

Problems And Prospects Of Micro, Small And Medium Enterprises (Msmes) In Kerala State –An Overview

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Abstract

Micro, Small, and Medium-Sized Enterprises (MSME) constitute the backbone of the Indian industry. Their contribution to the country's economic transformation is enormous, as they not only generate job opportunities but also inspire unskilled laborers to pursue entrepreneurship. Both rural and urban areas have seen its spread. In India, MSMEs employ nearly 45% of the labor force. The MSME sector in India is very diverse, with a wide range of product offerings, staffing sizes, and technological advancements. It contributes to the development of rural and underdeveloped areas, reduces regional disparities, and ensures a more equitable distribution of national wealth and revenue. MSME play a major role in the nation's socioeconomic development. MSME produces over 8,000 different products. Despite making significant contributions to the expansion of industry, MSME internal operations still lag behind those of other developed industries.

Keywords: MSMEs, Entrepreneurship, Opportunities and Problems

Introduction

Because of its critical role in creating large-scale employment opportunities at a lower cost of capital and in advancing rural and underdeveloped communities through industrialization, the Micro, Small, and Medium Enterprises (MSME) sector has frequently been hailed as the engine of economic growth for nations. This has led to a more equitable distribution of national income and wealth. Through business innovations, MSMEs have been making a substantial contribution to the growth of entrepreneurial endeavors. In addition to serving as auxiliary businesses for larger corporations, MSMEs also have significant potential to lower poverty, increase exports, and advance socioeconomic development in general. MSMEs are expanding into new economic sectors and offering a wide range of goods and services to satisfy both local and international consumer demands. Currently, the MSME sector employs over 12 crore people, adds 29% to India's GDP, and accounts for 48.1% of all exports from the country. The MSME sector is crucial for developing countries' economic growth in addition to being significant for developed ones. The focus is on creating jobs, making a significant contribution to export earnings, contributing significantly to domestic production, requiring little or no imports for operations, and generating foreign exchange earnings with minimal capital investment. MSME thrives in India's resource-poor and densely populated economic environment. Its goal of seeing the impoverished rise both economically and socially could be accomplished by establishing a small manufacturing facility that would support the ascent of the impoverished in India while also creating jobs. Historically, the MSME sector has grown at a faster rate than the industrial sector as a whole. In addition to being essential for creating jobs and having comparatively lower capital costs than large industries, the sector also aids in the industrialization of rural and underdeveloped areas, lessens regional disparities, and ensures a more equitable distribution of wealth and income across the country. MSMEs support the nation's socioeconomic growth by acting as a counterpart and ancillary to large industries. Value-wise, this industry is thought to be responsible for roughly 45% of all exports from the nation and 40% of manufacturing output. According to the most recent data available, this industry employs an estimated 1109.89 lakh people across 633.88 lakh businesses. An estimated 90 percent of all businesses are classified as MSME's and produce over 8000 different products, ranging from high-tech to traditional. This sector is expected to grow further in India thanks to the introduction of programs like the Credit Guarantee Fund Trust for Micro and Small Enterprises, the Stand-Up India scheme, and interest subvention for new or incremental loans for MSMEs, which allow lending institutions to extend credit to them without the need for collateral.

MSME Sector in Kerala

Kerala's land banks are fragmented, which makes it difficult to establish large-scale industries there. However, the state government is attempting to overcome this issue by using the fragmented land to support the growth of MSME's in the state. Kerala has made significant investments in infrastructure, communication networks, skill development, and connectivity over the years, providing the state with a competitive edge in the MSME sector. A total of 52,137 MSMEs have been established since 2016. Over 1.8 lakh people in Kerala now have jobs thanks to the MSME sector. Kerala's

robust social and intellectual infrastructure has facilitated the growth of numerous tech entrepreneurs, who have contributed to the establishment of a robust startup ecosystem in the region. There are now more than 2200 startups and 40 accelerators and incubators in Kerala. Moreover, Kerala was among the first Indian states to implement microfinance initiatives in an effort to combat poverty. Established in 1998, the Kudumbashree program oversees the state's overall implementation of programs aimed at eradicating poverty and empowering women. It provides financial and technical support for initiatives aimed at empowering people on the social and economic fronts. It is noteworthy that the state is also performing better and better in the IT and startup sectors. Kerala's substantial investments in the health and education sectors have allowed it to maintain its top ranking in the Sustainable Development Goals index, which was conducted by Niti Aayog in collaboration with the United Nations.

Kerala's MSME sector is growing into one of the state's main sources of employment and revenue. Kerala is well-suited for the expansion of the MSME sector due to its strong communication network, excellent connectivity, abundance of highly skilled labor, and reasonably good industrial infrastructure. The MSME sector gives jobs to young people and socially disadvantaged groups like women, SC, ST, and people with disabilities, and it aids in the industrialization of rural and underdeveloped areas. The expansion of MSMEs is connected to Kerala's economic growth. The Kerala government's Department of Industries and Commerce is putting various MSMEs-facilitating schemes into action. The Kerala government chose to declare 2022–2023 as the "Year of Enterprises" in an effort to support and elevate MSMEs within the region. The initiative of "Setting up of One Lakh Enterprises in 2022–2023" was given to the Directorate of Industries and Commerce. By combining the efforts of multiple departments, the goal was to establish one lakh enterprises and generate three lakh jobs by 2022. According to the Kerala government's Economic Review of 2022, this initiative has resulted in an investment of Rs. 6274 crore and the creation of 2,20,285 new jobs in the state. A third of these newly formed enterprises are being promoted by women entrepreneurs. There have been new establishments in the agricultural and food processing, apparel and textile, and service industries. More than the previous year, ₹1,535.09 crore was invested in the establishment of new MSME units in the State, creating jobs for 2022–2023. Figure 2.1: The total number of MSMEs currently registered with the Kerala government This table displays Lakshadweep's UAM registration. Table 2.1: Name of District Number Alappuzha Ernakulam Kannur Idukki Kasaragod Kollam Kottayam Kozhikode Malapuram Palakkad According to the Pathanamthipta Facilitation Office in Thrissur, this initiative has resulted in an investment of Rs. 6274 crore and the creation of 2,20,285 new jobs in the State through the founding of one lakh new businesses. Approximately one-third of these recently established businesses are run by female entrepreneurs. Agro and food processing, as well as the apparel industry, are among the sectors where new units have been established. According to the Economic Review, one new MSME unit costing crore was established in the State in 2021–2022, employing 56,233 people. The number of current MSMEs registered with the Kerala government in the manufacturing and service sectors has significantly increased between 2021 and 2022.

Statement of the Problem

Because of their dynamic nature following liberalization, the MSMEs sector has not only survived competition but has grown faster than the manufacturing sector as a whole. Even with such an extraordinary growth trajectory, MSME growth is still significantly behind its potential due to a number of issues. According to the MSME report, the industry still faces a number of obstacles, including the difficulty in obtaining sufficient and timely credit, the high cost of credit, the need for collateral, the difficulty in obtaining equity capital, the need to rehabilitate failing businesses, etc. The Human Resource Problem, which includes attracting and keeping the right personnel, is one of the major issues. MSMEs provide both professionals and amateurs with exciting and dynamic career opportunities in their specialized field of work. These days, MSMEs still have difficulty retaining a skilled workforce that can guarantee stability and long-term growth opportunities for their companies. They also have difficulty attracting diverse talent from a variety of verticals. MSMEs are growing at a rapid rate, but they still appear to be having trouble finding qualified staff because of ingrained issues with culture and customs. Thus, the goal of the current research is to analyze the performance of MSMEs across Kerala states and India as a whole.

Need and Importance of the Study

It is acknowledged that MSMEs are the driving force behind economic expansion and the advancement of fair development. MSMEs contribute significantly to the nation's economic growth. In terms of GDP (gross domestic product), MSMEs contribute. MSMEs generate jobs, maintain regional development equilibrium, produce social goods, encourage exports, etc. Nevertheless, a number of studies on the various developments of the MSME sector have been carried out on occasion. However, it has been noted that the MSME sector's policies have changed and grown gradually over time. As a result, it becomes crucial to closely study how MSMEs operate in the nation. An attempt is being made to examine the issues and future potential of MSMEs in this context.

Scope of the Study

The performance aspects are the focus of this study. The study primarily concentrates on the issues and opportunities facing MSMEs in Kerala at the time of the study. The study's scope includes the issues and future potential of MSME in India. Planners and policymakers have projected a faster rate of growth for the Indian economy in recent years. This makes the point that, as in the case of other industries, Micro, Small, and Medium-Sized Enterprises (MSMEs) must be encouraged to grow and develop to a great extent through a variety of strategies, most notably through unrestricted access to financial support. Thus, in order for policy makers, planners, and financial experts to obtain a realistic understanding of the issues and future prospects facing the MSME sector, it becomes increasingly necessary to examine these issues over time.

Research Design

This research is descriptive. Both primary and secondary sources provided the data and other information needed for the study. Using a structured interview schedule, primary data were obtained directly from the respondents, and secondary data were gathered from a variety of online resources such as newspapers, journals, libraries, and websites.

Population/Universe

For the purposes of the study, all active MSMEs that are registered as such as of March 31, 2020, are considered the population. State of the MSME Sector: A Profile 51,244 people are employed by the 15,468, new MSME units operating in Kerala, which have invested a total of Rs. 1,24,961 lakh, according to DIC. When it comes to the generation of new MSME units, Thiruvananthapuram is in top place.

Sample Design

Due to its superior number of MSME units compared to all other districts, Thiruvananthapuram district was specifically chosen to host the MSM entrepreneurs. The study focused specifically on the district of Thiruvananthapuram's revenue division in round two. Thiruvananthapuram and Nedumangadu are the two revenue divisions chosen for the study, which is focused on taluks in round three. Out of the four taluks Thruvananthapuram, Chirayinkeezhu, Varkala, and Kattakada, two taluks Thruvananthapuram and Kattakada were chosen to make up the Thiruvananthapuram revenue division, or 50% of the total. Out of the two taluks ,Kattadataluk and Neyattinkara, one taluk Neyattinkara taluk was chosen as the 50% representative of the Nedumangadu revenue division. Ultimately, from each of the taluks that were chosen, 10 units from the micro, 10 from the small, and 10 from the medium levels all of which only fall under the definition of MSMEs were chosen. As a result, a total of 90 units, 53 from the manufacturing and 37 from the service sectors were chosen for this study. Additionally, five respondents representing various employee categories were included in each of the units that were chosen. The following is the study's sample design:

TABLE 1 SAMPLE DESIGN

District	Revenue Division	Taluk	Region	Category			Sector		Total No. of Respondents
				Micro	Small	Medium	Manufacturing	Services	
Thiruvananthapuram	Thiruvananthapuram	Thiruvananthapuram	Midland and lowland	10	10	10	19	11	150
		Kattakada	midland and highland	10	10	10	18	12	150
	Nedumangadu	Neyattinkara	all the three regions	10	10	6	16	14	150
		Total			30	30	30	53	37

Hence, total sample size of the respondents for the study was 450.

Nature of Data

The current study was mainly based on secondary data. But primary also were collected about personal profile of the entrepreneurs.

Tools for Data Collection

A structured questionnaire was used to gather the primary data. The necessary secondary data was gathered from a variety of sources, including annual reports, websites, manuals, booklets, bulletins, newspapers, magazines, journals, and unpublished and published records.

Problems Faced By MSMEs

The highlighted barriers to MSMEs' development in India include quality, human resources, capital, infrastructure, and technology. Taken together, these indicate that MSMEs face major barriers to financing, primarily related to collateral, financial literacy, and firm attributes. As a result, their growth and success are hampered, and there are numerous issues that need to be resolved in order to support their development. Numerous studies with conflicting results have brought attention to the numerous obstacles that MSMEs in India face when trying to obtain funding.

Lack of sufficient bank credit: The lack of financial awareness among entrepreneurs and the inadequate collateral assets are the main obstacles MSMEs face when trying to secure financing. MSMEs have greater difficulty obtaining bank credit. The bank loan application process is extremely drawn out, requiring a lot of paperwork and a hefty processing fee. It's interesting to note that the pandemic has decreased MSMEs' cash flows, which has limited their access to financing. MSMEs also face challenges from complicated application processes, high interest rates, and a lack of collateral. The MSME's are not receiving enough loans from the banks.

Absence of Skilled Labor: Numerous studies show that MSMEs in India face a number of difficulties, such as finding and keeping skilled labor. It is also revealed that a lack of benefits and incentives makes it difficult for MSMEs to retain skilled workers. MSMEs are realizing that subpar working conditions and insufficient training opportunities are associated with subpar performance because they struggle to pay competitive wages and benefits and to train employees at a reasonable cost.

Absence of cutting-edge technology: One of the challenges in implementing technological innovation in the MSME sector is the lack of awareness regarding advanced production technologies. They are manufacturing things with conventional techniques. The literature makes it clear that MSMEs in India face significant technological challenges, and that professional consultants and a thorough understanding of current operations are essential for MSMEs to successfully use technology.

Sales and Marketing: According to recent research, multiple tariff and non-tariff barriers to exporting that restrict access to foreign markets pose serious challenges for MSMEs in India with regard to marketing and sales. Marketing techniques is ultimately restrict their capacity to close deals, suggesting that these challenges will probably hinder MSMEs' marketing and sales initiatives in India.

MNC competition: Multinational corporations present a fierce rivalry for MSME's, due to the fact that large corporations offer high-quality products at competitive prices.

Resources Not Available: Because labor, other inputs, and raw materials are not readily available in the market. For this reason, it is very challenging to produce the goods at a reasonable cost.

Adherence to Regulations: In India, MSMEs face significant challenges in maintaining regulatory compliance, with small businesses bearing a disproportionate share of this burden as they must oversee approximately 364 compliances annually.

Insufficient infrastructure: Many infrastructure-related issues face MSMEs in India, including the absence of necessities like power, water, transportation, and telecommunication. The main obstacles related to infrastructure are the lack of access to credit, the scarcity of land and buildings, transportation and power supplies, and the lack of information and communication technology (ICT). Moreover, a major barrier for MSMEs is the lack of physical infrastructure, such as ports, roads, bridges, and transportation facilities.

Opportunities (Future Prospects) of MSMEs

Suggestions to Help MSMEs: Suggestions for MSMEs to Surmount Obstacles and take advantage of opportunities MSMEs are the backbone of the Indian economy and play a significant role in employment and GDP growth. Nevertheless, they face numerous challenges that impede their growth and advancement. As such, the following suggestions may be taken into consideration in order to overcome these obstacles and take advantage of opportunities.

Investigating Green Technologies: the rise and effect of Green Technologies in the Modern World, the Ministry of MSMEs is says that the government of India is pushing MSMEs to use green technologies in order to accomplish sustainable development, which is in line with its commitment to economic growth and social inclusion. It is vital to assist MSMEs in implementing new, environmentally friendly technologies without endangering the environment, as they make a substantial contribution to manufacturing output and job opportunities.

Creation of jobs: The fields of MSME manufacturing and service provision offer abundant opportunities. MSMEs are essential to India's economic development because they give millions of underemployed or jobless people access to employment opportunities. MSMEs are creating a varied and substantial amount of jobs in the manufacturing and retail sectors.

Pay attention to client satisfaction: MSMEs that produce goods primarily concentrate on customer preferences, likes, and dislikes. However, these days, products are produced in accordance with consumer demands or expectations. In order for the MSMEs is to focus more on customer satisfaction.

Reduction of regional disparity: Through the operation of MSME units in rural areas, the MSMEs will make use of the labor force in these areas, allowing them to develop equally with the rest of the country. Thus, this aids in reducing or eliminating the regional imbalance.

Growth of Export: There will be a significant demand for Indian goods such as wooden goods and other handcrafted items in the global market. MSMEs therefore have the ability to increase India's exports. The government has launched various programs, such as the Market Access Initiative (MAI) and the Technology Upgradation and Quality Certification (TUF) scheme, to support innovation and exports, in addition to taking numerous actions to support their development, including tax breaks, financial aid, and subsidies. **Attraction of Foreign Investment:** The Indian MSMEs are the growing sectors and their growth rate and return on investment is satisfactory. This sector can attract foreign investment in India, so their growth rate increasing drastically.

Guidelines of the Government: The Indian government has introduced a number of initiatives to support MSMEs' growth within the nation. One such initiative is the Udyam Registration Portal, which serves as a common enrollment platform for MSMEs to receive various government benefits and assistance. For MSMEs to be eligible for government schemes and support, they must register on this portal. MSMEs present a wealth of funding opportunities for banks and other non-traditional funding sources. The government is creating an appropriate environment for these companies by enacting policies that are beneficial to them and continuously improving the legislative framework for MSME funding. The government offers a number of programs and initiatives to support MSMEs in growing their companies and implementing sustainable practices. Two labor-intensive, environmentally conscious MSMEs that are paving the way for environmental sustainability are the Coir Board and the Khadi and Village Industries Commission (KVIC). Being an eco-friendly business owner or transforming an existing one into one is becoming more and more popular as new opportunities arise daily thanks to innovations, models, and techniques.

Creativity: Competitiveness is linked to sustainability, information-knowledge, networks-open innovation, and MSMEs' ability to innovate. In India, MSMEs can maintain their competitiveness through innovation, programs, and performance that positively affect innovation leading to competitive advantage. The ability to innovate and its mediating effect between these factors and competitive advantage can be enhanced by entrepreneurship insight and market orientation, indicating the critical role that innovation plays in MSMEs' ability to compete.

Possibility of Export: "India's Window of Opportunity" emphasizes the value of exports for micro, small, and medium-sized enterprises (MSMEs) in India, making the case that they are essential to the nation's economic growth and that MSMEs can play a pivotal role in this growth given their contribution to a significant share of India's exports and employment opportunities. Kant also emphasizes the importance of government support in facilitating MSME exports by emphasizing the need for MSMEs to adopt technology and innovation, improve quality and standards, and identify new markets in order to capitalize on the expanding demand for Indian goods and services abroad.

Roadmap for Success

MSMEs must have a solid credit history in order to obtain loans at favorable interest rates. This can be done by keeping up a respectable credit score, making sure that loans are repaid on time, building credibility, and winning over lenders. In order to improve their chances of securing better terms and conditions for financial products, MSMEs should approach banks and other financial institutions and cultivate strong relationships with them.

Making Use of Government Initiatives: MSMEs must make use of government programs, subsidies, and tax breaks in order to improve their access to capital and to compete in the market, providing chances for development and expansion. MSMEs can also look into alternative financing options like venture capital, angel investing, and crowd funding to raise money without needing collateral or going through conventional banking channels. The Indian government offers MSMEs support through a number of programs, including the Export Promotion Council and the Directorate General of Foreign Trade, which help them with export-related infrastructure development, financing, and regulatory streamlining.

Improving Financial Literacy: Improving financial literacy is essential for MSMEs to understand various financial products, terms, and conditions. This will help them make well-informed decisions about financing and credit, increasing their chances of obtaining loans with better terms. Digital technology helps MSME finance by allowing MSMEs to use digital platforms to manage their finances, apply for loans, and connect with lenders. This can help MSMEs access finance quickly and effectively. To optimize the integration of advanced technologies and reduce concerns about workforce redundancy, MSMEs should invest in employee training. This can be done internally or through external vendors, depending on the available resource pool. MSMEs should also conduct thorough research to identify appropriate technology for their unique needs. Consulting with peers in the industry or technology experts can help them identify appropriate technology.

Establishing Regulatory Compliance : Establishing a regulatory compliance framework is crucial for MSMEs in order to comply with relevant regulations. This framework should include regular inspections and audits to identify areas that require improvement and reduce the risk of legal liability. The appointment of a designated compliance officer would be beneficial for strengthening the effectiveness of regulatory compliance protocols in MSMEs. This individual would be in charge of monitoring the company's adherence to relevant regulations and making sure that an updated regulatory compliance framework is in place.

Making Use of Technology: MSMEs can use technology to automate their regulatory compliance process. There are numerous software options available to help companies stay up to date on rules and comply with relevant legislation. By opening an online store or listing their products on well-known e-commerce platforms, MSMEs can increase their reach in foreign markets by utilizing e-commerce platforms as an efficient and affordable way to grow their customer base beyond local markets. MSMEs must conduct market research in order to understand consumer demand and expand into new markets. For this purpose, they can work with private consultants or government agencies. MSMEs can stand out from the competition and successfully connect with their target market by developing a distinctive logo, packaging, and marketing strategy. This will increase customer loyalty in crowded markets.

Conclusion

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in the economic development of India by creating jobs in both rural and urban areas and lowering the cost of goods and services. The MSME sector, which greatly boosts GDP, exports, and industrial units, is essential to the Indian economy. It does, however, face difficulties with access to capital, technology, skilled labor, and inadequate infrastructure. Collateral-free loans, tax breaks, and subsidies are just a few of the programs and policies the government has put in place to assist the MSME sector. Programs to empower MSMEs were started by the private sector. The emergence of digital tools, e-commerce, payment solutions, new age technology, and alternative lending platforms has revolutionized business operations and made it simpler for MSMEs to access finance and a larger market. Expected to further spur sector growth is the revised MSME definition that does away with the distinction between manufacturing and services. MSMEs must have access to effective factors of production, such as industry-friendly labor reforms, appropriate land acquisition policies, cutting-edge technology, enabling infrastructure, and streamlined tax laws, in order for their growth to continue. Therefore, the government needs to give priority to these areas in order to enable MSMEs to grow their businesses, boost exports, and propel economic growth in India. New policy initiatives like the Special Credit Linked Capital Subsidy Scheme for MSMEs in the services sector and economic packages like Atmanirbhar Bharat Abhiyaan are also expected to support MSMEs in their efforts to overcome obstacles and grow. With the right infrastructure and support, MSMEs have the capacity to advance the Indian economy, generate employment opportunities, and promote inclusive growth.

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