



A Study on Recent Trends, Initiatives and Challenges of MSME

A.Ruchithra

Department of MBA, Aristotle PG College, Mail Id:bimanpallyruchithra@gmail.com.

To Cite this Article

A.Ruchithra. A Study on Recent Trends, Initiatives and Challenges of MSME. International Journal for Modern Trends in Science and Technology 2023, 9(05), pp. 315-320. <https://doi.org/10.46501/IJMTST0905052>

Article Info

Received: 06 April 2023; Accepted: 05 May 2023; Published: 15 May 2023.

ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) form the backbone of many economies around the world. These businesses typically have fewer than 250 employees and generate a relatively small amount of revenue compared to large corporations. Micro, Small and Medium Enterprises (MSMEs) are an important part of many economies around the world. Despite their importance, MSMEs also face several challenges such as limited access to finance, technology and skilled labor. Governments around the world have recognized these challenges and have implemented policies and initiatives to address them. By providing MSMEs with the necessary support, they can continue to thrive and contribute to the economy.

Keywords:. MSME, technology and skilled labor, policies

INTRODUCTION

In India, MSMEs contribute significantly to the country's GDP and are an important source of employment, particularly in rural areas. The Indian government has recognized the importance of MSMEs and has implemented several policies and initiatives to promote their growth and development. These include the creation of the MSME Development Act, which provides MSMEs with several benefits such as priority sector lending, tax exemptions and subsidies on technology upgrades.

REVIEW OF LITERATURE

1. Ashok Kumar Panigrahi (2012) highlights that proper training and development for enhancing the manager's knowledge and awareness about risk management can help in systematic handling of risks in MSMEs. MSMEs

provide important contributions to India's manufacturing output, employment, and exports. MSMEs face problems in the production and marketing of their products. Lack of proper infrastructural facilities, difficult access to credit, stiff competitions, and recruitment of skilled managerial and technical personnel is few of the challenges. Robust risk management is much more needed in case of SMEs because of their small size and lack of professional personnel. Some risks specific to SME sectors are related to their constitution, fund mobilization, inadequate margins, low collection in account receivables, lack of technological advancement, high employee turnover, microfinance, collateral security, bank lending, etc.

2. Arvind Kumar Singh, et. al. (2014) studies the role of entrepreneurs in the development of SME business given the current challenges faced by the sector. After

mentioning some of the key highlights of the MSME sector, the study discusses the major initiatives as undertaken by the Indian government to revitalize the sector. It highlights that small business act like the nursery of entrepreneurial and managerial talent. The problems faced by such entrepreneurs of the SME sector and assistance provided by the government are also discussed. The government can help this sector by providing R&D support, access to foreign technologies, innovative promotions, assistance from large firms, e-governance, and e-procurement.

3. M. Chandraiah, et. al. (2014) establishes that the growth of modern MSMEs is a rewarding feature of Indian economic development. MSMEs face a number of challenges in the field of credit, raw material, designing, packaging, storage, infrastructure, manpower, etc. but still it has been able to survive economic downturn and recession because of its innovation, adaptability, and resilience. Government policies prior to 1991, new small enterprise policy 1991 and comprehensive policy package 2000 have been discussed along with the recent challenges.

4. W.G Bonga (2014) analyses the challenges faced by SMEs in the internationalization of their products and suggests some strategies which can be employed at both individual and national levels. It also suggests a simplified regulatory framework, good governance, accessible finance, proper infrastructure, and availability of foreign market information to help SMEs in the promotion of their exports. Some of the major challenges in the way of increased exportation are lack of adequate finance, inadequate market research and analysis, inability to understand competitive conditions, lack of expertise to enter a foreign market, unfamiliar export procedures, etc. government assistance, initial focus on few selected markets, realistic commitments, understanding employment policies and reduction of regulatory burden are few of the suggestions.

5. AshuKaty, et. al. (2015) focus on the role of HR operations and systems in MSME. HR activities are often neglected by many MSMEs but it is always in the interest of any company to positively focus on HR development and management. Five human resource management areas which must be closely examined are job analysis, job security, training, and performance appraisal. MSMEs lack resources to advertise, compensate highly and train as compared to large organizations. The study

provides innovative strategies to deal with various HR challenges in the area of recruitment, retention, motivation, job security, empowerment, employee engagement, workforce diversity, etc.

6. Bilas S. Kale (2015) conducts a descriptive study of the MSMEs operating in Maharashtra to establish that MSMEs help to fight unemployment, poverty and achieve socio-economic growth in the state. MSMEs lead to inclusive and balanced growth of the economy by creating demand for goods and services. This sector reduces social imbalances and leads to foster sustainable development.

7. Dr. Gisha P. Mathai (2015) conducts an exploratory study to analyze the major challenges of the Indian MSME sector and also provide valuable suggestions for improvement. The author claims that the SME sector is like the spine of the nation providing the second largest employment opportunities. Some of the major problems are related to lack of bank credit, competition from MNCs, poor infrastructure, unavailability of raw materials, lack of advanced technologies, lack of marketing channels, lack of skill development program and complex labor laws. The author suggests that mutual supply of technologies, the constitution of a panel of consultants, determination of technological needs, awareness programs, sufficient availability of credit and relaxation in labor laws can lead to growth and development of Indian MSMEs.

8. Meeravali Shaik, et. al. (2017) establishes that although MSME sector has shown a positive contribution to employment and fixed assets growth in recent years but it still faces a number of challenges such as lack of timely credit, high cost of credit, difficulty in procurement of raw material, problems in storage and designing, inadequate infrastructure, low technology levels, lack of skilled manpower, etc. it suggests the government to adopt integrated policy with efficient governance for the MSME to help the sector increase its productivity and contribution to economic growth.

9. Suhail Mohammad Ghouse (2017) conducts primary research over 210 exporters of the handicraft industry establishes in and near Noida to understand the perceived challenges regarding the internationalization of their MSMEs. Unstructured questionnaires are used to explore their export markets, sales methods chosen, competition status and problems associated with export. It establishes that the UK and France are the largest

export markets, personal contacts and direct export sales are the most common sales method. Lack of infrastructure is found to be the topmost concern while exporting in international markets. The biggest challenges are related to export subsidies, market awareness and export promotion. The study recommends that export-related subsidies are most crucial to MSME exporters because of the tough price competition in the international market.

10. **Syamala Devi Bhoghanadam, et. al. (2017)** analyze the existing literature on various challenges faced by the Indian MSME sector and divides them into internal and external factors. The study also provides a literature matrix in which all the challenges are bifurcated into external issues, environmental issues, sociocultural issues, marketing issues, financial issues, HR development issues, and infrastructure issues.

11. **Sonia Mukherjee (2018)** analyzes the Indian coir industry with respect to its export trend for five years. The major reason for its deteriorating export competitiveness found out to be the absence of appropriate technology. She concludes that higher investment in advanced technology and R&D, higher usage of the digital platform, transfer of technology, higher investment in HR, improved access to finance and liberal business regulations can improve its global competitiveness. The study also includes a detailed analysis of the several measures taken by the Indian government for the technological development of Indian MSMEs.

OBJECTIVES OF THE STUDY

1. To know the Economic Growth of MSMEs in India.
2. To study the Employment Generation of MSMEs in India.
3. To know the Innovation, Initiatives and challenges of MSMEs
4. To know the contribution of MSME in Entrepreneurship Development

RESEARCH METHODOLOGY OF THE STUDY

SOURCE OF DATA

Secondary Data: Secondary Data refers to the information or facts already collected such data are collected with the objectives of understanding the past status of any variable or the collected and reported by

some source is accessed and used for the objectives of a study. Normally in this research, collected published data, journals, annual reports, and websites.

LIMITATIONS OF THE STUDY

The study of MSMEs (micro, small, and medium-sized enterprises) can be limited by various factors, including:

1. In my research Limited data was taken.
2. Due to the fragmented nature of MSMEs, it can be challenging to obtain a representative sample for a study. This can result in skewed results that do not reflect the broader population of MSMEs.
3. MSMEs operate across different sectors, geographies, and legal frameworks, making it challenging to identify universal best practices or solutions.
4. Limited access to technology environment
5. Government policies, laws, and regulations can significantly impact the operations of MSMEs, making it difficult to conduct research that is not influenced by political factor

CONTENT

In India, MSMEs play a vital role in the country's economy. According to the Ministry of MSMEs, the sector contributes around 30% of India's GDP and employs over 110 million people. The government has recognized the importance of MSMEs and has taken several measures to promote their growth and development.

One such measure is the creation of the MSME Development Act in 2006. This act defines MSMEs and provides them with several benefits such as the priority sector lending, tax exemptions, and subsidies on technology upgrade. In addition, the government has also set up several schemes and initiatives to promote the growth of MSMEs such as the prime Minister's Employment Generation Programme (PMEGP) and the credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

However, despite these efforts, MSMEs in India face several challenges. One of the biggest challenges is access to finance. Many MSMEs are unable to secure loans from banks and financial institutions due to their limited financial history and lack of collateral. This has led to the creation of several alternatives financing options such as peer-to-peer lending and invoice financing.

Another challenge that MSMEs face is the lack of access to technology and skilled labor. This can limit their ability to compete with larger corporations and restrict their growth potential. To address this, the government has set up several technology centers and training institutes to provide MSMEs with access to technology and training.

These are businesses that are defined by their size, with the number of employees and amount of annual revenue determining their classifications as micro, small, or medium. In India, a micro-enterprise typically has fewer than 10 employees and annual revenue of up to Rs. 5 crores, while a small enterprise has up to 50 employees and annual revenue up to Rs. 50 crores, and a medium enterprise has up to 250 employees and annual revenue up to Rs. 250 crores. MSMEs are important drivers of economic growth, job creation.

Despite their importance, MSMEs face a range of challenges that can hinder their growth and sustainability, including limited access to financing, markets, technology, and infrastructure, as well as regulatory compliance and human resource management issues.

Governments, development agencies, and private sector actors are increasingly recognizing the importance of supporting MSMEs, through initiatives such as improved access to finance, training and capacity building programs, business development services, and streamlined regulatory frameworks, by addressing these challenges and supporting MSMEs, it is possible to unlock their potential as engines of economic growth and development, and to create more inclusive and sustainable economies.

Recent trends in MSMEs

There are several recent trends in MSMEs that are shaping the way these businesses operate and contribute to the economy. Here are a few examples:

1. **Digitization:** MSMEs are increasingly adopting digital technologies to improve their operations and reach customers. This includes using social media platforms, e-commerce websites, and digital payment systems. Digitization can help MSMEs to expand their customer base, increase their efficiency, and reduce costs.
2. **Sustainability:** Many MSMEs are adopting sustainable practices to reduce their environmental impact and meet the demands of customers who are increasingly concerned about sustainability. This includes using

renewable energy sources, reducing waste and emissions, and sourcing sustainable materials.

3. **Access to Finance:** MSMEs continue to face challenges in accessing finance, particularly in developing countries. However, there are several new financing models emerging, such as impact investing and crowd funding, which can help to provide MSMEs with the necessary capital to grow and expand.

4. **Industry 4.0:** MSMEs are beginning to adopt Industry 4.0 technologies such as the Internet of Things (IoT), artificial intelligence (AI), and robotics. These technologies can help to increase efficiency, reduce costs, and improve the quality of products and services.

5. **Women Entrepreneurship:** Women are increasingly starting and leading MSMEs. Governments and other organizations are implementing policies and initiatives to promote women's entrepreneurship and provide them with the necessary support to start and grow their businesses.

Overall, these trends demonstrate the increasing importance of MSMEs in the global economy and the need for policies and initiatives that support their growth and development. By embracing these trends, MSMEs can continue to innovate and contribute to economic growth and job creation.

Initiatives of MSMEs

There are several initiatives and programs aimed at supporting the growth and development of MSMEs. Here are some examples:

1. **Financial Support:** Many governments and organizations provide financial support to MSMEs in the form of loans, grants, and subsidies. This can help to address the challenges of accessing finance, particularly for smaller businesses.
2. **Skill Development:** Skill development initiatives provide training and development programs for MSMEs to improve their skills and knowledge in various areas, such as marketing, finance, and management. This can help to increase their competitiveness and efficiency.
3. **Technology Support:** Initiatives that provide technology support, such as access to digital tools and software, can help MSMEs to improve their operations and reach customers more effectively.
4. **Export Promotion:** Many MSMEs struggle to access international markets. Export promotion initiatives can help to address this by providing support for market

research, trade fairs, and other activities aimed at facilitating international trade.

5. Incubation Centers: Incubation centers provide MSMEs with support and resources such as office space, equipment, and mentorship to help them grow and develop.

6. Policy Support: Governments can implement policies and regulations aimed at promoting the growth and development of MSMEs. These policies may include tax incentives, simplified regulatory processes, and government procurement policies that favor MSMEs.

7. Overall, initiatives and programs aimed at supporting MSMEs are crucial to their growth and development. By providing MSMEs with the necessary support, they can continue to thrive and contribute to the economy, generating employment opportunities, promoting innovation, and driving economic growth.

Challenges in MSMEs

MSMEs face several challenges that can limit their growth and development. Here are some of the main challenges:

1. Access to Finance: MSMEs often struggle to access finance, particularly in developing countries. This can limit their ability to invest in their businesses and expand their operations.

2. Limited Market Access: Many MSMEs operate in local markets, which can limit their growth potential. Access to national and international markets can be difficult due to factors such as lack of market information, trade barriers, and limited resources for marketing and distribution.

3. Technology and Innovation: MSMEs often lack access to new technologies and may have limited resources for research and development. This can limit their ability to innovate and remain competitive in their industries.

4. Skilled Labor: MSMEs may have difficulty attracting and retaining skilled employees due to competition from larger companies or a lack of resources for training and development.

5. Regulation and Administrative Burdens: MSMEs may face complex and time-consuming regulations and administrative procedures. This can make it difficult for them to comply with requirements and limit their ability to focus on growing their businesses.

6. Informal Business Practices: Many MSMEs operate in the informal economy, which can limit their access to

financing, markets, and support services. Informal businesses may also face legal and regulatory challenges. Overall, addressing these challenges is crucial to support the growth and development of MSMEs. Governments, international organizations, and other stakeholders can work together to provide support, resources, and policies that help MSMEs to overcome these challenges and contribute to economic growth and development.

CONCLUSION

In conclusion, MSMEs are a critical component of any economy and are essential for creating jobs, promoting innovation and driving economic growth. While they face several challenges, governments around the world are recognizing their importance and taking steps to promote their growth and development. By providing them with the necessary support, MSMEs can continue to thrive and contribute to the economy a relatively small amount of revenue compared to larger corporations. However, they are a critical driver of economic growth, job creation and innovation.

MSMEs are a vital part of many economies around the world. These businesses are typically defined by their size, with the number of employees and amount of annual revenue determining their classifications as micro, small, or medium. MSMEs are important drivers of economic growth, job creation, and innovation, and they play a vital role in many sectors such as manufacturing, agriculture, and services.

Despite their importance, MSMEs also face several challenges such as limited access to finance, technology, and skilled labor. Governments and other organizations often implement policies and initiatives to promote the growth and development of MSMEs. These policies may include providing access to finance, training and development programs, and incentives for innovation and entrepreneurship.

By providing MSMEs with the necessary support, they can continue to thrive and contribute to the economy. MSMEs can provide employment opportunities, particularly in rural areas, and promote social development by providing opportunities for marginalized groups. Overall, MSMEs are an essential components of economic development and play a crucial role in the growth and prosperity of many countries.

Conflict of interest statement

Authors declare that they do not have any conflict of interest.

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