

# A Study on Start-up and its Impact on MSME in India

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**Abstract:** Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. 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 & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. Start-up India is a flagship initiative of the Government of India, intended to build a strong ecosystem for nurturing innovation and Start-ups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The research was conducted to know the start-up and its impact on MSME in India. The objective of the study was to know the start-up of entrepreneurs and their activities, to know the prominent source of financing and problems faced by entrepreneurs. Descriptive research design was used in this study and primary data were collected through structured questionnaires and 100 respondents were taken for the study. Secondary data collected through internet, annual report, research papers. The overall study reveals that there is a good scope for entrepreneur.

**Keywords:** MSME, start-up, finance.

## 1. Introduction

MSME stands for Micro, Small and Medium Enterprises. MSMEs are amongst the strongest drivers of economic development, innovation and employment. MSME is a government scheme and its main goal is to provide benefits to small scale enterprises so they can get a boost in a competitive business world.

The Government of India has introduced MSME in agreement with Micro, Small and Medium Enterprises Development (MSMED) Act of 2006. These enterprises primarily engaged in the production, manufacturing, processing, or preservation of goods and commodities. It provides opportunity for entrepreneurs to build creative products boosting business competition and fuels growth.

MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. Recognizing the significant contribution of this sector in economic growth and also in employment generation in our country, Government of India has taken good number of initiatives to develop the sector such as erstwhile definition of 'Small Scale Industries' was

enlarged by increasing investment ceiling in plants & machineries from Rupees One crore and trading activities have taken in the ambit of MSMEs by enactment of Micro, Small & Medium Enterprises Development (MSMED) Act from 2nd October 2006. MSME sector is the second largest employment provider in our country and it is good vehicle to achieve inclusive and distributed growth. According to the annual report by the Government (2018-19), there are around 6,08,41,245 MSMEs in India.

## A. Definition of MSME

- Manufacturing and Service Sector

Table 1  
Classification of enterprise into micro, small and medium enterprises

Classification	Investment	Turnover
Micro	Rs. 1 cr.	Rs. 5 cr.
Small	Rs. 10 cr.	Rs. 50 cr.
Medium	Rs. 20 cr.	Rs. 250 cr.

## 2. Literature Review

Rathod, C.B. (2007) highlighted the importance and contribution of Indian small-scale entrepreneurs in world economy. The aim of study was to study the growth pattern of the SSI sector to identify the reasons for success/ failures, to evaluate the impact of globalization on SSIs and export opportunity, to identify the barriers and constraints that SSIs were facing to cope with globalization. The study analyzed that export had grown up to double digit from the last ten years due to SSI. It was concluded that both opportunities and challenges were raised as the impact of globalization on Indian Industry, particularly in small scale sector. The study suggested that there was need to simplify legal and regulatory framework, good governance, sufficient and accessible finance, suitable infrastructure and competitive environment.

Kumar et.al. (2009) analysed the growth and development of small scale since opening of the economy in 1991 and present scenario of MSMEs. The study found that MSMEs act as backbone of the Indian economy and have become engine of growth in India. There are some challenges faced by MSMEs: inadequate financing, marketing problem, problem of industrial sickness, technology up gradation which can be solved with adequate support of government in term of policy framework, incentives and other relevant aids.

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Nalabala Kalyan, Kumar Sardar, Gugloth (2011) study focused on the growth pattern of the MSME’S, employment generation (1992-2009). Further, study reveals the symptoms and steps involved in industrial sickness. The study gives the ample amount of knowledge about the various credit schemes sponsored by the government. Laghu udhyami credit card scheme, Credit guarantee fund trust for small industries, Swarojgar credit card scheme, Credit linked capital subsidy scheme and credit through commercial banks are the sources and schemes available to fulfil the financial needs as well as financially strengthen to the MSME’S.

Garg and Walia (2012) conducted a study to evaluate the status and performance of MSMEs after economic reforms in India. The study found that the significant growth of MSMEs have been taken place over a period of time and this sector is the major contributor to gross domestic product (GDP), employment and exports in Indian economy. The study also suggested that a concrete plan of action and its proper implementation is required to encourage the MSMEs growth in Indian economy.

Export-Import Bank of India (2012) critically analysed the present situation of MSMEs and support systems available in India as well as in the global context. It has suggested that MSMEs in India should have access to alternative sources of capital like angel funds/risk capital etc. and that existing laws should effectively address issues like insolvencies/bankruptcies; need to redefine the ceiling limits to encourage MSMEs to move up the value chain and need for cluster development approach to increase the level of competitiveness.

**3. Research Objectives**

- To know the start-up of entrepreneurs and their activities.
- To know the prominent source of financing and problems faced by entrepreneurs.
- To know the present status of MSME’S in India.

**4. Research Methodology**

The research design of this study is descriptive in nature. Both primary and secondary data used to study the start-up and its impact on MSME in India. The major interest, however, is in the use of primary data via the questionnaire method. The data is gathered using a structured questionnaire, and the sample size is 100 respondents. The data were collected through convenient sampling method and samples are collected from start-up entrepreneurs. Secondary data were collected through internet, annual report, research papers. Data analysis was done by frequency test.

**5. Analysis and Interpretation of Data**

Table 2  
Representing Gender of respondents

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Male	81	81	81	81
Female	19	19	19	100
Total	100	100	100	

*Interpretation:*

From the above table it can be interpreted that from the total respondent 81% are male and 19% are female. So, we can say that no. of male entrepreneurs is more than no. of women entrepreneurs.

Table 3  
Representing Education level of respondents

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
H.S.C	14	14	14	14
Graduate	56	56	56	70
Post Graduate	30	30	30	100
Above P. G	0	0	0	100
Total	100	100	100	

*Interpretation:*

The above table shows the education level of respondents. The above table states that, from the total respondent, 14% have completed H.S.C, 56% are graduate and 30% are post graduate.

Table 4  
Representing type of enterprise respondents have started

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Micro	79	79	79	79
Small	18	18	18	97
Medium	3	3	3	100
Large	0	0	0	100
Total	100	100	100	

*Interpretation:*

From the above table it can be interpreted that 79% of respondents are running micro enterprise, 18% are running small and 3% are running medium enterprise. So, we can say almost majority of the entrepreneurs are operating in micro enterprise.

Table 5  
Representing sector of respondent’s business

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Manufacturing	22	22	22	22
Retail	38	38	38	60
Trading	29	29	29	89
Service	11	11	11	100
Total	100	100	100	

*Interpretation:*

From the above table it can be interpreted that 22% respondents are doing their business in manufacturing sector, 38% in retail sector, 29% in trading and 11% in service sector.

Table 6  
Representing nature of operation

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Perennial	59	59	59	59
Seasonal	21	21	21	80
Casual	20	20	20	100
Total	100	100	100	

*Interpretation:*

From the above table it can be interpreted that 59%

respondents are doing perennial business, 21% are doing seasonal business and 20% are doing casual business. So, we can say that majority of the entrepreneurs wants to do long term business.

Table 7  
Representing type of organization for start-up

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Sole Proprietary	41	41	41	41
Partnership	20	20	20	61
Family Business	34	34	34	95
Limited liability partnership	3	3	3	98
Company	2	2	2	100
Other	0	0	0	100
Total	100	100	100	

Interpretation:

From the above table it can be interpreted that from the total respondent 41% are having sole proprietary form of business, 20% are having partnership, 34% are having family-owned business, 3% are having LLP and 2% are having company.

Table 8  
Representing awareness of MSME registration & its benefits

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	66	66	66	66
No	34	34	34	100
Total	100	100	100	

Interpretation:

From the above table it can be interpreted that 66% of the respondents are aware about MSME registration and its benefits but still 34% respondents are not aware.

Table 9  
Representing source of finance for the start-up of business

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Personal	18	18	18	18
Savings	21	21	21	39
Bank Credit	46	46	46	85
Family/Friends	15	15	15	100
Money Lender	0	0	0	100
Others				
Total	100	100	100	

Interpretation:

From the above table it can be interpreted that 18% of the respondents have finance the start-up of their business by their personal savings, 21% of them by bank credit, 46% from their family and friends and 15% of them by money lender.

Table 10  
Representing sources of funding for their business

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Bank Loan	22	22	22	22
Personal	12	12	12	34
Savings	28	28	28	62
Retained Profits	3	3	3	65
Private	11	11	11	76
Institutions	4	4	4	80
Trade Credit	20	20	20	100
N.B.F.C	0	0	0	100
Family/Friends				
Other				
Total	100	100	100	

Interpretation:

From the above table it can be interpreted that 22% respondent fund their business from bank loan, 12% of them from personal savings, 28% of them from retained profits, 3% of them from private institutions, 11% of them from trade credit, 4% of them from N.B.F.C and 20% of them from their family and friends.

Table 11  
Representing difficulties faced by respondent during start-up  
1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

No.	Difficulties faced during start-up	1	2	3	4	5
1	Inadequate finance	11	40	39	9	1
2	Inappropriate competitions	2	22	33	34	9
3	Lack of marketing support	4	27	36	30	3
4	Unavailability of raw material	18	32	31	18	1
5	Problem of working capital	21	29	37	12	1
6	High rate of taxes	6	10	33	40	11
7	Inappropriate market structure	7	21	34	31	7
8	Lack of quality human resources	13	29	30	25	3
9	Poor industrial relations	16	29	36	18	1
10	High rate of bank loans	7	17	21	44	11
11	Lack of govt. support	5	21	41	24	9
12	Poor infrastructure	8	32	39	19	2
13	Problems to adopt new technology	15	24	46	15	0
14	Lack of family support	26	27	35	11	1

Interpretation:

The above table is showing the responses of the difficulties faced by the respondent during the start-up.

A. Present status of MSME's in India

Table 12  
Distribution of Enterprises (Rural and Urban area wise) (in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

Table 13  
Percentage distribution of enterprises owned by Male/ Female entrepreneurs (category wise)

Category	Male	Female	All
Micro	79.56	20.44	100
Small	94.74	5.26	100
Medium	97.33	2.67	100
All	79.63	20.37	100

6. Findings

- From the study it is found that number of male entrepreneurs are more than female entrepreneurs. So, there is a need to motivate female to be an entrepreneur.
- Majority of the entrepreneurs are educated. There are very few who are less educated.
- It is found that majority of the entrepreneurs wants to start micro enterprises and are running their business in micro firm, as its investment limit is up to 1 crore only and turnover up to 5 crores which is fulfilled by them.
- There are very few entrepreneurs who wants to start medium and large enterprise.
- It is found that majority of the entrepreneurs are doing their business in retail and trading sector as it involves only purchasing of goods from suppliers and selling it to the

customers.

- Almost every entrepreneur wants to do long-term business.
- As per the study, majority of the entrepreneurs wants to do business through sole proprietary and family-owned organization.
- It is found that some are not aware about MSME registration and its benefits. So, there is need for awareness about it to them.
- It is found that about 45% - 50% had financed their start-up from their family and friends.
- Retained profits, bank loan and family/friends are the major sources of funding for the business.
- It is found that competitions are inappropriate in the market. They are not steady and keeps on changing.
- From the study, it is found that there is a high rate of taxes and high rate of bank loan, which is facing so much difficulties to the entrepreneurs. So, rate must be reduced and should be affordable by entrepreneurs.
- It is found that there is an inappropriate market structure.
- From the research, it is found that almost majority of the entrepreneurs are getting good support from their family.
- Majority of the entrepreneurs have good industrial relations.
- Almost every entrepreneur has sufficient finance to run their business and day to day activities. There are few who are

facing the problem of inadequate finance.

## 7. Conclusion

From the above study it can be concluded that there is a need to increase the women entrepreneurs as they are low than the male entrepreneurs. There is need to motivate and support female entrepreneur. Overall, there is a good scope the entrepreneur. They can start their business in any of the sector such as manufacturing, retail, trading or service sector. Most of them are doing sole proprietary and family-owned business. It is also concluded that entrepreneur have good family support and are managing their finance properly.

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