

Global Value Chain Competitiveness of MSMEs: The Role of Skill Development and Local Enterprise Performance in Mayurbhanj District

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Abstract: *The development and competitiveness of Micro, Small and Medium Enterprises (MSMEs) are being increasingly associated with their inclusion into the Global Value Chains (GVCs) where efficiency of skills and performance of enterprises are central. This paper will review the impact of skill building programs on the overall competitiveness, productivity and operational efficiency of the MSMEs in Mayurbhanj District, Odisha, which have a large number of tribal and rural based enterprises. The investigation of the relationship between the level of workforce skills, the capacity of the enterprises, and their ability to engage in the GVCs is carried out by means of the combination of qualitative and quantitative research methods, such as the use of structured surveys, interviews and the analysis of secondary data. The preliminary results show that skill development has a significant impact on increasing the efficiency of the process, product quality and market responsiveness, which allows MSMEs to become a part of the global markets and promote the improvement of the local economies. The challenges identified in the study include acquisition of skills, constraints in the infrastructure and market connectivity by the enterprises and makes actionable recommendations of policies to be applied by the regional development authorities, training institutions and the support programs of MSMEs. The study helps in understanding better the processes by which skill progress may make MSME more competitive and encourage sustainable economic development in the emerging rural economies.*

Keywords: MSMEs, Global Value Chains (GVCs), Skill Development, Enterprise Performance

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) constitute the backbone of the Indian economy by contributing significantly to employment generation, income creation and balanced regional development. Over the last few years, the world has seen the rising globalization, which has transformed the structure of production in the world leading to the emergence of Global Value Chains (GVCs) where various steps in production are decentralized to nations and regions. MSMEs have found it to be a significant avenue of strengthening their competitiveness, increasing the market share and sustainable growth by joining these value chains.

Global Value Chain competitiveness is based on the quality, efficiency, innovation, and timely delivery of the international standard in the enterprises rather than its cost advantage. In the case of MSMEs, particularly in backward and tribal-controlled areas such as Mayurbhanj district of Odisha, structural constraints are the reason as to why integrating into GVCs is still minimal. Among them, poor skills base, low levels of technology adoption and poor enterprise performance are among the key issues that limit their global involvement.

Skill building is important in enhancing productive potential of MSMEs, as well as increasing productivity of labour. An effective workforce will help businesses to embrace modern technologies and enhance the quality of products, meet the international standards and react efficiently to evolving

market needs. Nevertheless, the MSMEs in Mayurbhanj are mostly dependent on the traditional skills, informal training systems and less levels of management expertise, which adversely impacts their competitiveness in the domestic and international markets. Skill development is closely associated with the local enterprise performance that is influenced by the access to finance, infrastructure, institutional support and human capital. Enhancing the level of skills can directly increase the level of operational efficiency and indirectly lead to the integration of MSMEs into the global value chains. In that regard, the analysis of the contribution of skill development to the improvement of the performance of MSMEs is critical to exploring the ways of attaining inclusive and sustainable regional development.

This paper aims at examining Global Value Chain competitiveness of MSMEs in Mayurbhanj district with special consideration of importance of skill development and performance of local enterprises. The study intends to give some insights to policy makers, development agencies and other stakeholders to develop effective skill development strategies that can enhance the role of MSMEs in world value chains and economic growth in the area by identifying main constraints and opportunities.

2. Background of the Study

Micro, Small and medium Enterprises (MSMEs) have also developed as an important aspect of the economic development of developing nations especially in India where

the industry makes a huge contribution to industrial output, export and creation of employment. As the process of globalization grows and trade liberalization expands, production processes are becoming more organized with the Global Value Chains (GVCs) giving company of all sizes an opportunity to enter the global markets. In the case of MSMEs, GVC integration provides possibilities of technological modernisation, employee skills development and enhanced competitiveness.

Although MSMEs in India are important, they have a number of challenges in the quest to be effective players in global value chain. They are often curtailed by limited access to skilled workforce, poor infrastructure, low rates of technological adoption and poor managerial skills. They are more experienced in economically backward and rural areas where such enterprises are run under the constraints of resources and are still reliant on the traditional production approaches.

The Mayurbhanj district in Odisha is one such area where there is high density of micro and small-scale enterprises with most of those being agro-processing, forest-based products, handicraft and traditional manufacturing related. A high tribal population is also present in the district and MSMEs are essential in offering livelihoods as well as helping in the local economic development. The majority of businesses in the

district, however, are run at low productivity level and are mostly insulated with the national and the global markets.

It has been seen that skill development is a very important aspect in increasing MSME performance and making them fit in the global value chain. Qualified workforce will help the enterprises to enhance the quality of their products, embrace new technologies, meet global standards and enhance efficiency in their operation. Skill development programs exist in Mayurbhanj in the form of government programs and training centres but there is still a gap in terms of relevance, accessibility and industry relevance.

The provision of skilled human resource, institutional support and market linkages are all directly associated with local enterprise performance. It is also critical to determine the role of skill formation on the performance of MSMEs and their competitiveness in the GVC in Mayurbhanj in order to implement specific policies and interventions. It is against this background that the current study is being conducted to analyse the contribution of skill development in intensifying the MSME competitiveness as well as increasing their involvement in global value chains with further aims of ensuring inclusive and sustainable regional development.

3. Review of Literature

S. No.	Author(s) & Year	Focus Area	Methodology	Key Findings	Research Gap
1	Gereffi et al. (2005)	Global Value Chains	Conceptual analysis	GVCs enable firm upgrading through specialization	Limited MSME-focused analysis
2	Humphrey & Schmitz (2002)	Value Chain Upgrading	Case studies	Upgrading improves competitiveness	Lacks regional-level focus
3	World Bank (2017)	MSMEs & GVCs	Secondary data analysis	MSMEs face high entry barriers in GVCs	Skill aspects underexplored
4	UNIDO (2015)	MSME Competitiveness	Policy review	Skills and technology drive competitiveness	Limited local enterprise data
5	ILO (2019)	Skill Development	Survey-based	Skill training boosts productivity	Rural MSMEs underrepresented
6	OECD (2018)	Human Capital	Cross-country analysis	Skilled workforce improves firm performance	No district-level insights
7	Acemoglu & Autor (2011)	Skills & Productivity	Econometric analysis	Skills enhance labor efficiency	MSME-specific results limited
8	Beck & Demirguc-Kunt (2006)	MSME Constraints	Empirical study	Finance and skills affect performance	GVC linkage not addressed
9	Porter (1998)	Competitiveness Theory	Theoretical framework	Clusters improve firm competitiveness	Lacks MSME micro analysis
10	Kaplinsky (2000)	GVC Governance	Case studies	Governance affects upgrading paths	Skill development not emphasized
11	Batra & Tan (2003)	Enterprise Performance	Firm-level surveys	Training improves efficiency	Rural context missing
12	Altenburg et al. (2008)	Industrial Policy	Comparative analysis	Policy support aids MSMEs	Skill policy integration weak
13	Mehrotra et al. (2014)	Skill Gaps in India	National-level data	Severe skill mismatch in MSMEs	District-level gap remains
14	Das & Kalita (2019)	MSMEs in India	Secondary data	MSMEs contribute to employment	GVC focus absent
15	Narayanan & Sarkar (2017)	Globalization & MSMEs	Econometric analysis	Global exposure improves productivity	Skill dimension limited
16	Chandrasekhar & Ghosh (2020)	Informal Skills	Field study	Informal training dominates MSMEs	Global competitiveness not addressed
17	Rao & Singh (2021)	Enterprise Performance	Survey research	Skills improve output quality	Limited regional focus
18	Government of India (2022)	Skill India Mission	Policy report	Skill programs expanded nationwide	Effectiveness in tribal areas unclear
19	Sahoo & Dash (2023)	MSMEs in Odisha	Regional analysis	MSMEs face infrastructure and skill constraints	GVC linkage missing
20	Recent Studies (2024)	GVC & MSMEs	Mixed methods	Skills crucial for GVC integration	Mayurbhanj district not studied

4. Research Objectives

The main aim of this learning is to examine the Global Value Chain (GVC) attractiveness of MSMEs in Mayurbhanj district, with particular position on the role of skill progress and local innovativeness performance. The specific objectives of the study are as follows:

- To analyse the current status of MSMEs in Mayurbhanj district in terms of size, sectoral distribution and market reach.
- To assess the skill levels of MSME workers, including technical, managerial and entrepreneurial skills.
- To evaluate the role of skill development programs in enhancing the performance and productivity of MSMEs.
- To examine the relationship between skill development and enterprise performance, including output growth, efficiency and quality standards.
- To identify factors influencing the competitiveness of MSMEs in global value chains, such as technology adoption, infrastructure and market linkages.

5. Research Questions

- What is the current status of MSMEs in Mayurbhanj district in terms of size, sector and market access?
- What are the existing skill levels among MSME workers, and how do formal skill development programs affect their productivity?
- How does skill development influence the performance of MSMEs, including output growth, efficiency and quality standards?
- What factors, such as technology adoption, infrastructure and market linkages, affect MSME competitiveness in global value chains?
- What strategies and interventions can enhance MSME competitiveness and facilitate greater participation in global value chains?

6. Research Gap

The existing literature on Global Value Chains (GVCs), the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) and the development of skills reveals several, which the current study attempts to address. Most studies concerned with participation in GVCs focus on large firms and export-oriented sectors and largely ignore micro and small enterprises in the peripheries and rural areas. Consequently, the particular obstacles that MSMEs face in participating in global value chains remain largely unexplained.

Third, although skill development is universally acknowledged as an important driver of enterprise performance, most studies address this phenomenon at the nation or state level. There is a notable absence of empirical studies at the district level that examine the direct impact of skill development on MSME competitiveness and performance. Such a gap is most pronounced in the tribal and economically the most deprived districts like Mayurbhanj, where the socio-economic context is vastly different from the industrialized areas.

Last, the existing body of research typically tends to separate the analysis of skill development from that of enterprise performance. There are very few studies examining the interrelated impacts of these variables on MSME participation in global value chains. The relationship among workforce skills, management skills and local enterprise skills in relation to GVC competitiveness has not been sufficiently explored.

7. Research Findings

The study reveals that the majority of the MSMEs in Mayurbhanj district operate at micro-level scale, types and size of business varying with their capital investments and mechanization, as well as their business scope at the local market level, community consumption. There is no exposure to the regional, national or international business markets. This leads to the very low business participation of MSMEs in the Global Value Chains (GVCs), and is attributed to the low business potential, in no business export and weak market linkages.

The majority of MSME workers skill development is very informal and traditional. The families or the business owner families train workers in situ and no training institutions or programs are involved. These skills while they are sufficient to support basic production processes are inadequate to support any global or even regional production and supply and do not meet the necessary technical and technological global demands. It is still the case that businesses, even those in the most basic micro-income level, that employ formally trained workers, demonstrate and enjoy the most significant economic and operational benefits of increased productivity, improved the quality of their production and increased their operational efficiencies.

The level of skill development is invariably positively correlated to the level of enterprise development. However, the trend in the sector of MSMEs which employ skilled labour shows that it is possible to enhance productivity, processes and efficiencies through the adoption of quality production techniques and at the same time add to or meet regional and even global quality production and supply standards.

8. Research Methodology

8.1 Research Design

Methodology The study is based on descriptive and analytical research design with focus on skill development and local enterprise performance on GVC competitiveness of the MSMEs in Mayurbhanj district. Descriptive analysis provides an account of the status quo of MSMEs, skills and enterprise functionality while analytical methods reveal links between skill development and GVC competitiveness.

8.2 Study Area

The study area is Mayurbhanj district of Odisha, an economically backward and tribal dominated region having huge numbers of MSMEs involved in agro-processing, artisan work, forest-based products and traditional manufacturing. The socio-economic context of the region

has made it appropriate to study interplay between skill development, performance of local enterprises and competitiveness in GVC.

8.3 Population and Sample

- Population: All registered MSMEs in Mayurbhanj district.
- Sample: A stratified random sampling technique was used to select MSMEs across sectors such as manufacturing, agro-processing and handicrafts.
- Sample Size: 120 MSMEs were surveyed, ensuring representation from different clusters, rural and semi-urban areas and enterprise sizes (micro and small).

8.4 Data Collection

(A) Primary Data:

- Questionnaires were administered to enterprise owners and managers based on them to collect data related to skill levels, training participation, enterprise performance, technology adoption and market linkages.
- Onsite interviews were performed with local trainers in skill development and government authorities to gain insights about the performance of training programmed.

(B) Secondary Data:

- Government reports from MSME Development Institutes, Government of Odisha and Researches on skill development, GVCs and enterprise performance.
- Statistical information on the district-level MSMEs, employment and production output

8.5 Data Analysis Techniques

- Descriptive Statistics: Mean, percentage, and frequency distribution were used to summarize enterprise characteristics, skill levels and performance indicators.
- Correlation Analysis: To examine the relationship between skill development and enterprise performance.
- Regression Analysis: To determine the impact of skill development and managerial capabilities on GVC competitiveness.
- Comparative Analysis: Between micro and small enterprises, cluster-based and isolated enterprises and tribal versus non-tribal regions.

9. Variables

Type	Variable	Measurement
Dependent	GVC Competitiveness	Market access, quality standards, export orientation, product upgrading
Independent	Skill Development	Technical skills, managerial skills, participation in training programs
Control	Enterprise Performance	Output growth, productivity, financial performance, adaptability
Other	Socio-economic Factors	Location, enterprise size, sector, access to infrastructure

10. Hypotheses of the Study

H1: Skill up gradation has a significant impact on the performance of MSMEs in Mayurbhanj district.

H2: MSMEs with more skilled labor intensives are more likely to comply with quality standards required for GVC than those with low intensity.

H3: Good managerial and entrepreneurial skills impact positively on local enterprise performance and competitiveness.

H4: Accessibility of infrastructure, adoption of technology and market linkages greatly affects the integration of MSMEs in GVC.

H5: Skills development programs provided by government and institutions contribute to MSME competitiveness when they are aligned with local enterprise requirements

11. Significance of the Study

This research provides substantial implications for both theoretical and practical viewpoints. Academically, it enriches the literature on MSMEs' GVC competitiveness by studying in a district level and tribal region-specific context that has been under-represented in prior research. By empirically documenting the relationship of skill formation with local enterprise performance and GVC integration, this paper contributes to evidence that can nevertheless guide future work in rural and lagging regions.

From the practical perspective, the study offers useful implications for policy-makers, government officials and development organizations in order to enhance MSME competitiveness. When the role of skill development in

improving enterprise performance is clearly understood, it is possible to develop more focused training interventions that are appropriate for local industries.

Challenges are also raised by the research

12. Scope of the Study

Title: GVC Competitiveness of MSMEs in Mayurbhanj District and Role of Skill Development & Local Enterprises Performance
 ABSTRACT The study is based on the Global Value Chain (GVC) Competitiveness analysis by investigating for Micro, Small, Medium Enterprises (MSMEs) in the Mayurbhanj district of Odisha with a special focus on impact of skill development & local enterprise performance. It explores the impact of skill levels, training programs, managerial skills and enterprise performance on the capacity of MSMEs to participate in national and international value chains.

The study focuses mainly on micro and small businesses in agro-processing, forest-based product manufacturing, handicraft and traditional manufacturing sectors signifying the economic scenario of the district. The sample also covers Agri & allied rural/ semi-urban and non-Agri rural semi-urban enterprises, to account for regional and social strata differences.

The examination considers the implications of formal and informal skilling measures on productivity, quality and competitiveness in relation to infrastructure, technology and market.

13. Conclusion

The article by the title of Global Value Chain Competitiveness of MSMEs: The role of Skill Development and Local Enterprise Performance in Mayurbhanj District emphasizes the importance of skill development in improving the competitiveness of micro and small business organizations. The results show that majority of MSMEs in the district are small in nature, they operate mainly within the local markets and are not able to access national and global value chain and their production capacity is low, they lack proper infrastructure and their market connections are weak.

As one of the critical factors of enterprise performance, skill development appears. The productivity, quality of the products and adaptability to the market conditions are high and the quality of training programs and access to skilled labour makes MSMEs more productive and better adapted to market requirements. Entrepreneurial and managerial skills are also additional to technical competencies, which have a direct influence on business planning, financial management and market expansion. Nevertheless, the success of government and institutional skill development programmes is still low because, there are holes of relevancy, accessibility and matching with local industry demands.

The paper has also highlighted the role of enterprise linkages, cluster-based strategies and infrastructure in assisting MSMEs in their engagement in global value chains. There are more issues that confront tribal and rural enterprises, and in that case, they require context-specific interventions. All in all, skill development, in combination with good performance of the local enterprises and supportive institutions, is critical to enhancing MSME competitiveness and sustainable economic growth in the Mayurbhanj district.

This study has practical implications to policymakers, development agencies and entrepreneurs in the form of specific skill development interventions, improvement in infrastructure and market linkage programs to enhance the GVC engagement of MSMEs in backward and tribal areas.

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