

E-ISSN: 2708-4523

P-ISSN: 2708-4515

AJMC 2025; 6(1): 330-339

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[www.allcommercejournal.com](http://www.allcommercejournal.com)

Received: 02-12-2024

Accepted: 01-01-2025

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## Empowering growth: Unveiling the dynamic role of MSMEs in fuelling India's economic progress through employment

**Caroline Priya Martin and Dr. Krishnakumar Krishnasamy**

### Abstract

This study provides a comprehensive analysis of the pivotal role played by Micro, Small, and Medium Enterprises (MSMEs) in driving India's economic growth and fostering socio-economic development. Drawing upon extensive research and empirical data, the analysis highlights the significant contributions of MSMEs to India's Gross Domestic Product (GDP), employment generation, and export performance. Through a historical overview and examination of key indicators, including Compound Annual Growth Rates (CAGRs) for GDP share and employment, this study underscores the resilience and adaptability of the MSME sector in navigating diverse economic landscapes. Despite facing challenges such as financial constraints, inadequate infrastructure, and regulatory compliance burdens, MSMEs continue to demonstrate their capacity to innovate, create employment opportunities, and contribute to India's socio-economic progress. The findings underscore the importance of concerted efforts to address these challenges and foster an enabling ecosystem for MSMEs, thereby unlocking their full potential and realizing India's vision of inclusive and equitable growth. MSME have been spread in a wide range around the country anyone with potential and a little resource can be an entrepreneur you need not have to have giant buildings for it. MSME is said to be the growth engine of 'NEW INDIA'.

**Keywords:** Micro, small and medium enterprises, economic development, employment generation, socio economic progress

### 1. Introduction

In India, Micro, Small, and Medium Enterprises (MSMEs) stand as vital pillars of economic vitality, spanning across both the service sector and the realms of manufacturing, processing, production, and preservation of goods. Renowned as the backbone of the Indian economy, MSMEs make substantial contributions to the nation's Gross Domestic Product (GDP). With a government mandate aimed at elevating their contribution to 50% soon, their significance in driving economic growth is unequivocal. Employing millions of skilled and unskilled individuals, MSMEs emerge as the second-largest employer in India, following agriculture, and account for nearly 27% of the country's GDP. The sector's profound impact on employment is evident, with approximately 69 million individuals engaged in about 29 million MSME units. Notably, MSMEs play a pivotal role in the manufacturing sector, contributing approximately 45% to its overall output. According to reports from the MSME Annual dossier, this sector not only fuels domestic economic growth but also serves as a cornerstone of India's global trade. A staggering 45% of the country's exports originate from MSMEs, encompassing over 6,000 manufacturing units that produce a diverse range of high-quality goods. This formidable presence not only fosters opportunities but also establishes a robust foundation for sustained economic expansion and prosperity. As of July 1<sup>st</sup> 2020, a new definition is being coined for MSME with a new criterion, on 13<sup>th</sup> May 2020 in the package of Atmnirbhar Bharat which are as follows:

**Table 1:** Updated Category of MSMEs Manufacturing and Service Sectors

Category of enterprise	Cap of investment in plant and machinery or apparatuses and limit of Turnover
Micro Enterprises	Investment lesser than 1 crore and lesser than 5 cores
Small Enterprises	Investment lesser than 10 crore and lesser than 50 cores
Medium Enterprises	Investment lesser than 50 crore and lesser than 250 cores

**Source:** [https://msme.gov.in/sites/default/files/MSME\\_gazette\\_of\\_india\\_0.pdf](https://msme.gov.in/sites/default/files/MSME_gazette_of_india_0.pdf)

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### 1.1 Review of literature

Deepali Saluja (2012) <sup>[11]</sup> underscores the potential for India to foster economic growth by nurturing entrepreneurial endeavours, particularly amidst the burgeoning middle class. Highlighting the symbiotic relationship between the rise of MSMEs and national development, Saluja emphasizes how the expansion of MSMEs benefits not only individual entrepreneurs but also contributes to India's overall progress.

Ratan Suryavanshi (2020) <sup>[14]</sup> lauds the supportive government policies as a catalyst for the growth of MSME industries, citing their role in providing crucial financial backing. Suryavanshi asserts that this support translates into substantial contributions to the nation's GDP, thereby bolstering the economy.

Richa Shelly *et al.* (2020) <sup>[15]</sup> delves into the multifaceted contributions of MSMEs to India's economy, ranging from GDP growth to job creation and export promotion. They aptly characterize MSMEs as the backbone of the economy, driving growth and fostering progress.

Sarika Srivastav (2020) <sup>[16]</sup> focuses on the significance of the MSME sector within Gujarat's economy, highlighting its role in generating employment, fostering innovation, and promoting exports. Srivastav's research underscores the sector's ability to produce cost-effective products and its receipt of government support.

Suhail Ahmad Bhat *et al.* (2020) <sup>[17]</sup> paint a vivid picture of MSMEs as pillars of prosperity within the Indian economy. They depict MSMEs as engines of employment generation and drivers of entrepreneurial growth, facilitating socio-economic transformation and poverty alleviation.

Surendar Gade (2018) <sup>[18]</sup> articulates the tangible and intangible manifestations of the MSME sector's role in the Indian economy. Gade emphasizes its contribution to employment generation and self-sufficiency, positioning it as a beacon of hope amidst currency devaluation concerns.

Toran Lal Verma *et al.* (2020) <sup>[19]</sup> meticulously examine the pivotal role played by MSMEs in the expansive growth of India's economy. They advocate for bolstering government interventions to empower MSMEs further, thereby catalysing employment opportunities and rural development.

Vincent (2020) <sup>[20]</sup> critically evaluates the resilience of India's MSME sector in navigating complex global and domestic economic landscapes. Vincent highlights the sector's significant contributions to production, exports, and employment formation, particularly in developing countries.

### 1.2 Research question

As MSME is a crucial part of India's economy is MSME contribution to the Indian economy is considerable? Does the rise in the employment in MSME pave way for growth of the country's GDP? Does production and sales boost the economic development?

### 1.3 Objectives

The main objective of this paper is to

- To assess the significance of MSMEs as a pivotal component of India's economy by examining their contribution to the overall GDP.
- To analyse the relationship between the rise in employment within the MSME sector and its impact on the growth trajectory of the country's GDP.
- To investigate the role of production and sales within

the MSME sector in stimulating economic development, with a focus on their contribution to GDP growth.

## 2. Research Methodology

This paper draws upon secondary data sourced from various authoritative sources including the Reserve Bank of India (RBI), Ministry of Micro, Small, and Medium Enterprises (MSME), Annual Reports of MSME spanning from 2015 to 2023, as well as reports from the Khadi and Village Industries Commission, and pertinent research papers related to the MSME sector. The study period spans from 2006 to 2021. A key analytical tool employed in this study is the computation of Compound Annual Growth Rate (CAGR) to dissect the trajectory of employment generation within the MSME sector. To provide a rough estimate of employment in MSMEs, two significant sectors, namely Village Industries Commission and Khadi Industries, have been considered.

Against this comprehensive backdrop, the paper endeavours to explore three primary themes: firstly, the performance of the MSME sector; secondly, the dynamics of employment generation within MSMEs and its implications for overall economic growth; and thirdly, the challenges and predicaments faced by the MSME sector.

## 3. Performance of Micro, Small and Medium Enterprise (MSME)

The Micro, Small, and Medium Enterprise (MSME) sector in India plays a pivotal role in driving economic growth, fostering employment generation, and contributing significantly to the country's GDP. According to the Reserve Bank of India (RBI, 2019), the MSME sector is recognized as a key driver of economic development due to its ability to innovate, adapt, and create opportunities for entrepreneurship. This paper aims to provide a comprehensive analysis of the performance of MSMEs in the Indian economy, considering various factors such as their contributions to GDP, employment generation, innovation, challenges faced, and government initiatives to support the sector.

Contributions to the Economy:

MSMEs are integral to India's economic landscape, contributing significantly to GDP growth and industrial output. The MSME sector accounts for a substantial share of industrial production, particularly in labour-intensive sectors such as textiles, handicrafts, and food processing (KredX, 2018). This sector's contributions to GDP are crucial for sustaining economic growth and development.

### Employment Generation

One of the most significant achievements of the MSME sector is its role in employment generation. MSMEs serve as major providers of gainful employment, offering opportunities to millions of individuals across rural and urban areas. According to KredX (2018), MSMEs provide livelihoods to approximately 120 million individuals in India, thereby mitigating unemployment and underemployment challenges.

### Innovation and Entrepreneurship

MSMEs are hotbeds of innovation and entrepreneurship, fostering creativity and experimentation in various industries. Their inherent flexibility and adaptability enable

them to drive innovation and introduce new products and services to the market. This aspect of the MSME sector contributes to technological advancements and enhances India's competitiveness in the global economy.

### Challenges

Despite their significant contributions, MSMEs face numerous challenges that hinder their growth and sustainability. Access to finance remains a critical issue for many MSMEs, with limited availability of credit from formal financial institutions (RBI, 2019). Additionally, inadequate infrastructure, cumbersome regulatory compliance, and lack of skilled manpower pose significant obstacles to the sector's development.

### Government Initiatives

Recognizing the importance of the MSME sector, the Indian government has introduced various initiatives and policies to support its growth and development. The "Atmanirbhar Bharat" (Self-Reliant India) campaign aims to promote local manufacturing and reduce dependence on imports, thereby creating opportunities for MSMEs (Government of India, n.d.). The implementation of the Goods and Services Tax (GST) also aims to streamline taxation processes and improve ease of doing business for MSMEs (RBI, 2019).

### The Contribution of MSME to Indian Economy

From 2015 to 2023, the Micro, Small, and Medium Enterprise (MSME) sector in India witnessed a significant evolution, asserting its position as a cornerstone of the nation's economic framework. This period marked a dynamic phase characterized by notable advancements, challenges, and transformative initiatives that underscored the indispensable role played by MSMEs in driving India's economic growth and fostering socio-economic development. During this period, the MSME sector emerged as a vital engine of India's economic expansion, contributing substantially to key macroeconomic indicators such as GDP growth, employment generation, and export performance. As per data from various authoritative sources including the Ministry of Micro, Small & Medium Enterprises (MSME), the sector demonstrated resilience and adaptability, navigating through diverse economic landscapes and policy

changes to sustain its momentum.

The years spanning from 2015 to 2023 witnessed a concerted effort by the Indian government to empower and support MSMEs through a series of policy interventions, financial incentives, and institutional reforms. Initiatives such as "Make in India," "Startup India," and "Digital India" aimed to foster an enabling ecosystem for MSMEs to thrive, fostering innovation, entrepreneurship, and technology adoption across various sectors.

Against the backdrop of globalization and rapid technological advancements, MSMEs embraced digital transformation and innovation, leveraging digital platforms, e-commerce, and technology-enabled solutions to enhance productivity, competitiveness, and market access. This period witnessed a paradigm shift in the MSME landscape, with a growing emphasis on digitalization, sustainability, and inclusive growth. However, alongside opportunities, the MSME sector also encountered a myriad of challenges including access to finance, infrastructure constraints, regulatory bottlenecks, and market uncertainties. These challenges underscored the need for continued policy support, capacity-building initiatives, and institutional reforms to address structural constraints and unleash the full potential of MSMEs as engines of inclusive and sustainable growth.

Considering the foregoing, this paper seeks to delve into the multifaceted contributions of the MSME sector to the Indian economy from 2015 to 2023, analysing key trends, drivers, challenges, and policy imperatives shaping its trajectory. By examining the evolution of the MSME sector over this period, this study aims to provide valuable insights into its role as a catalyst for economic development, job creation, innovation, and inclusive growth in India.

The Indian MSME sector furnishes a pivotal employment opening tailored with minimal capital demands. The MSME sector propels the upliftment of rural and burgeoning regions, thereby mitigating local insufficiency disparities. Furthermore, this sector constitutes an intrinsic component for mammoth corporations and manufacturing facilities, enabling them to fabricate the requisite components and constituents. Collectively, these facets render MSME an irresistible catalyst in the realm of socio-economic advancement.

**Table 2:** Contribution of MSME in India's Gross Domestic Product for the year 2011-2019:

Year	MSME Gross Value Added	Growth (%)	Total Gross Value Added	Share of MSME In Gross Value Added (%)	Total Gross Domestic Product	Share of MSME in Gross Domestic Product(in%)
2011-2012	262257.4	----	8106946.8	32	8736329.2	30
2012-2013	302052.8	15	9202692.3	33	9944013.1	30
2013-2014	338992.2	12	10363153.5	33	11233522.1	30
2014-2015	370495.6	9	11504273.2	32	12467959.5	30
2015-2016	4025595.3	9	12566646.2	32	13764037.9	29
2016-2017	4405753.23	9	13841591.2	32	15253714.5	29
2017-2018	5086493.12	13	15513122.3	33	17098304.3	30
2018-2019	5741765.1	13	17139962.3	34	18971237.8	30

**Source:** Annual report of MSME 2011-2019

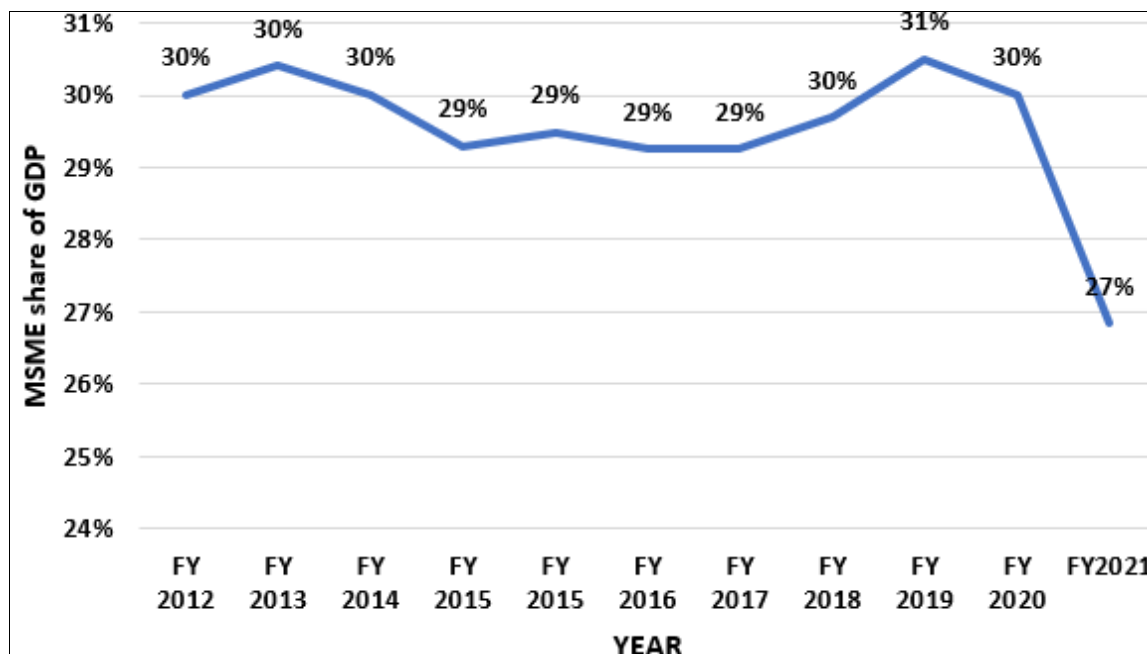


Fig 1: MSME Contribution to India's GDP Source: <https://www.statista.com/statistics/report-content/statistic/912576>

### 3.1 Generation of employment in the MSME sector

The Ministry of MSME champions these sectors, bestowing upon them about 30% of the nation's GDP and conjuring up employment for a staggering 110 million individuals. MSME possesses the remarkable capability to engender even more jobs, in stark contrast to the gargantuan industries, as they necessitate meagre capital investment and harbour a greater depth of employment.

MSME assumes a pivotal role in furnishing employment within the economy. It stands as the foremost purveyor of

employment, trailing only agriculture. MSMEs proffer opportunities for employment to a multitude of individuals, encompassing those skilled, semi-skilled, and unskilled. As a modest enterprise, MSMEs possess the ability to engender jobs across a wide array of sectors and at varying levels of skills, thus contributing to the economic upliftment of the nation. The ascendance of MSMEs wields a direct impact on job creation and their contribution to the growth of the economy and employment prospects.

Table 3: State wise break up of persons employed in MSMEs which are registered on Udyam Portal of the Ministry and incorporated during last 5 years:

Sl. No.	State	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
1	Andhra Pradesh	173898.1	117225.8	123951.9	266068.2	370771.2
2	Arunachal Pradesh	3707.2	2028.6	3487.8	7616.5	4474.7
3	Assam	50227.3	46710.6	64382.2	117717.2	127415.8
4	Bihar	183887.4	177074.3	191091.8	441429.9	567241.7
5	Chhattisgarh	66933.5	47153.2	51108.3	88217.23	95188.56
6	Goa	11822.6	5940.6	5757.02	9789.12	8791.36
7	Gujarat	418450.7	275241.5	282037.23	521524.17	373447.23
8	Haryana	221668.8	134166.6	137749.3	312764.15	256829.89
9	Himachal Pradesh	24874.9	16660.6	24656.8	60681.9	43704.55
10	Jharkhand	114921.1	60925.6	63212.9	239737.15	141722.23
11	Karnataka	369606.0	291854.9	327723.3	585031.12	773214.78
12	Kerala	90458.2	76478.5	102232.56	201865.45	186379.62
13	Madhya Pradesh	174341.3	151942.6	143150.23	341260.23	412845.2
14	Maharashtra	700212.5	606815.4	634334.5	1392726.5	1123000.3
15	Manipur	15474.6	23475.3	29829.23	47237.3	30691.4
16	Meghalaya	1984.8	1761.3	1626.3	2260.6	3032.8
17	Mizoram	2212.9	3029.1	3073.3	6509.6	4857.3
18	Nagaland	2091.2	2135.0	3450.7	5103.9	8866.5
19	Odisha	147152.3	100505.6	126922.98	229971.4	236809.7
20	Punjab	162786.5	105769.4	97574.59	167030.5	141473.9
21	Rajasthan	378607.5	226675.6	249819.36	578555.6	820332.4
22	Sikkim	618.8	915.4	1157.2	1453.8	2199.9
23	Tamil Nadu	601788.8	429314.3	501816.3	936255.7	854219.4
24	Telangana	201183.8	184616.12	228396.6	882674.7	829155.8
25	Tripura	4261.9	3994.45	5145.4	10031.6	45707.6
26	Uttar Pradesh	540621.5	361761.36	361021.4	800146.4	847687.7
27	Uttarakhand	64937.2	34640.23	33537.3	64923.1	168826.5
28	West Bengal	152774.2	141722.15	264024.3	251498.2	555317.1



29	Andaman And Nicobar Islands	24804.3	48345.21	75602.23	10994.5	2777.3
30	Chandigarh	6987.9	8172.64	4760.32	8037.8	8526.3
31	Dadar And Nagar Haveli	6331.5	3178.45	4285.9	4399.9	5551.9
32	Daman And Diu	2573.9	1865.23	2237.6	3492.4	2524.7
33	Delhi	231182.8	120991.13	140392.64	244290.9	177838.9
34	Jammu And Kashmir	35176.9	36681.11	40898.36	96463.7	151304.7
35	Ladakh	1314.6	1331.36	1934.44	3383.6	2170.7
36	Lakshadweep	52.2	28.13	75.6	240.4	225.9
37	Puducherry	8567.3	4426.56	5003.7	11782.3	9852.4
	Total	5198478.8	3855539.6	4337444.3	8953149.7	9394957.3

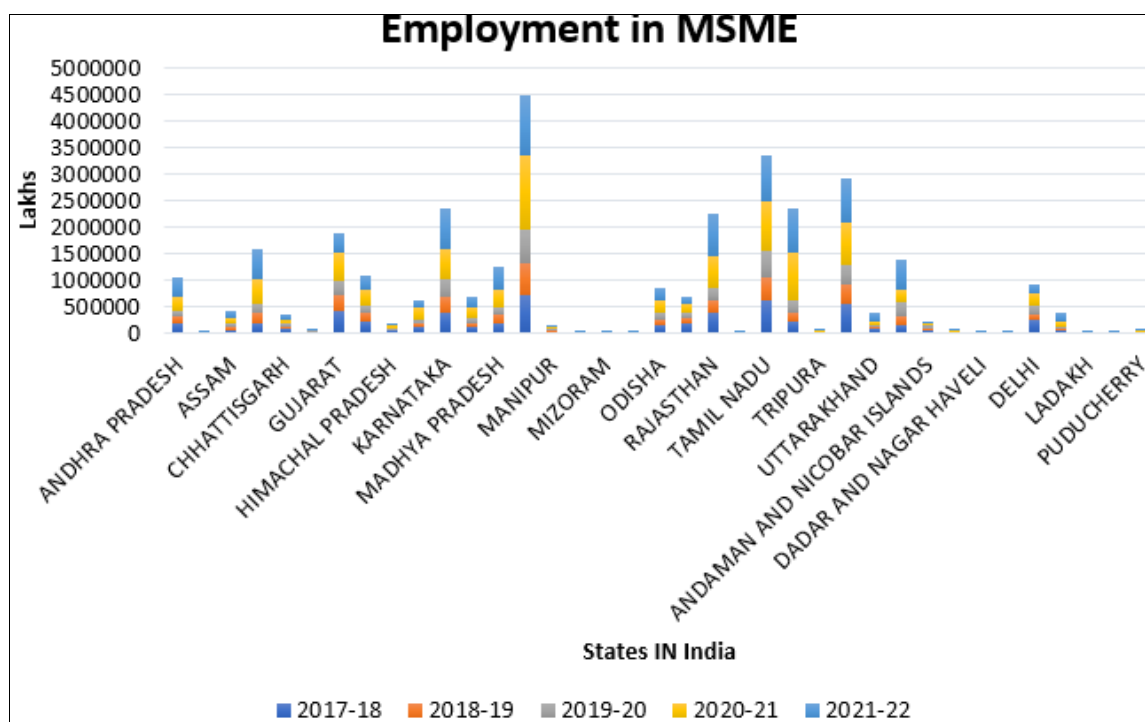


Fig 2: Employment in MSME 2017-2022 Source: Udyam Portal of the Ministry

### 3.2 Calculation of CAGR For GDP and Employment of MSME Sectors in India

For the GDP share from Table 1

Beginning Value: GDP share in the initial year (2011-2012)

Ending Value: GDP share in the final year (2018-2019)

n: Total number of years = 8

For Employment from Table 2:

Beginning Value: Number of people employed in the initial year (2017-2018)

Ending Value: Number of people employed in the final year (2021-2022)

n: Total number of years = 5

For GDP share:

$$CAGR_{GDP} = (18971237 / 88736329.2)^{1/8} - 1$$

For Employment:

$$CAGR_{employment} = (9394957.3 / 5198478.8)^{1/5} - 1$$

Let's compute the CAGR:

For GDP share:

$$CAGR_{GDP} = (18971237.8 / 8736329.2)^{1/8} - 1 = (2.171)^{1/8} - 1 = 0.101782$$

For Employment:

$$CAGR_{EMPLOYMENT} = (9394957.3 / 5198478.8)^{1/5} - 1 = (1.806)^{1/5} - 1 = 0.125651$$

Inference:

#### GDP Share CAGR (10.1782%)

The CAGR of 10.1782% indicates a consistent growth trend in the MSME sector's contribution to India's GDP share.

This signifies that, on average, the MSME sector's contribution to the GDP has been increasing by approximately 10.1782% annually over the period from 2011-2012 to 2018-2019. The steady growth in the MSME sector's GDP share underscores its significant role in driving economic expansion and development in India. It suggests a positive trajectory for the sector, reflecting its resilience and ability to adapt to changing economic conditions.

#### Employment CAGR (12.5651%)

The CAGR of 12.5651% highlights robust growth in employment opportunities within the MSME sector. This indicates that, on average, the MSME sector has been generating employment at a rate of approximately 12.5651% annually from 2017-2018 to 2021-2022. The substantial growth in employment underscores the sector's role as a major contributor to job creation and livelihood generation in India. It reflects the MSME sector's ability to absorb and accommodate a significant portion of the workforce, including those with varying levels of education and expertise. Overall, the calculated CAGRs for both GDP share and employment in the MSME sector affirm the sector's pivotal role in India's economic landscape. The positive growth trends observed underscore its resilience, contribution to GDP expansion, and capacity to generate employment opportunities, thus reinforcing its status as a key driver of economic growth and development.

### 3.2 Village industries commission

"Village Industries epitomize the vibrant enterprises flourishing in rural areas, driven by unwavering determination to produce goods and services while utilizing fixed capital. Governed by prescribed investment limits, typically not exceeding Rs. 1.00 Lakh in plains and Rs. 1.50 Lakhs in hilly regions, these industries contribute significantly to the socio-economic fabric. In the fiscal year 2021-22, Village Industries showcased remarkable performance, with production valuing at Rs. 81731.62 Crore and sales soaring to Rs. 110363.51 Crore. Notably, these endeavors provided gainful employment to an impressive 162.64 Lakh individuals. As we traverse through the year 2022-23 (until 31-12-2022), Village Industries continued

their prowess, recording production worth Rs. 67746.19 Crore and sales amounting to Rs. 92987.67 Crore. Looking forward to the remainder of 2022-23 (until 31-03-2023), projections indicate a further surge in production and sales, expected to reach Rs. 94162.13 Crore and Rs. 125901.65 Crore respectively. Moreover, an anticipated cumulative employment count of 170.71 Lakh individuals underscores the sector's robust growth trajectory. These remarkable figures illustrate the steadfast growth trajectory observed in Village Industries over the past years. Herein, we present an overview of Village Industries' production and sales over the last five years and the ongoing fiscal year 2022-23 (until December 2022), along with anticipated figures until 31.03.2023."

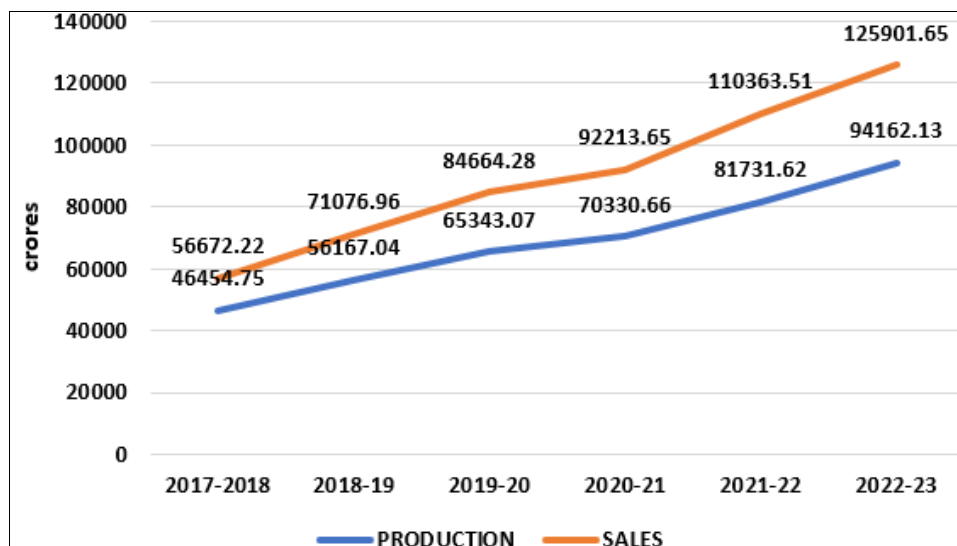


Fig 3: Production and Sales in village industries for 2017-2022 Source: Annual report of msme 2022-2023

The resplendent chronicles of the Village Industries' labour force from the bygone five years, as well as the current solar cycles given below

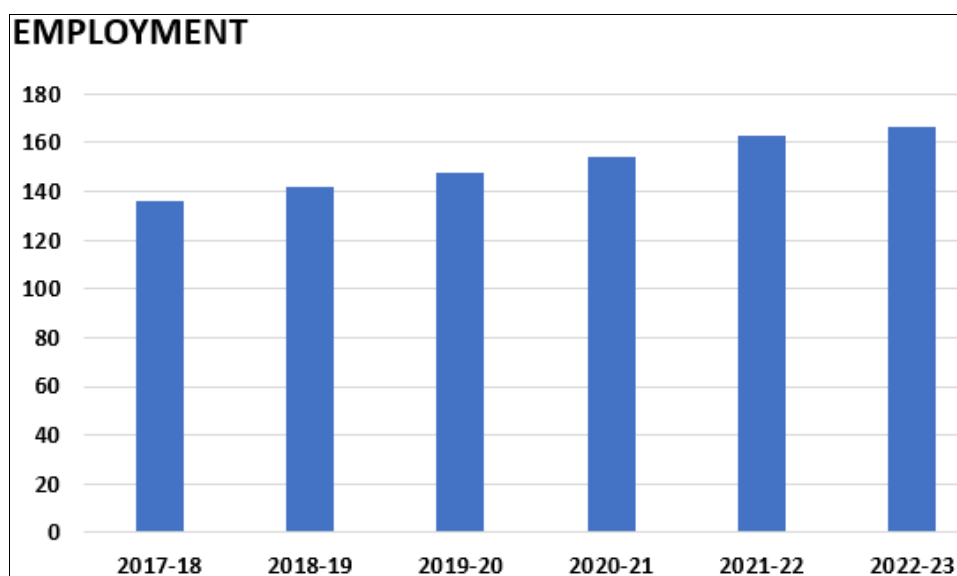


Fig 4: Employment in village industries for 2017-2022 Source: Annual report of msme 2022-2023

### 3.3 Khadi industries

In the dynamic 3rd Quarter of 2016-17, the Government of India introduced the ambitious "Modified Market Development Assistance" (MMDA) scheme, heralding a new era for Khadi & Polyvastra. This transformative

initiative offers a generous 30% grant on the Prime Cost, liberating institutions from rigid pricing structures and empowering them to enhance the value of Khadi products in alignment with market demands. Calculated meticulously, MMDA encompasses expenses up to the grey cloth stage,

without margins, thereby fostering growth and sustainability across the sector. Notably, Khadi Institutions engaged in both production and sales activities stand to benefit from a remarkable 60% MMDA allocation, with provisions for artisans and workers.

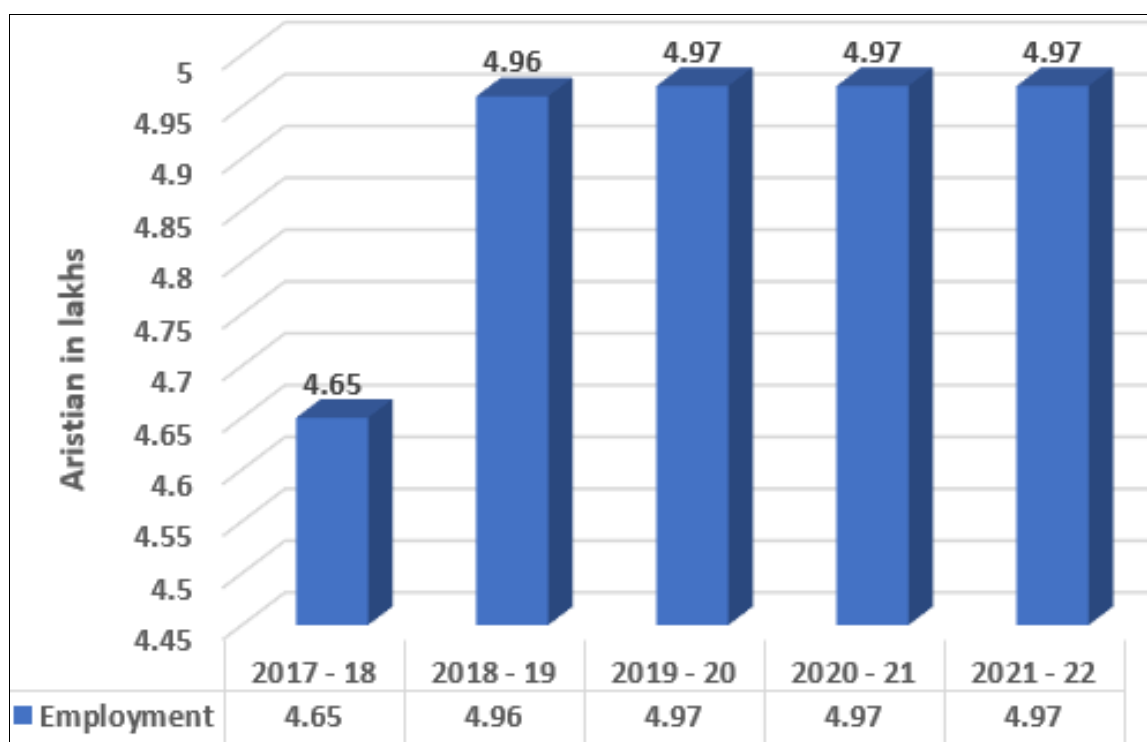
In the electrifying year of 2021-22, the MMDA program disbursed an astonishing Rs. 272.08 Crore to 1175 Khadi Institutions and an impressive 1,71,203 artisans. As of 31-12-2022, an impressive Rs. 83.17 Crore has already been disbursed to 688 Khadi Institutions and a remarkable 86,990 artisans under the illustrious MMDA scheme. Looking forward to the remainder of 2022-23 (up to 31-03-2023), an

anticipated disbursement of Rs. 245.00 Crore is expected to benefit 1250 Khadi Institutions and a staggering 1,70,000 artisans, further fueling the sector's growth trajectory.

The Khadi sector has witnessed remarkable growth in production and sales, epitomizing its resilience and adaptability. Here, we present a snapshot of production and sales figures for the Khadi sector over the past five years, including the ongoing year 2021-22 (up to December 2021), and anticipated figures up to 31.03.2022, reflecting the sector's profound impact on India's socio-economic landscape.



**Fig 5:** Production and Sales in Khadi industries for 2017-2022 Source: Annual report of MSME 2022-2023



**Fig 6:** Employment in Khadi industries for 2017-2022 Source: Annual report of MSME 2022-2023

#### 4. Problems faced by MSME sector

Despite its significant role in the Indian economy, the MSME sector faces a multitude of challenges that hinder its growth and development. Foremost among these is the persistent issue of delayed payments by large corporations, which undermines the legal protections provided by the Micro, Small, and Medium Enterprises Development (MSMED) Act. Additionally, the sector grapples with declining orders, complex procedures associated with GST compliance, and a scarcity of high-quality raw materials. Finding markets to sell their products further exacerbates the sector's challenges, while stringent collateral requirements imposed by banks add to the burden faced by entrepreneurs. Moreover, MSMEs struggle with a lack of awareness about government schemes, banking facilities, and other support mechanisms. Financial constraints, skills shortages, marketing and managerial difficulties, technological barriers, labour disputes, fraudulent activities, and inadequate infrastructure compound the sector's predicament.

#### The MSME sector in India confronts a range of pressing issues, including

- **Constrained Financial Access:** MSMEs struggle to secure funding from traditional financial institutions due to factors such as the absence of collateral, limited credit history, and complex lending procedures. High-interest rates and strict eligibility criteria further impede their access to vital funds.
- **Inadequate Infrastructure:** Poor infrastructure, including unreliable power supply, inadequate transportation, and limited technological access, hampers the efficiency and productivity of MSMEs.
- **Scarcity of Skilled Labor:** MSMEs face challenges in finding skilled and qualified employees, hindering their ability to adopt new technologies and improve production processes.
- **Market Penetration and Global Competition:** Many MSMEs struggle to enter new markets, both domestically and internationally, due to a lack of market information, intense competition from larger companies, and difficulties in meeting quality and regulatory standards.
- **Technological Obsolescence:** Rapid technological advancements render MSMEs' products and processes obsolete, making it difficult for them to keep up with changing trends and maintain competitiveness.
- **Regulatory Compliance:** Complex regulations, licenses, permits, and tax requirements pose a significant burden for MSMEs, leading to challenges in navigating the regulatory landscape.
- **Inefficiencies in the Supply Chain:** MSMEs face difficulties in sourcing raw materials, managing inventory, and maintaining efficient supply chain operations, impacting production schedules and overall operational efficiency.
- **Limited Technological Access:** A lack of access to modern technology and digital tools hampers innovation and growth opportunities for MSMEs, with the adoption of new technologies often being costly and requiring specialized knowledge.
- **Marketing and Branding Predicaments:** Many MSMEs struggle with ineffective product marketing

and building a strong brand presence, further limiting their ability to attract customers and expand their market reach.

#### 5. Research suggestions

- **Policy Recommendations:** Advocate for policies that prioritize MSME development and support, including streamlined access to finance, simplified regulatory procedures, and targeted incentives for growth. Recommend enhancements to existing policies aimed at promoting MSME contributions to GDP, such as strengthening implementation mechanisms and increasing funding allocations.
- **Capacity Building Initiatives:** Develop training programs and capacity-building initiatives tailored to the specific needs of MSMEs, focusing on areas such as skill development, technology adoption, and market expansion strategies. Facilitate knowledge sharing platforms and networking opportunities for MSME owners and entrepreneurs to exchange best practices, lessons learned, and innovative ideas for business growth.
- **Financial Support Mechanisms:** Establish dedicated financial support mechanisms for MSMEs, including venture capital funds, loan guarantee schemes, and microfinance options, to address the funding constraints faced by small businesses. Encourage collaboration between financial institutions, government agencies, and industry associations to provide targeted financial assistance and advisory services to MSMEs.
- **Market Access and Promotion:** Promote initiatives to enhance market access for MSME products and services through e-commerce platforms, trade fairs, and export promotion programs. Support branding and marketing campaigns to raise awareness about the quality and value of MSME offerings, both domestically and internationally, to stimulate demand and drive sales growth.
- **Technology Adoption and Innovation:** Foster partnerships between MSMEs and research institutions or technology providers to facilitate technology transfer, innovation, and adoption of digital tools and automation solutions. Encourage investments in research and development (R&D) to foster product innovation, process optimization, and competitiveness in the global marketplace.
- **Collaborative Initiatives:** Facilitate collaboration between MSMEs, government agencies, academia, and industry associations to address common challenges, share resources, and leverage synergies for collective growth. Establish platforms for public-private partnerships (PPPs) and multi-stakeholder collaborations to co-create solutions, advocate for policy reforms, and drive inclusive economic development.
- **Monitoring and Evaluation:** Establish robust monitoring and evaluation frameworks to track the implementation and impact of interventions aimed at supporting MSMEs and enhancing their contributions to GDP growth. Regularly assess key performance indicators (KPIs) such as MSME employment levels, production output, sales revenues, and GDP contributions to measure progress and inform evidence-



based decision-making.

- **Financial Support Mechanisms:** Establish dedicated financial support mechanisms for MSMEs, including venture capital funds, loan guarantee schemes, and microfinance options, to address the funding constraints faced by small businesses. Encourage collaboration between financial institutions, government agencies, and industry associations to provide targeted financial assistance and advisory services to MSMEs.
- **Market Access and Promotion:** Promote initiatives to enhance market access for MSME products and services through e-commerce platforms, trade fairs, and export promotion programs. Support branding and marketing campaigns to raise awareness about the quality and value of MSME offerings, both domestically and internationally, to stimulate demand and drive sales growth.
- **Technology Adoption and Innovation:** Foster partnerships between MSMEs and research institutions or technology providers to facilitate technology transfer, innovation, and adoption of digital tools and automation solutions. Encourage investments in research and development (R&D) to foster product innovation, process optimization, and competitiveness in the global marketplace.
- **Collaborative Initiatives:** Facilitate collaboration between MSMEs, government agencies, academia, and industry associations to address common challenges, share resources, and leverage synergies for collective growth. Establish platforms for public-private partnerships (PPPs) and multi-stakeholder collaborations to co-create solutions, advocate for policy reforms, and drive inclusive economic development.
- **Monitoring and Evaluation:** Establish robust monitoring and evaluation frameworks to track the implementation and impact of interventions aimed at supporting MSMEs and enhancing their contributions to GDP growth. Regularly assess key performance indicators (KPIs) such as MSME employment levels, production output, sales revenues, and GDP contributions to measure progress and inform evidence-based decision-making.

## 6. Conclusion

The comprehensive analysis presented underscores the indispensable role of Micro, Small, and Medium Enterprises (MSMEs) in propelling India's economic growth and fostering socio-economic development. With their substantial contributions to the nation's Gross Domestic Product (GDP), employment generation, and export performance, MSMEs emerge as vital pillars of India's economic vitality. Notably, the sector's evolution over the years, supported by government initiatives and policy interventions, reflects its resilience and adaptability in navigating through diverse economic landscapes. The Compound Annual Growth Rates (CAGRs) for both GDP share and employment in the MSME sector affirm its positive growth trajectory, emphasizing its pivotal role as a driver of inclusive and sustainable growth. Despite facing challenges such as constrained financial access, inadequate infrastructure, and regulatory compliance burdens, MSMEs continue to demonstrate their potential to innovate, create employment opportunities, and contribute to India's socio-

economic progress. Moving forward, concerted efforts aimed at addressing these challenges and fostering an enabling ecosystem for MSMEs are essential to unlock their full potential and realize India's vision of inclusive and equitable growth.

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### Abbreviations

**MSME**-Micro, Small and Medium Enterprises

**GDP**-Gross Domestic Product

**SDG**-Sustainable Development Goals

**RBI**-Reserve Bank of India

**CAGR**-Compound Annual Growth Rate

**MMDA**-Modified Market Development Assistance