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Dr. Girish B Pawar
Professor, Swayam Siddhi
Mitra Sangh's College of
Management & Research,
Thane, Maharashtra, India

Dr. Gorakhnath S Shikhare
Professor, Swayam Siddhi
Mitra Sangh's College of
Management & Research,
Thane, Maharashtra, India

Transitioning Maharashtra's Economy Through MSMEs: Growth, Innovation, and Employment

Girish B Pawar and Gorakhnath S Shikhare

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Abstract

The Micro, Small, and Medium Enterprises (MSMEs) sector serves as a critical pillar of both India's and Maharashtra's economies, driving employment, innovation, and industrial growth. As of September 2025, India hosts over 6.82 crore Udyam-registered MSMEs, contributing approximately 30% to GDP and 45% to exports, while Maharashtra alone accounts for 47.78 lakh units, employing over 10 million people. This study examines the structural and economic significance of MSMEs in Maharashtra, highlighting sectoral contributions across manufacturing, services, agro-processing, pharmaceuticals, and automotive industries. Key factors influencing MSME growth include policy support through Udyam registration, PM Vishwakarma, and budget reforms; enhanced credit access via formal financing, credit guarantees, and MSME Credit Cards; and skill development and innovation initiatives. Challenges such as limited access to finance, skill gaps, regulatory compliance, and competition from larger firms are also analyzed. Using a descriptive research methodology, the study integrates official data from the MSME Annual Report 2024–25, state government publications, and financial institutions to provide a comprehensive understanding of MSME dynamics. The findings underscore the pivotal role of MSMEs in economic development, social empowerment, and sustainable industrial growth, particularly in Maharashtra, and provide insights for policy formulation and strategic interventions to foster sectoral expansion.

Keywords: MSMEs, Maharashtra, Economic Development, Employment Generation

Introduction

Micro, Small and Medium Enterprises (MSMEs) play a critical role in fostering economic development by promoting entrepreneurship, generating employment, and ensuring balanced regional growth. In India, the MSME sector acts as a bridge between agriculture and large-scale industry, supporting inclusive and sustainable development. Maharashtra, being one of the most industrialised states in India, has emerged as a dominant force in the MSME ecosystem.

The significance of MSMEs in Maharashtra is deeply intertwined with the state's historical and socio-economic evolution. The celebration of May 1st as both Labour Day and Maharashtra Day symbolises the state's commitment to industrial progress and workforce empowerment. At the core of this progress lies the MSME sector, which embodies Maharashtra's entrepreneurial spirit and resilience.

With strong infrastructure, diversified industrial clusters, access to financial markets, and a skilled workforce, Maharashtra provides a fertile environment for MSME growth. However, despite their economic importance, MSMEs continue to face structural challenges, particularly in accessing formal credit and scaling operations. This study seeks to analyse the contribution of MSMEs to Maharashtra's economy while identifying key drivers, constraints, and future opportunities.

Review of Literature

Previous studies have consistently highlighted the pivotal role of MSMEs in economic development. Kumar and Singh (2020) ^[4] emphasised that MSMEs significantly contribute to employment generation and regional industrialisation in India. Patil observed that Maharashtra's MSMEs benefit from industrial clustering, infrastructure availability, and market access, making the state a leader in MSME performance.

Deshmukh (2021) ^[1] identified access to finance, regulatory compliance, and skill shortages

Corresponding Author:
Dr. Girish B Pawar
Professor, Swayam Siddhi
Mitra Sangh's College of
Management & Research,
Thane, Maharashtra, India

as major challenges confronting MSMEs. RBI reports (2022) further pointed out that information asymmetry and lack of collateral restrict MSMEs' access to institutional finance. OECD (2019) noted that financial innovation and policy support are crucial for enhancing MSME competitiveness in emerging economies.

While existing literature provides valuable insights into MSME growth and challenges, limited studies focus specifically on Maharashtra's MSME ecosystem in the context of recent policy initiatives, credit access patterns, and future investment targets. This study attempts to bridge this gap.

Objectives of the Study

The present study is undertaken with the aim of achieving the following objectives:

1. To evaluate the role and contribution of MSMEs in driving Maharashtra's economic development.
2. To investigate the patterns of credit access and examine the financial challenges encountered by MSMEs.
3. To analyze the growth potential and future prospects of MSMEs in Maharashtra.

Research Methodology

The study adopts a descriptive research design. Data have been collected from secondary sources such as government reports, RBI publications, state economic surveys, industry reports, and credible financial platforms. Additionally, insights from limited primary interactions with MSMEs and lending institutions have been incorporated to understand credit access dynamics. The data are analysed using tables and percentages for clarity and interpretation.

Data Analysis

MSMEs in Maharashtra and India (2025)

The MSME sector in India has emerged as a cornerstone of economic growth, employment generation, and innovation. By September 2025, India's MSME ecosystem comprised over 6.82 crore Udyam-registered units, employing approximately 29.77 crore people. MSMEs contribute

roughly 30% to India's GDP and 45% to exports, highlighting their pivotal role in the national economy. The sector has benefited from budgetary reforms, enhanced credit availability, policy-driven formalization, and targeted initiatives such as Udyam Registration and PM Vishwakarma Scheme.

Overview of MSMEs in Maharashtra

Maharashtra, with a population exceeding 120 million, is India's second-most populous state and home to Mumbai, the financial capital of India. The state is highly industrialized, hosting a diverse economic landscape that includes manufacturing, services, finance, agriculture, and energy sectors. MSMEs in Maharashtra are crucial to the state economy, contributing approximately 13% of total MSME output in India and employing 24% of the state workforce.

The state's MSME sector consists of approximately 47.78 lakh registered units, of which 47.60 lakh are micro enterprises and 0.17 lakh are small enterprises. About 51% of these units operate in rural areas, with the remainder in urban territories. MSMEs span multiple industries, including manufacturing, services, textiles, IT, agro-processing, pharmaceuticals, automotive, chemicals, and construction.

Udyam Registration and Formalization

Udyam Registration, the mandatory online registration system replacing the earlier Udyog Aadhaar framework, ensures formalization and access to government benefits such as credit, subsidies, and schemes. Maharashtra leads the nation in Udyam registrations, with approximately 3.8 lakh enrollments, predominantly in the service sector.

Udyam Registration in Maharashtra	Units (lakh)
Micro Enterprises	47.60
Small Enterprises	0.17
Total Registered MSMEs	47.78
Urban Units	23.27
Rural Units	24.51

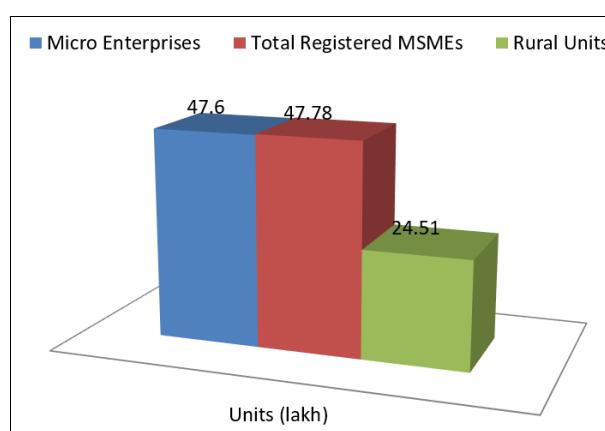


Fig 1: Udyam Registration in Maharashtra

This formalization has enabled MSMEs in Maharashtra to access financial support, government procurement, and skill development programs more effectively.

Economic Contribution and Employment

MSMEs are integral to Maharashtra's economy:

- **GDP Contribution:** Approximately 13% of total

Indian MSME output originates from Maharashtra.

- **Employment:** The sector employs over 10 million people across manufacturing, agriculture, services, and handicrafts.
- **Sectoral Diversity:** MSMEs operate in multiple industries:

Key Industries and Sectoral Presence of MSMEs in Maharashtra

Industry	Key Contributions / Facts
Manufacturing	25% of India's total manufacturing output; 4,200+ large/medium factories
Services	IT, financial services, BPO, healthcare, tourism; Mumbai and Pune are major hubs
Agriculture-based	Sugar, wine, food processing; major producer of Jowar, Arhar, Cotton, Soybean
Automotive	Production centers in Pune, Mumbai, Nashik, Aurangabad; workforce ~10.5% skilled
Pharmaceuticals	Sun Pharma, Lupin, Cipla, Glenmark; major pharma hub
Chemicals	Thane-Belapur Chemicals Zone; Tata Chemicals, Reliance Industries, BASF
Construction	Average annual growth ~1.2% (2011–2017)
Energy	Mumbai High oil & gas, thermal power plants

MSMEs also play a vital role in preserving cultural heritage, such as Warli paintings, Paithani sarees, and other handicrafts, contributing both to the economy and social identity.

Access to Credit and Financial Inclusion

Despite policy support, MSMEs face challenges in accessing timely credit. The MSME Annual Report 2024–25 highlights:

- Total credit exposure:** ₹35.2 lakh crore (March 2025)
- Low delinquencies** due to formalization and improved credit assessment
- New initiatives:** MSME Credit Card (₹5 lakh limit), enhanced credit guarantees (up to ₹10 crore), and support for exporters

Credit Access Patterns of MSMEs in Maharashtra

Credit Type	Micro	Small	Medium	MSME Overall
Formal Credit	68%	85%	85%	75%
Informal Credit	12%	3%	2%	8%
No Credit Availed	20%	12%	13%	17%

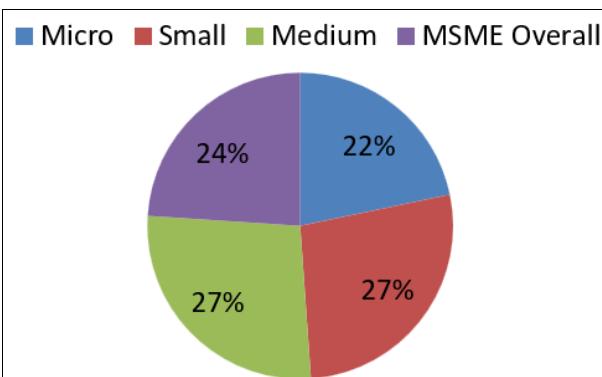


Fig 2: Formal Credit

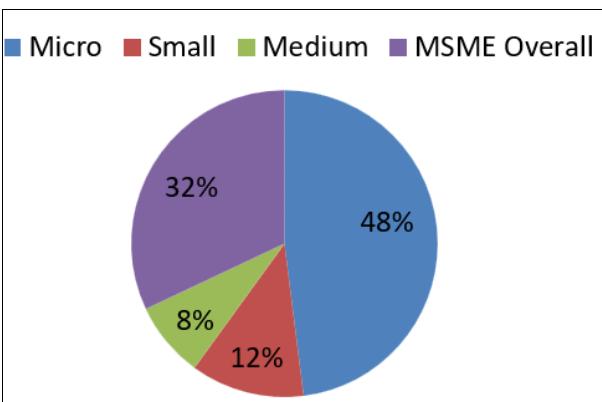


Fig 3: Informal Credit

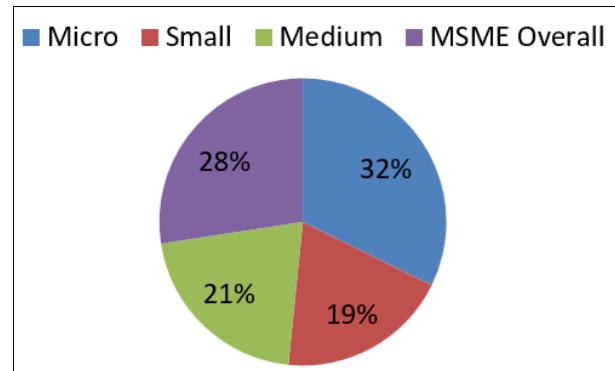


Fig 3: No Credit Availed

Gender-wise Access: Women-led MSMEs show slightly lower formal credit penetration (76%) compared to men-led MSMEs (84%), with higher dependence on informal sources.

Key challenges: Collateral requirements, limited credit history, and information asymmetry remain barriers. Initiatives like alternative credit assessment, digital lending, and NBFC/fintech outreach have partially bridged this gap.

Policy Support and Government Schemes

Several national and state-level schemes support MSMEs in Maharashtra:

- Stand-Up India Scheme:** Promotes entrepreneurship among women and SC/ST communities; loans ₹10 lakh – ₹1 crore.
- Prime Minister Employment Generation Program (PMEGP):** Credit-linked subsidy for rural and urban micro-enterprises; subsidy up to 50% (rural) or 35% (urban).
- Pradhan Mantri Mudra Yojana (PMMY):** Loans ₹50,000 – ₹10 lakh without collateral.
- Seed Money Scheme (SMS):** Soft loans for first-time entrepreneurs; interest rebates for timely repayment.
- District Industries Centre (DIC) Loan Scheme:** Margin/seed money support for rural small-scale enterprises.
- NBFC support:** Fast collateral-free loans ₹1–30 lakh with multi-language application support.

These schemes provide financial, technical, and marketing support to MSMEs, promoting entrepreneurship, employment, and industrial growth.

Challenges Faced by MSMEs

Despite strong growth, MSMEs encounter the following challenges in Maharashtra:

- Access to finance:** Difficulty obtaining formal credit

- and loans
- **Limited market access:** Barriers in domestic and international markets
- **Skill gaps:** Shortage of skilled labor, mismatch of workforce skills
- **Regulatory compliance:** Complex licenses and permits
- **Competition from large industries:** Pressure on pricing and quality

Addressing these challenges requires policy interventions, skill development, innovation support, and enhanced infrastructure.

Future Outlook

The MSME sector in Maharashtra is poised for sustained growth, driven by:

- **Digital adoption:** Subsidies for digital technologies, online marketplaces
- **Government investment:** Industrial parks, MSME clusters, infrastructure development
- **Green and sustainable practices:** Renewable energy adoption and waste management incentives
- **Employment generation:** Continued job creation in manufacturing, services, and rural entrepreneurship

With policy support, financial assistance, infrastructure, and an entrepreneurial workforce, Maharashtra's MSMEs are expected to remain central to the state's economic growth, exports, and employment generation.

Findings and Conclusion

The MSME sector in Maharashtra, as well as across India, has emerged as a cornerstone of economic development, employment generation, and entrepreneurial advancement. Maharashtra alone hosts over 47 lakh MSMEs, while India has more than 6.8 crore enterprises, collectively making significant contributions to GDP, exports, and broader socio-economic progress. The sector's growth has been reinforced through policy measures such as Udyam registration, the PM Vishwakarma Scheme, budgetary reforms, and targeted financial initiatives including MSME Credit Cards and enhanced credit guarantee schemes.

Maharashtra's MSMEs are distributed across a diverse range of industries, including manufacturing, services, information technology, agro-processing, pharmaceuticals, and the automotive sector. Beyond their economic contributions, these enterprises also support cultural preservation and festival-driven local economies, while providing substantial opportunities for skilled employment. Despite these achievements, MSMEs continue to face challenges such as limited access to credit, skill deficiencies, complex regulatory requirements, and competition from larger firms.

Government interventions at both the central and state levels—including schemes such as Stand-Up India, PMEGP, PMMY, the Seed Money Scheme, DIC loans, and support from NBFCs—have played a crucial role in offering financial, technical, and market assistance to mitigate these constraints. The synergy of policy support, digital adoption, sustainable practices, and robust infrastructure has positioned Maharashtra's MSMEs for continued expansion and resilience.

In conclusion, the MSME sector remains a strategic driver

of Maharashtra's economic landscape, promoting innovation, entrepreneurship, and employment. With sustained policy backing, improved access to finance, and investment in skill development and technology, MSMEs are well-positioned to further enhance their contribution to both state and national prosperity, facilitating inclusive and sustainable industrial growth.

The study underscores that MSMEs are transformative agents in Maharashtra's economy, significantly influencing output, employment, and fiscal revenues. Key enablers such as strong infrastructure, industrial clustering, access to financial markets, and a skilled workforce have supported sectoral growth. However, persistent barriers—particularly credit accessibility challenges for micro and women-led enterprises—continue to impede progress.

For the sustained development of MSMEs, it is imperative to enhance financial inclusion, simplify regulatory processes, promote skill development, support innovation, and foster stronger collaboration between government agencies, financial institutions, and industry stakeholders. Addressing these critical areas will not only strengthen MSMEs but also ensure a resilient, inclusive, and sustainable trajectory for Maharashtra's economic growth.

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