A Study on Management Challenges and Opportunities Experienced by MSMEs

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MSMEs are considered to be an essential part of the Indian economy. It is providing employment to millions of individuals. It plays an important role in the development of rural and backward areas Unprecedented outbreak of the pandemic has paralyzed the Indian economy The supply chains were distorted and people were struggling to make ends meet Problems include getting adequate funds, lack of skilled employees, and inadequate financial education. The research tries to elucidate the challenges and opportunities experienced by this sector It helps in exploring the corrective and remedial measures.

Key words: MSMEs, Challenges, opportunities, pandemic

1. Introduction

In contemporary times, micro, small and medium enterprises have been accepted as the engine of growth for promoting equitable development. The MSME also has a vital role in dispersal of industries and generation of employment opportunities. The MSMEs are providing job more than 6 crore people. The MSME sector is contributing 8% of country's GDP, 45% of manufacturing and 36% to exports. The MSME`s sector has consistently registered higher growth rate compared to the overall industrial sector. The distribution of MSME`S in all over India is not equal because of unavailability of raw material, unawareness or lack of entrepreneurial skills development and lack of support of financial and technical assistance from concerning local authorities at district or state and central level. The unavailability of adequate and timely credit facility, high cost of credit, lack of modern technology , no research and innovations, insufficient training and skill development, complex labor laws are the main problems of the MSME`S. Although, there are various opportunities available in the development of MSME. The MSME sector can also attract to the foreign investment and technology .The employment is more possible through the development of MSME`S. The MSME will be able to satisfy the needs of the customers up to a great extent after considering their expectations primarily. Migration of rural youths can be stopped by providing them the chance to work at their place. The mutual exchange of technology among the different types of MSME`S, financial and technical assistance, liberal labor laws , training and skills formation will assist in the development of this sector.

2. Need of the study

However, in spite of high growth rate and good prospects, the Indian MSMEs have been subject to certain constraints. The most notable barriers are lack of timely credit, procurement of raw materials at competitive cost, inadequate infrastructure facilities including power, water, & road, and lack of skilled manpower for manufacturing, services, marketing, etc. The most important constraints faced till date are technological backwardness.

The Indian MSMEs lack up-to-date information and are often unaware of the latest technologies in the global market. Sometimes they lack the managerial skills, entrepreneurial knowledge, and technology-intensive education to run a competent MSME. This type of problem normally prevails in rural-based areas. It is said that Information Communication and Technology can play a bigger role for MSMEs as they face stiffer competition from their rival neighboring countries. Hence, the need of the hour is the upgradation of technology. For Indian MSMEs to become competitive, it has to adopt the best international practices and constantly upgrade their technology. It is often found that the main challenge for many Small and Medium Enterprises (SMEs) is to cultivate the right skills and management practices for establishing and integrating knowledge created by external partners with in-house practices and innovation processes. Therefore, there is a need to conduct this study.

3. Review of Literature

Kristin Hallberg, (2000) examined that Governments in both industrialized and developing countries provide a wide variety of programs to assist small- and medium-scale enterprises (SMEs). Despite the success of SME strategies in a few countries, the majority of developing countries have found that the impact of their SME development programs on enterprise performance has been less than satisfactory.

Trott P(2002) has elaborated that the firm's innovation ability is defined as a set of characteristics that promotes the organization's innovation. The productivity, profitability, customer satisfaction, and overall improvement of an organization are happening in the Indian firms adopting innovations. This is a fact realized after thorough research done to find how innovations are affecting Indian firms. As a result of this, the firms can achieve the competitive advantage. Innovations acts

like catalyst that enhances the performance of a company as compared with the company's not adopting innovations. Thus, innovation is a process of idea generation, technology management, commercialization of a new products of an existing product or process.

Krishna Kumar (2003) has expressed his views that In India foreign collaborations have generally been to have the technology transfer which involves high cost. It is important to understand the that MSME single-handed cannot afford this cost, however, if a group MSMEs of similar nature of work come together the burden of the foreign collaborations can be shared effectively.

Chandra S(2004) elaborated that there exists a difference in the definition of MSMEs across the globe and as well among the industries catering to different sectors. As a result, this small sector needs utmost importance from policy makers towards achieving higher returns. These intermediaries are there in all countries but vary in their role towards these small sectors. MSMEs development agencies such as Small Business Administration (SBA) of the US, Small Business Service (the SBS) of United Kingdom and SIDO (Small Industries Development Organization) in India are the intermediaries set up by the Government.

Rai D (2009) has elaborated that major development that has happened for MSMEs is that they can improve the economic status as compared with that of total industrial growth. In spite of this, government has sensed the importance of MSMEs and also the need to make this sector compete globally and also to have sustained growth. As a result of this, several schemes and programs were especially initiated for the Indian MSMEs

Anand Sharma (2012) has expressed that it is not very often that small and medium companies get their due in the broader economic spectrum. Acknowledging their contribution to the Indian economy, the industry and commerce minister has said the government is work on to ensure that SMEs are given their pride of place and the government has taken measures like cutting down on red tape and invoking a provision for the first time to remove multiple-level approvals required.

Mehul Kapadia (2013) has explained that every bit of capital investment is crucial for an SME. Seasonal peaks are one of the greatest reasons for companies under-provisioning or over-provisioning. This can later result in heavy loss and idle resources. All businesses undergo a transition at various points. Whether you run a full-fledged enterprise, a medium-sized business venture, or even a smaller, relatively newer business, updating business IT processes is a critical step in your enterprise life cycle. Some businesses even have to undergo multiple transformation phases. Large enterprises have the capability and the resources to execute such transformations smoothly, but SMEs face a significant challenge in doing so, given their limited resources and capital.

Laforet S(2013) has elaborated that today's Indian economy is characterized by great complexity and its growth mainly depends on innovation. It is the one that increases the comfort level of a common man by offering value-added products/services. These innovative firms create employment, generate revenue, and also change people's lifestyles by offering quality products or services.

Hunter M. Typologies and Sources of Entrepreneurial Opportunity(2013) in its study reveal that MSMEs try to meet unmet demands by creating incremental and disruptive innovations. These things happen without any planning. These things are very common in product development companies.

Gujarat Chamber of Commerce & Industry (2016) in its study points out that to support the 'Make In India' campaign, the Gujarat Chamber of Commerce & Industry (GCCI) will take the help of PSUs to revive the closed small and medium enterprises (SMEs) in the state. "Under Make in India', the government insists to develop ancillaries of defense and other sectors at home rather than importing them. If units, which were shut down for some reason can be revived, they can contribute to the program.

Roy et al(2020) has examined that 25% of firms under MSME sector in India were about to close if the govt. of India would have extended the period of nationwide-wide lockdown.

Tripathi(2021) has expressed that in a survey conducted by All India Manufactures Organisation on MSMEs reveal that the self employed MSMEs constituting 35% of the total population do not have any chances of recovery from adversities created by pandemic.

4. Challenges faced by MSMEs

Problem of Raw Material: A major problem that the micro and small enterprises have to contend with is the procurement of raw material. The small units that use imported raw material face raw material problem with more severity mainly due to difficulty in obtaining this raw material either on account of the foreign exchange crisis or some of other reasons. Even the micro and small enterprises that depend on local resources for raw material requirements face the problem of other type. An example of this type is handloom industry that depends for its requirement of cotton on local traders. Nonetheless, micro and small enterprises with no special staff to liaise with the official agencies, these units are left with inadequate supplies of raw material. As a result, they have to resort to open market purchases at very high prices. This, in turn, increases their cost of production, and, thus, puts them in an adverse position vis-a-vis their larger rivals.

Problem of Finance: An important problem faced by micro and small enterprises in the country is that of finance. The problem of finance in micro and small sector is mainly due to two reasons. Firstly, it is partly due to scarcity of capital in the country as a whole.Secondly, it is partly due to weak credit worthiness of micro and small enterprises in the country. Due to their weak economic base, they find it difficult to take financial assistance from the commercial banks and financial institutions. As such, they are bound to obtain credit from the money lenders on a very high rate of interest and are, thus, exploitative in character.

Problem of Marketing: One of the main problems faced by the micro and small enterprises is in the field of marketing. These units often do not possess any marketing organisation. In consequence, their products compare unfavorabwith the quality of the products of the large-scale industries. Therefore, they suffer from competitive disadvantages vis-a-vis large-scale units.

Problem of Under-Utilization of Capacity: Studies shows the gross under-utilization of installed capacities in micro and small enterprises. On the basis of All India Census of Small-Scale Industries, 50 to 40 per cent of capacity were not utilized in micro and small enterprises.

Power deficit- The problems of under-utilization of capacity is further enhanced by power problem faced by micro and small enterprises. In short, there are two aspects to the problem: One, power supply is not always available to the small units on the mere asking, and whenever it is available, it rationed out, limited to a few hours in a day. Also, unlike large-scale industries, the micro and small enterprises cannot afford to go in for alternatives; like installing own thermal units, because these involve heavy costs. Since micro and small units are weak in economic front, they have to manage as best as it can within their available meager means.

Lack of Coordination: There has been lack of effective co-ordination among the various support organisations set up over the period for the promotion and development of these industries. Quality consciousness has not been generated to the desired level despite various measures taken in this regard.

Other Problems: In addition to the problems enumerated above, the micro and small enterprises have been constrained by a number of other problems also. These include technological obsolescence, inadequate and irregular supply of raw materials, lack of organised market channels, imperfect knowledge of market conditions, unorganised nature of operations, inadequate availability of credit facility, constraint of infrastructure facilities including power, and deficient managerial and technical skills.

5. Objectives of the study

1. To study the management challenges and opportunities experienced by MSMEs
2. To suggest some remedial measures which can help in improving the performance of this sector

6. Research Methodology

The research is Descriptive and Empirical in nature. It is based on the primary data collected from the respondents through structured questionnaire. Secondary data has been collected through Journals, books etc. The research is quantitative in approach. The research tool used is questionnaire. The questionnaire was closed ended and is based on five-point Likert Scale. The sample size is 200. The sampling method used is Non Probability Convenience sampling. Respondents' feedback was collected through Google forms. Data collected was analyzed through SPSS. The statistical tool used is Regression Analysis.

7. Data Specification

7.1 Hypothesis

H_{01}= There is no significant relationship between accessibility of funds and its impact in smooth functioning of MSMEs
Ha_1= There is a significant relationship between accessibility of funds and its impact in smooth functioning of MSMEs.
H_{02}= There is no significant relationship between lack of advanced technology and its impact in smooth functioning of MSMEs
H_{a2}= There is a significant relationship between lack of advanced technology and its impact in smooth functioning of MSMEs.
H_{03}= There is no significant relationship between lack of proper infrastructure and its impact in smooth functioning of MSMEs
H_{a3}= There is a significant relationship between lack of proper infrastructure and its impact in smooth functioning of MSMEs.

7.2 Analysis and Interpretation

- **Significant relationship between accessibility of funds and its impact in smooth functioning of MSMEs.**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	R square change	F change	Df1	Df2	Sig. F Change
1	.986[a]	.973	.968	.1449	.973	213.762	1	6	<.001
Predictors:(Constant), Accessibility of funds									

This table provides R and R^2 values. The R value represents the simple co-relation and is 0.986, which indicates a high degree of correlation. The R^2 value indicates how much of total variation in the dependent variable i.e. smooth functioning of MSMEs is explained by independent variable, Accessibility of funds. In this case 96.8% is explained.

ANOVA [a]						
Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	4.489	1	4.489	213.762	<.001[b]
	Residual	.126	6	.021		
	Total	4.615	7			
a. **Dependent Variable:** Smooth functioning of MSMEs						
b. **Predictors:**(Constant), Accessibility of funds						

The above table is ANOVA, which reports how well the regression equation fits the data (i.e. predicts the dependent variable). This table indicates that the regression model predicts the dependent variable significantly well. The F ratio tests whether the overall regression model is a good fit for the data. The table shows that the independent variable statistically and significantly predicts the dependent variable (1, 6) = 213.762, p<.0005(i.e., the regression model is a good fit of the data).

Coefficients[a]						
		Unstandardized Coefficients		Standard Coefficient	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	1.180	.168		7.008	<.001
	Accessibility of funds	.670	.046	.986	14. 621	<.001
	Dependent Variable: Smooth functioning of MSMEs					

The Coefficient table provides us with the necessary information to predict dependent variable (Smooth functioning of MSMEs) from independent variable (Accessibility of funds). It also determines that independent variable contributes significantly to the model. Unstandardized Coefficients indicate how much the dependent variable varies with an independent variable.
Thus, alternate hypothesis is accepted and null hypothesis is rejected.

- **Significant relationship between lack of advanced technology and its impact in smooth functioning of MSMEs.**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	R square change	F change	Df1	Df2	Sig. F Change
1	925[a]	.855	.830	.3073	.855	35.924	1	6	.001
Predictors:(Constant), Lack of advanced Technology									

This table provides R and R^2 values. The R value represents the simple co-relation and is 0.925, which indicates a high degree of correlation. The R^2 value indicates how much of total variation in the dependent variable i.e. Smooth functioning of MSMEs is explained by independent variable lack of advanced technology. In this case 83.0% is explained.

ANOVA [a]						
Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	3.333	1	3.333	35.294	.001[b]
	Residual	.567	6	.094		
	Total	3.900	7	1		
a. **Dependent Variable**: Smooth functioning of MSMEs						
b. **Predictors:**(Constant), Lack of advanced Technology						

The above table is ANOVA, which reports how well the regression equation fits the data (i.e. predicts the dependent variable). This table indicates that the regression model predicts the dependent variable significantly well. The F ratio tests whether the overall regression model is a good fit for the data. The table shows that the independent variable statistically and significantly predicts the dependent variable (1,6) = 35.294, p<.0005(i.e., the regression model is a good fit of the data).

Coefficients[a]						
		Unstandardized Coefficients		Standard Coefficient	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	1.300	.435		2.991	.024
	Lack of advanced technology	.667	.112	.925	5.941	.001
	Dependent Variable: Smooth functioning of MSMEs					

The Coefficient table provides us with the necessary information to predict dependent variable (Smooth functioning of MSMEs) from independent variable (Lack of advanced technology). It also determines that independent variable contributes significantly to the model. Unstandardized Coefficients indicate how much the dependent variable varies with an independent variable.
Thus, alternate hypothesis is accepted and null hypothesis is rejected.
- **Significant relationship between lack of proper infrastructure and its impact in smooth functioning of MSMEs.**

| Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	R square change	F change	Df1	Df2	Sig. F Change
1	.955[a]	.912	.897	.2666	.912	62.212	1	6	<.001
Predictors:(Constant), Lack of proper Infrastructure									

This table provides R and R^2 values. The R value represents the simple co-relation and is 0.955, which indicates a high degree of correlation. The R^2 value indicates how much of total variation in the dependent variable i.e.smooth functioning of MSMEs is explained by independent variable lack of proper infrastructure. In this case 89.7% is explained.

ANOVA [a]						
Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	4.422	1	4.422	62.212	<.001[b]
	Residual	.427	6	.071		
	Total	4.849	7			
a. **Dependent Variable**: Smooth functioning of MSMEs.						
b. **Predictors:**(Constant), lack of proper infrastructure						

The above table is ANOVA, which reports how well the regression equation fits the data (i.e. predicts the dependent variable). This table indicates that the regression model predicts the dependent variable significantly well. The F ratio tests whether the overall regression model is a good fit for the data. The table shows that the independent variable statistically and significantly predicts the dependent variable $(1,6) = 62.212$, $p<.0005$(i.e., the regression model is a good fit of the data)

Coefficients[a]						
		Unstandardized Coefficients		Standard Coefficient	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	1.260	.310		4.067	.007
	Lack of proper infrastructure	.665	.084	.955	7.887	<.001
	Dependent Variable: Smooth functioning of MSMEs.					

The Coefficient table provides us with the necessary information to predict dependent variable (Smooth functioning of MSMEs) from independent variable (Lack of proper infrastructure). It also determines that independent variable contributes significantly to the model. Unstandardized Coefficients indicate how much the dependent variable varies with an independent variable.

Thus, alternate hypothesis is accepted and null hypothesis is rejected.
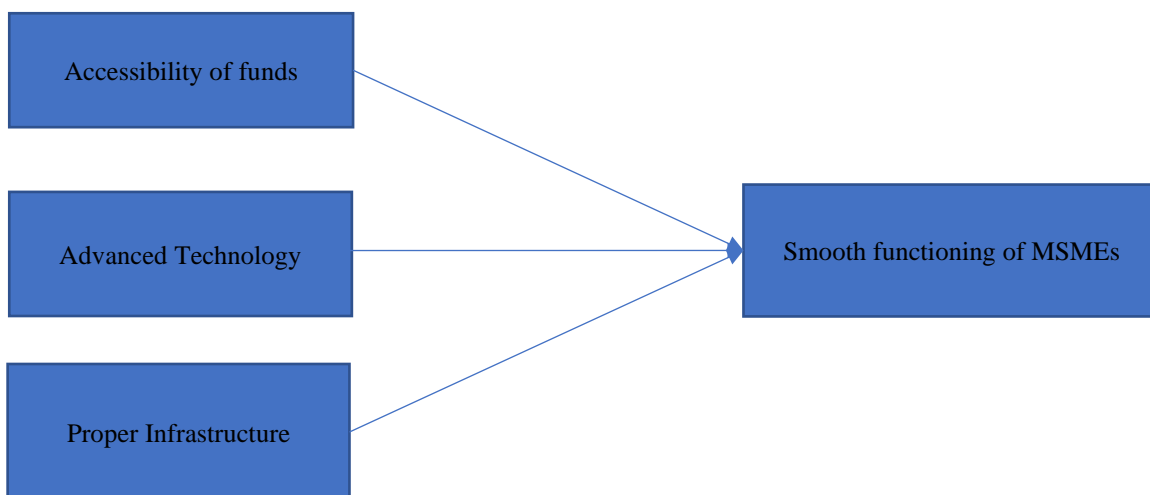
8.   Conceptual Framework Prepared by Author

8.1 Results and Discussions

- 64% of MSMEs have a turnover of less than 1 crore.
- For sources of funds 26% of MSMEs rely on relative and friends, 20% on self fund, 17% on retained profits and surplus, 13% on private lenders and banks.
- 65% of MSMEs are facing the problem of accessing the funds from Banks and different financial Institutions.
- Post pandemic 44% of SMSEs owners are optimistic about paying full salary to their employees, while 17% of MSMEs owners believe in salary cuts.
- Post-pandemic 47% of MSMEs will not downsize their employees while 14% are sure to cut the salary of their employees.
- 51% of the respondents agree that MSMEs are facing the challenge of skilled manpower.
- 52% of the respondents agree that there is lack of adequate Research & Development facilities in MSMEs.
- 48% of the respondents agree that MSMEs are facing the marketing problems.

8.2 Suggestions

- **Finance**:- Providing loan to MSMEs at low rate of interest will help them survive. Long term repayment should also be considered by the govt. as well financial institutions. Lending limit to MSMEs should be augmented. Adequate subsidies should be provided to these MSMEs so that they can run their operations uninterruptedly.
- **Partnership:-** Govt. should foster partnership through collaboration with different foreign players. Trade agreements with different nations will also help in imparting the innovative technology.
- **Upgradation to digitalization:**- Govt. should promote digitally activated internal environment so that remote working is possible in MSME , just like IT sector. If this sector is empowered with digitalization, online banking will be easily done by small enterprises also. Leveraging technology can bring improvement in efficiency, cost cutting, transparency and also encourages the safety of workers.
- **Sustainable supply of power:**- Sustainable power supply helps in improving the capacity utilization of different MSMEs.
- **Supply of skilled Manpower:**- This sector is in the dire need of skilled manpower. Govt. can support this sector by providing employees with adequate vocational training, which helps improve this sector's overall performance.

9.   Conclusion

It is a well-known and accepted fact that MSMEs contribute to the nation's growth and income. Indian govt, an initiative of the Atma Nirbhar Bharat scheme has provided much-needed support for uplifting MSMEs. The plethora of challenges like getting adequate finance, lack of digital support, and intended beneficiaries being out of reach of govt. support has been adequately addressed under the relief package provided by the govt. In the pandemic era govt. support has not only helped the MSMEs to survive, but it has also built long-term sustainability and competitive advantage for this sector.

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