



A Comparative Study Of Msmes Performance: Bihar And Its Regional Counterparts

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Abstract: The paper investigates the performance of Micro, Small, and Medium Enterprises (MSMEs) in Bihar from 2017 to 2021, focusing on their critical role in the state's economic development. It identifies challenges such as limited financial access, poor infrastructure, outdated technology, and inadequate market linkages, which hinder the sector's growth and competitiveness. Despite steady growth in the number of MSMEs, Bihar lags behind states like Uttar Pradesh and West Bengal in expansion and employment generation. The study highlights opportunities for growth through government support, public-private partnerships, and sector-specific initiatives, particularly in food processing, textiles, and handicrafts. Emphasizing the importance of improving credit access, infrastructure, and technology adoption, the paper suggests targeted policy measures and skill development programs to enhance the sector's potential. It concludes with recommendations for evidence-based policies and collaborative efforts to address these challenges and promote sustainable MSME growth for balanced regional development in Bihar.

Index Terms: MSMEs, Bihar, Employment, Infrastructure, Technology, Development.

INTRODUCTION:

Background of MSMEs: Micro, Small, and Medium Enterprises (MSMEs) are globally recognized as critical for economic development and job creation. They promote industrialization, foster innovation, and reduce regional disparities. In India, MSMEs contribute about 30% to GDP and employ over 117 million people. Key policy measures, such as the MSME Development Act (2006), have supported the sector by creating a conducive environment for small businesses. Additionally, MSMEs help in reducing socio-economic imbalances by encouraging regional development.

Contextual Background in Bihar: In Bihar, MSMEs play a vital role in employment and industrial output. With agriculture dominating the economy, MSMEs act as a secondary source of livelihood in rural areas. Comprising about 95% of industrial units, they produce a wide range of goods. Despite their significance, the sector faces issues like poor infrastructure, limited technology access, and inadequate financial support. To address these, the government introduced the Bihar Industrial Investment Promotion Policy (2016), aimed at enhancing competitiveness and attracting investment.

Problem Statement: Although MSMEs in Bihar contribute significantly to the state's economy, several persistent issues impede their growth, such as insufficient credit, outdated technology, and inadequate market linkages. Addressing these barriers is crucial for unlocking their full potential and ensuring sustainable development.

RESEARCH OBJECTIVES:

1. To evaluate MSMEs' contribution to Bihar's economy.
2. To identify key challenges in finance, infrastructure, and market access.
3. To propose actionable solutions for improving the sector's performance.

LITERATURE REVIEW:

Prakash et al. (2021) confirm that MSMEs in Bihar face critical challenges such as inadequate infrastructure, limited funding, and insufficient government support. According to the authors, improving governance, enhancing credit access, and providing technical skill training can foster growth, especially in underdeveloped regions. Prakash and Verma (2019) elaborate on various barriers, highlighting financial, marketing, and infrastructural issues. Their empirical research points to limited access to credit and high marketing costs as significant hindrances. They recommend policy reforms and improved support infrastructure for MSME growth.

Kumar (2018) underscores the strategic importance of MSMEs in Bihar's socio-economic development, emphasizing the need for better financial and infrastructural 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 highlights obstacles like outdated technology and credit scarcity, suggesting focused policy measures to enhance competitiveness. Kumari (2023) emphasizes the significant contribution of MSMEs to Bihar's economy, identifying key challenges like limited financial access, outdated technology, and infrastructural deficiencies. She advocates for government intervention to support growth and competitiveness. Singh et al. (2018) focus on the financial barriers faced by MSMEs, proposing better credit systems and workforce development to address these issues. Jaya (2023) discusses the importance of improving the ease of doing business in Bihar to attract more investments. The study stresses reducing procedural delays and enhancing financial support as means to encourage innovation and entrepreneurship.

These literature sources collectively highlight that while MSMEs play a pivotal role in Bihar's economy, significant challenges remain. Improved credit systems, better infrastructure, and focused government policies are essential for unlocking the sector's full potential.

RESEARCH METHODOLOGY:

Research Design: This descriptive study seeks to understand the role, challenges, and growth potential of MSMEs in Bihar. It incorporates both descriptive and exploratory elements, identifying gaps in current policies and proposing strategies for improvement.

Data Collection Methods: Secondary data from government publications, industry reports, and academic studies were used. Key sources include the MSME Annual Report 2020-21, Bihar Industrial Investment Promotion Policy reports, and various academic papers.

Data Analysis Techniques: The collected data was analyzed using both qualitative and quantitative methods. Statistical data was presented in tables and charts for clarity, while thematic analysis was applied to qualitative insights. Comparative analysis was employed to highlight differences in MSME performance across periods.

DATA ANALYSIS:

Table:1

Year	MSMEs in Bihar (in lakh)	Employment in Bihar (in lakh)	MSMEs in Top State (in lakh)	Employment in Top State (in lakh)
2017	32.5	102.0	50.2	160.0
2018	33.2	104.5	52.0	165.2
2019	33.9	107.2	53.8	170.8
2020	34.3	110.1	55.4	176.5
2021	34.8	112.4	57.1	182.3

Source: MSMEs Annual Report 2020-21

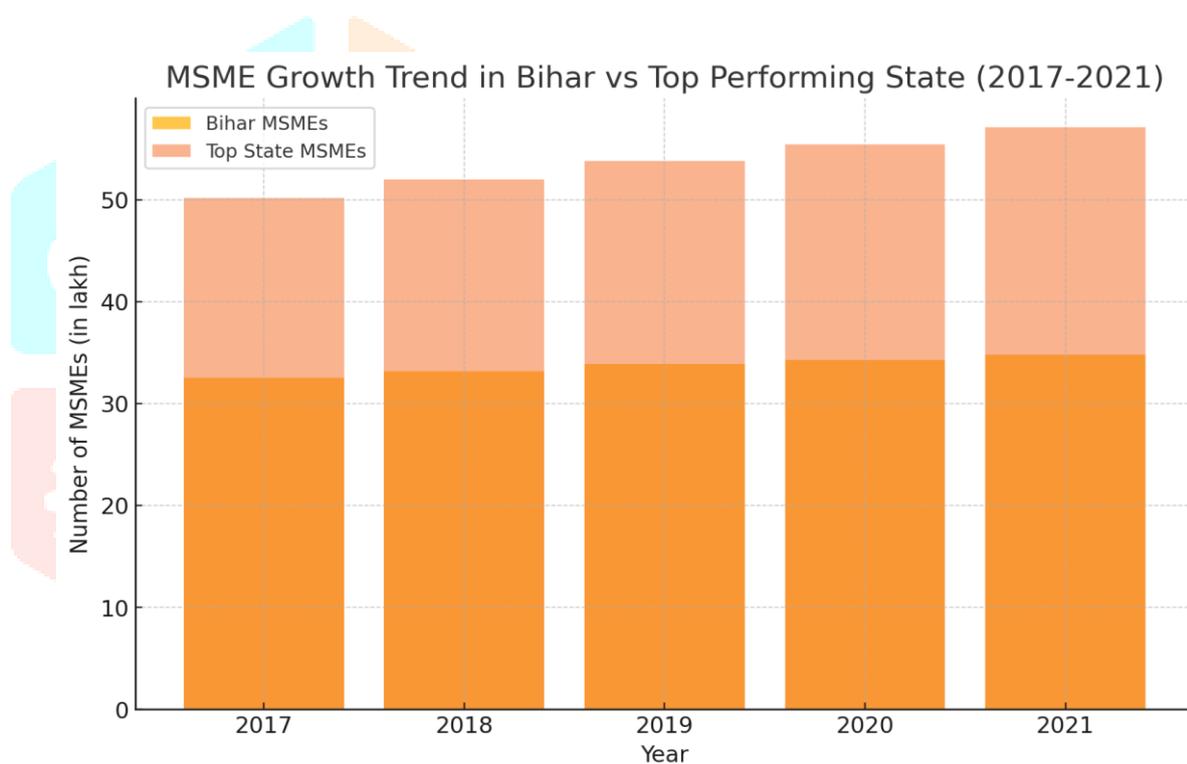


Figure.1

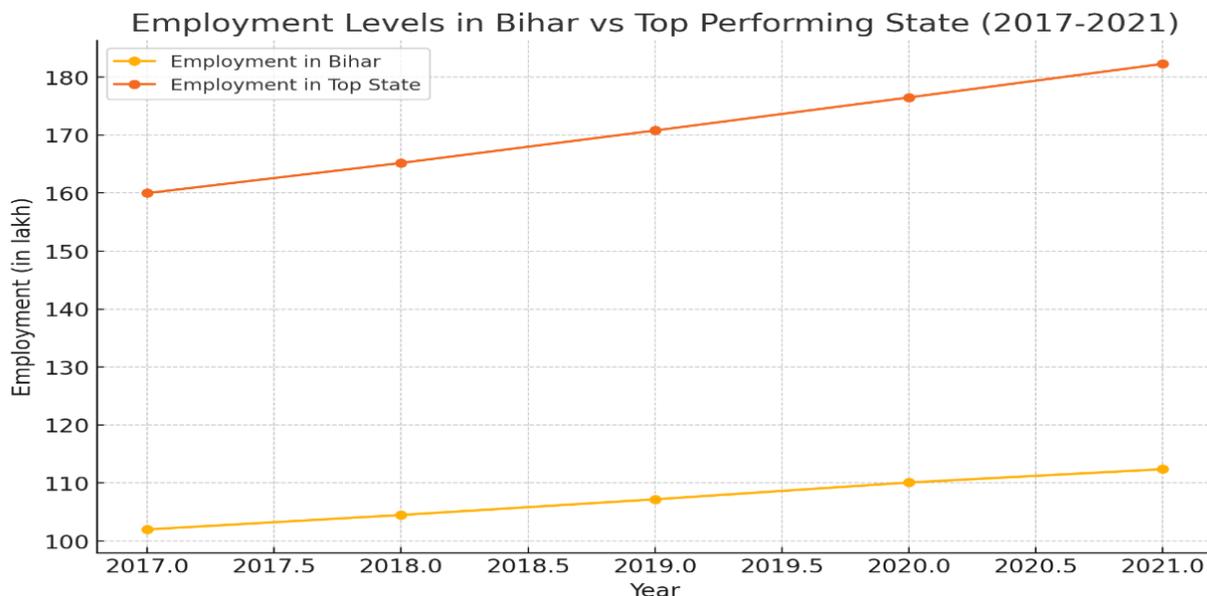


Figure.2

Data Summary: The analysis of the table 1 compares the growth of MSMEs and employment levels in Bihar with a top-performing state over the past five years (2017-2021). Bihar MSMEs increased from 32.5 lakh units in 2017 to 34.8 lakh units in 2021, showing steady growth. Employment in Bihar grew from 102 lakh to 112.4 lakh during the same period. Meanwhile, the top-performing state's MSMEs rose from 50.2 lakh to 57.1 lakh units, indicating a stronger growth trend. Employment in the top state increased from 160 lakh to 182.3 lakh during the same period.

Observations: Bihar exhibited consistent growth, but the top-performing state showed a faster pace of increase in MSME units. Figure.1 clearly shows a widening gap over time between Bihar and the top state in terms of MSME count. While employment (shown in figure 2) has increased steadily in Bihar, the top-performing state shows a sharper rise in employment levels, indicating better scalability or productivity in its MSME sector. Figure.2 illustrates a more pronounced upward trend for the top state compared to Bihar.

Interpretation: Although Bihar has shown positive growth, it lags behind top-performing states in both MSME establishment and job creation. The gap in employment levels suggests that other states might be benefiting from better infrastructure, policy support, or industrial ecosystems.

Comparative Analysis:

Table:2

Year	Bihar MSMEs (in lakh)	Uttar Pradesh MSMEs (in lakh)	West Bengal MSMEs (in lakh)	Employment in Bihar (lakh)	Employment in Uttar Pradesh (lakh)	Employment in West Bengal (lakh)
2017	32.5	85.0	85.6	102.0	250.0	240.0
2018	33.2	86.8	86.3	104.5	255.2	243.5
2019	33.9	88.5	87.0	107.2	260.8	247.1
2020	34.3	89.3	88.2	110.1	265.0	251.0
2021	34.8	89.9	88.7	112.4	270.1	255.4

Source: MSMEs Annual Report 2020-21

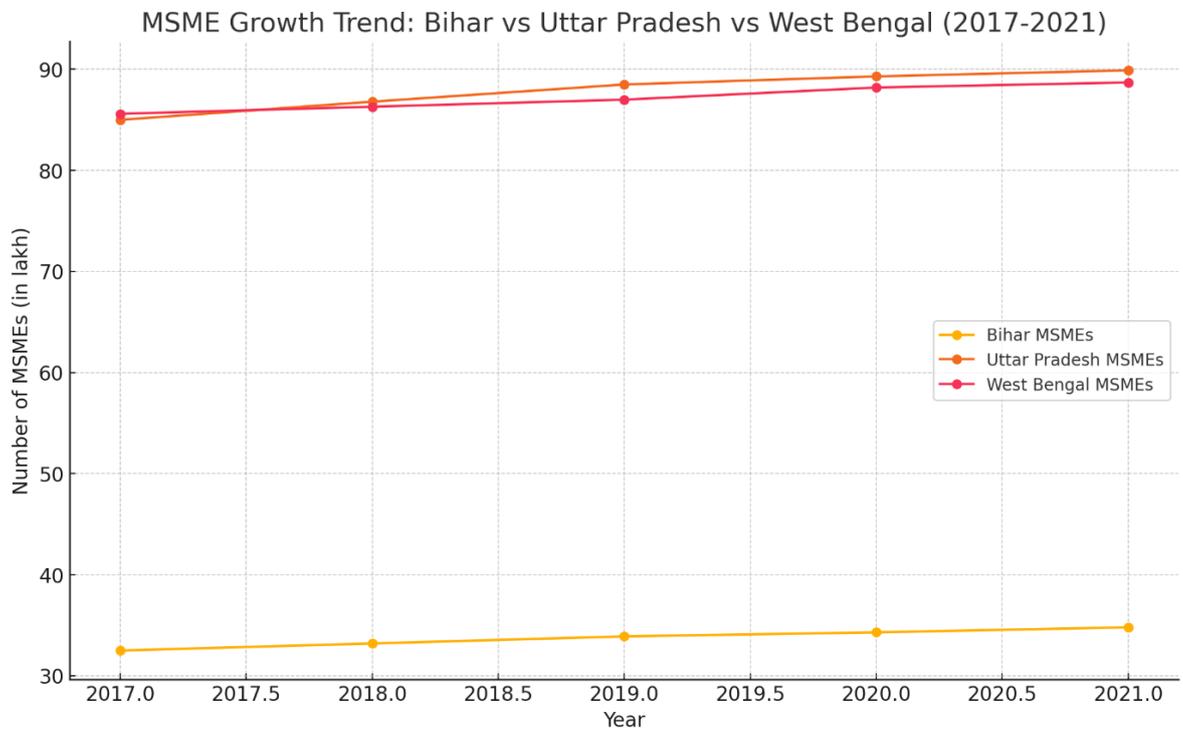


Figure.3

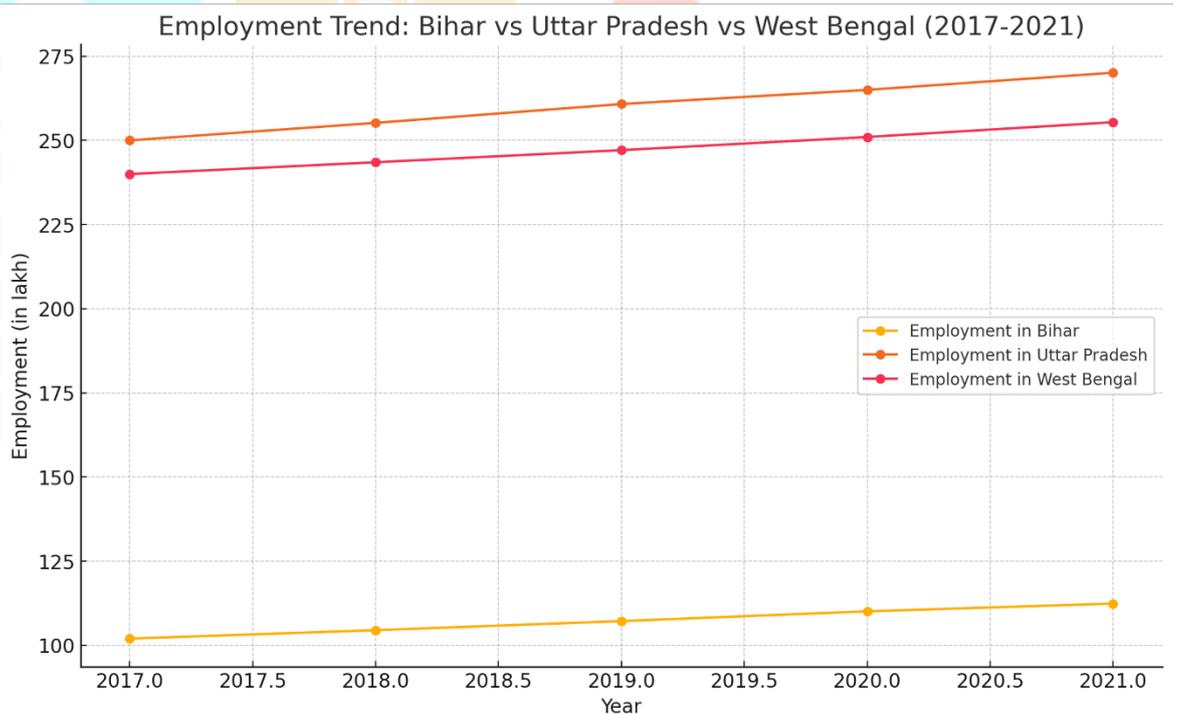


Figure. 4

MSMEs Growth: Now from table 2 and figure 3 Bihar’s MSME sector experienced steady growth, increasing from 32.5 lakh units in 2017 to 34.8 lakh units in 2021 (shown by table 2 and fig 3). In comparison, Uttar Pradesh showed notable progress, growing from 85 lakh units to 89.9 lakh units, thus retaining its position as the leading state. West Bengal followed closely behind Uttar Pradesh, with its MSMEs increasing from 85.6 lakh to 88.7 lakh units over the same period.

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.

So, the line graph in both the fig 3 & 4 showing no of MSMEs and employment in Bihar is far below to that of Uttar Pradesh and West Bengal. This comparison highlights that while Bihar's MSME sector grew consistently, it lagged behind states like Uttar Pradesh and West Bengal in terms of overall expansion.

Disparities in Credit, Infrastructure, and Technological Support: Bihar faces significant disparities in critical areas such as credit access, infrastructure, and technological support compared to Uttar Pradesh and West Bengal. Both Uttar Pradesh and West Bengal have more developed financial ecosystems, ensuring better credit availability for MSMEs. Infrastructure continues to be a major challenge for Bihar, affecting the pace of new enterprise growth. Furthermore, industrial hubs and technology parks in Uttar Pradesh and West Bengal provide better technological assistance, enabling faster scaling of enterprises, which is lacking in Bihar. These factors highlight the need for focused improvements in Bihar's industrial ecosystem.

RESULTS AND DISCUSSION:

A. Challenges Faced by MSMEs in Bihar

Micro, Small, and Medium Enterprises (MSMEs) play a critical role in Bihar's economy, yet they face several persistent challenges. Based on the analysis of the data from 2017 to 2021, these challenges can be categorized as follows:

1. Financial Constraints

One of the major hurdles for MSMEs in Bihar is limited access to affordable credit. Many small enterprises struggle to secure loans due to stringent banking procedures and lack of collateral. Data clearly depicts, the number of MSMEs in Bihar grew steadily from 32.5 lakh to 34.8 lakh from 2017 to 2021. Despite this growth, the employment gap between Bihar and leading states like Uttar Pradesh (270.1 lakh employed in 2021) highlights the disparity in financial resources. Inadequate financing stifles the ability of MSMEs to expand operations or invest in new technology.

2. Infrastructural Issues

Bihar's MSMEs also face significant infrastructural bottlenecks. Poor road connectivity, inconsistent power supply, and lack of industrial hubs limit the operational efficiency of these enterprises. In contrast to states like Uttar Pradesh, which had 89.9 lakh MSMEs in 2021, Bihar's growth appears constrained by its infrastructural deficiencies. These challenges hinder both production and distribution, making it difficult for businesses to reach wider markets.

3. Marketing and Technological Barriers

Limited access to markets and low levels of technological adoption further constrains the growth of MSMEs in Bihar. Traditional marketing practices and reliance on outdated machinery reduce the competitiveness of these enterprises. While West Bengal, with 88.7 lakh MSMEs in 2021, benefits from better market access and technological integration, many small businesses in Bihar remain confined to local markets. Additionally, the lack of e-commerce adoption further restricts MSMEs from tapping into national and international customer bases.

4. Regulatory and Human Resource Challenges

Regulatory complexities and a lack of skilled labour are other significant challenges. Bureaucratic red tape, such as lengthy processes for obtaining licenses and compliance with multiple regulations, discourages entrepreneurs. Furthermore, the available workforce often lacks the technical skills needed to meet modern industry demands. For instance, while Bihar managed to increase its MSMEs from 32.5 lakh to 34.8 lakh over five years, the employment generated (112.4 lakh in 2021) remains significantly lower than that in states with better skill development initiatives.

B. Opportunities for MSMEs in Bihar

Despite these challenges, the MSME sector in Bihar holds tremendous potential for growth. With the right support and strategic initiatives, MSMEs can play a pivotal role in driving the state's economic development.

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 initiatives aim to provide collateral-free loans and encourage entrepreneurship. The steady growth of MSMEs in Bihar, as seen in the data, reflects the positive impact of these policies. To further capitalize on this momentum, the government could introduce targeted subsidies and simplify regulatory processes to create a more conducive environment for small businesses.

2. Sectoral Growth Potential

Certain sectors, such as food processing, textiles, and handicrafts, offer significant growth opportunities for MSMEs in Bihar. The state's rich agricultural base and traditional skills provide a strong foundation for sector-specific development. For example, promoting food processing units and textile clusters can help Bihar replicate the success seen in other states. The comparative data showing Bihar's consistent growth in MSMEs highlights the untapped potential in these sectors, which can also create substantial employment opportunities.

3. Adoption of Technology

Embracing digital tools and modern technology is essential for enhancing productivity and competitiveness. Technology adoption can help MSMEs streamline operations, reduce production costs, and access wider markets. Government-led initiatives to promote digital literacy and provide financial assistance for technology upgrades can significantly benefit small enterprises. As seen in the case of West Bengal, where better technological integration supports a higher employment rate (255.4 lakh in 2021), similar measures in Bihar could boost growth and job creation.

4. Public-Private Partnerships:

Collaborating with private players can bring additional resources and expertise to the MSME sector in Bihar. Public-private partnerships (PPPs) can facilitate the development of industrial parks, incubation centers, and export promotion zones. These collaborations can also provide small businesses with access to advanced technology, mentorship, and global markets. By leveraging PPPs, Bihar can create a supportive ecosystem that fosters innovation and accelerates the growth of MSMEs.

CONCLUSION:

The analysis of MSME growth and employment trends in Bihar, Uttar Pradesh, and West Bengal from 2017 to 2021 highlights both the achievements and challenges faced by Bihar's MSME sector. Over the five-year period, Bihar demonstrated steady growth, with the number of MSMEs increasing from 32.5 lakh in 2017 to 34.8 lakh in 2021, and employment rising from 102 lakh to 112.4 lakh during the same period. However, despite this progress, Bihar continues to lag behind Uttar Pradesh and West Bengal in terms of absolute numbers, with both states showing higher MSME counts and employment figures.

Key challenges faced by MSMEs in Bihar include limited financial access, inadequate infrastructure, low levels of technology adoption, and marketing constraints. On the other hand, significant opportunities exist in leveraging government support, fostering public-private partnerships, and promoting sector-specific clusters such as food processing, textiles, and handicrafts. With proper policy intervention and a focus on skill development, Bihar can bridge the gap and achieve higher growth in the coming years.

To improve the MSME ecosystem in Bihar, the government should focus on simplifying regulations, offering financial incentives, and improving infrastructure, particularly in industrial hubs. Encouraging technology adoption and digital literacy among small enterprises can also help them compete in larger markets. Promoting public-private partnerships can bring in additional resources and expertise to support MSMEs.

Future research could focus on assessing the effectiveness of current policies and exploring the potential of emerging sectors. Detailed studies on region-specific challenges and opportunities can provide more targeted

solutions to boost MSME growth. Such research will be crucial for designing evidence-based policies and ensuring sustainable development of the MSME sector in Bihar.

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