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Emerging Opportunities and Challenges to MSME Segment

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ABSTRACT:

The micro small & medium companies (MSME) play an essential function in the improvement of each us of the world. MSMEs are taken into consideration because the engine of the monetary boom of us of a. Especially in India MSMEs are gambling an essential function with the aid of using supplying the huge variety of employment to the folks who are unskilled and semiprofessional .and additionally supporting nations GDP boom, export enhancement, low funding necessities and so on. Those MSMEs are growing a brand-new type of capacity marketers with the aid of using supplying know-how and schooling. As in step with the to be had statistics, in India overall 59.7 million human beings are hired in 26.1 exclusive MSMEs. It is expected that 40% of the overall export of India is made with the aid of using MSMEs. as on 31st December total of 5,37,677 enterprises registered under manufacturing and 8,65,058 under the service sector.

Keywords: MSMEs, GDP, Indian economic system,

INTRODUCTION:

SMEs shape the spine of the Indian production region and feature turn out to be an engine of the monetary boom in India. It is expected that SMEs account for nearly 90% of commercial devices in India and 40% of fee addition with inside the production region. This paper carefully analyses the possibilities and demanding situations of the MSMEs. SMEs and the troubles they stage like lending, advertising and marketing, licensing problems in detail. The Micro, Small and Medium Enterprises Act, 2006 is supposed to enhance the region. The very last component presents a few achievements made with the aid of using Karnataka MSMEs and FICCI survey on MSMEs. SMEs in India are dealing with variety of troubles like suboptimal scale of operation, technological obsolescence; deliver chain inefficiencies, growing home and international competition, fund shortages and so on. In order to compete with such problems effectively SMEs want to undertake modern tactics of their operations. Innovation is an essential device that allows SMEs to acquire for achievement. In the

boom of the Indian economic system, Innovation is rising as a key driving force making sure monetary survival and advancement. While innovation is the important thing phrase for each economic system, India's venture is to make innovation paintings for the hundreds and create sustainable agencies. A robust way of life of communiqué among universities and enterprise enables bridge the distance among technological know-how and economic system, and may Increase us of a modern capacity. At this time we require dynamic, self-maintaining way of life of innovation for SMEs and on this, non-stop Government intervention is exceptionally desirable. Major Key gamers who can improve innovation ability in SMEs are the authorities, the educational machine and the cease users. To empower the SME Sector to take its rightful location because the boom engine of Indian economic system, it's miles vital to aid the SMEs, train and empower them to make most effective usage of the resources, each human and monetary, to obtain Success. The SMEs want to be knowledgeable and knowledgeable of the ultra-modern tendencies taking location globally and helped to accumulate capabilities vital to preserve tempo with the worldwide improvement. But with this COVID 19 is badly effected on these MSMES and for that the govt. Is also taken many measures to improve their performance over period of time.

OBJECTIVES:

The goals of this have a look at are to in short spotlight at the functional Scenario of micro, small and medium companies in India, to awareness at the large Growth capacity and possibilities to behad for improvement of this region; to Identify a few essential problems, demanding situations and constraints faced with the aid of using those Enterprises and to provide hints to triumph over the equal.

- Analyzing the possibilities for MSMEs.
- To analyses the demanding situations for MSMEs
- To have a look at exclusive approaches or techniques for MSMEs boom.
- Analyzing of govt. function in MSMEs improvement.

RESEARCH METHODOLOGY:

The have a look at essentially relies upon on secondary statistics. The statistics has been taken for the ultimate 5 to 10 years examine the overall performance of MSMEs. The have a look at tries to perform its goals with the aid of using making evaluation on the premise of the subsequent parameters:

1. LAGHU UDYOG SAMACHAR feb-mar 2017
2. dc msme.gov.in
3. ASSOCHAM record 2011
4. Government of India record posted in 2005-06
5. Priority Sector lending with the aid of using public region Banks

6. FICCI record 2011 posted Grant Thornton MSMEs imaginative and prescient 2020
7. Various studies papers from journals
8. News posted in diverse websites 9. Union finances record 2020-2021.

KEY HIGHLIGHTS OF THE MSME SECTOR:

- MSMEs account for approximately 45% of India production output.
- MSMEs account for approximately 40% of India overall exports.
- The region is projected to rent seventy three mn human beings in greater than 31 mn devices unfold move us.
- MSMEs manufacture greater than 6,000 merchandise.

Definitions of Micro, Small & Medium Enterprises In Accordance With the availability of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are Classified in Classes:

Definition of MSMEs

MSMEs Classification, 2006

Criteria: Investment in Plant and Machinery Equipment

Classification	Micro	Small	Medium
Manufacturing enterprise	Investment < ₹25 lakh	Investment < ₹5 crore	Investment < ₹10 crore
Service enterprise	Investment < ₹10 lakh	Investment < ₹2 crore	Investment < ₹5 crore

Revised MSMEs Classification, 2020

Composite Criteria: Investment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing and service	Investment < ₹1 crore and turnover < ₹5 crore	Investment < ₹10 crore and turnover < ₹50 crore	Investment < ₹20 crore and turnover < ₹100 crore

Source: MSMEs Development 2006 Act¹, PIB updated on cabinet approval²; PRS.

1. 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) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.

2. 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, are as follows.

Manufacturing Sector

Enterprises Investment in plant & machinery

Micro Enterprises Does not exceed twenty-five lakh rupees. Small Enterprises More than twenty five lakh rupees but does not exceed five crore rupees. Medium Enterprises More than five

crore rupees but does not exceed ten crore rupees.

Service Sector Enterprises Investment in equipments

Micro Enterprises Does not exceed ten lakh rupees: Small Enterprises More than ten lakh rupees but does not exceed two crore rupees Medium Enterprises More than two crore rupees but does not exceed five core rupees.

There are about twenty-one major industry groups in the small-scale sector. These are listed below:

1. Food Products
2. Chemical & Chemical Products
3. Basic Metal Industries
4. Metal Products
5. Electrical Machinery & Parts
6. Rubber & Plastic Products
7. Machinery & Parts besides Electrical items
8. Hosiery & Garments - Wood Products
9. Non-metal Mineral Products
10. Paper Products & Printing
11. Transport Equipments & Parts
12. Leather & Leather Products
13. Miscellaneous Manufacturing Industries
14. Other Services & Products
15. Beverages, Tobacco & Tobacco Products
16. Repair Services
17. Cotton Textiles
18. Wool, Silk, Synthetic Fiber Textiles
19. Jute, Hemp and Mesta Textiles
20. Other Services

A survey of indices of commercial manufacturing (IIP) maintained for those main enterprise agencies well-known shows what the dawn industries are and on what segments the solar has set. SSI devices produce an wonderful range and form of merchandise. Over 7500 merchandises are regarded to be synthetic on this region. Even in a selected product, there might exist a huge variety of characteristics or specs catering to exclusive marketplace segments, especially in consumer/family merchandise. Small Scale region has emerged as a first-rate dealer of mass intakegadgets like

1. Leather and leather-based items
2. Plastic and rubber items

3. Ready-made garments
4. Hosiery items, sheet steel items
5. Stationery gadgets - cleaning soap and detergents
6. Domestic utensils
7. Toothpaste and toothpowder
8. Safety matches
9. preserved ingredients and vegetables
10. Wooden and metallic furniture
11. Paints and varnishes and so on.,

Among the state-of-the-art gadgets point out will also be made of

1. Television sets
2. Calculators
3. Microwave components
4. Plastic movie capacitors
5. Carbon movie registers
6. Electro clinical equipments
7. Electronic coaching aids
8. Digital measuring equipments
9. Air-conditioning equipments
10. Optical lenses
11. Drugs and pharmaceuticals
12. Electric motors
13. Pesticide formulators
14. Photographic sensitized paper
15. Razor blades
16. Collapsible tubes, and so on

OPPORTUNITIES FOR MSMEs:

1. Less capital extensive.
2. Most essential employment producing region. It presents 50% of personal region employment.
3. Effective device for merchandising of balanced local improvement.
4. It is considerably promoted and supported with the aid of using the Government.
5. Finance and subsidies are supplied with the aid of using the authorities.
6. Produced items are bought with the aid of using the Government.
7. 40% exports in India are via MSME channel.

8. Procurement of equipment and uncooked cloth.

9. Globalization has provided new possibilities for the MSMEs.

10. Trade fares and exhibitions performed a essential function with inside the monetary boom of the nations.

Less capital extensive msme may be startup with the aid of using much less quantity of capital those agencies aren't required large quantity of capital as required for huge scale industries. So those msmes are presents the possibilities to the human beings to provide you with new enterprise with much less quantity of capital. Most essential employment producing region. It presents 50% of personal region employment In nations like India which might be having large populace in such nations employment is maximum fundamental hassle of the us of a . Basically human beings of such nations re relatively illiterates ,so supplying employment to such human beings is a tough challenge. In such case those msmes are supplying employment possibilities to semi professionaland unskilled labors . Effective device for merchandising of balanced local improvement. Basically msmes are beginning their enterprise in exclusive regions in which the exclusive centerslike uncooked materials, water, energy is to be had , and so those msmes are beneficial to preserve local balance . It is considerably promoted and supported with the aid of using the Government there's lot of aid from the govt. to construct MSMES. economic aid, advertising and marketing aid,technical aid and so on are supplied with the aid of using the govt. expand the MSMES

CHALLENGES OR PROBLEMS FACED BY THE MSMES:

MSMEs are very essential within side the monetary boom of India however this region isn't always getting enough aid from the worried Government Departments, banks, economic establishments and corporate. Presently, the Indian MSMEs are dealing with exclusive forms of troubles. Most of the troubles are controllable whilst rests are uncontrollable. This proves hurdle withinside the boom direction of the MSMEs. MSMEs troubles can give an explanation for as follows:-

1. Lack of credit score from banks- The MSME'S are currently dealing with the troubles of credit score from the banks. The banks aren't supplying the ok quantity of mortgage to the MSMEs. The mortgage supplying system of the banks may be very lengthy and formalistic. The proprietors of the MSME'S has to supply exclusive forms of files to show their worthiness.

Competition from multinational groups- In gift generation of globalization, the MSME'S are dealing with the terrific from the global production groups who're proving great items at most inexpensive price. Therefore, it's miles very tough to compete with the multinational groups.

2. Poor infrastructure-Though, MSME'S are growing so swiftly however their infrastructure maybe very terrible. With terrible infrastructure, their manufacturing ability may be very low whilst

manufacturing price may be very high.

3. Unavailability of uncooked cloth and different inputs- For MSMEs required uncooked cloth professional paintings pressure and different inputs, which aren't to be had withinside the marketplace. Due to unavailability of those essentials, it's miles very tough to supply the goods at less expensive prices.

4. Lack of superior generation- The proprietors of MSMEs aren't privy to superior technology of manufacturing. Their method of manufacturing is outdated. The proprietors are the usage of older approach within side the discipline of fabricated steel and textile.

5. Lack of distribution of advertising and marketing channels- The MSMEs isn't always adopting the modern channels of advertising and marketing. Their commercial and income merchandising are relatively weaker than the multinational groups. The useless commercial and terrible advertising and marketing channels results in a totally terrible selling.

6. Lack of schooling and ability improvement program-The schooling and improvement packages in recognize of MSMEs improvement challenge may be very low .So, professional manpower isn't always being to be had to MSMEs. The proprietors are privy to the modern strategies of manufacturing. The ability developmental schemes carried out with the aid of using the authorities aren't enough.

7. Complex exertions legal guidelines and crimson-tape- All the legal guidelines associated with the all factors of producing and provider challenge are very complicated and compliance with those legal guidelines are almost tough .The diverse selections of manufacturing unit are rely upon the manufacturing unit commissioner and inspector, so there are such a lot of possibilities of crimson tape within side the operation of MSMEs.

8. Problems of storage, designing, packing and product display. Suggestions Although the overall performance of the MSME region has been commendable through the years in phrases of employment generation, boom of exports and bringing approximately social transformation, loads greater want to be accomplished for his or her persisted boom and sustained improvement.

The problems and constraints that prevent their boom want to be recognized and nicely addressed. Some hints to enhance The performances of MSMEs are indicated below;

1. Easy Access to Finance and Credit: Institutional finance/credit score from banks and different financing establishments need to be directly to be had without lengthy and bulky procedures. Sanction of credit score / mortgage programs with the aid of using public region banks need to be made inside an affordable time body at less expensive and decreased charge of interest.

Stepping up Infrastructural and Support Facilities: Deficiencies in fundamental infrastructural centers like water, electricity deliver, road/rail and smartphone connectivity, and so

on. need to be addressed on precedence basis. Use of sun or renewable power as an opportunity supply need to be endorsed in rural regions on sponsored basis. A cluster-centric or cluster improvement method need to be followed for some of companies running in nearer proximity.

2. Creation of Marketing Linkages: For improving sale of merchandise, ordinary alternate fairs/exhibitions and so on. need to be carried out for advent of a bigger platform for higher advertising and marketing centers. The Govt. of India coverage concerning 20% obligatory procurement of MSME merchandise with the aid of using authorities Departments/ State PSUs need to be ensured

3. Skill Development and Capacity Building: Initiatives need to be taken for ability / competency improvement of human resources. Infrastructural and expert aid from Rural Self Employment Training Institutes (RSETI) and appropriate schooling institutes can be acquired for accomplishing schooling of marketers and people engaged in exclusive sports. Awareness / sensitization programmes and TV/Radio talks need to be carried out

4. Access to Modern Tools and Technology: MSMEs these days want to undertake and cling to great parameters of global requirements within side the context of a globalized marketplace. Technological obsolescence need to get replaced with the aid of using adoption of cutting-edge and ultra-modern gear and generation for multiplied productiveness and great product for aggressive gain.

Sl. No.	Name of the Scheme	Benefit Type	Total no. of beneficiaries (2020-21) (upto 31.12.20)	Total Expenditure (Rs. crores) (2020-21) (upto 31.12.20)
1	ATI Scheme (Training Component)	In Kind	1279	0.86
2	MPDA Grant to Khadi Institutions	Cash	200827	54.52
3	Coir Vikas Yojana	Cash	89	0.035
4	SFURTI SI	In Kind	7523	0.00
5	Prime Ministers Employment Generation Programme (PMEGP)	Cash	22977	707.16
6	National Awards	Cash	45	0.45
7	Entrepreneurship and Skill Development Programme (ESDP)	In Kind	14357	0.00
8	International Co-operation(IC) Schemes	Cash	68	1.25

5. Policy Intervention and Support Mechanisms: Industry-pleasant rules need to be initiated with the aid of using the authorities for selling infrastructural aid centers and for smooth availability of finance with the aid of using the scheduled banks. Government and Banks need to take steps for revival of ill devices as in step with RBI Guidelines and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGAMSE) Scheme Sick companies need to accept one time settlement (OTS) facility with the aid of using the banks earlier than imposing measures below the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act. Single

window machine for approval of MSME tasks can be streamlined for clearance. Creation of an apex National MSME Authority below the Ministry of MSME, popular registration and economic inclusion of MSMEs, growth the glide of fairness to the MSME region and steps to beautify effectiveness and usage of credit score guarantee/coverage schemes and so on. are a number of the suggestions of the Committee on economic structure of the MSME, 2015.

FICCI Survey on MSME Schemes:

FICCI carried out a Survey on ~MSME Schemes among 50 Small & Medium Enterprises (SMEs) unfold throughout exclusive areas and enterprise verticals. The reason of this survey is to gather records on Awareness, usage, effectiveness and motives for restrained off-take of the general public aid schemes and programmes associated with merchandising and improvement of MSMEs in India. In phrases of geography, the survey noticed participation of groups from main commercial States which incorporates Maharashtra, Karnataka, West Bengal, Uttar Pradesh, New Delhi, Andhra Pradesh, Tamil Nadu, Gujarat and Rajasthan. Majority (ninety in step with cent) of the respondents belonged to the producing region and the rest (10 in step with cent) from the offerings region. Many of them also are concerned in a couple of enterprise sports like buying and selling and so on. Out of the entire respondents, 88 in step with cent have been found to be registered and final 12 in step with cent did now no longer have MSME/ SSI registration certificate.

The survey found out that 70 in step with cent of the companies have been unaware approximately the diverse schemes run with the aid of using the authorities for growing and assisting MSMEs. This is a clean indication that there's a mismatch among what authorities intends to obtain and the consequences acquired at the ground. The Survey factors out that round 30 in step with cent of the companies availed authorities schemes. Out of those 30 in step with cent respondents, eighty one in step with cent availed The scheme throughout the boom/ growth degree in their enterprise lifestyles cycle while a small variety of respondents (19 in step with cent) availed authorities schemes whilst putting in place their agencies. Survey consequences meditated that respondent who availed the schemes observed it tough to access (sixty one in step with cent) the records on schemes. Suggestion to enhance public aid schemes: Better publicity (Rank 1) simplified utility system (Rank 4) Faster selection making (Rank 3) want facilitating employer (Rank 2) Other Suggestions: Most of the schemes are associated with funding subsidy/ repayment of expenses. Some new scheme need to be drafted and additionally connected with overall performance (in phrases of the turnover (home as properly export), power conservations, employment, new innovation and so on.) in order that developing organizations (or unit in growth mode) can avail greater blessings in comparison to the present devices. There is a want to set up a facilitating employer in an effort to put in force the authorities schemes MSMEs need to be supplied with unfastened circulars or newsletters giving info

of diverse schemes undertaken with the aid of using the authorities, in addition to info of technique to be followed Easy Finance need to be made to be had Schemes for Startups want to be designed Manufacturers institutions need to be consulted whilst formulating those schemes Compendium of schemes need to be organized with inclusion of utility bureaucracy for every scheme Proper and an instantaneous channel need to be installed among the Government our bodies and marketers in an effort to unfold focus on promotional schemes

INITIATIVES TAKEN BY THE GOVERNMENT FOR MSMEs Some of the important thing tasks undertaken with the aid of using the Government include

1. Implementation of the Micro, Small & Medium Enterprises Development ("MSMED") Act 2006
2. Identifying present and capacity clusters & Providing strategic records along with benchmarking or trends
3. Boosting to making an investment in generation and infrastructure
4. Filling in funding gaps with FDI
5. Linking companies to schooling packages from nearby universities and facilities
6. Fostering networking provider facilities and institutions The purpose of similarly streamlining rules relating SME is to inspire inter-enterprise and inter-sect oral relationship, which result in targeted cluster boom and might beautify inter-dependence. Updated essential data of the MSMED Act2006
7. It classifies industries primarily based totally at the funding in plant & equipment, and now no longer on turnover or employment, as is the case elsewhere & It defines the Indian SME phase at par with the present idea of SMEs worldwide

As in step with its definition, an SME is an entity engaged within side the manufacturing of products and offerings regarding funding from INR1 million to INR100 million in plant and equipment. The Small Industries Development Bank of India ("SIDBI"), that's the primary economic institute for the SME region, performs a pivotal function. It is: Responsible for the improvement of undertaking capital financing within side the us of a to aid the hazard capital necessities of the region Investing in numerous undertaking capital budget for onward investments within side the SME region Some key budget, the SIDBI has invested in: India leverage fund, India gain fund India improvement fund SMERA Initiatives With a view to similarly streamline the system of SME financing, a devoted score employer referred to as SME Rating Agency of India ("SMERA") became released with the aid of using the SIDBI in affiliation with some of main public and personal region banks of India, in 2005. The agency presents impartial third- celebration evaluation of the general circumstance of an SME. The score includes parts: a composite appraisal/circumstance

indicator and a length indicator. Initiatives with the aid of using NASSCOM According to the National Association of Software and Service Companies ("NASSCOM"), SMEs running within side the generation phase make a contribution considerably to the entire sales of the region. Recognizing its significance, a unique SME discussion board has been created to aid and sell those SMEs. The discussion board serves as a platform to cope with key demanding situations dealing with the enterprise and accomplishing discussions for tapping boom possibilities. Initiatives of NSIC The National Small Industries Corporation Ltd ("NSIC") objectives and works toward bolstering the boom of SMEs and its allied industries. The NSIC has been contributing for the reason that ultimate 4 decades, and has confirmed its strengths inside as properly out of doors the use of a with the aid of using selling Indian SMEs. This agency additionally professes upgrading of generation and introducing great manage measures within side the structures carried out in SMEs. To permit SMEs benefit aggressive gain, the NSIC has a complete constitution of sports to fulfill demanding situations amidst the situation of boom and competition. SME Exchange In view of the developing variety of SMEs, the Securities and Exchange Board of India ("SEBI") is about to present its clearance for the formation of the SME Securities Exchange. This might set up an entity for SMEs to check in their scripts on an exchange, at a pretty low price. Furthermore, it presents SMEs the inspiration and cap potential to elevate capital from an change platform; addressing the problem of dependence on banks and economic establishments, on the equal time.

MSME ACHIVMENTS IN THE YEAR 2019-2020 IN KARNATAKA

8. 14,517 MSMEs Registered on Udyog Aadhaar Memorandum
9. 4,571 Projects with employment element of 39,109 Utilising Rs.123.seventy seven Cr. Margin cash below PMEGP
10. 88,292 Credit Proposals Approved without Collateral for Credit really well worth Rs. 4,593.28 Cr. To MSMEs
11. 809 MSMEs Provided Credit Linked Subsidies Worth Rs.43.thirteen Cr. for Technology Upgradation
12. sixty one Vendor Development Programmes Organised
13. 158 ISO 9000/14001/HACCP Certification Reimbursed
14. forty five MSMEs Benefitted Under Marketing Assistance and Technology Up-gradation 9,074 Persons Trained Under Entrepreneur Development Program
15. 80 Women Got Assistance for Self Employment below TREAD
16. 148 MSMEs Got Benefit Under Bar Code Scheme.

CONCLUSION:

MSMEs are gambling essential function in our countrywide economic system boom with the

aid of using contributing employment generation & rural industrialization. This region has more possibilities to expand with authorities schemes like make in India in which the govt. presents all vital aid in finance, advertising and marketing, generation, licensing and different things .if MSMEs are reinforced their capabilities and generation they could face the worldwide aggressive surroundings efficaciously and effectively. The govt. of India has also taken many preventive steps to develop the MSMEs from the COVID 19 hit. With a long term vision certain plans and actions are taken by the govt. and also certain amount of fundings are provided as relief for short term financial crises raised due to pandemic. With a proper support MSMEs can grow more contribute more towards Indian GDP.

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