

Role of SMEs in Indian Economy and its Related Challenges¹

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ABSTRACT

The Government of India has acknowledged this due to the significant demand it has consented to the SSI sector. The Reserve Bank of India has also granted SSI loans made by banks the status of a priority sector, and several guidelines have been enacted in this way periodically. Whatever the case, there have been a few problems that make it difficult for small and home-based businesses to grow. Many internal and external factors have placed significant strain on the SSIs' ability to function, leading to the elimination of several of them. The prevalence of illness in the SSI division is showing an increasing trend, and a significant number of SSI units are identified as destroyed. Now, there is a great chance to look at the business-related challenges that a person in company must deal with. These issues include those related to money and equipment, marketing and deals, raw materials, and the availability of skilled labor, among others. It would be accurate to say right away that the majority of business visionaries don't have problems with access to equipment, raw materials, the sale of their manufactured goods, or the availability of talented professors. Even if a large portion of them need financial resources, they are ultimately preoccupied with pursuing their projects.

INTRODUCTION

There is an urgent need to identify various enabling aspects, limiting components, and impending components that constrain or drive small scale industries to pursue their entrepreneurial goals. This publication focuses on the issues and future of the small-scale industry, specifically with regard to Ariyalur. If there were to be any company owners in the Ariyalur area, their support from family and friends as well as their own personal drive and self-control would be crucial motivators for success. The most significant limiting factors have been dual participation in home and work, poor understanding of government programs, ignorance of money management practices and traditions, poor understanding of budgetary administration, lack of leisure time, and lack of technical aptitudes. Regarding potential, it was discovered that the administrative sector offers more than the manufacturing and other trading businesses. Picking examples was one of the challenges that proved to be most difficult for the study since it was dependent on the issues and opportunities in the Ariyalur area, in particular its whole extent. The approach of those respondents who attempted to provide responses to the interview schedule, government information that the same number of enrolled units were typically closed, or a small number of proprietor respondents who demonstrated their inability to respond by using their own commitment were additional barriers in addition to the choice of tests meeting them at their helpful time. There has never been a state-wide inquiry of small-scale enterprises, especially in Ariyalur, that was particularly focused on the problems and opportunities facing entrepreneurs. This research is one of its kind and will serve as inspiration for further studies in the future that aim to also think about the challenges and opportunities faced by entrepreneurs as they pursue their entrepreneurial endeavors. The expert has suggested a calculated model for entrepreneurship as a suggestion.

ROLE OF SMEs IN ECONOMY

As the pace of technological progress and production scales increases, small and medium-sized firms have become increasingly important to economic expansion. While mechanical development is only getting started, this area is now crucial for nations that want prosperity. The SMEs of today would transform into the large scale enterprises (LSEs) of tomorrow. This standard is applicable to all countries in the globe.

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SMEs In Different Sectors of Indian Industry

SMEs have been formed in almost all of India's key industrial areas, including:

- Agricultural Inputs
- Bio-engineering
- Chemicals & Pharmaceuticals
- Computer Software, etc.
- Electro-medical equipment
- Engineering; Electricals; Electronics
- Food Processing
- Leather and leather goods
- Meat products
- Plastics products
- Sports goods
- Textiles and Garments

PROBLEMS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)**1. Shortage Of Raw Material**

The most significant challenge this industry has is finding raw materials that are both plentiful and cost-competitive in the needed quality. Even Nevertheless, these individuals often have their interests at odds with institutional arrangements about the allocation method. This is particularly obvious when raw resources are scarce and must be imported.

2. Inadequate Finance

Most micro and small businesses rely on outside funding from sources other than institutions. The different agencies' financial support, including that of financial institutions and commercial banks, often falls well short of their needs. Because of this, small and micro businesses are forced to borrow money from suppliers or approach the unorganized money market at exorbitantly high interest rates. Private financing eventually degrades the system and contributes to illness in small businesses.

3. Lack Of Managerial Skills

The vast majority of SMBs and MMBs got their starts without ever doing a proper feasibility analysis. Moreover, if such reports were created, their primary function was to serve as institutional finance counsel rather than as a strategy for the unit's performance.

4. Problem Of Skilled Manpower

The success of a small business relies on the owner and the people who work there. The state is short on competent and effective workers. Unskilled labor and inefficient labor provide a myriad of challenges to the viability of small enterprises. Small-scale enterprises have difficulties since there is a lack of sufficient trained workers in rural regions.

5. Inadequate Credit Assistance

The main issue that small-scale enterprises in the state struggle with is the timely and enough provision of financing facilities. This is because there is not enough money to go around, and small enterprises in the country have a low credit rating.

6. Lack Of Machinery and Equipment

In order to compete with giant businesses, small-scale enterprises must employ modern machinery and technology in their manufacturing processes. Several tiny units still use antiquated and archaic technologies. Absence of appropriate machinery and technology is a significant barrier to the development of small-scale companies.

7. Absence Of Adequate Infrastructure

The Somali Regional State's economy is characterized by poor infrastructure, which makes it difficult for small businesses to expand. Little apartments and industrial parks are prevalent in towns and cities. They are experiencing one or more issues, such as a lack of electricity, drainage and water issues, bad roads, raw material and marketing issues. Underutilization of capacity occurs when firms are unable to operate at full capacity due to inadequate infrastructures affecting output in terms of quantity, quality, and schedule.

The national policy and administrative structure, as well as the kind and rate of growth, all have a role. The size range of a small or medium-sized business is not well-defined. The anticipated economic contribution of small-scale businesses and the aid programme intended to attain this goal tend to inspire unique definitions in each country. It may result from differences in industrial organisation even within the same country at different phases of economic development.

Financial problems- Nearly 80% of SMEs are killed by inadequate finance and other associated difficulties. Constraints on access to capital have been attributed to, among other things, financial institutions' stringent standards, an absence of appropriate collateral and credit information, and the high cost of obtaining cash. Harper believes that the small company sector's current capital shortage situation is exacerbated by owner-managers' wasteful utilisation of available funds. Ihyemebe concurred with this point of view, saying that he has witnessed corporations borrow money for expansion plans and then use it to buy foreign properties, start families, or acquire chieftaincy titles. Working capital was the primary problem identified by Bruch and Hiemenz in their survey of Asian SMEs. Binks and Ennew argue that the major reasons of the funding problem SMEs face are banks' behaviour and the inadequacy of the capital markets.

Inadequate Basic Infrastructure- Problems with infrastructure range from an inadequate water supply and subpar transportation and electricity systems to improper waste disposal. Small and medium-sized enterprises (SMEs) in India are permanently hampered in their growth potential by the country's inadequate physical and social infrastructures, on which they rely heavily but for which they lack the resources to invest in the creation of alternatives.

Socio-cultural Problems- Most successful Indian businessmen do not reinvest their earnings. According to Bala, nonconformist Indian businesses have the mindset of "invest now, reap tomorrow." However, the sociopolitical ambitions of certain corporate entrepreneurs may lead them to waste valuable resources. The prejudice towards Indian-made goods is a major problem. There has been a recent shift in consumer habits in India towards a marked preference for imported goods over their domestic counterparts.

Location Problem- Absentee landlords that charge exorbitant prices for rent own most of the market's shops. Not only have SMEs been negatively impacted by the global financial crisis, but also by local economic difficulties like as deregulation and the loss of safeguards.

Poor Accounting System- The majority of SMEs cannot be evaluated for performance since their accounting processes are subpar. Because of this, sloppy administration is a real possibility, increasing the likelihood that the business would fail.

Multiple taxation – Because of how tax consultants and agents are used by the government, this has become an increasingly pressing concern. A lot of the time they act crudely, make inflated assessments, and have a poor

perspective on the manufacturing process as a whole. They tax everything without considering how this may affect people's ability to work and support their families.

Unstable policy environment- Instability in government policy has contributed to the demise of several businesses. Until the policy shift, many companies had to import machinery from abroad. Many companies in the cocoa industry were negatively impacted by this. A business owner should always be planning for the worst case situation and practising their contingency strategies. Understanding the business environment thoroughly is crucial to the survival of small and medium-sized enterprises (SMEs), as is the creation of effective solutions to the problems that have been identified. To thrive under unfavourable conditions, a business must develop a plan that capitalises on its advantages to grasp opportunities and reduces the negative effects of its weaknesses.

Therefore, an entrepreneur's ability to foresee business opportunities, as well as their creativity, originality, boldness, willingness to take risks, and awareness of market shifts are all crucial to their success.

CONCLUSION

So it is concluded that All economies rely on SSIS as its backbone. They promote healthy growth, better the economy as a whole, and provide excellent employment prospects for locals. Over the past few years, SSIS performance has improved steadily. There are a number of issues that plague SSIS in Erode, such as a lack of accessible power, technology, and skilled workers, as well as high costs associated with employment, financing, and transportation. Young people should take use of the abundance of available natural resources and labour. If current government policies on SSIS are evaluated in line with global policies, then SSIS in its developmental stage can take on these difficulties and global concerns.

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