

# Micro Small Medium Enterprises: Challenges And Opportunities

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**Abstract-** MSMEs play a pivotal role for the socio economic growth of the country. The great hunger of unemployment is fed by MSMEs by creating job opportunities and making people self employed. MSMEs contribute to the equitable regional development hence, they are treated as the drivers of economic growth. This sectors contribution in accelerating GDP the indicator of economic growth is much significant. It plays a most significant role in employment generation, earning foreign exchange, contributing for domestic production. SMEs that have strong technological base, innovative, competitive spirit and willingness to restructure them can face the barriers easily which are in front of them, because of various schemes incentives and subsidies available by government to encourage youths. Through MSMEs many youths have become job providers rather than job seekers. MSMEs have set a new trend in various sectors which give birth for many budding entrepreneurs. The very objective of the study is to know about the opportunities before MSMEs for their development and various problems which are hindering the growth of MSMEs. The present paper deals with the existing trends of MSMEs in DAVANGERE district. Tourism, organised retailing, Textile and Handloom industry, Rice and Sugar mills, have become trends in MSMEs as they are gaining more importance in the minds of customers.

**Keywords-** MSMEs, Employment, Challenges, Opportunities, Trends, GDP

## I. INTRODUCTION

The number of MSMEs is estimated to be 42.50 million registered and unregistered together out of total industrial units in the country 95% is acceleration of the economy. Nearly 31% of India's GDP is contributed by this sector Small and Medium Enterprises Sector has emerged as a highly vibrant and dynamic sector of the economy. They play vital part in employment generation and self employment opportunities as it requires less capital compared to large industries. Further the establishment of SMEs in rural and backward areas reduces the regional imbalance. Assuring more equitable distribution of national income and wealth SMEs are complimentary. Ancillary units which are large industries gift largely to the socio-economic development of

the country. Thus it gained the significant position SMEs also play a significant role in nation's development through its high contribution in domestic production, export earnings, , mobility factor, low intensive imports, requirement of low investment, flexibility in operation capacities to develop suitable indigenous technology, competitiveness in domestic and export markets there by generating new entrepreneurs by providing knowledge, training and skill development.

To encourage the growth of MSMEs government business units and individuals should work with their combined efforts. MSMEs can avail the benefits like credit at low interest rate, incentives on products for exports excise exemption statutory aid such as reservations and the interest payments delayed due to unavailable circumstances from government. Despite these benefits they face barriers such as overlooking competition revelry, globalization, lack of awareness about the use of prevailing technology or opportunities available to them, improper planning. Meanwhile the MSMEs are feeling the GDP growth and increasing their contribution year after year.

## II. REVIEW OF LITERATURE

**(Parthajeet Das 2017)** micro small medium enterprises strengthen the backbone of an Indian economy. Despite various challenges this sector, has achieved a remarkable progress by increasing its contribution to GDP. This sector exhibits our traditional skill and expertise with combination of new technologies, this component helped it to sustain.

**(Satya Prabhakar 2018)** The sustained high growth of GDP is enabled by MSMEs. As India emerges as one of the biggest economic spots in the new millennium, it should focus on ways to make help MSMEs, the most powerful driver of its growth survive succeed and soar.

**(Sonia Mukherjee 2018)** With the onset of globalization process, the Indian MSMEs are lagging behind the rival firms. The rival firms originate from the neighbouring countries in terms of export competitiveness. The main reason attributed behind this is lack of use of updated technology and other notable reasons. Hence, this calls for urgent action.

(Mukesh Lohar 2017) MSMEs are playing vital role in facilitating employment generation and is helping in industrialisation of rural and backward areas, thus, reducing regional imbalance and assuring more equitable distribution of national income and wealth.

(Amarjit Gill, Harvinder S. Mand 2013) One of the most important goals of small business firms is to maximise the share holders’ wealth. Lack of financing, market challenges regulatory issues and infrastructure are among important barriers to the growth of small business firms. These barriers to the growth of small business firms, these barriers forbid the growth of MSMEs and exclude them in achieving their goal.

(Dr. Surendar Gade 2018) MSMEs Role in Economic Growth a study on India’s Perspective, International Journal of Pune and Applied Mathematics, Volume 118,no.18 2018,1727-1741)

(Mrs Ashu Katyal, Mrs Betsy Xaviour 2015) very less number of MSMEs have formal HR department and in new small business units’ owners only are handling the HR practices. So w HR functional training becomes very important with skill training for owners with this handling HR functions and understanding the importance of HR in organisation becomes easy.

**III. OBJECTIVES OF THE STUDY**

- To study the trends, challenges and opportunities in MSMEs.
- To evaluate the growth of MSMEs in Davangere.

**IV. RESEARCH METHODOLOGY**

The methodology of the study includes only the secondary data collected from various sources such as articles, several research papers, journals and internet sources. Hypothesis between variables such as investment and employment, investment and number of units registered, employment and number of units registered is tested as well as correlation between these variables using correlation coefficient is found out.

**V. HYPOTHESES OF THE STUDY**

**Null Hypotheses**

- $H_0$  -There is no significant correlation between investment level and employment
- $H_0$  -There is no significant correlation between investment and number of units registered

- $H_0$  –There is no significant correlation between employment and number of units registered

**VI. SCOPE OF THE STUDY**

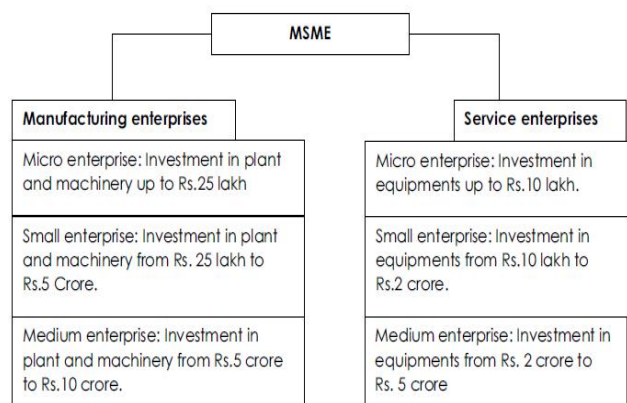
The present study is confined to davangere district only. The study is conducted based on secondary data only which is the major limitation of the study. Time constraint is also one of the limitations. MSMEs are the great strength for an economy to develop. Employment generation is the great opportunity in MSMEs as it makes the people self employed and job creators rather than job seekers. Its contribution to GDP an indicator of economic development is much more significant. Idle money is getting a great platform of investment with expansion of this sector. With help of these factors an economy can march towards an evolution which benefits the country.

**VII. NEED FOR THE STUDY**

MSMEs play vital role in the progress of whole country. They are much required to remove he regional imbalance, helpful in equitable distribution of financial resources, yet they are facing the barriers they have a very poor production capacity, due to use of outdated technology. It is very hard to employ a skilled labour at affordable cost. Globalization and modernization have become the rivals of MSMEs as they are unable to compete with their efficiency. There is a need to empower MSMEs for effective utilization of all available resources. There is a requirement to create awareness among entrepreneurs about the prevailing opportunities and how to overcome the barriers in the way of their growth.

**VIII. CONCEPTUAL FRAMEWORK**

Under the MSMED Act, 2006 MSMEs are defined on the basis of their investment in plant and machinery and equipments.



## Opportunities of MSMEs

It is the opportunity which becomes main reason to take up MSMEs. It's not the simple task it takes lot of courage and boldness to exploit the opportunity. Just hard work doesn't fetch success there should be a combination of hard work with smart work. "Generally people who start their business can be grouped into two broad categories. The first group know exactly what they want to do and they are merely looking for the opportunities or resources to do it. These people may have already developed many of skills necessary to succeed in their chosen field and are also likely be familiar with industry customs and practices, which can help during the start-up phase of a new business. The second group consist of people who want to start their own business, but do not have any definite idea about what they'd like to do. They may have developed skills in the course of their employment or education, but may not be interested in opening a business in the field of endeavour. There are many opportunities waiting to be tapped by potential as well as existing entrepreneurs are;

**Less Capital Intensive:** It doesn't require much capital to start MSMEs this become a great chance to start MSMEs all it require is knowledge and skill moreover there is much encouragement from government to start up enterprises by providing loan under self employment scheme etc

**Digital India:** It is one of the first moves taken by government. It sets target to introduce digitalization in every aspect of business. This step is believed to enable cashless transactions and E-commerce for rural firms. Through this connectivity benefits from government can be availed instantly. Meanwhile it also expands the reach of business and establishes their brand across the country.

**Availability of Natural Resources:** Davangere is a land with rich in resources where there is an availability of minerals like white quartz, limestone. This district covers 5976 sq km and with total population of 1946905 people. All these are significant factors supporting the growth of MSMEs and encouraging increasing its investment.

**Government Policies:** As there is much requirement of MSMEs for the development of economy there is lot of support and encouragement from government towards this sector. Various schemes have been announced by the government that differ fiscal incentives for small business to grow and flourish.

## Challenges of MSMEs

MSME Sector is a backbone for an economy thus, it get lot of support from government to improve this sector despite support there are number of hurdles which are to be tackled by the entrepreneurs from procurement of raw materials to final distribution of products or service. The challenges are as follows;

**Procurement of Raw Materials:** Economic sources like raw materials are much important to bring the business idea into practice. Availability of the raw material is the first constraint though there are sufficient raw materials due to competition the demand is increased this in turn adversely affect with increased price. In such situation entrepreneur has to face the challenge in marketing due to high cost and this lower the profit portion.

**Inadequate Infrastructure Facility:** Lack of basic physical and organisational structures like building road power supply hinders the growth of MSME and negatively affects the productivity and profitability.

**Lack of Skilled Manpower:** It is the humans who run the business. There is a requirement of skilled people getting them at affordable rate becomes much difficult. This problem further makes way for many other challenges like managerial incompetence, lack of proper planning etc when there is a rectification in these issues there is possibility of development of business.

**Outdated Technology:** This is a big obstacle for growing business. In this managerial area many of the small business are still dependent on the old technology are not well equipped. This outdated technology decrease their efficiency and limit the growth of business, due to this they find it difficult to expand their business in new market.

## Trends in MSMEs

**Tourism:** It the best way to come out of the daily work routine and find refreshment is tour and picnic. In today's busy work schedule people find a ways for relaxation. Tourism industry is important for the benefit it brings due to its role as a commercial activity that creates demand and growth for many more industries. Many ancient temple with intricate carvings like kalleshwara temple, Harihareshwara temple, and Eshwara temple which is famous for pillars and sculptures attract many people who seek peace of mind. Shntisagar Lake which is the second largest lake in south Asia India's largest glass house is located in davangere district all these factors give much scope for hotels, tourist guide, restaurant, transportation in tourism and have set a new trend.

**Youths Favoured Snack Food:** Today's youths are becoming food lovers especially snack. This paves way for potato chips, pretzels, banana chips, and many other small snack makers helping them to become self employed. Pizza, Donuts, KFC, Burger are the most favoured snack items where a small and medium industry can be developed.

**Growth of Road Side Eateries:** In the present scenario road side eateries are mushrooming in every nook and corner of the city. The main reason for this is these attracts all class of people and are making sufficient profits. Gobi manchuri, Golgappa, Masalpuri, Kachori, Pavbhaji are the most demanded food items. This growing demand by teen agers stimulates many people to undertake road side eateries as their business; further these have low investment while compared to other business.

**Organised Retailing:** Davangere is the 6<sup>th</sup> largest city in the state with a population of 435129 people. Davangere is also a city which is in the list of upcoming smart cities. Hence, there is a great opportunity for organised retailing which also generates further supportive employment opportunities. With the development of organised retail sector there is improvement in government revenue generation, it helps to raise productivity and exports can be boosted if products are part of the organised retail chain, they can be easily exported to different countries especially through similar organised retailing.

**Sugar and Rice Mills:** Davangere district encompass a geographical area of 5924 sq km in which agriculture is the main income of the district. There are three sugar industries located which give much scope for sugarcane cultivation improved cultivation give much scope for establishment of new industries which will help in providing employment opportunities to many and hence help in solving the problem of unemployment in our country. In the same way cultivation of rice is also a major activity which set s trend for establishment of Rice Mill.

**Online Food Delivery:** In a busy schedule of life people are trying to ease their work this has set a new trend for online food delivery Zomatato, Sweezy is working at present in this line. There is a chance for a new budding businessman to implant their views and grow in this sector.

**Unorganised Sector:** with the growth of population unorganised sector which consist of all unincorporated private enterprises owned by individuals like kirana stores, textile shops, tailoring has gained importance and are facing towards their growth.

## IX. DATA ANALYSIS AND INTERPRETATION

**Table 1 Number of units, Employment, and Investment in MSMEs (in lakhs)**

Year	No of units	Employment	Investment
2005-06	334	116	356
2006-07	324	998	441
2007-08	354	1540	830
2008-09	401	1379	1414
2009-10	441	1508	1386
2010-11	480	1869	3167
2011-12	526	2017	1416
2012-13	531	2124	3186
2013-14	585	2474	3064
2014-15	644	2393	3207
2015-16	1666	14117	32839

Source: MSME Report 2019

**Table 2. Results of correlation analysis**

Hypothesis	'r' value	Result
Correlation between investment level and employment	0.994774	Very strong positive relationship
Correlation between investment and number of units registered	0.98284	Very strong positive relationship
Correlation between employment And number of units registered	0.988725	Very strong positive relationships

Source: Excel calculations

### Investment and employment

Null hypothesis is proved wrong as there is a significant correlation between investment and employment with the help of excel correlation coefficient is determined which comes out to be 0.994774. It indicates that increase in investment also lead to increase in employment opportunities. By observing this the co relational value clearly depicts that MSME sector has generated employment and also aided in the growth of entrepreneurship since the year 2005-16.

### Investment and number of units registered

Null hypothesis is rejected as the correlation co efficient value worked out in excel provides positive output 0.98284. Hence there is a significant increase in investment and number of units registered. It can be said that from the year 2005-16 MSME units are increased with the increase in

amount of investment. Investment play pivotal role as it is the life blood of business. Increase investment in MSME sector has paved the way for many new units.

### Employment and number of units registered

Correlation between employment and number of units registered is much significant as excel value shows the correlation coefficient as 0.988725. Null hypothesis is proved wrong as the employment opportunities has increased with the increase in number of units registered.

### X. FINDINGS

- **Correlation:** There is a significant correlation between investment an employment as per excel output 1.989545. AS the results are positive the relationship between the two variables is highly correlated. The relationship between investment and also have significant correlation and excel output come for 0.98284 and .988725 which state they are highly correlated and prove wrong null hypothesis.
- **Opportunities:** By observing we can state that there are many more opportunities in front of MSME sector to grow as there is availability of natural recourses, aid of government schemes, requirement of less capital, etc further there are also new trends set in MSME sector which aid in self employment opportunities.
- **Challenges:** Problems like inadequate infrastructure, lack of skilled manpower, outdated technology etc are the hurdles which hinder the development of MSME sector.

### XI. SUGGESTIONS

MSMEs are showing slowing a significant growth their contribution towards employment generation is eliminating regional imbalances and helps for sustained development some suggestion to improve work performance of MSMEs are:

- Financial institutions who lend credit facilities should be prompt and sanction credit with affordable interest rate within short duration.
- Flaws in basic infrastructure facilities like road, power supply, water and telephone connectivity must be rectified.
- There is requirement of trade fairs, exhibitions to promote the sales and to facilitate better marketing conditions. Exports from this sector must be encouraged.
- Entrepreneurship training facilities must be undertaken by government to educate entrepreneurs

regarding enhancement of their skill, they must be thought how to exploit the prevailing opportunities in front of them and to adopt new technologies.

- Initiatives from government for revival of sick units must be undertaken as per RBI guidelines and Credit Guarantee Fund for Micro Small Enterprise scheme.

### XII. CONCLUSION

MSMEs are one of the most important sectors which add firmness to the economy of India. This sector deals with problems of unemployment, unequal distribution of wealth, regional disparities and maximizes its contribution to GDP. Though MSMEs tackle lot of problems and benefit the economy they are suffering from problems of high cost of credit, improper infrastructure facilities, lack of skilled manpower. Hence, government should take step to overcome all these challenges with this the contribution towards the economy is boosted..

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