

# Review of Studies on Micro Small and Medium Enterprises

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## Abstract

A research study entitled, “Impact of Select Government Policies towards MSMEs: Evidence from Odisha and Andhra Pradesh” was undertaken by the researcher with the objective of measuring the impact of selected Government policies on the financials of MSMEs, the quality of their product and the overall enterprise development. An attempt is made to understand the varying perceptions of the policy makers, the policy implementers and the policy beneficiaries (MSMEs) which indeed gives rise to the gaps that make the policies ineffective. The researcher adopts a case study type research method. The research process includes a mixed methodology. It involves both quantitative as well as qualitative analysis of primary data as well as the large pool of secondary data. As part of the above research study, the existing literature has been reviewed. The literature thus reviewed constitutes the content of the current paper.

**Keywords: Micro Small and Medium Enterprises (MSMEs); Government Policies**

## I. INTRODUCTION

A literature review is a critical analysis of the published sources on a particular topic. The aim of literature review is to analyse the critical facts and findings of the existing body of knowledge. It is characterized by coherent stream of theories and concepts along with constant referencing. It also includes a thorough analysis of the research gap existing in the issue. Every study that is done by researchers' aims at either finding a solution to the problem or adding inputs to the existing body of knowledge. Because of these two motives, widespread research has been done in the area of various aspects relating to micro small and medium enterprises (MSMEs).

## II. NEED & IMPORTANCE OF MSME

India is the third largest economy in the world (in PPP) terms and the second largest in developing Asia. At present, the Indian economy is experiencing a rising growth curve. The growth can be attributable to the development of the vibrant manufacturing sector of India, which is mainly characterized by the micro small and medium enterprises. The MSME sector is the engine for the growth and development of the manufacturing sector in India. It not only plays a crucial role in providing large employment at comparatively lower capital costs when compared to large industries but also helps in industrialization of rural and backward areas. According to Naser (2013), SMEs have a great role in the balanced development of the economy. One of the most important variable of the economic growth of a country is employment generation and MSMEs being labor intensive mostly help in absorbing the unemployed segment of the country. The MSME sector creates almost 4 million employment opportunities every year on an average. Apart from creator of job opportunities, the sector is also a major contributor towards the GDP of the nation. MSMEs assure more equitable distribution of national income and wealth. They contribute to the socio economic development of the country, as they are ancillaries to large manufacturing industries. They are the nurture grounds for entrepreneurship and innovation. The diversity among firms in the MSME industry and their widespread geographic disperse shows their capacity to meet local as well as global industry requirements and needs (katyal & xaviour, 2015). It is well acknowledged that MSMEs are a major contributor towards the GDP of the nation. Yet the fact remains that their contribution is not increasing in proportion to the increase in their number. This can be attributed to the presence of bottlenecks such as lack of skilled manpower, inefficient technology, little R&D, high import costs, unstructured marketing facilities and many other such reasons (kotak mahindra bank, 2016). Organizations both public and private have recognized the presence of these bottlenecks. These bottlenecks hinder the growth process of MSMEs. The next section deals with the existence of such mechanisms that will help MSMEs overcome these bottlenecks.

## III. NEED & IMPORTANCE OF GOVERNMENT SUPPORT FOR MSMEs

As already mentioned in the previous section, the engines of growth of the manufacturing sector face a variety of problems that hinders their growth. According to Aruna (2015), small businesses face a number of problems relating to their size. A very frequent cause of their bankruptcy is undercapitalization. The magnitude of financial problem is so huge that they need a third party to intervene and help them in matters related to finances. MSMEs are confronted with problems that are uncommon to large

companies. Hence, large companies as well as government should take initiative to bring them out of financial as well as other operational distress.

The importance of government intervention was first published in Adam Smith's most prominent economic work, "The Wealth of Nations". In his book, he introduced the concept of the invisible hand. According to the theory the market is governed by an invisible hand and the lesser the interaction by the government, the better it is. He was not against government intervention. What he really meant was that, incorrect interventions by the government that hindered trade should be avoided and other good interventions of the government should be encouraged (Kennedy, 2009). The need and importance of government support for MSMEs is realized of late. Prior to this, the solution for the specific problems of the small players was seen in various types of collaborations between the small players and the big players. Narula (2001) mentions that innovation is the key to all the problems faced by MSMEs and globalization has systematically affected the way all firms undertake innovation. For a very long time in the past small players had a competitive edge over the large players with respect to flexibility. It was flexible enough for the small players to use the external network for their functioning. However, with the advent of globalization even the large players started to use this external network, which was once a competitive advantage for SMEs. This was a threat for the small players. Globalization helped small players understand the fact that there are more opportunities to collaborate with large firms but fewer opportunities to compete successfully against them. Collaboration ensures benefit for both the large and the small players. According to Chevalier (2001), collaboration can be of various types depending upon the interests of both the parties. Operational collaboration between SME and a multinational is one way to solve the problems faced by MSMEs. This requires the creation of a healthy domestic investment environment by the government. This will help SMEs to enter into linkages with MNEs, which indeed will help the small players in overcoming the various financial as well as operational difficulties that they face (OECD investment committee, 2005). Multinationals as well as domestic companies both have understood the importance of collaboration. Hence, strategic alliance is assuming prominence as it is seen as a beacon of hope for the small players to overcome their distress. Strategic alliances are the means through which companies expand into foreign markets, increase their customer base, access dispersed capacities and leverage technologies and other resources. In today's globalized era flexible networking has provided MSMEs with greater opportunities, at the same time technology intensive inputs and hyper competition has intensified the traditional barriers of growth for the MSME units. Hence, MSMEs have adopted strategic alliance techniques to overcome the problem. Though strategic alliance has gained much importance, it still has its own drawbacks, which are discouraging the current SME units from adopting them. One of the most prominent drawback is the lack of faith and trust among the strategic partners. Because of this, the partnership is often short-lived (Rothkegel et al., 2006). The failed results of strategic alliance have led to the emergence of a new method of collaboration. According to Gnyawali & Park (2009), co-opetition is simultaneous cooperation and competition between firms. In the context of MSMEs, technological battles have intensified and the level of trust and faith has reduced in strategic alliances. Hence, co-opetition with the competitors will help MSMEs to create economies of scale, mitigate risk and leverage resources. Co-opetition will also ensure that MSMEs overcome challenges related to high cost of R&D, high level of risk associated with technological development and lack of resources to pursue large-scale innovation projects. The activities of any company involves two central activities. They are creating value and capturing value. Creating value refers to the enlargement of the existing value or creation of new values and capturing values refers to "dividing up of the pie". The recognition of these two central activities demands a new mind-set among organizations. This mind-set can be set in using a co-opetition strategy. The best way to create as well as capture value is to pursue a win-win strategy. This will help in achieving synergy effects as well as making a positive sum game for both the parties. According to Fujitsu (2013) collaboration is the springboard from which big as well as small players can strive to deliver better results for their customers and themselves. Collaboration does not come free of cost for the small players. To win contracts with the large suppliers as well as customers remains as a major challenge for MSMEs. Hence, MSMEs try to enter into win-win agreements so that it looks attractive for the large player to enter into collaboration with the small player. It is commonly believed that a win-win situation can be achieved only when both the parties in agreement are of equivalent size. Perez (2017) argues that there exists an asymmetrical relationship and hence an opportunity for MSMEs to innovate. In a globalized ultra-competitive environment, it is very risky for small firms to remain isolated. Hence, they should seek out for the presence of win-win situations for themselves, which will be fruitful for both small as well as large players. Bowen (2017) mentions that a win win collaboration can help the large players to find easy and trustworthy suppliers in the form of small players who can provide niche solutions to their problems on one hand. On the other hand, small players get an opportunity to get involved in bigger contracts. They also get access to greater resources and larger customer base. Any collaboration strategy has its own risks in it. Hence, government support for MSMEs becomes important as small players can mitigate the risk that they take by availing government policies and collaborating with government companies. Various countries have various policies towards MSMEs and the next section deals with the state of MSMEs in various countries across the globe.

#### **IV. STATE OF MSMEs IN VARIOUS COUNTRIES ACROSS THE GLOBE**

Small businesses form a major part of the global economy. Ancillary units, which are predominantly small and medium scale units support much of the manufacturing sector. The development of the MSME sector has been the prime concern of the governments of most of the countries be it developing, developed or underdeveloped. According to Berry (2002), the economic performance of developing nations like Latin America hinges mostly on the development of the small and medium enterprises. In a developing economy like that of Latin America, no other major sector has the capacity to generate adequate income jobs. Thus, it becomes important for the government to support the MSME sector so that the economic development of the country is assured. One of the

bottlenecks in preparing a MSME friendly policy in Latin America is the macroeconomic perspective adopted by the policy makers. A friendly policy formulation cannot take place where the opinion of the small players is muted. Healthy and MSME friendly policies with a micro economic perspective exists with respect to marketing, technology upgradation, easy exports and credit availability. These policies help the small firms to be more efficient and competitive. Nguyen & Wongsurawat (n.d.) also opine that the government policies should be supportive of MSME growth and development. It is well understood that small and medium enterprises have an important role to play in the growth and development of all economies irrespective of the fact of they being developed, underdeveloped or developing. In order to encourage the emergence of new enterprises and hi-tech enterprises the government of Vietnam has rolled out financial policies which aim at exempting small and medium enterprises from the payment of taxes. The policies also aim at providing fiscal fund aid and loan support programs for their activities. Apart from the financial policies, the government of Vietnam has rolled out many infrastructure policies, which aim at developing the small and medium enterprises in weak infrastructure regions. The Vietnamese land policies encourage the small businesses to set up their units in industrial parks. The main problem here is the existence of high rental lands, which prove very costly for the small business owners. The study shows the existence of few policies which are friendly and few which are very cumbersome. The fact that government support for MSMEs is highly essential is acknowledged in many countries. It is identified that in countries like Sri Lanka the small and medium enterprises are plagued with a weak institutional base. The reason for it is the lack of management skills among the new entrepreneurs. Obsolete and inappropriate technologies are yet another factor for the slow growth of SME units. This brings into light the need for development of new government policies, which will support not just MSME growth but also training and learning (Gamage, 2003). The lack of existence of government policies do not indicate that MSME sector is unimportant. For example, in Norway Iversen (2003) mentions that small and medium enterprises form the backbone of the Norwegian economy but one of the major problems challenging their existence and growth is the poor usage of IPR by small businesses. Norway as a country is still characterized by traditional industries, which includes the basic engineering industry also, and the major players in the industry are the small businesses. For a commodity based economy like that of Norway, the government support for MSMEs with respect to IPR is a quintessential. The IPR system of Norway comprises not only of the legal framework but also of institutions and agencies who ensure the proper administration of IPR system. Hence, the focus of policy makers is to have a proper understanding of how the infrastructure works. The functioning of the infrastructure has a direct influence on how enterprises utilize and leverage the intellectual property rights in a given business situation. Policies relating to MSMEs can have multiple objectives and hence a routine evaluation of the policies becomes important for the governments, as such, evaluations will keep their efforts channelized. According to Biggeri (2004), official statistics play an important role in evaluation of policies. Hence, governments should focus on developing policy evaluation techniques along with policy formulation. For example, in Italy very few resources are devoted to the production of official statistics and research in general. This brings the need for an increase in resources, which indeed will help in better policy evaluation. Mere formulation of policy without an evaluation and follow up is a useless activity. Turkey is an example of a country where the implementation of government policies is always followed by a statistical evaluation to ensure that the best results are obtained. According to Organization for economic co-operation and development, (2004) Turkish firms for many years operated in a very unstable and unfavorable macro-economic environment, which was characterized by high inflation and a succession of deep recessions. Apart from the economic difficulties, the Turkish firms had to face the shock of opening up of the economy and the competition that followed the customs union with the EU in 1996. The Turkish government identified the need for stabilization and structural reforms as a prerequisite for SME development. The policies were focused not just on domestic development but it also took into account the international approaches especially those coordinated with the European Union. The priority area for policy makers was to provide SMEs with easy access to finance. Some of the steps included the availability of subsidy for small business owners who planned the purchase of machinery and equipment. Along with subsidy, the government has also setup industrial areas with quality industrial space with necessary utilities and central services so that the small businesses derive benefit from it. The implementation of the various policies is always followed by a multifactor evaluation mechanism, which ensures that the policies achieve their objective. China is one of the largest growing economies in the world today. Micro small and medium enterprises have contributed largely to the economic livelihood and local employment in China. A very distinct feature of MSMEs in china is that most of them are small and medium sized forest enterprises. The government plays a critical role in supporting the economically viable SMFES. SMFES typically face the problem of poor access to finance and government policies focus on removing this bottleneck by eliminating forestry taxes and fees, issuing indirect financing policies and facilitating access to capital market and technical information (Luo et al., 2009). In countries like Malaysia SMEs constitute 93.8% of the manufacturing sector and contribute towards 27.3% of the total manufactured output. The new economic policy of 1971 aimed at improving peoples' welfare and eradicating economic imbalances. The new economic policy in itself gave a boost to the SME sector, which not just contributes to the GDP of the nation but also contributes towards employment and exports (Hoq et al., 2009). In developing countries, SMEs account for a major part of the manufacturing sector. According to Abor & Quartey (2010), SMEs in Ghana provide about 85% of the manufacturing employment. They contribute to 70% of the GDP and account for almost 95% of the formal business in Ghana. The development of the SMEs is constrained by factors like lack of access to new technology, limited access to international market and existence of cumbersome laws and procedures. The focus of government policies should be on providing easy access to credit and relaxation of tax laws. The problems that small and medium enterprises face are similar even in the Republic of Malawi. The MSME policy there aims at creating a modern and effective framework to guide the development of the MSME units. The growth and development strategy aims at both short run as well as long run benefits for the MSME units. According to the President Joyce Banda, "a key goal of my new administration is eradication of poverty through initiatives that will enhance opportunities, reduce inequality and support wealth

and job creation. The revised MSME policy aims to address this key national development objective.” The government of Malawi has established several statutory bodies to look after the proper implementation and evaluation of the policies (Darroll, 2012). The Republic of Malawi is an example of a developing nation. Even in developed nations like that of Japan and USA government support for MSMEs is important. According to Ministry of Economy, Trade and Industry (2013) SMEs form the very basis of the Japanese economy. They account for almost 99.7% of all companies and contribute towards more than 50% of all value added manufacturing activities. The products of the large companies consist of components manufactured by SMEs. The government of Japan has formulated various policies addressing the financial, non-financial, operational and subcontracting issues. The development of the SME sector can be attributable to the favorable government policies. Similar is the case in economies that have experienced a transition from underdeveloped to developing. According to Vixathep (2014) private sector plays an important role in the socio economic development of a nation. At a time when the economy of Laos was facing a transition, it was the private micro small and medium enterprises, which added value to the GDP of the nation. The government of Laos adopted an open door policy to encourage the small enterprises. One of the most important feature of all governmental policies is the existence of legal clause in them. This means that all policies relating to financials, quality improvement, technology upgradation as well as skill development come with a legal clause that provides the small players with protection against the large unscrupulous players. There is no doubt with regards to government support in relation to providing easy finance, or conducting skill development programs but the current economic situation in the world demands that the governments of the various countries focus on the less spoken need of the small businesses. Keeping this in view the government of SriLanka, focuses on the transaction cost economics. The main aim of it is to determine whether there exists a favorable transaction environment for MSMEs to govern their transaction cost in an economizing manner. The government also focuses on providing small businesses with the necessary and adequate legal support (Priyanath & Premaratne, 2014). A success story of good governance is that of Germany. According to OECD (2014), Germany has held up well with the global economic and financial crisis. The fast growing MSME sector was able to sustain through the various turbulences because of the multi dimension foolproof government policies. The government policies cover not just the financial aspect of a business but also all other aspects like human resource, operations, marketing, law and many more. In today’s globalized economy, it is not sufficient if only one or two countries are able to develop their MSME sector. The need of the hour is a true integration of the domestic economies to form a world economy. This is the reason because of which OECD strives to form new global policies. According to OECD, ASEAN regional SME policy roundtable (2014) exchange of international good practices should take place among the various economies. Added to this near term priorities and action plans should be devised to ensure better implementation of the programs. The MSME policies of developed economies like that of USA should be observed and attempts should be made to imitate it. Since SMEs are the backbone of the US economy, bank lending to SME is considered as a priority activity. The federal government sources play a complementary role in facilitating easy credit to small business owners. Online lending platforms have also sprung up in the wake of recession to help small business sustain even in times of turbulence (Firoozmand et al., 2015). Yet another success story of supportive policies for MSMEs is that of Belgium. According to Fombasso & Cincera (2015) the research and development subsidy, the access to equity capital and cheap loans for small business owners from the government’s side has resulted in tremendous growth in the MSME sector. The government was able to successfully implement the policies and thus reduce the number of bottlenecks, which hinder the growth, and development of the small and medium businesses. According to OECD (2017), small and medium sized enterprises today are considered to have local strength with global reach. This potential of theirs needs to be tapped. Hence, it is important for the governments of various countries to extend support to these engines of growth by way of better policies.

## **V. STATE OF MSMEs IN INDIA**

The Indian MSME sector does not fall into any of the extremes. Neither is it highly developed nor is it under developed. In the past five decades, Indian MSME sector has emerged as a highly vibrant and dynamic sector of the economy. As already mentioned, they not only play an important role in creating employment opportunities but also help in moving towards greater equality. The advent of planned economy from 1951 has drawn considerable attention towards the developmental issues relating to small businesses. MSME sector became the priority sector post the implementation of Make in India in 2014 (Sathyanarayana & Kishor, 2013). MSME sector in India is the second largest employer after the agriculture sector. It had made its contribution in various manufacturing as well as service sectors. MSME sector has helped the economy to make import substitution a reality. The sector has also contributed towards technological development in various fields. Apart from providing MSMEs with manufacturing boost, the government of India is also focusing on subtler aspects like human resource management and intellectual property development. According to Bhattacharya et al. (2015), Indian manufacturing sector has seen highs and lows both in the same period. The index of industrial production (IIP) fell from a high 8.2% in 2010-11 to a negative 0.1% in the year 2013-14. Because of the launch of the Make in India program, the manufacturing sector seems to experience a more stable growth from 2014 onwards. The Make in India thrust has enabled ease of doing business in India. It together with the start-up India has ensured the increase in the number of micro and small business enterprises. The Indian government is highly optimistic about the future of Indian manufacturing and is looking forward for accelerating momentum in the manufacturing sector. This optimism has indeed led to the expectation that India will emerge as one of the leading economies in the world over the next decade. According to KPMG (2015), the new wave MSME should enable the development of an ecosystem, which will continuously support businesses that aim at creating and delivering value. The Digital India movement is indeed a revolution, which will provide MSMEs with the opportunity to participate in the telecommunication and information technology sector also. India has understood the relationship that exists amongst

agriculture sector, manufacture sector and the service sectors. Hence, development of the MSME sector will ensure development of all the three sectors. The MSME sector is expected to act as a catalyst in the socio-economic development of the country. The major obstacle identified in the growth of MSMEs is lack of adequate finance.

According to Yadav (2015), lack of adequate finance is not the only problem that MSMEs face. Along with inadequate capital, they face the problem of inefficient human resource management. Since most of the small businesses in India are family owned, a proper succession planning should be done to ensure the smooth functioning of the business. Lack of succession planning is yet another problem facing MSMEs. Hence training and developmental need of MSMEs are of late seen as important, and the government is focusing on developing policies aimed at improving the training and development programs. Under the umbrella policy of Make in India, the various states of India have undertaken various projects to make 'Make in India' a reality.

The micro, small and medium enterprises development institute Cuttack plays an important role in the promotion and development of MSMEs in Odisha. The institute provides techno economic and managerial services in various fields like economics, statistics, glass & ceramics, electronics, leather etc. the institute conducts various programs in rural areas of Odisha in order to attend to the needs of budding entrepreneurs. Some of the objectives of the programs include motivating the educated unemployed youth of the state, evaluation of the projects undertaken by the institute etc. (MSME development institute, 2016). To achieve the objectives of the various state policies the institute focuses on setting up of facilitation cells at regional industries centers and district industries center. The state is also investing in the development of MSME parks at various places in order to provide ready infrastructure for MSMEs in order to achieve balanced growth. The latest development in policy implementation is the formulation of product specific clusters and convergence of schemes and resources of the state with that of the schemes of GOI (Micro Small and Medium Enterprises Department, 2016). The micro small and medium enterprises in India have understood the importance of lean manufacturing. The government of India was successful in explaining to MSMEs that organization that tend to avoid lean often witness more intense problems. The change in attitude of MSMEs to understand that implementing lean is a journey and not a one-time event is helping them grow continuously (Kulkarni, 2016). Though the MSMEs in the manufacturing sector are showing a growth trajectory, government has not relaxed in terms of developing new policies for them. The government of India still focuses on helping MSMEs in major areas like simplification of procedures, providing industry-academia partnerships and providing financial support and incentives (Agarwal, 2017). Yet another reason for the growth of MSMEs in India is the ability of the Indian government to see MSME units as investment options. In the private corporate world, mounting NPAs are a big problem. Hence, MSMEs, retail and affordable housing emerged as attractive investment options for both the government as well as the private investors. The rollout of GST is also seen as a favorable indicator for the development of MSMEs (Bajaj, 2017). The most prominent bottleneck in the development path of MSMEs is the existence of stringent lending procedures. According to Bhutada (2017), the digital India initiative by the government of India is a solution to the stringent lending process. In case of digital lending authenticity and accuracy of data are of paramount importance especially today when the MSMEs stand at the threshold of a global competitive market. Digital lending surely will open a new door for MSME financing. According to Department of Industrial Policy (2017), MSME sector is still an untapped high growth sector, which is spread across both urban and rural areas of the country. Some of the policy initiatives and investments include the FDI policy of the government, the Make in India soft loan fund, the enterprise creation scheme under PMEGP, the framework for revival and rehabilitation of MSME units, the technology acquisition and development fund and many more such initiatives. Recently the government of India has endeavored to promote MSMEs in the defense sector also which will provide this high growth untapped sector with many more opportunities in future.

## VI. MANUFACTURING SECTOR OF INDIA IN SPECIFIC

“The best way to predict the future is to create it” said Peter F. Drucker. India has correctly followed these words of the management guru. It was during the 1990s when the GDP of both India and China were almost equal. However, post 1990 China's economy grew much faster than that of the Indian economy. Several predictions were made concerning India's future especially in manufacturing sector. The sector took the desired form only after 2014 when the Make in India initiative was launched. The growth in the manufacturing sector always depended on the investment culture of the country. Finances form the basics of all businesses as well as problems. According to OECD (2015) bank lending is the most common source of financing for most of the MSMEs. The major problem associated with bank lending is the requirement of collateral. This is a bottleneck for many MSME units as they lack sufficient capital and property to give as collateral. Hence, the organization for Economic Co-operation and Development (OECD) has suggested several financing alternatives for MSMEs. Some of them include asset based financing options including asset based lending, factoring, leasing etc., corporate debt, debt securitization and covered bonds, crowdfunding options, hybrid financing instruments like convertible bonds and mezzanine finance etc. Though world over MSMEs have the flexibility to use these new financing techniques but the MSME units of the Indian manufacturing sector still do not have this flexibility. The future of the Indian manufacturing sector is still not very dark. A research conducted by the Mckinsey Global Institute has shown that it is the right time for banks and other lending institutions to serve the MSMEs better. According to Mckinsey&Company (2015), an estimated 60% of the global banking, revenue growth will lie in emerging economies like India. Banks are also finding new ways to serve MSMEs in a better way. Moreover, innovation is driving all their efforts to perform better. Because of these reasons, banks are looking forward to help MSMEs overcome their financial problems. The current government is supportive of growth in the manufacturing sector in India. According to Ministry of Micro, Small and Medium Enterprises (2016) MSME sector has emerged as a highly vibrant sector. The sector currently consists of 36 million units and provides employment to more than a million people

at comparatively lower capital costs. The organizational setup is such that the implementation of the policies takes place through the various organizations of the ministry such as the office of the development commissioner, the khadi and Village Industries Commission, the Mahatma Gandhi institute for Rural industrialization, the Coir Board, the NSIC etc. the complete ministry is very supportive of the MSME units of the country especially in the manufacturing sector. It is published in the annual report of the ministry of MSME that MSME sector is identified as the most important sector for the growth and development of the manufacturing sector in India. The primary responsibility of the development of MSME units is of the state governments. However, the government of India supplements efforts of the state government through various national level policy initiatives (Ministry of micro small and medium enterprises, 2016). The lack of adequate finance has always been a major problem for small business owners. Of late the government, both at central as well as state level have understood the importance of having alternative financing mechanisms especially for startups. Financing MSME units has always been a risky investment. Hence, the government is putting in efforts to make capital market available to small business owners so that the risk is diversified. Equity funding is the emerging source of finance for small businesses (Sarkar, 2016). The government of India has left no stone unturned in identifying the financial needs of the small players. In this regard, credit rating has been given importance in order to facilitate institutional finance for MSMEs as credit rating has the potential to transform the way SMEs are integrated in the financial system (Dogra, 2016). Any level of new financing mechanisms or upgraded policies will not work well in the manufacturing sector unless the basic conventional education framework is upgraded. By 2020, India will be a youth country with median age of 29. This demands that the bounty of human resource that our country has should be given skill training and modern education (Ajay, 2016). The MSME units in the manufacturing sector of India are performing really well when compared to the historical records. Yet there is a lacuna, which is holding them back from achieving the desired results. According to Trivedi (2016), innovation is the magic wand for MSMEs. Inventions and innovations are no longer the prized possessions of big innovation incorporations. The current action plan and policies of the government like Startup India, Make in India, formation of Innovation councils etc. will help MSMEs to identify their own potential and to harness it for the betterment of all.

## VII. CONCLUSION

There exists a vast literature in the field of micro small and medium enterprises. The current paper outlines the importance and need of MSMEs for any nation, the importance of government support for such small enterprises, the success and failure of private collaborations, the MSME scenario across various countries and finally the MSME environment in India with a special focus on the manufacturing sector. There have been national level surveys conducted in order to assess the performance of MSMEs. Yet there remains a gap in what is expected to be achieved and what is actually achieved. This gap kindled an interest in the researcher to undertake a study aiming at an in depth analysis of a few MSME units in the rural yet industrial areas of Odisha and Andhra Pradesh. The study will be a microscopic analysis of the numerous government policies for MSMEs. A different dimension of the research is the consideration of opinion of the three related parties in a policy mechanism namely the policy beneficiaries, the makers and the implementers. The study undertaken by the researcher entitled "Impact of Select Government Policies towards MSMEs: Evidence from Odisha and Andhra Pradesh" focuses on the gaps in the perception of the above-mentioned three parties which is a cause for ineffectiveness of policies.

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