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A study on recent developments of MSMEs in India

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Abstract

The Micro, Small, and Medium-Sized Enterprises (MSMEs) in India are a major contributor to the growth of the Indian economy. These MSMEs not only increase employment opportunities but also help industrialize rural areas while reducing economic disparity within the community. MSMEs significantly contribute to the expansion of the Indian economy through technology-oriented firms, low investment requirements, flexible operations, export output, and domestic production, among other factors. Compared to the industrial sector as a whole, the MSME sector has continuously had stronger growth rates. Since raw materials are scarce, entrepreneurship skills are not developed, and local authorities at the district, state, and federal levels are not providing financial or technical support, the distribution of MSME's in India is unequal.

The primary challenges faced by MSME's include the absence of timely and appropriate financing facilities, exorbitant loan costs, outdated technology, a dearth of research and innovations, inadequate training and skill development, and intricate labor laws. All the same, there are many of chances for MSME development. Additionally, foreign investment and technology can be drawn to the MSME sector. As MSME development continues, employment opportunities increase.

This Study aims to provide readers with an understanding of the development and significance of Micro, Small, and Medium-Sized Enterprises (MSMEs) in India and the Growth of the Country. This post has also covered the several issues that these MSMEs deal with when running their businesses. This Research paper also aims to provide the recent developments in the MSME Sector.

Keywords: MSME, economy, development, entrepreneur, growth, challenges of MSME

Introduction

MSMEs are widely recognized as the backbone of the global economy. The MSME sector has grown to be a significant economic driver in India, contributing significantly to exports, innovation, inclusive economic growth, and the generation of jobs. A substantial portion of Indian businesses are informal, small, and operate in the unorganized sector. Additionally, the MSME sector plays a critical role in the distribution of industries and the creation of job opportunities. Over 6 crore individuals have jobs thanks to MSME's. The MSME sector accounts for 36% of the nation's exports, 45% of its manufacturing, and 8% of its GDP. The growth rate of the MSME sector has continuously outpaced that of the industrial sector as a whole. The lack of raw material availability, ignorance or a lack of development of entrepreneurial skills, and a lack of financial and technical support from relevant local authorities at the district, state, and federal levels have resulted in an uneven distribution of MSME's throughout India. T as well as technology. The growth of MSME's increases the possibility of employment.

For Micro, Small, and Medium-Sized Enterprises (MSMEs) in the services industry, the government introduced the Special Credit Linked Capital Subsidy Scheme in November 2021. 25% of the capital subsidy for the scheme can be used by SMEs to enhance their technology by purchasing service equipment through institutional lending. To allay the "fear" that MSMEs might lose their benefits under various schemes if they expanded, the Finance Minister redefined MSMEs in July 2020. The MSME - Medium category is thus assigned to a company whose turnover does not surpass 250 crore and whose investment in plant, machinery, or equipment does not surpass 50 crore. A "comfort zone" was undoubtedly provided for MSMEs by this regulatory adjustment.

In spite of its significant role in creating jobs, fostering entrepreneurship, innovation, GDP growth, balanced regional development, export revenue, economic diversification, social

stability, and private sector expansion, it faces several challenges. The most difficult thing is finding sufficient, timely, and hassle-free financing. Another issue is the absence of modern technology and its prompt upgrade. Lack of facilities for need-based training and development for managerial and technical staff is another reason why the human resource element is beset with several shortcomings. Since they have less responsibility, MSME units find it difficult to compete with larger companies' affordable, high-quality products.

This essay makes an effort to investigate the nation's micro, small, and medium-sized businesses as of right now. Scholars have also endeavored to identify the principal issues and obstacles that MSMEs in India confront. In the report, Present Scenario of the MSME Sector has also been discussed.

Objectives of the Study

1. To Know the Challenges MSMEs are facing in Present Time.
2. To Study the Growth of MSMEs in India.
3. To Study the Recent developments in the MSME Sector.

Review of Literature

Srinivas, K. T. (2013) ^[18] in his work titled "Role of micro, small, and medium enterprises in inclusive growth," the author came to the conclusion that MSMEs have been referred to as the nation's growth engine. Significant changes have been made at the federal and state levels in recent years to consolidate this industry. The main causes of the slow growth of MSMEs in India are inadequate infrastructure and a lack of marketing connections. Both the state and federal governments of India do not offer enough assistance to help MSMEs grow. Thus, the Indian government and business community should act to further the growth of these MSMEs in India.

Papiya Manna and Dr. Tapas Mistri (September provided in these papers have been taken into consideration for analysis 2017) found in their research that MSMEs are growing yearly and that their percentage of the national or state GDP has also been trending upward with certain volatility.

Thiripurasundari, K and V. Gurumurthy (2009) ^[19] the report emphasizes India's micro, small, and medium-sized business's difficulties. There are opportunities and challenges associated with globalization for indigenous MSME's. Due to increased production of foreign manufacturing concerns, Indian MSME's are facing significant challenges. Strong MSME survival on a globalized stage will depend on their financial stability.

Research and Data Collection Methodology

- This Research Paper is based on Descriptive Study.
- Various government websites provided the secondary data.
- Research papers, research articles, and other journals are advised for data collection.
- I'll consult a range of business journals, economic periodicals, books, etc.

Issues and Challenges Faced by MSME Sector

- **Insufficient infrastructure:** MSME infrastructure is still extremely poor, even with their fast expansion. Their production expenses are extremely high and their

manufacturing capacity is severely limited as a result of insufficient infrastructure.

- **Lack of raw materials and other inputs:** For the trained labor force and other inputs that MSME need but aren't yet available on the market. The absence of these requirements makes it very difficult to produce the goods at low cost.
- **Inadequate Finance:** Due to a shortage of funding, MSMEs in India confront numerous difficulties. The majority of MSME owners are from low-income, rural areas with little access to education, and as a result, they are not aware of government incentives or their unique financial advantages. They experience money issues as a result of their recklessness, which leads to poor financial judgments.
- **Absence of cutting-edge technology:** The MSME owners are ignorant of cutting-edge production technologies.
- **Lack of marketing channel distribution:** MSMEs do not leverage the innovative marketing channels. The root reason of a really bad sale is ineffective advertising and marketing expertise.
- **Absence of instruction and programs for skill development:** The inventive production techniques are unknown to the owners. The government's initiatives for skill development are insufficient.
- **Multinational companies' competition:** In the current globalization period, MSME's have fierce competition from overseas manufacturers that provide premium goods at affordable costs.
- **Lack of creativity:** The majority of the products made by MSMEs in India are not very innovative and rely on outdated technology. This industry has been unable to adopt new technologies and procedures that have drastically changed fields like contact centers and eCommerce, among others, because of a severe shortage of entrepreneurs. Because of this, MSMEs have had difficulty keeping up with outdated technology and low output levels, particularly in comparison to larger companies.
- **Absence of consistent policies:** India has few MSME policies. As a result, efforts to encourage entrepreneurship and the expansion of MSME's lack consistency.

Growth of MSME sector

- The revised definition places a positive emphasis on exports as well as the sector by excluding export revenue from overall sales when evaluating MSMEs' turnover. As the previous MSME definition had a negative impact on the companies' intentions to expand, create jobs, and export, the new policy is anticipated to spur the growth of the "new India."
- In the year 2021-2022, more than 60 SMEs are anticipated to join the BSE SME (Small and medium enterprises) platform in order to raise equity money to meet their operational needs. 16 SMEs entered the market through the initial public offering (IPO) method, raising Rs. 100 crore (US\$ 13.74 million) in 2020. The Bombay Stock Exchange (BSE) declared in June 2021 that it has partnered with the Electronics and Computer Software Export Promotion Council (ESC) to raise awareness of the benefits of listing among start-ups and small enterprises.

- Insufficient managerial abilities impede company growth and frequently result in small businesses' lack of competitiveness. A successful corporation must be able to expand its staff, meet the varied needs of its clients, control inventories, contend with new competitors, maintain the supply chain, and uphold its corporate culture. Most of the time, entrepreneurs undervalue the significance of competent management and encounter several difficulties as their company grows later on.
 - For domestic businesses to preserve sufficient liquidity, the government and banking institutions must provide a robust financial stimulus package together with concessional working capital loans. With 72% of payments made digitally compared to 28% made in cash, Indian Micro, Small, and Medium-Sized Enterprises (MSMEs) are quickly moving away from cash payments. Increased use of digital devices offers opportunities for industry expansion.
 - The Udyam Registration platform, which replaced the previous method of submitting an application for an Udyog Aadhaar Memorandum (UAM), registered 12,201,448 MSMEs as of November 25, 2022, according to data from the Ministry of Micro, Small, and Medium Enterprises. Microenterprises that were registered totaled 11,735,117 (96.17%), with small and mid-sized businesses coming in second and third, respectively, at 426,864 (3.49%) and 39,467 (0.32%).
 - The pace of change is quickening. In this process of change for survival, the importance of creativity and innovation has grown. Businesses are becoming knowledge-based, and their ability to be creative, innovative, inventive, and successful is closely tied to these traits. To be competitive, MSMEs must understand and incorporate the innovation process into their daily operations.
 - Employing qualified and capable workers is difficult for MSMEs. Reduced response rates to job advertising from small firms due to lack of recognition of the organization limit the talent pool from which MSMEs can hire staff. Because they are unable to provide competitive pay, job stability, and career development possibilities on par with larger businesses, MSMEs lose out on qualified candidates even once they have been identified from this tiny pool.
 - CMIE Prowess database investigation shows that few long-term loans for capital expenditures are taken out by Indian MSMEs, who mostly rely on unsecured loans. Nine out of ten MSMEs rely on unofficial sources (mostly unsecured loans) for their working capital and term loans, which is further supported by research findings from a recent study (NIRDPR, 2021).
 - The government is eager to boost this sector in order to achieve inclusive growth and ultimately achieve self-reliance, as MSMEs account for over half of all exports, add around 30% to India's GDP, employ approximately 11 crore people, and are primarily found in rural areas (Atmanirbhar Bharat).
- On their smartphones, entrepreneurs may create applications and monitor them.
- "Promotion of MSMEs in North Eastern Region and Sikkim" is the name of a new program that the central government unveiled in June 2022. Establishing mini-technological centers, growing both new and existing industrial estates, and boosting tourism were the key goals of this project, which aimed to support MSMEs in the Northeast.
 - MSMEs received marketing support from Sundaram Finance and the MSME Development Institute (Chennai) in October 2021. MSMEs will benefit from an incubator program that will provide them with chances to develop and nurture ideas for new product production, thereby fostering their managerial and entrepreneurial growth.
 - The goal of bringing all of the government of India's welfare and subsidy programs under Direct Benefit Transfer (DBT) is to improve the delivery system by re-engineering the current procedures for these programs in order to facilitate a simpler and faster flow of funds, ensure accurate beneficiary targeting, eliminate duplication, and lower fraud. The Ministry has established a DBT cell, which serves as a focal point for the execution of DBT programs.
The schemes have been divided into groups according to the beneficiaries' preferred form of benefit, such as Cash, Kind, or Composite (i.e., Cash and Kind). The primary DBT programs offered by the Ministry are included in the table below, together with the kind of benefit, the number of recipients, and the total amount of money transferred and spent.
 - Google and the Small Industries Development Bank of India (SIDBI) signed a deal in November 2021 to test social impact lending, providing microbusinesses with up to Rs. 1 crore (US\$ 133,939.60) in funding at discounted interest rates. In response to the COVID-19 crisis, Google India Pvt. Ltd. (GIPL) is providing micro firms with a corpus of US\$ 15 million (~Rs. 110 crore) to stimulate the MSME sector in India.
 - The problems pertaining to customers' delayed payments to MSE suppliers are covered under Sections 15-24 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The Micro and Small Enterprises Facilitation Council (MSEFC), established under the Act in all States and Union Territories, is the body to which MSE suppliers may apply if there is a payment delay of more than forty-five days. In response to the announcement issued by the Hon'ble Finance Minister under Aatma Nirbhar Bharat, the Ministry has set up a unique SAMADHAAN sub-portal to monitor the payments that CPSEs have delayed to MSMEs. As of January 10, 2023, the CPSEs had settled their outstanding debt of Rs. 1, 79, 087.43 crore to the MSMEs.
 - With the goal of assisting companies in mitigating the risks associated with shipment delays and enhancing supply chain efficiency, digital freight forwarder Freightwalla introduced a shipment tracking service for MSME importers and exporters in November 2021.
 - On November 2, 2018, the Honorable Prime Minister of India inaugurated the "Support and Outreach Programme" for the MSME sector at Vigyan Bhawan in New Delhi. The PM also unveiled 12 major projects

Recent Developments of MSME

- MyMSME is an online application module that the Office of Development Commissioner (MSME) has introduced to make it easier for businesses to take advantage of several programs.
An app for smartphones can be used to access this too.

that will aid in the development and expansion of MSMEs throughout the nation.

- Supply chain financing (SCF) platform Cash Invoice stated in November 2021 that it will support MSMEs in need of financing for more than Rs. 10,000 crore (US\$ 1.33 billion) in the upcoming year after obtaining US\$ 1 million in Pre-Series A funding from Action Venture Lab.
- The MSME Development Institute (Chennai) and Sundaram Finance helped MSMEs with their marketing in October 2021. An incubator program that provides chances for innovators to develop and nurture ideas for the creation of new products will be used to support the entrepreneurial and managerial development of MSMEs.

Findings

- A major barrier to the commercial success of MSMEs is a lack of funding
- Access to modern technology is a key element in the expansion of MSMEs
- Finding enough skilled labor is difficult
- Demand forecasts and market data are two essential factors in MSMEs' expansion
- MSMEs' primary concentration is on both domestic and export sales.

Conclusion

In India, the MSME sector is expanding quickly and is even giving many individuals access to job possibilities. Both the manufacturing and service sectors of MSMEs significantly contribute to the nation's GDP. The Indian government is taking a number of steps to accelerate the development of micro, small, and medium-sized businesses in the nation. In order to guarantee that government policies for the establishment of MSMEs are properly implemented and that entrepreneurs are given the right guidance when beginning their ventures, the Indian government is also entering into a number of partnerships and agreements with NGOs, government agencies, and universities. However, MSMEs continue to face numerous obstacles.

In addition, this industry's growth has been impeded by a lack of education, awareness of consumer preferences, market trends, and cutting-edge technology. Small, traditional businesses have experienced several challenges, especially in preserving their competitiveness and gaining access to technology due to their limited exposure and lack of support systems.

After conducting efficient training and skill development programs, the issue of people's ignorance of technology growth can be resolved. Low-cost loans should be available to MSME's. Foreign banks are showing less interest in approving loans for the MSME industry. Less than 50% of the fixed assets used by MSME's are outstanding bank credits, with the owners funding working capital with their own money. To evaluate the needs and state of the MSME's, an expert panel must be assembled. India's MSME sector has a promising future and will expand the country's economy.

MSMEs play a crucial structural and dynamic role in all economies, and their growth is mostly attributed to its entrepreneurs.

Even though the Indian government is doing a lot to encourage the growth of MSMEs and entrepreneurship,

there is still more work to be done.

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