

CHAPTER 2

LITERATURE REVIEW

2.1 Role of MSMEs in Economic Development

Every new study has reiterated the importance of small businesses for an economy as they contribute towards creation of employment opportunities at low capital cost as well as play a key role in the industrialization of a developing country (Dobbs & Hamilton 297; Wennekers & Thurik 29; Desai 5). An OECD report cited that studies have revealed that such enterprises “contribute to over 55% of GDP and over 65% of total employment in high-income countries. SMEs and informal enterprises, account for over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries” (11). Reddy in his study of small businesses in Fiji found that apart from employment generation, the income of the business operators also saw an increase (311).

Growth of SSIs and small entrepreneurs in the country is said to have increased because of the promotional policies of the Government since the Third Five-Year Plan (Desai 271; Khanka 14). The MSME units being small in size and more labour intensive have greater flexibility to adapt itself to changes in comparison to its larger counterparts. However, with the economy growing more complex each day, it becomes necessary for such units to keep up with the changing scenario for its survival. MSMEs often operate under difficult circumstances. While small business entrepreneurs often have good ideas, their ignorance of the fundamentals of business and how to run it is one of the causes for failure (Brink et al. 2). As per the Final Report of Fourth All India Census of MSMEs, micro enterprises occupy the highest percentage share in terms of number of units as well as employment generated in the country as well as the state. “However given their size, capital intensity and technology, micro enterprises are positioned at the weakest point in terms of job quality and income generating capacity” (ILO 85).

Malik, Cheema and Havinga in their study on the role of SSIs in Pakistan stated that despite the importance of SSI, the government had been biased towards the large scale manufacturing sector. However, with the realisation of its importance, a number of fiscal and other incentives were provided to promote it. Institutions and boards were established in order to look into the matter of this sector. However, they observed that despite the commendable

activities carried out, the credit and training facilities were insufficient and required improvement. In order to overcome these obstacles, they suggested that representatives of the entrepreneurs and workers be included in committees for formulation of policies for the sector. To handle the problem of credit constraint, they felt that a larger amount was needed to be provided. Periodical survey of the foreign markets and regular surveys of the SSI at the national level be carried out (802-03).

Tambunan in his study reported that the SSI sector was responsible for generating employment and income opportunities for a large population in Indonesia. He suggested the need for further research to explore to what extent macro-economic policy was responsible for the decline in the share of employment and number of units in the manufacturing sector. He concluded by stating that based on the experience on many developing countries, one of the major reasons for the failure of incentive programmes was because of the conflicting nature of the macro-economic policies to that of the SSI oriented policy (145-46).

Tambunan in another paper discussed the contradicting issue which states that SSIs loses its importance as the economy develops while on the other hand in cases of less developed countries (LDCs), this sector plays an important role in the development of such countries. His research findings brought him to the conclusion that granting some exceptions in certain regions, the general trend indicated that as the per capita income increased, a systematic change could be seen in the development of SSIs. He was of the opinion that as the level of development increased, SSIs were put out of business due to competition from the larger and modern industries. However, in the scenario where there existed more poor people, it led to the supply and availability of labour to SSIs and this led to the increase in the number of units and employment (183).

Kumar in his study pointed out the importance of SSIs in a country like India where the problem of unemployment and underemployment was high and investment was low. His study found that the SSIs performed quite well in all spheres of industrial activities like production, investment and export during the period from 1973-74 and 1993-94. The sector also achieved the employment targets of the eight five year plans and also withstood the competition that arose due to the structural changes brought in by the globalisation era. He also observed that during the period 1972-1988, there were some significant technological

changes that took place in the small scale industries sector. Thus, concluding the importance of SSIs in promoting rapid industrial growth as well as economic development (113-118).

Vasudeva in his study discussed the role of SSIs and the challenges and opportunities under the WTO regime. He was of the opinion that the SSIs in India either needed to prepare themselves for challenges ahead or face disruption in the highly protected sectors. He felt that while the lack of technology, credit, raw materials etc were often highlighted as problem areas, it was imperative to have a clearer and holistic outlook in order for the sector to contribute more positively towards employment generation. In accordance with the removal of quantitative restrictions, he also felt that it would be pointless for the government to continue with the reservation of items for SSIs as it would face competition from imports thus making such reservations meaningless (22-32).

Latha in her study of small scale sector as a nursery for economic development highlighted the rise of the sector in the socio-economic development of the country since its beginning. She opined that the sector could be termed as a nursery for economic development as it generated employment, contributed to exports and also led to the dispersal of industry in rural areas. However, she also acknowledged the problems the sector faced and concluded the need for more facilities, schemes and incentives as well as promotion of entrepreneurship from the part of the government towards the sector (53-65).

A study conducted by OECD stated that SMEs make up for 95% of enterprises in the most of the OECD economies, accounting to about 60-70% of jobs generated. The same study observed that financial institutions consider SMEs as risky because unlike their larger counterparts, SMEs have lower disclosure requirements, smaller volume of external financing and more chances of failure. Also lending to such enterprises is most often based on collateral, because of which most enterprises suffer from financing issues due to lack of good collateral. Apart from this, the regulatory regimes hamper these enterprises as they are not well equipped to navigate through the bureaucratic networks (Small business, job creation and growth).

Ogboru through her study evaluating the funding arrangements made for SMEs in Nigeria found that the SME sector is the key to unlock the economic potentials of Nigeria. Her study, however, observed that government policies, strategies and programs laid more emphasis on

large scale enterprises and sometimes even discriminated against SMEs especially micro enterprises. Despite the abundance of natural resources, most of the citizens were living in poverty with slow economic development. And, therefore, she opined that for industrial development to take place in Nigeria and other African countries, it depended on the degree of attention that would be given to the small and medium scale sector (198-200).

Lozi examined the role of SSI in the economic development of Jordan with regard to three key parameters, namely, employment, production and sales wherein, he observed that the growth of SSIs increased due to globalisation and domestic liberalisation. However, despite the positive effects of the sector to the Jordanian economy, problems such as low average number of women employees, as well as marketing problems were identified. The study concluded on the recommendations for establishment of government training centres, fostering technology development, financial infrastructure and increasing exports of SSIs, etc (1-11).

Syed et al., in their study found that apart from playing a significant role in the economic progress of Pakistan, the SME sector also contributed towards earning foreign exchange through exports. Todaro and Smith rightly said that there is no growth when the benefits that economic development brings are enjoyed only by a small section of the people while the rest of the population is left behind (45).

Kumar and Gugloth, evaluated the MSME sector before and after liberalization, to study its impact on the performance and development of the sector. They studied the overall performance and contribution of the sector to the Indian economy on the basis of key parameters which included number of units, employment, production and export. Their study indicated that all key parameters showed an increase and concluded by stating the importance of MSMEs for the Indian economy and the enormous opportunities it has to offer (23-37).

Gujarati in her study aimed to evaluate the role of entrepreneurship and small businesses towards economic development. She opined that although small businesses are potent job creators, this was mostly attributed to the job losses in large firms and not because of the robust job creation by small businesses. However, studies suggested that pursuing large businesses may not be the best strategy for economic development, inferring that promoting entrepreneurship and small businesses is a more viable alternative. The study also stated that

for economic development strategies to be successful, entrepreneur and small business policies should focus on the creation of better skilled entrepreneurs and small businesses which are more productive and competitive. The study concluded that economic growth through entrepreneurship is the core engine that develops an economy and thus requires a policy environment that fosters it (86-96).

Swarnalatha and Tharani in their study titled “Environment of MSMEs’ in Rapid Emerging Economy: The Case of India”, explained that next to the agricultural sector, MSMEs in India provide the highest opportunities for self-employment as well as wage-employment. This sector has also been accorded high priority as it contributes not only to employment generation but also towards entrepreneurship development, equitable distribution of national income and export earnings. The authors also identified the problems the sector faces such as difficulties in obtaining credit, competition against imported goods, lack of training and skill, lack of technical know-how, etc. The study concluded by stating that, the sector, with its enormous potential to offer, requires effective policies and programmes that would increase its efficiency and competitiveness (1-7).

2.2 MSMEs and the Problems Faced

Kertesi in his study attempted to explain the cause for the decrease in the number of small scale enterprises in Hungary by studying the commodity producing industrial cooperatives. He found that such cooperatives had an insatiable demand for labour but due to the severe shortage of manpower, they could not pursue an extensive man power policy which was one of the causes for the mergers. As these units had no spectacular growth rates or patrons among the authorities, they had little chance of remaining independent. Thus, the mergers, which seemed an easy way to save the units from bankruptcy (84).

Khan in his study highlighted the role of non-traditional small scale industries in India that were engaged in export. His study found that the small size of the units, lack of finance and managerial skills, technical backwardness and export marketing systems were the biggest obstacles in the path of export oriented SSIs. Therefore, in order to increase exports, some recommendations were given such as exhibitions meant solely for SSIs and encouragement of delegations of small entrepreneurs to go for overseas visits. The study also recommended the participation of State Trading Corporation, Trade development and Export Promotion

Councils in providing information to SSIs regarding demands for their products in the foreign markets (17-29).

Margaret carried out a case study of SSIs in Anantapur district of Anhdhra Pradesh in order to identify the problems and prospects of the sector in the region. She found that most of the SSIs lack managerial experience because of which they could not formulate proper strategies to overcome technical and financial obstacles. Apart from the difficulty to arrange their own source of finance, she found that majority of the entrepreneurs were also not in the position to obtain institutional finance. Marketing problems such as lack of market knowledge, inability to advertise their products, poor quality of products at high prices, absence of marketing consultants and agencies, lack of technical know-how were identified. SSIs in the study area were also found to be facing problem of raw material availability due to periodic scarcity of both indigenous and imported raw-materials (195-239).

The study by Wiboonchutikula on small and medium enterprises in Thailand observed that when the economic growth is high, the employment share of small firms tend to contract probably because such firms become medium in size while others choose to opt out for better remunerative opportunities in larger firms. With regard to problems faced by such enterprises, it was also observed that the problem of insufficient capital and marketing decreased with size whereas problem of raw material shortage and effects of government policies increased with size. The problem of labour shortage was however considered almost equally important by firms of all sizes (11-13).

Vataliya in his study titled “Problems and Prospects of Small Scale Industries in Bhavnagar District” found that one fifth of the considered sample units suffered from long term financial problem as banks and financial institutions were not co-operative. High rates of interest, tedious bank procedures and corruption were some of the problems identified. Tough competition, infrastructural bottleneck, unfavourable government price policy, demand constraint, unavailability of local labour and labour union related activities also affected the SSIs in the area studied. And therefore, in order to overcome these problems identified, the author suggested provision of better infrastructural facilities, simplification of bank loan procedures, timely disbursal, restructuring of bank interest rates towards SSIs, rationalisation of labour laws, etc (112-130).

Kuzilwa observed that with regard to financial services in Tanzania, less than 5 percent of households had credit access from formal sources and less than 2 percent of low incomes entrepreneurs have access to financial services. His study showed that most of the problems faced by entrepreneurs were generally a result of macro and institutional constraints, which included problems of demand and supply, tax regime and energy problems. He opined that while credit did enhance entrepreneurial activity, if the core objective of a policy was to promote entrepreneurial activity, it required an integrated approach towards credit management (158).

Hartarska and Vega provided insight into the constraints of investment and growth of very small firms in Russia. Their study revealed that younger firms incurred higher information cost and compared to older firms, their expansion was dependent on the availability of internal cash reserves. Their findings also indicated that small businesses whose activities were not transparent and did not use the formal payments system faced more difficulty in obtaining formal loans (200-05).

Onugu studied the problems and prospects of small and medium enterprises in Nigeria and recommended measures which would help make the sector virile in order to enable it to play the crucial role it is expected to perform. The study looked into the performance of the SMEs sub-sector to check if it played a role in driving the country towards industrial transformation and development. He found that the performance of SMEs in Nigeria were below expectation due to problems such as inapt management, access to finance, lack of infrastructure, inconsistencies in government policies, environmental factors, unfair competition etc. Managerial problem was found to be the biggest issue affecting the performance of SMEs in his study. He concluded on the recommendations that while SMEs owners needed to change their attitudes and habits, the government should also involve the SMEs in policy formulation and execution in order to achieve the desired effect. Need for managerial capacity and acumen on the part of the SME owners before looking for financial resources was also suggested (n.p).

In their study of micro enterprises in urban West Africa, Roy and Wheeler observed that most of the micro entrepreneurs surveyed were poor and their primary motivation was first to provide the physiological needs of their family and own self, followed by provision of a home and security for the household. They also found that selection of a particular activity

was usually guided by their personal interest and ease of activity. With regard to factors that hampered its progress, this included entrepreneur's risk aversion, lack of capital and market knowledge and lack of trust and co-operation (458-59).

Kumar in his article titled "Financial Obstacles faced by Women Entrepreneurs in northern India: A Socio-Economic Analysis" revealed that problems relating to finance had declined due to liberal policies followed by financial institutions under the new economic regime. He observed that women entrepreneurs faced problems of fixed capital as well as working capital, lack of coordination etc. The author suggested that in order to overcome these obstacles, financial institutions should provide loans with less insistence on collateral securities and also increase awareness of their schemes (n.p).

Ayyagari et al. through their findings revealed that reduction of entry cost, property rights protection and efficient credit information resulted in larger employment share in the manufacturing SMEs. Also, lower contract enforcement costs and less rigid employment laws reduced the importance of the informal sector. And so, policy makers who are interested to promote large SMEs should encourage a competitive business environment (426-29).

An analysis of case studies conducted by Kanitkar revealed that although enterprise owners knew about various schemes offered by development agencies including banks, they had no trust in such a formal system and so, were reluctant to approach them even when the facilities were available (M-29). He also observed that with success of every activity, it led to the entry of more competitors, thus reducing the profit margin. Coad and Tamvada in their study of small firms in India identified that while problems of labor and market were more visible in large enterprises, smaller and younger enterprises seemed more susceptible to problems relating to working capital, lack of demand, power shortages, equipment problems and also raw materials and management problems (397).

Reddy observed that for the small and medium sector to grow and develop would require a multi-dimensional package. He stated that due to the reservation policies, the Indian exporters were not able to compete in the global market. With regard to the problem of credit, he suggested that measures such as expansion of SIDBI branches to cover clusters, credit guarantee schemes, training and sensitisation of managers of public sector banks as well as the borrowers were required (38).

Coad and Tamvada in their attempt to study the scarce literature available on small businesses nature and performance in developing country observed that micro and small firms in developing countries existed for different reasons as compared to the firms in the developed countries. They were of the opinion that if small firms in developing countries worked towards being technological leaders, this technical knowhow could have a positive impact on output growth.

Due to their weak financial strength, unclear information of business plans and accounting statements, the credit worthiness of MSMEs cannot be ascertained and as such they are considered as high-risk borrowers by investors and banks. Das in his study also opined that due to lack of transparency regarding their financial status, banks are hesitant to provide loans to the MSME sector as inability of the enterprise owner to pay the loan amount back leads to the problem of non-performing assets (NPA) for the banks (13-15). Moreover, their size, lack of market knowledge, weak bargaining power and product quality also makes it tough for such enterprises to compete with the larger counterparts (Kumar, Batra & Sharma 82-83).

Onphanhdala and Suruga through their study sought to examine how entrepreneurial human capital influenced the performance of micro and small business in Lao. They found that most of the rural enterprises were taken up as a side job during the off-farm season and these units had more disadvantages due to their small market size. It was also observed that access to credit did not have a significant impact on the performance of the enterprises. In terms of education, contrary to studies which found that returns to higher education are high, the authors found that rates of return to technical and university education are low in their study area. Primary and secondary education on the other hand showed favourable impact on the sales performance of the enterprises (193-200).

Chittithaworn et al., in their study found that factors such as SME characteristics, customer and market, manner of doing business, finance and availability of resources were some of the most significant factors that helped in determining business success of SMEs in Thailand. However, problems such as lack of credit, human resource, international competition, red-tapism, low R&D funds etc were also found to hinder the performance of the sector (184-186).

Numerous studies have time and again highlighted finance as one of the core constraints that MSMEs face (Naidu & Chand, 252-153; Yadav, 600-606). The authors observed that in order to fulfil their financial needs, the owners will rely primarily on internal sources such as personal savings, loans from family and friends. Only when this is insufficient, then they go for external financing such as banks and other financial institutions. Atasoy also observed two stages of enterprise start-up financing (6). The first stage where the entrepreneurs use their own savings and funds from family and friends and the second stage, where they opt for expansion and choose to go for external financing. Naidu and Chand also found that managing sales and debtors were also major problems being faced by the owners in Fiji and Tonga. (Naidu & Chand, 252-255).

Jha and Agrawal examined the marketing problems that hampered small scale industries in Varanasi. The problems of marketing were grouped into eight major heads, namely, analysis of market situation, marketing objectives, selection of target market, product policies and practices, pricing policies and practices, distribution policies and practices, promotional policies and practices and implementation and control. Their study revealed that SSIs located in Varanasi were weak and inefficient not only in formulating marketing plans but also in implementing and controlling, pointing to a lack in general management as well as quality management. This led to their products being less in quantity as well as of shoddy quality. They, therefore, opined that for SSIs to grow, government, entrepreneurs, promotional agencies as well as financial agencies needed to focus on the marketing aspects of the sector (67-74).

Ruengdet and Wongsurawat, in their study of what characterizes the success of a small and micro community enterprise (SMCE) in rural Thailand, found that owning a business was rated higher than the motivation to earn more profit by successful SMCEs. Such enterprises also conducted frequent meetings where work was allocated in a clear and systematic manner. Although the books of accounts were rudimentary in nature, successful SMCEs were found to maintain regular accounting records. In addition, they also had better marketing plans and were more likely to have earned quality certificates than the unsuccessful ones (391-95).

Bevinakatti in his study on the problems and prospects of tiny and small scale industries in Gadag district of Karnataka, identified problems such as lack of capital, infrastructural

facilities, delay and procedural hurdles in disbursement of loans and subsidies, inadequate market knowledge, improper inventory management and books of accounts, etc., to affect the units in the study area. He, therefore, concluded by making a few suggestions such as conversion of proprietorship units into partnership or joint stock companies to overcome the constraint of capital resource, establishment of industrial estates for SSIs and tiny units, provision of financial assistance at reasonable cost of interest, provision of technical know-how etc., which would improve the working of the sector in the studied area (220-244).

According to Aga and Reilly, proper maintenance of accounts improved credit accessibility as well as helped in assessing tax and collections. Location also played an important role when it came to a firm's ability to access credit. Their study also found that owners who had prior vocational trainings before starting their businesses faced credit constraints and this was probably because such trainings did not equip them with the skills on how to deal with the financial institutions. Also lack of collateral made it more difficult for the enterprises to avail credit (321-27).

Reddy in her study of cotton ginning mills in Guntur identified and categorized the problems into four groups – production problems, financial problems, labour problems and marketing problems. Shortage of raw material, power and use of primitive machinery were the problems identified that were affecting production. With regard to finance, the author found that despite the difficulty in raising capital, they preferred own capital instead of borrowing from banks as they felt that banks charged very high interest rates and did not sanction the whole amount asked for. Shortage of skilled and unskilled labour, absenteeism, health problems and accidents were the labour constraints faced. Lastly, the major marketing problem identified was competition from the sister concerns (57-66). Similar findings were also observed by Jha and Agrawal (36-40).

Suman & Gangopadhyay identified problems like interferences from government officials for various clearances, difficulties in collection of outstanding payments from customers, especially in case of those enterprises who supply products to Government departments. They also observed that due to the inability of MSMEs to market or export their goods directly, larger enterprises end up selling or exporting the same in its own name (nistads.res.in). Lack of security, experience and finance knowledge were also identified as impediments to growth of small businesses (Reddy 313).

Oni and Daniya in their study observed that the potential of the SME sector in Nigeria was not harnessed due to the poor implementation of the policies, erratic financing schemes and administrative bottlenecks. One of the important factors instrumental for the success of a business enterprise is the availability of credit. Banks have traditionally concentrated their lending to larger enterprises for the very reason that they possess collateral and are therefore less risky. Banks demand for collateral thus, discouraged small borrowers from taking loans (25-26).

Imbaya and Tarus through their study on women entrepreneurs in Kenya observed that one of the reasons why women run enterprises were not performing well was, because, their decision to get into business was not their own but was determined by others. It was more a choice of necessity rather than opportunity that drove them to start their own enterprises (109).

Antonyraj in his study analysing the problems and prospects of SSIs in Krishnagiri district of Tamil Nadu also categorised problems into production, labour, financial and marketing. He identified problems such as irregular power supply, price variation, high absenteeism and inadequate working capital to affect production. With regard to labour, problems such as poor labour productivity, more wages, lack of trained labour were found to be existent in the SSIs of the study area. Financial problems included inadequate credit facilities, high interest rates, delay in settlement and lack of subsidy programmes. With regard to marketing, lack of market knowledge, poor quality of products, competition, lack of testing equipments were some of the problems identified (255-277).

K.Ashwini studied the MSME sector in India with emphasis on the state of Karnataka. He acknowledged the efforts put in by the government towards the sector, especially with the passing of the MSMED Act. He discussed on the need for the Act on various grounds such as provisions for MSMEs, role of government organisations and agencies in promoting and developing the sector, its growth as well assistances and incentives provided. His study found that most of the businesses in the area started because of the interest of the entrepreneur and factors such as availability of raw materials, low cost and skilled man power, management skills affected the decision to invest in a particular business. His study found that with regard to basic infrastructural facilities such as road, rails, power, storage and marketing etc, the government had made proper provisions for. Problems such as non availability of raw

materials, labour problems, difficulty in availing loans from banks due to stringent procedures, export problems, were found to affect the enterprises (307-341).

Rajkumar in his study of MSMEs in Erode district of Tamil Nadu found that majority of MSMEs were located in the rural areas, with maximum number of them involved in manufacturing activities. Most of the units had taken loans from banks but found that the security demanded by the banks is a major problem as the entrepreneurs did not have the required assets. The study also identified that enterprises in the district faced loss mostly because of heavy competition from similar enterprises as well as large scale business units. Most of the manufacturing units were found to suffer from low productivity due to problems such as changes in demand, obsolete machines and machine breakdown. Also problems such as lack of raw materials, labour problems, lack of working capital, inadequate power supply were also identified to affect the enterprises (217-236).

2.3 MSMEs and Entrepreneurship

When we talk or read about micro, small and medium enterprises (MSMEs) it is often associated with entrepreneurship and vice-versa. It is, therefore, imperative to acknowledge the importance of entrepreneurship in relation to the sector. The success of a business enterprise is dependent on a number of factors, one of the most important being the entrepreneur or the proprietor. With the emergence of market liberalization, entrepreneurship development has been identified as one of the most important factors for economic development. Every country tries to achieve maximum economic development and to a large extent it depends on the human resource. But the human resource alone will not produce economic development- there must be dynamic entrepreneurs. They have been referred to as the human agents needed to mobilize capital, to exploit natural resources, to create markets and to carry on trade (Kamalakannan 33-34).

Antony observed that entrepreneurship development is essential for increasing production and productivity in the primary, secondary and tertiary sectors for harnessing and utilizing material and human resources, for solving problems of unemployment and under-employment, for effecting equitable distribution of income and wealth, for increasing the GNP and PCI (11-13). Vaidya in her article quoted S. S. Nadkarni, former Chairman and Managing Director, Industrial Development Bank of India (IDBI), who said that the problem

of rural poverty is not that of redistribution alone, but of increasing the productive capacity of the poor and their participation in the development process. This means that the entrepreneurship movement and poverty eradication in rural areas are closely related to each other (37- 40).

Jahanshahi et al., studied the relationship between government policies and entrepreneurial growth in MSMEs of India. Their study showed that employment in agricultural sector has been declining and large industries were also experiencing jobless growth, thus placing the main responsibility for job recreation on the unorganised sector including the MSMEs. The authors were also of the opinion that provided the right environment existed, MSMEs were the most likely candidates to lead India's manufacturing growth in the coming years (66-74).

Abdullahi in his study found a strong link between entrepreneurship and economic growth and that team enterprises performed better than enterprises with sole proprietors. Team enterprises were found to possess more resources, competence, experience and better planning than the sole owners. He suggested that in order to create an environment where entrepreneurship can thrive and where the youths can be gainfully employed, policies should be formulated and implemented that promoted team entrepreneurship (449-56).

2.4 MSME Studies with regard to North East India

Barooah studied the prospects and problems of SSIs in Lakhimpur district of Assam, wherein he categorised problems into four categories, namely, organisation and management problems, operational problems, resource problems and marketing problems. Organisational rigidity, managerial loopholes, absence of planning and control and wrong profit motive were the problems identified in the first category. Under operations, use of primitive techniques of production, low productivity of labour due to managerial incompetence, inability to purchase raw materials in bulk due to their small size, insufficient power supply were some of the problems identified. With regard to resource problems, it was further divided into human and financial resource, wherein problems such as difficulty in obtaining loans, high interest rates, dearth of skilled labour, under utilisation of labour etc., were identified. Lastly with regard to marketing problems, poor knowledge and experience of marketing techniques, absence of marketing experts and consultants, lack of proper advertising and distribution policy etc were a few of the problems identified (234-266).

Laskar studied the problems of small scale industries and cottage industries in Mizoram and looked into the prospects of employment that the sector had to offer. The study observed that although the growth of SSIs in Mizoram was almost at par with the national level, the export contribution of the sector in the state was almost zero. It was also found that the State was flooded with foreign goods which could have otherwise been manufactured by the SSIs in the state. And although there were a number of products that the SSIs in the state produced, most of them were illegally exported to neighbouring countries like Bangladesh and Myanmar, products such as leather shoes, bags, wallets, Mizo shawls, fruit juices etc. The study also found that the major reason for underutilisation of capacity the units were lack of demand, non-availability of raw materials, lack of trained manpower, financial problems, competition from other producers, transport problems, power problems etc (257-281).

The entire region of North East India is considered as industrially backward (dcmsme.gov.in). A study sponsored by North East Council and Ministry of DoNER (Development of North Eastern Region) assessing and evaluating the impact of North- East Industrial and Investment Promotion Policy, 2007 revealed that out of the 8 NER states, only 5 states had some investment intentions for industrialization. They are Assam, Meghalaya, Sikkim, Arunachal Pradesh and Tripura. However, when the same was compared with the rest of the country, this investment came to only 0.7% of the total investment proposed in the entire country. In the same report, an analysis of data regarding number of proposals received from all the Indian states for industrialization showed a decrease in number for the entire country as well as NER. It thus showed that the region was not keeping in pace with the rest of the country when it comes to industrialization (NEC and Ministry of DoNER, 4-8).

According to an article that appeared in The Telegraph, a report by the Nagaland State Mineral Development Corporation Ltd. stated that Nagaland lagged behind many younger states in industrialisation basically because due importance had never been given to this sector, especially the mineral based industries (Nagaland Lags Behind in industry).

Dasgupta suggested in order to provide alternative source of economic opportunities in the NER, labour intensive small scale industries should be established. Aruna Devi and Rualkhuma, in their studies also stressed on the development of the SSI sector in Manipur

and Mizoram, respectively, in order to boost the overall economic development of the under developed states (Prakesh 26).

Maisnam, in his study of the MSME sector in the Northeast region (NER) stated that though the MSME sector played an important role in the development of the region, it faced a number of problems: competition, poor infrastructure and market linkages and also the prevailing land tenure system which is not conducive for industrial growth. While the effort of the government to bring in industrialisation in the region has been laudable, the benefits to the NER are extremely marginal as it still faced difficulty in attracting investments and private entrepreneurs. He opined that in order to bring the region towards development required public investment on the basis of appropriate structures of accountability (573-74).

2.5 Effect of Socio-Economic Factors on Enterprise Performance

Researchers have found that socio-economic factors such as gender, age, marital status and educational qualification have significant influence on the performance of enterprises (Aworemi et al 96). A study of how such factors affect women entrepreneurs in Nigeria found that the older an individual, lesser the willingness to take risks or try out new ideas. It also revealed that higher the educational qualification, lower the individual's ignorance which helps them to make decisions and process information better (Omotoso 3-4).

Bekele and Worku in their study of women entrepreneurship in MSMEs in Ethiopia, examined the factors that influenced the viability and long-term survival of MSMEs and also studied if small businesses and enterprises operated by male entrepreneurs performed better than those of female entrepreneurs. The key determinants for survival included factors such as access to finance, managerial skills, educational qualification, technical skills and ability to invest the profit back into the business, etc. Since their study was carried out over a period of six years, at the end of the study, they found that majority of the businesses that failed were operated by women entrepreneurs and the major reasons for failure included inability to obtain loans from formal lending institutions, inability to convert profit into investment, poor managerial and technical skills and low level of education (13-15).

Woldie et al. studied the characteristics of the owner/ manager such as age, gender, education, experience and motivation and how it affects the growth of enterprise. Based on

the analysis of data, they observed that age, education, experience and motivation did have a significant effect on the growth of the enterprise while gender did not (11-12). The findings of Sinha revealed similar results which showed that enterprises run by younger entrepreneurs with some technical qualifications had more success with their enterprises (31).

Kalyani and Chandrlekha in their study observed that unmarried/divorced/widowed women were more actively involved in the enterprises' functioning as compared to the married women (233-235). The GEM report for India also stated that "academic knowledge without practical/experiential knowledge may not be strong enough to support an entrepreneurial career" (56).

2.6 Research Gap

The review of literature reveals that while studies on the MSME sector abounds, the same cannot be said for the NER, Nagaland in particular. Lanu in his article stated that even though MSMEs in Nagaland have the potential to grow, due to the shortcomings of the state's economic planning, development has been rather slow. In addition to this, information about the sector is limited, be it official records or research works (Morung Express). Also when we consider the performance of the MSME sector of Nagaland, during the Fourth All India Census Survey, out of a total of 2332 units registered, 64.26 percent of the units were found to be closed. A similar trend was observed even during the Third All India Census for SSI where a total of 52.06 percent units were found to be closed, which points towards the existence of problems in the sector. And so, against the backdrop of scarce availability of data regarding the MSME sector in Nagaland and also taking into account the importance of the sector for an economy like Nagaland, the study has been undertaken to fill this gap.