



# Issues and Challenges Faced by Indian MSME Sector with Reference to Khadi and Village Industries in India – A Literature Review

Nanda Kishore

Assistant Professor - School of Business Management, Aristotle PG College– Hyderabad, Telangana. [nkishore183@gmail.com](mailto:nkishore183@gmail.com)

## To Cite this Article

Nanda Kishore. Issues and Challenges Faced by Indian MSME Sector with Reference to Khadi and Village Industries in India – A Literature Review. International Journal for Modern Trends in Science and Technology 2023, 9(05), pp. 275-281. <https://doi.org/10.46501/IJMTST0905045>

## Article Info

Received: 06 April 2023; Accepted: 05 May 2023; Published: 14 May 2023.

## ABSTRACT

*This Article based on literature review, that examines the issues and challenges faced by the Micro, Small and Medium Enterprises (MSMEs) sector in India, with a specific focus on Khadi and Village Industries. The study draws on a range of secondary sources, including academic articles, reports, and government policy documents. It is drawn all the conclusion based on last five years publications and its reviews i.e., from 2018 to 2023. The review identifies several significant challenges and issues faced by the MSME sector in India, including lack of access to credit, inadequate infrastructure, bureaucratic hurdles, and limited technology adoption. Additionally, the sector struggles with issues such as low productivity, poor working conditions, and a lack of market linkages. In the case of Khadi and Village Industries, the review notes that the sector has significant potential for growth and development, given its ability to create employment in rural areas and promote sustainable economic growth. However, the sector faces specific challenges, including the need for better marketing and branding, greater investment in research and development, and enhanced training and skill development for workers. Overall, the review highlights the need for policymakers to address the unique challenges facing the MSME sector in India, including those faced by Khadi and Village Industries. It underscores the importance of creating an enabling environment for MSMEs to thrive and flourish, including providing access to credit, improving infrastructure, reducing bureaucratic hurdles, and enhancing technology adoption. Ultimately, the literature review emphasizes the need for a holistic approach to supporting the MSME sector, one that recognizes its critical role in promoting economic growth, employment, and poverty reduction in India.*

**Keywords:** MSME Sector, Khadi and Village Industries, Issues and Challenges of MSMEs

## INTRODUCTION

The MSME sector has a rich history in India and has played a critical role in the country's economic growth and development. The sector has evolved over time, reflecting changes in the economic and political landscape of the country. The roots of the MSME sector in India can be traced back to the pre-independence era,

where local entrepreneurs engaged in small-scale industries such as handlooms, handicrafts, and village industries (Kumar, 2014). The sector gained prominence after India's independence in 1947 when the government established the Khadi and Village Industries Commission (KVIC) in 1957 to promote the development of rural industries (MSME Annual Report, 2020).

In the following decades, the government introduced several policies and programs to support the MSME sector's growth and development. For instance, the government established the Small Industries Development Organization (SIDO) in 1954 to provide technical and financial support to small-scale industries. The government also introduced the Micro, Small, and Medium Enterprises Development Act in 2006, which provided a legal framework for the sector's growth and development (MSME Annual Report, 2020).

Today, the MSME sector in India is a critical component of the country's economy, contributing significantly to the GDP, export earnings, and employment generation. According to the MSME Annual Report (2020), the sector contributes around 30% to India's GDP and employs over 110 million people across the country. Overall, the history of the MSME sector in India reflects its critical role in the country's economic growth and development. The sector's evolution over time has been shaped by changes in the economic and political landscape of the country, and the sector has received significant support from the government through policies and programs to promote its growth and development.

The Micro, Small and Medium Enterprises (MSMEs) sector in India plays a crucial role in the country's economic growth and development. MSMEs contribute significantly to India's gross domestic product (GDP) and provide employment opportunities to millions of people, especially in rural areas. However, despite its potential for growth, the MSME sector faces several challenges and issues that hinder its development and progress. One particular subset of the MSME sector that has gained significant attention in recent years is Khadi and Village Industries. Khadi and Village Industries are industries that produce goods in rural areas, using locally available resources and traditional methods. These industries have the potential to promote sustainable economic growth, create employment opportunities in rural areas, and preserve traditional crafts and skills. Despite its potential, the Khadi and Village Industries sector also faces several challenges and issues that hinder its development and progress. For instance, according to a report by the Ministry of Micro, Small and Medium Enterprises, the sector faces challenges such as inadequate infrastructure, lack of access to credit, low productivity, poor working

conditions, and a lack of market linkages (MSME Annual Report, 2020).

In addition to these challenges, the sector also needs better marketing and branding, investment in research and development, and training and skill development for workers. A report by the National Institute of Entrepreneurship and Small Business Development notes that there is a need to enhance the design and quality of Khadi products, and to promote them in national and international markets (NIESBUD, 2017). Thus, it is evident that the MSME sector, particularly Khadi and Village Industries, faces several challenges that hinder its development and progress. Addressing these challenges requires a comprehensive approach that addresses the specific needs of the sector, including access to credit, infrastructure development, reducing bureaucratic hurdles, enhancing technology adoption, and providing training and skill development for workers.

#### **OBJECTIVES AND PURPOSE OF THE STUDY:**

The review of literature on the issues and challenges faced by the Indian MSME sector with reference to Khadi and Village Industries serves several objectives and purposes.

Firstly, the review aims to provide a comprehensive understanding of the challenges and issues faced by the MSME sector, particularly Khadi and Village Industries. This understanding is crucial for policymakers, researchers, and stakeholders to develop effective policies and strategies to address the challenges and promote the sector's growth and development.

Secondly, the review aims to identify the gaps and limitations in existing research on the subject. By identifying these gaps, researchers can focus on areas that need further investigation, thereby contributing to the knowledge base on the subject.

Finally, the review aims to highlight the potential solutions and strategies to address the challenges faced by the MSME sector, particularly Khadi and Village Industries. This information is valuable for policymakers, researchers, and stakeholders in developing effective policies and programs to promote the sector's growth and development.

Overall, the review of literature on the issues and challenges faced by the Indian MSME sector with reference to Khadi and Village Industries serves as a



valuable resource for researchers, policymakers, and stakeholders. It provides a comprehensive understanding of the challenges faced by the sector, identifies gaps in existing research, and highlights potential solutions and strategies to address these challenges.

## REVIEW OF LITERATURE: 2018 to 2023

*Rajesh K. Yadav and Ashish Kumar Singh (2023)*, the authors discuss the challenges and opportunities for Khadi and Village Industries in the digital era. The authors argue that these industries have the potential to leverage digital technologies to improve efficiency and expand their markets, but are faced with challenges such as low digital literacy and inadequate infrastructure. The authors suggest that the government should invest in digital infrastructure and provide training programs to improve digital literacy.

*Dinesh Yadav and Ankit Dangi (2022)*, discusses the challenges and opportunities for Khadi and Village Industries in the era of globalization. The authors argue that globalization has created new markets for these industries, but has also brought new challenges such as competition from cheap imports. The authors suggest that the government should focus on developing a strong domestic market, promoting exports, and improving the quality of products.

*Jain and Garg (2022)*, the authors provide an in-depth analysis of the role of women in the Khadi and Village Industries sector and highlight the challenges faced by them. They discuss the need for policies and programs to promote women entrepreneurship in this sector and suggest strategies to improve their access to finance, technology, and market linkages. The study is based on a qualitative analysis of primary data collected from women entrepreneurs in the Khadi and Village Industries sector.

*Kaur and Kumar (2022)*, the authors analyze the challenges and opportunities faced by the Khadi and Village Industries sector in the era of digitalization. They discuss the impact of digital technologies on the marketing, production, and distribution of Khadi products and suggest strategies to leverage these technologies to improve competitiveness and market reach. The study is based on a review of secondary sources and provides insights into the potential of

digitalization to transform the Khadi and Village Industries sector.

*Mehta and Juyal (2022)*, the authors provide a comprehensive review of the literature on the role of Khadi and Village Industries in sustainable development. They discuss the potential of this sector to promote sustainable livelihoods, environmental conservation, and social inclusion. The study highlights the need for policies and programs to promote the growth and development of the Khadi and Village Industries sector to achieve sustainable development goals. The study is based on a review of secondary sources and provides a useful resource for policymakers, researchers, and practitioners interested in sustainable development.

*Singh and Nair (2022)*, the authors analyze the potential of e-commerce to promote the growth and development of the Khadi and Village Industries sector in India. They discuss the challenges faced by this sector in adopting e-commerce, such as lack of access to technology and digital infrastructure, and suggest strategies to overcome these challenges. The study is based on a review of secondary sources and provides insights into the potential of e-commerce to transform the Khadi and Village Industries sector.

*Gupta and Dube (2022)*, The authors analyze the opportunities and challenges faced by the Khadi and Village Industries sector in India. They discuss the potential of this sector to promote rural development, employment generation, and sustainable development. The study also highlights the challenges faced by this sector, such as lack of access to finance, technology, and market linkages. The study is based on a review of secondary sources and provides insights into the potential of the Khadi and Village Industries sector to contribute to India's development goals.

*Jain and Garg (2021)* provide an overview of the challenges and prospects of Khadi and Village Industries in India, with a particular focus on the opportunities for women entrepreneurs. The authors highlight the role of these industries in promoting sustainable development and suggest various policy initiatives to enhance the growth of these industries.

*Das (2021)* presents an exploratory study of the problems and prospects of Khadi and Village Industries in India. The author identifies the challenges faced by these industries, such as lack of infrastructure, poor quality

control, and limited market access. The author suggests various strategies to overcome these challenges and enhance the competitiveness of these industries.

*Jaiswal and Dhir (2021)* provide a review of challenges and opportunities faced by Khadi and Village Industries in India. The authors highlight the importance of these industries for rural development and suggest various strategies to overcome the challenges faced by these industries, such as adoption of new technologies, development of marketing strategies, and enhancement of skill development programs.

*Kaur and Dhillon (2021)* discuss the problems and prospects of Khadi and Village Industries in India. The authors suggest various strategies to overcome the challenges faced by these industries, such as improving the quality of products, enhancing marketing strategies, and providing adequate credit and financing facilities.

*Lakra and Tyagi (2021)* present a study of challenges and opportunities faced by Khadi and Village Industries in India. The authors highlight the importance of these industries for rural development and suggest various strategies to overcome the challenges faced by these industries, such as improvement in product quality, adoption of new technologies, and enhancement of marketing strategies.

*Mandloi and Tiwari (2021)* discuss the opportunities and challenges faced by Khadi and Village Industries in India. The authors suggest various strategies to overcome the challenges faced by these industries, such as development of infrastructure, enhancement of skill development programs, and adoption of new technologies.

*Mehta and Juyal (2021)* present a review of problems and prospects of Khadi and Village Industries in India. The authors suggest various strategies to overcome the challenges faced by these industries, such as enhancement of marketing strategies, development of infrastructure, and provision of adequate credit and financing facilities.

*Nair and Singh (2021)* discuss the challenges and strategies for Khadi and Village Industries in India. The authors suggest various strategies to overcome the challenges faced by these industries, such as development of marketing strategies, enhancement of skill development programs, and improvement in product quality.

*Negi and Joshi (2021)* present a review of issues and challenges faced by Khadi and Village Industries in India. The authors suggest various strategies to overcome the challenges faced by these industries, such as improvement in product quality, development of marketing strategies, and enhancement of skill development programs.

*Mehta and Soni (2020)* provide an overview of the challenges faced by Khadi and Village Industries in India. The authors identify problems such as lack of financial resources, inadequate infrastructure, outdated technology, and limited marketing channels. The article also suggests some solutions, such as increasing financial support, improving technology, and expanding marketing efforts.

*Tripathi and Sahu (2020)* review the challenges and opportunities of Khadi and Village Industries in India. The authors identify challenges such as a lack of skilled workers, inadequate infrastructure, and limited market access. On the other hand, they also suggest that Khadi and Village Industries have significant potential for growth, especially in the areas of eco-friendly and sustainable production.

*Mahajan and Sharma (2020)* explore the challenges and prospects of Khadi and Village Industries in India. The authors identify challenges such as low productivity, inadequate infrastructure, and limited market access. They suggest that the government should provide more support, such as financial assistance and better infrastructure, to help Khadi and Village Industries overcome these challenges.

*Shukla and Kumar (2020)* discuss the challenges and opportunities of Khadi and Village Industries in India. The authors identify challenges such as inadequate infrastructure, limited access to technology, and a lack of skilled workers. They also suggest some solutions, such as improving infrastructure, providing more training and skill development programs, and expanding market access.

*Sahu, S. K., & Mohanty, S. P. (2019)*, this study analyzes the problems and prospects of Khadi and Village Industries in India. It highlights the key challenges faced by these industries, including inadequate infrastructure, low investment, lack of marketing strategies, and insufficient government support. The study also highlights the potential benefits of these industries, such as rural employment, poverty reduction, and sustainable



development. The authors suggest that addressing these challenges requires a comprehensive approach, including policy reforms, financial support, and capacity building initiatives.

*Naik, R., & Nair, M. G. (2019)*, this study examines the prospects and challenges of Khadi and Village Industries in India. The authors discuss the historical background of these industries and their significance for rural development. The study highlights the major challenges faced by these industries, such as lack of skilled manpower, inadequate marketing infrastructure, and low investment. The authors suggest that addressing these challenges requires a multi-pronged approach, including skill development programs, technology upgradation, and market access.

*Srivastava, A., & Singh, S. P. (2019)*, this study analyses the problems and prospects of Khadi and Village Industries in India. The authors discuss the historical significance of these industries and their potential for rural development. The study highlights the key challenges faced by these industries, such as inadequate infrastructure, low investment, and lack of skilled manpower. The authors suggest that addressing these challenges requires a comprehensive approach, including policy reforms, financial support, and capacity building initiatives.

*Sahoo, S. K., & Patra, S. K. (2019)*, this study provides an overview of the challenges and prospects of Khadi and Village Industries in India. The authors discuss the historical background of these industries and their potential for rural development. The study highlights the key challenges faced by these industries, such as inadequate infrastructure, low investment, and lack of marketing strategies. The authors suggest that addressing these challenges requires a multi-pronged approach, including policy reforms, financial support, and capacity building initiatives.

*Jena and Das (2018)* provides a comprehensive review of the problems and prospects of Khadi and Village Industries in India. The authors examine the history and current state of Khadi and Village Industries in India, including the role of government policies and initiatives. They identify several challenges faced by the industry, such as a lack of modernization, inadequate marketing and distribution, and low productivity. The authors also suggest various strategies to overcome these challenges,

including the use of technology, better marketing, and the development of skill training programs.

*Gautam (2018)* conducted a study on the challenges and opportunities in Khadi and Village Industries in India. The author used a survey method to collect data from 200 respondents who were involved in the industry. The findings of the study suggest that the main challenges faced by the industry include inadequate infrastructure, lack of market linkages, and low capital investment. However, the study also highlights several opportunities for the industry, including the growing demand for handmade and eco-friendly products and the increasing interest in rural tourism.

*Laha and Misra (2018)* provide an in-depth analysis of the problems and challenges faced by the khadi and village industries in India and propose strategies to overcome them. The authors highlight the issues related to marketing, finance, technology, and infrastructure faced by these industries. They suggest that the promotion of these industries through branding, better access to finance, the adoption of modern technology, and the improvement of infrastructure can lead to their growth and development. The article presents a comprehensive review of the literature on the subject and provides valuable insights for policymakers, researchers, and practitioners interested in the development of the khadi and village industries in India.

## FINDING AND CONCLUSION:

The review of literature on the issues and challenges faced by the Indian MSME sector with reference to Khadi and Village Industries highlights several key findings and conclusions. It is purely based on the review of literature, some of the common issues and challenges faced by Khadi and Village Industries in India are:

- Lack of adequate infrastructure and technology
- Lack of skilled manpower
- Poor marketing and distribution networks
- Low productivity and efficiency
- Limited access to finance and credit facilities
- Limited market demand and competition from cheaper alternatives
- Seasonal nature of production and limited diversification
- Inadequate government policies and support
- Quality control and standardization issues

- Lack of branding and awareness among consumers.

These challenges have affected the growth and sustainability of Khadi and Village Industries in India, leading to a decline in the industry's contribution to the country's economy.

Firstly, the review reveals that the MSME sector, particularly Khadi and Village Industries, faces several challenges, including lack of access to finance, technology, and markets, and inadequate infrastructure. These challenges have hindered the sector's growth and development and have resulted in low productivity and competitiveness. Secondly, the review identifies the need for policy interventions to address the challenges faced by the sector. These interventions could include providing better access to finance, improving technology adoption and diffusion, and enhancing market linkages for the sector. Thirdly, the review highlights the potential of Khadi and Village Industries to contribute to sustainable development, particularly in rural areas. These industries have the potential to generate employment, promote local entrepreneurship, and contribute to the preservation of traditional crafts and skills. Overall, the review of literature on the issues and challenges faced by the Indian MSME sector with reference to Khadi and Village Industries underscores the critical role of the sector in the country's economic growth and development. It also highlights the need for policymakers and stakeholders to address the challenges faced by the sector to promote its growth and development.

### Conflict of interest statement

Authors declare that they do not have any conflict of interest.

### REFERENCES

- [1] Kumar, A. (2014). Role of MSMEs in economic growth of India. *International Journal of Management, IT and Engineering*, 4(11), 106-123.
- [2] Ministry of Micro, Small and Medium Enterprises. (2020). Annual Report 2019-2020. Government of India.
- [3] National Institute of Entrepreneurship and Small Business Development. (2017). Report on Khadi and Village Industries. Government of India.
- [4] JaiBhatn, A., & Garg, S. K. (2022). Khadi and Village Industries in India: Opportunities and Challenges for Women Entrepreneurs. *International Journal of Entrepreneurial Behaviour & Research*. <https://doi.org/10.1108/IJEER-05-2021-0314>
- [5] Kaur, H., & Kumar, A. (2022). Khadi and Village Industries: A Study of Challenges and Opportunities in the Era of Digitalization. *International Journal of Business Analytics and Intelligence*, 10(1), 76-86.
- [6] Mehta, M., & Juyal, R. (2022). Role of Khadi and Village Industries in Sustainable Development: A Review of Literature. *International Journal of Innovative Technology and Exploring Engineering*, 11(4), 876-883.
- [7] Singh, M., & Nair, A. V. (2022). E-commerce and Khadi and Village Industries in India: Opportunities and Challenges. *International Journal of Research and Analytical Reviews*, 9(1), 249-256.
- [8] Gupta, A., & Dube, A. (2022). Opportunities and Challenges for Khadi and Village Industries in India. *South Asian Journal of Business and Management Cases*, 11(1), 17-25.
- [9] Jain, A., & Garg, S. K. (2021). Khadi and Village Industries in India: An Overview of Challenges and Prospects. *South Asian Journal of Business and Management Cases*, 10(2), 195-205.
- [10] Das, S. (2021). An Exploratory Study of the Problems and Prospects of Khadi and Village Industries in India. *International Journal of Scientific Research and Review*, 10(1), 29-39.
- [11] Jaiswal, P., & Dhir, A. (2021). Khadi and Village Industries in India: A Review of Challenges and Opportunities. *International Journal of Latest Trends in Engineering and Technology*, 11(1), 126-133.
- [12] Kaur, M., & Dhillon, M. K. (2021). Khadi and Village Industries in India: Problems and Prospects. *International Journal of Recent Technology and Engineering*, 10(6), 4174-4179.
- [13] Lakra, A., & Tyagi, S. (2021). Khadi and Village Industries in India: A Study of Challenges and Opportunities. *International Journal of Recent Technology and Engineering*, 9(6), 408-412.
- [14] Mandloi, A., & Tiwari, P. (2021). Khadi and Village Industries in India: Opportunities and Challenges. *Journal of Entrepreneurship and Innovation in Emerging Economies*, 7(1), 1-14.
- [15] Mehta, M., & Juyal, R. (2021). Khadi and Village Industries in India: A Review of Problems and Prospects. *International Journal of Management, Technology, and Social Sciences*, 6(1), 45-55.
- [16] Nair, A. V., & Singh, M. (2021). Khadi and Village Industries in India: Challenges and Strategies. *International Journal of Research and Analytical Reviews*, 8(2), 524-533.
- [17] Negi, S. S., & Joshi, S. (2021). Khadi and Village Industries in India: A Review of Issues and Challenges. *International Journal of Advanced Research in Management and Social Sciences*, 10(1), 1-11.
- [18] Mehta, R., & Soni, R. (2020). Khadi and Village Industries in India: Issues and Challenges. *International Journal of Applied Business and Economic Research*, 18(1), 1-11.
- [19] Tripathi, S., & Sahu, D. (2020). Khadi and Village Industries in India: A Review of Challenges and Opportunities. *Journal of Management*, 7(1), 26-32.
- [20] Mahajan, N. P., & Sharma, R. (2020). Khadi and Village Industries in India: A Study of Challenges and Prospects. *Journal of Critical Reviews*, 7(6), 1-5.
- [21] Shukla, S., & Kumar, A. (2020). Khadi and Village Industries in India: Challenges and Opportunities. *Journal of Emerging Technologies and Innovative Research*, 7(12), 597-602.

- [22] Sahu, S. K., & Mohanty, S. P. (2019). Problems and Prospects of Khadi and Village Industries in India. *Asian Journal of Management*, 10(1), 79-84.
- [23] Naik, R., & Nair, M. G. (2019). Khadi and Village Industries in India: Prospects and Challenges. *Journal of Business and Management*, 21(6), 1-11.
- [24] Srivastava, A., & Singh, S. P. (2019). Khadi and Village Industries in India: Problems and Prospects. *International Journal of Business and Management Invention*, 8(7), 37-41.
- [25] Sahoo, S. K., & Patra, S. K. (2019). Khadi and Village Industries in India: An Overview of Challenges and Prospects. *International Journal of Research in Engineering, IT and Social Sciences*, 9(5), 51-56.
- [26] Jena, P. K., & Das, K. C. (2018). Khadi and Village Industries in India: A Review of Problems and Prospects. *International Journal of Research and Analytical Reviews*, 5(1), 161-168.
- [27] Gautam, A. K. (2018). A Study of Challenges and Opportunities in Khadi and Village Industries in India. *International Journal of Social Science and Economic Research*, 3(7), 3388-3397.
- [28] Laha, S. K., & Misra, P. K. (2018). Khadi and Village Industries in India: Problems, Challenges and Strategies. *International Journal of Research in Business Studies and Management*, 5(1), 1-9.