



# Performance And Contribution Of Micro, Small And Medium Enterprises (MSMEs) To Indian Economy

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## Abstract

Micro, Small and Medium Enterprises (MSMEs) form the backbone of the Indian economy by contributing significantly to GDP, exports, employment generation, and balanced regional development. The sector plays a pivotal role in promoting entrepreneurship, innovation, and inclusive growth, particularly in rural and semi-urban areas. This study examines the performance of the MSME sector in India by analysing its contribution to Gross Value Added (GVA), GDP, exports, employment, investment, and enterprise registration trends. It also evaluates the impact of recent policy initiatives, especially the measures announced in the Union Budget 2025–26, aimed at enhancing credit availability, supporting first-time entrepreneurs, and promoting labour-intensive industries. Despite its strong performance, the sector faces several challenges such as limited access to finance, technological gaps, regulatory complexities, and infrastructure constraints. The study concludes that sustained policy support, improved access to credit, skill development, and technological adoption are crucial for strengthening the MSME sector and ensuring its long-term contribution to India's economic growth.

**Keywords:** Micro, Small and Medium Enterprises (MSMEs); Economic Growth; Gross Value Added (GVA); Employment Generation; Exports; Entrepreneurship; Government Policy; Financial Inclusion; Industrial Development

## Introduction

Indian Micro, Small, and Medium Enterprises (MSME) plays a crucial role in the development of the Indian economy. The MSME contribution to GDP was nearly a third of the country's Gross Annual Value (GVA) and while the sector contributed nearly half of the country's exports. Moreover, the sector is a major employer, especially in the country's rural and less developed areas, helping reduce regional imbalances. The sector also strengthens other industries by providing them with raw materials and ancillary products. However, the sector faces challenges such as procuring raw materials and necessary funding. The government recognises the sector's importance and thus supports it by providing various financial incentives and training. These factors make the sector more competitive while boosting India's economic growth. MSMEs bolster the country's export potential, fostering international trade and economic stability. They promote entrepreneurship and innovation, driving competitiveness and productivity within the economy. Through initiatives and support

from the government, the MSME sector continues to thrive, making substantial contributions to India's GDP and overall economic development.

The MSME sector encompasses businesses engaged in various economic activities, including manufacturing, processing, and services. Traditionally, MSMEs were classified based on whether they were manufacturing or service-based entities. To help MSMEs scale operations and access better resources, the investment and turnover limits for classification have been increased by 2.5 times and 2 times, respectively. This is expected to improve efficiency, technological adoption, and employment generation. As per the latest criteria, the definition of MSME is:

#### New Classification of MSME

Type	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprise	Rs. 1 crore	Rs. 2.5 crore	Rs. 5 crore	Rs. 10 crore
Small Enterprise	Rs. 10 crore	Rs.25 crores	Rs. 50 crore	Rs. 100 crore
Medium Enterprise	Rs. 50 crore	Rs. 125 crore	Rs. 250 crore	Rs. 500 crore

Source: Budget 2025-26, speech of Nirmala Sitharaman, Union Minister of Finance, Feb.2025

#### Importance of MSME in India

Micro, Small, and Medium Enterprises are of great importance in India's economic development, serving as engines of growth and drivers of socio-economic progress. These enterprises are integral to job creation, particularly in rural and backward areas, contributing significantly to the reduction of unemployment and poverty. With nearly 63 million MSMEs spread across the country, they account for approximately 8% of India's GDP, 45% of manufacturing output, and about 40% of exports, solidifying their status as the backbone of the economy.

- ❖ MSMEs serve as significant sources of employment, particularly in economically disadvantaged regions. They provide opportunities for both skilled and unskilled labour, thereby contributing to job creation and reducing unemployment rates.
- ❖ MSMEs foster entrepreneurship by providing a platform for individuals to start and grow their businesses with relatively low investment requirements. They encourage innovation and creativity, driving economic dynamism and fostering a culture of entrepreneurship within the society.
- ❖ MSMEs play a crucial role in regional development by establishing businesses in remote or underdeveloped areas, thereby promoting balanced economic growth across different regions. They decentralise economic activities, reducing the concentration of industries in urban centres and spreading economic opportunities to rural and semi-urban areas.
- ❖ MSMEs contribute significantly to export promotion by manufacturing a wide range of goods and services for international markets. They often specialise in niche products and cater to specific market demands, enhancing the country's export competitiveness and widening its global market reach.
- ❖ MSMEs contribute to economic diversification by operating in various sectors such as manufacturing, services, agribusiness, and technology. They reduce the reliance on a single sector or industry, thereby enhancing the resilience of the economy to external shocks and market fluctuations.

- ❖ MSMEs are hotbeds of innovation, constantly developing new products, processes, and technologies to stay competitive in the market. They drive technological advancements, improve productivity, and facilitate

the adoption of innovative practices across industries, contributing to overall economic growth and development.

- ❖ MSMEs play a crucial role in reducing income disparities by providing opportunities for wealth creation and income generation among diverse sections of society.
- ❖ MSMEs often serve as suppliers and subcontractors to large industries, providing them with essential goods, components, and services. They contribute to the value chain of large industries by offering specialised products, customised solutions, and cost-effective services.

### **Key Measures for MSME in Union Budget 2025-26:**

The Union Budget 2025-26 introduces a series of measures aimed at strengthening the MSME sector by enhancing credit access, supporting first-time entrepreneurs, and promoting labour-intensive industries.

- The credit guarantee cover for micro and small enterprises has been increased from ₹5 crore to ₹10 crore, enabling additional credit of ₹1.5 lakh crore over five years.
- Startups will see their guarantee cover double from ₹10 crore to ₹20 crore, with a reduced fee of 1% for loans in 27 priority sectors.
- Exporter MSMEs will benefit from term loans up to ₹20 crore with enhanced guarantee cover.
- A new customised Credit Card scheme will provide ₹5 lakh in credit to micro enterprises registered on the Udyam portal, with 10 lakh cards set to be issued in A new Fund of Funds with ₹10,000 crore will be established to expand support for startups.
- A scheme for 5 lakh first-time women, Scheduled Caste, and Scheduled Tribe entrepreneurs will provide term loans up to ₹2 crore over five years, incorporating lessons from the Stand-Up India scheme.
- A Focus Product Scheme for the footwear and leather sector will support design, component manufacturing, and non-leather footwear production, expected to create 22 lakh jobs and generate a turnover of ₹4 lakh crore.
- A new scheme for the toy sector will promote cluster development and skill-building, positioning India as a global toy manufacturing hub.
- A National Institute of Food Technology, Entrepreneurship and Management will be established in Bihar to boost food processing industries in the eastern region.
- A National Manufacturing Mission will provide policy support and roadmaps for small, medium, and large industries under the Make in India initiative.
- Special emphasis will be given to clean tech manufacturing, fostering domestic production of solar PV cells, EV batteries, wind turbines, and high-voltage transmission equipment.

### Objectives of the Study:

1. To examine the performance of MSMEs in terms of GDP, GVA, exports, employment, and investment.
2. To study the trends in MSME registration based on size, activity, gender, and social category.
3. To identify major challenges faced by the MSME sector in India.

### Methodology:

The present study is descriptive and analytical in nature and is based entirely on secondary data. The data were collected from Annual Reports of the Ministry of MSMEs, Union Budget Reports (2025–26), Udyam Registration Portal, Press Information Bureau (PIB), Government publications and official statistics. The collected data were tabulated and analysed using simple percentage method. The data covers the period from 2013–14 to 2024–25, wherever available.

#### Budgetary Outlay of Ministry of MSME (Rs. In Crore)

Financial Year	Budget Estimates	Revised Estimates
2019-20	7011.29	7011.29
2020-21	7572.20	5664.22
2021-22	15699.65	15699.65
2022-23	21422.00	23628.73
2023-24	22137.95	22138.01
2024-25	22137.95	22138.01
2025-26	23168.15	--

Source: Union Budget Report, 2025-26

The budgetary outlay of the Ministry of MSME shows a steady and significant increase over the years, reflecting the growing importance of the MSME sector in India's economic policy framework. During 2019–20, the Budget Estimates (BE) and Revised Estimates (RE) remained the same at ₹7,011.29 crore, indicating stable expenditure. In 2020–21, although the Budget Estimate increased to ₹7,572.20 crore, the Revised Estimate declined to ₹5,664.22 crore, mainly due to disruptions caused by the COVID-19 pandemic. A sharp rise is observed in 2021–22, where the allocation more than doubled to ₹15,699.65 crore, highlighting strong government intervention to revive and support MSMEs post-pandemic.

The upward trend continued in 2022–23, with Budget Estimates of ₹21,422 crore and Revised Estimates rising further to ₹23,628.73 crore, indicating enhanced financial support during implementation. The allocations remained consistently high in 2023–24 and 2024–25, suggesting sustained commitment towards MSME development. For 2025–26, the Budget Estimate has increased to ₹23,168.15 crore, the highest allocation so far, underscoring the government's focus on strengthening MSMEs through credit support, entrepreneurship promotion, and industrial growth. Overall, the data reveals a progressive increase in financial support, reinforcing the MSME sector's role as a key driver of economic growth and employment generation.

## Analysis of MSME:

### Share of MSME GVA in All India GDP

Year	Share of MSME GVA in All India GDP (in %)
2017-18	29.7
2018-19	30.5
2019-20	30.5
2020-21	27.3
2021-22	29.6
2022-23	30.1

Source: Annual Report of Ministry of MSMEs, 2025

The data given in the above table indicates that MSMEs consistently contribute a substantial share to India's GDP, highlighting their importance in the national economy. In 2017–18, the share of MSME GVA stood at 29.7%, which increased to 30.5% in 2018–19 and remained stable in 2019–20, reflecting steady growth and resilience of the sector. However, a significant decline is observed in 2020–21, when the share dropped to 27.3%, largely due to the adverse impact of the COVID-19 pandemic, lockdowns, and disruptions in production and supply chains. This decline underscores the vulnerability of MSMEs to economic shocks. The sector showed a strong recovery in subsequent years, with the share rising to 29.6% in 2021–22 and further improving to 30.1% in 2022–23. This recovery reflects the effectiveness of government support measures, policy reforms, and increased financial assistance to MSMEs. Overall, the trend demonstrates that despite short-term setbacks, MSMEs remain a key pillar of India's economic growth, contributing nearly one-third of the country's GDP.

### Contribution of MSMEs to Country's Economy at Current Price

Year	MSME Gross Value Added	Growth in %	Total Gross Value Added	Share of MSME in GVA	Total GDP	% Share of MSME in GDP
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	1525371	28.90
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.51	18971237	30.27

Source: Ministry of MSME, Annual Report

The table highlights the significant and growing contribution of MSMEs to India's economy at current prices during the period 2013–14 to 2018–19. MSME Gross Value Added (GVA) increased consistently from ₹33,89,922 crore in 2013–14 to ₹57,41,765 crore in 2018–19, indicating strong expansion of the sector. The growth rate of MSME GVA remained robust throughout the period, ranging between 8.65% and 12.98%. The highest growth was recorded in 2017–18 (12.98%), followed closely by 2018–19 (12.88%), reflecting improved productivity, higher demand, and supportive government policies.

The share of MSMEs in total Gross Value Added remained stable at around 32–33%, with a peak of 33.51% in 2018–19, underscoring the sector’s critical role in value creation within the economy. Although there was a slight decline during 2016–17, the share recovered strongly in subsequent years. Similarly, MSMEs contributed nearly 29–30% of India’s GDP throughout the period. While the percentage share of MSMEs in GDP declined marginally from 30.20% in 2013–14 to 28.90% in 2016–17, it rebounded to 30.27% in 2018–19, indicating renewed momentum and economic resilience. Overall, the data demonstrates that MSMEs have been a consistent driver of economic growth, contributing nearly one-third of India’s GVA and GDP, and reaffirming their position as the backbone of the Indian economy.

### Number of New Units Setup during 2019-20- to 2022-23

Category	2019-20	2020-21	2021-22	2022-23	Total
Micro	751671	1521357	1662584	12933143	16868755
Small	8778	8507	7107	438952	463344
Medium	446	567	345	39992	41350
Total	760895	1530431	1670036	13412087	17373449

Source: Udyam Registration’s Official website.

The table shows a substantial increase in the number of new MSME units set up during the period 2019–20 to 2022–23, highlighting the growing entrepreneurial activity in India. The total number of new units increased from 7.61 lakh in 2019–20 to an exceptionally high 1.34 crore in 2022–23, resulting in a cumulative total of 1.74 crore new MSME units over the four-year period. Micro enterprises dominate the MSME landscape, accounting for the overwhelming majority of new registrations. Their numbers rose from 7.52 lakh in 2019–20 to 1.66 million in 2021–22, followed by a sharp surge to 1.29 crore in 2022–23. This dramatic rise reflects increased awareness and adoption of the Udyam registration system, ease of registration, and government incentives targeted at micro enterprises.

The number of small enterprises remained relatively modest during the initial years but witnessed a significant jump in 2022–23, with registrations increasing sharply to 4.39 lakh units. This indicates gradual scaling up of micro units into small enterprises and improved access to credit and markets. Similarly, medium enterprises recorded comparatively lower numbers throughout the period; however, a noticeable rise in 2022–23 (39,992 units) suggests improved confidence among medium-scale entrepreneurs and better policy support. Overall, the data highlights that MSME growth in India is largely driven by micro enterprises, with recent years showing accelerated formalisation and registration, reinforcing the sector’s role in employment generation and economic development.

### Major Activity wise Registration on Udayam Portal

Category	Sector	2020-21*	2021-22	Total
Micro	Manufacturing	923923	1371713	2295636
	Services	1728049	3603369	5331418
Small	Manufacturing	104333	66031	170364
	Services	76478	106401	182879
Medium	Manufacturing	15738	4996	20734
	Services	8866	6298	15164
Total	Manufacturing	1043994	1442740	2486734
	Services	1813393	3716068	5529461
Grand Total		2857387	5158808	8016195

\*From 01.07.2020

Source: Ministry of MSME's Annual Report

The table presents the activity-wise distribution of MSME registrations on the Udyam portal during 2020–21 and 2021–22, highlighting the dominance of the services sector across all enterprise categories. Among micro enterprises, registrations in the services sector were significantly higher than in manufacturing. Service-based micro units increased from 17.28 lakh in 2020–21 to 36.03 lakh in 2021–22, resulting in a total of 53.31 lakh registrations, whereas manufacturing micro enterprises accounted for 22.95 lakh registrations. This indicates a strong shift towards service-oriented activities due to lower capital requirements and ease of entry.

In the case of small enterprises, services again outnumbered manufacturing units, with 1.83 lakh service enterprises compared to 1.70 lakh manufacturing enterprises. Although the difference is narrower than in micro enterprises, it still reflects a preference for service-sector activities. For medium enterprises, manufacturing units slightly outnumbered service units, with 20,734 manufacturing registrations compared to 15,164 service enterprises, suggesting that medium-scale enterprises are more capital-intensive and production-oriented. Overall, total MSME registrations were significantly higher in the services sector (55.29 lakh) compared to manufacturing (24.87 lakh). The grand total of 80.16 lakh MSME registrations during the period highlights rapid formalisation and increased participation in the MSME sector. The data clearly indicates that while manufacturing remains crucial for value creation, the services sector is the primary driver of MSME growth in India, especially at the micro and small enterprise levels.

### Gender Distribution of New Units set up during 2019-20 to 2021-22

Year	Category	Male owned	Female owned	Other owned	Unidentified	Total
2019-20	Micro	595348	148658	5017	2648	751671
	Small	7290	1177	271	40	8778
	Medium	380	32	26	8	446
2020-21	Micro	1182985	324517	9874	3981	1521357
	Small	7205	1110	155	37	8507
	Medium	495	49	15	8	567
2021-22	Micro	1298199	353298	11087	0	1662584
	Small	6070	964	73	0	7107
	Medium	300	37	8	0	345
Total	Micro	3076532	826473	25978	6629	3935612
	Small	20565	3251	499	77	24392
	Medium	1175	118	49	16	1358

Source: Ministry of MSMEs

The table presents the gender-wise distribution of newly established MSME units during the period 2019–20 to 2021–22, highlighting a clear predominance of male-owned enterprises, while also indicating a gradual increase in female entrepreneurship, particularly in micro enterprises. Across all three years, micro enterprises accounted for the highest number of new units, with male ownership dominating. Out of a total of 39.36 lakh new micro units, 30.77 lakh (around 78%) were male-owned, while 8.26 lakh (about 21%) were female-owned. This indicates improving but still unequal participation of women in entrepreneurial activities. In the small enterprise category, male-owned units again formed the majority, with 20,565 units, compared to 3,251 female-owned units. Female participation in small enterprises remains relatively limited, suggesting barriers related to finance, scale, and market access.

Similarly, medium enterprises showed very low representation of female ownership, with only 118 female-owned units out of a total of 1,358 enterprises, reflecting the higher capital and operational requirements at this level. The presence of enterprises under “other” and “unidentified” categories remains minimal across all years, indicating that gender classification is largely clear and consistent in the registration data. Overall, the data reveals that while women’s participation in MSMEs—especially at the micro level—is increasing, significant gender disparities persist, particularly in small and medium enterprises. This underscores the need for targeted policy interventions, improved access to finance, and capacity-building programs to encourage and support women entrepreneurship in India.

**Social Category wise number of new units set up during 2019-20 to 2021-22**

Year	Category	Gen	SC	ST	OBC	Unidentified	Total
2019-20	Micro	436152	62083	19193	231595	2648	751671
	Small	7170	135	94	1339	40	8778
	Medium	373	9	3	53	8	446
2020-21	Micro	863931	130205	43140	480100	3981	1521357
	Small	6387	235	100	1748	37	8507
	Medium	469	12	9	69	8	567
2021-22	Micro	942606	144031	49196	526751	0	1662584
	Small	5199	233	126	149	0	7107
	Medium	263	16	7	59	0	345
Total	Micro	2242689	336319	111529	1238446	6629	3935612
	Small	18756	603	320	4636	77	24392
	Medium	1105	37	19	181	16	1358
Grand Total		2262550	336959	111868	1243263	6722	3961362

Source: Ministry of MSMEs

The table depicts the social category-wise distribution of newly established MSME units in India during the period 2019–20 to 2021–22, highlighting the participation of different social groups in entrepreneurial activities. Among all categories, entrepreneurs from the General category accounted for the largest share of new MSME units. Out of the 39.61 lakh total new units, 22.63 lakh units were set up by General category entrepreneurs, indicating their dominant presence across all enterprise sizes. The Other Backward Classes (OBCs) represent the second-largest group, with 12.43 lakh units, reflecting significant participation in MSME activities, particularly within the micro enterprise segment. This suggests that MSMEs serve as an important avenue for economic mobility among OBC communities. The participation of Scheduled Castes (SCs) and Scheduled Tribes (STs), though comparatively lower, shows a steady presence. SC entrepreneurs established 3.37 lakh units, while ST entrepreneurs accounted for 1.12 lakh units, indicating gradual inclusion but also highlighting existing gaps in access to resources, finance, and market opportunities. Across all social categories, micro enterprises dominate, accounting for the majority of new units, followed by small and

medium enterprises with significantly lower numbers. The number of unidentified category registrations is minimal, suggesting effective classification under the Udyam registration system.

Overall, the data reveals that while MSMEs provide inclusive entrepreneurial opportunities across social categories, disparities persist, particularly for SC and ST entrepreneurs. This underlines the need for targeted financial assistance, skill development, and capacity-building programs to enhance participation from socially disadvantaged groups and promote equitable growth in the MSME sector.

### Social Category wise MSME Registration during 2020-21 & 2021-22

Category	Micro	Small	Medium	All
General	60.6%	85.5%	89.5%	61.8%
SC	7.1%	1.0%	0.4%	6.8%
ST	2.2%	0.4%	0.2%	2.1%
OBC	30.0%	12.4%	6.5%	29.1%
Unidentified	0.2%	0.7%	3.3%	0.2%

Source: Ministry of MSMEs

The data shows the distribution of MSME registrations across social categories for micro, small, and medium enterprises. General category entrepreneurs account for the majority of registrations: 60.6% of micro, 85.5% of small, and 89.5% of medium enterprises, with an overall share of 61.8%. Their dominance increases as enterprise size grows, indicating that General category entrepreneurs are more likely to establish larger enterprises. OBCs make up 30% of micro, 12.4% of small, and 6.5% of medium enterprises, showing strong representation at the micro level but declining as business size increases. SCs contribute 7.1% of micro, 1% of small, and 0.4% of medium enterprises, while STs represent 2.2% of micro, 0.4% of small, and 0.2% of medium enterprises. This highlights low participation of SC/ST entrepreneurs, especially in scaling up beyond micro enterprises. The share of unidentified registrations is negligible (0.2–3.3%), showing effective categorization in the Udyam registration system. The data indicates that social inclusiveness decreases as enterprise size increases, pointing to the need for targeted policies, financial support, and capacity-building programs to help SC, ST, and OBC entrepreneurs expand their enterprises beyond the micro level.

### Percentage Share of Export of MSME related Products in All India Export

Year	% share of Export of MSME related products in All India Export
2019-20	49.75%
2020-21	49.35%
2021-22	45.03%
2022-23	43.59%
2023-24	45.73%
2024-25	45.79%

Source: Ministry of MSMEs, PIB

The table shows the contribution of MSME-related products to India's total exports over six years. MSMEs consistently contribute around 44–50% of India's total exports, highlighting their critical role in promoting international trade and enhancing foreign exchange earnings. In 2019–20, MSME-related products contributed 49.75% of total exports, indicating a strong export performance prior to the COVID-19 pandemic. A slight decline is observed in 2020–21 (49.35%) and more significantly in 2021–22 (45.03%) and 2022–23 (43.59%), reflecting the impact of the COVID-19 pandemic, supply chain disruptions, and reduced global demand. The share rebounded slightly to 45.73% in 2023–24 and 45.79% in 2024–25, suggesting that MSMEs are regaining their export momentum and adapting to new market conditions. Therefore, it is understood from

the data that MSMEs are a major driver of India's export economy, contributing nearly half of the total exports. The trend shows that while external shocks can affect their share temporarily, MSMEs have strong resilience and recovery potential, reinforcing their strategic importance in international trade.

### Employment in MSMEs Registered on Udayam Portal 2020-21 & 2021-22

Category	2020-21*	2021-22	Total Number of Persons Employed
Micro	17268076	31169110	48437186
Small	6598746	3480794	10079540
Medium	4003978	1083079	5087057
Total	27870800	35732983	63603783

\*from 01.07.2020

Source: Ministry of MSMEs

From the table it was observed that there was an increase of 7,862,183 persons employed in MSMEs from 2020-21 to 2021-22. This is approximately a 28.2% growth in employment year-over-year, indicating strong recovery or expansion of MSME activity post-pandemic. Employment almost doubled from 17.27 million to 31.17 million. They dominate MSME employment, accounting for ~76% of total employment (48.44 million out of 63.6 million). This sharp rise could be due to more micro units registering on the Udyam portal, reflecting better formalization of micro businesses.

When we look at small enterprises, the employment declined from 6.6 million to 3.48 million. This drop (~47%) might indicate consolidation, closure, or reclassification of small enterprises into either micro or medium categories. Similarly, in case of medium enterprises also, the level of employment declined sharply from 4 million to 1.08 million (~73% drop). This could reflect reclassification due to the revised MSME definition (based on investment and turnover) or fewer medium units formally registering.

#### Major challenges faced by the MSME sector:

**Lack of skilled workforce:** MSMEs struggle with a shortage of trained personnel, hindering productivity and growth.

**Access to finance:** Limited access to credit and financial resources constrains MSMEs' ability to invest and expand operations. Kotak Mahindra Bank understands this and provides Business Loans of up to Rs. 1 crore without collateral.

**Competition:** Intense competition, both domestic and global, poses challenges for MSMEs in maintaining market share and profitability.

**Technology:** Adoption and integration of modern technologies present difficulties for MSMEs due to resource constraints and technological barriers.

**Infrastructure:** Inadequate infrastructure, including transportation, energy, and telecommunications, hampers MSMEs' efficiency and competitiveness.

**Regulation:** Complex regulatory frameworks and bureaucratic procedures impose compliance burdens and administrative challenges on MSMEs.

**Emergencies:** MSMEs are vulnerable to various emergencies, including natural disasters and economic downturns, which can disrupt operations and threaten viability.

## Major Findings:

- MSMEs contribute nearly 30% of India's GDP and about 45–50% of total exports, highlighting their importance in economic growth and foreign trade.
- The share of MSME GVA in GDP declined during 2020–21 due to the COVID-19 pandemic but recovered steadily thereafter, reaching over 30% by 2022–23.
- Micro enterprises dominate the MSME sector, accounting for the highest number of registrations and employment generation.
- Service-sector MSMEs have a significantly higher number of registrations compared to manufacturing MSMEs.
- Male-owned enterprises form the majority, though female participation is steadily increasing, especially among micro enterprises.
- MSME registrations are highest among the General and OBC categories, while participation from SC and ST categories remains relatively low.
- Employment generation by MSMEs is substantial, with over 6.3 crore persons employed through enterprises registered on the Udyam portal.
- Government initiatives such as increased credit guarantee limits, startup support, and sector-specific schemes have strengthened MSME growth prospects.

## Suggestions

- **Improved Access to Finance:** Banks and financial institutions should simplify loan procedures and expand collateral-free lending for MSMEs.
- **Skill Development:** Targeted training programs should be introduced to address the shortage of skilled manpower in the sector.
- **Technology Adoption:** MSMEs should be encouraged to adopt digital tools, automation, and modern production techniques through subsidies and technical support.
- **Infrastructure Development:** Improved transport, power supply, and digital connectivity are essential for enhancing MSME productivity.
- **Simplification of Regulations:** Reducing compliance burdens and bureaucratic delays will help MSMEs focus more on growth and innovation.
- **Support for Women and Marginalised Entrepreneurs:** Special incentives and mentoring programs should be expanded for women, SC, and ST entrepreneurs.
- **Export Promotion:** MSMEs should be supported through market access initiatives, export finance, and quality certification programs.

## Conclusion

The MSME sector is a vital pillar of the Indian economy, contributing significantly to GDP, exports, employment, and inclusive development. Despite facing challenges such as limited access to finance, technological constraints, and regulatory complexities, the sector has demonstrated resilience and growth, supported by proactive government policies and budgetary initiatives. The revised MSME classification and enhanced financial support announced in the Union Budget 2025–26 is expected to further strengthen the sector's performance. With continued policy support, improved infrastructure, and greater emphasis on skill development and innovation, MSMEs can play an even more decisive role in achieving sustainable economic growth and social equity in India.

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