



CHALLENGES AND OPPORTUNITIES IN MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

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ABSTRACT

Worldwide, Micro, Small and Medium Enterprises (MSMEs) have been accepted as an engine of economic growth and for promoting equitable development. In developing countries including India, Micro, Small and Medium Enterprises sector constitute an important part in its development. The MSME'S also have the vital role in dispersal of industries and generation of employment opportunities. In spite of this importance, this sector face number of constraints .The sector has undergone several changes regarding definition. The Small Scale Industries (SSI) has been renamed as Micro, Small and Medium Enterprises (MSMEs) with the introduction of MSMED Act, 2006. The distribution of MSME'S in all over India is not equal because of unavailability of raw material, unawareness or lack of entrepreneurial skills development and lack of support of financial and technical assistance from concerning local authorities at district or state and central level. The current paper is an attempt to critically analyze the definitional aspect of MSMEs and explore the opportunities enjoyed and the constraints faced by them.

Keywords: *MSME, problems of MSME'S, Potentials in MSME'S.*

I. INTRODUCTION

In India, since last many years, the MSME'S are recognized as means of production and service rendering with utilization of limited resources. MSME not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSME are complementary to large industries as ancillary units and this sector contributes enormously to the socio economic development of the country. They are the nurseries for entrepreneurship and innovation. MSME'S contributes towards, investment, employment generation, GDP, production etc,

II. OBJECTIVE OF THE STUDY

The major objectives of the study are as follows:

- To examine the changing pattern of definition of the Micro, Small and Medium Enterprises (MSMEs) in India.
- To find the challenges and constraints in the MSME sector.
- To analyze the opportunities in MSMEs.
- To recommend the suggestions for the growth and development of the MSMEs.



III. RESEARCH METHODOLOGY

The research project is descriptive and analytical in nature. The research project is mainly based on secondary sources which include books and web pages.

IV. DEFINITIONAL ASPECT OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

The definition of Small Scale Industries has undergone changes for many times. The main criterion for definition was mainly the investment level and number of employees. The chart below shows the changing pattern of SSI definition. A major change took place in 2006 with the enactment of MSME Development Act, 2006. In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. The Micro, Small and Medium Enterprises (MSME) are classified into two categories.

- **Manufacturing Enterprises-** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951. The Manufacturing Enterprise is defined in terms of investment level in plant & machinery.
- **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified are as under:

Table : 1. Classification of micro, small and medium enterprises

Classification	Investment Ceiling for Plant, Machinery or Equipments	
Manufacturing	Service Enterprises	
Micro	Upto Rs.25 lakh	Upto Rs.10 lakh
Small	Above Rs.25 lakh & upto Rs.5 crore	Above Rs.10 lakh & upto Rs.2 crore
Medium	Above Rs.5 crore & upto Rs.10 crore	Above Rs.2 crore & upto Rs.5 crore

V. CHALLENGES FACED BY MSMES

MSMEs are very important in the economic growth of India but this sector is not getting sufficient support from the concerned government Departments, banks, financial institutions and corporate. This proves hurdle in the growth path of the MSMEs. Problems faced by them are:

- Absence of adequate and timely banking finance.
- Limited capital and knowledge, non-availability of suitable technology.
- Low production capacity.
- High cost of credit.
- Ineffective marketing strategy.
- Lack of skilled man power for manufacturing, services, marketing etc.
- Lack of access to global markets.
- Constraints on modernization of expansion.
- Problems of storage, designing, packing and product display.



- In adequate infrastructure facilities, including power, water, roads.
- Competition from multinational companies

VI. OPPORTUNITIES IN MSMES

- Less capital intensive.
- Most important employment generating sector. It provides 50% of private sector employment.
- Effective tool for promotion of balanced regional development.
- It is extensively promoted and supported by the Government.
- Finance and subsidies are provided by the government.
- Produced goods are purchased by the Government.
- 40% exports in India are through MSME channel.
- Procurement of machinery and raw material.
- Globalization has offered new opportunities for the MSMEs.
- Trade fairs and exhibitions played a vital role in the economic growth of the countries.

VII. SUGGESTIONS FOR IMPROVEMENT

According to our study and the annual reports of MSME'S, we strongly recommend the following suggestions for the growth and development of the MSMEs in India:

- **Mutual Supply of Technologies:** A number of appropriate technologies for the MSME sector have developed in various sectors. While each MSME has its areas of strengths and weaknesses, therefore, it would be mutually valuable if already developed technologies made available to each other. A comprehensive list of all sorts of technologies should be prepared and made available accordingly to the MSMEs requiring it.
- **Constitution of a Panel of Consultants:** For the purpose of technological advancement and guidance a panel of experts and consultants should be prepared, who can help the MSMEs within the region for effectively transfer the available technologies. The constitution of panel of these consultants could be nature wise of the activities of the MSME .At the time of constitution of panel of experts, there should be inclusion of the owners of different sectors of MSME'S.
- **Determination of Technological Needs:** There should be detailed survey to assess the technical and financial needs of the MSME. So that, the proper arrangement could be make to fulfill the needs of the MSME'S.
- **Training and development, awareness programs:** Training and development programs must be conducted by the MSME ministry. The currently running programs are not so effective and sufficient. One of the important reasons for slow utilization of schemes is the lack of knowledge about schemes and their benefits. There is a need to develop a better communication strategy and use of new media tools.
- **Sufficient availability of the credit-** Our banking system does not provide sufficient amount of credit to fulfill their requirement of establishment of MSME and as well as not for the operational activities. Therefore, there must be availability of credit according to the requirement at cheaper rate.



- **Relaxation in labor laws and red tape**-There should be relaxation in complex labor laws to avoid the inconvenience in compliance. There should not be uniform labor laws to each MSME. There must be smooth running of the concern not to create a problem for them. Every effort must do to avoid the unnecessary red tape.
- **Proper research and development:** There should be proper research and development in respect of innovative methods of production and service rendering. The innovative products will provide the cheaper products and the MSME'S will be able to cope up with the situation.

VIII. CONCLUSION

MSME's provide job and employment and ultimately self dependency. Therefore, MSME's can be boon and a hope for Indian economy in near future. The MSME'S are providing the uniform development to the society and can be a strong mean to utilize the natural resources of the India. The MSME's are very helpful to remove the regional imbalances if it is established in the underdeveloped areas.

The future of MSME sector in India is bright and it will grow the economy. The Govt. has taken several policy initiatives but needs to ensure proper co-ordination and implementation of such schemes. The MSMEs must convert the threats of globalization into opportunities through increased productivity, product diversification, supply chain management, Research and Development activities.

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