

## CHALLENGES AND PROSPECTS OF MSME IN INDIA TOWARDS 5 TRILLION ECONOMY

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**Abstract-***The present paper is an attempt to understand the various issues related to MSME (Micro, Small and Medium Enterprises) in India. The various challenges faced by MSME are issues like credit facility, issues of equity capital, issues of infrastructure, issues of Govt. support, issues related to technology and issues related to skill gap. The study is focusing on the expression regarding to the challenges of MSME and development of Indian economy towards five trillion dollars economy.*

**Key words-** MSME, Challenges of MSME and 5 trillion Economy.

### Introduction-

In developing country like India Micro, Small and Medium Enterprises (MSME) sector play an important role in creating employment opportunity and the use of resources. The role of MSME in the development process is very crucial to run the economy towards development of rural area. To remove the backwardness, regional imbalance, unemployment the MSMEs have great contribution. It also helps in development of agriculture sector. Definitely MSME are very much important in the socio-economic development of the country. The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial skill development through business innovations. The MSMEs are widely expand many sectors of the economy by producing various range of products and services for domestic as well as global markets. By comparing to the other industry MSMEs in India provide large employment at lower capital cost. Also, MSME assuring more equitable distribution of national income and wealth.

### Role of MSMEs in Indian Economy-

MSME (Micro, Small and Medium Enterprises) sector manufactures more than 8000 products. Almost 90% of total manufacturing industries rely on SMEs for semi-finished, finished and supplementary products. It is also to be noted that the MSME sector has maintained a higher growth rate than the entire industrial sector. MSME sector employs the second largest workforce just after the agriculture sector. The annual compound employment growth rate of MSMEs has been 3.63% as per the annual report of Ministry of MSME 2017-18. This sector also provides employment opportunity to unskilled and semi-skilled workers. It has also helped in increasing India's exports in value terms. About 3 million SMEs contribute to Indian foreign trade. MSME have high potential. As per the annual report of the Ministry of MSMEs 2017-18, there are around 633.92 lakhs enterprises registered as MSMEs in India and out of those only 4000 are from the category of large enterprises. Around 51% of total enterprises are from the rural sector. Now a days MSME become the engines of economic growth in India.

### Challenges of MSME-

#### Issue of infrastructure.

The of infrastructure is a serious issue of MSME in India. Most of the MSME are either situated in rural areas in an unorganized manner. So, they, failed to get adequate support in terms of infrastructure. The basic necessity of infrastructural requirement as communication, roads, transport facility, electricity, distribution, market linkage, banking and credit facility, export orientation etc. Providing these facilities should be the primary criteria for the betterment of the industry. Therefore, the potential of this industry remains unutilized.

#### Support from the Government.

MSME should not get the sufficient financial support in terms of finance, capital and market from government. To compete with global market the financial support is very necessary.

Government support also needed for long term and short-term plan of action and also open market operations. In present global marketing environment, various foreign competitors are entering in the market if this sector not getting enough exposure and support in terms of exporting the home-made product then surely it will become difficult for this industry to survive. So, there is a need of govt. support.

### **Technological challenges.**

MSME sector facing another problem i.e., technological development and upgradation as a result of the same it is slowly moving out of the competition. It becomes main reasons for MSME become sick units. Today's customers are demanding for advanced high technology products. Due to sufficient capital is not available MSME can't use advanced technology in business, they are using traditional method for production so automatically their products are thrown out the market. Also, these products can't get international market.

### **Lack of innovation**

There are one more challenge of MSME in India is there is lack of innovation. In India the products are made by the outdated technology, obviously they can't compete with the other products. Entrepreneurs are not ready to adopt new technology or tools. that's why they can't make significance changes in their products or business.

### **Labour related issues**

Skilled labour is a very important part of any organization or business activity. The success of any organization depends upon its labour force. The lack of skilled workforce business can't achieve the business goal.

### **Rate of productivity is low.**

High productivity push business towards success. But in Indian MSME the rate of productivity is very low. Their competitiveness is low. Deficiency of capital, technological barriers, unskilled labour these are some draw backs of MSMEs.

### **Absence of Marketing and Managerial Skills**

Marketing of products or services is an important function of business. Marketing helps business to promote their products or services in the market. Also, the management of the business helps to achieve the business goals within time. But in Indian MSME there is an absence of marketing and managerial skills, that's why business faces so many challenges.

### **Competition from other sectors**

MSMEs continuously facing the competition from other business sectors. Lack of skilled workers, low productivity, lack of innovation and marketing and managerial skills and capital deficiency the MSME have struggling to survive in this competition.

These are some challenges of MSME in India. Though MSME plays an important role in the development process of Indian economy but there are some problems related to it.

## **5 TrillionDollar Economy-**

In 2019, 5 trillion-dollar economy by 2024-25 was firstly announced by Prime Minister during his 'Independence Day' address to the nation. The finance minister while speaking on the current aspect of Indian economy at Columbia University's school of international and public affairs stated that becoming five trillion economy is 'Challenging but Realizable'. She further said in 2019 India had become a 2.7 trillion-dollar economy, having added one trillion dollars for next five years it will reach to 5 trillion dollars by 2025. To become 5 trillion-dollar economy India's GDP needs to grow faster than what we grew at 7.5% in last five years. Last year we over passed France to become world's fifth large economy (In real exchange rate term), but in 2019 we fell to 6th and further poise to slip to seventh position. To become 5 trillion-dollar economy India's GDP needs to grow faster than what we grew at 7.5% in last five years. There is need of development of agriculture sector, communication and transportation sector, service sector, industrial sector, development of science and technology, price stabilization. The aim to get to 5 trillion economy is requires alignment of fiscal and monetary policies so that it delivers expected outcomes. To that, fiscal reform could play

important role. To get to 5 trillion economy it entails some education reforms. In 2000s India produced three world class industries- software, automobiles and pharmaceuticals. Also, there is very important role of MSME in Indian economy. Though there are some challenges for MSME sector, but to dream come true of 5 trillion-dollar Indian economy govt. have to focus on the development of this sector. Also make a firm policy for it.

### **Objectives of the Study-**

The broad objective of the paper is to assess the role of MSMEs sector in India. However, this paper highlights on the following areas also:

1. To study the role of MSME in Indian economy.
2. To evaluate the challenges faced by MSME's in India.
3. Performance of MSMEs in India.
4. To overview the 5 trillion-dollar economy of India.

### **Research Methodology-**

The objective of the study is to understand the challenges of MSMEs towards 5 trillion-dollar economy. This study is based on secondary data. The secondary data is sourced from the various reports, research paper and the govts. websites.

### **Conclusion-**

The present study focused to explore various problems and challenges experienced by the MSME sector. It discloses various aspects related to problems of finance, marketing, technology, human resource, operations and export potential based on secondary data. Difficulty to acquire timely funds for working capital needs, lack of consultancy support, complicated documentation, lack of the latest technological skills, need-based research programs, low ICT literacy, lack of motivation and presence of high employee turnover, inefficient logistics, low-quality products, poor bargaining power, etc. are few of such problems. It also overlooks the 5 trillion-dollar economy of India and the role MSME units in the process of 5 trillion-dollar Indian economy.

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