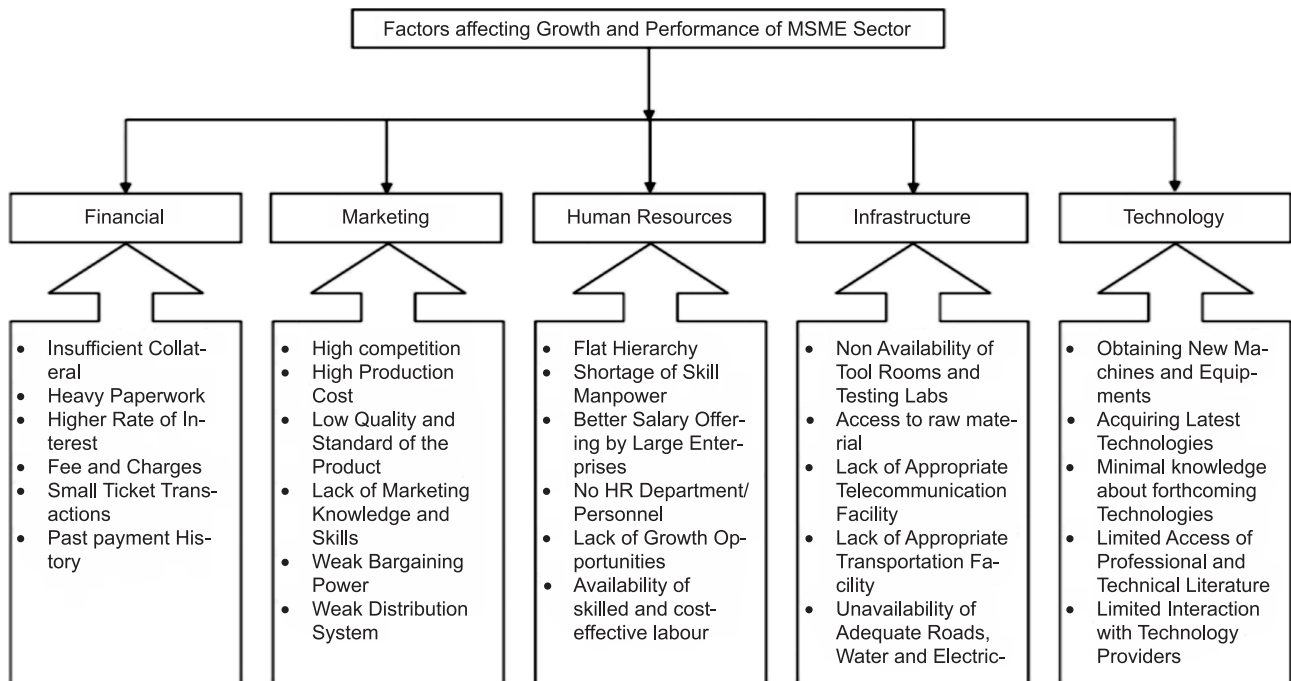
MSMEs face challenges of all nature, whether it is access to finance, lack of manpower, marketing, infrastructure or technology, yet they have been performing admirably and contributing handsomely to employment generation, GDP and foreign exchange reserves. The sector has huge potential that is yet to be realized and with combined efforts of the MSMEs owners, government and financial institutions, the same can be achieved.

## 2. CONCLUSION

Industrialization is an effective mean for solving the economic problems and ensuring social progress. MSMEs are a successful way for the development of entrepreneurship and are essential means of accelerating the industrial growth. This sector provides vast employment which is the only solution to the problems of poverty, insecurity and unemployment.

In India, the MSMEs play a significant role in contribution to the development of Indian economy in terms of production, export and employment generation, GDP etc. MSMEs also have a capacity for innovation, creativity and flexibility which allow them to respond more quickly to structural changes and adapt to the dynamic demand patterns of customers. In order to maintain the pace of growth and overall development, it is very important that the MSME sector is empowered to meet challenges that can threaten their survival and growth.

Researchers conclude that many of factors which influence the development of micro, small and medium enterprises are highly diverse and all the factors include in one of the five following factor.



**Figure 47.1: Factors Affecting the Growth and Performance of MSME Sector**

*Source: Created by Authors*

- **Financial factors:** Insufficient collateral, heavy paperwork, higher Rate of interest, fee and charges, small ticket transactions and past payment history

- **Marketing factors:** High competition, high production cost, low quality and standard of the product, lack of marketing knowledge and skills, weak bargaining power, weak distribution system.
- **Human resources related factors:** Flat hierarchy, shortage of skill manpower, better salary offering by large enterprises, no human resources and personnel department, lack of growth opportunities.
- **Infrastructure related factors:** Non availability of tool rooms and testing labs, access to raw material, lack of appropriate telecommunication facility, lack of appropriate transportation facility, and unavailability of Adequate Roads, Water and Electricity.
- **Technology related factors:** Obtaining new machines and equipments, acquiring latest technologies, minimal knowledge about forthcoming technologies, limited access of professional and technical literature, limited interaction with technology providers.

In view of the problems mentioned above, more support is needed for MSMEs from the government, financial institutions and other local authorities in terms of lending, procurement, technical and marketing support. More effort from the Government is required formulate friendly policies and create awareness towards these policies among MSMEs and develop proper infrastructure facilities.

All these steps taken by the stakeholders in the right direction will not only stimulate the sector but will result in the sector becoming the back bone of the country's economy and a true economic growth engine.

### 3. RECOMMENDATIONS

MSMEs face various hurdles that hamper the overall growth of the sector. However, minor changes in the functioning of MSMEs and other support systems could result into acceleration of the growth of MSME sector. Some of these are:

- Simplification of documents and processes for faster disbursement of credit applications.
- Promotion of various government schemes that facilitate finance through financial institutions.
- Promotion of products through strategies like niche marketing, relationship marketing (Amway, N Mart) and database marketing.
- MSMEs should actively develop skills by conducting workshops and training programmes and definitely hire a skilled HR manager in order to ensure proper manpower management and its development.
- Development of proper infrastructure facilities like railways, waterways, roadways and airways, proper channels of telecommunication, adequate supply of power, water and other supporting facilities like Tool Rooms, Testing Labs, Design Centres, etc.
- Developing a strong information system that would provide a whole range of information about market trends, new products and new technologies to the MSMEs.
- Adoption of latest technology would to enhance the quality of products, reduce cost per unit and conserve energy.

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