

Skill Deficiency of Micro, Small & Medium Enterprises (MSME) – A Review of literature

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Abstract

Skill plays an important role for MSME sector. In the present paper we tried to understand various skill deficiencies exist in this sector. This is more crucial from the point of view of start up India and make in India mission. For the purpose of the study secondary source taken as base and various journals and websites visited for the literature review. It is found that lot of initiatives are required for the improvement of skills so that dream of make in India will be achieved at the desired rate.

Key words- MSME, Skill, entrepreneurs and development.

Introduction

The purpose of literature review is to get an insight idea about the existing works that have already been done on a specific study area. Sometimes the nature of the research problem is such that it needs problem statements to be mentioned more clearly. The literature review is one such process which helps the researchers to explore the problem areas more carefully so that the true nature of the problem can be identified. It is not wise to conduct a research on an area where a previous research has already been undertaken. This will lead to create a repetition of the same work. Not only that, this process will also help the researchers to identify the variables associated with the research problems which can be included in the final study after suitable modifications. As the present study is focusing on skill deficiencies and its impact on MSME players in Odisha district, a special care has been taken to identify those variables which are affecting the MSME sectors as it leads to create a skill gap. The broad skill gaps have been identified and various literatures from different sources (viz. journals, articles, periodicals and reports) were consulted to get the proper idea about the skill deficiencies.

Objective of the study

- ✓ To understand the various skill deficiency exists in the MSME sector.
- ✓ To undertake in depth research on the skill deficiency in MSME.

Methodology

The present study is based on the secondary data. For this purpose various journals and websites visited and all the relevant reviews related to topic included.

Review of Literature Related to Skill Deficiencies due to socio economic underdevelopment

Wright etal (2010) The author focuses on the skill shortages that are affecting the UK economy just after the recession. The government's debt is expected to be 74% of GDP and this has led to develop clear cut policy measures which will benefit the UK economy on a long term basis. For the improvement of industrial economy the country needs to build both hard skill as well as soft skills to generate sufficient supply of manpower to be utilized in the industry. Role of private sector becomes important as it will lead to technology and innovation led growth which the country is looking for. In each of the segments, what is more important is to create a skill system which can abolish the problem of unemployability. The lack of linkage between industry oriented education systems is surely the growing problem area where government intervention is necessary. The sectors like MSME, where employment opportunities are more, will be the next big market as demand for highly qualified workers are decreasing compared to low skilled workers in terms of education profile.

Report of Conference Board of Canada (2011) The report highlights the effective work related to learning in SME. The report suggests that employee learning is a crucial element in any organization as it leads to employee motivation and work participation. SME sectors are being neglected because of their low capital involvement and subsequent development potential. The report also suggests that there is no clear technique available to train the employees as well as the SMEs but individual technical competencies should be developed so as to enhance organizational capabilities under changing business policies. This will also help to retain the employees under best possible ways. As most of the SMEs invest most of their resources to meet short term business challenges due to lack of expertise and financial capabilities, very little adaptation policies are made to create long term opportunities for existing employees on a sequential basis.

ASTD Report (2012) The report defines skill gap as a gap between organization's current capabilities and skills that is required to achieve the future goals. The gap is critical in the sense that it leads to make the organization inefficient and less competitive in a specific business situation. Most of the organizations face gap in the middle and high skilled jobs. In case of middle skilled jobs, some amount of industry or government certification is necessary whereas high skilled job requires atleast an undergraduate degree in science, engineering, technology and mathematics. Lacks of skills in these areas are ultimately diluting the future of the business enterprises and they often have to depend on high skill brain drain from other countries. This has created a skill imbalance as this will lead to socio economic problem in the host country where migrant workers are moving. This gap in the supply of adequate manpower is mainly because of improper education system which has no link with the industries. This lack of industry orientation should be abolished and there is an urgent need to make the process industry ready.

Bosire et al.(2013) The paper focuses on entrepreneurial skill development and its impact on the MSME sector. MSMEs are considered to be the backbone of economic development of any country as it leads to job creation and helping the people to move out of poverty. But this requires adequate skill level for entrepreneurs as it helps them to understand the demand for local market, new opportunities and improved business conditions. Most of the time it can be observed that even if the MSME players have the potential, still they are not in a position to utilize the same due to lack of expertise in relevant fields. This needs to be sorted out to achieve future growth. This will also help the new entrants to understand the business situation and innovation. As the market is changing, the nature of the consumer is also changing simultaneously. To keep pace with the same, the skill development process requires further modification.

Sanghi et al. (2014) The authors highlight the skill challenges that the Indian informal sectors are facing at present. Since most of the MSME sectors are part of informal sectors, this basically hampers the overall growth prospect of the sector. Today, the biggest problem that the informal sectors are facing is in terms of availability of quality labour. The lack of supply of skilled labour force towards informal sectors is mainly due to poor education during the initial phases of their life. Not only that lack of link of vocational training with formal education system is also another area which hampers the growth prospects of workers in the informal sector as well. To get rid of this situation the informal sectors should come under the purview of government programmes and their business operations need to be legalized in a proper manner. Along with that the back end supply of manpower should also be improved by implementing the changes that is necessary to improve the skills of the labour force.

MSME Report on Skill Development, Government of India (2015) The report mainly focuses on various skill development initiatives that the government of India is trying to implement with the help of different stakeholders. As the government is trying to give more focus approach for this sector, the sectoral policy shows certain improvements in terms of skill development. The programmes are meant to benefit the individual labour forces as well as entrepreneurs as both the groups are getting equal weightage in terms of these initiatives.

Review of Literature Related to Skill Deficiencies due to organization mis - management & government policies

Report of Prime Minister's Task Force on MSME Sector, Government of India (2010) The committee has prepared a report about problems and prospects of MSME sector in India. The panel suggests that although, MSME sector in India, has potential in terms of innovation and product development, still more than 94% of the MSME players are unregistered, thus not getting adequate exposure towards the world market. The committee has identified some of the major problem areas which the sector is facing at present and tried to find the solution of the same. Among the various constraints that the sector is facing, some of the important areas are related to availability and cost of credit, lack of collateral to secure credit, limited access to equity capital, inadequate infrastructure to support the growth of the sector, lack of access to global market, issues related to government policies, like taxation, complicated labour laws and most importantly lack of skilled manpower and skill development initiatives. The committee suggests remedial measures for each of these areas so that the sector, which has so much of potential, can do justice with its business opportunities.

Green et al. (2011) The authors discuss the importance of workforce training and development. It is a primary criterion for all the business organizations and it is true for MSME players as well. Without employee development, productivity cannot be increased and in that case the organization is going to suffer in the long run. Being the valuable employment generator, the MSME sector's role in overall economic development is immense but the same needs to be conceptualized in terms of employee development. Most of the time it has been observed that MSME players are not willing to invest on training and development as they think that this is something on which they are wasting their money. This concept is not true. To get better performance, employees must be trained adequately. What is required is the development of cost effective training mechanism and appropriate policy so that the same can be implemented for the betterment of the sector. Unless and until this will not happen, this will hamper the growth prospect of the sector.

Ahiawodzi et al. (2012) The authors have developed an econometric model to judge the impact of various factors on the overall development of the MSME sector. The model has taken firm's growth as the dependent variable and factors like access to credit, total current investment, age of the firm, start - up capital, education level and annual turnover of the firm as the independent variable. The analysis identified that out of the several factors, access to credit is the most dominant factor in case of firm's overall development. Thus, the policy makers should concentrate on this particular aspect and try to develop policy measures so that the same should not become a constraint for the development of the MSME sector.

Perrault et al. (2013) The report has been prepared to describe the policy measures that are being implemented in Sierra Leone at the behest of African Development Bank Groups. The country has witnessed lots of internal conflicts which ended in the year 2002. These conflicts have destroyed the economic prospects of the country which is now at the path of recovery. Various government initiatives have been implemented and as a result, the country has become one of the important destinations for foreign direct investment. But having said that, the country has its own problems in terms of unemployment, corruption, lack of infrastructure etc. which further restricts the growth prospects. Thus, the role of government intervention becomes crucial in this regard as it will effectively help the country to become self sufficient. As the primary task is to create employment generation, like many other countries, here also, focus has been given on MSME sector as it has the potential to absorb huge labour forces.

Goldman Sachs Global Investment Research (2014) The report pointed out the credit constraints faced by the women owned MSME sectors. Credit constraint is surely a major issue and the same is more in case of those MSME units which are running by women members. There are some social obligations as well. The lack of understanding about business prospects and lack of networking, which is very crucial for this kind of business, may be one of the primary reasons for the same. Along with it, lack of financial knowledge sometimes proves to be relevant for not getting adequate finance from organized sources.

Katyal et al. (2015) The authors mentioned that in case of India, MSME sector has greater role for the overall economic development as they have the capacity to absorb low skilled workers who are otherwise left unemployed. This sector also helps the people to become entrepreneurs who ultimately are again able to create job prospects in the local market. Such is the importance of these players who might play a significant role if they are able to run the business in an efficient manner. But the real problem lies elsewhere. Due to limitation of resources, most of the time, it has been found that they are simply overloaded with other jobs and very less effort is given for development of proper HR practices. Implementations of HR practices will surely

benefit the players as it will help to motivate the employees in terms of various job related aspects. Ignoring these things often prove to be vital when the business is at the verge of expansion. Thus the authors suggested that suitable policy measures should be implemented in this regard which becomes a win – win situation for most of the stakeholders.

Review of Literature Related to Skill Deficiencies related to product and market understanding

Mehrotra (2009) The conference paper is focused on national and international skill development approaches for policy making. The paper mentioned that as the main topic of discussion related to MSME sector is related to lack of skill approaches, the same may not be able to highlight the core issues. As a result of the same, the existing skill development policies may have a serious problem which ultimately affects the sector as a whole. The problem may not lie with the training programme as a whole. The problem lies with the education system that the country is following. The concept of vocational training programme which is so crucial in other developed countries has got least importance in Indian education system. The same need to be re – oriented if the sector would like to get the future benefits.

Jansen et al. (2012) The authors discussed the importance of skills and competitiveness for small and medium enterprises. Skills and application of innovative technologies become inevitable in today's market and getting the service of skilled labour force makes it easier for the firms to access the local and global market with ease. The improvement in training and development facilities are the primary reasons for this increasing trend. The skill development approaches as supported by the governments as well as the local bodies help the workers to understand the market condition, demand situation and competitors strategies. Without these linkage programmes it would be difficult to create a sustainable platform for the MSME players.

Bartlett et al. (2013) The paper developed an approach in emerging countries. Three aspects have been developed related to the topic viz. the motivation of entrepreneurs, the business environment in which firms operate and the cultural and social networks within which they are embedded. Understanding of business environment helps the new age entrepreneurs to nurture the new possibilities in the market and can also help them to develop the product as per the need and demand of the customers. The supportive role of government also becomes helpful. Given the developmental context the sector will flourish in its own terms.

India Skills Report (2014) Skill is an important ingredient for any industry and acquisition of skills becomes crucial when the industry deals with changes in business environment. Today, adaptability and to merge the same with future development has become an issue. In the

context of India, skill development is an issue as it has adequate manpower that is ready for job market but has less skill to survive in the market. Given the dynamism that exists in the market, survival for future growth is difficult. Adequate supply of manpower in this regard will impact the future market potential. The case of MSME is unique and it requires a differential treatment. The MSME do not have the resources but it has the potential. Some of these may have direct link with the market where they are operating. But understanding the market situation is not an easy task as this requires expertise. Thus, it is high time to implement and design new skill development policies so that the MSME sector becomes market ready.

Bekele et al. (2015) The authors focus on the importance of promoting MSME for the betterment of the rural livelihood in Ethiopia. The country still has to depend on foreign donors and various developmental agencies for the sustainability of rural poor. The authors suggest that rural Ethiopian economy is not that strong and needs support. But too much of support from various agencies may make them ineffective and inefficient. Because of this, the government should focus on employment generation activities by implementing various MSME schemes which have the potential in the study area. If the same is able to provide substantial income generating opportunities then it can surely turnaround the rural economy which is not self sufficient till date.

Review of Literature Related to Skill Deficiencies related to technological backwardness

Abor et al. (2010) The paper discusses the characteristics and contributions of MSME sector to improve the socio economic conditions of the country. Although the sector contributed to 85% of Ghana's manufacturing sector's employment, still it suffers from lack of finance, technology adaptation and regulatory restrictions. Among these various drawbacks, the lack of technology application becomes very vital. Technology surely gives an edge over other factors in present day's business situations. Today, customers also prefer products or services as per their convenience and technologically superior products are more acceptable than anything else. Thus, MSME players should ascertain these future prospects and act accordingly.

PWC Report (2011) The report suggests the periodic improvement that the MSME sector is achieving over the period of time. Initially Indian MSME sector was only concentrating on traditional products and this focus has been changed drastically right now. Today, the players are becoming more sophisticated and would like to operate as an effective supplier of the big industrial houses. But lack of skill innovation and technology bottleneck is often creating a road block for the same. India has no dearth of manpower as well as availability of natural resources. But the same should get a linkage which can carry forward this transition from traditional

manufacturers of goods and services to sophisticated producers. Unless and until this linkage is not found, the future growth prospective which the country has may not remain achievable.

Das et al. (2012) The authors suggest that MSME sector plays a dynamic role for the improvement of the Indian economy but the same is facing numerous challenges due to the present nature of globalization. As the market condition is changing, MSME players are facing problems which are related to technology, improper marketing strategies, inability to identify the new markets, constraints on modernization and improvement, absence of highly skilled manpower etc. As these problems need superior mechanisms, policy measures should be made in such a manner so that these things can be improved upon for the betterment of the MSME sector.

Nagayya et al. (2013) The authors have described the changing role of MSME players in the era of globalization. This particular trend has affected the product lines of the MSME players and a paradigm shift has been noticed so as to face the global competition. The government also witnessed the situation and introduced the cluster specific and firm specific development mechanisms so as to develop a strategy which will be best suitable for the players operating in that circle. The slow movement of the MSME players towards global economy is the next big thing that the country is looking for.

BCG & CII Report (2014) The report suggests that India started its economic development process in far less advantageous position as compared to other developing nations in the same region. India mainly suffers from lack of infrastructure, poor perception related to ease of doing business, lack of proven ability to do business in a competitive manner as compared to other players. These are the some of the critical areas where the Indian MSME sectors are suffering from; so, policy approach should be developed in such a manner that these areas can be identified as priority areas for MSME development.

Deloitte Report (2015) The report mentioned the current state of skill and innovation gaps that most of the Latin American countries are facing. These gaps mainly arise because of unequal access of education, low quality and value of education, weak student performance and misalignment of worker competence. As a result of this, the country is suffering from R & D innovation and technological innovation which proves to be fatal if the countries are trying to get next big jump to sustain the economic development. These are the areas which need immediate attention so as to bring parities in each and every segment of the society. Overall, the government also cannot ignore their responsibilities as they are the primary decision makers for the betterment of MSME sector.

Concluding Note

From the various review of literature it is found that the deficiencies are still exists in the MSME sector. The various variables identified are skill shortage due to migration, lack of skill based education, lack of access to new age product design, family run business, lack of training for employee development, lack of access to modern infrastructure , improper government policy, improper tax system and cost, lack of skills to understand the market, lack of skills to understand export potential, lack of skills to understand customer specific product requirement and lack of skills related to promotional strategies etc. These variables will help to undertake new research in this direction and the findings will definitely give a new direction to the policy makers in general.

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