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Published In IJRAR (www.ijrar.org) UGC Approved - Journal No : 43602 & 7.17 Impact Factor

Volume 12 Issue 1 February 2025, Date of Publication: 02-February-2025

PAPER ID : IJRAR25A1785

Registration ID : 305940

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IJRAR | E-ISSN: 2348-1269, P-ISSN: 2349-5138

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An Exploratory Study on factors Impacting Performance of SMEs in Bangalore District

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Abstract

This research focuses on the most important determinants of SME performance in Bangalore, i.e., Entrepreneurial Aspect, Innovativeness, and Human Resource Management. The aim is to evaluate their influence and offer insights on how to improve SME success. A quantitative approach was used, applying multiple regression analysis to data gathered from 200 SMEs. The findings show that Entrepreneurial Aspect exerts the highest positive influence, followed by Innovativeness and Human Resource Management, all of which are statistically significant. The model explains 40.7% of the variance in performance, validating the significance of these determinants. No multicollinearity was found, ensuring the trustworthiness of the findings. The research concludes that the acquisition of entrepreneurial skills, innovation, and successful HR management is particularly important for SME growth. Other external and internal determinants can be explored in future studies.

Keywords: Entrepreneurial Aspect, ME, Performance, Multicollinearity, Multiple regression

1.Introduction

Small and Medium Enterprises (SMEs) are a major driver of economic growth and development in emerging economies, generating significant employment, innovation, and industrial production **(Ayyagari, Demirgüç-Kunt, & Maksimovic, 2014).** In India, SMEs account for almost 40% of the nation's total industrial production and up to 45% of India's exports and hence are a major pillar of the nation's economy (Ministry of Micro, Small and Medium Enterprises [MSME], 2022). Bangalore, or the "Silicon Valley of India," has a vibrant SME sector with industries like information technology, manufacturing, biotechnology, and services (Nadkarni, 2019). Nevertheless, despite their economic importance, SMEs are confronted with a range of challenges that affect their performance, such as financial constraints, regulatory problems, shortage of skilled labor, and technological challenges **(Das & Das, 2020).** It is important for policymakers, industry players, and entrepreneurs to know about these factors so that they can develop strategies to improve SME sustainability and growth.

This study seeks to examine the most important factors affecting SME performance in the Bangalore district, with a focus on financial access, market conditions, infrastructure support, and technology advancement. Previous studies suggest that access to finance is one of the major issues of SMEs, constraining their capacity to expand business operations and invest in innovation **(Beck, 2013).** Regulatory compliance and bureaucratic inefficiencies are also major challenges, discouraging new entrepreneurial activities **(Singh & Wasdani, 2016).** The competitive business environment of Bangalore, with rising competition and fast technological changes, also calls for the investigation of factors affecting SME performance. Through an exploratory study, this study seeks to learn about the prevailing business environment and suggest actions that could make SMEs more competitive in the Bangalore district.

The Small and Medium Enterprises (SMEs) sector is a major driver of economic growth, innovation, and employment in India. While SMEs contribute significantly to GDP, those in Bangalore are confronted with numerous challenges that affect their performance and sustainability. Limited access to finance, intricate regulatory policies, poor infrastructure, and changing market dynamics are major challenges to SME development **(Das & Das, 2020).** While Bangalore boasts a robust entrepreneurial culture, the high competition, increasing operational expenses, and technological changes necessitate SMEs to continuously innovate. The absence of empirical research on the Bangalore district necessitates examining the peculiar challenges and opportunities SMEs encounter in the district. Identifying the determinants of SME performance will offer useful insights for policymakers, entrepreneurs, and support institutions to adopt effective strategies for SME development and resilience.

Furthermore, as India transitions to a digital and innovation-based economy, SMEs need to harness technology, financial support instruments, and government policies to stay competitive **(Beck, 2013).** Past research tends to emphasize national trends, with few studies examining the localized determinants of SMEs in Bangalore. The current study seeks to fill this gap by identifying the determinants of SME performance in the district and proposing policy interventions to improve their competitiveness. By filling these gaps, the study will contribute to the overall SME development discourse, offering stakeholders evidence-based information to create an enabling environment for SME success in Bangalore.

2.Literature Review

Cardon and Stevens (2004) evaluated the impact of HR practices on SME growth and the retention of employees. Qualitative research, such as interviews with SME owners and HR managers, was used in the study. Effective HR practices, such as training employees, motivating employees, and developing leaders, were observed to increase productivity and organizational commitment. It is difficult for SMEs to retain skilled employees because of limited finances.

Beck and Demirgüç-Kunt (2006) analyzed the effect of financial constraints on SME growth and performance, with credit access as the key driver. Cross-country evidence from the World Bank Enterprise Surveys was employed to analyze the link between financial access and SME productivity. The research established that restricted access to formal sources of credit significantly retards SME growth, especially in developing economies where alternative sources of funding are limited. The authors stressed the importance of policy interventions to enhance SME financial inclusion.

Tambunan (2008) discussed the impact of government support schemes in the development of SMEs, particularly the effectiveness of policies in developing economies. Secondary data analysis was used to analyse numerous policy schemes and their impact. The study concluded that well-designed government policies, such as financial support, training schemes, and market access schemes, play an important role in SME viability. Bureaucratic inefficiencies will, nevertheless, tend to constrain their effectiveness.

Ayyagari, Demirgüç-Kunt, and Maksimovic (2011) analyzed the effect of poor infrastructure on SME efficiency and competitiveness. The research compared SME survey information from different developing economies, focusing on infrastructure issues. Poor infrastructure, such as unreliable power, poor transport connections, and poor online connectivity, has a significant effect on SME performance. The research suggested focused investment in infrastructure to aid SME development.

Kotler and Keller (2012) examined the effect of marketing activity on SME performance, such as branding, consumer relationships, and internet marketing. A case study methodology was employed, examining successful SME marketing strategies across various industries. The research found that SMEs that focused on customer-focused marketing strategies, social media presence, and brand positioning were more profitable and had greater market share. Small marketing budgets were identified as a widespread issue.

Nguyen et al. (2015) examined the effect of digital technology adoption on the competitiveness of SMEs in emerging markets. A mixed-methods research method involving surveys and qualitative interviews with SME owners in different industries was employed. The research indicated that SMEs that embraced digital technologies witnessed increased efficiency, enhanced customer interaction, and greater market coverage. The high implementation cost and insufficient technical skills were cited as significant hindrances.

3.Theoretical Framework and Hypothesis Development

Small and Medium Enterprises (SMEs) play a critical role in driving economic development, creating jobs, and promoting innovation. Their operational performance is influenced by factors like innovativeness, human resource management, entrepreneurial orientation, and sustainability. This conceptual framework discusses how these factors lead to SME success.

Innovativeness and SME Performance

Innovativeness involves the ability of SMEs to develop new products, services, processes, and business models that enhance their competitive position **(Schumpeter, 1934).** The innovation process enhances adaptability, operational effectiveness, and customer satisfaction, hence increasing market share and profitability. SMEs that pursue technological innovation and innovative solutions are likely to experience higher growth and competitiveness in competitive markets **(OECD, 2017).**

Key Theoretical Perspectives:

Schumpeter's Theory of Innovation: Suggests that innovation is the key driver of business success and economic development.

Resource-Based View (RBV): Argues that innovation gives firms unique competitive advantages **(Barney, 1991).**

Human Resource Management and SME Performance

Effective human resource management (HRM) leads to high productivity, improved staff satisfaction, and organizational effectiveness. SMEs that adopt formal HR policies gain advantages in talent acquisition, training, and retention, which in turn lead to better performance **(Wright & McMahan, 1992).** Additionally, employee motivation and leadership development are key determinants of SME success.

Key Theoretical Perspectives:

Human Capital Theory: Stresses the importance of investing in employee knowledge and skills for positive business results **(Becker, 1964).**

Motivation-Hygiene Theory (Herzberg, 1959): Suggests that both motivational and hygiene factors influence employee performance.

Entrepreneurial Aspects and SME Performance

Entrepreneurial orientation, which involves risk-taking, proactiveness, and opportunity identification, is a key determinant of SME performance. Entrepreneurs with strong leadership skills and market knowledge can manage uncertainties and expand their businesses **(Miller, 1983).** Entrepreneurial firms often outperform their rivals by leveraging innovation and strategic decision-making.

Key Theoretical Perspectives:

Entrepreneurial Orientation (EO) Theory: Suggests that businesses with high risk-taking, innovativeness, and proactiveness perform better **(Lumpkin & Dess, 1996).**

Effectuation Theory (Sarasvathy, 2001): Explains how entrepreneurs use available resources and networks to create business success.

3.1 Hypotheses on Factors Affecting SME Performance

Based on the available theoretical framework, the following hypotheses have been formulated to examine the relationships between innovativeness, human resource management, entrepreneurial traits, and sustainability in relation to the performance of Small and Medium Enterprises (SMEs).

Companies that emphasize innovation in their products, services, and business processes are likely to experience increased competitiveness, market expansion, and financial progress. Organizations that

continuously emphasize innovation are better placed to adapt to changes in the market and achieve sustainable profitability.

H1: Innovativeness has a significant positive effect on SME performance.

The application of efficient human resource management practices—ranging from employee development to talent acquisition and motivational programs—leads to higher productivity and organizational performance. SMEs that invest in their human capital generally witness improved employee morale, reduced turnover, and overall better performance.

H2: Human resource management practices have a positive effect on SME performance.

Entrepreneurial traits—defined by risk-taking, proactiveness, and the ability to identify opportunities—allow SMEs to navigate uncertainties effectively, exploit market opportunities, and develop businesses. Entrepreneurial leadership facilitates strategic decision-making and innovation.

H3: Entrepreneurial traits have a significant effect on SME performance.

4.Research Methodology

This research uses an exploratory research design to investigate the influence of innovativeness, human resource management, entrepreneurial dimensions, and sustainability on the performance of 200 SMEs in Bangalore District. Data were gathered through structured questionnaires with a five-point Likert scale to quantify perceptions of SME owners and managers. The questionnaire included product/process innovation, employee training, risk-taking, sustainability practices, and business performance. Multiple Regression Analysis was used with SPSS to analyse the data, allowing significant relationships between independent variables and SME performance to be determined. This method provides information on the drivers of SME success, adding to academic research as well as practical policy advice.

5.Data Analysis and Interpretation

The table of descriptive statistics shows the mean and standard deviation of four factors affecting the performance of SMEs in Bangalore District based on a sample of 200 respondents. The factor "Performance" has the lowest mean (2.930) with a standard deviation of 0.9538, reflecting moderate performance with some variation. "Innovativeness" has a slightly higher mean (3.085) and a lower standard deviation (0.8784), reflecting a relatively stable level of innovation among SMEs. "Human Resource" has the highest mean (3.245) with a standard deviation of 0.9848, reflecting a strong focus on HR practices but with significant variation. Finally, "Entrepreneurial Aspect" has a mean of 3.150 and a standard deviation of 0.9283, reflecting a moderate entrepreneurial orientation. These results reflect that SMEs in Bangalore are giving relatively more importance to human resources and entrepreneurial aspects while innovation and performance reflect slightly lower

Table 1: Descriptive Statistics of dimension of Performance of SMEs

	Mean	Std. Deviation	N
Performance	2.930	0.9538	200
Innovativeness	3.085	0.8784	200
Human Resource	3.245	0.9848	200
Entrepreneurs	3.150	0.9283	200

The multicollinearity statistics indicate that all three independent variables—Innovativeness, Human Resource, and Entrepreneurs—possess Variance Inflation Factor (VIF) values less than 10, indicating no major multicollinearity problems. Innovativeness and Entrepreneurs possess VIF values of 1.287 and 1.297, respectively, indicating low correlation with other predictors. Human Resource possesses the lowest VIF (1.019) and highest tolerance (0.981), indicating negligible multicollinearity. Overall, these findings indicate that the independent variables are appropriate for regression analysis with no serious multicollinearity problems.

Table 2: Multicollinearity

	Collinearity Statistics	
	Tolerance	VIF
Innovativeness	0.777	1.287
Human Resource	0.981	1.019
Entrepreneurs	0.771	1.297

The R Square of 0.407 indicates that the independent variables (Innovativeness, Human Resource, and Entrepreneurs) account for about 40.7% of the variation in the dependent variable (Performance). The Adjusted R Square (0.398) corrects for the number of predictors and indicates slightly lower but still moderate explanatory power. This indicates that although the model accounts for a large proportion of the variation in performance, other variables not in the model might also be playing a role. The standard error of 0.7402 indicates the average difference between observed and predicted values.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638	0.407	0.398	0.7402

The F-value (44.792) in the ANOVA table measures the overall significance of the regression model, indicating the degree to which the independent variables (Innovativeness, Human Resource, and Entrepreneurs) explain the variance in Performance. The degrees of freedom (df) assigned to regression is 3 (equivalent to the number of predictors), and for the residuals, it is 196 (total observations minus the number of predictors and one). The p-value (Sig. = 0.000) is less than the 0.05 threshold, thus confirming the statistical

significance of the model, indicating that at least one independent variable has a significant contribution to explaining Performance.

Table 4: Model fit using ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.627	3	24.542	44.792	.000
	Residual	107.393	196	0.548		
	Total	181.020	199			

The regression coefficients table outlines the impact of Innovativeness, Human Resource, and Entrepreneurial Aspect on Performance. The Beta coefficients show that the Entrepreneurial Aspect ($\beta = 0.494$, $p = 0.000$) has the strongest positive impact, followed by Innovativeness ($\beta = 0.172$, $p = 0.006$) and Human Resource ($\beta = 0.162$, $p = 0.004$). The t-values also support the statistical significance of the three predictors, with the Entrepreneurial Aspect ($t = 7.888$) having the strongest effect. The constant term is not significant ($p = 0.353$), which means that the model's predictability of Performance is not reliable without these variables.

Table 5: Coefficient Table

			Standardized Coefficients	t	Sig.
			Beta		
(Constant)	0.244	0.262		0.931	0.353
Innovativeness	0.187	0.068	0.172	2.760	0.006
Human Resource	0.157	0.054	0.162	2.916	0.004
Entrepreneurs Aspect	0.508	0.064	0.494	7.888	0.000

The regression output shows that the Entrepreneurial Aspect has the greatest significant positive impact on the performance of SMEs, which suggests that strong entrepreneurial abilities and an entrepreneurial attitude are key to success. Moreover, Innovativeness and Human Resource Management are also significant determinants, which mean that SMEs benefit from promoting creativity and efficiently managing their people. The large p-values related to these variables confirm their significance, which indicates that firms with a focus on innovation, effective human capital, and entrepreneurial capabilities are more likely to display high performance. However, the lack of significance of the constant term implies that performance is largely explained by these particular factors rather than by extraneous, unexplained factors.

6.Conclusion

The results of the regression analysis indicate that Entrepreneurial Aspect, Innovativeness, and Human Resource Management have significant impacts on the performance of SMEs in Bangalore. Among these, Entrepreneurial Aspect is the strongest, indicating that SMEs with effective leadership, risk-taking capacity, and business skills perform better. Innovativeness is also significant, indicating that firms investing in new ideas, technology, and innovative solutions gain a competitive edge. Human Resource Management is also significant, indicating that well-trained and well-managed employees add to the efficiency and success of SMEs. The statistical significance of these variables validates their strong predictive power in explaining SME performance.

The model accounts for 40.7% of the variance in performance overall, indicating that although these factors are significant, there are other external and internal factors as well that contribute to SME success. The lack of multicollinearity validates the robustness of the findings, and the ANOVA test validates the statistical significance of the model. This study indicates the importance of SMEs adopting entrepreneurial strategies, innovation, and workforce management to improve their growth and sustainability. Future research can investigate other determinants such as market conditions, access to finance, and digitalization to build a more complete picture of SME performance determinants.

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JOURNAL OF MANAGEMENT AND ENTREPRENEURSHIP
ISSN : 2229-5348
UGC CARE Group 1 Journal

AN EXPLORATORY STUDY ON THE DIMENSIONS OF HUMAN RESOURCE COMPETENCY ON SMES IN BANGALORE DISTRICT

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Abstract
A quantitative assessment of the human resource competency of small and medium-sized firms in Bangalore District is the goal of this article. Using data collected in the Bangalore district, this study aims to assess the validity and reliability of a four-factor model measuring human resource competency. Furthermore, a large-scale field study is required to find the factors of interest in this investigation into the qualities of competence: abilities, expertise, problem-solving, and adaptability. Three hundred samples were surveyed using individual questionnaires. Part of this group consists of SME managers. On a five-point Likert scale, respondents are asked to indicate whether they agree or disagree with the attributes of human resource competency. Since the suggested model is a concurrent system of equations with latent components and other indicators, the SMARTPLS programme is utilised for data analysis. The research shows that small and medium-sized enterprises (SMEs) in the Bangalore district have human resource competences that are empirically fitting the data. These competencies include skills, knowledge, problem-solving abilities, and flexibility.

Introduction

When it comes to creating new jobs, small and medium-sized businesses (SMEs) are king in most emerging nations. Most firms in the country are small or medium-sized enterprises (SMEs), which have a significant impact on employment. The solid groundwork for Thailand's industrial development is provided by SMEs. They sell their wares to larger companies for use as intermediate or raw materials. More than that, SMEs are the backbone of the industry, holding other vital units together. Furthermore, SMEs make up the bulk of the business community. All areas of business, including production, commerce, and service, are part of their distribution network. When thinking about the country's growth and income distribution, it's important to prioritise strengthening SMEs. Many people's skills and energy go into small and medium-sized enterprises (SMEs), which also give people a chance to be creative and enterprising while also boosting national economic activity. Through increasing wealth at the grassroots level, SMEs foster a sufficiency economy, which in turn encourages economic and social development.

There are two main categories of entrepreneurs in the world: those who are driven by opportunities and those who are driven by necessities.

Opportunity-based entrepreneurs are those that possess strong entrepreneurial abilities and a high level of human capital. Conversely, entrepreneurs who start businesses out of sheer necessity tend to lack the human capital and entrepreneurial skills necessary to succeed. In most cases, they don't have any other good ways to make money. The majority of small and medium-sized enterprise (SME) owners like in other developing nations, are driven by a need to start their businesses.

Consultants, academics, training programme developers, and policy makers in India need to better understand the effects of human capital and entrepreneurial competency on the career success of small and medium-sized enterprise (SME) entrepreneurs in order to improve the quantity and quality of life for SME entrepreneurs in India. This is because entrepreneurship and human capital can be enhanced through education and training. To rephrase, it is important to learn how human capital and entrepreneurial competencies influence the professional success of entrepreneurs running small and medium-sized enterprises.

Scholars in the fields of marketing and human resources have thus focused extensively on competency and competency in recent years. It has been the deliberate application of core strengths and unique

abilities to gain an edge in the market. A company's ability to compete and thrive in the marketplace is directly related to its firm competencies. Competencies are the qualities, talents, organisational procedures, information, and abilities that help a company outperform its rivals and stay ahead of the competition. There are two primary ways to get an edge over the competition: having the right assets and having the skills to make the most of those assets. This paper's overarching goal is to learn more about the structure of entrepreneurial competencies in the small and medium enterprise (SME) sector in India.

Literature Review

(Dullayaphuta & Untachai, 2013) A quantitative assessment of the human resource competency of SMEs in Thailand's upper northeastern region is the goal of this article. In this study, we will look at the upper Northeastern region of Thailand to see how well the four-factor model of human resource competency measures up. The research is mostly conducted using a survey design. Preliminary testing of survey items was conducted with undergraduate business students from UdonThani Rajabhat University as part of the pilot study. Further, a large-scale field study is required to reveal the factors of interest in this investigation into the qualities of competence in skills, knowledge, problem-solving, and adaptability. Three hundred and twenty-nine samples were surveyed using individual questionnaires. Among them are SME managers from Udon Thani, Nongkhai, and Beungkarn provinces. On a five-point Likert scale, respondents are asked to indicate whether they agree or disagree with the attributes of human resource competency. The model is a concurrent system of equations containing latent constructs and other indicators; thus, data analysis is performed using the LISREL programme. Statistical methods, namely exploratory and confirmatory factor analyses, are used to examine quantitative data. The research shows that small and medium-sized enterprises (SMEs) in the northeastern part of Thailand have human resource capabilities that empirically fit the data. These competencies include skills, knowledge, problem-solving abilities, and flexibility. The discussion centres on the managerial consequences.

(Sembiring, 2016) This essay set out to solve the mystery of how human resource knowledge and skills affect the success of SMEs in the food service industry in Medan City, Indonesia. One hundred and twenty small and medium-sized food businesses in Medan City were surveyed using a quantitative research methodology. Human knowledge and abilities were estimated to have a partial or substantial effect using multiple regression, t-test, and f-ratio. The F test was used to determine if the effect will be simultaneous. Findings demonstrated that human resource knowledge and skills significantly and concurrently impact SMEs' performance. A partial important influence on the success of SMEs was also discovered to be the knowledge and skills of human resources. When comparing the effects on SMEs' performance, the human resource skills component is more important than the human resource knowledge component.

(Halim, Pratikto, & Sopia, 2021) It is important to consider the presence of MSMe when working to develop and enhance a nation's economy. As businesspeople who are actively involved in the planning, development, and implementation of business strategies to enhance organisational performance, HR plays an indispensable part in MSMe's success. The company should give serious thought to HR expertise. It delves into various facets of expertise, competence, and capacity. The HR competences and their effects on the efficiency and productivity of SMEs were the primary areas of investigation in this study. The research was carried out by compiling a number of scholarly journals that were pertinent to the selection of HR competency themes in MSMe. These journals included both national and international publications. Human resource competency positively affects MSMe performance, according to studies published in the six journals that were reviewed.

(Costa & ying, 2021) Many nations' economies owe a great deal to its small and medium-sized businesses (SMEs). Their contribution to GDP is evidence of this. Furthermore, the presence of an effect on the progress of numerous nations, particularly smaller and emerging nations. Aiming to quantitatively explore the influence of skills, knowledge, and abilities on the performance of SMEs, this study was done. This study used a basic random sample technique to gather data from SMEs. In

order to gather this data, 250 SME owners and managers were sent questionnaires. Likert scales were utilised as the measuring tool. Using SPSS version 23, multiple regression analysis was performed on the data. Skills (X1), knowledge (X2), and ability (X3) all have positive and substantial effects on SMEs' performance (Y), according to the F test (Simultaneous) study. Knowledge and talents have positive and substantial effects on SMEs performance, whereas skills have a positive but insignificant influence, according to the t test (Partial) results.

(Klepic, 2022) The success of the organization is based on the quality of human resources, their competencies, motivation, loyalty, and their business results. The basic aim of this research is to determine whether and to what extent human resources competency management influences the business success of small and medium enterprises (SMEs). In the paper, human resources competency management is viewed as a process consisting of determining the required competencies, determining current competencies and the competency gap and undertaking activities to ensure and develop the necessary competencies. For the business success of SMEs, business performance was researched through four perspectives of the Balanced Scorecard (financial, customer, internal business processes and learning and growth perspective). The research results showed the correlation between the studied variables and the influence of human resources competency management on the business success of SMEs viewed from all four perspectives. The paper includes a comparison with similar research, limitations and recommendations for future research. The originality of this work lies in creating an original model of the connection between human resources competency management and business success (performance) of SMEs.

(Margahana & Sugandini, 2022) Even in South Sumatra and Yogyakarta's Special Region, the COVID-19 pandemic has wiped out numerous SMEs across Indonesia. To face the difficulties of digital transformation, this research looks at product innovation models used by new SMEs. This study delves into the digital technology utilised by start-up SMEs for product marketing and the production of fresh, unique goods. South Sumatran and Yogyakarta Special Region start-up SMEs made up the entire population in this survey. Purposive sampling is a method of collecting samples. In this study, 250 participants served as samples. This research makes use of quantitative methods for data analysis based on a respondent survey design. Startups in South Sumatra and the Special Region of Yogyakarta are the subjects of a quantitative investigation that looks at models of organisational and business performance. The SEM-Partial Least Square analysis is the analytical tool that is utilised. According to the findings, the model of organisational and corporate performance that considers product innovation, technological competency, government backing, and first-hand experience is satisfactory.

Objective of Study

Examining the concept of entrepreneurial competency was the driving force for this research. The researchers in this study set out to determine how well the four-item entrepreneurial competency inventory held up in the Bangalore district. Competencies in the Bangalore district included knowledge, competence, problem-solving abilities, and flexibility.

Hypothesis of the Study

H1: There is a Significant Impact of Skill, Expertise, Problem Solving and Adaptability on Human Resource Competency

Reliability and Validity Test

Table 1: Reliability Test

	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
Adaptability	0.91	0.915	0.735
Expertise	0.853	0.865	0.629
Human Resource Competency	0.866	0.868	0.713
Problem Solving	0.821	0.823	0.651
Skill	0.843	0.844	0.615
R-Square	0.282		
Adjusted R-Square	0.273		

Cronbach's Alpha

One way to evaluate the quality of an instrument is by looking at its reliability (Hair et al., 2006). Cronbach Alpha was used as a measure in this study **(Cronbach, 1951).** A reliability score of 0.7 or above indicates good reliability, as stated by **(Hair et al. ,2006).** When all other construct validity metrics are satisfactory, reliability values ranging from 0.6 to 0.7 can also be considered acceptable. All the constructs have Cronbach alpha values greater than 0.70, which means the instrument is consistently reliable. As a result, the structural model and hypothesis testing can make use of the model's indicators and latent factors.

Composite Reliability

For reflective models, composite reliability is a better substitute for Cronbach's alpha when testing convergent validity. Due to the possibility that Cronbach's alpha over- or under-estimates scale reliability, it may be seen as a more suitable reliability measure. The range of values for composite reliability is 0–1, with 1 denoting the most accurate estimate of reliability. An appropriate model for exploratory purposes has a composite reliability of 0.6 or higher **(Chin, 1998; Hock et al., 2010);** an adequate model for confirmatory purposes has a composite reliability of 0.70 or higher **(Henseler, et al., 2015);** and a good model for confirmatory research has a composite reliability of 0.80 or higher **(Daskalakis & Mantas, 2008).** According to the findings, all reflective paradigms have higher levels of internal consistency reliability.

Average Variance Extracted (AVE)

The degree to which the elements that make up a construct converge is quantified by AVE. For every latent construct in the model, it was computed **(Paswan, 2009).** According to Table 3, a construct validity indicator for the scale would be an AVE value of 0.5 or higher (Hair et al., 2006). When the absolute value of each construct exceeds the sum of all shared variances, discriminant validity is achieved. When the squared root of the AVE for each construct exceeds the correlations between all other constructs, this indicates discriminant validity, as stated by (Hair et al., 2006). When the absolute value of each construct exceeds the sum of all shared variances, discriminant validity is achieved. When the squared root of the AVE for each construct exceeds the correlations between all other constructs, this indicates discriminant validity, as stated by **(Hair et al., 2006).** According to Table 2, all the estimated variances are larger than the corresponding inter-construct squared correlation estimates, which are located below the diagonal.

Table 2: Fornell-Larcker Criterion for discriminant Validity

	Adaptability	Expertise	Human Resource Competency	Problem Solving	Skill
Adaptability	0.857				
Expertise	0.283	0.793			
Human Resource Competency	0.357	0.302	0.844		
Problem Solving	0.426	0.345	0.461	0.807	
Skill	0.305	0.159	0.298	0.242	0.784

Common method variance

For this purpose, we used the **(Harman, 1967)** single factor test to look for shared method variance (CMV). **(Podsakoff and Organ ,1986)** defined this as the variation in the measurement process as opposed to the constructs and survey items themselves. Using principal component analysis, we loaded each of the 19 independent variables onto a single factor and ran the test. A common method bias would be indicated if factor analysis revealed only one factor. According to the findings, about 30.56% of the variance was extracted, and over 50% of the items loaded significantly lower than the 0.5 threshold. While these findings do not rule out CMV entirely, they do indicate that common method bias is not a major issue with the obtained data.

The degree to which other constructs in the instrument can explain a construct is measured by multi-collinearity. To ensure that collinearity does not skew the regression results, it must be examined before the structural relationships are assessed. Calculating the VIF values is comparable to evaluating formative assessment models; however, the exogenous constructs' latent variable scores are utilised. Collinearity problems are likely to occur when the VIF value is greater than 5. **(Mason and Perreault 1991; Becker et al. 2015).** Ideally, the VIF values should be close to 3 and lower. In the present Study all the items of Independent Variable have VIF values less than 3.

Table 3: Multicollinearity Test for Exogeneous Variable

Items	VIF
ADAPT1	2.964
ADAPT2	2.587
ADAPT3	2.08
ADAPT4	2.78
ADAPT5	2.475
EXPRT1	1.986
EXPRT2	1.918
EXPRT3	1.724
EXPRT4	2.05
EXPRT5	1.647
HRC1	2.134
HRC2	1.922
HRC3	2.039
HRC4	2.153
PRBSOLV1	1.583
PRBSOLV2	1.999
PRBSOLV3	1.614
PRBSOLV4	1.82
SKILL1	1.579
SKILL2	1.868
SKILL3	1.858
SKILL4	1.843
SKILL5	1.667

Structural Model

Figures 1 show the research's structural models, where R^2 stands for the value of any endogenous and predicted latent variables, respectively. The dependent variable, Human Resource Competency, has an R^2 value of 0.282. This suggests that Skill, Expertise, Problem Solving and Adaptability account for nearly 28.2 % of the variation in Human Resource Competency

Figure 1: Structural Equation Model (PLS Algorithm)

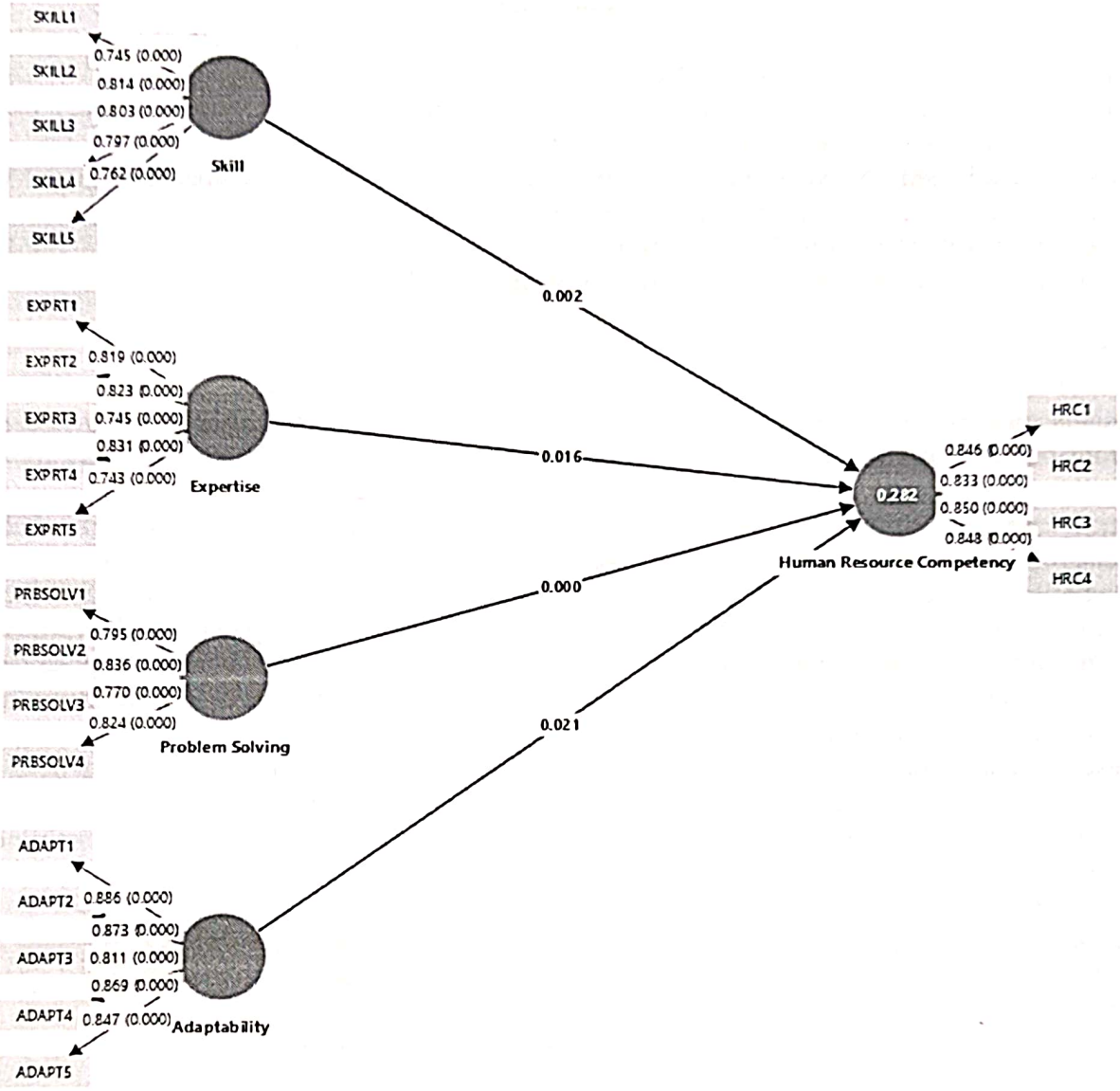

Table 4: Testing of Hypothesis

	Sample mean	Standard deviation	T statistics	P values	Remarks
Adaptability -> Human Resource Competency	0.141	0.059	2.311	0.021	Significant
Expertise -> Human Resource Competency	0.132	0.053	2.428	0.016	Significant
Problem Solving -> Human Resource Competency	0.323	0.061	5.262	0.000	Significant
Skill -> Human Resource Competency	0.159	0.051	3.098	0.002	Significant

Statistical significance of the path coefficient and t-values were determined in this study using the Bootstrapping Option. Table-4 displays all computed values.
With a t-value of 2.311 and a p-value of 0.021, the hypothesised path of adaptability on Human Resource Competency is statistically significant.
The hypothesised path of Expertise on Human Resource Competency has a t-value of 2.428, a P-value of 0.016, and is statistically significant
The predicted relationship between problem Solving and human resource Competency has a t-value of 5.262 and a p-value of 0.000, both of which indicate statistical significance.
The hypothesised path of Skill on human resource Competency has a t-value of 3.098 and a P-value of 0.002, indicating that the hypothesis is statistically significant.

Conclusion

Finding out how competent SMEs are entrepreneurs is our primary goal. The Study concluded that the hypothesis is supported by the data more strongly. Expertise, problem-solving, flexibility, and skills are the four pillars that make up entrepreneurial competency. The reason being that there are other appropriate methods for measuring discriminant validity than R-square and confidence interval. To be an effective entrepreneur, you need strong problem-solving and human resource management chops, as well as strong analytical and conflict-management abilities. The study's findings could change how we test the efficacy of entrepreneurial competency. The assessment of entrepreneurial competences in small and medium-sized enterprises (SMEs) in Thailand has been thoroughly examined in this paper. On the other hand, we do recognise several limitations, which has prompted us to propose certain avenues for further study. As a first point, the only purpose of this study was to confirmatory factor-analyse the entrepreneurial competency.
Future research could apply the resource-based and strategy-structure-performance views to determine the antecedent and consequent relationships among resources, competency, competitive advantage, and firm performance. These views have already been used by many researchers to examine the associations between entrepreneurial competencies and firm performance.

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ISBN: 978-81-948760-1-4

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RECENT DEVELOPMENTS IN MSME'S

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Abstract:

The term Micro, Small, and Medium Enterprise (MSME) was started by the Indian government in 2006 as part of the MSMED (Micro, Small, and Medium Enterprises Development) Act. The MSME term is coined and administered by the Ministry of MSME. MSME are organisations that manufacture, produce, process, and preserve goods and commodities, which are regarded as the backbone of the Indian economy. If we look at recent data, small businesses create more jobs because they are the primary source of economic growth, national prosperity, and innovation. The study not only highlights what works, but it also focusses on future directions and information that will benefit those looking to start a business.

Key words: *Small scale industries, developments, government schemes*

Introduction:

India has seen a rapid increase in start-ups. According to the Ministry of Commerce and Industry, recent start-ups of around 10,000 were approved in 156 days, as opposed to the initial 10,000, which was approved in 808 days. Additionally, Tier 2 and Tier 3 cities are said to account for 49% of start-ups. MSMEs created 120 million jobs in all industries in India. As a result, these enterprises play an important role in the economy, accounting for 33% of India's GDP. Medium-sized enterprises account for only 1% of MSMEs, compared to micro firms at 4.5% and MSMEs at more than 90%. Small companies account for 96% of industrial units in the Indian economy.Small businesses make up 42% of all Indian exports and 40% of the country's total industrial production. In the nation's cities and rural areas, small businesses also present a variety of opportunities. Unemployment is a common occurrence in the Indian economy, and small businesses have contributed to the expansion of job opportunities.

12% of the 7.56 lakh jobs produced in India are in the information technology sector, 9% are in the healthcare and life sciences, 7% are in education, 5% are in commercial and professional services, and 5% are in agriculture. The country is also home to 75,000 recognised start-ups. The generation of jobs has increased by 110% annually over the past six years. The number of employees is the most widely used criterion for classifying businesses. Small enterprises are the second-largest employer in the Indian economy. Small and medium-sized businesses employ

less than 250 people. Micro-enterprises employ less than ten people, small businesses employ between ten and forty-nine people, and medium-sized businesses employ between fifty and twenty-nine people. Large companies employ more than 250 people.

An Overview of Micro, Small and Medium Enterprises (MSME)

Industry Specific

MSMEs are crucial because, compared to huge companies in India, they generate a lot of job possibilities at a comparatively lower capital cost. They also contribute to the industrialisation of rural and undeveloped areas, which lessens regional differences and guarantees a more equitable distribution of wealth and income throughout the nation.

Sector	Job Creation (in lakh)
Trade	387.18
Manufacturing	360.41
Other services	362.82

MSME Statistics – State Specific

As of August 20, 2023, Maharashtra state had the most Udyam registrations (32.76 lakh), followed by Tamil Nadu, Uttar Pradesh, Gujarat, and Rajasthan, according to the India Brand Equity Foundation.

States	Employment Statistics
Maharashtra	32.76%
Tamil Nadu	18.84%
Uttar Pradesh	17.24%
Gujarat	13.72%
Rajasthan	13.63%

MSME Forecast:

The Indian government plans to increase the number of jobs in the MSME sector by 5 crore by 2025 from the current level of 11.10 crore, according to the 73rd round of the National Sample Survey (NSS), which was conducted between 2015 and 2016. Based on the most recent data from the Udyam portal, as of December 2022, approximately 1.28 crore MSME registered industries employed 9.31 crore people, including 2.18 crore women employees.

MSME Leading Employment Sectors

The MSME sector accounts for 360.41 lakh of the 11.10 crore jobs created. There are 387.18 lakh employment in commerce and 362.82 lakh jobs in other services nationwide, with the majority of the jobs in both rural and urban areas being in the manufacturing sector. The MSMEs that were established in 2022 had almost a million employees.

MSMEs in India

In India, there are 633.9 lakh MSMEs. More than 99 percent of all MSMEs in India are classified as micro-enterprises, which comprise 630.5 lakh businesses. A total of 3.3 lakh firms, or 0.5% of all MSMEs, are classified as small businesses, and just 0.05 lakh, or 0.01% of all MSMEs, are classified as medium businesses. There are primarily 324.9 lakh enterprises in rural areas and 309 lakh in metropolitan areas.

Types of Ownership of Enterprises

A total of 633.88 MSMEs exist, of which 608.41 lakh are proprietary enterprises. In terms of proprietary MSME ownership, men dominated, accounting for 79.56% of microbusinesses, 94.74% of small businesses, and 97.63% of medium-sized firms. However, women hold 20.44% of microbusinesses, 5.26% of small businesses, and 2.77% of medium-sized firms.

Urban and Rural Areas Employment Distribution

Both urban and rural areas showed no appreciable deviation from this tendency. Male-owned companies were somewhat more common in urban regions than in rural ones.

MSME	Urban (in lakh)	Rural (in lak
Micro Businesses	306.43	324.09
Small Businesses	2.53	0.78
Medium Businesses	0.04	0.01

Generation of Employment – Industry Wise

With 4,80,000 workers, the food industry leads the way in employment creation. Non-metallic mineral items come in second with 4,50,000 workers, followed by metal products with 3,70,000 workers. When it comes to giving individuals job chances, all of these industries lead the way.

Generation of Employment – Other Industries

Together, these industries account for 49% of jobs, or less than 5% of the total contribution from all other industries. These industries include those that produce machinery parts (apart from electrical parts), chemicals and chemical products, paper and printing products, wood products, basic metal industries, hosiery and clothing, rubber and plastic products, and repair services.

Distribution of Employment in Rural Areas

In rural areas, 22.7% of new jobs were created by products other than metals. Food items make up 21.1% of the market, with wood products and chemicals coming in second and third, respectively, at 17.5%.

Distribution of Urban Employment

The combined amount of food and metal items in urban areas is about the same, at 22.8%.The industrial sectors of chemicals and chemical products, non-electrical machinery parts, and non-metallic mineral products account for 26.2% of total employment. Metal products, paper products, printing, and non-electric machinery and parts make up the top three in metropolitan areas, accounting for 33.6% of the overall share.

Small Business Ownership Statistics

Manufacturing as a whole accounts for 6.11% of GDP, and manufacturing output as a whole contributes 33.4%. Contributions from the service sector total 24.635. 67% of small business owners worldwide who responded to the poll said they generate up to half of their yearly revenue through online sales channels, and 37% said they generate between 51 and 100 percent. Sixty-one percent of respondents worldwide said they use websites, online stores, or even a combination of both as their sales method. According to 65% of Indian respondents, they generate half of their revenue from online sales, and 36% generate more than 50%.

Bottom Line

Small businesses can benefit from looking at business statistics. Not only that but the data provide a general business climate and the statistics can be used as leverage to enable businesses to make better decisions in the future.

The data direction can also lead start-ups and small enterprises to plan their outcome in a higher standard manner that will help them sustain and make a profit. While the data can be interpreted and applied differently by businesses, one thing is for sure it will help the small businesses boost their business.

Literature Review

Mali (1998) observed that micro, small and medium enterprises have to face increasing competition in the present scenario of globalization. They have to specifically improve themselves in the fields of management, marketing, product diversification, infrastructural development, technological up gradation.

Subrahmanya (2004) highlighted the impact of globalization and domestic reforms on small scale industries sector by emphasizing that small industry had suffered in terms of growth of units, employment, output and exports. He also suggested that the focus must be turned lo technology development and strengthening of financial infrastructure in order to make Indian small industry internationally competitive and contribute to national income and employment.

Sudan (2005) described the challenges in Micro and Small Scale Enterprises Development and policy issues by raising different questions related to MSMEs.

Rathod (2007) analyzed the growth and pattern of the SSI sector and identified the reasons for success and failures, evaluated the impact of globalization on SSIs and export opportunity and identified the barriers and constraints that SSIs were facing lo cope with globalization.

Singh, Venna and Anjum (2012) analyzed the performance of MSMEs in India and focused on policy changes which have opened new opportunities for this sector and concluded that MSME sector has made good progress in terms of number of MSME units, production and employment levels.

Venkatesh and Muthiah (2012) found that the role of MSMEs in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing MSME sector is essential for the economic well-being of the nation.

Srinivas (2013) analyzed about the performance of MSMEs, their contribution in India's economic growth, identified the number of enterprises, employment in MSMEs and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

Statement of the Problem

Objectives of the Study

The main objective of the study is to acquaint the development in MSME.

1. To research MSMEs' possibilities.
2. To be aware of recent developments in MSMEs.
3. To draw attention to the government's initiatives for MSMEs.
4. To comprehend the function and impact of MSMEs in India.

Research Methodology

The nature of this study is descriptive. In order to obtain detailed information on advances in MSME, secondary data for this study was gathered from the pertinent literature, research papers, published reports, and news items.

Conceptual framework

MSMEs were experiencing sluggish growth due to a number of issues, including a lack of funding, inadequate infrastructure, a lack of advanced technology, etc. Two factors contributed to the difficulties: the demonetization process, which began in 2016, and the Goods and Services Tax, which went into effect in 2017. Even minor issues have a bigger impact on MSMEs because their workforce is primarily made up of unskilled labourers from rural areas. Their capacity and sustainability are now major challenges as a result of the COVID-19 health catastrophe. The pandemic has caused significant changes to the operating environment for MSMEs. Approximately 93% of MSMEs were found to be denied access to official institutional or informal sources of financing, according to the 2013 Economic Census. It is difficult for these MSMEs to get credit facilities since they have little collateral or a bad credit history. An analysis of the credit distribution to the MSME sector from 2016 to 2020 shows that the credit growth was observed to have declined multiple times throughout this time. Lack of funding is by far the biggest issue facing MSMEs. Less than one-third (about Rs 11 lakh

crore) of MSME financial needs are met by the formal banking system, according to the results of a 2018 report published by the International Finance Corporation, a division of the World Bank Group. The MSME sector's next major obstacle is related to collections. There would either be a delay in getting GST refunds, etc., or in getting payments from their buyers, including the government.

The Government recent initiatives/undertakes to support MSMEs in the country

1. An equity infusion of Rs. 50,000 crore under the MSME Self-Reliant India Fund.
2. Newly updated MSMEs classification criteria.
3. No international bidding for purchases up to 200 crores of rupees.
4. In June 2020, the web portal "Champions" will launch, including a wide range of e-governance topics such as MSMEs' handholding and grievance redress.
5. Retail and wholesale businesses will be included as MSMEs as of July 02, 2021.
6. Three-year extension of non-tax advantages in the event that MSMEs' status improves.
7. The Raising and Accelerating MSME Performance (RAMP) program is launched, with a five-year budget of Rs. 6,000 crore.
8. To bring Informal Micro Enterprises (IMEs) inside the formal purview of Priority Sector Lending (PSL), the Udyam Assist Platform (UAP) was launched on January 11, 2023.
9. More than 130 lakh MSMEs have received additional credit through the Emergency Credit Line Guarantee Scheme (ECLGS). Up till March 2023, the ECLGS will be extended, increasing the guarantee coverage by INR 50,000 Cr to INR 5 Lakh Cr overall.
10. The financing Guarantee Trust for Micro and Small Enterprises (CGTMSE) will facilitate an additional INR 2 Lakh Cr in financing for micro and small businesses.
11. The Aatamanirbhar Skilled Employee Employer Mapping (ASEEM), e-Shram, Udyam, and National Career Service (NCS) websites will be connected. They will now function as portals with live, organic databases, offering G2C, B2C, and B2B services including hiring, skill development, and credit facilitation.

Conclusion

Over the past ten years, the MSME sector has evolved, with the expansion of services firms replacing the double increase in registered enterprises. These industries provide substantial contributions to Indian society and contribute close to one-third of the country's GDP. Though they still face obstacles like the extensive paperwork needed to start a business in India and the lack of bank credit, the sector is an essential component of Indian society, and governments have tried to encourage it. Technological improvements have led to an unparalleled level of

rivalry as the world's economies have become more globalised. The much-needed assistance for boosting MSMEs has been given by the Indian government through the Atma Nirbhar Bharat Abhiyan project. The rescue package has sufficiently addressed the issues of MSMEs' lack of digital support, their inability to obtain institutional finance, and the fact that the intended beneficiaries are not eligible for government assistance. It is also important to recognise that government assistance helps MSMEs develop their long-term sustainability and competitive edge while also resolving pandemic-related issues.

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