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## MSMEs: The Growth Accelerator of the Indian Economy

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### Abstract

Micro, Small, and Medium Enterprises (MSMEs) have become a crucial catalyst for India's economic development. MSMEs are categorized based on investment in plant & machinery/equipment and annual turnover, which significantly contribute to India's Gross Domestic Product (GDP), employment generation, and export potential. The paper analyzes the crucial position of MSMEs in the economic development of India, evaluates the challenges they face, and investigates the regulatory framework that underpins this sector. This research paper has been prepared using a diverse range of credible sources, including academic journals, government websites, industry reports, news articles and historical records. These sources have provided comprehensive insights and data essential for the study. The paper subsequently analyzes the potential of MSMEs within the evolving economic landscape of India, offering recommendations to mitigate challenges and enhance global competitiveness.

**Keywords:** MSMEs, economic growth, employment, India, policy framework, Atmanirbhar Bharat

### Introduction

The MSME sector in India is commonly referred to as the foundation of the national economy. In order to encourage inclusive growth, this industry fosters innovation, boosts exports, and generates a significant number of job possibilities. MSMEs are essential in bridging the gap between the unorganized sector and large companies in rural and semi-urban areas. The government of India claims that the MSME sector is an essential component of the economy, accounting for over 45% of exports and over 30% of GDP (Singh, 2024) <sup>[17]</sup>. Through initiatives like Atmanirbhar Bharat, Digital India, and Make in India, the Indian government has been aggressively promoting the growth of this industry.

Micro, Small, and Medium Enterprises (MSMEs) are defined by their investment in plant, machinery, or equipment. In June 2020, the Government of India expanded the definition of MSMEs to include both manufacturing and service industries.

"In accordance with the Micro, Small and Medium Enterprises Development (MSMED) Act, MSME are classified as below:

1. A micro enterprise is that where the investments made in plants and machinery remains less than ₹1 crore and turnover does not exceed ₹ 5 crore;
2. A small enterprise is when a firm's investment in plant and machinery remains below ₹ 10 crore and their turnover does not exceed ₹ 50 crore; and
3. A medium enterprise is the one who has the investments in plant and machinery below ₹ 50 crore and turnover does not exceed over ₹ 250 crore. (Ministry of Micro, Small and Medium Enterprises, 2024)"

This categorization aims to broaden the MSME base and allow more businesses to access government programs. The MSME sector in India is diverse, encompassing industries such as manufacturing, services, commerce, and agriculture. It includes both traditional businesses, such as handlooms and handicrafts, as well as modern firms in fields like computer technology and biotechnology. This variety promotes regional development and equitable progress across the country.

### The significance of MSMEs in India's economic development GDP Contribution

MSMEs account for over 30% of India's GDP (The Role of MSMEs in Boosting India's GDP: Facts and Insights, 2024), making them a critical component of economic activity.

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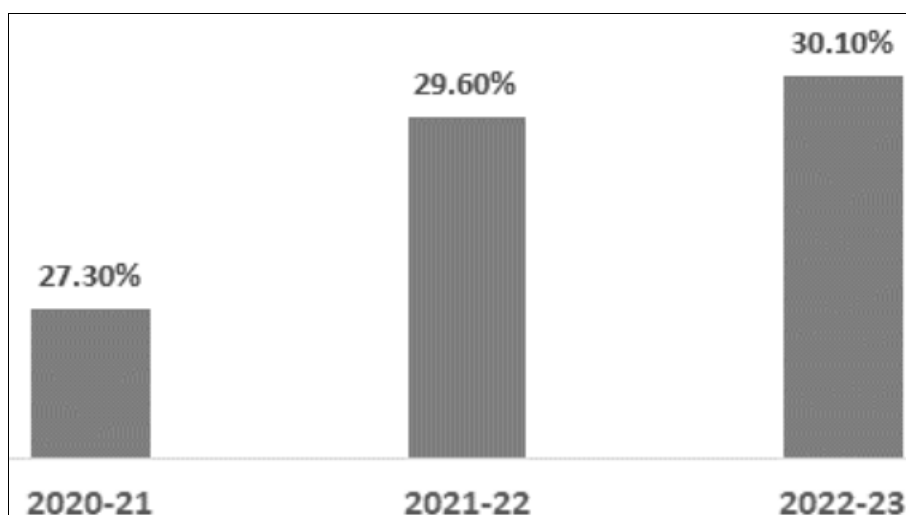
This sector provides goods and services to larger industries, influencing both supply chains and the need for raw materials. Micro, Small, and Medium Enterprises (MSMEs) have played an important role to support innovation and entrepreneurship in India, which helped creating a climate conducive to the success of small businesses.

**Job Creation:** The MSME industry employs around 110 million people (Sharma, 2024) <sup>[14]</sup>, making it the second-largest job source in India after agriculture. These businesses create jobs in both urban and rural areas, which helps to reduce poverty and distribute money more evenly.

MSMEs promote more fair urbanization by creating job opportunities in low-income communities.

### Export Contribution

MSMEs account for more than 45.79% by May 2024 of India's total exports. The industry is critical to increasing India's export competitiveness in global markets, particularly in textiles, clothing, leather, gems and jewellery, and handicrafts (The MSME Revolution, 2024). Micro, Small, and Medium Enterprises (MSMEs) have emerged as significant contributors to India's foreign exchange reserves, helping to stabilize the country's balance of payments.



\*Source: (The MSME Revolution, 2024)

**Fig 1:** Share of MSME GVA in All India GDP (%)

### Growth trends of MSMEs in India

The MSMEs sector has been a key driver of economic growth in India, contributing significantly to the country's GDP, job creation, and exports. In recent years, the sector has faced both growth and challenges.

### Sector-Wise Distribution

India's MSMEs are diversified throughout a number of industries, with manufacturing and services being the most common sectors.

About 35.4% of all MSMEs are in the manufacturing sector (India Brand Equity Foundation, 2024). Services account for nearly 30% of MSME contributions (Ministry of Micro, Small & Medium Enterprises 2024), highlighting the sector's shift to service-oriented businesses like IT, retail, and logistics.

This transition reflects India's expanding service sector and its importance in the digital economy, as MSMEs increasingly use e-commerce and digital platforms. Despite the challenges posed by the COVID-19 epidemic, the industry has shown resilience in maintaining a consistent contribution to the economy.

### Review of literature

(Lama, 2013) <sup>[6]</sup> Based on different studies, it was found that MSMEs need to know about all government programs and how to use them to their advantage. One of the biggest problems is that people aren't aware of these resources or don't know how to use them properly. Also, the government programs need to be closely watched and changed as needed to meet the wants of the MSME world. Jaswal, S. S. (2014)

<sup>[3]</sup>. Also, the MSMEs must enhance production and quality, minimize expenses, and foster innovation. Government policy should assist MSMEs in enhancing their efficiency and competitiveness in a market-driven economy. To mitigate the significant challenges faced by MSMEs, it is essential to promote innovative strategies such as the cluster strategy and the utilization of industry associations. To ensure the sustained trajectory of this growth engine, it is imperative to prioritize the establishment of favourable policies, a supportive operating environment, enhancement of adequate infrastructure, maintenance of peace and security, provision of appropriate financing, effective management, and the implementation of suitable modern technology for MSMEs.

(Chakraborty, 2024) <sup>[1]</sup> In India, the MSME sector is expanding at an impressive pace and even giving many people opportunities for employment. Both the manufacturing and service sectors of MSMEs contribute significantly to the country's overall GDP. The Indian government has taken a number of steps and is now working to accelerate the expansion of MSMEs in the nation. In order to ensure that government policies for the establishment of MSMEs are properly implemented and that entrepreneurs are given the right guidance when they begin their businesses, the Indian government is also forming a number of partnerships and agreements with NGOs, government agencies, and universities. However, MSMEs continue to face several obstacles. After conducting successful training and skill development programs, the issue of ignorance regarding technology innovation may be resolved. The MSME's should be eligible for low-cost loans.

The MSME sector is not receiving as many loan approvals from overseas banks. To evaluate the requirements and condition of MSME's, an expert panel must be constituted. Panwar *et al.*, 2024 <sup>[9]</sup>, indicated that the difficulties facing MSMEs are complex and need coordinated efforts by policymakers, financial institutions, industry groups, and other stakeholders for successful resolution. Efforts to optimize regulatory frameworks, increase financial accessibility, upgrade infrastructure, stimulate innovation, and enhance market connections are essential to realize the whole potential of MSMEs and propel equitable economic growth in the area.

'According to (Sharma, 2024) <sup>[14]</sup> limited transportation and communication networks, inadequate technical improvements, insufficient infrastructure, lack of financial resources, insufficiency in managerial skills, and a lack of knowledge regarding quality standards are the primary difficulties confronting MSMEs including the insufficient availability of financial resources, resulting in a substantial credit gap that requires resolution. The involvement of policymakers, financial institutions, and other stakeholders is crucial for fostering an environment conducive to the growth and success of MSMEs (Tata Capital, 2024).'

Khule and Bhardwaj (2024) <sup>[5]</sup> MSMEs are contributing towards the socio-economic development across India, this is because of their equitable distribution throughout both rural and urban areas. Sectors such as Manufacturing, Trade, and Services are contributing equally towards the growth of MSMEs, demonstrating steady and rapid expansion, therefore fostering stability and development for the nation. There are several obstacles hindering the success of MSMEs, including financial and non-financial concerns, as well as issues related to labor, marketing, technology, and the environment. Simultaneously, the Indian Government implemented initiatives to assist MSMEs in addressing their challenges. Notable policies include the "Atmanirbhar Bharat Abhiyan" for financial support, the "Raw Material Assistance Scheme" to mitigate issues related to resource scarcity, unavailability, and quality, the establishment of "Common Facility Centers" to address inadequate infrastructure, and the "Scheme of Zero Defect and Zero Effect" aimed at overcoming technological challenges and integrating modern technology into the sector. All these initiatives operate in collaboration with the Ministry of MSMEs. With the assistance of government entities and favorable policies from the Ministry of Micro, Small, and Medium Enterprises, this sector will undoubtedly attain financial success and advancement for the nation.

Maria Antonyraj & Kumar, 2024 <sup>[7]</sup> A stronger link between the government, businesses, and educational institutions is needed to keep up with the changing needs of production and train people who can get jobs. The plan for MSME development should include goals like increasing the share of their contribution to the state economy, creating up to 50% more jobs, and increasing their role in key public and private industry sectors to meet rising domestic demand, localization, and important substitution, as well as increasing their growth in foreign exports.

Rahuman & Rahim, 2024 <sup>[13]</sup> The banks must maintain sufficient money to provide loans. The Government initiative provides more opportunities for all kinds of micro, small, and medium industries. The Government concentrate and create more infrastructure facilities for the business people. MSME provides training and development for the

industrial sectors. Sharma & Sharma, 2024 <sup>[14]</sup> MSMEs are facing various challenges *viz.* lack of skilled manpower, scarcity of raw material, and a significant challenge of financial gap. Lender's perception of high risk inherited in MSME financing, insistence for adequate collateral security is challenge for MSMEs in their pursuit of securing the funding. On the other hand lack of transparency in information disclosed by MSMEs presents a challenge for financial institutions while evaluating the creditworthiness of MSMEs.

Khardenavis, A. (2024) <sup>[4]</sup>. However, the sector sees big problems, especially when it comes to late payments, legal problems, and problems with the workforce. Late payments mess up cash flow and make it harder for MSMEs to grow. Rules that are hard to understand and long legal disputes make things even more difficult. Problems with the workforce, like high rates of turnover and a big skills gap, make the field even less competitive. There is hope in government programs like Make in India and Atmanirbhar Bharat, but more changes need to be made to fully unlock the potential of MSMEs. The sector's continued growth and support to India's economy will depend on stricter enforcement of laws about making payments on time, easier compliance with regulations, and investments in worker development.

Jarinaa, B., & Manida, M. (2024) <sup>[2]</sup>. Taking care of these problems is very important for bringing out the full potential of rural business in India and promoting sustainable and fair growth. It's clear that rural business not only helps the economy grow, but it also helps everyone get ahead, reduces poverty, and gives power to communities that haven't had it before. Entrepreneurship in rural areas makes a big difference in creating jobs, making money, and reducing income inequality, which is good for both social and economic growth. Rural business helps close the gap between rural and urban areas by making sure that economic gains are shared fairly. This lowers the need for people to move to cities. To reach the full potential of rural business, it is important to get previous issues like limited access to finance, poor infrastructure, and technology barriers. Promoting and supporting country business depends on government programs and policies being carried out well. Entrepreneurs in rural areas are strong and flexible, which helps them come up with new ideas and make goods and services that are useful in the area. Improving skills through training programs is important for making people in rural places more employable and increasing their income options. Many businesses in rural areas put an emphasis on environmentally friendly methods, which helps protect the environment. Rural business owners can reach overseas markets, which will help India's trade with other countries and make it more competitive on the world stage.

Sureka and Bordoloi (2024) <sup>[18]</sup> MSMEs in India face a big problem with blocked credits and not being able to get input tax credits under GST. The study's results make it clear that these businesses need help from regulators and changes to the rules that govern them. MSMEs can deal with their financial and operational problems better if compliance processes are made easier, clear directions are given, and focused help is given. By tackling these problems, officials can create a better place to do business, which will help MSMEs grow and help India's economy grow.

**Transition to contemporary industries: MSMEs in India**

have recently expanded into high-growth sectors such as fintech, renewable energy, and pharmaceuticals. This shift from traditional industries like textiles and handicrafts to technology-driven sectors represents a structural revolution in the MSME sector. It continues to be one of India's leading job creators, employing over 110 million people. Nonetheless, there has been a significant shift in the industry's employment trends. There has been a notable increase in job creation in urban and semi-urban areas, particularly among IT service-oriented MSMEs. Including digital technologies and automation, creating a greater demand for skilled workers. This trend is driving upskilling programs across the sector.

The COVID-19 epidemic had a significant impact on employment in the MSME sector, prompting several businesses to temporarily close or reduce their workforce. By 2022, the industry had shown signs of recovery, with employment levels gradually increasing, fueled by the digital revolution and government assistance initiatives.

Approximately 45-50% of India's total exports are made by Micro, Small, and Medium-Sized Enterprises (MSMEs), which have a big impact on international trade. Textiles, jewelry and gemstones, leather, and handicrafts are the main export sectors for MSMEs. Indian MSMEs are becoming more integrated into global value chains (GVCs). This is particularly evident in industries such as automotive parts, electronics, and textiles. The government's emphasis on improving industrial quality standards and international certifications has facilitated this integration.

#### **Technological adoption and digital transformation**

MSMEs are progressively integrating digital technology, especially following the COVID-19 pandemic. Micro, small, and medium-sized enterprises are progressively utilizing digital platforms for customer service, supply chain management, marketing, and sales activities. MSMEs have experienced significant effects due to the transition to e-commerce, especially within the retail and service industries. E-commerce or e - shopping platforms such as the Amazon and Flipkart have facilitated the MSMEs with enhanced opportunities to access a broader consumer base. Fintech and digital lending platforms are significant instruments for addressing the credit gap faced by MSMEs. Consequently, MSMEs have successfully navigated conventional obstacles to bank financing. To improve efficiency and product quality, MSMEs are progressively implementing cutting-edge technologies like blockchain, artificial intelligence (AI), and the Internet of Things (IoT). Adoption rates are still quite modest when compared to larger businesses. According to survey results, AI is being used in operations by 45% of MSMEs.

#### **Expansion of financial accessibility credit**

One of the biggest challenges facing MSMEs is access to capital. According to recent trends, the availability of loans has expanded due to government initiatives, digital lending platforms, and financial technology improvements. Despite these developments, it is still estimated that \$230 billion is needed to finance MSMEs in India. Government programs such as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the advent of internet lending platforms have helped to close the gap. Enhancing financial access for MSMEs has been made possible in large part by government support, especially through initiatives

like Atmanirbhar Bharat, which offered equity injections and loans without collateral during the pandemic. By the end of 2022, the Emergency Credit Line Guarantee Scheme (ECLGS) has successfully disbursed almost ₹2.5 lakh crore.

#### **Supportive government policy and future prospects**

The government of India has undertaken a number of policy initiatives in recent years to promote the growth of MSME. These includes Atmanirbhar Bharat Abhiyan seeks to increase India's self-sufficiency by supporting MSMEs financially, making loans easier to obtain, and promoting domestic manufacturing. The purpose of the Production-Linked Incentive (PLI) Scheme is to encourage manufacturing, particularly in high-tech and export-focused sectors. Udyam Registration has improved formalization and made it easier to access government programs by streamlining the MSME registration process. Prospects for 2023-2025 MSMEs in India have bright future prospects. The industry is expected to grow at a steady rate of 8-10% annually, driven by increased exports, better access to financing, and continuous digitization. The growth of e-commerce, increased participation in global value chains, and policies that encourage innovation and sustainability are the main drivers of future expansion.

#### **Obstacles encountered by MSMEs**

MSMEs significantly contribute to India's economic development; however, they encounter various challenges that restrict their potential. Insufficient financing constitutes a significant obstacle to the growth of MSMEs. Conventional banks often exhibit reluctance to provide credit to small businesses, primarily due to perceived risks and inadequate collateral. The International Finance Corporation (IFC) estimates that the funding shortfall for India's MSMEs will reach \$230 billion. Inadequate infrastructure, particularly in rural regions, hinders the development of MSMEs. Power shortages, insufficient transportation infrastructure, and restricted access to modern technology hinder manufacturing, diminishing the competitiveness of MSMEs in domestic and international markets. MSME Businesses usually have to deal with complex regulatory environments that require a lot of approvals, compliance with various rules, and a lot of paperwork. The convenience of doing business is hampered by the increased compliance costs that small businesses find difficult to manage. Although bigger enterprises have adopted contemporary technology in their operations, some MSMEs continue to depend on conventional manufacturing methods. Insufficient awareness, resources, and technical proficiency hinder their adoption of emerging technologies such as artificial intelligence, automation, and data analytics.

#### **Government initiatives**

To encourage and assist the growth of MSMEs, the Indian government has launched a number of initiatives. As part of the COVID-19 aid package, the Atmanirbhar Bharat Abhiyan program provides stress financing, equity infusion, and loans without collateral to help MSMEs lessen the financial effects of the pandemic, fostering innovation and facilitating investment in the MSME sector to increase domestic manufacturing. The goal is for MSMEs to play a major role in making India a global center for manufacturing. The formation of microbusinesses in both



rural and urban regions is financially supported by the Prime Minister's Employment Generation Programme (PMEGP). By starting microbusinesses, the goal is to create opportunities for self-employment.

### **Incorporation of MSMEs into global value chains**

Incorporating MSMEs into global value chains (GVCs) is an important aspect of expansion. MSMEs have traditionally served local or national markets; however, exports and collaborations with foreign entities provide significant opportunities for them to expand their operations. MSMEs can become important players in the global manufacturing and services sectors by improving their competitiveness, quality standards, and production capabilities. Incorporation into Global Value Chains would increase company revenue and strengthen resilience to domestic market volatility.

Noncompliance with international standards on labor practices, environmental sustainability, and product quality is a major barrier to global integration. MSMEs would be able to access worldwide demand if these issues were resolved through upskilling programs, adherence to international certifications, and strategic partnerships with multinational corporations. Additionally, sectors like electronics, pharmaceuticals, automobiles, and textiles offer particularly favorable opportunities for MSMEs in India to become important players in international supply chains. The goal of government initiatives like the Production-Linked Incentive (PLI) Scheme is to increase manufacturing output, which will increase MSMEs' participation in export markets. Promoting foreign direct investment (FDI) in MSMEs-dominated industries may help transfer technology, increase operational capability, and create more opportunities for MSMEs to collaborate with global corporations.

### **Adopting digitalization and technological innovations**

The importance of digitization and technology integration in business is critical in the age of Industry 4.0. Enhancing MSME production, cutting costs, increasing consumer access, and encouraging innovation all depend on digital transformation because companies that adopted digital solutions were better able to sustain their operations. E-commerce platforms, cloud computing, artificial intelligence (AI), data analytics, and digital payments enable MSMEs to optimize operations, gain market insights, and reach customers beyond their local geographic boundaries. The rise of online marketplaces allows MSMEs to reach a global customer base without the need for physical storefronts, while mobile banking and payment technologies make transactions more efficient. Digitalization lowers transaction costs and improves supply chain management, allowing MSMEs to more effectively manage inventories, shipping, and customer interactions.

MSMEs must overcome numerous challenges, including limited access to low-cost technology, low levels of digital literacy, and cybersecurity concerns, in order to fully benefit from digitization. By providing necessary infrastructure and training programs, government programs like the Digital India Initiative aim to increase MSMEs' adoption of digital technology. Additionally, partnerships between MSMEs and private technology companies can give them access to affordable technical solutions, enabling them to stay competitive in domestic and foreign markets.

### **Concentrate on innovation and entrepreneurship**

Innovation and entrepreneurship are inextricably linked to the future of MSMEs. The global economy's rapid technological advancements and the rise of start-ups give MSMEs the opportunity to promote innovation, especially in industries like biotechnology, information technology, agriculture, and renewable energy. Innovation in MSMEs can result in new products, procedures, and business plans that adapt to shifting consumer preferences, market demands, and environmental regulations.

Advanced technologies like 3D printing, automation, and robots have revolutionized production processes in sectors like manufacturing, allowing MSMEs to increase productivity, reduce waste, and improve product quality. Simultaneously, industries such as services and retail may use digital marketing, AI-powered customer management systems, and advanced data analytics to gain insights into customer behavior and improve their products. Start-ups, particularly in the technology sector, are making significant contributions to India's innovation environment. These entrepreneurial ventures frequently begin as small businesses but can grow quickly with venture capital and government assistance. By fostering strong relationships between MSMEs and start-ups, the MSME sector can adopt more innovative business strategies, expand its services, and accelerate growth in new markets.

### **Environmentally friendly and sustainable methods**

As global awareness of sustainability grows, Indian MSMEs must adopt eco-friendly practices to remain relevant and competitive in international markets. Sustainability is emerging as a critical driver of economic growth, and MSMEs can capitalize by implementing green manufacturing practices, resource-efficient production processes, and effective waste management procedures. This transition not only allows MSMEs to attract environmentally conscious consumers, but it also opens up opportunities in markets where eco-certifications are increasingly required.

MSMEs in industries such as textiles, leather, and manufacturing, may consider using renewable energy sources to power their operations, such as solar and wind power. Similarly, water-efficient manufacturing practices and recycling programs may reduce environmental consequences, increasing the appeal of MSMEs to overseas buyers who prioritize sustainability in their purchasing strategy. Furthermore, integrating eco-labels and certifications like ISO 14001 may help them gain validity in foreign markets.

Government initiatives like the Zero Effect Zero Defect (ZED) plan promote enhancements in product quality among MSMEs while reducing environmental impact. Ultimately, the adoption of sustainable practices enhances the resilience of MSMEs to resource shortages and regulatory requirements, yields long-term cost savings, and elevates their brand value.

### **Access to capital and credit expansion**

Access to credit is essential for MSMEs to achieve their future potential. Addressing the MSME finance gap is essential for fostering growth, facilitating technology integration, and promoting innovation. Despite initiatives like the Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) and the Atmanirbhar Bharat

Abhiyan offering financial support, there remains a critical demand for more accessible, affordable, and MSME-targeted financial solutions.

The future of MSME financing is likely to involve greater participation from fintech companies, which may employ data-driven algorithms to evaluate the creditworthiness of small businesses, thereby diminishing dependence on conventional collateral-based lending practices. Digital lending platforms and peer-to-peer (P2P) lending networks are anticipated to expand, providing MSMEs with quicker and more adaptable loan alternatives. Enhancing financial literacy campaigns, improving credit evaluation processes, and fostering collaboration among banks, fintech companies, and MSMEs are essential for enabling enterprises to secure the necessary capital for growth.

### **Geographical and sectoral diversification**

India's MSME industry has the potential to grow by diversifying into new industries and areas. A large number of MSMEs currently operate in traditional industries; however, there is room for diversification into high-growth sectors such as renewable energy, electronics, healthcare, and information technology. Geographic diversification will allow MSMEs to tap into the economic potential of underdeveloped regions, promoting inclusive growth.

As India strives to establish itself as a global manufacturing hub through initiatives such as Make in India and Atmanirbhar Bharat, MSMEs may play a significant role in meeting domestic industrial demand while also accessing export markets. Regions like the Northeastern states and Tier II and Tier III cities, which are still relatively underdeveloped, offer significant opportunities for MSME growth. MSMEs can help to decentralize economic activity and alleviate regional imbalances by encouraging entrepreneurship and investment in these areas.

### **Conclusion**

A key component of India's economic structure, the MSME sector makes a substantial contribution to inclusive growth. MSMEs have continuously shown their value as engines of innovation, exports, employment, and regional growth, especially in the context of India's socioeconomic structure. With over 110 million workers and a significant GDP contribution, the sector's impact is indisputable. Additionally, the sector's geographic diversity makes it easier to distribute wealth and resources more fairly across the country, which helps to lessen disparities between rural and urban areas.

Nonetheless, the MSME sector faces several significant challenges that may impede its potential growth. Access to capital remains a significant challenge, as traditional banking institutions have not established lending frameworks that are conducive to MSMEs. Infrastructure deficiencies, particularly in rural areas, persistently impede the productivity of these businesses. Furthermore, the complexity of regulatory frameworks and insufficient technological integration prevent MSMEs from effectively competing on a global scale. The lack of current technology and technical expertise stifles innovation and limits production, reducing their contribution to national and global markets.

Addressing these challenges and maximizing the industry's potential requires initiatives from both public and private sectors. The government's initiatives, including Atmanirbhar

Bharat, Make in India, and the Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE), are commendable; however, additional efforts are necessary. Policymakers should enhance regulatory frameworks to align them more effectively with MSMEs, thus facilitating business operations. Financial institutions should create innovative lending arrangements that address the specific needs of small businesses, including collateral-free loans and accessible operating cash. Collaborations between MSMEs and larger enterprises enhance information exchange, facilitate technical skill development, and provide access to innovative technology. Utilizing digital platforms, including e-commerce and digital payment systems, enables MSMEs to enhance their market reach and operational efficiency.

Emphasizing sustainable and eco-friendly methods is critical for the future of MSMEs, particularly given the global demand for green manufacturing. Prioritizing sustainable manufacturing techniques, reducing waste, and improving energy efficiency will open up new business opportunities and strengthen MSMEs' resilience against global market transitions toward sustainability.

In the years to come, MSMEs are expected to play a progressively important role in the overall macro economy of India. Their participation is significant to India's aim of becoming \$5 trillion economy by 2025 and soon after it the 3<sup>rd</sup> largest economy. Through increased participation in global value chains, the use of cutting-edge technology like artificial intelligence, and market research the MSMEs can strengthen their role as catalysts for regional growth and global competitiveness.

As a result, the MSME sector has consistently contributed significantly to India's economic expansion. However, its future success will depend on how successfully these issues are resolved. To build an ecosystem that promotes innovation, investment, and sustainable growth, the public and private sectors will need to work together on the forthcoming journey. India's MSME sector may continue to spur growth and develop into a robust and globally competitive force in the global economy if the right policies and support networks are in place. This industry will be a pillar of India's economic future due to its capacity to generate employment, foster entrepreneurship, and advance equitable growth, guaranteeing that the advantages of expansion are shared among various geographies and socioeconomic strata.

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