



PROBLEMS AND PROSPECTUS OF MSMEs IN INDIA

Dr. P. L. Harale

M.Com. M.Phil, SLET, Ph.D, Associate Professor of Commerce, Shri L. K. Khot College of Commerce, Sankeshwar.

ABSTRACT The micro, small and medium enterprise constitute an important segment of the Indian Economy. The MSMEs play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The Socio-economic Development of India depend upon the development of MSMEs. This paper depicts on definitional aspect, opportunities and problems of MSMEs.

KEYWORDS : Concept, Definition, Opportunities, Problems.

INTRODUCTION:

The micro, small and medium enterprises play a vital role in the economic and social development of the country, often acting as a nursery of entrepreneurship and innovation. In India Micro Small and Medium Enterprises, account for 95% of countries Industrial units, 40% of its industrial outputs, 80% of employment in the industrial sector, 35% of value added by the manufacturing sector and 27% of net domestic product.

Objective Of The Study :

The main objectives of the present study are as follows :

- To examine the definitional aspect of MSMEs;
- To analyse the opportunities of MSMEs;
- To know and understand the various problems of MSMEs.

Concept :

In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act 2006; the MSMEs are classified in to two classes.

(a) Manufacturing Enterprises :

The enterprise engaged in the manufacturer of production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation) Act 1951. The manufacturing Enterprise is defined in terms of investment in plant and machinery.

(b) Service Enterprises :

The enterprises engaged in providing or rendering of service and are defined in terms of investment in equipment.

Existing And Revised Definition Of MSMEs

1) Existing Msme Classification

Criteria : Investment In Plant And Machinery

Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment ₹ 25 Lakh	Investment ₹ 5 Crore	Investment ₹ 10 Crore
Service Enterprises	Investment ₹ 10 Lakh	Investment ₹ 2 Crore	Investment ₹ 5 Crore

Revised MSME Classification

Industry Specific

MSMEs are very essential as they create a lot of Job Opportunities at relatively lower Capital cost than large Industries in India.

The following Table 1.2 shows sector wise job creation by MSMEs in India.

Sector	Job Creation (in Lakhs)
Trade	387.18
Manufacturing	360.41
Other Services	362.82

Source MSMEs Statistics of 2024

The above table shows that Trade sector created 387.18 lakh jobs, where as manufacturing sector created 360.41 lakh jobs and other services has created 362.82 jobs.

Urban and Rural Areas Employment Distribution. MSMEs are

playing vital role in providing employment opportunities in urban and rural areas.

The following Table 1.3 shows urban and rural areas Employment Distribution :

Source : MSME Statistics of 2024

The above table 1.3 depicts that, micro business provided 306.43 lakh and 324.09 lakh employment opportunities in Urban and Rural areas respectively. Whereas small business provided 2.53 lakh and 0.78 lakh employment opportunities in Urban and rural areas and medium business created 0.04 lakh and 0.01 lakh employment opportunities in urban and rural areas respectively.

Opportunities Of MSMEs :

The following opportunities are extended to the MSMEs :

- The MSMEs enjoy the benefits of selling their products and services to the world market rather than being confined to domestic market alone.
- MSMEs have been able to identify highly promising business areas like outsourcing, subcontracting, ancillarisation and new technologies like bio-technology, nano-technology etc. which are attractive for the new generating MSME entrepreneurs.
- The MSMEs have been a good source of employment generation.
- A proper collaboration between the small and large companies can help small firms to develop their technological base.
- The MSMEs would be allowed to work in a free environment (less government intervention, less control on import and export.)
- The MSMEs Sector can take care of local needs, improve economic condition of the area and most importantly, can bring a qualitative change in the economy of the country.
- The MSMEs try to produce products as per the needs and preferences of the consumers and satisfy the customers in best possible way.
- Competitiveness in domestic and global market may bring out superior performance.

Problems Of MSMEs:

Some of the major problems of MSMEs are as follows:

Problem of Raw material:

The problem of raw material has assumed (i) absolute scarcity (ii) a poor quality of raw materials and (iii) a high cost. Due to inadequate supplies of raw material they have to resort to open market purchases at a very high price. This in turn increases their cost of production as a result they are put into an adverse position.

Problem of Finance:

The MSMEs mostly depend on internal source of finance and they find it difficult to take financial assistance from the commercial banks and financing institutions. It is further necessary to frame the lenient rules in extending the financial assistance to the MSMEs in the country.

Problem of marketing :

Most of the MSMEs do not have adequate monetary support to develop marketing section and many are not aware of modern low cost marketing techniques like sending mails, developing website for the company etc.

Problem of under-utilisation of capacity:

On an average 50 to 40 percent of capacity were not utilized in micro and small enterprises due to power problem.

Other problems:

In addition to the above problems enumerated above, these enterprises have been constrained by a number of other problems like, technological obsolescence, lack of organized market channels, imperfect knowledge of market conditions, unorganized nature of operations, inadequate availability of credit facility, constraint of infrastructure facilities including power etc.

CONCLUSION:

The micro, small and medium enterprises (MSMES) play a significant role in contribution to the development of Indian economy in terms of production system, employment generation, GPP etc. In view of the above problems of MSMES, government has to initiate policies that are helpful to MSMES and embark and emphasize on formulating the friendly policies so as to create favourable operating environments and improvements of proper infrastructure and in arranging proper finance facilities, suitably implementing modern technology.

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