

A Study on the Opportunities and Challenges for MSME sectors in India

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Introduction :

The MSME sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy with a vast network of around 30 million units, creating employment of about 70 million, manufacturing more than 6000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly. Despite the significant contributions of the MSME sector, the sector continues to face certain constraints like, as pointed out in PM's Task Force Report, 2010, availability of adequate and timely credit, high cost of credit, collateral requirements, access to equity capital and rehabilitation of sick enterprises, etc. It thus emerges that adequate, timely and affordable credit is one of the bigger issues for the MSME sector.

Challenges Faced by the MSME Sector :**➤ Lack of innovation :**

Indian MSMEs are not very innovative, and the majority of the products that they produce are based on outdated technologies. There is a severe lack of entrepreneurs in this sector, which has prevented it from adopting new technologies and tools which have brought about significant changes in other sectors like E-Commerce and call centers, etc.

➤ Financial issues :

In the Indian economy, access to finance has always been an issue for smaller firms and businesses. This is a major hindrance for businesses as well as the MSME sector. However, the most disturbing fact about it is that only 16% of SMEs get access to timely finance, resulting in small and medium firms being forced to rely on their own resources.

➤ Technical changes :

There has been no dearth of technical changes over time, and most industries have undergone some form of change in order to remain competitive. As a result, Indian MSMEs have had to deal with some very important changes which have affected their growth potential.

➤ Competition :

Due to various factors, such as the rise of E-Commerce and the advent of globalization, bigger firms have forced MSMEs out of their markets. However, this is not new because MSMEs were facing competition from year one, but they could fight it off successfully compared to professional firms.

➤ Regulatory issues :

Several regulatory issues have been identified over time, including problems like tax compliance and changes to labor laws which have ended up costing the MSME sector dearly. In an attempt to make this sector more competitive among others, certain labor reforms were attempted some years back.

➤ **Infrastructure :**

In India, the infrastructure sector is extremely important because we are often referred to as the 'world's back-office' because so many works in this sector are carried out overseas. Applications such as E-Commerce and BPO have created more jobs in low-wage countries like India.

➤ **Lack of standardized policies :**

There are very few MSME policies in India. As a result, there is no consistency when it comes to MSME development as well as entrepreneurship promotion programs. However, positive progress has been made in Delhi over the years, but this needs to be done on a national level so that Indian firms can become more competitive across the world for global companies and investors.

Various Opportunities for MSME :

There are about 46 million micro, small and medium enterprises in various sectors, employing 106 million people. Overall, the MSME sector accounts for 45% of Indian manufacturing and 40% of exports. While unorganized (about 94%) is informal and unregistered in most sectors, the initiative to register more businesses is on the right track. India's share of GDP in MSMEs is expected to increase from the current 8% to 15% by 2020.

1) Growth Opportunity Areas in Major Sector : In view of the expected growth trends in the main sectors and certain areas of opportunity, the proportion of MSMEs in these growth sectors may increase significantly.

I. Telecommunication

II. Electronics

III. Healthcare

2) Opportunities in Employment Generation :

With MSME's contribution to GDP increasing, it is reluctant to increase its share of employment by more than 50% over the next decade. This is also important for informal MSMEs who are not currently registered. Formal MSMEs need to be

ecosystem made parts. Development incentives in the form of incentives or direct benefits for MSMEs will promote participation in registration and growth.

3) Opportunity in Export :

The contribution of the services, manufacturing and agricultural to the overall exports from India is fairly twisted. While export of services led by IT and ITeS sectors have grown significantly in the last decade, the contribution to exports from manufacturing output has been largely stagnant. The share of the top four commodities account for about 60 per cent of total MSME exports.

4) Opportunity in Value Addition in Products & Services :

The average technical value of products exported by Indian industries is about 88%, which is much lower than other stabilizing countries. When it comes to global demand for value-added products and services, a clear opportunity is missing.

Conclusion :

The term Micro Small and Medium Enterprise (MSME) was launched to become an integral part of the supply chain for products and services; moreover, a creator of large-scale employment opportunities in rural India. In the current situation, one of the biggest challenges for MSMEs is the shrinking demands in the economy. However, government assistance is needed to minimize transaction costs for technology upgrades, market penetration, infrastructure upgrades, etc. The MSMEs sector is often called the “Growth Engine” for developing countries.

References :

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