



OBSTACLES OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN INDIA: A CASE STUDY OF TIRUPATI DISTRICT OF ANDHRA PRADESH

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Abstract

This Research paper aims to investigate about the MSME importance and Obstacles from the difficulties of MSME in India. MSME (Micro, small and Medium Enterprises) are the backbone of the Indian economy in almost 8 per cent of the country. GDP accounts for about 45 percent of total industrial production and about 40 percent of the country's exports. According to the Micro, Small and Medium Enterprises Development Act, 2006, the Government of India launched MSME or Micro, Small and Medium enterprises. The Micro, Small and Medium Enterprises (MSMEs) sector has been recognized as engine of growth all over the world. To foster economic development, generation of jobs, reduction in poverty and promotion of equality, the role of micro, small and medium enterprises (MSMEs) become crucial in every economy of the world. The MSME sector encourages equitable distribution and inclusive growth as an engine of economic progress. MSMEs have the highest employment growth rate, which has a positive impact on export and industrial growth. The primary objective of this article is to analyse MSMEs performance and their contribution to Indian economy. The MSME sector is contributing 8 percent of country's GDP, 45 per cent of manufacture and 36 per cent its exports. The MSME's sector has consistently registered higher growth rate compare 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 MSME'S sector can also attract to the foreign investment and technology. The employment is more possible through the development of MSME'S. This paper main objectives are Obstacles of Micro, Small and Medium Enterprises (MSMEs) In India: A Case study of Tirupati District of Andhra Pradesh.

Key Words: *Economy, Importance, Development, Entrepreneurial, Employment, Assistance.*

Introduction

Micro, Small and medium enterprises are an integral part of the economy. The Micro, Small and Medium Enterprises (MSMEs) have often been termed as 'engine of growth' for all developing countries including India. They provide employment opportunities to the weakest and poorest strata of the society, giving them a way out of the perpetual poverty that they seem doomed to. MSMEs are providing immediate large-scale employment, with lower investments and prove to be a second largest manpower employer, after agriculture and occupy a position of prominence in the economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.¹

Micro, Small, and Medium Enterprises (MSMEs) are fundamental to the Indian business landscape. Their contribution to the Indian economy is highly valued. MSMEs not only create job opportunities but also motivate individuals with lower skill levels to pursue entrepreneurship. This research paper aims to examine the significance of MSMEs in the Indian economy during the period of 2020-2021, focusing on employment generation and the estimated number of these enterprises. The current study



utilizes the annual report of MSMEs for 2020-2021, employing Ms-Excel to create tables and charts for analysis. Findings indicate that the MSME sector is crucial for the growth and development of the Indian economy, providing employment opportunities in both rural and urban settings. Additionally, the study highlights the leading industries within the MSME sector, along with estimates of employee numbers and the total count of MSMEs.²

Definitions of Micro, Small & Medium Enterprises

MSME are the engines of growth of any country's economy. In accordance with the availability of small, tiny and Medium Enterprises Development Act 2006, small, tiny and medium enterprises are classified into 2 categories.

Producing Enterprises

Ventures occupied with the creating or creation of items addressing any business spread out in the essential timetable to the enterprises (Improvement and Guideline Act 1951) are delineated inside the terms of interest in the plant apparatus.

Service Enterprises

The enterprises engage in providing or rendering of services are outlined within the terms of the investment in instrumentality. The limit of investment in the plant and machinery/equipment for manufacturing/service Enterprises are notified

Objectives

The main objectives as follows

1. To analyse the definition of MSMEs.
2. To analyse the impact of MSMEs in Indian Economy.
3. To highlight the Obstacles faced by Indian MSMEs sector in Tirupati district.

Methodology

The study is mainly based on the secondary data collected from related Literature published in the journals, websites, newspaper, books, Statements, reports. The nature of study is primarily descriptive.

Literature Review

Researcher of any study could able to understand the previous outcome and the results which is the core for the present study only through reviewing the past literature on the same domain and this section alone helps the researcher to identify their research gap . Various results of researches on the topic were discussed here.

Kodrat et al., (2024) found that it is the information sharing, trust; long term relationship and the cooperation among the manufacturer and the vendor have a noteworthy impact on the supply chain management in all the aspects in the MSMEs. (Ghosh and Deb, 2023) critically evaluated the marketing challenges in MSMEs and found that it is the distribution, competition, raw materials, product innovation and quality, branding, finance and promotion, information technology, Government Policies and owner of MSMEs insight have significantly affected the marketing of the products produced through MSME sector.³

(Poornima et al., 2023) observed that the digital marketing through World Wide Web, social media (Twitter, Instagram and WhatsApp) and search engine optimization (SEO) have optimistically influencing the sales and marketing of MSMEs company products.⁴



(Syal, 2022) revealed that compared to large businesses, the MSME sector had a substantially higher labour intensity. According to the survey, MSME were crucial to the overall development of the nation. It was discovered that MSME has a significant impact on the Indian economy. It had demonstrated significant growth, exceptional performance, and successful initiatives taken by the Government to improve MSMEs.⁵

Importance of Msmes in the Economic Development in India

Employment Generation

MSMEs serve as significant sources of employment, particularly in economically backward regions. They provide opportunities for both skilled and unskilled labour, thereby contributing to job creation and reducing unemployment rates.

Contribution to Gross Domestic Product

MSMEs play a vital role in India's economy, contributing significantly to the country's GDP. They account for around 30% of India's GDP, which is a substantial share considering the sector's importance. The share of MSME Gross Value Added (GVA) in all India Gross Domestic Product (GDP) during the year 2019-20, 2020-21 and 2021-22 was 30.5%, 27.2% and 29.2% respectively.

Promotion of Entrepreneurship

MSMEs foster entrepreneurship by providing a platform for individuals to start and grow their businesses with relatively low investment requirements. They encourage innovation and creativity, driving economic dynamism and fostering a culture of entrepreneurship within the society.

Regional Development

MSMEs play a crucial role in regional development by establishing businesses in remote or underdeveloped areas, thereby promoting balanced economic growth across different regions. They decentralise economic activities, reducing the concentration of industries in urban centres and spreading economic opportunities to rural and semi-urban areas.

Export Promotion

MSMEs play a significant role in India's export sector, contributing around 45% to the country's total exports. They have been instrumental in driving India's export growth, diversifying export products, and increasing the country's global trade presence. . The share of export of MSME specified products in all India exports during the year 2020-21, 2021-22 and 2022-23 was 49.4%, 45.0% and 43.6% respectively.⁶

Impact of MSMEs in Indian Economy

The sector of the Indian economy that deals with micro, small, and medium-sized businesses has shown to be vibrant and active. People see it as a catalyst for further development and progress. When compared to large industries, MSMEs are creating a disproportionate number of jobs at a relatively low capital cost. They are also assisting in the establishment of industries in economically disadvantaged areas, reversing local imbalances, and ensuring a fair distribution of the wealth and income of the country.

MSMEs are assuming a commutual job to many industries as strong associations giving more opportunities of vertical combination in rural remote areas and consequently this sector contributing immensely to the financial advancement of the country. Past rural sector MSME gives gigantic opportunities to individual and compensation employment. MSME is conjoined with prevalent rate of economic growth, building comprehensive and viable people from multiple points of view through



advancing non-rural work are any rate cost, unprejudiced territorial development, equity in the general public just as sex. Naturally constant up growth and separated from all, giving a security against emptying, which MSME has constantly demonstrated.

The growth of the economy of both established and developing nations worldwide is greatly influenced by micro, small, and medium-sized businesses. Entrepreneurship and innovation in India are nurtured by MSMEs. Keeping the foregoing in mind, the Indian government has established a ministry that is tasked with overseeing only micro, small, and medium-sized businesses as part of its goal to support the development and expansion of MSMEs. Distributed throughout the whole country, MSMEs in India generate more than 6000 different kinds of goods and services to satisfy both local and international market demands while assimilating into both local and international value chains. Around 45% of India's total exports come from the MSME sector, which has developed into a significant economic development engine for the country.

Obstacles Faced By Indian MSMEs Sector at Tirupati District

Presently, the Indian MSME'S are facing different types of problems. Most of the problems are controllable while rests are uncontrollable. Based on data analysis and study of the related literature the MSME'S problems can explain as follows:

1. **Financial and Cash Flow Constraints Limited Credit Access:** High collateral requirements and weak credit histories make formal bank loans hard to secure.
2. **Delayed Payments:** Late payments from large corporate clients and government bodies severely choke daily working capital.
3. **High Borrowing Costs:** Small firms often rely on expensive informal lenders when formal credit fails
4. **Technology and Infrastructure Hurdles Outdated Machinery:** Many micro and small units use legacy production methods that lower output quality and scale.
5. **Digital Divide:** High costs prevent small firms from implementing modern software or digital tools.
6. **Infrastructure Gaps:** Unreliable power supply and poor transport logistics raise operating costs in semi-urban and rural clusters.

Innovation

MSMEs are hotbeds of innovation, constantly developing new products, processes, and technologies to stay competitive in the market. They drive technological advancements, improve productivity, and facilitate the adoption of innovative practices across industries, contributing to overall economic growth and development.

Upport for Large Industries

MSMEs often serve as suppliers and subcontractors to large industries, providing them with essential goods, components, and services.

Challenges Faced By MSMEs

The MSME sector in India deals with certain challenges from time to time that can impact its long-term growth. Some of the key challenges faced by MSMEs are given below

1. Lack of skilled workforce.
2. Non-availability of skilled workforce and better managerial.
3. Access to finance.



4. MSMEs often need help accessing finance from financial institutions.
5. Poor Technology.
6. MSMEs often use traditional methods and require more capital to invest in the latest technologies.
7. Lack of Infrastructure.
8. Deficiencies in the infrastructure and poor support facilities marked by inadequate access to basic facilities like water, power supply, road/rail connectivity etc.
9. Emergencies.

Suggestions: Some suggestions to improve the performance of MSMEs are indicated below:

Easy Access to Finance and Credit

Institutional finance/credit from banks and other financing institutions should be promptly available without long and cumbersome procedures. Sanction of credit / loan applications by public sector banks should be made within a reasonable time frame at affordable and reduced rate of interest.

Stepping Up Infrastructural and Support Facilities

Deficiencies in basic infrastructural facilities like water, power supply, road/rail and telephone connectivity, etc. should be addressed on priority basis. Use of solar or renewable energy as an alternative source should be encouraged in rural areas on subsidized basis.

Market Access: Providing market access to MSMEs can help them expand their customer base and increase their revenue.

Skill Development: Initiatives should be taken for skill development of human resources. Providing training and skill development programs for MSMEs can improve their efficiency and productivity. Awareness programmes and TV/Radio talks should be conducted.⁷

Conclusion

The MSME sector in India works as a buffer against economic shocks and adversities on the international stage and supports the national economy covertly. Therefore, it is accurate to state that India is advancing towards a strong global economy through a polite revolution. SMEs play an important role in the Indian economy. This sector has significantly contributed to the growth of the country's economy, increased exports and created many jobs for lows killed, recent school graduates and underemployed. In addition, it increased the likelihood that banks would extend new loans to small and medium-sized businesses. The government should pay special attention to the importance of MSME and provide more and more incentives for MSME registration by imposing stricter rules and allowing financial institutions to provide more credit at cheaper interest rates to ensure the long-term existence of the industry. India requires more of these types of actions, particularly given the current climate. At the same time, Government should also give maximum relaxation to the entrepreneurs in the MSME for their development and growth as MSME is the only boosting engine for the growth of Indian Economy. The transformation of India from a rising economic power to a well-established one will take place over the next ten years, and MSMEs will play a crucial role in this process. The MSME sector stands as a cornerstone of India's economic and social development, contributing substantially to GDP, exports, and employment generation. Yet, the sector's potential is constrained by persistent and interlinked challenges, ranging from inadequate access to finance and outdated technology to infrastructure bottlenecks, regulatory complexities, skill shortages, and limited market access. This study, grounded in secondary data analysis and enriched by qualitative insights from MSME owners, confirms that these barriers are not isolated. Financial constraints limit technology adoption; lack of



skilled manpower reduces productivity; infrastructure gaps and regulatory burdens slow market expansion. External shocks such as the COVID-19 pandemic have further exposed the sector's vulnerability. With coordinated efforts between government, industry associations, financial institutions, and the MSMEs themselves, the sector can transition from a survival-oriented mindset to one of sustainable growth and global competitiveness. The path forward must prioritize innovation, inclusivity, and resilience, ensuring that MSMEs continue to serve as engines of equitable economic development for decades to come.

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