

AN ANALYSIS OF MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES' OBSTACLES IN ECONOMIC GROWTH

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Abstract:

In the contemporary business environment, micro, small, and medium-sized businesses are acknowledged as the growth engine that supports sustainable and equitable development. The MSME sector is essential to the creation of jobs, the distribution of industries, and the generation of employment possibilities. The Micro, Small, and Medium Enterprises (MSME) sector has also been essential to the overall growth of a nation's economy. The study aims to investigate the kinds of issues MSMEs encounter and the potential for economic growth among jobless and impoverished individuals. Given that it offers both rural and urban residents a wide range of employment options, this has been regarded as the dynamic and energetic sector of the Indian economy. This is an attempt to draw attention to the sector's expansion as well as the different issues or difficulties that the MSME sector faces. In addition to its significant contribution to the creation of a wide range of employment opportunities at relatively reduced capital costs, it also made rural and underdeveloped areas more industrialized by minimizing regional disparities and ensuring a more equitable distribution of wealth and national income. It examines the definition and difficulties MSMEs encounter. The data gathering for this study came from a variety of industries and businesses. It is recommended that government help MSMEs with both financial and technological assistance. It examines the MSME sector's development and finds solutions to its issues in promoting economic expansion.

Keywords: MSMEs difficulties, GDP, Economic Growth, MSME Act

INTRODUCTION

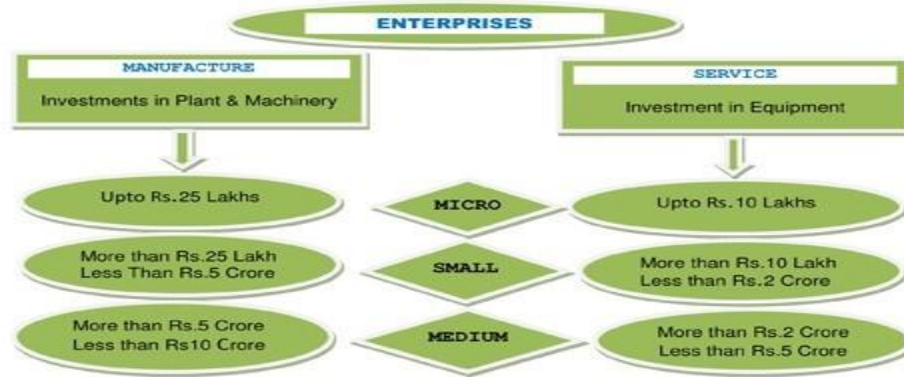
The contribution of MSMEs to an economy's overall industrial development is extremely noteworthy. When compared to all industrial sectors, the MSMEs sector has continuously shown a greater growth rate in recent times. The tremendous advancements being made by Indian entrepreneurs in a variety of industries, including manufacturing, textile and apparel, food processing, precision engineering design, pharmaceuticals, retail, IT and ITES, agriculture, and services, can be attributed to the rapid rise of MSMEs in the Indian market.

These industries support the metropolitan market in addition to aiding in the industrialization of rural and underdeveloped areas. MSMEs must contend with extreme pressure and limitations in order to remain competitive in the international economy. MSMEs must be able to take advantage of the emerging markets and fight off the growing competition from developing nations. Internationalization and improving MSMEs' performance are directly related. International trade boosts economic expansion, increases competitiveness, and supports the long-term viability of businesses.

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MICRO, SMALL & MEDIUM ENTERPRISES

The MSME Act of 2006 has been divided into two categories:



REVIEW OF LITERATURE

A nation's level of industrialization has a big impact on its overall development. Industrialization is a process that modifies the structure of the economy and quickens economic growth. The attitude and skill development of industrial workers is closely linked to the progress of industrialization. The expansion of productivity in trade and distribution, agriculture, and other associated economic sectors benefits from industrial management experience. (Jalaja & Sukumaran, 2004).

There was a discernible impact of entrepreneurial performance on the growth of SSIs. In the creation of SSIs, it demonstrated the high caliber of the output, reduced costs, skills management, production scheduling, and material control (Hosamane & Alroaia, 2008). It has been believed that MSMEs must use strategic management tools in order to boost the efficiency of their domestic clients and tap into the export market. Rao (2010) examined the issues that retail sellers had to deal with, such as consumer preferences, product quality, varying needs of consumers, shop amenities, haggling, pointless discussions, sales returns, credit sales, bad debts, requests for additional discounts, and so forth. Government agencies that deal with quality control, income tax, and sales tax present numerous challenges for small businesses because these agencies occasionally harass retailers for minor inconsistencies that squander money..

In order to maintain their competitiveness in national and/or international markets, Indian MSMEs must focus on implementing best practices and appropriately designing them to meet the demands of their organizations (Baporikar & Deshpande, 2015). All managerial functions, including finance and accounting, human resources, governance, technology, and change management, must implement these best practices. The most urgent concerns facing MSMEs, according to the review, are production procedures that support product quality, packaging, price, timely delivery, and marketing. MSMEs must thus employ categorical tactics in order to survive and prosper in the fiercely competitive business climate (Baporikar & Deshpande, 2015; Butler, 2008)..

OBJECTIVE OF THE STUDY

- To evaluate and interpret the main obstacles MSMEs encounter
- To research MSMEs' present state and future prospects.
- To research how the formation of MSMEs in India affects job prospects.

Challenges and difficulties Faced by MSMEs

MSMEs have a critical role in economic growth, but the relevant government departments, banks, financial institutions, and corporations do not provide this sector with enough support. The Indian MSMEs are currently dealing with a variety of issues. The path of growth.MSMEs' issues can be explained as follows:

What are the challenges faced by MSMEs?

- Financial Constraints:
- Lack of Formalization:
- Access to Technology:
- Skill Development
- Creativity:.
- Competition:.
- Red-Tapism:

Main Challenges are

INTERNAL	EXTERNAL
a. Poor Project implementation	a. Finance
b. Poor Production	➤ Capital
c. Quality	➤ Working capital
d. Capacity Utilization	➤ Long term Funds
e. Inadequate Finance	➤ Recovery
f. Capacity Utilization	b. Marketing
g. Inadequate training skills	c. Raw Materials
h. Lack of strategies	e. Technology
i. Labour Problems	f. Recoveries
	g. Taxation

RESEARCH METHODOLOGY

This study was built upon the collection of primary and secondary data. Primary data are gathered by means of in-person conversations with owners of manufacturing sectors. Secondary data are gathered from numerous national and international journals as well as the yearly reports that the MSMEs produce.

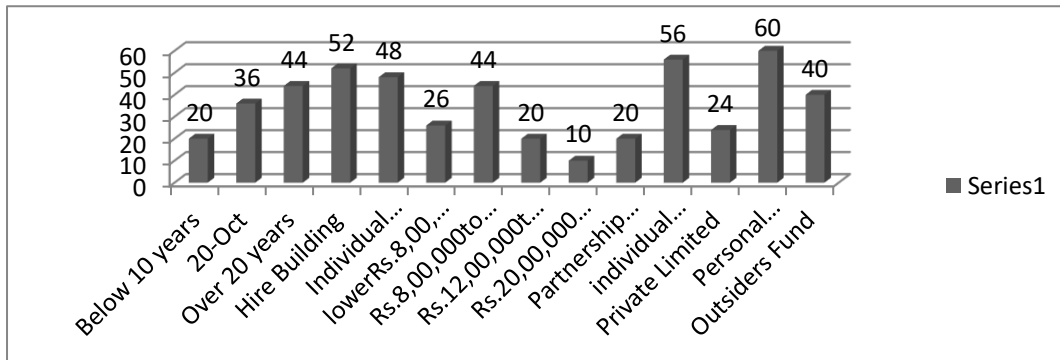
There were fifty people in the sample. The information gathered from original sources. Percentage was the analysis tool used.

Data Analysis and Interpretation
Table1- Overview of the Businesses

Particulars	Number of Respondents	
The Organization's Age (years)	Below 10 years	20
	10-20	36
	Over 20 years	44
	Total	100
Company	Hire Building	52
	Individual building	48
	Total	100
Finance	lowerRs.8,00,000	26
	Rs.8,00,000to12,00,000	44
	Rs.12,00,000to20,00,000	20
	Rs.20,00,000 and over	10
	Total	100
Type of Industries	Partnership Company	20
	individual Proprietorship	56
	Private Limited	24
	Total	100
Funding source	Personal finance	60
	Outsiders Fund	40
	Total	100

TableNo.1 explains the industries that have been profiled for the study.

Chart 1- Overview of the Businesses



Of the 50 industries represented, 44 percent of the firms have been in operation for more than 20 years, 44 percent have invested between Rs. 8 and Rs. 12 million, 56 percent operate as sole proprietorships, and 60 percent use their own funds for business development.

Which significant aspect most influences the decisions made by employees in MSMEs?
 The study participants were requested to supply any factors that, in their opinion, would aid in retention. Table 2 displays their responses as follows:

Table2- Significant obstacles that impact staff retention in SMEs

Difficulties and Challenges	Frequency
Opportunities for Career Development	20
Workplace Conditions	22
Acknowledgment and Benefits	10
Hiring and Instruction	26
Profitably	16
Production Cost	6
Total	100

Chart 2- Significant obstacles that impact staff retention in SMEs

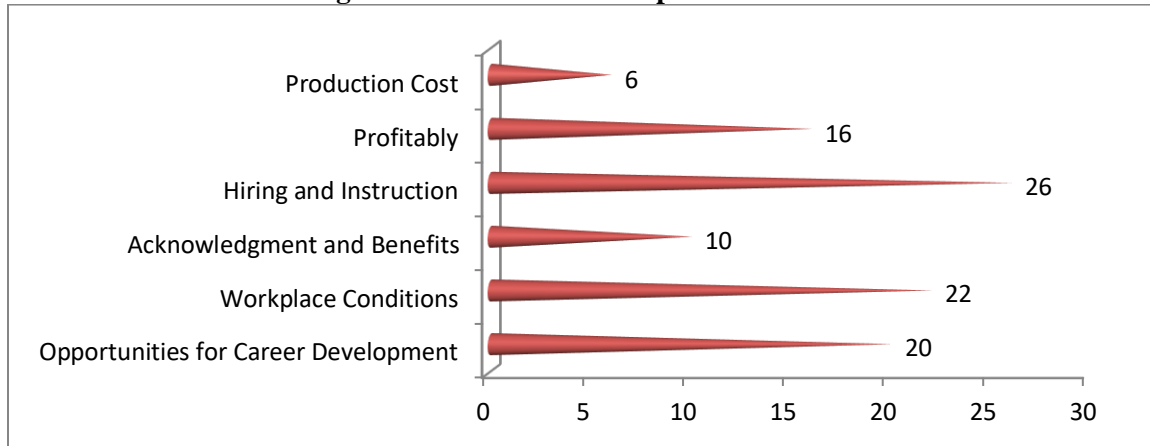


Table 2 illustrates the issues that MSMEs encounter as a result of workforce churn. It is noted that the most difficult problem MSMEs confront is the rising expense of hiring and training new employees. This documented 26% of their answers chose Training and recruiting, receiving 10%; cost of production; and Work in a Feasible Environment, receiving 16% each. Reduced profitability was reported at 24%, while the issue of career development between new and old employees received 20% of the comments.

Findings- Their comments indicate that turnover causes a variety of issues.

- High staff turnover costs the company money since it takes time to find and train new hires.
- It can be reduced by the management taking various precautions into consideration.
- These could include offering possibilities for career advancement and a positive work environment, as well as raising the bar for incentives and recognition.

CONCLUSION

MSMEs, or micro, small, and medium-sized enterprises, are a significant industry and part of the Indian economy. Supporting MSMEs, educating them, and making the best use of their resources—both human and financial—is essential. It also keeps them informed about the most recent advancements occurring worldwide and helps them gain the skills they need to stay up with those developments. The study indicates that in order for small firms to comply with regulations and reap benefits, it is necessary to create straightforward rules and procedures that they can comprehend, utilize, and apply in their operations. The Government Bank and Financial Institutions will take delight in serving MSMEs if they take the appropriate steps in this area. These issues are solvable, and India's economic growth rate will rise over the coming decades.

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