

**A Study on Challenges and Issues of MSME in India**

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**Abstract:**

In today's scenario Micro, Small and Medium Enterprises plays very major role in the development of India's Economy. Government also give more importance to the development of MSME because with the minimum amount of investment these industries can generate good amount of employment in the country. The aim of the paper is to study about various challenges and issues faced by Indian MSME. The research is conducted after collecting data from the secondary sources. Research work indicates knowledge and experience of employer and employees plays major role in the development of MSME. The major problems of MSME is creating due to the limited amount of finance. MSME sector is not able to take any kind of financial risk or changes at any point of time. To manage the Human Resource of the organization they have work for seminar, training program and learning classes type of plans for their employees. Mainly Entrepreneur have to focus on their employees and their development for the success of their business as per this research work.

**Keywords:**MSME, Challenges, Issues, Economy, Enterprises, Employment, Finance

## **INTRODUCTION**

MSME (Micro, Small and Medium Enterprises) is a part of Indian Economy and it's managed by the Indian Government. Rules and Regulation regarding MSME is framed by Indian Government. MSME is that kind of sector which grow faster and helps the economy for the it's faster development. MSME helps in industrializing the rural areas by providing lot of business opportunities with low budget of investment. It also helps in socio- economics development of the nation.

Basically, the industries are classified under the MSME development act, 2006, into two types:

- Enterprises engaged in the production or Manufacturing of the Product.
- Enterprises engaged in Providing Services.

Further Classification is based on the capital investment of Enterprises:

- Manufacturing Enterprises have been defined in 3 categories in terms of Plant & Machinery (excluding Land & Building).

<b>Sr. No.</b>	<b>Category – Type of Units</b>	<b>Investment in Plant &amp; Machinery</b>
1	Micro Enterprises	Up to Rs. 25 Lakhs
2	Small Enterprises	More than Rs. 25 Lakhs & up to Rs. 5 Crores
3	Medium Enterprises	More than Rs. 5 Crores & up to Rs. 10 Crores

- Service Enterprises have been defined in 3 categories in terms of their investment in Equipment (excluding Land & Building).

<b>Sr.No.</b>	<b>Category – Type of Units</b>	<b>Investment in Equipment</b>
1	Micro Enterprises	Up to Rs. 10 Lakhs
2	Small Enterprises	More than Rs. 10 Lakhs & up to Rs. 2 Crores
3	Medium Enterprises	More than Rs. 2 Crores & up to Rs. 5 Crores

## **OBJECTIVES OF THE RESEARCH**

1. To Study the major issues faced by MSME in India.
2. To find the contribution of MSME in development of Indian economy.
3. Government efforts for the development of MSME in India.

## **REVIEW OF LITERATURE**

**Pooja Khatri (2019)** conducts a descriptive study on the challenges of the Indian MSME sector. She studies the major five challenges faced by MSME. In which she covers finance, technology, human resources, marketing, operational, export related area of economy. She finds out that MSME contributes good amount of contribution to the GDP of the country. Major challenge is to manage the working capital in the MSME sector due to lack of the finance. Entrepreneurs and workers need to be trained properly to understand the market properly.

**Dinesh Kumar V & Dharaneedharan S (2017)** analysed A Statistical study on Challenges and issues in MSME start-ups of Manufacturing Units. They studied Cosmo craft Technologies, Coimbatore Tamilnadu 's company for their research paper. They covered different areas of the company like financial, operational, marketing, technology for their survey. As per their survey the main factor is the knowledge and experience of the entrepreneurs affects whole MSME. This research paper clearly says that every entrepreneur should concentrate on Employees development so that their business can growth easily.

**Ashok Kumar Panigrahi (2012)** analysed that proper training and development for enhancing manager's knowledge and awareness about risk management can help in systematic handling of risks in MSMEs. As per his research MSMEs face issues like recruitment of skilful employees, technical issues, financial issues, marketing related issues and etc. Mainly entrepreneur had big challenge to manage small size unit with lack of professional touch of industry.

**Bilas S. Kale (2015)** conducts a descriptive study of MSMEs operating in Maharashtra to establish that MSMEs helps the Indian economy to grow faster. It also flights against

unemployment, poverty and helps to achieve goal of socio-economic growth of the state. his study also says that MSME development leads to the equality of social levels.

**Syamala Devi Bhoghanadam, Nune Srinivasa and Rao, Dasaraju Srinivasa (2017)** study the existing Literature review on challenges faced by MSMEs in India. They studied mainly two factors internal and external sector. Study also covers external factor like environment, market strategy. Financial issues.

### **GROWTH OF MSME IN THE PAST YEARS:**

Comprehensive information on the MSME Sector can be obtained from both Fourth all India MSME Census was held in 2006-07 and the NSS 73rd Round (2015-16). Being held almost 10 years' time gap, a comparison of the two sets of results can capture the growth of the basic parameters of the MSME Sector over a decade.

<b>Parameter</b>	<b>NSS 73<sup>rd</sup> round 2015-2016</b>	<b>Forth of All India Census of MSME,2006-2007</b>	<b>Annual Compound Growth Rate</b>
No. of MSMEs (Total)	633.88	361.76	6.43
Manufacturing	196.65	115.00	6.14
Services	437.23	246.76	6.56
Employment (Total)	1109.89	805.24	3.63
Manufacturing	360.42	320.03	1.33
Services	749.47	485.21	4.95

\* Service includes Trade, Electricity & Other services.

### **RECENT POLICIES INTIATED BY GOVERNMENT**

#### **1. Udyog Aadhaar Memorandum**

As per provisions of the MSMED Act 2006, MSMEs file Entrepreneurs Memorandum (Part-I) at District Industries Centers (DICs) before starting an enterprise. After commencement of the project, the entrepreneur concerned files Entrepreneurs Memorandum (Part-II)/[EM- II]. Prior to enactment of the Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act, 2006) there was a system of registration by small scale industrial units to the

DICs. Since September 2015, EM-II has been replaced by the Udyog Aadhaar Memorandum (UAM). UAM is a one-page online registration system for MSMEs based on self-certification. This is a path breaking step to promote ease-of-doing-business for MSMEs in India as the UAM replaces the filing of Entrepreneurs' Memorandum (EM part-I & II). The entrepreneurs in the MSME sector just need to file online, a simple one-page UAM on <http://udyogaadhaar.gov.in> to instantly get a unique Udyog Aadhaar Number (UAN). The information sought is on self-certification basis and no supporting documents are required at the time of online filing of UAM. Revised notifications were also issued on 10.01.2017 and 30.06.2017 for inclusion of new features including amendment provisions. More than 68.25 lakh units have so far been registered under UAM till 30.05.2019. UAM also collects information regarding the social category of owner of enterprises.

## **2. Framework for Revival and Rehabilitation of MSMEs**

In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs, the Ministry of Micro, Small and Medium Enterprises, Government of India, vide

its Gazette Notification dated May 29, 2015 notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'. Reserve Bank of India, after continuous follow up, has also issued guidelines to the Banks on 17.3.2016. Under these guidelines Banks have created a structure for finalizing corrective action plan for revival & rehabilitation of MSMEs.

## **3. MSME Data Bank**

For facilitating the promotion and development and enhancing the competitiveness of MSMEs, the Ministry of MSME vide Gazette Notification No. 750(E) dated 29.07.2016 had notified the MSME Development (Furnishing of information Rules, 2016) under which all MSMEs are to furnish information relating to their enterprises online to the Central Government in the data bank maintained by it at [www.msmedatabank.in](http://www.msmedatabank.in).

This data bank will enable Ministry of MSME to streamline and monitor the schemes and pass on the benefits directly to MSMEs. It will also provide the real-time information

about the status of MSMEs under various parameters. Data Bank is helpful to MSME units, who can now update their enterprise information as and when required without visiting any government office

and also update information about their products/services, which can be accessed by government departments to do procurement under Public Procurement Policy of the Government. To facilitate the enterprises to take benefits of various schemes by the Office of Development Commissioner (MSME), his office has launched a web-based application module, namely, MyMSME. This has also been converted into a mobile app. Entrepreneurs will be able to make their applications and track it on their mobile itself.

#### **4. Direct Benefit Transfer in the M/o MSME**

All welfare and subsidy schemes of Government of India have been brought under Direct Benefit Transfer (DBT) with the aim of reforming Government delivery system by the existing process in welfare and subsidy schemes, for simpler and faster flow of funds and to ensure accurate targeting of the beneficiaries, de-duplication and reduction of fraud.

As the nodal point for the implementation of the DBT programmes, DBT cell have been constituted in the Ministry. In 2018-19 all the 20 schemes of the Ministry of MSME were onboarded on DBT Bharat Portal out of which 1 scheme (i.e. Coir Udyami Yojana scheme) has been subsumed in Prime Minister's Employment Generation Programme (PMEGP). These schemes have been categorized based on the benefit type to the beneficiary's i.e., Cash, Kind or Composite (i.e. Cash and Kind).

#### **PRESENT STATUS ABOUT MSME IN INDIA:**

India's Micro, Small and Medium Enterprises are second largest in the world. These sectors provide wide range of manufacturing product over 6000 ranging from traditional to hi-tech items. There are about 63.05 million micro industries, 0.33 million small, and about 5000 medium enterprises in the country.

As per the statistics Uttar Pradesh has the largest number of estimated MSME with the share around 14%. Further followed by West Bengal, Tamil Nadu and Maharashtra's major contribution in MSME of India.

All the rules and Regulation regarding MSME is framed by the Indian Government. Currently MSME Act, 2006 is implemented. All enterprises have to follow the rules of this act from registration to end.

## **INDUSTRIES UNDER MSME**

There are certain industries which comes under this category are as follows:

1. Micro Enterprises – All the Micro Enterprises were registered as per the MSME act, 2006. Micro Enterprises includes agricultural activities, papers industry, Pen industry, Small toys factory, bakery etc.
2. Small Enterprises: Example of Small Enterprises are Automobiles, Hospitals, College, School, Dairy product etc.
3. Medium Enterprises: Medium Enterprises includes large scale manufacturing sectors, Textile mills, Medicine manufacturing industry etc.

## **CHALLENGES FACED BY MSME IN INDIA**

MSME is largest sector of Indian economy. It contributes 40% to the GDP of the country. The MSME have provided an employment of about 111 million people in India and also plays important role in export of goods and services. Because of the huge area of MSME it has lots of challenges and issues. Which are increasing day by day. Here listed out some of the Major challenges by MSME as under:

- MSME industries have limited Finance so they are unable to manage the quick finance need.
- They are not capable to accept sudden changes in Government Policy.
- MSME also face lack of money when RBI changes its Rate of Interest.
- Sometimes they face financial crisis due to lack of proper budget planning.
- Most of the MSME have employees which are not educated or not able to accept the changes at all. So been difficult for to manage them when any kind of changes comes in existence.
- Mostly employees of MSME have lack of knowledge and skills. They are not able to understand the basic terminology of any Business. And management have not sufficient budget to hire the educated employees.
- In MSME employees and workers work for their basic need so they were not interested in the development of their selves or organization.

- Due to the differences in background and culture of employees often conflicts arises between them.
- MSME also face problems regarding the availability of raw materials. Due to transportation issue, natural climate changes, strike and etc.
- MSME needs proper machinery to produce good quality product but due to lack of finance they cannot afford a standard machinery.
- Some times MSME face problem to the lack of time management in the industry.
- While planning for MSME startup they have to find out the places which is convenient for employees to daily come and also as per the availability of transport facilities. at last and main thing is manage them within a particular budget.
- Another major function affects MSME is competition. There are lots of substitute available in the market. So, it's bit difficult to survive in the market.
- Customer loyalty and their preferences also affects the MSME. If sudden customer is not liking the product or their priorities may change than it is not possible for MSME to survive in the market.
- If MSME have great Marketing techniques and they are able to sell their product in the market. In today's world digital marketing is also plays an important role in the development of any business and enterprises.
- MSME produced very basic products so there is risk of changes in price value of product. Because price of any product depends on the need and availability of the products so it's often changes. So, it is difficult for MSME to survive in that situation.

## **CONCLUSION**

Thus, the Research work clearly say that knowledge and experience of employer and employees plays major role in the development of MSME. The major problems of MSME is creating due to the limited amount of finance. MSME sector is not able to take any kind of financial risk or changes at any point of time. If We talk about the technology than most of the employees were uneducated so they not familiar with the basic technology too. Also, they never accept the change in technology for the development of Enterprises. Marketing strategy also effects MSME because most of these industries produced the substitute product in the market so it's been necessary for them to survive in the market. To manage the Human

Resource of the organization they have work for seminar, training program and learning classes type of plans for their employees.

Mainly Entrepreneur have to focus on their employees and their development for the success of their business as per this research work.

### **Limitation and Scope for Further Research:**

This study is based on Secondary data and the Government reports have been used to analysis the Challenges and issues of MSME in India. Primary survey could provide more realistic results for the challenges and issues of MSME.

Further study may be conducted by using sample techniques and collect the data like MSME type, category, number of workers, policy followed by MSME, structure and framework of MSME and etc. A comparative study of MSME gave actual answer of challenges and issues of MSME.

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