

AN ANALYTICAL STUDY ON GROWTH OF MSMEs IN DAVANGERE

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) are essential to the socio-economic development of the nation. They address the pressing issue of unemployment by generating job opportunities and fostering self-employment among individuals. The government actively supports the youth through various schemes, assistance programs, and benefits. MSMEs also play a crucial role in mitigating challenges such as regional disparities and the equitable distribution of wealth. Their impact on enhancing the Gross Domestic Product (GDP), a key indicator of economic progress, is substantial, contributing approximately 8% to the national GDP. This paper aims to explore the opportunities and challenges faced by MSMEs in their pursuit of growth. Additionally, these enterprises must navigate obstacles such as financial constraints and prioritize education and awareness to facilitate their desired advancement.

Keywords: Micro, Small, and Medium Enterprises, Gross Domestic Product.

1. INTRODUCTION

Operational flexibility in terms of location, minimal reliance on imports, and the capacity to develop suitable indigenous technologies are essential for enhancing the competitiveness of technology-oriented industries in both domestic and export markets. This, in turn, fosters the emergence of new entrepreneurs through the provision of knowledge, training, and skill development. The estimated number of Micro, Small, and Medium Enterprises (MSMEs) in the country stands at approximately 42.5 million, encompassing both registered and unregistered entities, which constitutes 95% of the total industrial units. This sector is pivotal to the acceleration of the economy, contributing nearly 31% to India's GDP. The Small and Medium Enterprises Sector has evolved into a vibrant and dynamic component of the economy, playing a crucial role in generating employment and self-employment opportunities, particularly as it requires less capital investment compared to larger industries. Additionally, the establishment of SMEs in rural and underdeveloped areas helps mitigate regional disparities, ensuring a more equitable distribution of national income and wealth. SMEs serve as complementary units to larger industries and significantly contribute to the socio-economic development of the nation. Their role in domestic production and substantial export earnings, coupled with low investment requirements, underscores their importance. To promote the growth of MSMEs, collaboration among government entities, business units, and individuals is essential. MSMEs can benefit from various incentives, including low-interest credit, export product incentives, excise exemptions, statutory support such as reservations, and assistance with delayed interest payments due to unforeseen circumstances. However, despite these advantages, MSMEs encounter challenges such as intense competition, globalization, a lack of awareness regarding available technologies and opportunities, and inadequate planning. Nevertheless, MSMEs continue to positively impact GDP growth, increasing their contributions year after year.

2. OBJECTIVES OF THE STUDY

- To study the challenges and opportunities in MSMEs
- To evaluate the growth of MSMEs in Davangere.

3. SCOPE OF THE STUDY

Micro, Small, and Medium Enterprises (MSMEs) serve as a vital pillar for economic development. They present substantial opportunities for employment generation, enabling individuals to become self-employed and to create jobs rather than merely seeking them. The contribution of MSMEs to the Gross Domestic Product (GDP) is a crucial indicator of economic progress and is notably significant. Additionally, the expansion of this sector provides an excellent avenue for investing idle capital. Through these elements, an economy can advance towards a transformative evolution that ultimately benefits the nation.

4. NEED OF THE STUDY

Micro, Small, and Medium Enterprises (MSMEs) are essential to the overall development of a nation. They are crucial for addressing regional disparities and ensuring a fair distribution of financial resources. However, these enterprises encounter significant challenges, including limited production capacity stemming from the use of outdated technology. Additionally, it is difficult to hire skilled labor at a reasonable cost. The forces of globalization and modernization pose significant challenges to MSMEs, as they struggle to compete with larger entities that operate with greater efficiency. Therefore, it is imperative to empower MSMEs to make effective use of all available resources. Furthermore, there is a pressing need to raise awareness among entrepreneurs regarding existing opportunities and strategies to overcome the obstacles hindering their growth.

5. METHODOLOGY OF THE STUDY

The study's methodology is based solely on secondary data obtained from a range of sources, including articles, numerous research papers, academic journals, and online resources. Additionally, the industrial profile of Davangere has been referenced.

Data analysis and Interpretation

Table-1 Year wise trend in units registered under MSMEs			
Year	No of Units	Investments	Employment
2000-01	387	1513.42	1621
2001-02	444	640.06	1507
2002-03	402	985.15	1320
2003-04	386	760.85	1217
2004-05	308	933.7	917
2005-06	334	356.05	1146
2006-07	324	441.07	998
2007-08	354	830.47	1540
2008-09	401	1414.34	1379
2009-10	441	1386.08	1508
2010-11	480	3167.5	1869
2011-12	526	1416	2017
2012-13	531	3186	2124
2013-14	585	3064	2474
2014-15	644	3207	2393
2015-16	1666	32839	14117

Since the year 2000-01, the number of Micro, Small, and Medium Enterprises (MSMEs) has been on the rise, with an increase of 139 units recorded in the year 2011-12. As the quantity of MSMEs has expanded, so too has the investment in this sector over the past decade. MSMEs are significant contributors to employment, with 2017 individuals employed in this sector during the year 2011-12. Among these, agro-based industries lead in job creation, accounting for 2523 units within the district. In 2015-16 1666 units were registered, 32839 laks investments were made, 14117 Employment were generated.

The opportunity serves as the primary catalyst for engaging in micro, small, and medium enterprises (MSMEs). Undertaking this venture is not a straightforward endeavor; it requires significant courage and boldness to fully capitalize on the opportunity. Success is not solely a product of hard work; rather, it necessitates a synergistic combination of diligent effort and strategic thinking. Entrepreneurs can generally be classified into two main categories. The first category comprises individuals who possess a clear vision of their business objectives and are actively seeking the necessary opportunities or resources to realize them. These individuals often have already cultivated many of the skills essential for success in their chosen industry and are likely well-acquainted with industry norms and practices, which can facilitate the start-up process. The second category includes those who aspire to establish their own business but lack a specific idea regarding their focus. While they may have acquired skills through their previous employment or education, they may not be inclined to pursue a business in the field in which they have experience. Numerous opportunities remain available for both aspiring and current entrepreneurs to explore. Reduced Capital Requirements: Initiating micro, small, and medium enterprises (MSMEs) necessitates minimal capital investment, presenting a significant opportunity for aspiring entrepreneurs. The primary prerequisites are knowledge and skills, complemented by substantial government support through initiatives such as loans under self-employment schemes.

Digital India Initiative: This initiative represents one of the government's initial steps towards fostering digitalization across all business sectors. The objective is to facilitate cashless transactions and promote e-commerce among rural enterprises. The benefits of this connectivity can be accessed promptly, thereby enhancing business outreach and establishing brand presence nationwide.

Natural Resource Availability: Davangere is endowed with abundant natural resources, including minerals such as white quartz and limestone. Spanning an area of 5,976 square kilometers and housing a population of 1,946,905, these factors significantly bolster the growth of MSMEs and encourage increased investment in the region.

Government Policies: Recognizing the critical role of MSMEs in economic development, the government offers extensive support and encouragement to this sector. Numerous schemes have been introduced, providing various fiscal incentives to foster the growth and sustainability of small businesses. The MSME sector serves as a cornerstone of the economy, receiving considerable governmental backing to enhance its viability. However, entrepreneurs still face numerous challenges, ranging from the procurement of raw materials to the final distribution of products or services.

The challenges include:

Raw Material Procurement: The availability of economic resources, particularly raw materials, is essential for translating business concepts into reality. Although there is an adequate supply of raw materials, competition has driven up demand, resulting in increased prices. Consequently, entrepreneurs encounter marketing challenges due to elevated costs, which can adversely affect profit margins.

6. CONCLUSION

The aforementioned points indicate that an increase in Micro, Small, and Medium Enterprises (MSMEs) will significantly enhance job opportunities for the unemployed, thereby contributing to economic growth. Many MSMEs create a favorable market for domestic products, which in turn boosts the economic rate. A substantial number of MSMEs are located in rural areas, where they offer employment to women, unskilled workers, and undergraduates, thus promoting balanced economic growth and an increase in overall economic rates. Additionally, foreign exchange earnings are largely reliant on MSMEs; consequently, an increase in exports will naturally lead to further economic growth. MSMEs play a crucial role in fostering economic development in India by promoting entrepreneurship and self-employment among the youth, thereby significantly contributing to the growth and advancement of the Indian economy.

7. REFERENCES

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