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GROWTH AND CHALLENGES FACED BY MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

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ABSTRACT

Micro, Small, and Medium enterprises are the backbone of any country. Micro, Small, and Medium enterprises not only generate employment opportunities but also help industries by providing raw materials as well as finished goods. It significantly contributes to the Indian economy through domestic production, technology-oriented enterprises, export production, low investment requirements, operational flexibility, etc. Micro, Small, and Medium enterprises also help in reducing unequal distribution of income. An attempt is made to know the contribution and growth made by MSMEs in India and the challenges they are facing. There are various problems Micro, small, and Medium enterprises are facing as discussed in this paper.

Keyword: Challenges, growth, MSMEs, Enterprises

INTRODUCTION

MSMEs contribute significantly to the country's GDP, exports, and employment. These enterprises are characterized by their limited resources, small size, and innovative spirit. At comparatively lower capital costs next only to agriculture, Micro, Small, and Medium enterprises generate large employment opportunities that significantly contribute to the

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social and economic development of the country. *Zanjurne, P. (2018)*. MSME not only meets the demand of domestic market but global market also. Over the last five decades, Micro, Small, and Medium enterprises in the Indian economy have been highly dynamic. They are facing numerous challenges like initiatives, policies, and support systems that hinder their potential. *Khatri, P. (2019)*. There are various types of MSMEs, an amount that does not exceed Rs 25 lakh in the manufacturing sector and Rs 10 lakh in the service sector are called micro-enterprises. An amount between Rs 25 lakh to Rs 5 crore in the manufacturing sector and an amount between Rs 10 lakh to Rs 2 crore in the service sector are called small enterprises. An amount between Rs 5 crore and Rs 10 crore in the manufacturing sector and the amount between Rs 2 crore and Rs 5 crore in the service sector are called medium enterprises.

LITERATURE REVIEW

- Sumanjeet Singh and Minakshi Paliwal (2017) studied the problems that micro, small, and medium enterprises face. They concluded that despite contributing to the Indian economy, MSMEs are facing numerous challenges like lack of skilled labor, lack of information about the market, old and obsolete technology, limited financial resources, inefficient marketing networks, and lack of infrastructure facilities. The study suggests that in areas like infrastructure facilities, financial accessibility, and innovative technology, with the support of the government, the MSME.
- Anis Aliand Firoz Husain (2014) in their research “MSMEs in India: Problems, Solutions, and Prospects in Present Scenario” figure out the problems MSMEs are facing and identify the solutions for the problems. The author observed that skill development, innovation, and research are required for MSME growth in India. The author suggested a mutual exchange of technologies from the concerned local authorities at the district, state, and central levels for increasing the pace of growth of micro, small, and medium enterprises in India.
- Ghatak, Shambhu (2010), in their study “Micro, Small and Medium Enterprises (MSMESs) in India: an appraisal” highlight that the status of Pakistan and Bangladesh is worse than the status of India. Bangladeshi SMEs have 46% of bank accounts Pakistan has 36% of SMEs bank account whereas Indian SMEs have 95% of bank account. It is further stated in the study that the Government of India should take further initiatives to support MSMEs.
- Jayan, V. K. (2013) The study “Women Entrepreneurship in MSME” studies factors that women enterprises encourage for success by analyzing 78 factors and concluded by 150 women entrepreneurs feedback received in Coimbatore city. To be considered as a women's entrepreneurship, the participation of women should be more than 50% as per the Micro, Small and Medium Enterprises

Development Act 2006. As per the study, women entrepreneurs should be encouraged to grow further for the country they played a very important role in socioeconomic development.

- Shinde, S.R. (2013) The study “Impact of globalization on small scale industries” focuses on the globalization impact on small and micro-scale industries in India. Globalization brought difficulties and challenges along with several opportunities to expand and grow. Therefore, global players in the domestic market brought competition. The author suggests the price advantage and improving the quality of the product to enhance efficiency and earn more profit.
- Srinivas, K. T. (2013) in their study “Role of Micro, Small and Medium Enterprises in Inclusive Growth” concluded that MSMEs are considered as the backbone of the economy. There have been numerous changes at the state and the national level in the past few years. For the poor growth of MSMEs in India, there has been a lack of marketing linkages and infrastructure. Therefore, the government of India should take measures for the development and growth of MSMEs in India.

OBJECTIVES OF THE STUDY

1. To study the current growth of micro, small, and medium enterprises in India.
2. To identify the problems faced by MSME in India.

RESEARCH METHODOLOGY

Secondary data has been collected from various sources like annual reports, magazines, the department of MSMEs, etc. Data has been interpreted and presented in tabular form to focus on the objectives of this study.

ANALYSIS OF DATA

A- *Growth and development of Micro, Small and Medium enterprises in India* By providing employment opportunities at a lower cost of capital as compared to large industries' capital investment, MSME plays a crucial role in the development of the economy in rural and backward areas. In reduced regional imbalance, reducing unequal distribution of income and wealth.

Activity wise category	Urban (in Lakh)	Rural (in Lakh)	Total (in Lakh)	Share (in %)
Trade	121.64	108.71	230.35	36

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Manufacturing	82.50	114.14	196.65	31
Electricity	0.01	0.03	0.03	0
Other Services	104.85	102.00	206.85	33
All	309.00	324.88	633.88	100

TABLE 1 ACTIVITY WISE NUMBER OF MSME
SOURCE: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

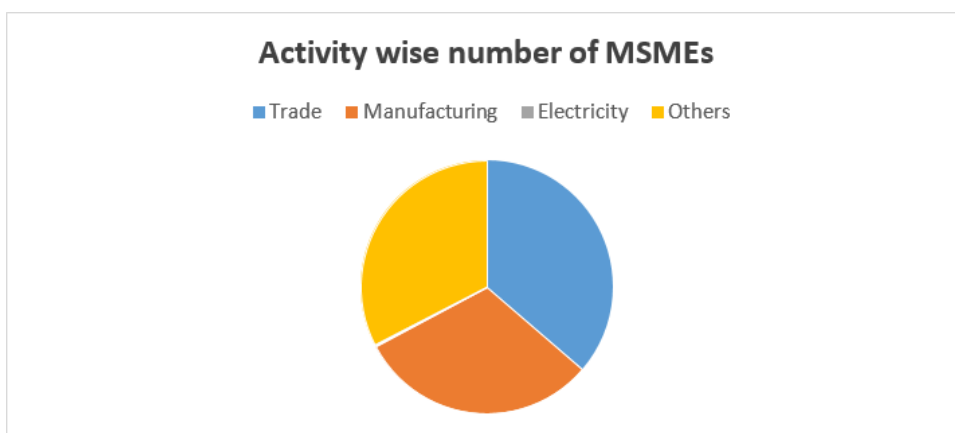


FIGURE 1 ACTIVITY WISE NUMBER OF MSME
SOURCE: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

DATA INTERPRETATION

According to Annual Report 2023-24, as per the National Sample Survey (NSS) 73rd round, conducted during the period 2015-16 by the National Sample Survey Office, Ministry of Statistics and Programme, there are 633.88 lakh MSMEs engaged in economic activities other than agricultural activities (230.35 lakh in Trade, 196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission and 206.85 lakh in other services).

Sector	Medium	Small	Micro	Total	Share (%)
Urban	0.04	2.53	306.43	309.00	49

Rural	0.01	0.78	324.09	324.88	51
All	0.05	3.31	630.52	633.88	100

TABLE 2 CATEGORY WISE DISTRIBUTION OF ENTERPRISES (IN LAKH)

SOURCE: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

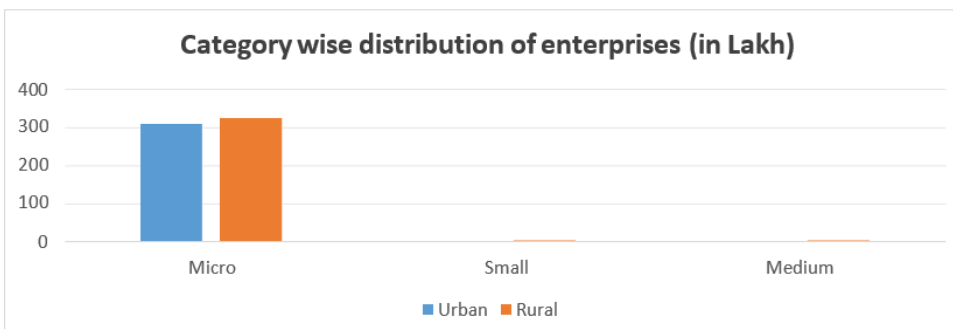


FIGURE 2 CATEGORY WISE DISTRIBUTION OF ENTERPRISES (IN LAKH)

SOURCE: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

DATA INTERPRETATION

According to the annual report 2023-24, 630.52 lakh i.e, 99% of the total estimated number of Micro, Small, and Medium enterprises are from the Micro sector, 3.31 lakh are from the Small sector and 0.05 lakh is from the Medium sector. 309.00 lakh (49%) of the enterprises are in urban areas and 324.88 lakh (51%) of the enterprises are in rural areas out of the 633.88 lakh estimated number of enterprises.

Sector	Urban	Rural	All
Female	18.42	22.24	20.37
Male	81.58	77.76	79.63
All	100	100	100

TABLE 3 DISTRIBUTION OF MALE/FEMALE OWNERSHIP IN RURAL AND URBAN AREAS

SOURCES: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

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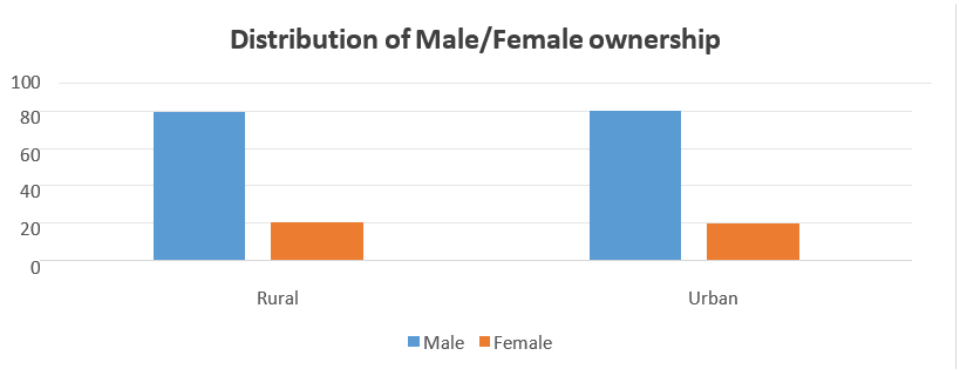


FIGURE 3 DISTRIBUTION OF MALE/FEMALE OWNERSHIP IN RURAL AND URBAN AREAS
SOURCES: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

DATA INTERPRETATION

There is a male dominance in ownership of proprietary MSMEs. Out of 633.88 lakh MSMEs, 79.63% of the enterprises are owned by male dominance compared to the enterprise ownership by female dominance which is 20.37%. Both in rural and urban areas, there was no significant deviation in this pattern, although male dominance owned enterprises were slightly less pronounced in rural areas compared to urban areas (77.76% as compared to 81.58%)

Category	Female	Male	All
Medium	2.67	97.33	100
Small	5.26	94.74	100
Micro	20.44	79.56	100

TABLE 4 DISTRIBUTION OF MALE/FEMALE OWNED ENTERPRISES (IN PERCENTAGE)
SOURCES: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

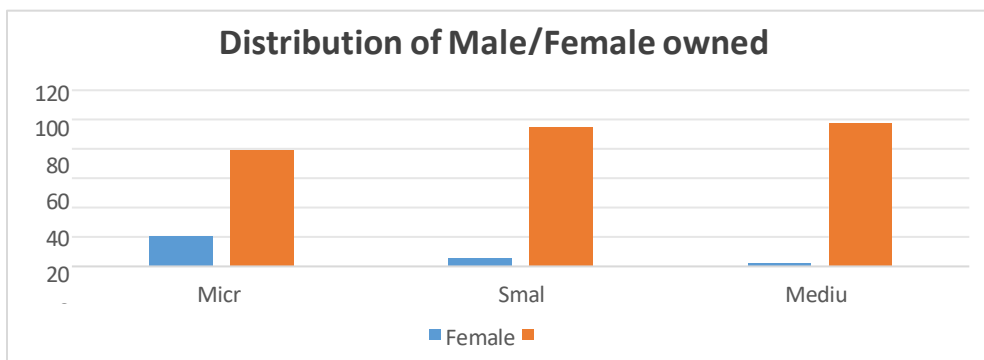


FIGURE 4 DISTRIBUTION OF MALE/FEMALE OWNED ENTERPRISES (IN PERCENTAGE)
SOURCES: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

DATA INTERPRETATION

Male dominance in ownership has been less pronounced for Micro enterprises with 80% being owned by them compared to Small and Medium enterprises with 95% or more owned by males.

Activity wise Category	Urban	Rural	Total	Share(in %)
Trade	226.54	160.64	387.18	35
Manufacturing	173.86	186.56	360.41	32
Electricity	0.02	0.06	0.07	0
Other Services	211.69	150.53	362.22	33
All	612.10	497.78	1109.89	100

TABLE 5 ESTIMATED EMPLOYMENT IN THE MSME SECTOR (ACTIVITY WISE)
SOURCES: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

DATA INTERPRETATION

According to Annual Report 2023-24, as per the National Sample Survey(NSS) 73rd round, conducted during the period 2015-16 by the National Sample Survey Office, Ministry of Statistics and Programme, 11.10 crore jobs were created by the MSME sector (387.18 lakh in Trade, 360.41 lakh in Manufacturing, 0.07 lakh in Non-Captive Electricity Generation and Transmission and 362.22 in Other Services)

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Sector	Medium	Small	Micro	Total	Share
Urban	1.16	24.06	586.88	612.10	55
Rural	0.60	7.88	489.30	497.78	45
All	1.75	31.95	1076.19	1109.89	100

TABLE 6 EMPLOYMENT DISTRIBUTION OF ENTERPRISES IN URBAN AND RURAL AREAS

SOURCES: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

DATA INTERPRETATION

Out of 1109.89 lakh employed in the MSME sector, 1.75 lakh of employment is from the medium sector of which 1.16 lakh of employment is from urban areas and 0.60 lakh of employment is from rural areas. 31.95 lakh of employment is from the Small sector of which 24.06 lakh of employment is from urban areas and 7.88 lakh of employment is from rural areas. 1076.19 lakh of employment is from the Micro sector of which 612.10 lakh of employment is from urban areas and 489.30 lakh of employment is from rural areas

Sector	Urban	Rural	Total	Share
Male	484.54	360.15	844.68	76
Female	127.42	137.50	264.92	24
Total	612.10	497.78	1109.89	100
Share	55	45	100	

TABLE 7 WORKERS DISTRIBUTION BY GENDER IN URBAN AND RURAL AREAS

SOURCES: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

DATA INTERPRETATION

Out of 1109.89 lakh of the total employment, 484.54 lakh of employment from urban areas are male and 127.42 lakh of employment from rural areas are female. 360.15 lakh of employment from rural areas are male and 137.50 lakh of employment from rural areas are female. The total share of male employment is 76% and the total share of female employment is 24%.

Serial No.	State/Union Territory	Number of MSME(in lakh)	Share (in %)
i	Uttar Pradesh	89990000	14
ii	West Bengal	88670000	14
iii	Tamil Nadu	49480000	8
iv	Maharashtra	47780000	8
v	Karnataka	38340000	6
vi	Bihar	34460000	5
vii	Andhra Pradesh	33870000	5
viii	Gujarat	33160000	5
ix	Rajasthan	26870000	4
x	Madhya Pradesh	26740000	4
xi	Total of above States	469360000	74
xii	Other State/UT's	164520000	26
xiii	All	633880000	100

TABLE 8 DISTRIBUTION OF ENTERPRISES (STATE WISE)
SOURCES: MINISTRY OF MSMES ANNUAL REPORT 2023-2024

DATA INTERPRETATION

Uttar Pradesh has the largest number of estimated MSMEs with a 14% share of the total number of MSMEs in our country. As shown in the table, the top 10 states hold 74% of the total share of the MSMEs in our country.

B. Challenges faced by MSMEs in India

- i. Availability of Finance-** MSMEs in India face a lack of financial availability. There are not many sufficient institutes for finance and the available institutes are charging high. There are also high collateral requirements that discourage MSMEs from obtaining loans. *Singh, C., & Wasdani, K. P. (2016).*
- ii. Poor Infrastructure-** Recently MSMEs have been increasing at a great pace but are facing poor infrastructure facilities due to which their production cost is very high and production capacity is very low. *Moon, U. (2012).*
- iii. Unavailability of raw material-** MSMEs require raw materials, labor with a skilled

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workforce, and other inputs and all of these are not sufficiently available in the Indian market. It is difficult for MSMEs in India to produce products at an affordable price making it expensive as compared to products produced in other countries. *Prakash, B., Kumar, I., & Verma, J. K. (2021).*

- iv. **Competition from Multinational companies-** After globalization, MSMEs are facing competition from foreign countries with advanced technology, high availability of raw materials, and cheap labor who are providing good quality products at a cheaper rate making MSMEs in India difficult to survive. *Biswas, A. (2015).*
- v. **Lack of training and skill development program-** There is a lack of awareness about the innovative methods of production by the owners of enterprises. There is a lack of skill development programs conducted by the government. *Kumari, A. (2024).*

FINDINGS

- 1. The growth of MSMEs in urban areas is 49% which is less as compared to rural areas which is 51%
- 2. Growth of Micro and Small enterprises is 630.52 lakh and 3.31 lakh which is very high as compared to Medium enterprises which is 0.05 lakh.
- 3. Female-owned MSMEs are 20.37% which is very low as compared to male-owned enterprises which is 79.63%.
- 4. Male-owned enterprises are more in the case of micro-enterprises i.e, 80% and in the case of small and medium enterprises their dominance is 95%
- 5. Employment generation is less in Rural areas i.e, 45% as compared to Urban areas i.e, 55%
- 6. Female employees are only 24% and Male employees are 76% in the MSMEs sector.
- 7. The growth of Medium enterprises is only 1.75 lakh out of 1109.89 lakh MSMEs.

SUGGESTIONS

- i. For the development of the economy, more employment opportunities need to be created to improve MSME in urban areas
- ii. Proper training should be provided to women for the opportunities of employment and business both in rural and urban areas
- iii. Necessary steps must be taken by the government of India to encourage medium enterprises too.
- iv. As per the requirements of MSMEs, interest rates and bank credit rates must be flexible.

- v. In terms of innovation and technology, MSMEs both in urban and rural areas must be provided with proper training

CONCLUSION

The MSME sector is providing employment opportunities in both rural and urban areas and is growing at a good pace. For the total GDP of the country, the contribution of the service sector as well as the manufacturing sector of MSMEs is significant. Several initiatives have been taken by the Government of India and are in the process for the growth of Micro, Small, and Medium enterprises in the country. Several agreements and tip-ups have been made by the government of India with Governmental agencies, NGOs as well as Universities for proper implementation of policies by the Government for setting up MSMEs and proper guidance of entrepreneurs for starting their ventures. MSMEs are still facing various challenges. By running effective training towards the advancement of technologies and skill development programs, the problem of unawareness can be removed. These should below cost credits to the MSMEs. Not much interest has been taken by foreign banks for sanctioning loans to the MSME sector. Less than 50% of total fixed assets employed in MSMEs is outstanding bank credit and in working capital, owners invest their funds. To assess the status and the needs of the MSMEs, the panel of experts must constitute and the future of the MSME sector in India will be bright and the economy will grow.

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