

A Study on Micro, Small and Medium Enterprises (MSMEs) in India - Opportunities and Challenges

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Abstract

In our country, the MSME plays a major role in the economy and social development of the country. Currently, the MSME sector contributes more strength to the development of our nation. India provides various opportunities for the entrepreneur. The MSME concentrates on skill development and creates awareness among entrepreneurs. MSMEs provide various opportunities for entrepreneurs. The banking sector offers loans and training for people in need. The labour-concentrated sector helps reduce imbalances in the region. The MSME plays a major role in all types of the sector like khadi & village industries, coir industries, etc.. The entrepreneur as well as employees gain more knowledge through the MSMEs sector.. This paper is an attempt to study the opportunities and challenges faced by micro, small, and medium enterprises in the country.

Keywords: MSME, Schemes, Opportunities, Challenges

Introduction

Micro, Small and Medium Enterprises (MSME) includes industries and small-scale enterprises with relatively low investment and limited operations. In the last five decades, MSMEs have emerged as the most important and vibrant sectors of the Indian economy. They play a very important role in employment generation by providing more employment with less investment as compared to large enterprises and by industrializing the backward and rural areas of the country they contribute to equalizing the development disparity between regions and equitable distribution of the country's income and resources. Micro, small, and medium enterprises contribute to the socioeconomic development of the country as well as support the large industrial enterprises as subsidiaries

Classification of MSME

MSME enterprises are classified as follows

Manufacturing Companies: Companies engaged in the production of goods are called manufacturing companies. They are defined based on investment in machinery logistics and annual turnover.

Service Enterprises: Enterprises engaged in providing services are called service enterprises. They are defined based on investment in equipment and annual turnover. Classification of MSMEs

Classification of MSMEs As per the collective canon stated in the notification of the Union Government with effect from 1.7.2020.

Joint Canon: Investment made in machinery, equipment or tools And since the year sold

Class	Micro	Small	Medium
Manufacturing companies engaged in manufacturing and service companies providing services	Investment in machinery or equipment not exceeding Rs.1 crore and annual turnover not exceeding Rs.5 crore	Investment in machinery or equipment not exceeding Rs.10 crore and annual turnover not exceeding Rs.50 crore	Investment in machinery or equipment not exceeding Rs.50 crore and annual turnover not exceeding Rs.250 crore

Schemes of MSME

AABCS (Annal Ambedkar Business Champions Scheme)

For this scheme, the government provides funds for projects. Project cost includes the cost of land, building, machinery, equipment and tools, inspection and evaluation equipment, and compute Land value does not exceed 20% of the total project amount. Building costs should be within 25% of the total project cost. The working capital required for one operating cycle will also be counted as a project amount subject to a limit of 25% of the total machinery/equipment value. The value of vehicles forming an integral part of the project activities will also be taken into account. Trade / Sales business projects above the scheme limit under the Unemployed Youth Employment Generation Scheme can be availed. Beneficiaries under this scheme are not restricted to getting subsidies in other Govt / Non-Govt institutions not under the control of the Tamilnadu Government.

Terms and Conditions

- Upper age limit for beneficiaries is 55
- No minimum educational qualification.
- Scheduled Class / Scheduled Tribe individuals and companies wholly owned by Scheduled Class / Scheduled Tribes are eligible only
- Capital subsidy of 35% of the eligible project amount (maximum Rs. 1.5 crores)
- Interest subsidy of 6% throughout the loan

repayment period (maximum 10 years) for term loan availed for purchase of machinery/equipment. Interest subsidies will be disbursed to banks in advance

- Interest subsidy up to a maximum of 2 years on loans taken for working capital.

UGGEP (Un-employed Youth Employment Generation Programme)

A scheme funded by the Union Government to promote self-employment and address the problem of unemployment. For this scheme, the business loans can be used to set up a new company or for advancement (expansion, diversification, modernization, upgrading of technology). These may be for Acquisition of factory, land, and construction of building sites, Purchase of plant and machinery including laboratory equipment, test equipment, furniture, electrical fittings, etc

Terms and Conditions

- Applicant must be above 18 years of age
- No educational qualification is required. However, those implementing manufacturing projects with a project value of more than Rs.10.00 lakh and service projects with a project value of more than Rs.5.00 lakh must have passed at least the 8th standard.
- Manufacturing and service industry projects with a maximum project amount of Rs.50.00 lakh and Rs.20.00 lakh respectively
- Entrepreneurial contribution 10% of scheme amount for general category Women/Minorities/ Other Backward/Scheduled Classes/Scheduled Tribes/Ex-Army/PWD/North East/Hill and Border 5%
- Lending through commercial banks
- Interest subsidy ranging from 15% to 35% of the scheme amount

MSMES (Micro, Small and Medium Enterprises) are Classified in Two Ways

- Manufacturing establishments engaged in the manufacture or production of goods belonging to any industry or employing plant and machinery in the process of value addition to an end product having a distinctive name or character or use; and

- Service companies engaged in providing or providing service

MSME Classification (Manufacturing Enterprises and Rendering Services Enterprises)		
	Investment in plant and machinery or equipment	Annual turnover
Micro	Not exceeding Rs. 1 crore	Not exceeding Rs. 5 crores
Small	Not exceeding Rs. 10 crores	Not exceeding Rs. 50 crores
Medium	Not exceeding Rs. 50 crores	Not exceeding Rs. 250 crores

FFDC-Kannauj	Uttar Pradesh	1708	1414
CFTI-Agra	Uttar Pradesh	36363	36452
CFTI-Chennai	Tamil Nadu	18000	17580
	Total	178821	176131

Opportunities for Micro, Small and Medium Enterprises (MSMES)

The opportunities in the MSMEs are huge due to the followings:

- It is a great opportunity for middle and poor people to start MSMEs in less capital intensive.
- MSMEs provide funding, finance & subsidies for needy people.
- It helps to maintain the circulation machinery and raw material procurement.
- It identifies the preparation of development of enhanced manpower training, managerial and technical skills.
- It helps to verify the tooling & testing support.
- It provides opportunities for exclusive trading of import and export
- Government of India decided to extensively promote & support the MSME
- It helps to compare and analyze the profile of projects.

Challenges for Micro, Small and Medium Enterprises (MSMES)

MSME Plays a major role in the nation's development. It also supports and concentrates the development of the banking sector, Government departments, financial institutions public and private sectors, etc... But at the same time MSMEs face various challenges now they are listed below

- The most important issue is the lack of credit from banks. The banks do not maintain sufficient amounts to provide loans for MSMEs.
- The procedure for getting a loan is a very complicated and lengthy process.
- The competition of multinational companies is one of the major challenges in MSME
- Comparing other countries in India the infrastructure is poor.
- The shortage of manpower and raw material is another one of the major issues.

Targets & Achievements 2022-2023

Name of the Tc	State Name	Trainees trained (Targets)	Trainees trained (Achievement)
CTTC-Bhubaneswar	Odisha	12500	12662
IDTR-Jamshedpur	Jharkhand	9000	8797
CTTC-Kolkata	West Bengal	4500	5281
TRTC-Guwahati	Assam	16000	14933
IGTR-Aurangabad	Maharashtra	7500	10607
IGTR-Indore	Madhya Pradesh	9108	11945
IGTR-Ahmedabad	Gujarat	11218	11724
CTR-Ludhiana	Punjab	8000	7571
CIHT-Jalandhar	Punjab	6200	2851
CITD-Hyderabad	Telangana	4200	2633
IDEMI-Mumbai	Maharashtra	8714	7726
ESTC-Ramnagar	Uttarakhand	4500	5579
PPDC-Agra	Uttar Pradesh	9000	3798
PPDC-Meerut	Uttar Pradesh	6000	7694
CDGI-Firozabad	Uttar Pradesh	6310	6884

- The cost of production is very high.
- The lack of knowledge, training, and skill development is another one of the important challenges.
- Marketing channels also need to improve more development and concentrate on the international market.

How to Overcome the Challenges

Lack of knowledge, training, and skill development is one of the major issues faced by the entrepreneurs. Before granting the loan some specific field of industry effective training is essential. After the completion of training and development, the banks provide loans for the public. The market structure is changing day by day, need more concentration on marketing channels. The government establishes to open various new avenues.

Conclusion

In conclusion, MSMEs in India play a more significant role in our country's development. Our government needs to improve to introduce more schemes for the needy people. The banks must maintain sufficient money to provide loans. The Government initiative provides more opportunities for all kinds of micro, small, and medium industries. The Government concentrate and create more infrastructure facilities for the business people. MSME provides training and development for the industrial sectors. In the future development, the role of MSME is unavoidable one.

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