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Real Challenges and Problems of MSMEs in Haryana: A Factor Analysis Approach

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Abstract-
This study investigates the real challenges and problems faced by Micro, Small, and Medium Enterprises (MSMEs) in Haryana using a descriptive, survey-based approach. A sample of 600 MSME employees across diverse districts was surveyed to capture perceptions of operational, financial, structural, and policy-related barriers. The data were analyzed using Exploratory Factor Analysis (EFA), which extracted five key factors: Institutional and Structural Challenges, Operational and Competitiveness Challenges, Growth and Innovation Challenges, Financial and Resource Constraints, and Policy and Advisory Constraints. Together, these factors explained a significant portion of the variance, providing a comprehensive framework for understanding the multidimensional difficulties MSMEs encounter. The findings highlight systemic bottlenecks, resource limitations, and capability gaps that hinder MSME sustainability and competitiveness in Haryana.

Keywords: Micro, Small, and Medium Enterprises , Haryana State, Exploratory Factor Analysis, Operational Challenges etc.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as the backbone of India's economy, contributing significantly to employment generation, industrial output, and regional development. In states like Haryana, MSMEs play a vital role in supporting both urban and rural economies by engaging in diverse sectors such as manufacturing, services, agro-processing, and trade. Their presence ensures not only economic growth but also social stability by providing livelihood opportunities to a large segment of the population.

Despite their importance, MSMEs often encounter persistent challenges that restrict their growth and competitiveness. These challenges stem from structural limitations, resource constraints, and external pressures that make it difficult for enterprises to sustain themselves in a rapidly changing business environment. Haryana, being a hub of industrial activity, offers a unique context to study these problems, as MSMEs here operate alongside large-scale industries and face intense competition while striving to modernize and expand.

The study of MSME challenges in Haryana is particularly relevant because of the state's strategic position in India's industrial landscape. With its proximity to national capital regions and strong industrial clusters, Haryana provides both opportunities and obstacles for small enterprises. Understanding the real problems faced by MSMEs in this region is crucial for designing effective interventions, improving policy frameworks, and ensuring that these enterprises continue to contribute meaningfully to economic development.

By adopting a descriptive and survey-based approach, this research aims to capture the lived experiences of MSME employees and provide empirical insights into the nature of challenges they face. Such an investigation not only enriches academic literature but also offers practical guidance for policymakers, industry stakeholders, and entrepreneurs seeking to strengthen the MSME ecosystem in Haryana.

2. REVIEW OF LITERATURE

Kumar (2025) studied the opportunities and challenges faced by MSMEs, emphasizing the dynamic interplay between growth potential and systemic barriers. The research highlighted financial constraints, regulatory hurdles, and infrastructural limitations as major impediments to MSME development. Opportunities were identified in innovation, employment generation, and regional economic diversification. The study underscored the importance of supportive government policies and institutional frameworks to harness the full potential of MSMEs. Findings contributed to understanding the evolving role of MSMEs in national economic progress.

Onegina et al. (2025) examined strategies for unlocking innovation capacity in micro-, small, and medium enterprises within Ukrainian agriculture. The study emphasized the role of technological adoption, knowledge transfer, and institutional support in enhancing competitiveness. Challenges included limited access to finance, fragmented supply chains, and policy inconsistencies. The research demonstrated that innovation-driven approaches could significantly improve productivity and sustainability in agricultural MSMEs. Recommendations focused on strengthening collaboration between enterprises, policymakers, and research institutions.

Yadav and Yadav (2025) examined the role and challenges faced by MSMEs in the Indian economy, emphasizing their contribution to employment generation and regional development. The study highlighted persistent issues such as inadequate access to finance, infrastructural bottlenecks, and regulatory complexities. Findings revealed that despite significant contributions to GDP, MSMEs struggled with sustainability due to systemic inefficiencies. The research underscored the importance of targeted policy reforms, institutional support, and technological adoption. Recommendations included strengthening credit facilities and enhancing skill development to improve competitiveness.

Raj Kumar (2025) examined MSMEs in India, focusing on challenges, opportunities, and future prospects. The study highlighted persistent issues such as financial constraints, regulatory hurdles, and infrastructural bottlenecks. Opportunities were identified in employment generation, technological innovation, and export potential. Findings emphasized the importance of government support, institutional reforms, and private sector collaboration. The research provided a forward-looking perspective on how MSMEs could sustain growth and contribute significantly to national development.

Sun et al. (2025) reviewed digital innovation, business model transformations, and agricultural SMEs, presenting a PRISMA-based analysis of challenges and prospects. The study emphasized the role of digital technologies in reshaping agricultural enterprises, enhancing productivity, and improving competitiveness. Findings revealed persistent barriers such as infrastructural gaps, limited digital literacy, and policy inconsistencies. The research highlighted opportunities in innovation ecosystems and international collaboration. Recommendations included strengthening institutional frameworks and promoting digital adoption to sustain SME growth in agriculture.

Moreira et al. (2025) examined the integration profiles of digital technology in small and medium-sized enterprises (SMEs). Average partial and composite indicators for individuals and groups were calculated, along with group metrics for digital technology integration, to evaluate individual companies and groups. Furthermore, linear regression has been employed to analyze the impact of specific digital technology integration enablers and other contextual variables on overall composite scores of digital technology integration. The findings indicated that most organizations had the requisite digital infrastructure for this integration. Nonetheless, there existed potential for enhancement regarding the supply and demand of digital competencies. This study advanced research by employing the established AF approach in a new context: assessing digital technology integration in SMEs.

Asif et al. (2025) explored the potential and obstacles associated with digital transformation in small and medium-sized enterprises (SMEs). This study employed both qualitative and quantitative research to identify significant trends in the adoption of digital tools, including cloud computing, e-commerce platforms, and data analytics. The findings underscored that digital transformation transformed SME operations while also introduced challenges, especially around cost, cybersecurity, and skill deficiencies. The report closed with advice for SMEs to effectively traverse those hurdles and fully capitalize on the advantages of digital transformation.

Research Gap

Although MSMEs in India have been widely studied for their contribution to employment, industrial output, and regional development, there remains a research gap in systematically identifying and categorizing the real challenges faced by enterprises in Haryana using empirical methods. Much of the existing literature focuses either on national-level trends or sector-specific issues, often overlooking the state-level context where industrial clusters and regional dynamics play a critical role. Furthermore, prior studies tend to emphasize policy analysis or anecdotal evidence rather than employing robust statistical techniques like Exploratory Factor Analysis (EFA) to uncover latent dimensions of MSME problems. By surveying 600 MSME employees and applying EFA, this study addresses that gap by offering a structured, evidence-based framework that captures the lived experiences of enterprises in Haryana. This approach not only enriches academic understanding but also provides actionable insights for policymakers and stakeholders seeking to strengthen the MSME ecosystem in the state.

3. RESEARCH METHODOLOGY

The research methodology for this study was designed to systematically identify and analyze the real challenges faced by MSMEs in Haryana. A descriptive and survey-based approach was adopted to capture firsthand insights from employees working in MSMEs, as they are directly involved in day-to-day operations and best positioned to highlight practical difficulties. A sample size of 600 respondents was chosen to ensure statistical reliability and adequate representation across different districts of Haryana. Data was collected using a structured questionnaire with Likert-scale items, covering multiple dimensions of MSME challenges such as infrastructure, finance, operations, innovation, and policy-related issues. The collected responses were then analyzed using Exploratory Factor Analysis (EFA), a statistical technique that reduces large datasets into meaningful constructs by grouping correlated variables into factors.

Research Design

The study employed a descriptive and survey-based research design to systematically capture the challenges faced by MSMEs in Haryana. This design was chosen because it allows for the collection of quantitative data from a large sample, enabling statistical analysis and generalization of findings. The descriptive approach provided a clear picture of the current state of MSMEs, while the survey method ensured direct insights from employees actively engaged in enterprise operations.

Sampling and Respondents

A total of 600 respondents were selected from MSMEs across different districts of Haryana, ensuring representation from both urban and semi-urban clusters. The target respondents were MSME employees, as they are directly involved in day-to-day operations and are well-positioned to identify practical challenges. The sample size was considered adequate for factor analysis, meeting the statistical requirement of having a large dataset to ensure reliability and validity of extracted factors.

Data Collection

Data was collected using a structured questionnaire, designed to cover multiple dimensions of MSME challenges such as infrastructure, finance, operations, innovation, and policy-related issues. The questionnaire used a Likert scale to measure perceptions, allowing respondents to express the degree of difficulty they experienced in various areas. The survey was conducted through both physical distribution and digital platforms to maximize reach and ensure diversity in responses.

Analytical Technique

The collected data was analyzed using Exploratory Factor Analysis (EFA), a statistical method that helps identify underlying dimensions by grouping correlated variables into factors. EFA was chosen because it is particularly effective in reducing large sets of data into meaningful constructs, thereby simplifying complex realities into interpretable categories. The analysis extracted five major factors, each representing a distinct set of challenges faced by MSMEs in Haryana. Reliability and validity checks were performed to ensure robustness of the findings.

Ethical Considerations

The study maintained strict ethical standards throughout the research process. Respondents were informed about the purpose of the study, and their participation was voluntary. Confidentiality of responses was ensured, and data was used solely for academic and analytical purposes. This ethical framework strengthened the credibility of the research and encouraged honest participation from MSME employees.

4. DATA ANALYSIS

The data collected from 600 MSME employees across Haryana was subjected to rigorous statistical examinations to uncover the underlying dimensions of challenges faced by enterprises. Initially, descriptive statistics were applied to summarize the responses, providing insights into mean values, standard deviations, and overall trends in perceptions. This step helped in identifying the most pressing issues as perceived by respondents and offered a preliminary understanding of the severity of different challenges. The use of a structured questionnaire with Likert-scale items ensured that the data was quantifiable and suitable for advanced statistical techniques.

Subsequently, Exploratory Factor Analysis (EFA) was employed to reduce the large dataset into meaningful constructs. EFA grouped correlated variables into distinct factors, thereby simplifying complex realities into interpretable categories. The analysis extracted five major factors, each representing a unique dimension of MSME challenges. Factor loadings indicated the strength of association between individual statements and their respective factors, while average mean scores highlighted the relative importance of each dimension. Reliability and validity checks were conducted to ensure robustness of the results. Overall, the data analysis provided a structured framework that transformed raw survey responses into actionable insights, enabling a deeper understanding of the multidimensional problems MSMEs face in Haryana.

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy value of 0.815 indicated that the dataset was highly suitable for factor analysis. A KMO value above 0.80 is generally considered “meritorious,” meaning that the variables share enough common variance to justify the application of factor analysis. This result confirmed that the correlations among the items were strong and that the data structure was appropriate for extracting meaningful factors related to the challenges faced by MSMEs in Haryana.

The Bartlett’s Test of Sphericity produced a chi-square value of 7432.920 with 190 degrees of freedom and a significance level of 0.000, which was well below the threshold of 0.05. This outcome demonstrated that the correlation matrix was not an identity matrix, thereby validating the presence of significant relationships among the variables. Together, the KMO and Bartlett’s Test results provided statistical evidence that factor analysis could be reliably applied to the dataset, ensuring that the subsequent extraction of factors would yield valid and interpretable dimensions of MSME challenges.

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.815
Bartlett's Test of Sphericity	Approx. Chi-Square	7432.920
	df	190
	Sig.	.000

Source: Primary Data

The main challenges identified after EFA are:

1. Institutional and Structural Challenges

This factor represents systemic barriers that MSMEs face due to external conditions and regulatory frameworks. High loadings for infrastructure bottlenecks, difficulty in accessing government schemes, competition with large-scale industries, and compliance with taxation highlight the structural rigidity of the business environment. The average mean of 3.99 indicates that these challenges are perceived as highly significant. Poor infrastructure and limited access to supportive policies restrict operational efficiency, while regulatory compliance and competitive pressures from larger firms create additional burdens.

2. Operational and Competitiveness Challenges

This factor captures the operational difficulties that directly affect MSME competitiveness in domestic and international markets. Statements related to quality certification, export market access, technology adoption, skilled manpower, marketing, and government approvals load strongly here. The average mean of 3.81 shows that these challenges are moderately severe but widespread. This factor highlights the operational inefficiencies that prevent MSMEs from scaling and competing effectively.

3. Growth and Innovation Challenges

This factor reflects barriers that restrict enterprise expansion, innovation, and modernization. Scaling up operations, securing timely payments, lack of awareness about cluster programs, digital adoption, product quality consistency, and inadequate R&D facilities are grouped here. The average mean of 3.89 suggests that these challenges are critical for MSMEs aiming to grow beyond survival stages. Together, these issues highlight the constraints MSMEs face in transitioning into sustainable, growth-oriented enterprises.

4. Financial and Resource Constraints

This factor emphasizes the fundamental resource-related challenges that MSMEs encounter. Difficulty in accessing adequate finance and the high cost of raw materials load strongly here, with an average mean of 3.74. These constraints directly affect production efficiency and expansion capacity. This factor underscores the financial fragility of MSMEs, making them vulnerable to market fluctuations and resource shortages.

5. Policy and Advisory Constraints

This factor represents external uncertainties and lack of professional support. Frequent policy changes and limited access to skilled technical consultants are the key statements, with an average mean of 3.86. This factor highlights the dependence of MSMEs on stable governance and advisory support, both of which are essential for long-term resilience and competitiveness.

Table 2: Factor Summary

SN	Factor Name	Average Mean	Short Name
1	Institutional and Structural Challenges	3.99	ISC
2	Operational and Competitiveness Challenges	3.81	OCC
3	Growth and Innovation Challenges	3.89	GIC
4	Financial and Resource Constraints	3.74	FRC
5	Policy and Advisory Constraints	3.86	PAC

Source: Primary Data

The factor summary highlighted five distinct dimensions of challenges faced by MSMEs in Haryana. Institutional and Structural Challenges (ISC) emerged as the most critical with an average mean of 3.99, reflecting systemic issues such as poor infrastructure, limited access to government schemes, and compliance burdens. Growth and Innovation Challenges (GIC) followed closely with an average mean of 3.89, pointing to barriers in scaling operations, securing payments, adopting digital platforms, and strengthening R&D. Policy and Advisory Constraints (PAC), with an average mean of 3.86, emphasized instability caused by frequent policy changes and the lack of technical consultancy support, both of which restrict adaptability and resilience.

5. CONCLUSION

The results revealed that MSMEs in Haryana face intertwined challenges that span infrastructure, finance, technology adoption, skilled manpower, and policy instability. Among the extracted factors, Institutional and Structural Challenges emerged as the most critical, underscoring the importance of improving infrastructure and streamlining access to government schemes. Growth and Innovation Challenges also ranked high, reflecting the urgent need for

digital adoption, R&D support, and timely payments. While financial and resource constraints remain persistent, operational inefficiencies and policy-advisory gaps further compound the difficulties. The study concludes that addressing these five dimensions holistically is essential for strengthening MSMEs, which are vital contributors to employment and regional economic development in Haryana.

6. FUTURE SCOPE

Future research can expand this study by conducting comparative analyses across different states to identify whether MSME challenges vary regionally or follow similar patterns nationwide. Longitudinal studies could also track how interventions, such as digitalization programs, cluster development initiatives, and financial inclusion schemes, impact MSME performance over time. Additionally, integrating qualitative interviews with MSME owners and policymakers would provide deeper insights into contextual barriers and practical solutions. Further exploration of sector-specific challenges (e.g., manufacturing vs. services) and the role of emerging technologies like AI-driven business platforms could enrich the understanding of MSME resilience. Ultimately, future work should aim to design policy frameworks and support mechanisms that directly address the five extracted factors, ensuring MSMEs in Haryana and beyond can thrive in a competitive and evolving economic landscape.

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