

# Micro, Small and Medium Enterprises in India and their Performance: A Literature Review

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## ABSTRACT

MSME sector play extremely significantly role in Indian economy. Small-scale industry plays a very important role in increasing the base of entrepreneurship. The purpose of this paper is to review the literature to know the factors affecting the performance of small-scale industries. MSME are providing large scale employment with low investments and prove to be a second largest manpower employer after agriculture. From the study, it is clear that socio-economic characteristics of small-scale entrepreneurs tend to influence the performance and productivity of small scale enterprises in India. Study concludes that the performance of the small-scale sector has a direct impact on the growth of the overall economy and it should be supported for poverty alleviation, especially for nation's economic development.

**Keywords:** MSME, Problems of MSME, Performance, Future plans of MSME.

## 1. Introduction

There is no doubt about that the MSMEs are the base of Indian economy. Economic development of a country is directly related to the industrial growth. The expansion of industrial sector leads to creation of employment opportunities and improvement of living standard of people. Small Scale industries play a key role in a planned investment with its low investment, high potential for employment generation, diversification of industrial base and spread of various industries to rural and semi-rural areas. (Sonia and Kansal, 2009). MSMEs are source of economic growth, job creation, and poverty reduction in developing countries. They are the means through which accelerated economic growth and rapid industrialization have been achieved (Harris and Gibson, 2006; Sauser, 2005; Birch, 1987). Since independence there is a rapid growth of the small-scale industrial sector which plays an important role in Indian economy. Over the past five decades, government has designed policies to protect the

interests of the small-scale industrial sector and facilitate its rapid development. With their policies, governments have initiated various support measures from time to time, which include reservation, revision of investment ceilings, modernization of technology, marketing assistance, fiscal incentives etc. When India got independence the new government realizes the need for accelerating industrial development. After liberalization more than 6 percent of the economy grew on a average during 1990-2004 (Agrawal, 2008). Despite the growth the main focus is on the quality and quantity of employment (Nagraj, 2000; Kannan and Raveendran, 2009; Uma, 2009) and that increase inequality. That is why policy aims at making growth inclusive from the Eleventh five year plan (2007-2012) of the Government of India (GOI).

Consequently the various industrial policies provided guidelines for industrial development and government started incentive and concessions to the potential entrepreneurs to establish industries

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to remove the regional imbalance in the development. Several institutions like Small Industries Development Organization, National Small Industries Corporation, Small Industries Service Institutes at the Central Government and Directorate of Industries, Financial Corporations, Small Scale Industries Board, District Industries Centers were also established by the State Government to facilitate the new entrepreneurs in setting up their enterprises. District Industries Centers at the district level functioned as nodal centers for development of small scale entrepreneurship in rural and semi urban areas.

## 2. Research Methodology

In this paper, literature has been classified into five categories based on literature review study available on MSME from various journals and research papers and variable are derived which are most appropriate for understanding performance of MSMEs. Literature is studied to understand the basics of MSME through the research which has been already conducted in this field and to find out gaps, which are still uncovered. First part is focusing on understanding of MSME, second part deals with growth of MSME and MSME finance, third part deals with causes of failure and problems of MSME and fourth part of review deals with the factors affecting performance of MSME and finally last fifth part deals with future plan for MSME.

## 3. Need of the Study

MSME have occupied an important place in the process of industrialization in India as these are spread over rural and economically backward areas and can help in raising income. There is an attempt to evaluate the performance of small scale industries especially of Madhya Pradesh state. So there is an urgent need to accelerate the development of small scale industries, especially in a less developed region like Sagar district in order to generate employment opportunities and raise the living standard of the people. So now Strategies need to be improved so that coordination between government and industry can be better.

## 4. Understanding of Small Scale Industries

This part includes definitions, features, role and importance and terminologies and scope of small scale industries. Today both state and central government should focus on small scale industries so that the performance of entrepreneurs is enhanced and which leads to industrial

development and ultimately economic growth of the country can be enhanced.

### 4.1 Definition of Small Scale Industries

The Karve Committee in 1955 defined a small scale unit as one with an overall investment limit of Rs. 5 Lakhs and employing less than fifty workers when using power. The Government of India accepted this as the official definition of industry, with the change that the ceiling of Rs. 5 Lakhs will apply only to the capital assets. Later it was realized that this definition of SSI units did not help in maximum utilization of equipment and capital outlay. The Board felt a need for the revision of the definition of a small scale unit. (Honnurswamy et.al, 2011).

In September 1957, The Board defined small scale industry as follows, "A unit employing less than 50 persons if using power and less than 100 persons when not using power per shift".

Definition of 1960-The revised definition put forward by the ministry of Commerce and Industries will include all industries maintained. "Small scale industries will include all industries units with a capital investment of not more than Rs. 5 Lakhs irrespective of the number of person employed.

Definition of 1966-On the recommendations of the small scale Industries Board on 8th July 1966, the Ministry of Commerce and Industries put forward a new definition of small scale industries, as follows. "Small scale industries will include all industrial units with an investment of not more than Rs. 7.5 lakhs irrespective of the number persons employed. Capital investment for this purpose will mean investment in plant and machinery only"

Tiny Sector, 1977- A new sector called "Tiny" sector was created for the first time and it was defined as "All industries with a capital investment of Rs. 1 Lakh in plant and machinery and located in rural areas and small towns" Government of India revised the definition of SSI's in 1980 and 1985 and raised its limit of investment up to Rs. 35 lakhs.

Definition of 1991-The government of India announced fresh policy measures to promote and strengthen small, tiny and village industries, on 21st August 1991.

Report of the Expert Committee on Small Enterprises, with Dr. Abid Hossain as Chairman. The report, submitted to the Central Government in July 1997, recommended that the definition of

small scale industries be broadened to small scale enterprises and allowing incentives, credit facilities, and promotional facilities to flow to all small enterprises.

An industrial undertaking in which the investment in fixed assets in plant and machinery, whether held on ownership terms or on lease or by hire purchase, does not exceed Rs 100 lakh as on March 31, 2001, is to be treated as a small-scale industrial unit. (Safari book online)

Definition of 2006 - In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

(a) **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.

(b) **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

**Table 1: Definition of Small-scale Industries as per investment limits**

Year	Definition as per Investment Limits
1955	Upto Rs 5 lakhs in Plant and Machinery
1960	Upto Rs 5 lakhs in Plant and Machinery
1966	Upto Rs 7.5 Lakhs in Plant and Machinery
1975	Upto Rs 10 Lakhs in Plant and Machinery
1980	Upto Rs 20 Lakhs in Plant and Machinery
1985	Upto Rs 35 Lakhs in Plant and Machinery
1991	Upto Rs 60 Lakhs in Plant and Machinery
1997	Upto Rs 100 Lakhs in Plant and Machinery
1999	Upto Rs 100 Lakhs in Plant and Machinery

The limit for investment in plant and machinery/equipment for manufacturing/service enterprises, as notified, dated: 29-09-2006 are as under:

**Table 2: Investment Limit of Manufacturing and service Sector**

Manufacturing Sector	
Enterprise	Investment in Plant and Machinery
Micro Enterprises	Does not Exceed twenty five Lakh rupee

Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
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Medium Enterprise	More than five crore rupees but does not exceed ten crore rupees
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Service Sector	
Enterprises	Investment in equipments
Micro enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

(Source: Department of Commerce, industry and employment, Government of Madhya Pradesh, 2014)

#### 4.1.2: Salient Features of the Act

- 1) Setting up of a National Board for MSMEs.
- 2) Classification of enterprises
- 3) Advisory committees to support MSMEs.
- 4) Measures for promotion, development and enhancement of MSMEs
- 5) Schemes to control delayed payments to MSMEs
- 6) Enactment of rules by state government to implement the MSME Act, 2006 in their respective state.

There are number of programmes to help entrepreneurs and small businesses. For setting business are:

- 1) National Institute for Entrepreneurship and Small Business Development (NIESBUD)
- 2) National Institute for Micro, Small and Medium Enterprises (NI-MSME)
- 3) Indian Institute of Entrepreneurship (IIE) or the Development Commissioner (DCMSME).

Ministry of MSME encourages and honors innovation and enterprise. They work in close coordination with the State Governments, Industry Associations, Banks and other stakeholders through their numerous field offices and technical institutions to help the engines of growth' throughout the country.

The contribution of the MSME sector is significant in terms of accounting for 8% of India's GDP, 45% of manufactured output, 36% of exports and providing employment opportunities to over 80 million people through more than 36 million units. (FIMPACT Newsletter No. 18, dated 27th January 2014).

#### 4.1.3: Role and Importance of Micro, Small and Medium Enterprises

It has long been long recognized that in the economy small and micro businesses are playing the important role. (Stanworth and Gray, 1991). There is no doubt that small businesses remain economically important in every free enterprise industrial society (Curran et al., 1986). In UK, SMEs are strongly represented in almost every major sector of the economy, and continue to provide substantial employment not only in traditional established industries such as construction but also in the newer sectors such as professional and scientific services (Binks and Coyne, 1983).

The role of small firms play in innovation relates to their 'niche' role where: it is the ability of the small firm to provide something marginally different, in terms of product or service, which distinguishes it from the more standardized product or service provided by the larger firm (Storey, 1994). Small firms are basically more likely to introduce new innovations than larger firms, a feature often recognized to small firms having less commitment to existing practices and products (Pavitt et al. 1987). They are more labour intensive than larger firms and that's why it is associated with job creation (Anheier & Seibel, 1987; Liedholm & Mead, 1987; Schmitz, 1995). Promoting the SME sector in developing countries will create more employment opportunities, give more equitable distribution of income, and will ensure increased

productivity with better technology (Steel & Webster, 1991).

MSME contributes to the improvement of income distribution, employment generation, poverty reduction, industry development, rural development and export growth.

Micro and small-scale industries are important because:

- 1) Mobilize funds which otherwise would have been idle;
- 2) Have been recognized as a seed-bed for indigenous entrepreneurship;
- 3) Are labour intensive, employing more labour per unit of capital than large enterprises;
- 4) Promote indigenous technological
- 5) Are able to compete
- 6) Use mainly local resources, thus have less foreign exchange requirements;
- 7) Cater for the needs of the poor and;
- 8) Adapt easily to customer requirements (Kayanula and Quartey, 2000).

#### 4.1.4: Terminologies and Scope of Small Scale Industries in Selected Countries

Terminology and scope of small scale industries are different in different countries and small scale industries are having a significant role in developed and developing countries.

**Table 4: Terminologies used for Small Scale Industries in Selected Countries**

S. No	Country	Terminology	Scope
01	Japan	Small Enterprise	Manufacturing, mining, services, Trading (Wholesale and Retail)
02	India	Small Industry/Enterprise	Manufacturing, repair and servicing
03	Korea	Small Enterprise	Manufacturing, mining, construction, commerce
04	USA/Canada	Small Business	Manufacturing, services, trading (limited)
05	UK	Small Firms	Manufacturing, commerce (Both retail, wholesale)
06	Indonesia	Small Industry	Manufacturing, servicing.

Source: (Latha et al., 2008)

#### 4.1.5 Paradigm Shift in Small Scale Industries

SME sector is shifting from comparative to competitive era. Globally they are considered as an engine of economic growth and as key instruments for promoting equitable development. This sector needs to be improved, because MSME's will be tomorrow's large industrial houses and multinationals. Also, government has given a high

priority to this sector there is a need to adopt clear strategies, fast responses and effective use of technology.

#### 4.2: Growth of MSME and MSME Finance

This part deals with distribution of enterprises in the MSME sector and description of ownership structure, details of MSME in term of employment, Legal and regulatory framework, government

support given to small scale industries, and financial infrastructural.

#### 4.2.1: Distribution of Enterprises in the MSME Sector and description of Ownership

**Table 5: Description of Ownership structure of Enterprises**

Medium	Public/Private Limited
Small	Partnership/Cooperative
Micro	Proprietorship
Unorganized	No legal Structure

Source: MSME Census, IFC – Intellectap Analysis

Structure: Micro, Medium and Small Enterprises

are having different ownership structure whereas unorganized enterprises are having no legal structure.

As cited by (Zaidi, 2013) according to the Times News Bureau (August 2012). In India, SME definition is based not on number of employees but on amount of investment. Most Indian SMEs are labor-intensive and employ more than the prescribed workers as defined by European countries.

#### 4.2.2: Details of Micro and Small Enterprise

From past two years number of micro and small enterprises are decreasing this can be because of the competition from large enterprises.

**Table 6**

Financial Year	No of Micro and Small Enterprises	Investment in Rs	Employment
2000-2010	141505	169768.95	338447
2010-2011	19856	41316.57	42959
2011-2012	20100	43698.5	46095
2012-2013	19886	60073.41	46948
2013-2014 (up to Dec 2013)	11091	33652.91	26031

(Source: Department of commerce, industry and employment, Government of India, 2014)

**Table 7**

Legal and Regulatory Framework	Government Support	Financial Infrastructural Support
<ul style="list-style-type: none"> <li>• Legal and regulatory framework to define the sector -MSMED Act, 2006</li> <li>• Financial regulations to supply finance – SARFAESI 2002, Credit Information Companies (Regulation) Act 2005</li> <li>• Inclusion of Micro, and Small Enterprises (MSE) in purview of Priority Sector Lending (PSL)</li> <li>• Master Circulars on Lending to MSME</li> </ul>	<ul style="list-style-type: none"> <li>• Policies to facilitate multipronged support –skill, development market linkage, technology adoption and infrastructure. Promotion of cluster development</li> <li>• Financial support through apex sector bodies like SIDBI</li> <li>• Funding support to credit guarantee schemes to enhance unsecured financing</li> <li>• Financial support to increase penetration of credit</li> </ul>	<ul style="list-style-type: none"> <li>• Credit bureaus to track credit history of enterprises</li> <li>• Collateral registry for immovable assets</li> <li>• Credit rating agencies</li> <li>• Asset reconstruction companies</li> <li>• Small and Medium (SME) Stock Exchange to facilitate primary and secondary transactions for SME securitiesrating</li> </ul>

Source: IFC Intellectap Analysis

#### 4.2.3 Legal and Regulatory Framework, Government Support and Financial Infrastructural Support of MSME:

Various government and financial support is given to MSME and there is a legal and regulatory framework for MSME.

#### 4.2.4 Financing in MSME Sector

Responsibility of developing small scale sector mainly lies on state governments. The major source of institutional finance to small scale industries are:

1) SFC (State Financial Corporation)

2) Commercial Bank

IDBI used to refinance to small scale industries through SFCs and commercial bank till 1989 and since 1990, when SIDBI was established the same refinance function of IDBI is carried out by SIDBI. In addition to SFCs and commercial banks various promotional institution have come forward to finance the small scale industries like state small industrial corporation, state level consultancy organization, state directorate of industries etc.

Small Scale Industries cannot perform well in the absence of monetary support given by the government of respective state. (Directorate of MSME –Govt. of West Bengal)

Need for finance can be classified into following types:

- 1) Long and medium term loans.
- 2) Short term or working capital requirement.
- 3) Risk Capital
- 4) Seed Capital/Marginal Money
- 5) Bridge Loans.

The financial assistance can be available from various institutions like:

- 1) SIDBI: Small Industrial Development Bank of India (Refinance and Direct Lending)
- 2) SFCs: State level financial Corporations  
3) NSIC: National Small Industry Corporation
- 4) Small Industry Development Corporations of various states.
- 5) Commercial/Co-operative Banks.
- 6) DIC: District Industry Centre.
- 7) Informal Sources

The total demand for finance in MSME is estimated to be INR 32.5 trillion (\$590 billion), of which the major portion in form of debt requirement of about INR 26 trillion (\$470 billion) while the equity requirement is about INR 6.5 trillion (\$120 billion). (MSME Census, Intellectap-IFC Research)

Through micro finance institutions (MFI) credit/loan are being used by the small-scale businesses to finance their business operations and others use the credit for setting up their business. However after funds are being borrowed then also business

performance (profit and sales growth) is still small. The performance of the small-scale sector has a direct impact on the growth of the overall economy. Most small businesses cannot meet the requirements for commercial loans because they lack collateral and those who meet the requirements still find them expensive in terms of repayment.

As cited by Abdul-Aziz and Andrew (2013) the characteristics of SMEs affect financial decisions and behavior and finally the firm's performance and growth. In this context, the literature has identified several characteristics related to the SMEs sector as factors influencing the financial behavior of firms in this sector. These include firm size and age, ownership type and legal form, geographical location, industry sector and asset structure (showing the ability to provide collateral).

The permissible subsidy is as follows : (Source: smallb.in)

1. The Government of India will reimburse 75% of air fare by economy class and 50% space rental charges for Micro and Small Manufacturing enterprises of general category entrepreneurs.
2. For women /SC/ST entrepreneurs and entrepreneurs from north eastern region government of India will reimburse 100 % of space rent and economy class air fair.
3. The total subsidy on air fare and space rental charges will be restricted to Rs 1.25 lakhs per unit.

In order to protect and promote small enterprises a number of protective and promotional measures have been undertaken by the central government. The promotional measures are as follows: (Desai, 2007)

- 1) Technical Assistance through industrial extension service
- 2) Assistance for obtaining raw materials
- 3) Cash assistance
- 4) Supply of machinery on hire-purchase basis
- 5) Marketing assistance
- 6) Assistance to small entrepreneurs
- 7) Seed capital assistance
- 8) Concessional financial assistance
- 9) Technology assistance

#### 4.3: Main causes of failure of small-scale industries and Problem faced by the Smallscale Industries

Among the main causes of failure of small enterprises include: lack of planning, improper financing and poor management (Longenecker et al., 2006). Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering development due to lack of opportunities for management training, financial management, marketing and people management, to be limitations facing them. Other constraints and barriers include a poor social background, inadequate and inappropriate training and preparation for entry into MSEs, and socio-economic discrimination (Mutuku et al., 2006).

##### 4.3.1: Problems faced by MSME

MSMEs play a key role in economic growth and equitable development of small scale industries but they are facing a lot of problems. Pointing out that full potential of the sector has not being realized by the state, entrepreneurs are seeking support from state as well as central governments.

- 1) They lack global competitiveness.
- 2) Large scale imports are still under way
- 3) Credit availability is another area of concern apart from quality and packaging issues.
- 4) The MSMEs are facing problems of realization of receivables from their buyers.
- 5) Poor balance sheet size often disqualifies them for bank loans.

Through literature I can detect some more problems faced by the small scale industries they are:

- (1) Problem of Raw-material—Due to limited resources, the owners of small scale industries cannot afford to purchase raw-material in bulk. That is why they get low quality materials at high rates.
- (2) Problem of finance - Cheap and easy finance is not available to small scale industries. The financing system of government institutions and banks is such that these industries have to complete many formalities and there are so many complications which have to faced by these less educated entrepreneurs.
- (3) Marketing problems—These industries mainly exist in villages and due to lack of transport and communication facilities they

are handicapped in finding suitable markets for their products.

- (4) Lack of Managerial Talent -Small scale industries are mostly run by the small businessmen having no training of management and organization. How these industries, therefore, can stand before the large scale industries which are managed and organized by the specialists of that field?
- (5) Competition with large-scale industries—The main problem before these industries is that they are unable to compete with large-scale industries.

The economies of large-scale production are not available to them and therefore they fail to compete with large-scale industries. In the over-populated countries like India, the only way to fight with the unemployment is the development of small scale industries. In the words of Dr. V.K.R.V. Rao, "Small scale industries have a special claim for consideration in that they are the local investments through which the decentralization of industrial production can be achieved." It can, therefore, be said that 'Small is Beautiful.

#### 4.4 Factors Influencing the Performance of Small Scale Industries (SSI)

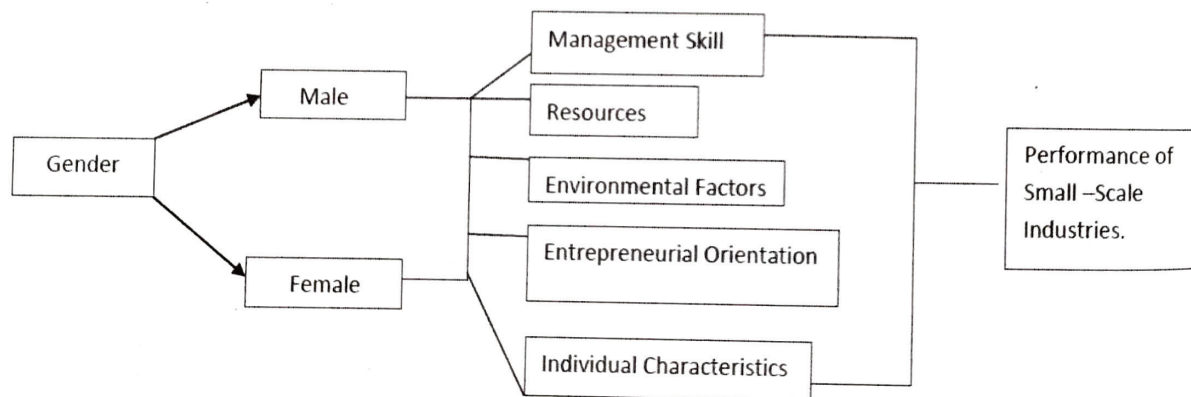
The small business sector is an integral component of economic development and it acts as a crucial element in lifting countries out of poverty (Wolfenson, 2001). The performance of SSI sector in India can be analysed based on the support given by the governments to small and medium scale enterprises developed by The World Bank (Hallberg 2000). The economic importance of SMEs can be investigated based on a number of factors such as share of firms and employment, labour intensity of SMEs, efficiency and social, political and equity justifications (Hallberg 2000). Hallberg (2000) further suggests that "small firms have 'higher job creation and destruction rates than large enterprises and may offer lesser job security than large firms.'" In developing countries in introducing new products and new techniques into the market entrepreneurial small enterprises play a significant role through technology innovation. (Pavitt et al., 1987)

Female entrepreneurs are less ambitious about growth and financial performance than male entrepreneurs (Singh et al., 2001). Women entrepreneurs mostly in developing countries have no easy access to credit for their entrepreneurial

activity and are the most vulnerable to poverty (Ibru, 2009; Iganiga, 2008). In developing countries there are ample evidence that female enterprise that female enterprise has a slower growth than male enterprises may be because of conservative social value and attitude in industry (El-Namaki, 1988). Entrepreneur professional background, their entrepreneurship capabilities and preferences, cultural and religious beliefs, as well as the technology (Buttner, 2001, Makhbul, 2011) affect the performance of small scale industries. An entrepreneur focuses on innovation profit and growth of the enterprise. On the other hand, the objective of the owner of small business is mostly on managing stable growth, sales, and profits. (Gupta et.al, 2013). It has been found that in the previous studies, 60% of the innovations were in the SME sector, but many of them were not successful due to lack of professionalism and inability to collaborate with other enterprises (Noteboom, 1994). Most SMEs operators lack knowledge and skills in business such as record keeping. This scenario is both a limitation to access to bank finance and reliable source for business decisions. The absence of record keeping couple with poor managerial skills results to poor decision making which impacts on the performance and growth of the enterprises. Studies found that by providing the non-financial services to SMEs, therefore, the performance of SMEs is bound to improve. Entrepreneur in this sector faced many

obstacles that hinder the long term survival and development. Starting a new business is a risky venture and chances of passing the five year successfully is very less. The rate of failure of small scale businesses in developing countries is higher than in the developed world.

In Nigeria, particular, despite the support and incentive programmes to small scale business. The small businesses would grow and flourish, but the rate of business failure continues to increase because of the obstacles affecting business performance which include: lack of financial resources, lack of management experience, poor location, laws and regulations, general economic conditions, as well as critical factors such as poor infrastructure, corruption, low demand for products and services, and poverty. Others include: shortage of raw materials, handicap in obtaining finance, inadequate competent personnel, inability to control costs and problems of dumping of cheap foreign products and others. Various factors which influence business performance such as: as experience, education, occupation of parents, gender, race, age, and entrepreneurial goals. India has been so supportive to SMEs (Little, 1987) for example. The Indian government has given protection rights of certain goods and services to SSI. India is...exceptional in the extent and range of its policies that directly support SSEs. ...They have been romantic rather than economic. (Little, 1987).



#### 4.4.1 Impact of Technology on the Performance of Small Scale Industries

To enhance the competitiveness and productivity of the small scale sector, Small scale industries have to be developed and for that government has initiated a number of policies. The Office of the Development Commissioner (SSI) has launched a

scheme the Integrated Technology and Management Programme' (UPTECH) in 1998, now renamed as Small Industry Cluster Development Program'. The scheme focuses on the modernization and the technological needs of the cluster. It covers a issues related to technology up gradation, improvement of productivity, diversification and their marketing, training needs (SIDO website).



## Institutions lending technology related support to Small Scale Industries (SSI) in India

<p>Institutions Services Provided Development Commission for Small Scale Industry (DCSSI) National Small Industries Corporation (NSIC)</p>	<p>Technical services which include training, design and engineering services, information, advice, etc. Technology information and servicing; Training programmes, common facilities such as workshop facility, testing, machinery and product development; plant and machinery on hire purchase and equipment</p>
<p>National Research Development Corporation (NRDC)</p>	<p>Promotion development of marketable technologies in connection with industry and national R&amp;D institutions; technology forecasting; design and engineering of manufacturing plants of commercial scale; dissemination of information on technology and its transfer to industries, etc.</p>
<p>National Institute of Small Industries Extension Training (NISIET) Technology Bureau for Small Enterprises (TBSE)</p>	<p>Facilities of technology transfer and information dissemination through training, seminars and workshops etc. Technology information, match making for technology transfer and joint ventures, arrangement for consulting services, etc.</p>
<p>Small Industries Development Bank of India (SIDBI)</p>	<p>Direct and indirect financial assistance for technology upgradation and modernization, etc.</p>

### 4.4.2. Impact of Globalization on Small scale Industries in India

The small scale industry never had a strong desire to grow to medium and large scale because of the benefits of protection given to it and also many of

the policies discouraged the growth of small scale units into larger ones and also had a bad effect on manufacturing, employment and output growth with globalization, the small scale industries are now more exposed to severe competition both from the large scale sector –domestic and foreign –and from MNCs.

**Table 7: Literature on Gender Based Entrepreneurial Influence on MSME Performance.**

Author	Finding
Kyro, 2001	Researchers found that women do not enter business because of financial gains and for them economic success is not important as personal satisfaction and other non financial goals.
Rosa, Carter and Hamilton, 1996; Robb, 2002; Kalleberg and Leicht, 1991 (Mazzarol et al., 1999)	Researcher found that women owned firms had lower level of sales, profit and employment. Researchers found that female are generally likely to be founder of new business than male.
Robb, 2000	Researcher examined that gender difference in hour worked and reason for entering the business ownership.
Moli Koshy and Mary Joseph, 2000	Increase in the number of women entrepreneur is because of support given by the government and non government agencies and changing attitude towards women entrepreneurship.
Sitterly, 2001	He found that the presence of parent entrepreneurial role-model was associated with an individual' business performance

**Table 8: Literature on Entrepreneur affects the performance of MSME**

Author	Findings
Duchesneau and Gartner, 1990	He founded that successful firms are initiated by entrepreneur who are having clear and broad business idea. He found that entrepreneurs in successful firm have raised from entrepreneurial parents who had experience of setting business.

Wijewardena and Cooray, 1996

Buttner, 2001, Makhbul, 2011

He summed up that business and technical educational background play a critical role in entrepreneurial effectiveness. He founded that education and prior experience in business play a critical success factor for small firm. Entrepreneur professional background, their entrepreneurship capabilities and preferences, cultural and religious beliefs, as well as the technology affect the performance of small scale industries.

**Table 9: Literature on Finance Affects Performance of MSME**

<i>Author</i>	<i>Findings</i>
(Kumar and Ghosh, 1991)	He explains the management practice and performance of small scale industries and their relationship between financial planning.
(Schiffer and Weder, 2001)	The lack of credit acts as a severe problem for growth of small firms.
(Kharbanda, 2001)	Most entrepreneurs face the problem of finance at the time of making the initial investment as well as during the course of management of the enterprise.

**Table 10: Literature on Technology affects the performance of MSME**

<i>Authors</i>	<i>Finding</i>
(Rao, 1989)	Researcher stated that the potential for investment related to technology requisition and transfer in smallscale and medium sector has assumed considerable significance in their interest to face the challenges of globalisation of markets.
(Kumar and Ghosh, 1991)	Researcher explains the relationship between performance of small scale industries and technology.
(Thornburg, 1993).	Small and medium enterprises (SMEs), are an important engine of economic growth and technological progress (Thornburg, 1993).
(Awasthi, Krishna and Sebastian, 1993)	Indicated that small industry in general, is characterized by technological obsolescence and therefore, inferior quality as well as low productivity
(Mali, 1998)	He found that MSME are facing competition due to globalization and for that technology should be up gradated
(Kumar et al., 2001)	Researcher examined that technology help determine a nation's industrial composition and optimal firm size.
(Subrahmanya, 2004)	Researcher founded that technology should be developed in order to make Indian small-scale industry globally competitive.
(Buttner, 2001); (Makhbul, 2011).	Previous research indicates that several factors influence business performance includes among many others: their professional background, their entrepreneurship capabilities and preferences, cultural and religious beliefs, as well as the technology
(Singh et al., 2012)	Researcher found that technology should be improved to achieve growth target.

**5. Future Plan for MSME**

1) Chief Minister of M.P said a new scheme to promote young entrepreneurs especially in the

rural areas and industries would be provided a continuous power supply from next year. "The government will make all efforts to improve quality and skill development in the MSME sector. A special

grant of Rs 30 lakh will be provided to sector units under the thrust sector medium sector unit will get similar grant of Rs 12 lakh in A sector, Rs 18 lakh in B sector and Rs 30 lakh in C sector.

According to the chief minister, land acquisition would not be a serious problems for investors as nearly 20,000 hectare has already been acquired.. "The government will also reserve part of land for MSME sector in the proposed 27 industrial estates. The government has proposed a comprehensive plan of Rs 3,000 crore for this purpose .

2) To tap small entrepreneur chief minister said that government is working on developing a web of small scale industries in the state. State government is also forming a Business Development Board to ensure that people can carry out business in state without any problem. (Times of India, Jan 24, 2014)

#### **General Issues Raised by Industry Association during the Course of Meeting**

1. Finance: - loan to MSME should be provided at reduced rate of interest.
2. Infrastructure: - Infrastructure facilities like Roads, Electricity water, etc. should be improved for healthier industrial environment for faster growth.
3. Market Support: - Ancillarisation should be given priority through better linkage with Large scale Industries for healthy growth and fast industrialization.

#### **CII Meeting with RBI Governor on Credit Policy**

CII suggested that a separate window to be opened by RBI FOR SME financing to ensure the availability of credit at affordable rates to Small Scale Industries and also to support the infrastructure sector through easing of norms. (CII-Micro, Medium and Small Scale Industries, 21 oct, 2013).

Association of Industries, Madhya Pradesh opposed the plan of shifting state 184 industrial areas from District Industries Centre to Audyogik Kendra Vikas Nigam.

The plan to shift 184 industrial areas of the state from DIC TO AKVN will create lot of problems specially for the small scale industries and they would not be able to compete with their counterparts in other states. (AIMP President, Hemant Mehtani)

To Tap small entrepreneur, Chief Minister said government is working on developing a web of small scale industries in the state. State government is also forming a Business Development Board to ensure that people can carry out business in state without any problem. (Times of India, Indore, 24 Jan 2014)

#### **6. Prospects for Small-Scale Industries in Madhya Pradesh State (Department of Commerce, Industry and Employment, Government of Madhya Pradesh)**

- 1) M.P is the central part of India with its strategic centrally located position.
- 2) Ample of natural resources are here especially copper, ore, limestone, granite and bauxite etc.
- 3) MNCs like PRG, Cadbury, Bridgestone, Hindustan Lever, Coca Cola and renowned Indian companies like Tata Ranbaxy, Eicher, Bharti Telecom, Grasim, Hindustan Motors, TAFE, kinetic, Hotline, Raymonds, lupin, Crompton, Greaves, surya Roshni, Nahar Spinning, Anand Spinning, Godrej, HEG, SCC, IPCA and many more have significant presence in Madhya Pradesh.
- 4) State has one lakh Kms of roads, 6500 Kms of rail network and has 18000 Kms of optical fibre cable network.
- 5) Cost of basic requirements like land, water and skilled manpower is very less as compared to other states. State also allow the industrial units to have power plants to produce power as per the requirement.
- 6) State government is committed to support the investor and for provide them a disturbing free atmosphere. State government have created high powered committees and boards which avoid delay in obtaining various approvals and clearances. These committees and board consists of Principle Secretary (Commerce, Industry and Employment), Chief Secretary of the state and honorable chief minister of the state.

Madhya Pradesh is a state in Central India. It is also known as heart of India due to its geographical location in India. It has all positive points which attracts industries but then also it is among the least developed states of India. So, there

is an urgent need to focus on smallscale industries which will lead to economic development of the state as well as of the country.

9. Research Gap Analysis: Although many research carried in the small scale industries but on the basis

of literature review, studies show that there is need to do research in the areas of finance, management and gender discrimination etc. Research gaps are identified from existing literature review to make study more viable.

Research Gap	Area
R1: Available literature shows that few research studies are conducted on financing for entrepreneurship in small scale industries in Indian Context	Entrepreneurial Finance
R2: Available literature shows that there is a need of further research on policies support to small scale industries in Indian Context.	Policy for small scale enterprises
R3: Literature shows that there is a difference in the ratio of male and female entrepreneurship, so there is a need to find the factors that affect entrepreneurship in smallscale industries	Gender based Entrepreneurship

## 10. Conclusions

From the above study it is clear that economic development of a country is directly related to the industry growth. Small scale industries are regarded as the driving force of economic growth, job creation and poverty reduction in developing countries and for achieving these the performance of small scale industries can be improved only by the support given by the government to small and medium scale enterprises. Many enterprises are facing a major problem like lack of reliable and stable economic infrastructure, reduced credit inflow and technological obsolescence would have led inferior quality and low productivity.

Technology development should be emphasize in the light of global competition. Financial infrastructure need to be broadened and adequate inflow of credit to the sector be ensured taking into consideration the growing investment demand. If the future plan for small-scale industries is successfully implemented then Madhya Pradesh would be best industrial area of the country. During the study, it was discovered that the biggest problem is to match servicing financial institutions and business performance. This was untouched. Thus further research should be adopted in this area. Other factors that affect performance can also be researched.

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