

A DIAGNOSTIC ANALYSIS OF PROBLEMS OF MSMEs IN INDIA

ABSTRACT

Micro, small, and medium enterprises (hereafter, MSMEs) play an important role in the strengthening of any nation's economy. In India, MSMEs contribute to the GDP and are responsible for exports and employment. However, there are numerous challenges in this sector pertaining to the growth and functioning of MSMEs. The identification and understanding of the issues encountered by MSMEs are important for the betterment of the current state of MSMEs and India's economy.

In this study, several issues that affect the MSMEs growth were identified. The majority of the challenges are related to financing, marketing, and family business-related issues. We discuss family businesses as it represents a large proportion of the Indian MSMEs sector. Through a literature-based study, explorations were made to understand the role of the family business in the context of entrepreneurship. The study on family business follows a structured and systemic approach through the bibliometric analysis which includes meta data-based analysis. In this approach, the number of articles published over the years were observed, and then systemic content analysis was employed to extract the underlying research themes. Based on the outcomes obtained from the bibliometric analysis, it was found that family business research is gaining popularity among researchers in the field of entrepreneurship. In addition, the study has thrown light some of the other themes, such as, the role of women and the role of leadership in the context of entrepreneurship, and also the lack of competent management in MSMEs.

It was observed that the MSME business concerns are more focused on governance related. In this context, to understand the role of governance in helping small and medium-sized enterprises, another literature-based study was conducted. The study focused on underlying theories and research questions and appropriate research techniques to study the role of governance in entrepreneurship. The framework of banks, the role of government officials, and the role of investors in alleviating the funding issues for SMEs were studied in detail. The findings obtained from the study suggest that better corporate governance strategies could foster networking and international relations. The strategies at the corporate level concerning governance reduce agency costs and address ownership structure issues. The study also highlights the importance of enhanced organizational capacities, information symmetry, and internal culture/environment related issues.

Based on the above literature review and literature-based studies, several research gaps were identified. Out of these, three research gaps are addressed in this thesis. The first study focuses on identifying major challenges faced by early-stage MSME entrepreneurs in India. The challenges related to early-stage MSME entrepreneurs in India were identified and are modelled using the modified approach of total interpretive structural modelling (M-TISM) to observe the interrelationships. The M-TISM enabled the study to formulate a framework illustrating the barriers faced by MSMEs and the interlinkages between them. The modelling exercise sought the opinions of industry experts. Through this study, eleven factors concerning the barriers faced by MSMEs are highlighted, in which there are three major driving barriers: budgetary limits, poor Total early-stage Entrepreneurial Activity (TEA), and lack of government assistance. In the hierarchical model, a two-way relationship between financial restrictions and poor TEA was observed at level six. The model also exhibits three levels of barriers to overcome: bad strategy execution, poor market demands articulation, and the failure

of an entrepreneur. One of the significant observations made from the model was that low TEA was observed as the primary barrier.

The research was extended to study the most important aspects of TEA. A model was developed to study TEA in detail. In this direction, the study preliminarily discusses the possible entrepreneurial influences on TEA. The study identified various elements in the context of TEA, including role models, perceptions of start-up opportunities, confidence in one's ability to succeed, and social problems. Considering the scope and context of the study, the GEM dataset was used to validate the study's findings. Using the GEM data, the study explains the findings using descriptive statistics, correlation analysis, a contingency table for the Hosmer-Lemeshow test, and regression analysis. One of the findings obtained explains that TEA is more likely to be experienced by persons who have recently seen a firm's start-up and effective operation. It has been found that TEA levels are greater in those with a better sense of self-efficacy than in more pessimistic individuals. Another factor determining entrepreneurs' TEA is the availability of start-up opportunities. Entrepreneurs motivated by the chance of new opportunities have serious ambitions for innovation and the development of unique items.

Lastly, the dissertation attempts to answer the question, "What extent the linked elements and identified barriers exist among entrepreneurial enterprises in India?" To answer the stated question, a case study approach is used to draw insights from the Indian entrepreneurial environment. Accordingly, multiple in-depth interviews with three MSMEs were conducted. The findings obtained from the multiple case studies indicate that low TEA is prevalent in all the three MSMEs. Besides, these MSMEs face several infrastructure-related challenges, which may have been influenced by tech-based firms' desire for significant tech resources. Despite their modest infrastructural presence, all three case organizations significantly carry out their operations. One of the important findings from the study highlights that poor strategy execution

is in accordance with the research and two of chosen MSMEs have scored partial presence of this problem in their organization. With multiple studies presented in this dissertation, the thesis is concluded by presenting implications, limitations, and the future scope of research.

Keywords: Entrepreneurship; MSMEs, SMEs, TEA; M-TISM; India