

Challenges Faced by Indian MSMEs in Acquiring and Utilizing Intellectual Property

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Abstract: *Small and Medium Enterprises (SMEs) play a significant role in the socio-economic development of a country by generating employment opportunities, promoting innovation, and contributing to industrial and economic growth. Over the last five decades, the Micro, Small and Medium Enterprises (MSME) sector has emerged as one of the most dynamic and vibrant sectors of the Indian economy. Despite its growing importance, the MSME sector faces several challenges that limit its growth and competitiveness. One of the major issues is the lack of awareness and visibility regarding Intellectual Property Rights (IPR), particularly among new-generation enterprises, which restricts their commercial opportunities and innovation potential. Intellectual Property (IP) includes creations of the human mind such as inventions, literary and artistic works, designs, symbols, and scientific innovations. Intellectual Property Rights provide legal protection to inventors and creators, enabling them to safeguard their innovations from unauthorized use and exploitation for a specific period of time. These rights encourage creativity, technological advancement, and fair competition in the market. The study aims to examine the challenges faced by MSMEs in acquiring Intellectual Property Rights and to assess the level of awareness and understanding regarding IP protection among MSME owners and entrepreneurs. Although the Government of India introduced the National IPR Policy in 2016 to strengthen awareness, commercialization, and protection of intellectual property, many MSMEs still face difficulties related to registration procedures, financial constraints, lack of technical knowledge, and inadequate legal support. The paper highlights the importance of promoting IPR awareness and strengthening institutional support to improve innovation and competitiveness within the MSME sector in India.*

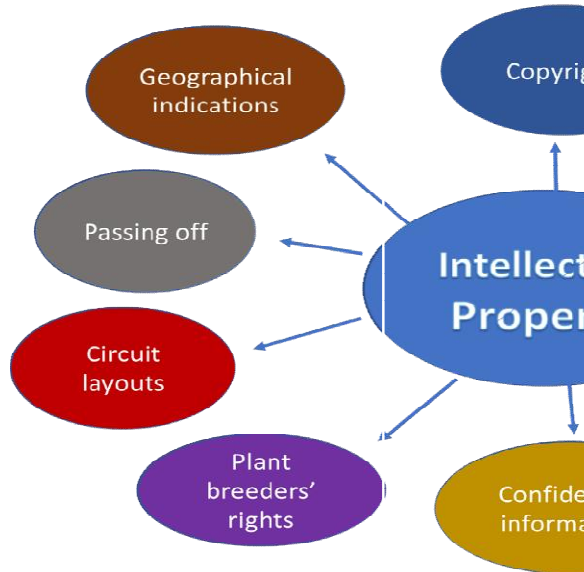
Keywords: Intangible assets, Intellectual property, SME's. Micro, Small and Medium Enterprises (MSMEs), Small and Medium Enterprises (SMEs), Intellectual Property Rights (IPR)

I. INTRODUCTION

Intellectual property is the outcome of intellectual capability and hard work and is therefore considered as another class of property referred to as the activities of human intellect. IP can be bifurcated into two categories: i.) industrial property that includes inventions (Patents), trademarks, designs of industries & geographic indications of source. ii.) copyright that includes literary and artistic works such as drawings, paintings, photographs, sculptures and architectural designs. Intellectual property rights protect the interests of creators by giving them property rights over their creations. Over the last five decades the Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs play a crucial role in providing large employment opportunities at lower capital cost than large industries and help in industrialization of rural & backward areas. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. In 2014, the MSME sector of India was able to increase India's GDP share by 2.6%, which includes 18.7% exports and 10.2% imports. This generated direct employment for 8 million people and contributed to a total turnover of US \$192 billion (Indian Rupees). There are many challenges ahead for both the MSME sector as well



as their impact on many aspects in India, one of the major issues is lack of visibility with certain sectors like Industrial Investment, leaving many new generation firms without commercial opportunities in this sector.



Intellectual property (IP) refers to creations of the mind, such as inventions, literary and artistic works, designs, symbols, names and images used in commerce. IP is protected in law by, for example, patents, copyright and trademarks, which enable people to earn recognition or financial benefit from what they invent or create. The objective is to enhance awareness of MSME about Intellectual Property Rights (IPRs) to take measures for protecting their ideas and business strategies. Effective utilization of IPR tools by MSMEs would also assist them in technology upgradation and enhancing competitiveness. Most of the Micro, small and medium enterprises (MSMEs) in India are stated to lose track of millions in revenues due to lack of awareness about IPRs (intellectual property rights). About 40,000 IP applications are filed in India annually and 85 per cent of these are filed by multinational corporations, leaving a sizable number filed by SMEs, but most innovations across the world are done by SMEs. In the developed world, paid high interest and high level of awareness, small entrepreneurs approach venture capital and private equity funds to meet the expenses incurred on cost of protection, enforcement and commercialization of IPR.

Objectives of the paper

- To know about the challenges faced by MSME
- To know the knowledge of MSME for IPR in Indore region

Research Methodology

The present study is based on descriptive type by considering both primary and secondary data. Primary data collected from MSME Registered Entrepreneurs in the Indore Region who have been constantly innovating in their field. The data is collected through telephonic interviews and schedules. Whereas Secondary data was collected from different MSME Reports, Books, Government Notifications and Websites.

Challenges and Problems Faced by MSME regarding IP

Limited Resources: MSMEs often have limited financial and human resources, making it challenging to invest in comprehensive IP protection. After discussing with the Entrepreneurs in the Indore Region we came to know that they are not much literate to understand the financial benefits to MSME given for IP Protection. There are very few human resources who consult on IP Benefits for MSME.



Lack of Awareness: Many MSMEs may not fully understand the value and importance of IP, leading to inadequate protection of their innovations, brands, and designs. Literacy level among many Indore based MSME registered owners came into light when the level of awareness regarding IP protection was discussed with them.

Complexity of the IP System: The legal framework surrounding IP can be complex and intimidating for MSMEs, especially those without legal expertise. Some of the MSME owners in the Indore region, who were able to understand about the IP Protection and its benefits show their Concern for the Complexity and resource consuming process of IP Protection. It is a really tough task to register for IP Protection by themselves due to its complexity.

High Costs: Acquiring and maintaining IP rights can be expensive, including costs associated with filing for patents, trademarks, copyrights, and legal fees. When it comes to the cost part of IP Protection, many MSMEs in the Indore region have discussed the hidden charges like agency charges, taxes, etc. which somewhere increases the cost of acquiring the IP for MSMEs.

Time-Consuming Process: The process of obtaining and enforcing IP rights can be time-consuming, diverting resources away from core business activities. Discussing with many MSMEs in the Indore region, we came to know that due to high competition some of them are not able to bear enough time to attend training modules and seminars organized by Government and NGOs. Also IP registration is a time consuming process due to its examination and involvement of ample amount of documentation.

Global Nature of IP: MSMEs may face challenges in protecting their IP internationally, which requires knowledge of various legal systems and procedures. Due to the high cost of consultations and agencies, it becomes near to impossible for Indian MSMEs to compete with global competition, especially in the Indore region.

Rapid Technological Changes: In fast-paced industries, keeping up with evolving technologies and ensuring IP remains relevant can be challenging. This important concern of rapid technology change is faced by most of the industry nowadays. Any competitor with the latest technology can survive the market with ease. IP protection on such backgrounds becomes difficult to survive for MSMEs.

Competing with Larger Firms: MSMEs may face competition from larger corporations with more resources to invest in IP protection. Many MSMEs in the Indore region showed fear of competition against large cap sectors. Due to a variety of businesses and latest technology these firms are more capable of protecting their IP and give a tough competition to MSMEs.

Table -1: Trends in last five years with respect to filing of IP applications

Application	2016-17	2017-18	2018-19	2019-20	2020-21
Patent	45444	47854	50659	56267	58503
Design	10213	11837	12585	14290	14241
Trade mark	278170	272974	323798	334805	431213
Geographical Indication	32	38	32	42	58
Copyrights	16617	17841	18250	21905	24451
Semiconductor Integrated Layout	0	2	0	0	5
Total	350476	350546	405324	427309	528471

Source: Annual Report (2020-21), DPIIT, GOI

Risk of IP Theft or Infringement: Small businesses are sometimes vulnerable to IP theft or infringement, especially if they lack the resources for strong enforcement. Many MSMEs discussed the fear of theft of products and Services due to lack of IP protection. Many innovations with good potential to resist without IP protection can easily become a piece of bread for competitors.

Protecting Trade Secrets: Maintaining confidentiality and proprietary information can be challenging, particularly in industries with high employee turnover. After discussing with some MSMEs in the Indore region we came to know that



many competitors are active in sending fake employees or trying to bribe internal management to know the trade secrets in absence of IP protection.

Some of the key hurdles

In India, many small and medium-sized enterprises (SMEs) export raw materials to large companies globally, including in developed countries. However, they often lack awareness of the importance of intellectual property rights (IPR) in safeguarding and preserving their ideas and innovations in products and services. Their primary focus is on producing goods, generating profits, and managing raw materials, rather than securing IPR to protect and capitalize on their creations.

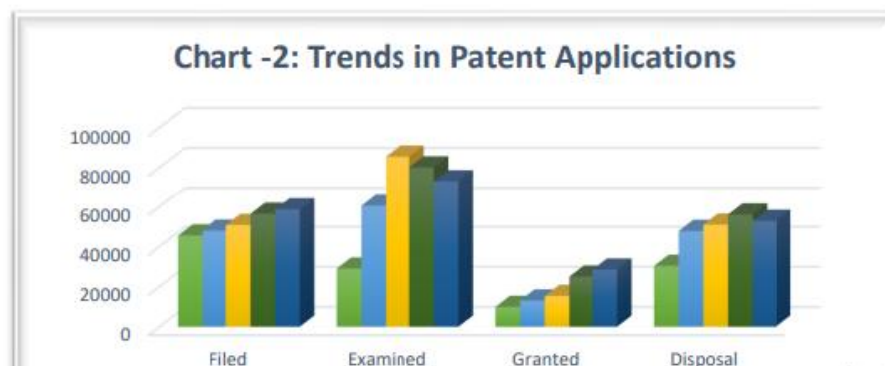
Most Indian SMEs operate without adequate technical knowledge about their products and services, often producing them without consideration of IPR issues or potential profits. This neglect prevents them from recognizing the added value their businesses could generate with IP protection.

Business intelligence involves converting data into useful information and then transforming that information into knowledge. SMEs often struggle with formulating business strategies due to insufficient business intelligence, which informs their decision-making processes. Implementing effective methods for timely and efficient decision-making is crucial. However, the lack of proper knowledge, experience, and intelligence can impede this sector, leading to business challenges. Additionally, a lack of market research and expert assistance may result in business decline.

Table -2: Trends in Patent Applications

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Filed	45444	47854	50659	56267	58503
Examined	28967	60330	85426	80080	73165
Granted	9847	13045	15283	24936	28385
Disposal	30271	47695	50884	55945	52755

Source: Annual Report (2020-21), DPIIT, GOI
 In 2020-21, a total of 58503 patent applications were filed exhibiting an increase of about 3.97% as compared to previous year. Domestic filing of patents applications has also increased to 24326, which is 38% of total filing as compared to 37.05% in 2019-20.



Recommendation

Small and Medium Enterprises (SMEs) must prioritize innovation and recruit individuals with creative capabilities who can access and monitor both internal and external company environments. These individuals should possess strong research skills to gather comprehensive information and establish robust networking strategies to facilitate access to crucial insights. One of the primary challenges faced by SMEs is the lack of effective networking strategies, which inhibits their ability to access information and capitalize on opportunities. This, coupled with the level of intelligence,



knowledge, and innovativeness within the workforce, underscores the importance of assembling a diverse team of employees with varied skill sets. Implementing a "one-size-fits-all" approach by employing individuals possessing a range of skills can significantly benefit SMEs and enhance their profitability by optimizing resource utilization. For the majority of SMEs that predominantly recruit non-technical and less inventive individuals, aligning their recruitment policies with organizational objectives is crucial. Government intervention is essential at the grassroots level to facilitate network formation and operation, rectifying errors and imperfections to maximize benefits and opportunities. Advising firms on partnering with suitable collaborators in relevant fields can enhance their effectiveness. Once networks are established and operational, governments should focus on maintaining openness to new participants to mitigate the risk of technological obsolescence and preserve market stability. Government initiatives should include. Promoting collaborative research and development initiatives among SMEs to foster innovation. Encouraging SME participation in private-public partnerships to enhance their societal reputation and goodwill. Addressing gaps in the global innovation network to facilitate international collaboration and knowledge exchange

Job Creation: A robust IPR framework can stimulate innovation and creativity among MSMEs, leading to the development of new products, services, and technologies. This, in turn, can contribute to job creation as companies expand to meet the demands of a growing and dynamic market.

Innovation Ecosystem Development: A strong IPR framework fosters an environment conducive to innovation. MSMEs, equipped with the confidence that their IP is protected, are more likely to invest in research and development.

Increased Competitiveness: MSMEs with well-protected IP can differentiate themselves in the market. As MSMEs in Indore gain a competitive edge, they are more likely to attract investments and expand their market reach.

Attracting Foreign Direct Investment (FDI): An improved IPR framework signals to potential investors that Indore is committed to protecting IP.

Technology Transfer and Collaboration: A conducive IPR environment encourages technology transfer and collaboration.

Enhance Market Position and Branding: Securing IP enhances the market position of MSMEs, enabling them to differentiate their products or services and build strong brand identities.

Access Funding Opportunities: The availability of grants, subsidies, and financial support for IP protection can alleviate financial constraints, empowering MSMEs to pursue and defend their IP.

Sectoral Growth and Diversification: Different sectors within MSMEs may experience growth and diversification as a result of enhanced IP protection.

Global Competitiveness: As IP protection becomes increasingly crucial in the global market, MSMEs in Indore can enhance their competitiveness on the international stage. This implies that a strong IP portfolio can open doors to global collaborations and partnerships.

II. CONCLUSION

We may infer that MSMEs in the Indore region have a long way to go before they can compete on a global scale after discussing and evaluating the knowledge of MSMEs in the Indore region. The Indore region's MSMEs face numerous challenges, including scarce resources, low awareness, the complexity of the intellectual property system, high costs, time-consuming procedures, the global nature of IP, fast technological advancements, competition from larger companies,

risk of IP theft or infringement, and protecting trade secrets. We cannot ignore the government's and non-governmental organizations' unwavering support for improving MSMEs and their relationship with intellectual property. In terms of IP protection, a lot of MSMEs in the Indore area are still falling behind. As the study's goal indicates, it is successful in identifying the real-world obstacles that MSMEs in the Indore region encounter as well as their level of awareness of intellectual property protections. We will suggest that by embracing and strategically leveraging IP rights, MSMEs can:



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