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Challenges Faced by Micro, Small and Medium Enterprises and their Impact

Dr. D. Yuvaraaj[1], Dr. S. Sivaselvi[2] and Dr. M. Abinaya[3]
[1]Associate Professor and Head, Department of Corporate Secretaryship,
Nandha Arts and Science College (Autonomous), Erode, Tamil Nadu, India
[2]Academic Head and Associate Professor and Head, Department of B.Com CA
Kangeyam Institute of Commerce, Nathakadaiyur, Tamil Nadu, India
[3]Assistant Professor and Head, Department of B.Com PA,
Kangeyam Institute of Commerce, Nathakadaiyur, Tamil Nadu, India
yuvakiruthik73@gmail.com, sss.bcomca@kic.edu.in, ma.bcompa@kic.edu.in
*Corresponding author: yuvakiruthik73@gmail.com

Abstract: *"India's industrial and economic progress is significantly driven by Micro, Small, and Medium Enterprises (MSMEs), which function as fundamental pillars of the nation's economy". These businesses generate huge contributions to both the GDP and export earnings, while contemporaneously addressing social insects such as facilitating progress in underserved regions, reducing regional imbalances,, and employment generation throughout the nation. The difficulties faced by MSMEs in India include issues with financial assistance, a lack of business knowledge, and outdated technology. This paper throws on the challenges faced by the MSMEs and their impacts. The paper concludes with the way to overcome the problems faced by MSMEs.*

Keywords: MSMEs

I. INTRODUCTION

MSMEs face numerous challenges in a globalized economy, including financial constraints, operational inefficiencies, marketing and sales difficulties, regulatory compliance issues, and environmental and social concerns. Limited access to finance, inadequate infrastructure, and intense competition from larger corporations hinder their ability to compete and expand. Moreover, complex regulatory frameworks, difficulty complying with international standards, and limited access to technology and innovation exacerbate the problem. To overcome these challenges, MSMEs require support from governments, private sector stakeholders, and their own initiatives to drive growth, innovation, and sustainability.

Objectives of MSME Program:

- Encouraging research and development for innovation.
- Building strong branding and intellectual property protection.
- Strengthening networking and collaboration with industry peers.
- Enhancing financial literacy and management skills.
- Facilitating government support and policy advocacy.
- Promoting access to affordable raw materials and resources.
- Developingexportcapabilitiesandmeetinginternationaltradestandards.
- Increasing customer trust through quality assurance and certifications.
- Encouraging entrepreneurship and new business models.
- Addressing cyber security risks in digital operations.
- Expanding microfinance and alternative funding options.
- Supporting business continuity planning and disaster resilience.

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- Encouragingcorporatesocialresponsibilityandethicalbusinesspractices.
- Leveraging artificial intelligence and automation for productivity.
- Strengthening local and regional supply networks.
- Creating mentorship and incubation programs for startups.
- Ensuring fair trade practices and protection from market exploitation.
- Promoting gender inclusivity and diversity in business leadership.

Schemes available in MSME

- PMEGP: Prime Minister Employment Generation Program.
- ECLGS: Emergency Credit Linked Guarantee Scheme.
- Credit Guarantee Scheme: A scheme to provide credit guarantees to MSMEs Subsidy schemes.
- Payroll Subsidy: A subsidy for MSME registered businesses.
- Back-ended Interest Subsidy (BEIS):A subsidy to reduce the interest rate on MSME loans.

Other incentives Scheme:

- Promotion of Energy Audit and Conservation of Energy(PEACE): A scheme to promote energy conservation
- Reimbursement of Charges for Quality Certification(Q-cert):A scheme to reimburse the cost of quality certification
- Leveraging the Intellectual Property Right (IPR) regime: A scheme to help MSMEs use their intellectual property rights.

The primary obstacles encountered by MSMEs that greatly affect their potential for growth:

1. Financial Constraints:

As per Indian economic landscape, obtaining financial assistance has consistently posed a challenge for smaller enterprises and businesses, proving to be a significant impediment for both businesses and the MSME sector, particularly in the realm of MSME finance. Nonetheless, the most troubling aspect is that merely 16% of SMEs are able to secure timely financing, which compels small and medium enterprises to depend on their own resources. This issue is not limited to small businesses; larger companies also encounter it, as even these major players struggle to obtain affordable credit from traditional banks.

2. Regulatory Constraints:

Over time, various regulatory challenges have been recognized, such as tax filling issues & modifications to Industrial laws that is significantly impacted the MSME stratum financially. In an attempt to enhance the competitiveness of this sector relative to others, various labor reforms were initiated several years ago. However, these reforms did not significantly improve conditions for MSMEs, even though they succeeded in making them more competitive compared to larger companies. Consequently, MSMEs are finding it increasingly challenging to adhere to these regulations and achieve tax compliance, leading many to operate with minimal capital or even close their businesses.

3. Infrastructure:

In India, the infrastructure sector holds significant importance as we are frequently called the 'world's back-office' due to the numerous tasks in this sector being performed abroad. Industries like e-Commerce and BPO have generated additional employment opportunities in low-wage nations such as India.

4. Lesser Yield:

Even though MSMEs are less fruitful also perform certain tasks that emit more value than they produce. Retailers sell consumer items to purchaser at economic price. In fact, MSMEs may be very productive only when it comes to being

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cost-efficient and are capable of creating high volume at very low costs. But given that their production is on a small scale with low margins, low productivity can put them at a disadvantage, especially when compared with larger firms.

5. Lack of Novelty:

MSMEs in India have lack significant innovation, and almost all products produced by them rely on obsolete innovation. This sector is experiencing a critical shortage of entrepreneurs, hindering its ability to embrace new technologies and tools that have led to substantial transformations in other industries such as Cyber-Commerce and call centers, among others. Consequently, MSMEs always facing challenges due to obsolete technology and reduced productivity, particularly in comparison to larger companies.

6. Technical Revisions:

There has been an abundance of technical advancements throughout the years, and nearly all sectors have experienced some type of transformation to stay competitive. Consequently, Indian MSMEs have faced significant changes that have impacted the future prospects. Initially, there exists a shift in land possession rights, as of more susceptible to perversion, leading to a decline in gravidity.

7. Rivalry:

As a result of multiple factors, including the growth of Cyber-Commerce and the emergence of internationalization, larger companies have pushed MSMEs unobtainable from the market. Nonetheless, this is not a recent development, as MSMEs have been contending with competition since their inception, yet they have managed to withstand it more effectively than professional firms. Indeed, MSMEs have rivalry situations in several areas like agricultural machinery, garments, and tourism.

8. Proficiency:

MSMEs in India in the aspect of skill is lagging significantly lagging their peers in other nations due to their heavy reliance on informal workers, who receive low wages and lack the technical expertise necessary to improve productivity. Consequently, smaller companies are compelled to accept positions that necessitate minimal skill and expertise, which in turn adversely impacts their long-term growth potential.

9. Incompetence:

A significant number of Indian MSMEs exhibit a lack of professionalism, even though they are crucial for larger enterprises growth. As a result, they are highly prone to corruption and abuse of power, which has a huge impact on the productivity of their businesses.

10. Lack of Standardized Policies:

There are very few MSME policies in India. As a result, there is no consistency when it comes to MSME development as well as entrepreneurship promotion programs. However, significant advancement have been achieved in Delhi over the years; however this must also be implemented on a national scale enhancement of the intensity of rivalry for firms in enabling them to attract transnational corporations and investors more effectively..

Inclusive Effect of the Summons Encountered by the MSME Sector

Owing to poor yield, deception, and inadequate working environments, MSMEs have faced challenges in achieving growth. This situation has led to the sector experiencing a significantly meager profitability and development, which is deemed unacceptable for the broader prudence. A robust MSME sector in India will generate a substantial amount of employment opportunities, which will be most advantage to all citizens and nation as a wide.

Suggestions:

Here are some suggestions for Micro, Small, and Medium Enterprises (MSMEs) in India:

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- Register on the Udyam Portal and file GST returns to increase transparency and credibility with lenders.
- Maintain financial records: Keep accurate and comprehensive financial records.
- Use digital payment systems like UPI and online banking to improve cashflow management.
- Financial institutions can provide funding and expertise to manage cashflow.
- Take advantage of schemes like Credit Linked Capital Subsidy Scheme, Credit Guarantee Scheme, and Prime Minister's Rozgar Yojana (PMRY).
- Participate in international fairs to increase market access.
- Adopt proper accounting practices to increase credibility with lenders.
- Reduce information asymmetry to improve financing options.
- Combine financial services and business development services to improve financing options.
- Strengthen the bank-MSME relationship to improve financing options.

II. CONCLUSION

Micro, Small, and Medium Enterprises (MSMEs) encounter various obstacles; however, the government is striving to guarantee that the MSME sector maintain market relevance. The expense associated with funding is steadily declining, and both the public and private sectors are striving to create superior products that can compete effectively in terms of quality and pricing. It is possible that by eliminating corruption and placing greater emphasis on quality, MSMEs will have the capability to outperform larger companies.

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Key Takeaways

1. MSMEs face arrange of internal and external challenges in a globalized economy.
2. Access to finance, technology, and markets are key challenges for MSMEs.
3. MSMEs must adapt to rapidly changing market trends, regulatory requirements, and technological advancements.
4. Governments, policymakers, and industry stakeholders must provide targeted support to help MSMEs overcome these challenges.

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