

## **CHALLENGES FACED BY MSME IN INDIA**

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### **Abstract**

Micro, Small and Medium Enterprises are considered to be the backbone of the Indian economy. Thirty percent of the country's industrial production comes from the MSME sector, forty-eight percent of its exports, and from the point of view of employment, this sector plays an important role in the socio-economic development of the country by creating maximum employment after agriculture at low capital cost pays. About eleven crore people get employment from these industries.

Big industries can be strengthened only by strengthening this sector, but the biggest problem is that this industry lacks resources. Entrepreneurs in the MSME sector neither have much financial capital nor do they have any sound business sense like large entrepreneurs. Most of the micro and small scale industries are located in rural areas or towns, so they have to face the problems of infrastructural facilities like electricity, road, water etc.

The development of micro, small and medium enterprises depends on factors such as their access to the market, quality of products, timely availability of credit and upgradation of technology. Small enterprises faced some problems in the initial phase of GST implementation, which affected the supply side of raw materials. If any enterprise does not adapt itself to today's advanced technology, it lags behind in industrial competition, but due to the high cost of these technologies, small industries are unable to use them, which affects their production. The quality of their product falls and their supply chain is also affected.

**Keywords:**MSME, Agriculture, Industries, Technology, GST, Supply chain, Entrepreneurs

## **Introduction**

Various schemes have been implemented by the Government of India and the Ministry of MSME to mitigate these challenges and to build the capacity of the Indian MSME sector through skill development, technology upgradation, marketing support and access to credit to MSMEs. A good initiative has been taken by the government that whatever purchases will be made by the central government ministry, its department or public sector companies, 25 percent should be purchased from MSME industries only. Government of India has launched Raw Material Assistance Scheme in collaboration with National Small Industries Corporation (NSIC). Under this scheme, financial loans are provided to the distressed MSMEs for the purchase of raw materials. Along with improving productivity, the Ministry of MSME has set up Common Facility Centers (CFCs) to enhance the capacity of MSMEs. Under this, efforts are made to enhance technology, market access, skill and quality by mitigating the major problems of these enterprises.

For ease of doing business, a portal named 'Udyam Registration' has been started, in which one can register his enterprise very easily. The government wants to create employment opportunities by setting up MSME enterprises in rural and urban areas under the Prime Minister's Employment Generation Program. For this, credit linked subsidy will be given by the government.

Under the scheme of Fund for Upgradation and Reconstruction of Traditional Industries, it will provide financial assistance to artisans and traditional industries by organizing them into clusters to make them competitive in business. Credit Guarantee Scheme for Micro and Small Scale Industries has been launched to facilitate easy flow of credit. Under this, guarantee-free loans are provided to small entrepreneurs and the government guarantees that there is no loss to the banks. The 'Micro and Small Enterprises Cluster Development Programme' is being run to promote productivity, competitiveness as well as capacity building of small entrepreneurs.

## **Ground condition of MSME:**

If we look at the industries sequentially, then the MSME sector (small and medium industries), which plays an important role in both domestic and export business, is facing many challenges

these days. Even if somehow the loan is got, then after that comes the matter of payment and this creates a much bigger problem. Small entrepreneurs get very less time to repay the loan. There is a crunch of time, so there is a high possibility of their loan turning into a non-performing asset (NPA). For small industries, NPA becomes a debt burden and it keeps on increasing and soon such units are declared sick. Today, when all the big fishes including Vijay Mallya run away abroad after digesting the big money of the banks and the banks and the government are helpless in front of them, but in the case of small entrepreneurs, the bank officials do not give any time to take action, rather many Sometimes this action becomes unjust. This big challenge must be addressed before promoting startups.

### **Challenges faced by MSME in India**

#### **Skilled labor shortage**

Small and medium enterprises in India are highly labor intensive. SMEs cannot provide workers with adequate wages and adequate working conditions to retain them. Many skilled workers migrate to other countries where they can find jobs with better wages and working conditions. This lack of skilled labor force makes it difficult for SMEs to run their business and be productive.

Furthermore, due to the shortage of skilled workers, MSMEs in India have to hire untrained or unskilled workers. Hiring of these unskilled labor often leads to a reduction in the quality of the products produced by MSMEs as they may not meet international or domestic standards. It is also worth mentioning that SMEs face some problems regarding finance. The complicated process followed by banks and financial institutions makes it difficult for SMEs to get business loans or even personal loans for their employees.

#### **Taxation**

The sector suffers from a number of direct and indirect taxes and this makes it one of the highest taxed sectors at present. The contribution of the service sector to the Indian economy has seen a significant increase over the years, with the focus being on employment generation in this sector. It has played an important role in our development efforts and continues to do so. There is no

allocation of specifically earmarked tax holidays or incentives for this thriving and fast growing service sector segment by the State Governments or the Central Government. However, both focus on creating a conducive environment, especially to address the financial challenges the MSME and SME segments face due to rising input costs.

### **Marketing problem needs to be solved:**

Talking about other problems of small entrepreneurs, the problem of marketing is one of the major problems for them. Such entrepreneurs have a huge shortage of funds for marketing and hence the problem of marketing persists. There are definitely some efforts at the government level, but they are insufficient, because they go around and fall prey to the government bureaucracy. To say, on the basis of procurement policy at the ministerial level, it has been made mandatory for CPSUs (Central Public Sector Company) to purchase from small and medium industries, then buyer-seller meetings, vendor development programs and many other types of programs are organized with the help of the ministry are going. But in spite of this, the small scale industry is struggling on a large scale with the problem of marketing, there is no doubt about it.

### **Technology Upgrade:**

In addition to these problems, when we look at the ground, the biggest problem comes that of 'Technology Upgradation'. If we study the gradual development of Chinese and Indian markets, we will be forced to agree that their technology has not only been ahead of ours, but it has also been changing with time. A live example that I felt happened when I went to 'Nehru Place', one of the biggest computer market in Asia. If you look at the sales of old computers there, you will see that people are buying thousands of computers, which are in good condition, from big companies of America and other developed countries. The question arises that when the computers are in good condition then why all those companies change them. The simple answer to this is that it is necessary to upgrade technology, because it has a direct impact on your efficiency, which ultimately increases the cost of your product and also reduces its quality somewhere. Obviously, there is a need for the government as well as individual entrepreneurs to work in this field as well.

### **Inferior Quality Products**

Small-scale industries cannot produce high-quality products due to a lack of funds, raw materials, or labour. And even if business owners can, they won't be able to sell it at the market rates they desire. Markets are competitive, and sellers face constant competition from large players, making it difficult to grow. The primary reasons for poor product quality are increased production costs, a lack of capital, a lack of research, and a lack of resources. Production is linked to performance, and employees may lack motivation to do their best work. If the company is too small, obtaining a state-issued trading license may be difficult.

### **Lack of infrastructure**

The development of infrastructure and services is the responsibility of both the central and state governments. In India, various infrastructure facilities exist under different departments and agencies such as power, urban transport, road transport, railways, water supply, sewerage and solid waste management, and telecommunications. The lack of infrastructure costs business organizations more, and it depends on the government to support them in investing in these facilities. The government should provide incentives to the private sector to develop infrastructure projects.

Availability of basic amenities has always been a major challenge, especially in rural and semi-urban areas. Most of the small businesses are located in rural or semi-urban areas where access to finance is difficult due to lack of banking and other financial services like banking products, insurance products, capital market products etc. This has further contributed to their low growth over the years.

### **Conclusion**

To further strengthen the economy and increase its speed, it is very important to have strong and self-reliant MSMEs. Despite many government facilities and schemes, this sector is still facing many challenges, for which proper efforts should be made to solve them. It is very important to have some basic requirements for starting any enterprise. Law and order should be good and

strong in industrial areas, only then an entrepreneur can do his business fearlessly. Industries cannot flourish due to anarchic elements and corruption.

Uninterrupted supply of electricity is necessary for good production. For the development of industries, it is also very important to have good roads and proper transport system. The main problem in the MSME sector comes from skilled workers. The government should set up more and more training centers to promote the skill development program so that more and more knowledgeable and skilled artisans can be available for various works.

Black marketing of raw materials should be stopped so that the businessmen are not harmed. One of the major problems faced by small entrepreneurs is delayed payments. Government purchases are huge in the country and unless payments are made for goods sold from government entities, the entire supply chain slows down. That's why there is a need to pay attention to this also.

The MSME sector can play a huge role in the field of exports. For this, more capital and infrastructure is needed, in which the government should give full support. The government should give a big economic package to strengthen and promote the MSME sector. Along with this, there is a need to pay more attention to employment generation and prepare a new national employment policy.

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