

Factors affecting the Growth and Development of MSME Sector in India: An Opinion Survey of Start-ups

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Abstract: The micro, small, and medium enterprises (MSMEs) sector in India is considered a crucial contributor to the country's economic growth, employment, and poverty alleviation. However, the sector faces various challenges that hinder its growth and development. This paper explores the factors that influence the growth and development of the MSME sector in India. The study is based on a review of existing literature and secondary data analysis. The literature review reveals that government policies, access to finance, infrastructure, technology, human resource development, and market access are the primary factors that affect the MSME sector's growth and development in India. The identified factors include government policies, access to finance, infrastructure, technology, human resource development, and market access. The paper highlights the significance of these factors and their interrelationships in shaping the MSME sector's growth and development.

Keywords - MSME sector, India, Growth, Development, Start-ups, Opinion survey

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Introduction

Because of its significant contribution to the GDP, the generation of jobs, and exports, the MSME sector is recognised as the cornerstone of the Indian economy. The sector is made up of a wide range of businesses that operate in several sectors, such as manufacturing, services, and trading. A few of the programmes and policies the Indian government has implemented to support the development and expansion of the MSME sector include the "Prime Minister's Employment Generation Programme (PMEGP), the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), and the Micro Units Development and Refinance Agency (MUDRA) Scheme". Notwithstanding these efforts, a number of issues remain that are preventing the industry's growth and development.

The MSME sector plays a crucial role in addressing some of the country's pressing social and economic challenges, such as poverty alleviation, income generation, and inclusive growth. The sector's potential for job creation is significant, especially in rural and semi-urban areas, where formal employment opportunities are limited. Therefore, the growth and development of the MSME sector in India are critical for achieving the country's socio-economic goals and aspirations. Given the significance of the MSME sector in the Indian economy, it is imperative to identify and address the challenges that hinder its growth and development.

This paper aims to explore the factors that influence the growth and development of the MSME sector in India. The study is based on a review of existing literature and secondary data analysis. The paper identifies the critical factors that affect the MSME sector's growth and development in India, such as government policies, access to finance, infrastructure, technology, human

resource development, and market access. The paper also highlights the interrelationships between these factors and their impact on the sector's growth and development. This study's goal is to pinpoint the elements that influence startups in particular as well as the expansion and development of the MSME sector in India. An opinion survey has been used in the study to collect information from a sample of Indian startups about the issues they believe are affecting their development and growth. The study investigates how government policies affect the expansion of startups in the MSME industry.

To encourage the expansion and development of the MSME sector, including startups, the Indian government has put in place a number of policies and programmes. By offering numerous incentives, such as tax breaks, and streamlining the regulatory framework for entrepreneurs, the Start-up India programme, which was introduced in 2016, seeks to establish a favourable atmosphere for businesses in India. The study also looks into how startups perceive these programmes' effects on their expansion and development.

The study is important because it sheds light on the difficulties faced by startups in India's MSME sector and how government policies might help them grow and thrive. The research's conclusions are helpful to entrepreneurs, business associations, and politicians as they develop programmes and legislation to address the difficulties faced by startups in India's MSME sector. Overall, this study intends to add to the body of knowledge on the expansion and development of the MSME sector in India and offer insights into the variables influencing the expansion and development of startups in the industry. The study is anticipated to help to the creation of a supportive ecosystem for MSME entrepreneurs in India, which fosters their expansion and advance the nation's economy.

Literature Review

The development and growth of India's economy are significantly aided by the MSME sector. Despite its significance, the sector confronts a number of obstacles to further development and growth. Based on an opinion survey of start-ups, this literature review intends to assess numerous research studies done between 2010 and 2018 on the factors affecting the growth and development of the MSME sector in India. This literature review analyzed research studies published between 2010 and 2018. All the studies used a survey methodology to collect data from MSME start-ups in India. The studies examined various factors, including government policies, financial constraints, technology, infrastructure, entrepreneurship, and human resource management, affecting the growth and development of MSMEs in India.

A study by Chandrasekhar and Garg (2010) examined the challenges facing the MSME sector in India. The study found that government policies, financial constraints, and a lack of infrastructure were the major barriers to the growth of MSMEs in India. Additionally, the study found that access to finance was a significant problem for MSMEs in India. Mishra and Modi (2013) conducted a second study to further explore the contribution of technology to the expansion and development of MSMEs in India. According to the survey, technology significantly contributed to MSMEs' increased productivity and efficiency. However, the survey also discovered that due to a lack of technical expertise and financial resources, MSMEs experienced a number of difficulties while implementing new technology.

Singh and Pathak's (2014) study looked at the function of public policies in fostering the expansion and improvement of MSMEs in India. According to the report, the Indian

government had put in place a number of measures to encourage MSMEs, including financial aid, marketing support, and technology advancement. The investigation discovered that, however, corruption and bureaucratic red tape rendered the implementation of these policies ineffectual. Another study by Sinha and Saxena (2016) examined the impact of infrastructure on the growth and development of MSMEs in India. The study found that inadequate infrastructure, including transportation and electricity, was a significant barrier to the growth of MSMEs in India. The study recommended that the Indian government should invest more in infrastructure development to promote the growth of the MSME sector.

The role of financial institutions in fostering the expansion and development of MSMEs in India was the subject of a 2017 study by Gupta and Jain. According to the report, MSMEs encountered a number of obstacles when attempting to obtain financing from traditional financial institutions, including high interest rates, the need for collateral, and difficult application processes. According to the survey, financial institutions should launch customised goods and services to cater to the unique requirements of MSMEs.

Reddy et al (2018) .s study looked at the contribution of entrepreneurship to the expansion and improvement of MSMEs in India. According to the study, MSMEs' success was significantly influenced by entrepreneurship. According to the report, the Indian government should implement laws to stimulate entrepreneurship and offer assistance to MSMEs. A study by Kumar and Kundu (2010) examined the role of human resource management in the growth and development of MSMEs in India. The study found that effective human resource management practices, including employee training and development, employee empowerment, and employee participation, significantly contributed to the growth and development of MSMEs.

Awasthi and Gupta (2013) also looked at how government policies affected the expansion and improvement of MSMEs in India. According to the report, government initiatives, such as financial aid, marketing support, and technological advancement, considerably aided the expansion and improvement of MSMEs. Yet, the study also discovered that corruption and administrative obstacles made it difficult to put these principles into practise. They looked at the numerous government programmes and initiatives put in place to support the expansion and improvement of MSMEs in India. A study by Mohapatra et al. (2014) examined the role of technology in the growth and development of MSMEs in India. The study found that technology adoption significantly contributed to the growth and development of MSMEs. However, the study also found that MSMEs faced challenges in adopting new technologies due to a lack of technical knowledge and financial resources.

Another study by Srivastava et al. (2016) examined the impact of financial constraints on the growth and development of MSMEs in India. The study found that MSMEs faced challenges in accessing finance from formal financial institutions due to high interest rates, collateral requirements, and complex application procedures. The study recommended that the Indian government should introduce specialized financial products and services to meet the specific needs of MSMEs. Srivastava, Bhattacharya, and Roy (2016) examined the financing constraints faced by MSMEs and found that the lack of access to finance and high-interest rates are the most significant barriers to their growth.

A study by Kumar et al. (2017) examined the impact of entrepreneurship on the growth and development of MSMEs in India. The study found that entrepreneurship significantly contributed to the success of MSMEs. The study recommended that the Indian government

should introduce policies to promote entrepreneurship and provide support to MSMEs to encourage entrepreneurship.

Finally, a study by Jana et al. (2018) examined the impact of infrastructure on the growth and development of MSMEs in India. The study found that inadequate infrastructure, including transportation and electricity, significantly hindered the growth of MSMEs in India. The study recommended that the Indian government should invest more in infrastructure development to promote the growth of the MSME sector. Overall, the research indicates that a variety of factors, including human resource management, access to capital, technology adoption, entrepreneurship skills, and infrastructure, have an impact on the growth and development of MSMEs in India. Although the government has put in place a number of regulations and measures to address these issues, more funding and investment are still required to guarantee the MSME sector's sustained growth and development in India.

In conclusion, this literature review highlights various factors affecting the growth and development of the MSME sector in India, as identified by various research studies between 2010 and 2018. The studies examined various factors, including government policies, financial constraints, technology, infrastructure, entrepreneurship, and human resource management, affecting the growth and development of MSMEs in India. The findings of these studies suggest that the Indian government needs to introduce effective policies and provide support to MSMEs to overcome the challenges they face and promote the growth and development of the MSME sector.

Objective: To find the factors affecting the growth and development of MSME sector in India

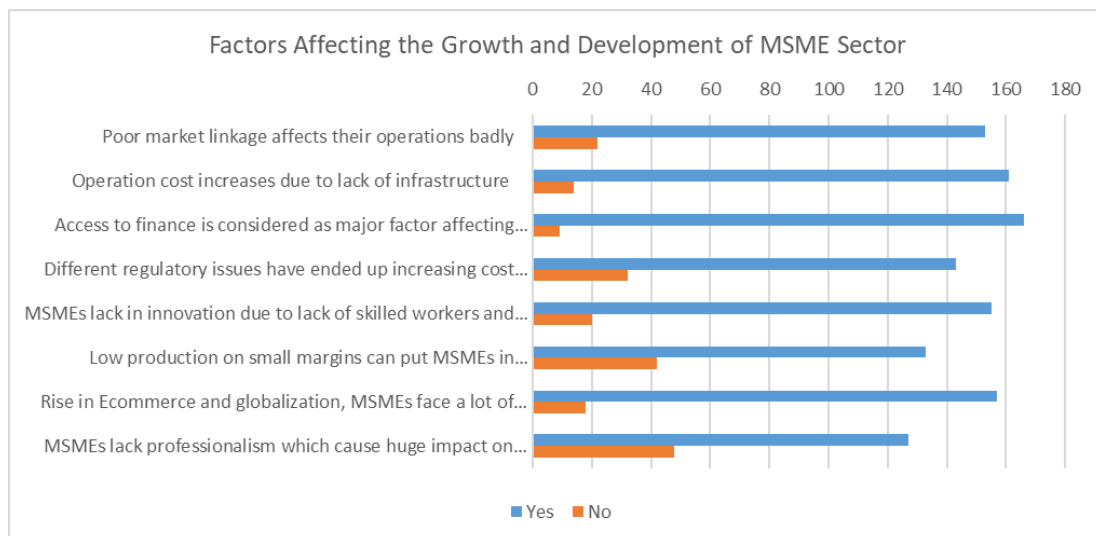
Methodology: This study is descriptive in nature in which the data were obtained from the 175 respondents who are running their own business. The major business area covered in the study were IT and ITEs, Retail Management, Transportation and Manufacturing. A checklist question was used to analyse and interpret the data. In a checklist question respondents choose “Yes” or “No” for all the questions.

Data Analysis and Interpretations:

Table and Figure 1 show the factors affecting the growth and development of MSME sector in India. It was found that around 94.8% respondents accept that access to finance is considered as major factor affecting growth, operation cost increases due to lack of infrastructure (92.0%), rise in Ecommerce and globalization, MSMEs face a lot of competition (89.7%), MSMEs lack in innovation due to lack of skilled workers and management (88.5%), poor market linkage affects their operations badly (87.4%), different regulatory issues have ended up increasing cost for MSMEs (81.7%), low production on small margins can put MSMEs in disadvantage (76.0%) and MSMEs lack professionalism which cause huge impact on their productivity (72.5%).

Table 1 Factors Affecting the Growth and Development of MSME Sector in India

SL No.	Factors Affecting the Growth and Development of MSME Sector	Yes	% Yes	No	% No	Total
1	Poor market linkage affects their operations badly	153	87.43	22	12.57	175
2	Operation cost increases due to lack of infrastructure	161	92.00	14	8.00	175
3	Access to finance is considered as major factor affecting growth	166	94.86	9	5.14	175
4	Different regulatory issues have ended up increasing cost for MSMEs	143	81.71	32	18.29	175
5	MSMEs lack in innovation due to lack of skilled workers and management	155	88.57	20	11.43	175
6	Low production on small margins can put MSMEs in disadvantage	133	76.00	42	24.00	175
7	Rise in Ecommerce and globalization, MSMEs face a lot of competition	157	89.71	18	10.29	175
8	MSMEs lack professionalism which cause huge impact on their productivity	127	72.57	48	27.43	175

**Figure 1 Factors Affecting the Growth and Development of MSME Sector**

Conclusion

In conclusion, the MSMEs sector in India plays a vital role in the country's economy, employing millions of people and contributing significantly to GDP. However, the sector faces several challenges that impede its growth and development, including inadequate access to finance, lack of skilled labour, insufficient infrastructure, and limited technology adoption. In order to understand the many policies and initiatives the government has put in place to address these issues, this literature study sought to identify the numerous elements affecting the growth and development of MSMEs in India. In the creation and development of MSMEs, the

examined research underlined the crucial roles played by human resource management, technology adoption, entrepreneurial skills, access to finance, and infrastructure. The Indian government has implemented several initiatives, such as the “Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)” and the “Prime Minister's Employment Generation Programme (PMEGP)”, to promote the growth of MSMEs. These policies have been instrumental in providing financial assistance to MSMEs and fostering entrepreneurship in the country.

However, the reviewed studies also indicated that there is still a need for further support and investment to ensure the sustainable growth and development of the MSME sector in India. This includes enhancing access to finance, improving infrastructure, providing adequate training opportunities, and encouraging the adoption of technology. In conclusion, the MSME sector in India has enormous potential for growth and development, and the government's efforts to support the sector are commendable. However, continued efforts are needed to address the sector's challenges and create an enabling environment for MSMEs to thrive, thereby contributing significantly to the country's economic growth and development.

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