

A study on Challenges of Micro, Small and Medium Enterprises in Economic Growth

V. Rajalakshmi¹ & R.Revathi²

*¹Associate Professor in Commerce
Vidhya Sagar Women's College, Chengalpattu*

*²Associate Professor in Commerce
Vidhya Sagar Women's College, Chengalpattu*

ABSTRACT

In current scenario of business, the micro, small and medium enterprises have been accepted as the engine of growth for promoting equitable development and sustainable growth. The MSME'S plays a vital role in generation of employment opportunities, dispersal of industries and creating job opportunities. Micro, Small and Medium Enterprises (MSME) sector have also been playing a indispensable role in overall development of the economy of a country. The objective of the study is to study the type of problems faced by MSMEs and scope of economic growth among people who are unemployed and facing the problems of poverty. This has been considered as the dynamic and vibrant sector of Indian economy as it provides wide area of employment opportunities to rural and urban coverage. This is an attempt to highlight the growth of the sector and various problems or challenges faced by MSME sector. It plays a dominant role in establishing wide variety of employment opportunities at comparatively lower capital cost but also helped in industrializations of rural and backward areas by reducing regional imbalances and assuring more equitable distribution of wealth and national Income. It analyzes the definition and challenges faced by MSMEs. This study focused the collection of data from different sectors and various enterprises. It is suggested that Government should encourage MSMEs by providing financial as well as technological support. It reviews the progress of MSME sector and solves its problems in propelling the economic growth,

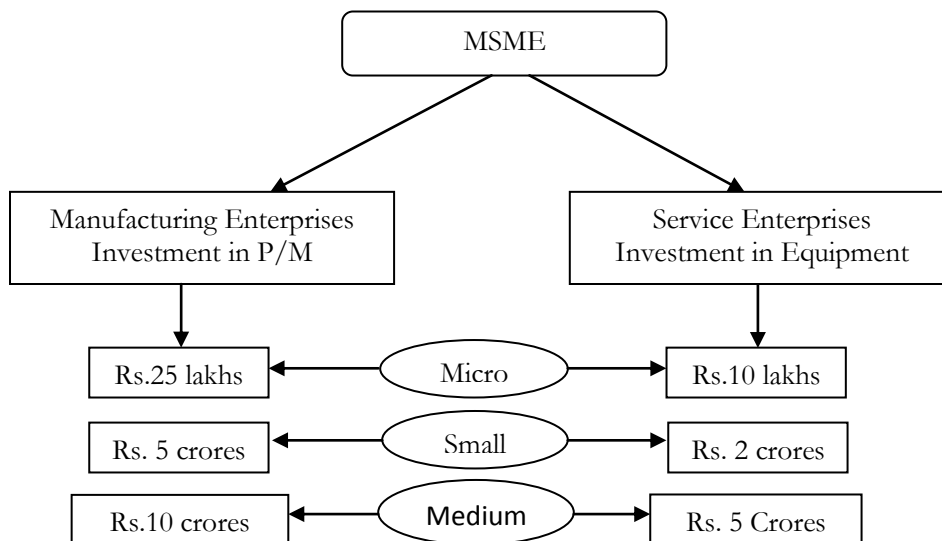
Keywords: MSMEs, Problems, Economic Growth.

I. INTRODUCTION

The MSMEs contribution is highly remarkable in the overall industrial development of an economy. In recent times the MSME sector has consistently registered higher growth rate when compared to the overall industrial sectors. The rapid growth of MSMEs could be seen as Indian entrepreneurs who are making remarkable progress in various Industries like Manufacturing, Textile & Garments, Food Processing, Precision Engineering Design, Pharmaceutical, Retail, IT and ITES, Agro and Service sector in the Indian Market. These sectors not only serve for urban market but also help in industrialization of rural and backward areas. MSMEs are facing intense pressure and constraints in order to sustain their competitiveness in the globalized world. MSMEs need to be able to confront the increasing competition from developing economies and to plug into the new market opportunities. There is a direct link between internationalization and increasing the performances if MSMEs. International activities reinforce growth of an economy, enhancing competitiveness and supporting the long term sustainability of companies

Definitions of Micro, Small & Medium Enterprises

In the provision of MSME act, 2006, it has been classified into two classes:



II. OBJECTIVE OF THE STUDY

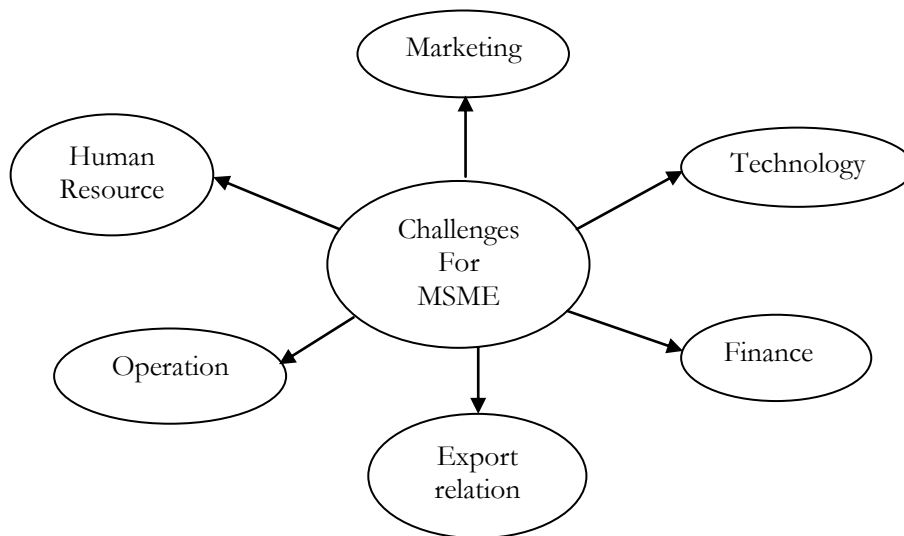
- To Study about MSMEs
- To analyze and interpret major challenges faced by MSMEs
- To study the current status & growth of MSMEs.
- To study the impact of establishment of MSMEs in India on the employment opportunities.

Challenges Faced By MSMEs

MSMEs are very important in the economic growth but this sector is not getting sufficient support from the concerned Government Departments, banks, financial institutions and corporate. Presently, the Indian MSMEs are facing different types of problems the growth path. MSMEs problems can explain as follows:-

- Lack of credit from banks.
- Competition from multinational companies-
- Poor infrastructure.
- Unavailability of raw material and other inputs
- Lack of advanced technology.
- Lack of distribution of marketing channels.
- Lack of training and skill development program.
- Complex labor laws and red-tape.
- Problems of packing, storage, designing and product display.

Major Challenges are



III. RESEARCH METHODOLOGY

The present study was based on both primary and secondary collection of data. The primary data are collected through the personal discussion with manufacturing sectors owner. Secondary data are collected from the annual reports published by the MSMEs and various national and International Journal.

The sample size was 50. Tools for Analysis. The data collected through primary sources. The tools used for the analysis were as Percentage.

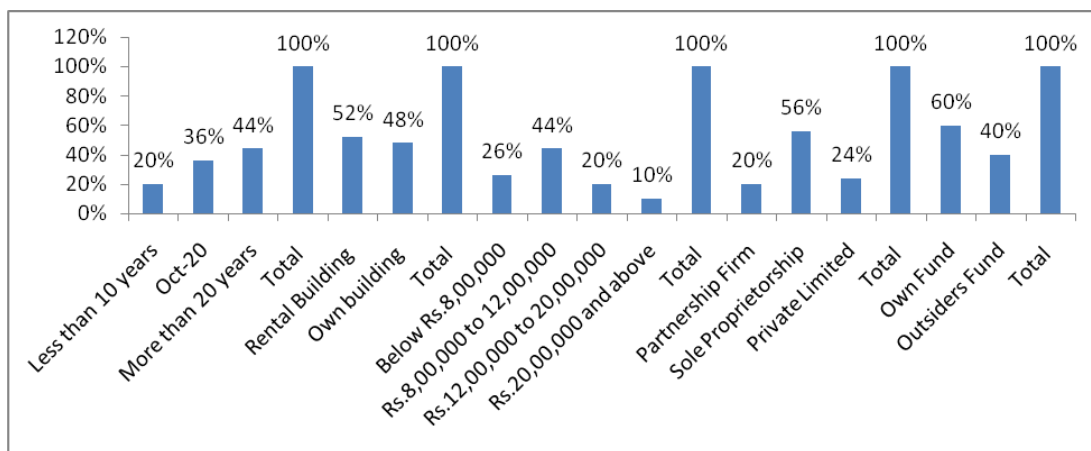
Data Analysis and Interpretation

Table 1
Profile of the Enterprises

Particulars		No. of Respondents	%
Age of the Organization (years)	Less than 10 years	10	20 %
	10-20	18	36 %
	More than 20 years	22	44 %
	Total	50	100 %
Company	Rental Building	26	52 %
	Own building	24	48 %
	Total	50	100 %
Capital	Below Rs.8,00,000	13	26 %
	Rs.8,00,000 to 12,00,000	22	44 %
	Rs.12,00,000 to 20,00,000	10	20 %
	Rs.20,00,000 and above	5	10 %
	Total	50	100 %
Form of Industries	Partnership Firm	10	20 %
	Sole Proprietorship	28	56 %
	Private Limited	12	24 %
	Total	50	100 %
Source of fund	Own Fund	30	60 %
	Outsiders Fund	20	40 %
	Total	50	100 %

Table No.1 describes the profile of the industries have taken for the study.

Chart 1
Showing the profile for the Enterprises



Out of 50 Industries 44% of the enterprises are working more than 20 years, 44% of them have invested capital Rs.8,00,000 to 12,00,000, 56% of them running business in their sole proprietorship, and 60% of them using both own fund for their business development.

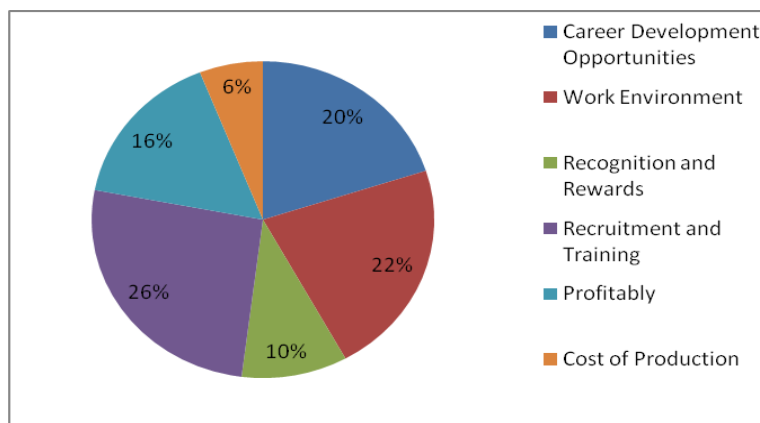
What major factor most challenges the decisions of employees to be retained in MSMEs?

The study respondents were asked to provide those factors which according to their knowledge would be helpful for retention. Their responses are shown in table 2 below:

Table 2
Major challenges that affect employee retention in MSMEs

Challenges	Frequency	Percentage
Career Development Opportunities	10	20
Work Environment	11	22
Recognition and Rewards	5	10
Recruitment and Training	13	26
Profitably	8	16
Cost of Production	3	6
Total	50	100

Chart 2
Showing major challenges of employees in MSMEs:



From Table 2, the challenges faced by MSMEs as a result of employee turnover are depicted. It is observed in which an increased cost of recruitment and training is the most challenging issue of being faced by MSMEs. This recorded 26% of the responses, selected Recruitment and Training, scoring 10%. cost of production and work with feasible Environment with 16% each. Lower profitability recorded 24 %%% and lastly, the problem of Career Development between old and new employees had the responses 20%.

Findings from This Study

From the responses above reveal that turnover results in many different problems.

- The turnover of high employee is financially costly to the business because time is needed to be spent in employing and training new employees.
- It can be minimized through considering different precautions by the management.
- These may include higher job satisfaction, providing good working environment and career development opportunities, increasing the level of recognition and rewards.

IV. CONCLUSION

The Micro, Small and Medium Enterprise (MSMEs) are an important sector and plays a critical role in the Indian economy. It is necessary to support the MSMEs, educate and to make optimum utilization of the resources, both human and economic and informed of the latest developments taking place globally and helped to acquire skills necessary to keep speed with the global developments. It concludes that simple and clear policies and acts are to be made so that these enterprises can understand them and make use of as well as implement them in the business for compliance and secure benefits. If the Government Bank and Financial Institutions will take proper initiatives in the sector of MSME, they will take pride while servicing the MSMEs. These challenges can be solved and the economic growth rate of India will be increases for the next decades

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