

Micro, Small and Medium Enterprises (MSMEs) in India: Scopes and Challenges

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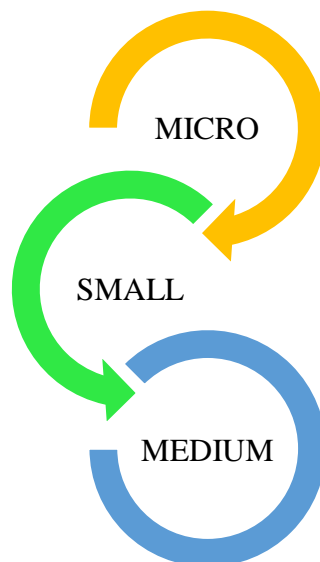
ABSTRACT

MSMEs refers to Micro, Small and Medium Enterprises. MSMEs sector provides a large contribution to economic development and social development. MSMEs provide large employment, provide more production that gives positive impact to our economy. In this paper, focus on the challenges and scope of MSMEs. MSMEs has many scopes like required less capital, good image in domestic markets and provide contribution to economic growth. But it faces many challenges like unskilled labour and low production capacity. MSME Act comes into existence in 26, September 2006. It comes under Micro, Small and Medium Enterprises Development Act 2006. This act also provides promotional and development activities.

Keywords:- MSME, Scopes, Challenges, Economic development.

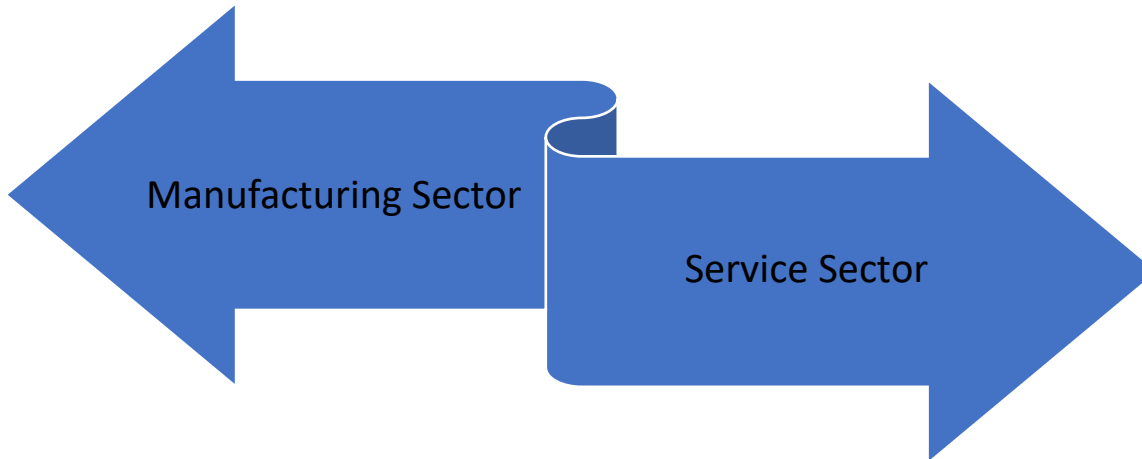
INTRODUCTION

During the last five decades, MSMEs sector play a crucial role in the Indian economy and social developments. But in present situation MSMEs face many problems. Due to covid-19 MSMEs production and manufacturing also stopped. COVID-19 pandemic government introduce Atmanirbhar Bharat. Government also focuses on Khadi sector or Coir sector. MSMEs sector provide large employments. It is not required large capital. MSMEs sector is divided into three parts: -



Governments provide time to time many schemes like Prime Minister's Employment Generation Program (PMEGP), Entrepreneurship & Skill Development Program (ESDP), Mahila Coir Yojana and Export Market Promotion. Government provides this scheme because they provide financial benefits. Many Industries come under MSME like plastic industry, textile industry, garments and agriculture product industry.

MSMEs come into existence in 26 September 2006. It comes under Ministry of MSMEs. Act is Micro, Small and Medium Enterprises Development Act. MSMEs are divided into two parts:



Trading activity are not covered under MSMEs. Manufacture sector involve plant and machinery. Service sector include equipment.

Definition Annual Report 2019-20

MSMEs is defined according to MSMED act 2006. **Old MSME definition:** -

Investment limits: Manufacturing Sectors

Enterprises	Investment in Plant & Machinery
Micro Enterprises	Does not exceed rupees 25 lakhs
Small Enterprises	More than rupees 25 lakhs but Does not exceed rupees 5 crores
Medium Enterprises	More than rupees 5 crores but Does not exceed rupees 10 crores

Investment limits: Service Sector

Enterprises	Investment in Equipment's
Micro Enterprises	Does not exceed rupees 10 lakhs
Small Enterprises	More than rupees 10 lakhs but Does not exceed rupees 2 crores
Medium Enterprises	More than rupees 2 crores but Does not exceed rupees 5 crore

Change in time, change in profits and change in investment scenario MSME revised their definition. Demands that investment limit and turnover limit should be defined.

So, MSMEs provide new definition.

New definition THE GAZETTE OF INDIA :(EXTRAORDINARY) {PART II-Sec,3(ii)}

Revised MSME classification			
Composite Criteria: Investment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment <Rs. 1 crore And Turnover <Rs. 5 crores	Investment <Rs.10 Crores And Turnover <Rs. 50 crores	Investment <Rs. 20 crores And Turnover < Rs.100 crores

BACKGROUND

MSME is based on Gandhian Model. Because Gandhi aims that India became “self – reliance”. MSME introduces after Industrial policy. MSMEs development institution which is known as SSI. SSI means Small Scale Industry. SSI set up all over India and aim to provide training and skills program. In 1999, ministries of MSME are known as SSI and ARI (Agriculture and Rural Industry) they provide focus on development and promotion of the sector.

In September 2001, the ministry was break into two parts: - the Ministry of Small-Scale Industries and the Ministry of Argo and Rural Industries. The President of India changes the rule and make a new rule. Merge all the industry and make a new industry. The ministry was focus on to promote micro and small enterprises. The small industry development organization was established in 1954. Small industry provides many services like training for entrepreneurship development.

According to 2019-20 report total number of MSME in India is 633.88 (numbers in lakh), Employment is 1109.89(number in lakhs), number of manufacturing enterprises is 360.41

Objectives of the study

There are many objectives of our study: -

1. To study the scope of MSMEs.
2. To study the challenges that face MSMEs
- 3 To study the contribution of MSMEs in Indian economy.
4. To suggest for positive and creative environment.

LITERATURE REVIEW

- Llahi (2015): The study explains the challenges and prospectus in Micro, Small and Medium Enterprises in India. Government provides subsidies and finance. Trade fair and exhibitions play a significance role in the country. But in MSMEs low production capacity. Problem in storage and packaging.
- Ali (2004): The study highlights many points like: MSMEs sector attract foreign investment and technology. MSMEs sector play a vital role and provided employment opportunities. MSMEs sector increase registration in comparison to industrial sector. Unavailability of loan and lack of financial institution create a problem.
- Das (2017): The study explains that MSMEs backbone an economy. Contribution of MSME in employment generation, economy growth contribution in export.
- Daniel(2017):The study it is expected that Indian economy will grow 8% per annum in 2020. MSMEs contribution in GDP and GNP. MSMEs very important sector to growth of the India but facing many challenges. Government, bank and financial institution take proper initiatives.

Scopes

MSMEs play a virtual role inemployment and economy development. Developing country depends on MSMEs because MSMEs require less capital and increasing the living of standards. MSMEs have many scopes: -



- Increasing export: -MSMEs is backbone of our Indian economy and mostly developing countries depends on MSMEs.MSMEs utilize wastage of resources.

- Utilization of the natural resource: -Our country is depending on natural resource. Use of natural resource make many products. In India mostly population to live in villages, and they don't know how to use resources. MSMEs provide many training programs and introduce how to use natural resources.
- Provide employment: -According to MSMEs annual report (2019-2020), In India there are 1109.89 lakh people get employment. After, agriculture sector MSMEs became 2nd largest sector that provide large employment. Large scope of MSMEs because large number of employees.
- Financial support: -Government introduce many schemes and aim to providing financial support. During COVID-19 mostly MSMEs faces financial problems. Because MSMEs not face unforeseen event. MSMEs have wide scope because government provide wide scope and provide relaxation.
- Loans: -Different type of loans finds in the market. MSMEs focus on those loans which provided lower interest rate and nature is provide at a cheap rate.
- Own control: -MSMEs is based on entrepreneurship. Entrepreneurship mean make self-reliance and make own control. In MSMEs all decision is taken by the owner. Owner makes their own control in the business.

Challenges face by MSME

MSMEs have many scopes, but faces many challenges. Banks and financial institution provide loans but limited. Challenges face by MSMEs is: -

- Lower production capacity: - MSMEs face lower production problem because lack of knowledge and technical disadvantages. They not produce huge quantity. Production limit is very low.
- Unskilled labour: - In MSMEs, there are a large number of employees. But mostly are unskilled and not know advance technology. If, provides training to the unskilled labour require more capital.
- Limited loan amount: - Banks and financial institution provide limited loan amount. If MSMEs sector competition with international market require more capital. But MSMEs has limited amount of capital.
- Not proper marketing: - MSMEs has not proper scope of marketing. In marketing activity include research and development process, survey, advertising etc.
- Technology advancement: - Today, there are many changes in technology. MSMEs have not more capacity to adopt this changing technology.
- Infrastructure facility: - MSMEs have not adequate infrastructure facility. Mostly industries are located in rural area. So, not proper infrastructure facilities, electricity and water facilities. It is said that a business or any industry developed if their infrastructure facilities is good.

Contribution of MSMEs in Indian economy

MSMEs play a significant role in the Indian economy. According to MSMEs annual report (2019-2020) more than 20% of proprietary MSMEs are owned by women. Government of India announced time to time many schemes. In the Covid-19 pandemic government of India announced Atmanirbhar Bharat. Aim that become self-reliant India. MSMEs sector manufacturing more than 8000 products like jute-based products: electronic products and industrial IT products, etc. Manufacture sector give 31% contribution to Indian economy (Annual report 2019-2020)

In India, there are 633.88 lakhs MSMEs which provide 1109.89 lakhs people employment. Mostly MSMEs are belongs to the rural sector and generate employment to the rural people. (Annual report 2019-2020)

MSME sector export many products like leather goods, textile, carpets and ready-made products. Since many last year export is also increasing. MSMEs have been rapidly improving and contribution to economy. Hence, MSMEs prove that MSMEs is backbone is our Indian economy.

SUGGESTIONS

On the basis of the study, following suggestion:

- ❖ Provide training and development program:- Change in technology, requirement of skilled labours. Skilled labour is possible if provided time to time training and development program. Today, skilled labour requirement is more. So, provided time to time training and development program.
- ❖ Focus on infrastructure facilities:-MSMEs play a virtual role in the Indian economy. But infrastructure facilities are very low. Most of the MSMEs belong to rural area. They face many problems like water and electronic problems. So, focus on infrastructure facilities. If, they focus on infrastructure facilities they also developed.
- ❖ More focuses on marketing activity: -If MSMEs want to increase their product demand, they more focus on marketing activity like to conduct time to time research and development program and advertisement.
- ❖ Increase production capacity:- MSMEs also increasing production capacity. If production capacity is increase, they also compete in other sectors and product.
- ❖ Support cashless transaction:- Government of India support cashless transaction and promote digital transaction. So, suggest promoting digital payments.
- ❖ Solve grievances timely:- Solve grievances timely that MSME not face the problem.

- ❖ Increasing in the loan amount:- If loan amount is increasing MSMEs also increasing their purchasing limits and production limits. Purchasing including raw materials and other machinery equipment's.
- ❖ Promote technology products: -Both the Government and Non-Government organize take initiative to promote technology product that they compete international products.
- ❖ Provide good working condition: -Provide good working condition of the employees, increasing their wages. If, employee is satisfied create a positive environment in the organization.

CONCLUSION

MSMEs play a big role in the Indian economy. MSMEs make a person become self-dependent. Student can also become entrepreneurs but require some special industrial skills. There are many scopes in MSMEs like own control, provide employment, limited amount of loans. But face many challenges like financial institution is not provide proper support, not proper infrastructure facilities. Due to technology advancement and unskilled labour production capacity is very low.

After agriculture sector, MSMEs sector become second largest sector that provided large employment's sector play an important role in the Indian economy. MSMEs sector export many products like leather, carpet and ready-made products. MSMEs have been rapidly improve and contribution in economy. Government provides many schemes time to time. Main focus of the government to provide financial benefits. That they can easily survive in the markets. India has a big advantage that it has a large amount of human resource but unskilled. Requirement to provide time to time training program. Promote technology products that compete international products and solve grievances timely.

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