



CHALLENGES FACED BY “MSMES” IN THE INDIA: AN EXPLORATORY STUDY

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Abstract

“Micro, Small, and Medium Enterprises” (“MSMEs”) play a crucial role in the economic development of India. However, these enterprises often encounter various challenges that hinder their growth and sustainability. This research aims to identify and analyze the problems faced by “MSMEs” in the India, with a particular focus on organizational aspects, financial support, and marketing difficulties. A mixed-methods approach combining quantitative data collection through a questionnaire and secondary data analysis through literature review is employed. The findings highlight the need for enhanced financial support mechanisms and improved marketing strategies to address the challenge faced by “MSMEs” in the region.

Keywords: “MSMEs”, India, challenges, financial support, marketing, organizational aspects, India.

Introduction and Background

“Micro, Small, and Medium Enterprises” (“MSMEs”) have emerged as major contributors to the Indian economy, fostering innovation, generating employment, and promoting inclusive growth. However, these enterprises often confront numerous obstacles that hamper their operations and impede their potential. India, with its vast population and diverse economic landscape, relies heavily on the growth and success of its MSME sector. According to the Ministry of “Micro, Small, and Medium Enterprises”, there are over 63 million “MSMEs” in India, employing approximately 110 million people (Singh, etl. 2022). These enterprises contribute around 30% to the country's GDP and account for 45% of India's total manufacturing output. In India, “MSMEs” encounter numerous challenges that impede their growth and restrict their ability to reach their full potential, despite the significant contributions they make. These challenges stem from multiple factors, including economic, regulatory, infrastructural, and operational constraints. Addressing these challenges is crucial for unlocking the full potential of “MSMEs” and realizing their impact on India's overall economic development (Shukla, etl. 2020).

Research Objectives

1. Identifying the problems encountered by “MSMEs” in the India.
2. Exploring the organizational aspects that influence MSME performance.
3. Investigating marketing issues faced by “MSMEs” in the region.

Literature Review

Admission to economics is a crucial challenge face by “MSMEs” in India. Limited availability of formal credit, high interest rates, and complex loan application processes hinder “MSMEs” ability to secure necessary funds for business operations, expansion, and technological upgradation. Studies (Acharya et al., 2018; Jain et al., 2020) highlight that “MSMEs” often rely on informal sources of credit, which come with higher interest rates and lack adequate protection. Inadequate infrastructure and technological advancements pose significant challenges for “MSMEs” in India. Limited access to reliable electricity,



transportation, and communication networks hampers production capabilities and efficiency. Moreover, the adoption of new technologies and digitalization is often limited due to lack of awareness, technical skills, and financial resources, putting “MSMEs” at a disadvantage in an increasingly competitive market (Bala et al., 2021; Maheshwari & Krishnan, 2019). “MSMEs” in India face complex and burdensome regulatory frameworks that impede their growth and operational efficiency. Cumbersome compliance procedures, multiple registrations, and administrative red tape increase the cost of doing business for “MSMEs”. Studies (Dwivedi & Khan, 2021; Shukla & Sharma, 2020) emphasize the need for simplified regulations, streamlined processes, and reduced compliance burden to enable “MSMEs” to thrive. The availability of skilled manpower is a persistent challenge for “MSMEs” in India. There is a shortage of skilled workers with appropriate technical and managerial expertise, limiting the ability of “MSMEs” to innovate and adopt new technologies. Additionally, limited access to formal training and capacity-building programs further exacerbates the skills gap, hindering productivity and growth (Bala et al., 2021; Singh et al., 2022). “MSMEs” struggle to penetrate and compete in both domestic and international markets due to various factors. Limited market information, lack of branding and marketing capabilities, and inadequate market linkages restrict “MSMEs” access to larger customer bases. Moreover, intense competition from larger firms, both domestic and international, further challenges the growth and sustainability of “MSMEs” in India (Jain et al., 2020; Kumar et al., 2021).

Research Methodology

The present research has used Doctrinal research wherein both “primary and secondary data” has been gathered. While primary data has been gathered from conventions, international treaties, Challenges Faced by “MSMEs” in the India, various international and national, opinion of eminent jurists etc. Secondary data has been referred to in the form of reports, news articles etc. Internet, books, websites, etc., E-libraries have been used to access these primary and secondary datas. Apart from this qualitative research has been done with available statistical data which has been duly analyzed and a descriptive method study has been followed.

Findings and Discussion

The findings reveal several key challengeface by “MSMEs” in the India. Lack of access to financial support emerges as a significant obstacle, inhibiting business growth and expansion. Furthermore, “MSMEs” encounter marketing difficulties, limiting their ability to reach broader markets and secure a competitive edge. These challenges can be attributed to poor planning, inadequate infrastructure, and limited awareness of market dynamics-

“Micro, Small, and Medium Enterprises” (“MSMEs”)

“Micro, Small, and Medium Enterprises” (“MSMEs”) have indeed emerged as vital contributors to the Indian economy, playing a crucial role in fostering innovation, generating employment opportunities, and promoting inclusive growth. These enterprises are known for their agility, adaptability, and potential to drive economic development at the grassroots level. However, despite their significant contributions, “MSMEs” in India face various challenges that hinder their growth and limit their overall impact.

“Limited Access to Finance”:



One of the most significant challenges faced by “MSMEs” in India is the incomplete access to economics. Many “MSMEs” thrash about to obtain adequate funding to support their operations, invest in technology upgrades, and expand their businesses. Traditional banking institutions often perceive “MSMEs” as high-risk borrowers, leading to stringent lending criteria and a lack of tailored financial products for their specific needs (Kumar, etl.2021).

Inadequate Infrastructure:

“MSMEs” often face infrastructure challenges in terms of inadequate physical infrastructure, including transportation, power supply, and communication networks. Insufficient infrastructure can increase costs, delay production, and limit market reach, thereby impacting the competitiveness and growth prospects of “MSMEs”.

Limited Market Access:

“MSMEs” frequently encounter difficulties in accessing wider markets and expanding their customer base. Lack of market information, limited marketing skills, and inadequate distribution channels pose significant barriers for “MSMEs” to effectively promote and sell their products or services. Additionally, intense competition from larger enterprises and multinational corporations further exacerbates the market access challenge for “MSMEs”.

Skill Gaps and Human Resource Constraints:

“MSMEs” often face skill gaps and human resource constraints, particularly in terms of accessing a skilled workforce. Limited resources for training and development, coupled with the inability to attract and retain skilled employees, make it challenging for “MSMEs” to adopt innovative practices and adapt to changing market dynamics (Maheshwari, etl. 2019).

Regulatory Compliance Burden:

Complying with complex and often cumbersome regulatory requirements is a considerable challenge for “MSMEs” in India. Navigating through multiple regulations, obtaining licenses and permits, and adhering to tax and legal frameworks can be overwhelming, especially for small enterprises with limited resources and expertise.

Technological Upgradation:

Many “MSMEs” struggle to keep pace with rapid technological advancements. Lack of awareness, limited access to technology, and insufficient financial resources hinder their ability to adopt modern production techniques, digitize operations, and leverage emerging technologies for improved productivity and competitiveness.

Access to Business Development Services:



“MSMEs” often face challenges in accessing appropriate business development services such as mentorship, consultancy, and market intelligence. These services can play a crucial role in enhancing managerial capabilities, improving product quality, and exploring new business opportunities.

Addressing these challenges requires a comprehensive approach involving government initiatives, industry associations, financial institutions, and MSME owners themselves. Measures such as facilitating easier access to finance, improving infrastructure development, providing targeted training programs, simplifying regulatory procedures, and promoting technology adoption can significantly support the growth and sustainability of “MSMEs” in India. Moreover, fostering collaboration, knowledge-sharing, and networking opportunities can empower “MSMEs” to overcome challenges collectively and leverage their potential for greater economic impact.

Implications and Recommendations

Addressing the challenges faced by “MSMEs” in the India requires a multi-faceted approach. Policymakers and stakeholders should prioritize the development of effective financial support mechanisms tailored to the specific needs of “MSMEs”. Additionally, providing “MSMEs” with access to training and resources to enhance their marketing capabilities is crucial. Strengthening the entrepreneurial ecosystem and promoting collaboration between “MSMEs” can also foster innovation and shared learning.

Conclusion

This research shed light on the issuesface by “MSMEs” in the India. By identifying and understanding these issues, policymakers, industry associations, and MSME owners can collaborate to develop targeted strategies and interventions to overcome these challenges. Empowering “MSMEs” with adequate financial support and equipping them with effective marketing strategies will enhance their competitiveness and contribute to the overall economic growth of the region.

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