

# MSMES in India- Growth and Challenges : An Overview

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## **Abstract:**

India's Micro, Small, and Medium-Sized Enterprises are a key engine for the expansion of the Indian Economy. In addition to creating job possibilities, these MSMEs also contribute to the industrialization of rural regions while minimizing economic inequality among the locals. Through export output, domestic production, minimal investment needs, operational flexibility, technology-oriented businesses, etc., MSMEs substantially contribute to the growth of the Indian economy. In this article an attempt is made to know the growth and contribution made by Micro, Small and Medium Enterprises in India and to understand the role of MSMEs in providing employment opportunities in India. The various problems faced by these MSMEs in executing their operations have also been discussed in this article.

**Keyword:** MSME, Economy Growth, Employment Opportunities.

## **INTRODUCTION:**

Today, the MSME sector is significantly and crucially contributing to the growth of the Indian economy. The sector, which acts as a catalyst for the nation's socioeconomic transition, is essential to achieving the national goals of increasing employment, lowering poverty, and preventing rural-to-urban migration. These businesses encourage the adoption of indigenous technology while also contributing to the development of a vibrant entrepreneurial eco-system. The industry has continued to develop over the past few years, but it has done so in a limited context that frequently leads to ineffective resource use. Insufficient access to financial resources is one of the main obstacles preventing MSMEs from expanding and developing, which leaves small businesses vulnerable, especially during economic downturns. Throughout the whole value chain Thus, it is crucial to concentrate on those concerns that affect the establishment, development, and continuation of the sector's businesses. Today, credit lending institutions play a very significant role in the growth of the MSME sector. The government and financial institutions of India have made significant contributions to the growth and promotion of the MSME sector. The current article thoroughly examines the development and expansion activities of Indian MSME's from the inauguration.

economy in the last few years or so. The other part of the paper looks into the present scenario role of various financial institutions in overall development of MSME's across the nation. Research paper also aims to evaluate possible opportunities and challenges in the sector for raising funds through various financial institutions which should be considered by policy makers for better sustained results ahead.

**Keywords:** Financial Institutions, MSME's, resource utilization, entrepreneurial ecosystem, economic downturn, development initiatives

### **Introduction:**

MSME (Micro, Small and Medium Enterprises) sector is very much crucial to India's economy. There are around 29.8 million enterpris economy in the last few years or so. The other part of the paper looks into the present scenario role of various financial institutions in overall development of MSME's across the nation. Research paper also aims to evaluate possible opportunities and challenges in the sector for raising funds through various financial institutions which should be considered by policy makers for better sustained results ahead.

**Keywords:** Financial Institutions, MSME's, resource utilization, entrepreneurial ecosystem, economic downturn, development initiatives

### **OBJECTIVS OF THE ARTICLE:**

- To find out the opportunity for MSMEs sector.
- Finding the challenges MSMEs are presenting time.

### **FUNCTIONS OF MSME:**

- Promote holistic development of the MSME sector & small businesses in the state by providing institutional support
- Develop and strengthen the MSME & small businesses ecosystem by adopting a Cluster based approach  
Enable MSMEs for scaling up their technology and product quality levels as well as fostering innovation in business.
- Enable MSMEs access to top class technologies by supporting setting up of Common Facility Centers (CFCs) in clusters
- Facilitate access to credit for MSMEs & small businesses to meet their varied financial requirements across the business life cycle and provide financial services
- Provide advisory services to MSMEs and small businesses for enhancing their business performance
- Facilitate integration of Haryana MSMEs into the global value chain by enhancing their export potential Assist in creating marketing linkages of state MSMEs & small businesses to enable their access to newer markets — domestic & international — and enhance their visibility
- Catalyze the spirit of entrepreneurship development & give a thrust to state MSME & small businesses landscape by facilitating Ease of Doing Business and reducing the Cost of Doing Business Develop a robust policy framework to strengthen the MSMEs & small businesses ecosystem and engage with all key stakeholders including Business Membership Organizations
- Support Research & Development among MSME & small businesses by linking them with leading think tanks and R&D institutions, thereby creating effective Government-Industry-Academia linkages
- Initiate R3D (Research, Development, Demonstration & Dissemination) and technology transfer projects to strengthen the state's technology landscape in collaboration with bilateral & multilateral agencies

Handhold and facilitate the state MSMEs & small businesses to avail benefits under various centre and state government incentives

- Engage with geographic and product specific MSMEs and Traders Business Membership Organizations for their quick grievance redressed
- Provide facilitation support to retail and wholesale traders and small businesses, and grant applicable business licenses
- Coordinate with various center and state govt. agencies, financial and research/technical institutions Handhold MSMEs and small businesses to tide over economic shocks and business disruptions Develop a monitoring mechanism to evaluate impact of various schemes and programs of the government through data synthesis

### Features of the Ministry of MSME

- Works for the welfare of artisans and workers
- Provides credit limit or funding support from banks
- Promotes entrepreneurship development and skill up-gradation via specialized training centers
- Supports technology up-gradation, infrastructural development, and modernization
- Offers assistance for improved access to domestic and export markets
- Provides modern testing facilities and quality certification
- Supports packaging, product development, and design intervention

### CHALLENGES FACE BY MSMEs:

**Competition from multinational corporations:** In the current era of globalization, the MSME's face stiff competition from foreign manufacturing firms that offer high-quality products at competitive prices.

**Inadequate infrastructure:** Despite their rapid growth, MSME infrastructure is quite subpar. Due to inadequate infrastructure, their manufacturing capacity is highly constrained, and their production costs are very high.

**Unavailability of raw material and other inputs:** For the skilled labor force and other inputs needed by MSME that are not already on the market. It is quite difficult to make the items at inexpensive pricing due to the lack of these necessities.

**Lack of advanced technology-**The owners of MSME'S are not aware of advanced technologies of production.

**Lack of distribution of marketing channels-** the creative marketing channels are not being used by MSMEs .A really bag selling is caused by inefficient marketing knowledge and advertising.

**Lack of training and skill development program** The owners are not aware of the innovative methods of production. The skill developmental schemes conducted by the government are not sufficient

**Financial Concerns:** Due to a shortage of financing, MSMEs in India confront several difficulties. The majority of MSME owners are from rural, undereducated areas, and because they are uninformed of

government advantages, they are oblivious of their unique financial privileges. They make poor financial judgments as a result of their negligence, which puts them in financial trouble.

**Lack of innovation:** Most of the items produced by Indian MSMEs are based on old technology, and they are not very creative. Due to a serious lack of entrepreneurs, this industry has been unable to absorb new technology and techniques that have fundamentally altered fields like eCommerce and contact centres, among others. As a result, MSMEs have struggled with ageing technology and poor production levels, especially when compared to bigger businesses.

**Lack of uniform policies:** MSME policies are few in India. As a result, there is no uniformity in the initiatives for promoting entrepreneurship and MSME growth. Although Delhi has made some strides in the right direction over the years, more has to be done on a national scale if Indian businesses are to compete globally for foreign investors and corporations.

### **What is the Overall Impact of Such Challenges Faced By The MSME Sector?**

MSMEs have had difficulty ensuring development as a result of low productivity, corruption, and unfavorable working conditions. Due to this, the industry has had very little development and profitability, which is unacceptable for the economy as a whole. If India has a thriving MSME sector, it will generate a sizable number of employment that will unquestionably be advantageous to both the nation and its citizens.

### **Opportunities in MSMEs**

The opportunities in the MSME industry are massive due to the succeeding factors:

- The employment opportunities in MSME has the potential to escalate by over 50% till the next decade. Innumerable benefits and growth opportunities will attract huge participation and registration in the MSME sector.
- India is proceeding towards a more industrialized economy with sufficient growth in different sectors. All the economic sectors need to perform well to reflect the stability in MSMEs' growth to achieve holistic growth.
- The manufacturing sector has observed a growth rate of 18%, and the services sector has shown a 34% growth rate in employment.
- The MSME has huge growth potential in the khadi, coir, and village industry.
- 630 lakh micro sector enterprises account for over 99% of the total number of MSMEs, 3.31 lakh small sector and 0.05 lakh medium sector reports for 0.52% and 0.01% of overall MSMEs respectively
- Train and develop the entrepreneurship skills among the educated unemployed youth.
- Development of Micro, Small and Medium Scale Industries.
- Attract investment to uplift the industrial and social economy of the State.
- Modernize and strengthen the industrial units of the State to make them globally competent.
- Creation of conducive atmosphere for the industries for enabling them to compete at national/international levels.
- Create industry friendly atmosphere and suitable policies for development of the industries.
- Help and coordinate between industry and other agencies & act as a facilitator.

- Creation of Basic Infrastructure for Industrial Development.
- Creation of job opportunities through Self Employment Schemes.
- Train and develop the entrepreneurship skills among the educated unemployed youth.
- Encourage Educated unemployed youth to opt for self-employment.
- Revival of sick/closed industrial units.
- Export Promotion and potential for Indian products
- Funding – Finance & Subsidies
- Government's Promotion and Support
- Growth in demand in the domestic market
- Less Capital required

### Suggestions

1. MSMEs in urban areas need to be improved to create more employment opportunities for the development of economy.
2. Opportunities must be provided to women in terms of employment and business both in urban and rural areas through proper training.
3. . Government of India must take necessary steps to encourage medium enterprises too.
4. Bank credit and interest rates must be flexible according to the requirements of MSMEs.
5. Proper training must be provided to the MSMEs both in rural and urban areas in terms of technology and innovation.

### Conclusion

The MSME sector in India is growing at good pace & even is providing employment opportunities to masses of the people. The contribution of Manufacturing Sector as well as Service Sector of MSMEs is significant to the total GDP of the Country. The Govt. of India has taken number of initiatives & is in the process of gearing up the growth of Micro, Small & Medium Enterprises in the country. The Govt. of India is also making number of tie-ups & agreements with the NGOs, Governmental agencies as well as with the Universities for making it sure that proper implementation of Governmental policies for setting up of MSMEs is there & entrepreneurs are properly guided for starting their ventures. But still MSMEs are facing many challenges. The problem of unawareness towards technological advancement can be removed after running effective training and skill development programs. There should be low cost credit to the MSME'S. The foreign banks are not taking so much interest in sanctioning loan to the MSME sector. The outstanding bank credit is less than 50% of total fixed assets employed in MSME'S while the owners invest their own fund in working capital. The panel of experts must constitute to assess the status and the needs of the MSME'S. The future of MSME sector in India is bright and it will grow the economy

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