Challenges in MSME Sector

What is the issue?

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In India lame regulatory framework has choked MSMEs and has contributed to farm crisis and quota demands.

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What is the potential of India’s MSME sector?

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- Micro, Small and Medium Enterprises (MSMEs) play a vital role in the growth of Indian economy by contributing 45% of industrial output, 40% of exports.
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- It employs 60 million people, creates 1.3 million jobs every year and produces more than 8000 quality products for the Indian and international markets.
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- There are approximately 30 million MSME Units in India and 12 million persons are expected to join the workforce in the next 3 years.
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What are the challenges faced by MSME sector?

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- Fiscal indiscipline combined with bank credit going from Rs 18 lakh crore in 2008 to Rs 54 lakh crore in 2014 converted India from high growth, low inflation economy to low growth, high inflation economy and created our Rs 14-lakh-crore bad-loan problem.
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- MSME sector is facing challenges and does not get the required support from the concerned Government Departments, Banks, Financial

Institutions and Corporates which is proving to be a hurdle in the growth path of the MSMEs.
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- Limited capital and knowledge and Non-availability of suitable technology are few critical issues in this sector.
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- Ineffective marketing strategy, Constraints on modernization & expansions and Non-availability of skilled labour at affordable cost are few other concerns surrounding the sector.
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- India’s formal MSME involves a regulatory burden of 60,000+ compliance items, 3,300+ annual filings, and 6,000 changes every year.
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- This subjects them to corruption, grovelling and mental torture from a high-handed, poorly structured and weakly-managed civil service.
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- The average employer in India is not a formal MSME but an informal MSME, fewer than 2 per cent of our 63 million MSME’s are formal.
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- Due to this fact, most of the MSME workers are one way or the other connected with Agro-related business and expect benefits from the government.
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What measures need to be considered?

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- It is very important to empower the SME sector to utilize the limited resources (human & economic) they have in an optimum manner.
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- The SMEs need to be educated and informed of the latest developments taking place globally and helped to acquire skills necessary to keep pace with the global developments.
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- To counter the challenges faced by the SME sector and grab the opportunities in the market, various key strategies need to be adopted to promote and support the SME sector.
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- Thus the only way to create millions of jobs with decent wages is a policy re-imagination of the rights, needs, and treatment of formal MSME

entrepreneurs.
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Source: Indian Express

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