



# Performance Of Micro, Small & Medium Enterprise In Bihar And Its Regional Counterparts: A Comparative Analysis

Zeeshan Anjum, Research Scholar, Department Of Commerce & Management, Patliputra University, Patna  
Dr. Md. Imteyaz Hassan, Dean & Head, Department Of Commerce & Management, Patliputra University,  
Patna

**Abstract:** The performance of Micro, Small, and Medium-Sized Enterprises (MSMEs) in Bihar from 2017 to 2021 is examined in this paper, with an emphasis on their vital role in the state's economic development. It highlights issues that impede the sector's expansion and competitiveness, such as restricted financial access, subpar infrastructure, antiquated technology, and insufficient market connections. Bihar lags behind states like Uttar Pradesh and West Bengal in terms of growth and job creation, even though the number of MSMEs has been steadily increasing. The study identifies growth prospects through sector-specific initiatives, public-private partnerships, and government support, especially in food processing, textiles, and handicrafts. In order to maximize the sector's potential, the paper recommends specific policy measures and skill development initiatives, emphasizing the significance of enhancing credit access, infrastructure, and technology adoption. In order to address these issues and encourage sustainable MSME growth for balanced regional development in Bihar, it ends with suggestions for evidence-based policies and cooperative initiatives.

**Keywords:** MSMEs, Bihar, Employment, Infrastructure, Technology, Development.

## INTRODUCTION:

**Background of MSMEs:** MSMEs' history: Micro, Small, and Medium-Sized Enterprises (MSMEs) are widely acknowledged as being essential for both job creation and economic development. They lessen regional disparities, encourage innovation, and advance industrialization. MSMEs employ over 117 million people in India and make up around 30% of the country's GDP. Important legislative initiatives, like the MSME Development Act (2006), have helped the industry by fostering an atmosphere that is favorable to small enterprises. Additionally, by promoting regional development, MSMEs aid in the reduction of socioeconomic disparities.

**Contextual Background in Bihar:** MSMEs are essential to employment and industrial output in Bihar. MSMEs serve as a secondary source of income in rural areas where agriculture dominates the economy. They manufacture a variety of products and make up around 95% of industrial units. Despite their importance, the industry has problems like inadequate funding, poor infrastructure, and restricted access to technology. In order to improve competitiveness and draw in investment, the government implemented the Bihar Industrial Investment Promotion Policy (2016).

**Problem Statement:** MSMEs in Bihar make a substantial economic contribution to the state, but their expansion is hampered by a number of enduring problems, including a lack of credit, antiquated technology, and poor market connections. To fully realize their potential and guarantee sustainable development, these obstacles must be removed.

**RESEARCH OBJECTIVES:**

1. to assess the economic impact of MSMEs in Bihar.
2. to determine the main obstacles to market access, infrastructure, and finance.
3. to make practical suggestions for enhancing the sector's performance.

**LITERATURE REVIEW:**

According to Prakash et al. (2021), MSMEs in Bihar encounter significant obstacles like poor infrastructure, a lack of funding, and a lack of government assistance. The authors claim that expanding credit availability, strengthening governance, and offering technical skill development can promote growth, particularly in developing areas. Prakash and Verma (2019) go into detail about a number of obstacles, emphasizing problems with finances, marketing, and infrastructure. Their empirical research indicates that high marketing expenses and restricted credit availability are major obstacles. They suggest better support infrastructure and policy changes for the expansion of MSMEs.

The strategic significance of MSMEs in Bihar's socioeconomic development is emphasized by Kumar (2018), who also highlights the need for improved financial and infrastructure support. Despite the sector's potential, Kumar points out persistent challenges such as inadequate credit, poor infrastructure, and limited marketing opportunities. Yadav (2020) describes MSMEs as crucial for employment and industrial growth in rural India. He identifies barriers like antiquated technology and a lack of credit and proposes targeted legislative actions to improve competitiveness.

In order to address the financial obstacles MSMEs face, Singh et al. (2018) suggest improved credit systems and workforce development. Jaya (2023) talks about how Bihar needs to make doing business easier in order to draw in more investment. In order to promote innovation and entrepreneurship, the study emphasizes cutting down on procedural delays and improving financial support.

Together, these literary sources demonstrate that although MSMEs are essential to Bihar's economy, there are still many obstacles to overcome. Unlocking the sector's full potential requires targeted government policies, better infrastructure, and improved credit systems.

**RESEARCH METHODOLOGY:****Research Design:**

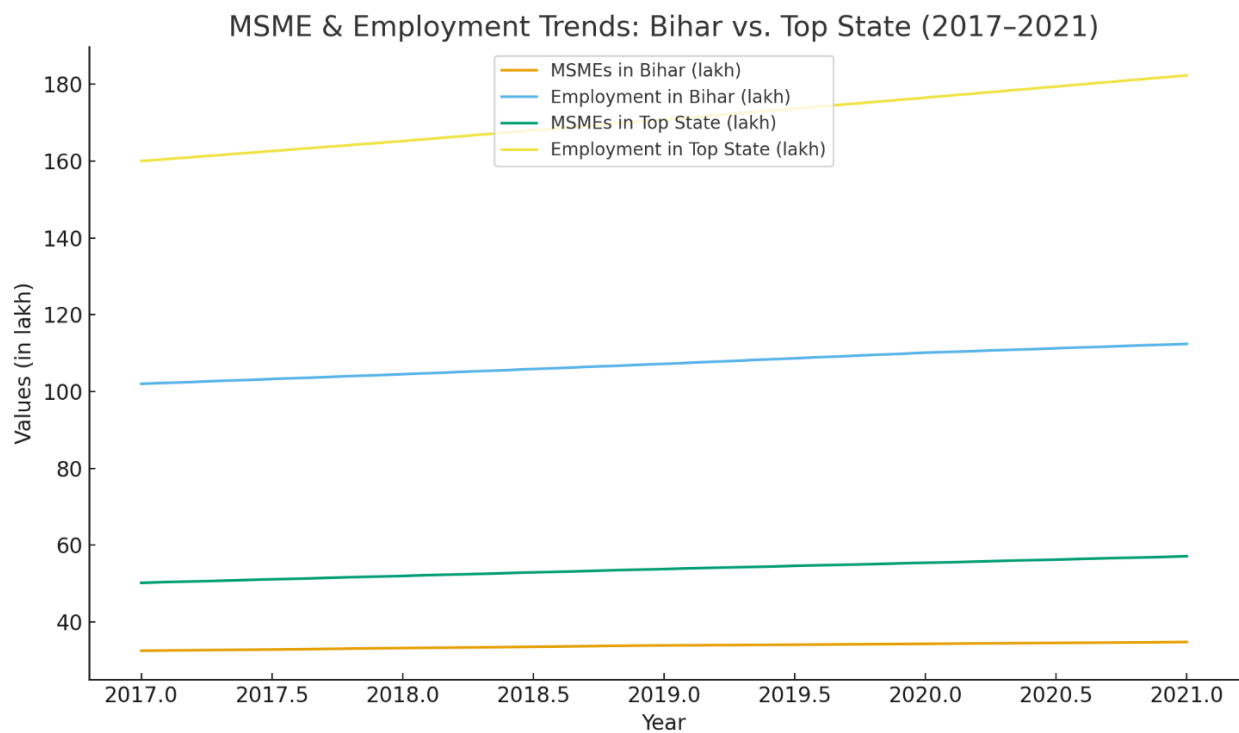
The purpose of this descriptive study is to comprehend the function, difficulties, and potential for expansion of MSMEs in Bihar. It identifies policy gaps and suggests ways to improve them using both descriptive and exploratory components.

**Data Collection Methods:**

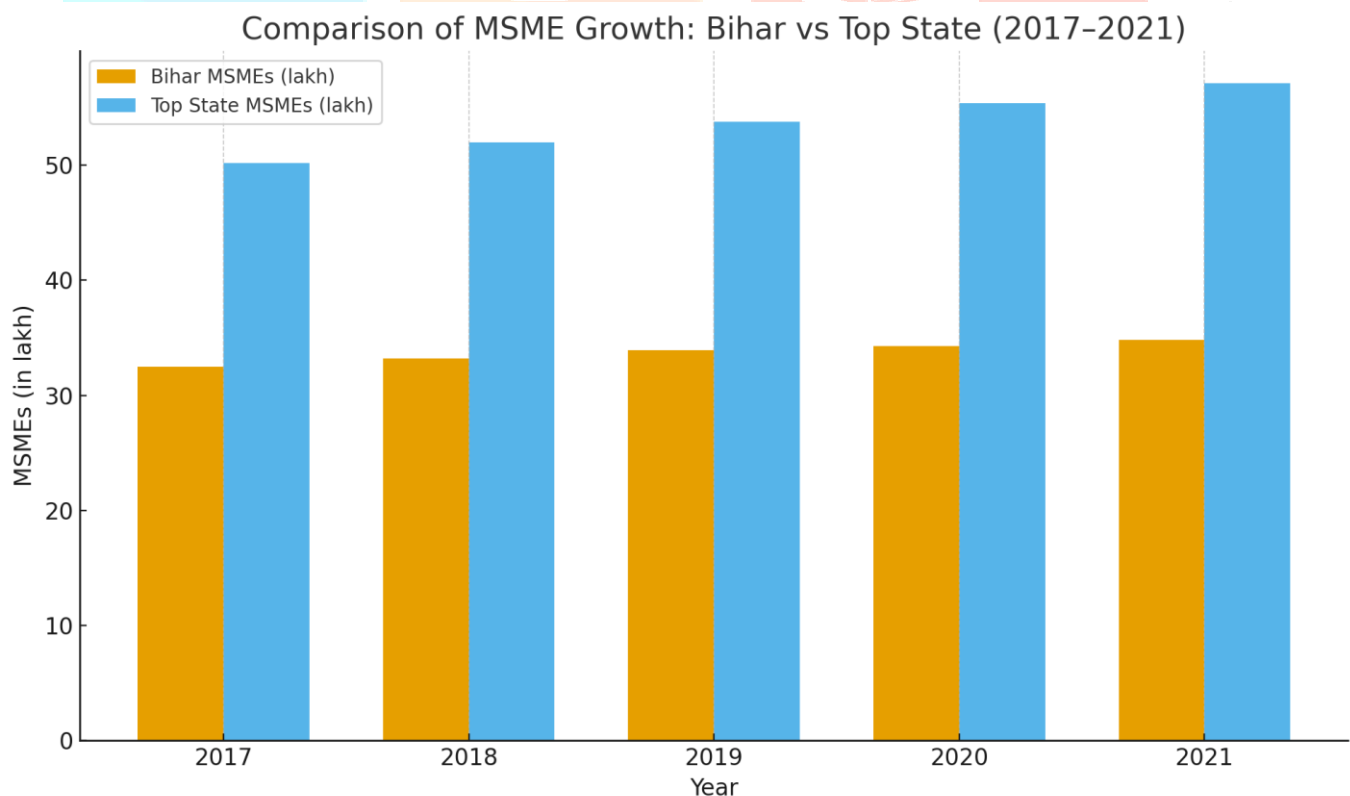
Secondary data came from scholarly research, industry reports, and government publications. The MSME Annual Report 2020-21, reports on the Bihar Industrial Investment Promotion Policy, and numerous scholarly articles are important sources.

**Data Analysis Techniques:**

Both qualitative and quantitative techniques were used to analyze the gathered data. For clarity, statistical data was displayed in tables and charts, and qualitative insights were subjected to thematic analysis. To identify variations in MSME performance over time, comparative analysis was used.

**DATA ANALYSIS:**

Source: MSMEs Annual Report 2020-21

**Table:1****Figure.1**

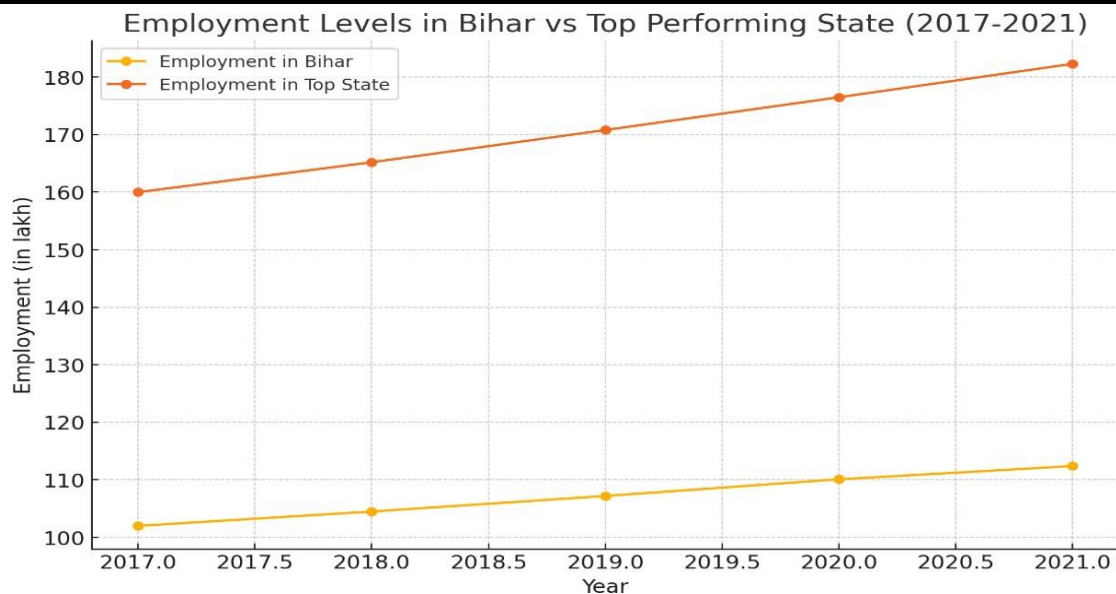


Figure.2

**Data Summary:**

Table 1's analysis contrasts Bihar's employment levels and MSMEs' growth over the previous five years (2017–2021) with those of a top-performing state. MSMEs in Bihar grew steadily, from 32.5 lakh in 2017 to 34.8 lakh in 2021. During that time, Bihar's employment increased from 102 lakh to 112.4 lakh. MSMEs in the best-performing state increased from 50.2 lakh to 57.1 lakh units, demonstrating a more robust growth trend. During the same time period, employment in the top state rose from 160 lakh to 182.3 lakh.

**Observations:**

Although Bihar's growth was steady, the top-performing state's MSME unit growth was more rapid. In terms of MSME count, Figure 1 makes it evident that the gap between Bihar and the top state has been growing over time. The top-performing state exhibits a sharper increase in employment levels, indicating better scalability or productivity in its MSME sector, while Bihar's employment (shown in figure 2) has increased steadily. Compared to Bihar, Figure 2 shows a more noticeable upward trend for the top state.

**Interpretation:**

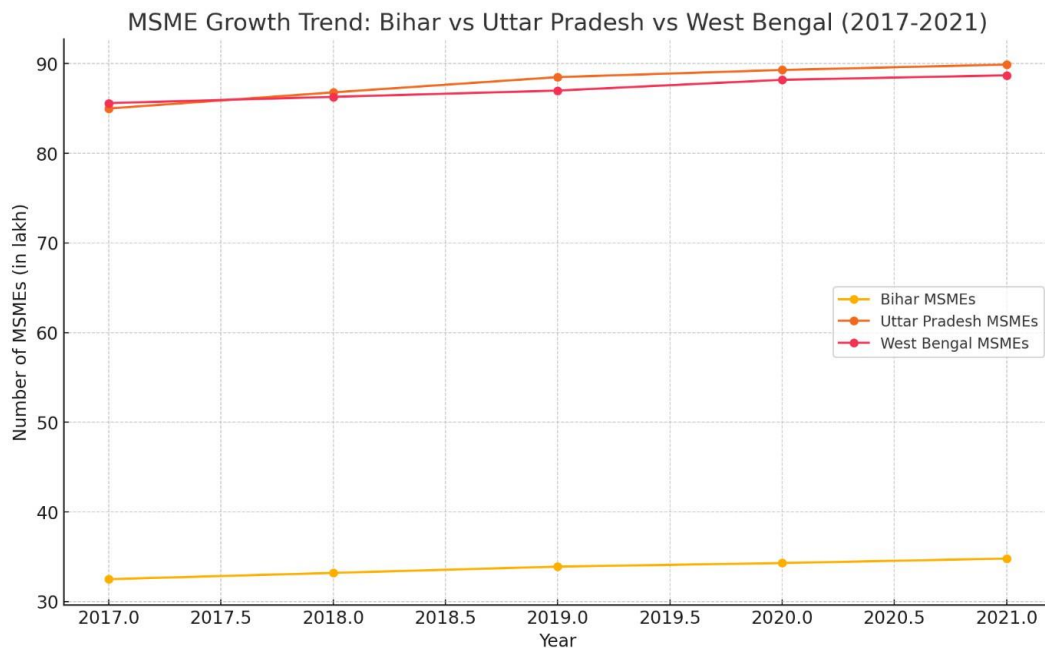
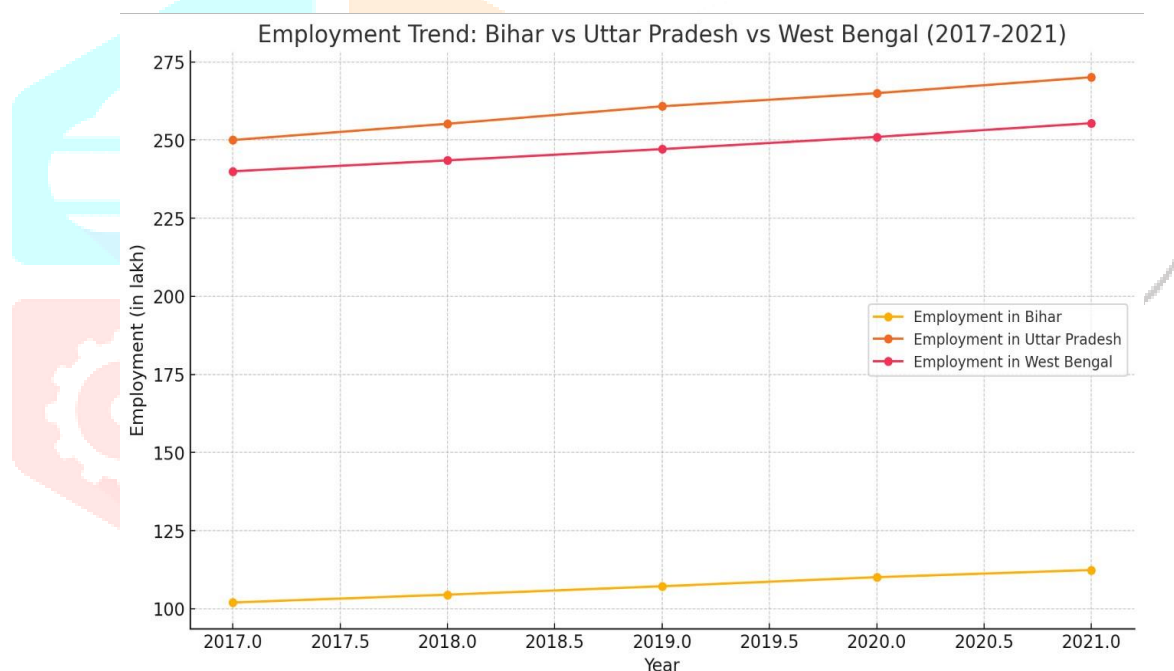
Despite its encouraging growth, Bihar still lags behind the best-performing states in terms of MSME establishment and job creation. The disparity in employment levels raises the possibility that other states are gaining from improved industrial ecosystems, policy support, or infrastructure.

**Comparative Analysis:**

Table:2

Year	Bihar	Uttar Pradesh	West Bengal	MSME Leader (Rank 1)
2017	32.5	85.0	85.6	West Bengal
2018	33.2	86.8	86.3	Uttar Pradesh
2019	33.9	88.5	87.0	Uttar Pradesh
2020	34.3	89.3	88.2	Uttar Pradesh
2021	34.8	89.9	88.7	Uttar Pradesh

Source: MSMEs Annual Report 2020-21

**Figure.3****Figure. 4****MSMEs Growth:**

According to Table 2 and Figure 3, Bihar's MSME sector grew steadily from 32.5 lakh units in 2017 to 34.8 lakh units in 2021. By contrast, Uttar Pradesh maintained its top spot, increasing from 85 lakh units to 89.9 lakh units. West Bengal's MSMEs increased from 85.6 lakh to 88.7 lakh units during the same period, trailing only Uttar Pradesh.

**Employment Levels:** From table 2 and figure 4 we can see that employment generation in Bihar increased from 102 lakh in 2017 to 112.4 lakh in 2021, showing gradual improvement. However, Uttar Pradesh remained far ahead, with employment rising from 250 lakh to 270.1 lakh, consistently outperforming Bihar and West Bengal. West Bengal also exhibited notable growth in employment, with figures rising from 240 lakh to 255.4 lakh during this period. This indicates that despite Bihar's positive trend, it has yet to match the higher levels of employment achieved by these top-performing states.



**Disparities in Credit, Infrastructure, and Technological Support:** Comparing Bihar to Uttar Pradesh and West Bengal, there are notable differences in important areas like infrastructure, technological support, and credit availability. The more advanced financial ecosystems in West Bengal and Uttar Pradesh guarantee better credit availability for MSMEs. For Bihar, infrastructure remains a significant obstacle that slows the growth of new businesses. Additionally, Bihar lacks the technological support that Uttar Pradesh and West Bengal's industrial hubs and technology parks offer, which allows businesses to grow more quickly. These elements show that Bihar's industrial ecosystem needs targeted enhancements.

## RESULTS AND DISCUSSION:

### A. Challenges Faced by MSMEs in Bihar

Despite their vital role in Bihar's economy, Micro, Small, and Medium-Sized Enterprises (MSMEs) continue to face a number of obstacles. These difficulties can be divided into the following categories based on the data analysis from 2017 to 2021:

#### 1. Financial Constraints

Access to reasonably priced credit is one of the biggest obstacles facing MSMEs in Bihar. Due to strict banking requirements and a lack of collateral, many small businesses find it difficult to obtain loans. Data shows that between 2017 and 2021, the number of MSMEs in Bihar increased steadily from 32.5 lakh to 34.8 lakh. Despite this expansion, the disparity in financial resources is highlighted by the employment gap between Bihar and top states like Uttar Pradesh (270.1 lakh employed in 2021). MSMEs' capacity to grow their businesses or make investments in new technology is hampered by inadequate funding.

#### 2. Infrastructural Issues

Significant infrastructure bottlenecks also affect MSMEs in Bihar. These businesses' operational efficiency is limited by poor road connectivity, erratic power supplies, and a lack of industrial hubs. Bihar's growth seems limited by its lack of infrastructure, in contrast to states like Uttar Pradesh, which had 89.9 lakh MSMEs in 2021. These issues make it difficult for companies to expand into new markets by impeding both production and distribution.

#### 3. Marketing and Technological Barriers

The expansion of MSMEs in Bihar is further hampered by low levels of technological adoption and restricted market access. These businesses are less competitive due to their reliance on antiquated equipment and traditional marketing strategies. While many small businesses in Bihar are still limited to local markets, West Bengal, which had 88.7 lakh MSMEs in 2021, benefits from improved market access and technological integration. Further limiting MSMEs' ability to reach both domestic and foreign clientele is the lack of e-commerce adoption.

#### Regulatory and Human Resource Challenges

Other major obstacles include complicated regulations and a shortage of skilled workers. Entrepreneurs are deterred by bureaucratic red tape, which includes protracted licensing and regulatory compliance procedures. Additionally, the workforce that is currently available frequently lacks the technical skills required to meet the demands of the modern industry. For example, even though Bihar's MSMEs increased from 32.5 lakh to 34.8 lakh over a five-year period, the number of jobs created (112.4 lakh in 2021) is still much lower than in states with more effective skill development programs.

### B. Opportunities for MSMEs in Bihar

The MSME sector in Bihar has enormous growth potential despite these obstacles. MSMEs can significantly contribute to the state's economic development with the correct assistance and well-thought-out initiatives.

## 1. Government Support and Policy Initiatives

The government has introduced several schemes aimed at supporting MSMEs, such as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and Pradhan Mantri Mudra Yojana. These programs seek to promote entrepreneurship and offer loans without collateral. The data shows that MSMEs in Bihar have grown steadily, which is indicative of the beneficial effects of these policies. The government could implement targeted subsidies and streamline regulatory procedures to create a more favorable environment for small businesses in order to further capitalize on this momentum.

## 2. Sectoral Growth Potential

MSMEs in Bihar have substantial growth prospects in a number of industries, including food processing, textiles, and handicrafts. The state's traditional skills and rich agricultural base offer a solid basis for sector-specific development. For instance, Bihar can achieve the same level of success as other states by encouraging food processing facilities and textile clusters. The comparative data demonstrating Bihar's steady growth in MSMEs draws attention to these industries' unrealized potential, which can also result in significant job opportunities.

## 3. Adoption of Technology

Embracing digital tools and modern technology is essential for enhancing productivity and competitiveness. Increasing productivity and competitiveness requires embracing digital tools and contemporary technology. Adoption of technology can assist MSMEs in expanding their market reach, cutting production costs, and streamlining operations. Small businesses can greatly benefit from government-led programs that encourage digital literacy and offer funding for technological upgrades. Similar actions in Bihar could increase growth and job creation, as demonstrated in West Bengal, where improved technology integration supports a higher employment rate (255.4 lakh in 2021).

## 4. Public-Private Partnerships:

Working together with private entities can provide the MSME sector in Bihar with more resources and knowledge. Public-private partnerships (PPPs) can facilitate the development of industrial parks, incubation centers, and export promotion zones. These partnerships can also give small companies access to cutting-edge technology, international markets, and mentorship. Bihar can establish a conducive environment that stimulates innovation and quickens the expansion of MSMEs by utilizing PPPs.

## CONCLUSION:

The growth and employment trends of MSMEs in Bihar, Uttar Pradesh, and West Bengal from 2017 to 2021 are analyzed, highlighting both the successes and difficulties of the MSME sector in Bihar. Bihar showed consistent growth over the course of the five years, with employment rising from 102 lakh to 112.4 lakh and MSMEs growing from 32.5 lakh in 2017 to 34.8 lakh in 2021. Despite these advancements, Bihar still lags behind West Bengal and Uttar Pradesh in terms of absolute numbers, with both states exhibiting higher employment and MSME counts.

Limited financial access, poor infrastructure, low levels of technology adoption, and marketing restrictions are some of the major issues MSMEs in Bihar face. However, there are also a lot of opportunities to promote sector-specific clusters like food processing, textiles, and handicrafts, as well as to leverage government support and public-private partnerships. Bihar can close the gap and see faster growth in the upcoming years with the right policy intervention and an emphasis on skill development.

The government should concentrate on streamlining regulations, providing financial incentives, and enhancing infrastructure, especially in industrial hubs, in order to enhance the MSME ecosystem in Bihar. Small businesses can compete in bigger markets by promoting digital literacy and technology adoption. Encouraging public-private partnerships can help MSMEs by bringing in more resources and knowledge.

**REFERENCES:**

1. Prakash, B., Kumar, I., & Verma, J. K. (2021). Barriers and potential solutions for MSMEs in developing economies: Evidence from India. *Problems and Perspectives in Management*, 19(4), 325-337. [http://dx.doi.org/10.21511/ppm.19\(4\).2021.26](http://dx.doi.org/10.21511/ppm.19(4).2021.26)
2. Prakash, B., & Verma, J. K. (2019). Barriers Faced by Entrepreneurs of Micro, Small and Medium Enterprises in Bihar. Thirteenth Biennial Conference on Entrepreneurship. Central University of Punjab, Bathinda.
3. Singh, V. K., & Kumar, S. (2018). A Study on Issues and Challenges in MSME Financing in the State of Bihar. *Indian Institute of Banking & Finance*.
4. Jaya, & Das, V. K. (2023). Ease of Doing Business from MSME Perspective: A Comparative Analysis of Bihar. *International Journal of Research and Analytical Reviews (IJRAR)*, 10(2), 918-924.
5. Kumar, R. (2018). Role of MSME in Bihar: Opportunities, Issues & Challenges. *Journal of Emerging Technologies and Innovative Research (JETIR)*, 5(12), 622-627.
6. Yadav, M. K. (2020). Performances and Challenges of MSMEs in India. *Journal of Emerging Technologies and Innovative Research (JETIR)*, 7(10), 3038-3041.
7. Kumari, A. (2023). The Study of Growth Challenges Impacting Micro, Small, and Medium Enterprises: Special References in Bihar. *International Journal of Science and Research (IJSR)*, 12(8), 47-51.
8. Ministry of Micro, Small & Medium Enterprises. (2023). Annual report of the Ministry of Micro, Small and Medium Enterprises. Retrieved from <https://msme.gov.in/relatedlinks/annual-report-ministry-micro-small-and-medium-enterprises>

