



Challenges and Opportunities in Indian New Start-Ups and MSMEs

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ABSTRACT

Micro, Small, and Medium-Sized Enterprises (MSMEs) are critical to the growth of the nation's economy and society, and they frequently serve as testing grounds for entrepreneurship and innovation. They also contribute significantly to economic growth by being successful, efficient, flexible, and innovative entrepreneurs. Even with new governmental initiatives for the MSMEs sector in India, as well as a defined development strategy and action, MSMEs continue to face obstacles. In the recent progress in production, exports, and employment opportunities and their contribution to the countries economy is remarkable and this article aims to describe the situation of MSMEs in India. In addition to evaluating the MSMEs sector's crucial importance in the context of globalization, the paper looks at how well-equipped this sector is to handle the problems brought on by increased competition and new initiatives.

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1.Introduction

The Micro, Small, and Medium Enterprises (MSMEs) sector is an important part of the Indian economy, contributing to employment, exports, industrial production, and the development of a diversified entrepreneurial community. It is so appropriately regarded as the foundation of contemporary Indian



economics. With the implementation of the planned economy in 1951 and the government's industrial policy, both planners and the government prioritized small and medium-sized firms in the Indian economy. The fundamental advantages of MSMEs include lower administrative costs, better production flexibility, informal worker connections, The ability to leverage local and latent resources and competencies, as well as the ability to finish small orders and provide specialist services.

According to empirical findings, small firms can play an important role in fulfilling developing economies' growth and equity goals (Ali, Jayasheela, & Hans, 2006), as well as satisfying high-tech and environmentally friendly international standards. Under the Micro, Small, and Medium Enterprises Act of 2006, MSMEs are broadly classified into two types: (a) manufacturing-related firms and (b) service-oriented businesses. These firms have been further classified as micro, small, medium, and big based on the amount of money invested in equipment (for businesses that supply or give services) or plant and machinery (for enterprises that manufacture).

As per the MSMEs Act, a microbusiness is defined as one that invests less than Rs. 10 lakh in equipment; a small business invests between Rs. 10 lakh and Rs. 2 crore, while a medium business invests over Rs. 2 crore but less than Rs. 5 crore in equipment. A microbusiness is characterized as one that manufactures, produces, processes, or preserves goods with an investment of less than Rs. 25 lakh in plant and equipment. Any business that allocates between Rs. 25 lakh and Rs. 5 crore for machinery and equipment is categorized as small. A medium-sized business can invest more than Rs. 5 crore but not exceeding Rs. 10 crore in equipment and machinery. (Annual Report for Micro, Small and Medium-Sized Businesses, 2008). Before the Act, the government characterized Small Scale Industries (SSI) as "an industrial venture where the investment in fixed assets for machinery and equipment, regardless of whether they are owned, leased, or acquired through hire purchase, does not go beyond \$50,000."

Increasing the productivity and profitability of MSMEs has recently been seen as a successful strategy for motivating the private sector to support development's growth and equity objectives. MSMEs are essential to the industrialisation of emerging nations. This is due to their ability to provide quick jobs to numerous individuals and their relatively high ratio of labor to capital; they need smaller markets and a shorter time frame to become effective; they entail lower investment amounts; and they provide a way to promote a more equitable distribution of income and make it easier to mobilize capital and skill resources that would otherwise be underutilized; and they encourage the development of industrial entrepreneurship and innovation.



2. REVIEW OF LITERATURE:

Medium, small and micro enterprises contribute greatly to economic growth by their effective, efficient, adaptive, and inventive entrepreneurial mentality. The small and medium-sized firm sector has been attributed with the most job creation, as well as a substantial portion of industrialised production as well as exports, and It significantly impacts the nation's manufacturing output, job creation, and exports. Small and medium-sized enterprises are frequently viewed as crucial for promoting fair development and fostering economic growth. The MSME sector in India showcases vast diversity regarding business size, variety of products and services, and other factors.

Hejamadi, (2000). "The small and medium-sized are identified as being appropriate for rural economies due to their employment potential and other inherent advantages." The developed nations have developed initiatives to support the growth of these companies. Japan's economic strength has surprised the rest of the globe, and the emergence of small businesses has prepared the framework for a new era. The economy of Japanese, which was completely decimated during the war, had restored some strength, thanks in large part to the efforts of small businesses and high worker productivity. Latin America, Africa, Asia, and Europe have all established legislative frameworks to encourage and protect small businesses. Italy, called as "Sick Man of Europe," has recently thrived.

Basha, G. A. (2013), explains India's 26 million MSMEs, 13 million are small and medium-sized businesses. depend on more than 32 million people and contribute up to 45% of manufactured production and 40% of all national exports. MSMEs have a significant impact of the country's industrial production, employment, and exports. The industry accounts for roughly forty percent of all exports as well as 45% of total industrial output. The government has implemented a number of steps to improve the activity and relevance of this sector in the growth of the county. The government of India is implemented a variety of projects to improve the activity and relevance of this sector in the country's economic development. The MSMEs Development Act of 2006 broadened the definition and application of small and Medium-Sized Enterprises (MSMEs) by establishing medium-sized enterprises, creating a Board to develop policy frameworks, and defining procurement policy by comprehending the notion of "enterprise" to include both the Production and service sectors.

3. Objectives:

In view of the foregoing facts, this article attempts to



- a) To Analyze MSMEs' performance in India.
- b) To Evaluate the issues with obstacles they face.
- (c) To recommend further steps

3.1. Methodology for the Study

Magazines, business newspapers, journals, periodicals, reports, textbooks, and websites are additional sources of data and information. For the study, lecturers in related subjects were also taken into consideration.

4. Growth And Performance of MSMEs

The small enterprise sector has grown rapidly since independence for a number of reasons, whereas before small-scale firms were linked to the tiny entrepreneur and the resources he held (Jayasheela and Hans, 2006). As a result, over time, the manufacturing, job creation and exports have all steadily increased by the small business units. According to the Ministry of MSMEs, there were 128.44 lakh micro and small businesses (MSMEs) in India in 2006–07, up from 109.49 lakh in 2002–03.

4.1 Employment Generation

Our research has already shown that small enterprises are already creating jobs at a faster rate than the large industry (Debroy; Laveesh, 2005). The Micro and small-scale business sector is creating more work possibilities. Small and medium-sized enterprises (MSMEs) in India are producing jobs at an extraordinary rate of 4.04 percent per year. MSMEs are the next most populous sector after farming. They employ around 31.2 million people across both urban and rural areas. As a result, the MSMEs sector in India has contributed significantly to job creation in an economy with a labour surplus.

4.2 Growth Trend of Production

The production of MSMEs has also been steadily rising. At a constant rate, or 2001-02 pricing, the production growth over the previous year was 8.7 percent in 2002-03. The same is true for productivity, which rose 12.3% in 2005–06 and 12.6% in 2006–07.

4.3 Export Performance



The MSMEs industry contributes significantly to the nation's exports in addition to creating jobs. MSMEs make up 45–50% of the export basket overall, whereas direct exports make up about 35% of all exports. Semi skilled labour-intensive goods like textiles, leather, jewelry, sports goods, plastic products, fermented foods, and so forth make up the majority of MSMEs' exports. Exports from MSMEs have continuously exhibited upward trends. In 2002–03, the MSMEs sector's exports total Rs. 386013 crore, up 20.7 percent from the year before. In 2005–06, they increased to Rs. 150242 crore, up 20.8 percent from the year before.

As a result, during the past 50 years, the MSMEs sector has been crucial to the socioeconomic development of the nation, boosting GDP overall through exports and employment creation. MSMEs make up roughly 8–9% of our nation's GDP, according to the updated definition (Based on the Third All-India Census of Micro and Small Enterprises 2001-02, Ministry of MSMEs, 2007). Since MSMEs have become the main driver of growth in Indian industry, their performance has directly impacted the growth of the national economy. The Economic Survey 2007-08 states that improving technological capabilities and the caliber of goods and services could lead to sustained stronger development in The micro and small business sector accounts for 37% of the country's industrial production. This industry, which employs over 31 million people, generates over 45 percent of the nation's industrial production and about 40 percent of its total exports, and has a total value of US\$140 billion, can more readily source improved manufacturing techniques and management processes, according to the Survey (CII, 2008; The Hindu Business Line, 2007).

5. Challenges of MSMEs

Due to the increased competition caused by the Indian economy's globalization, the size of the enterprises and the level of technology they utilize, have become critical variables in the context of small firms becoming globally competitive. Over the years, a number of legislative efforts have been implemented to address the issues facing the industry, which primarily include marketing restrictions, infrastructural bottlenecks, technical obsolescence, access to timely and enough credit, and numerous rules and regulations. Despite a plenty of policy initiatives over the past forty years. Some of the reasons they failed are listed below.

5.1 Credit Problem



A common grievance among small and medium scale businesses with the absence of timely and sufficient institutional funding. Most MSMEs have a very weak capital foundation. Due to their low financial means, small business owners are unable to provide the collateral that banks require. To support their cautious lending standards, bank executives regularly cite with increased percentage of nonperforming assets and The substandard payback system. The issue is that Indian industrialists and bank officials lack mutual respect and confidence. Bankers frequently reduce lending during recessions, apply significant penalty for defaults, and also attempt to recover as many advances as they can. Due to this, the industry's ability to weather a recession is all but impossible, particularly for small-scale businesses. (Bhide, 2000).

According to a March 2004 study conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI), the small- and medium-sized business sector's share of outstanding bank credit fell from 14.2% in March 2003 to 11.1% in March 2004. A number of issues pertaining to the unit's size, labour quality, market coverage, raw material purchases, machinery, and equipment are brought on by a lack of funding and credit, and these issues ultimately result in low and subpar production (Ramappa & Basavaraja, 2006).

5.2 Marketing Problem

Another significant obstacle for MSMEs is marketing since they lack the resources necessary to properly sell their goods. They are unable to provide the marketing intermediaries with enticing financing conditions and other benefits due to financial constraints. Their lack of money and other financial resources, as well as their competitive (dis)advantage over large-scale organisations, present another challenge for them in the marketing space. When numerous MSMEs provide the same product, competition arises amongst them. Despite having a strong negotiating position, large industries end up losing money when they buy products from MSMEs at competitive prices.

5.3 Power Problem

For the nation's MSMEs, the power supply is insufficient. The power supply is unpredictable and frequently breaks down, causing damage to the plant and lengthy work suspensions. In 1986–87 and 1987–88, the power shortfall was 9.4% and 10.8%, respectively, but in 2001, it rose to 17% (Third SSI Census Report 2001-02; Ramappa & Basavaraja, op cit).



5.6 Raw Material Problems

The whole industrial sector has been impacted by the lack of suitable raw materials at standard prices due to the increased pace of industrial activity. MSMEs are vulnerable due to their small size and precarious financial situation. They frequently have to use the assistance of intermediaries to obtain raw materials under credit. Such an agreement has major implications for costs and revenue. The situation is especially bad when raw materials are purchased overseas, because middlemen have relatively large profit margins. Due to their limited finances, small business owners are compelled to employ subpar and inexpensive materials, which inevitably lowers the quality of their final goods. Additionally, their manufacturing schedules are negatively impacted by the erratic supply of some raw materials (Desai, 2004).

5.7 Problems for the Unit Closures

The shutdown of facilities has been a consistent feature of the designated SSI sector. According to the First Census of Registered SSIs (now MSMEs) conducted in 1973-74, 38.2% of the units registered until November 30, 1973, were closed. The third census revealed that eight 87,427 units (39 percent) of the 22,62,401 permanently registered units assessed in the registered SSI sector had been closed. Of them, 36,492 (38%) were located in rural areas. Many times, multiple factors are at work at the same time, and they may even be connected to the same source and it leads to sickness and closure.

Thus, we know that the primary constraints facing MSMEs today are: low capital base, one- or two-person concentration of responsibilities, lack of exposure to the global environment, incapacity to deal with the effects of the WTO regime, lack of professionalism, and inadequate commitment to R&D.

6. POLICY FOR THE STRENGTHENING OF MAMEs

Some policy proposals for improving the environment, potential, and performance of micro, small, and medium-sized firms are mentioned below.

6.1 Proactive Policy

Because it is neither practicable nor possible in the long run, safeguarding (from an outside source, such as the government) will never be a good alternative for an economical organization's natural competitive strength. In market economies, all industrial units—no matter how big or small—must skillfully navigate competition in order to survive. Industrial units must be competitive and financially successful

even if they want to offer jobs at better wages and in a sustainable manner (Bhavani, 2002). Therefore, The policy that protects this sector should be replaced by a more proactive policy that helps MSMEs improve their abilities to compete in an economy centred around markets through enhanced productivity, innovation, and higher product quality. Instead of focused on short-term survival, It should strive for lengthy, profitable expansion in the MSMEs sector (Bhide, op cit.). De-reservation has become an integral part of modern industrial strategy in this period of liberalisation and unregulated. Managers of micro and small firms can measure success both in terms of market competition and survival.

6.2 Public-Private Partnership (PPP)

To address the issues confronting MSMEs, creative techniques are required. A public-private partnership (PPP), one such approach could be a collaboration between government agencies and private companies. This would necessitate both parties contributing resources, participating in the process of preparing and making decisions, and utilising their talents for collaborative, promotional activities.

6.3 Access of Finance

According to a number of advisory groups established by the GOI and RBI, the most significant hurdle to MSMEs' growth and development is an absence of timely and adequate funding on competitive terms. Given the size, structure, development pattern, requirement for restructuring, and technological advances of small firms, their demand for both explicit and implicit financing will be significant (Bala Subrahmanya, Mathirajan, Balachandra, 2002).

The government ought to ease interest rate limitations on small loans, allowing small enterprises to reduce production costs and boost product competitiveness. In addition, the government should create trading organisations and an online shopping site for small firms. To promote the continued development and momentum of MSMEs in today's information technology era, the government and industry associations must collaborate to rebuild and realign the current policy for this component of the Indian industrial sector. The SSI sector currently requires large incentives rather than piecemeal ones, so microfinance institutions must immediately fill the gap left by big banks.

6.4 Promotion of Entrepreneurship

Entrepreneurs face a variety of challenges. These can be resolved by entrepreneurs working together, promotional agencies working together, and The government offers assistance without red tape or



bureaucratic delays. Entrepreneurs must be educated and receive adequate training in order to acquire the necessary skills and information for running a business. The ability and audacity to accept risks and overcome them are more important (Narayanaswamy, Manivel & Baskar, 2005; Desai, 2003).

6.5 Technology Up-Gradation

In today's competitive market, with limited technological advancement, it is difficult for small enterprises to maintain economic prospects in the high-end manufacturing sector. To be competitive, MSMEs in India must constantly upgrade their technology. To make the most on new prospects in the post-WTO era, international standards of quality, production processes, and leadership practices have to be enhanced using relevant technology (Kumar and Bala, 2007). The government can supply the necessary infrastructure and train managers how to use it to reduce waste, shorten the cycle of production, and increase output quality.

6.6 Training for Manpower

One significant barrier, particularly for high-tech sectors, is the lack of skilled labour. Government training facilities are frequently theoretical in nature, underequipped, and use out-of-date curricula. Under the PPP model, specialised training facilities can be established, with the government providing the infrastructure and an industry group or non-governmental organisation handling management. The establishment of training centres by the government will aid in the efficient training of personnel in MSMEs. Its objective is to rationalise the inflexible labour rules (Chandawakar & Kulkarni, 2006).

6.7 Testing and Certification Facilities

For the benefit of MSMEs, particularly those looking to enter the export market, a network of testing and certification centres must establish. Specialized facilities frequently need costly, high-tech equipment.

6.8 Marketing Assistance

One of the biggest issues for small producers has always been promoting their products. Due to officials' limited comprehension of the complexities of the market, government agencies have frequently failed to provide aid. The small firms could pursue a cooperative strategy by forming marketing consortia rather than engaging in fierce price competition (Bhide, op. cit). The government ought to implement the policy that prioritizes quantity with stable prices when buying goods from MSMEs. The creation of



marketing firms for MSMEs' goods should be encouraged by the government. All exporting regions must make extra efforts to raise awareness of quality, diversification, and technical advancement (Chandawakar & Kulkarni, op. cit).

6.8 Basic infrastructure

Most governments have traditionally promoted MSMEs by using industrial parks to provide basic infrastructure to these clusters. However, specialized infrastructure and services of international standards are required by increasingly small entities, particularly in high-tech industries. The government is unable to supply and maintain these kinds of facilities in large quantities. The government and user industries can work together to fund specialized facilities, this can then be flipped over to knowledgeable private organisations for upkeep.

Government-established industrial estates may be turned over to local industry organisations for upkeep in exchange for tax money. By selling them as "packages" that combine commercially feasible projects with Infrastructure projects can be designed to entice private investors by giving subsidies and tax incentives for less financially feasible components. (Bhide, 2000).

6.9 Internal R&D

Encouragement of research and development (R&D) in MSMEs is critical. Public policy would need to move from "technology transfer" to "in-house and in-depth R&D and technological innovations" to encourage R&D in small industries. Furthermore, it is necessary to strengthen the current technological and financial infrastructure for R&D and innovation, make it freely available to small businesses, and educate techno-preneurs for the future. To be more effective, this should be done primarily at the district level. The country's small industry development will benefit from increased stability as a result (Bala Subrahmanya, Mathirajan & Balachandra, 2002). From a human perspective, MSMEs must serve as a platform for the non-farm sector's human resource development and, in yet another way, validate the inclusive growth phenomena.

7. Findings and Conclusion

MSMEs contribute significantly to fulfilling economic and social growth objectives such as workforce adsorption, distribution of revenues, rural growth, eliminating poverty, regional equilibrium, and entrepreneurial stimulation. Since India gained independence 75 years ago, the small-scale industry has



grown to play a significant part in the country's socioeconomic development. It performs with a commendable, appropriate, and creative manner. For the industry to thrive in the twenty-first century, numerous remedial actions are required. Looking at the world as a market and succeeding there is the key to MSMEs' success. Indian MSMEs have been going through a transitional phase as Globalisation, liberalisation, and the WTO regime have all contributed to this.

The Indian economy is forced to adopt more conservative policies as a result of the declining economies of the United States and the European Union, on the one hand, and increased competition from the Chinese economy on the other. Mr. Jawahar Sircar, Additional Secretary and Development Commissioner, Ministry of Micro, Small, and Medium Enterprises (MSMEs), indicated that the government has identified three key areas for boosting competitiveness in this regard: technology (including quality), skill development, and finance. As a result, the National Manufacturing Competitiveness Program has been implemented.

Small industries that are technologically active with overseas Competent conduct needs to be promoted to arise in order to contribute to the country's income, export and to create job opportunities in the long run. All outside aid include legal support, serves as function when its own components were inspired. Government with industrial bodies would be extremely useful in informing small firms about changes in their economic environment and the need to modernize their technology. Both government organizations and business groups must alter their perspectives and give the "small" units more faith and confidence if they are to play a significant role. Additionally, some may even intend to advance to "medium" units.

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