



MSMES IN INDIA- GROWTH AND CHALLENGES

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Abstract

India's Micro, Small, and Medium-Sized Enterprises are a key engine for the expansion of the Indian Economy. These MSMEs not only provide jobs but also aid in the industrialisation of rural areas, which concurrently lowers the unbalanced distribution of money among the locals. The MSMEs play a vital role in the growth of the Indian economy through their export and domestic output, minimal capital requirements, operational flexibility, and technology-oriented businesses, among other things. Small businesses are India's second-largest employer of human resources after the agricultural sector. MSMEs account for more than 80% of all industrial businesses, supporting 40% of industrial output, 80% of industrial sector employment, 45% of value contributed by the manufacturing sector, and 40% of industrial development. percentage of all exports. In this essay, an effort is made to comprehend how MSMEs have developed and contributed to India's economy as well as their function in creating job prospects there. This report also discusses the many issues these MSMEs experience when carrying out their operations.

Keyword - MSMEs, Employment, Growth, Challenges of MSMEs.

Introduction

Over the past 50 years, the Micro, Small, and Medium Enterprises (MSME) sector has grown to be a very active and dynamic area of the Indian economy. It greatly aids in the country's economic and social development by encouraging second only to agriculture, entrepreneurship creates the most employment prospects at a relatively modest capital cost. MSMEs serve as accessory units to large companies and make a substantial contribution to the country's inclusive industrial growth. The MSMEs are producing a wide range of products and services to meet demands of domestic as well as global markets. On an average this sector has almost 36 million units that provide employment to about 80 million individuals. This sector through the production of 8000 products contributes 8% to GDP of the country. The schemes & various initiatives of Ministry of MSMEs & other organisations seeks to provide the following facilities: Adequate flow of credit from financial institutions/banks, Support for technology up-gradation and modernization, Integrated infrastructural facilities, Modern testing

facilities and quality certification, Access to modern management practices, Entrepreneurship development and skill up gradation through appropriate training facilities, Support for product development, design intervention and packaging, Welfare of artisans and workers, Assistance for better access to domestic and export markets, and Clusterwise measures to promote capacity-building and empowerment of the units and their collectives. The various commissions, institutions, organisations & acts has been setup by the concerned Ministry to promote & develop the various industries at micro, small and medium levels. Some of the important institutional setups are as: Micro, Small and Medium Enterprises Development (MSMED) Act 2006, Khadi & Village Industries Commission (KVIC), Coir Board, National Small Industries Corporation (NSIC) Ltd., Mahatma Gandhi Institute for Rural Industrialisation (MGIRI), National Board for Micro, Small and Medium Enterprises (NB MSME), and National Institute for Micro, Small and Medium Enterprises.

Literature Review

Ghatak, Shambhu (2010) in his paper titled "Micro, small and medium enterprises (MSMEs) in India: an appraisal highlighted that status of Indian MSMEs is better than its counterpart in Bangladesh & Pakistan. About 36% of Pakistani SMEs have bank accounts where as about 46% Bangladeshi's SMEs have Bank accounts. In comparison to them about 95% of Indian SMEs have their bank accounts. He further stated that Indian Govt. should accelerate its initiatives to provide further support to these Small scale industries. Srinivas, K. T. (2013) in his paper entitled Role of micro, small and medium enterprises in inclusive growth concluded that the MSMEs has been termed as the engine for the growth of the Country. In the last few years, there has been tremendous change in the national & State level for consolidating this sector. Poor infrastructure & lack of marketing linkages are the key reasons for the poor growth of the MSMEs in India. The support provided by the state as well as Central Govt. is not adequate for the upliftment of the MSMEs in India. Therefore the entrepreneurs in India & Govt. should take some initiatives for further-development of these MSMEs in India.

Research Objective

1. To research the development and current state of MSMEs in India.
2. To research how MSMEs affect the creation of jobs in India.
3. To be aware of the issues MSMEs in India are facing.

Research Methodology

The study is based on secondary data that has been collected from various secondary sources such as magazines, annual reports, department of MSMEs & various other published reports. The data has been presented in the form of table and interpretations have been made in light of the objectives of the study cited above.

Analysis of data

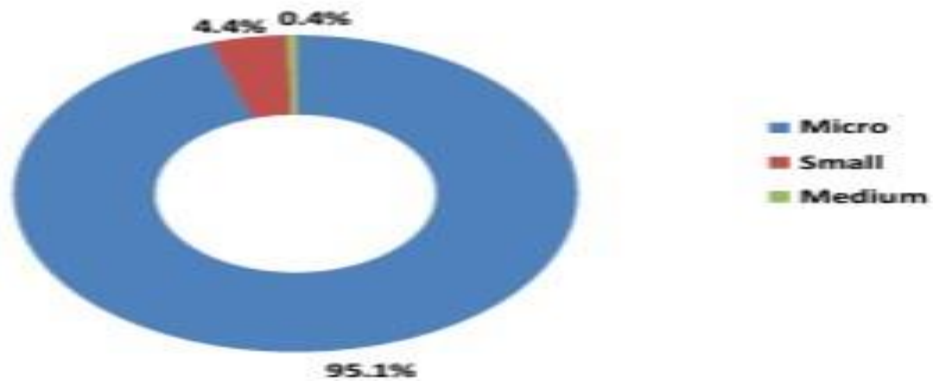
Registration of MSMEs in Udyam Registration Portal

Table 1: Quarter wise MSME Registration

Quarter/ Category	Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	Q3 2021-22	Q4 2021-22	Total
Micro	6,27,956	8,78,758	11,45,258	8,22,347	12,95,727	12,98,257	15,58,751	76,27,054
Small	38,512	62,286	80,013	40,771	51,788	40,659	39,214	3,53,243
Medium	8,227	7,789	8,588	3,336	3,632	2,404	1,922	35,898
Total	6,74,695	9,48,833	12,33,859	8,66,454	13,51,147	13,41,320	15,99,887	80,16,195

Note: Q1: Apr- June, Q2: Jul-Sep, Q3: Oct-Dec, Q4: Jan-Mar

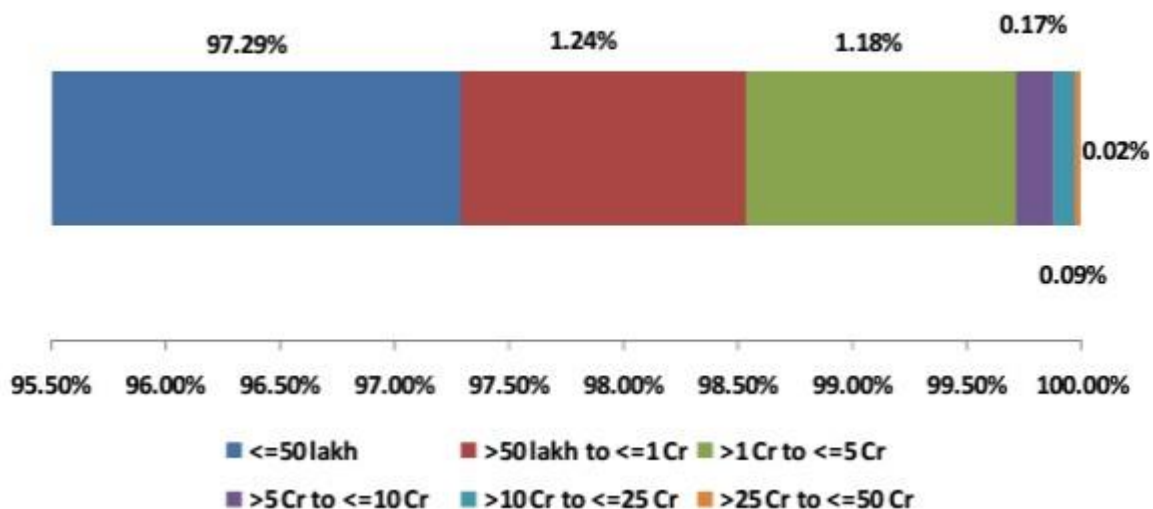
Chart 1: Percentage share of MSMEs in Total Registration



2. Investment in MSMEs registered on Udyam Portal

Table 2. Investment in MSMEs Registered on Udyam Portal

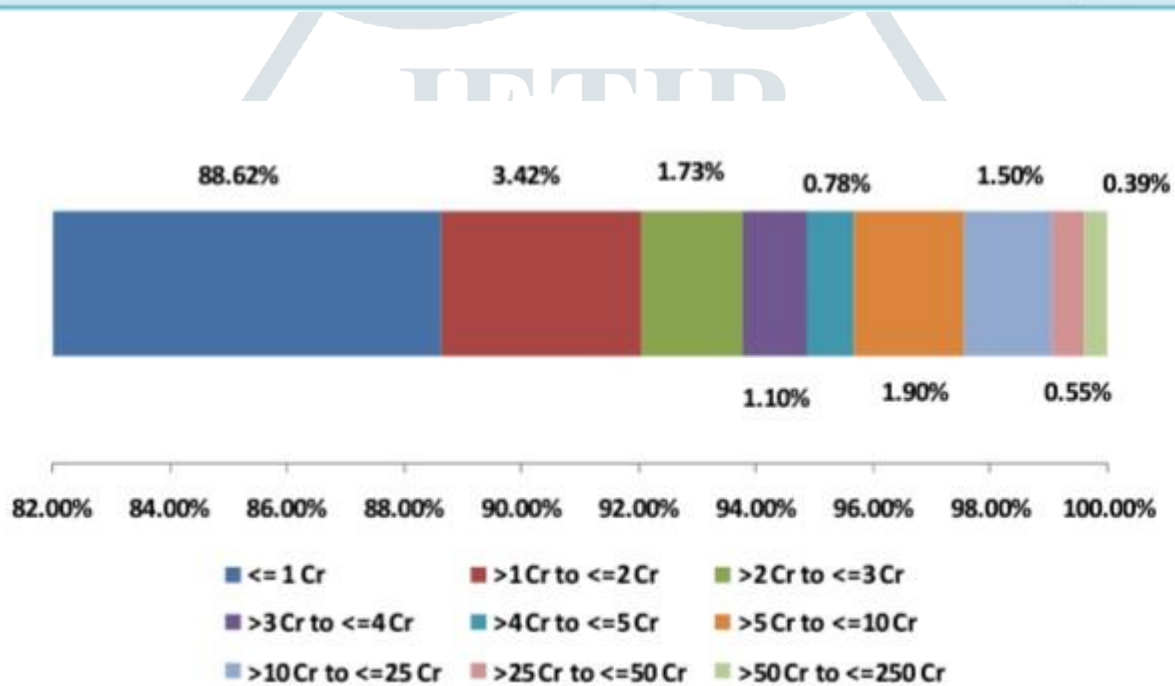
Investment Range (in Rs.)	Number of MSMEs registered
<= 50 lakh	77,98,976
>50 lakh to <=1 Cr	99,563
>1 Cr to <=5 Cr	94,893
>5 Cr to <=10 Cr	13,324
>10 Cr to <=25 Cr	7,470
>25 Cr to <=50 Cr	1,969
Total	80,16,195



3. Turnover in MSMEs registered on Udyam Portal

Table 3. Turnover in MSMEs Registered on Udyam Portal

Turnover range (in Rs.)	Number of MSMEs registered
<= 1 Cr	71,03,714
>1 Cr to <=2 Cr	2,74,424
>2 Cr to <=3 Cr	1,39,003
>3 Cr to <=4 Cr	88,369
>4 Cr to <=5 Cr	62,742
>5 Cr to <=10 Cr	1,51,913
>10 Cr to <=25 Cr	1,20,577
>25 Cr to <=50 Cr	44,134
>50 Cr to <=250 Cr	31,319
Total	80,16,195

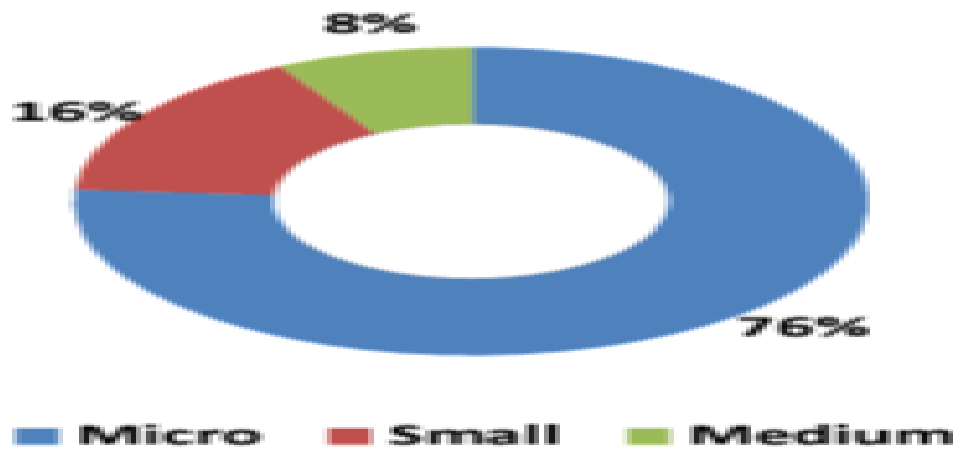


4. Employment in MSMEs registered under Udyam Portal

Table 4. Employment in MSMEs Registered on Udyam Portal

	2020-21*	2021-22	Total number of persons employed
Micro	1,72,68,076	3,11,69,110	4,84,37,186
Small	65,98,746	34,80,794	1,00,79,540
Medium	40,03,978	10,83,079	50,87,057
Total	2,78,70,800	3,57,32,983	6,36,03,783

*from 01.07.2020



Challenges of MSMEs in India

Micro, Small, and Medium Enterprises (MSMEs) in India face several challenges that hinder their growth and sustainability. Here are some common challenges faced by MSMEs in India:

- 1. Limited Access to Finance:** MSMEs often struggle to access adequate financial resources due to their limited collateral, lack of credit history, and inability to meet the stringent criteria of financial institutions. This hampers their ability to invest in technology, infrastructure, and skilled labor.
- 2. Lack of Infrastructure:** MSMEs in India face inadequate infrastructure such as power supply, transportation, and communication facilities. These deficiencies affect the productivity and efficiency of operations, resulting in higher costs and delayed deliveries.
- 3. Technological Obsolescence:** Many MSMEs lack access to advanced technologies and struggle to keep up with rapid technological advancements. This makes them less competitive in the market and restricts their ability to innovate and improve product quality.
- 4. Skilled Manpower Shortage:** MSMEs often face challenges in recruiting and retaining skilled manpower due to the preference for established organizations and the lack of proper training facilities. The absence of skilled workers affects productivity and inhibits innovation.
- 5. Limited Market Access:** MSMEs struggle to penetrate new markets and face stiff competition from larger enterprises. They often lack the resources and expertise to effectively market their products and explore new business opportunities, both domestically and internationally.
- 6. Regulatory Compliance:** MSMEs in India face a complex regulatory environment, including compliance with labor laws, tax regulations, environmental standards, and licensing requirements. Complying with these regulations can be time-consuming and costly for small businesses.
- 7. Inadequate Institutional Support:** MSMEs often lack access to adequate institutional support, such as business development services, technology incubators, and mentorship programs. This limits their ability to gain knowledge, upgrade skills, and access guidance for business expansion.

8. Inefficient Supply Chain Management: MSMEs face challenges in managing their supply chains efficiently, including sourcing raw materials, inventory management, and timely delivery. Inefficient supply chain management can result in production delays and increased costs.

9. Lack of Awareness about Government Schemes: Despite various government initiatives to support MSMEs, many entrepreneurs are unaware of these schemes or find it challenging to navigate the application process. This leads to underutilization of available benefits.

10. Vulnerability to Economic Fluctuations: MSMEs are particularly vulnerable to economic downturns and market fluctuations. They often struggle to withstand financial shocks, such as changes in interest rates, inflation, or market demand.

Addressing these challenges requires concerted efforts from the government, financial institutions, industry associations, and other stakeholders. Implementing reforms to improve access to finance, enhancing infrastructure, promoting technology adoption, providing skill development programs, simplifying regulatory processes, and facilitating market access can significantly support the growth and sustainability of MSMEs in India.

Some suggestions to address the challenges faced by MSMEs in India:

1. Access to Finance:

- Establish dedicated MSME financing institutions or funds that provide flexible financing options with relaxed collateral requirements.
- Simplify loan application processes and reduce paperwork to make it easier for MSMEs to access credit.
- Promote alternative financing options such as venture capital, angel investors, crowdfunding, and peer-to-peer lending platforms.

2. Infrastructure Development:

- Invest in infrastructure development projects, particularly in industrial areas, to improve connectivity, power supply, and logistics networks.
- Encourage public-private partnerships to develop and maintain infrastructure facilities.
- Provide incentives or subsidies for MSMEs to adopt renewable energy sources and improve energy efficiency.

3. Technological Up gradation:

- Establish technology incubation centers and provide financial support for MSMEs to adopt new technologies, such as automation, digitalization, and cloud computing.
- Promote collaborations between MSMEs and research institutions to facilitate technology transfer and innovation.

- Conduct training programs and workshops to enhance technological skills among MSME owners and employees.

4. Skill Development:

- Collaborate with educational institutions and industry associations to design skill development programs tailored to the needs of MSMEs.
- Provide subsidies or incentives for MSMEs to offer training and skill upgradation programs to their employees.
- Establish apprenticeship programs to bridge the skill gap and create a pipeline of skilled workers for MSMEs.

5. Market Access:

- Support MSMEs in participating in trade fairs, exhibitions, and business networking events to showcase their products and services.
- Develop e-commerce platforms specifically for MSMEs to expand their market reach and facilitate online transactions.
- Provide market intelligence and export promotion assistance to MSMEs to explore international markets and increase exports.

6. Simplify Regulatory Compliance:

- Streamline and simplify regulatory processes, including tax compliance, licensing, and labor laws, to reduce the burden on MSMEs.
- Provide online portals and resources to educate MSMEs about regulatory requirements and facilitate compliance.
- Establish dedicated help desks or helplines to assist MSMEs with regulatory queries and concerns.

7. Institutional Support:

- Establish more business development centers and incubation facilities to provide guidance, mentorship, and networking opportunities for MSMEs.
- Strengthen industry associations and chambers of commerce to actively advocate for MSME interests and provide support services.
- Encourage collaboration between MSMEs and larger corporations through supplier development programs and mentorship initiatives.

8. Improve Supply Chain Management:

- Facilitate networking and collaboration among MSMEs to establish stronger supply chain linkages and joint procurement initiatives.

- Introduce technology-driven solutions such as supply chain management software and inventory tracking systems to enhance efficiency and transparency.
- Provide training programs and workshops on supply chain management best practices for MSME owners and managers.

9. Government Scheme Awareness:

- Conduct awareness campaigns through multiple channels to educate MSMEs about various government schemes, their benefits, and the application process.
- Establish dedicated helplines or online portals to provide information and support for MSMEs seeking assistance with government schemes.
- Collaborate with industry associations and local authorities to ensure effective dissemination of information about government initiatives.

10. Financial Resilience:

- Encourage MSMEs to maintain contingency funds and engage in financial planning to better withstand economic fluctuations.
- Provide access to insurance products tailored to the specific needs of MSMEs, such as business interruption insurance and trade credit insurance.
- Offer capacity-building programs to improve financial management skills among MSME owners, including budgeting, cash flow management, and risk assessment.

Conclusion

In conclusion, addressing the challenges faced by MSMEs in India is crucial for their growth, competitiveness, and contribution to the economy. By focusing on improving access to finance, enhancing infrastructure, promoting technological up gradation, facilitating skill development, simplifying regulatory compliance, providing institutional support, improving supply chain management, increasing awareness about government schemes, and fostering financial resilience, the ecosystem for MSMEs can be strengthened.

These measures require collaboration and coordination among government agencies, financial institutions, industry associations, educational institutions, and other stakeholders. By creating an enabling environment that supports MSMEs, India can unlock the full potential of these enterprises, leading to job creation, economic diversification, innovation, and inclusive growth.

It is important to continuously evaluate and adapt these strategies based on the evolving needs of MSMEs and the changing business landscape. With sustained efforts and proactive support, MSMEs can overcome their challenges and thrive as vital contributors to India's economic development.

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