

nation's exports. Of all the problems faced by the MSEs, non-availability of timely and adequate credit at reasonable interest rate is one of the most important. One of the major causes for low availability of bank finance to this sector is the high risk perception of the banks in lending to MSEs and consequent insistence on collaterals which are not easily available with these enterprises. The problem is more serious for micro enterprises requiring small loans and the first generation entrepreneurs. Thus key challenges faced by the MSME Sector are lack of availability of adequate and timely credit, high cost of credit, collateral requirements, limited access to equity capital, procurement of raw material at a competitive cost, problems of storage, designing, packaging and product display, lack of access to global markets, inadequate infrastructure facilities, including power, water, roads, low technology levels and lack of access to modern technology, lack of skilled manpower for manufacturing, services, marketing, etc and multiplicity of labour laws and complicated procedures associated with compliance of such laws.

### **1.5 Purpose of study:**

- (i) To study and critically analyse the problems faced by the MSME Sector;
- (ii) To study the measures taken by the Government and analyse whether the measures are adequate;
- (iii) Suggest measures / steps to reduce the problems and strengthen the MSME Sector (in the context of three major programmes namely Cluster Development Programme, National Manufacturing Competitiveness Programme and Entrepreneurship and Skill Development programme).

### **1.6 Research Questions:**

The study proposes to find answers to the following questions:

- (i) Has the Government taken appropriate measures to strengthen the MSME Sector?
- (ii) What measures are required to be taken by the Government for the Development of MSME Sector?

### **1.7 Limitations of study:**

The present study is restricted to analyse the existing literature and not to conduct the actual survey of the MSME Sector or other stakeholders, which is a huge task and not possible during this short span of time.

### **1.8 Literature Review:**

The study proposes to review all relevant materials viz. Annual Reports of the Ministry of MSME, data available with the Ministry of Statistics and Programme Implementation, the detailed guidelines and progress reports related to different Schemes for the development of MSME Sector, reports available on the outcomes and impact of various Schemes introduced by the Ministry of MSME for the development of the MSME Sector and the Report of the Planning Commission etc.

### **1.9 Methodology:**

The present study is to be conducted by reviewing the existing material like Evaluation Studies and Reports, Annual Reports of the Ministry of MSME, data collected by the Ministry of Statistics and Programme Implementation, Schemes introduced by the Office of Development Commissioner, MSME, report of the Prime Minister's task force and Planning Commission.

Table-1

[2001-02 base]

| Year      | Growth rate of SSI Sector<br>(%age) | Over all Industrial Sector<br>Growth rate (%age) |
|-----------|-------------------------------------|--|
| 2004-2005 | 10.88                               | 8.40   |
| 2005-2006 | 12.32                               | 8  |
| 2006-2007 | 12.60                               | 11.90  |
| 2007-2008 | 13*                                 | 8.70   |
| 2008-2009 | **                                  | 3.20   |
| 2009-2010 | **                                  | 10.50  |
| 2010-2011 | **                                  | 7.80   |

\* Projected, IIP – Index of Industrial Production.

\*\* Due to revised definition of MSMEs Sector, methodological revisions are under progress in Office of DC, MSME

Source: Min. of MSME Annual Report 2011-12

The table shows that growth rate of MSME Sector is higher than the overall industrial sector growth rate.

#### 1.4 Statement of the Problem:

A dynamic global economic scenario has thrown up various opportunities and challenges to the MSME sector in India. On the one hand, numerous opportunities have opened up for this sector to enhance productivity and look at new national and international markets. On the other hand, these opportunities compel the MSMEs to upgrade their competences to contend with competition since obsolescence is rapid with new products being launched at an incredible pace and are available worldwide in a short time. There are an estimated 26 million micro and small enterprises (MSEs) in the country providing employment to an estimated 732 million persons. The MSE sector contributes about 45% of the manufacturing sector output and 40 % of the