



The Role of Micro, Small and Medium Enterprises (MSMEs) in Driving the Growth of the Indian Economy: Opportunities and Challenges

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Abstract: The Indian economy is the world's fourth largest economy with a market cap of over \$4 trillion. India is currently on its way to becoming the world's third largest economy, with \$5 trillion economy. The role of micro, small, and medium enterprises (MSMEs) is crucial to achieving this goal. This sector not only generating more employment but also contributes significantly to innovation, exports, economic growth, and inclusive development. MSMEs are the backbone of the Indian economy which generating the largest number of jobs after agriculture. They also play a significant role in India's GDP and exports, which has a cumulative impact on the Indian economy. Employment increases income, which in turn increases purchasing power. Increase in purchasing power boosts overall demand in the economy, attracting new investment and new investors and entrepreneurs. The primary objective of this research paper is to identify the current status, challenges, contribution to the Indian economy, opportunities, and potential growth strategies of micro, small, and medium enterprises (MSMEs) in achieving the \$5 trillion Indian economy.

Key Words: GDP Growth, Employment, Export, Entrepreneurship, \$5 trillion Economy.

1. INTRODUCTION:

The Indian economy is one of the fastest-growing economies globally and the role of micro, small, and medium enterprises (MSMEs) is crucial in achieving this. Micro, small, and medium enterprises (MSMEs) refer to small businesses that require minimal labor and capital to establish. Small businesses, or MSMEs, play a significant role in a country's economic and inclusive growth, especially in underdeveloped and developing countries. They represent enterprises within a specific range of size, investment limits, and turnover. Examples include khadi and village industries, rubber products, training and educational institutions, leather products, auto repair, spinning, weaving, and handicrafts, printing and paper products, poultry, call centres, engineering products, furniture, and wood products. Among the most popular MSMEs are food products, textiles, apparel, fabricated metal products, and machinery and equipment.

In the new notification of the Ministry of Micro, Small and Medium Enterprises, under the Atmanirbhar Bharat Scheme, MSMEs have been classified on the basis of investment and turnover limits from July 1, 2020, which is displayed in the following Table-1-

Table-1

Types of Enterprises	investment limit	annual turnover
micro industry	up to Rs 1 crore	up to Rs 2 crore
small scale industry	up to Rs 10 crore	up to Rs 50 crore
medium industry	up to Rs 50 crore	Up to Rs 250 crore

(Source: Ministry of MSMEs, India)

According to ministry of MSMEs, Micro enterprises include enterprises with an investment of up to ₹1 crore and an annual turnover of less than ₹5 crore. Small enterprises include enterprises with an investment of more than ₹1 crore and less than ₹10 crore. Medium enterprises include enterprises with an investment range of ₹10 crore to ₹50 crore and an annual turnover of up to ₹250 crore.



Whereas, on April 1, 2025, the Government of India has reclassified micro, small and medium enterprises on the basis of their investment and annual turnover, which is shown in the following Table 2-

Table-2

Types of Enterprises	investment limit	annual turnover
micro industry	up to Rs 2.5 crore	up to Rs 10 crore
small scale industry	up to Rs 25 crore	up to Rs 100 crore
medium industry	up to Rs 125 crore	Up to Rs 500 crore

(Source: Ministry of MSMEs, India 2025)

Thus, in the new classification, enterprises with investment up to Rs 2.5 crores and annual turnover up to Rs 10 crores have been classified as micro enterprises, enterprises with investment up to Rs 25 crores and annual turnover up to Rs 100 crores have been classified as small enterprises and enterprises with investment up to Rs 125 crores and annual turnover up to Rs 500 crores have been classified as medium enterprises.

Current status of MSMEs:

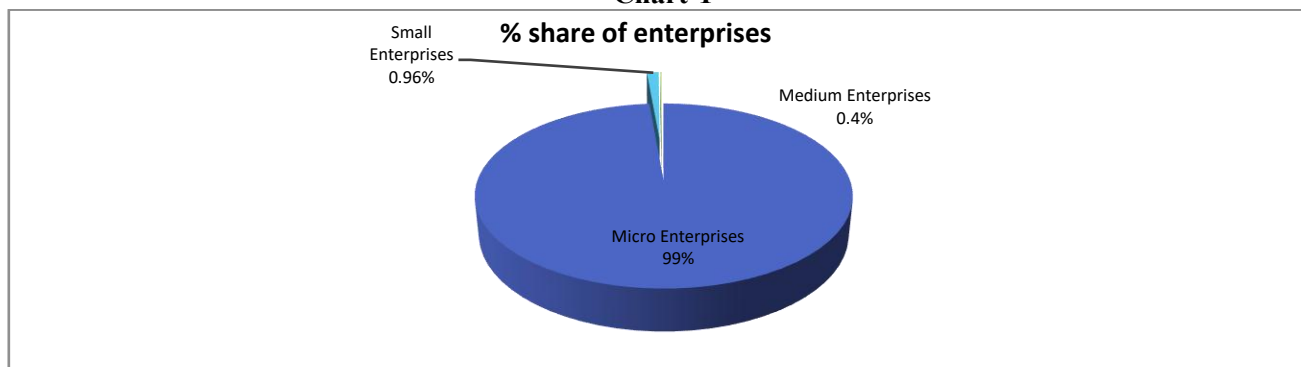
The current status of micro, small and medium enterprises in different states of India is classified in the following Table-3.

Table-3

Sl. No.	States/UTs	No. of Micro Enterprises	% Share of micro Enterprises	No. of Small Enterprises	% of Small Enterprises	No. of Medium Enterprises	% of Medium Enterprises	Total No. of Enterprises	% Share of MSMEs
1.	Andman & Nikobar Islands	17100	0.03%	275	0.04%	14	0.02%	17389	0.03%
2.	Andhra Pradesh	2779939	4.89%	24847	3.39%	1983	2.87%	2806769	4.86%
3.	Arunachal Pradesh	29176	0.05%	397	0.05%	36	0.05%	29609	0.05%
4.	Assam	972486	1.71%	9895	1.35%	866	1.26%	983247	1.70%
5.	Bihar	3135190	5.51%	19273	2.63%	1026	1.49%	3155489	5.47%
6.	Chandigarh	58814	0.10%	1987	0.27%	208	0.30%	61009	0.11%
7.	Chhattisgarh	994324	1.75%	12038	1.64%	1290	1.87%	1007652	1.75%
8.	Delhi	1018397	1.79%	41098	5.61%	5004	7.25%	1064499	1.84%
9.	Goa	99481	0.17%	1714	0.23%	159	0.23%	101354	0.18%
10.	Gujarat	3236951	5.69%	83349	11.38%	8538	12.37%	3328838	5.77%
11.	Haryana	1428214	2.51%	34427	4.70%	3310	4.80%	1465951	2.54%
12.	Himachal Pradesh	245617	0.43%	3927	0.54%	446	0.65%	249990	0.43%
13.	Jammu & Kashmir	675604	1.19%	5218	0.71%	352	0.51%	681174	1.18%
14.	Jharkhand	1171833	2.06%	8974	1.22%	661	0.96%	1181468	2.05%
15.	Karnataka	3767303	6.62%	46510	6.35%	4382	6.35%	3818195	6.62%
16.	Kerala	1369227	2.41%	19070	2.60%	1462	2.12%	1389759	2.41%
17.	Ladakh	16724	0.03%	145	0.02%	4	0.01%	16873	0.03%
18.	Lakshadweep	1953	0.00%	1	0.00%	-	0.00%	1954	0.00%
19.	Madhya Pradesh	3662725	6.44%	29962	4.09%	2270	3.29%	3694957	6.40%
20.	Maharashtra	7421033	13.04%	106795	14.57%	12322	17.86%	7540150	13.07%
21.	Manipur	123946	0.22%	676	0.09%	38	0.06%	124660	0.22%
22.	Meghalaya	37737	0.07%	501	0.07%	60	0.09%	38298	0.07%
23.	Mizoram	41054	0.07%	201	0.03%	11	0.02%	41266	0.07%
24.	Nagaland	51290	0.09%	244	0.03%	17	0.02%	51551	0.09%
25.	Odisha	1815152	3.19%	14863	2.03%	1096	1.59%	1831111	3.17%
26.	Puducherry	83616	0.15%	953	0.13%	127	0.18%	84696	0.15%
27.	Punjab	1595182	2.80%	27223	3.71%	2461	3.57%	1624866	2.82%
28.	Rajasthan	3239173	5.69%	42733	5.83%	3432	4.97%	3285338	5.69%
29.	Sikkim	23560	0.04%	195	0.03%	19	0.03%	23774	0.04%
30.	Tamil nadu	4654101	8.18%	59838	8.16%	5322	7.71%	4719261	8.18%
31.	Telangana	2183390	3.84%	27977	3.82%	3133	4.54%	2214500	3.84%
32.	The dadra & nagar haveli & daman and diu	26024	0.05%	1280	0.17%	236	0.34%	27540	0.05%
33.	Tripura	249701	0.44%	998	0.14%	73	0.11%	250772	0.43%
34.	Uttar Pradesh	6089511	10.71%	62495	8.53%	4834	7.00%	6156840	10.67%
35.	Uttarakhand	469029	0.82%	6330	0.86%	541	0.78%	475900	0.83%
36.	West Bengal	4117198	7.23%	36373	4.96%	3280	4.75%	4156851	7.20%
	Total	5,69,01,755	100%	7,32,782	100%	69,013	100%	5,77,03,550	100%

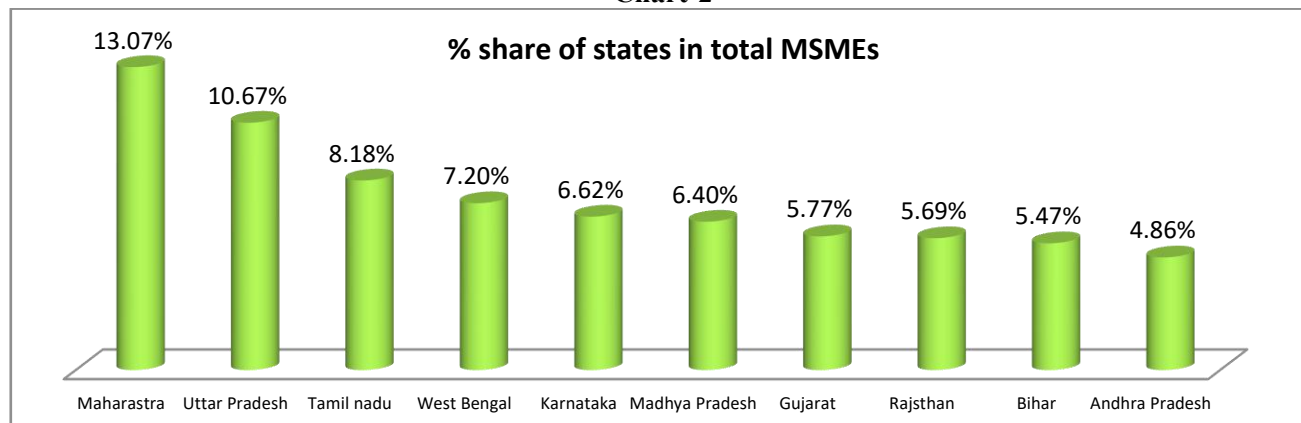
(Source: Annual report of MSMEs2024-25)

Chart-1



The current status of MSME and its various types of enterprises have been displayed in the above Table-3 and Chart-2, from which it is clear that the total number of MSMEs in the whole of India is 5, 77, 03,550, in which the number of micro enterprises is 5, 69, 01,755, the number of small enterprises is 7, 32,782 and the number of medium enterprises is 69,013. Out of the total working enterprises registered in India, almost 99 percent are micro enterprises. Whereas 1 percent is small and 0.4 percent are medium enterprises. Hence it is clear that micro enterprises have the maximum share of almost 99 percent in the total enterprises under MSM

Chart-2



The above chart-2 shows the percentage of number of enterprises to total MSMEs in different major states of India. Table-3 clearly shows that among all the states and union territories of India, Maharashtra, Uttar Pradesh, Tamil Nadu, West Bengal, Karnataka, Madhya Pradesh, Gujarat, Rajasthan, Bihar and Andhra Pradesh have the highest number of MSMEs. These states account for approximately 75% of India's total MSMEs. Six major states, namely Maharashtra, Uttar Pradesh, Tamil Nadu, West Bengal, Karnataka, and Madhya Pradesh, account for more than 50% of India's total MSMEs. This indicates a disparity in the distribution of total MSMEs.

Chart-3

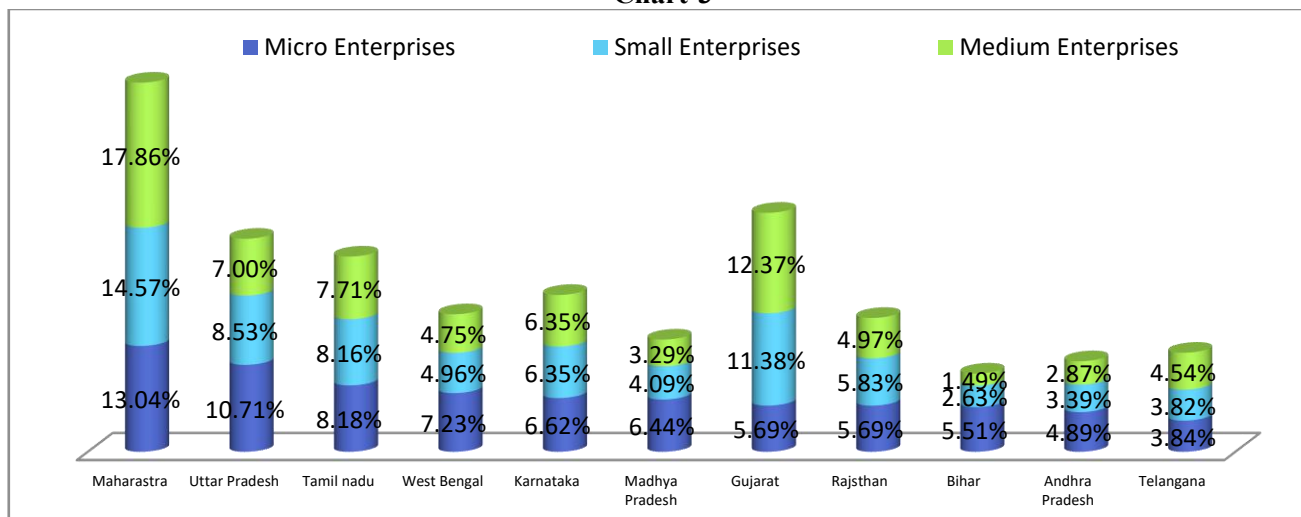




Chart-3 shows the percentage distribution of micro, small, and medium enterprises across major Indian states. Chart-3 clearly shows that over 52 percent of total medium enterprises in India are located in states and union territories such as Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh, and Delhi, demonstrating the uneven distribution of medium enterprises. Meanwhile, over 60 percent of small enterprises are concentrated in states and union territories such as Maharashtra, Gujarat, Uttar Pradesh, Tamil Nadu, Karnataka, and Delhi. Regarding micro enterprises, over 75 percent of total micro enterprises are concentrated in states and union territories such as Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka, Madhya Pradesh, West Bengal, Rajasthan, Gujarat, Delhi, Bihar, and Andhra Pradesh. The largest concentration of medium enterprises is concentrated in states such as Maharashtra and Gujarat. Thus, it is clear that the distribution of micro, small, and medium enterprises among the total MSMEs across different states in India is uneven.

Distribution of Ownership of Enterprises (SC/ST/OBC/GENERAL)

Chart-4

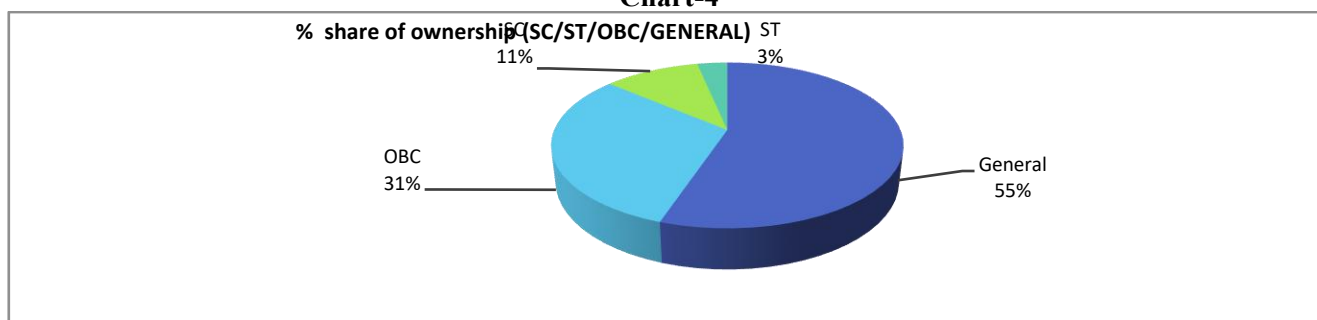


Chart-4 shows the total registered enterprises operating under MSME in India, classified by ownership by different sections of society. Chart-4 clearly shows that 55 percent of MSME ownership is from the general category, 31 percent from backward classes, 11 percent from Scheduled Castes, and 3 percent from Scheduled Tribes. However, the general category has a low share in India's total population. These percentages, when compared to the proportion of different sections in the population, demonstrate the disparity in ownership among different sections of MSME.

Distribution of Ownership of Enterprises (Gender wise)

Chart-5

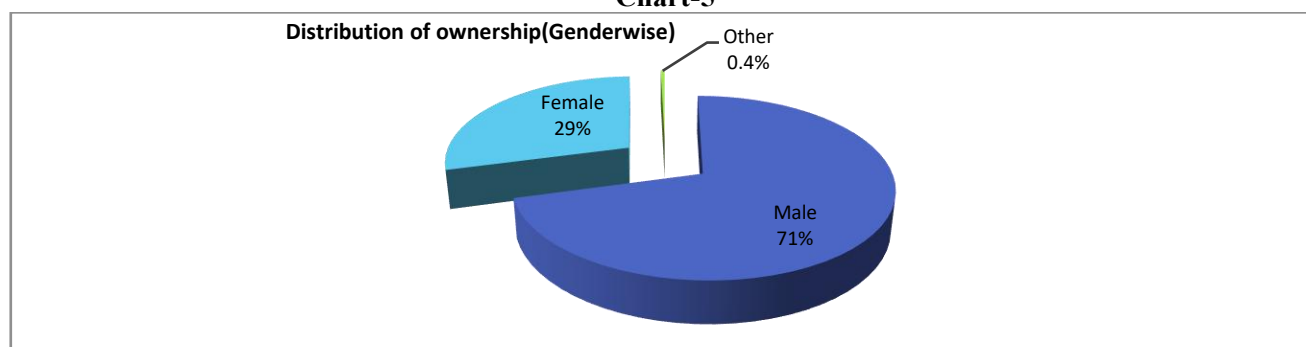


Chart-5 shows the gender-wise ownership of the total registered enterprises operating under MSME in India. Chart-5 clearly shows that 71% of the total ownership is held by men, approximately 29% by women, and less than half a percent by others. According to the Indian Census, the female-to-male ratio in India is 51.54 and 48.46, respectively. Of these, 623.7 million are men and 586.5 million are women. If we look at MSME ownership based on the female-to-male ratio, it demonstrates the gender-wise disparity in MSME ownership.

Government policies related to MSMEs.

The Government of India is implementing several schemes for the development of MSMEs. The Pradhan Mantri Mudra Yojana (PMMY) provides unsecured loans to micro enterprises, the Prime Minister's Startup India and Standup India schemes provide technical and financial support to innovative enterprises, the Skill India scheme provides skilled workers to enterprises, and the Self-Reliant package provides a guarantee of ₹3 lakh crore to MSMEs. To integrate MSMEs into the government procurement process, the government has implemented an e-marketplace to provide them with access to markets, financial assistance, and technical training. Additionally, for the development of MSMEs, the Government of India is implementing schemes such as the Prime Minister's Employment Generation Programme (PMEGP), the Micro and Small Enterprises Credit Guarantee Scheme (MSME), the Micro and Small Enterprises Cluster Development Programme (MSME Cluster Development Programme), Technology Upgradation for Micro and Small Enterprises (MSMEs), the National Small Industries Corporation (NSIC), Samarthan Se Samridhi (Prosperity through



Support), the Zero Defect Zero Effect Scheme (Zero Effect Scheme), and the Prime Minister's Vishwakarma Yojana (PMVVY).

2. LITERATURE REVIEW:

Uma (2013)¹ found in her research study that MSMEs are the backbone of the Indian economy. They provide employment to approximately 120 million people in the country. The MSME sector accounts for more than 30 percent of the country's total output. It contributes more than 49 percent of India's total foreign trade. This sector is a highly dynamic sector, contributing significantly to India's economic and social development.

Kumar Vinay (2017)², in his research study, "An Analysis of Growth of MSMEs in India and Their Contribution to Employment and GDP of the Country," found that MSMEs, in addition to providing employment, promote rapid rural industrialization. This contributes to the reduction of income inequality, job creation, poverty alleviation, and economic and social development of the country.

Karthikeyan et al (2018)³ in their research study 'Micro, Small and Medium Enterprises Opportunities and Challenges in India' studied the contribution of MSMEs to the Indian economy, its opportunities and challenges and found that MSMEs play a very important role in employment generation in backward and rural areas of India, as well as in reducing regional imbalances, increasing economic self-reliance, promoting sustainable development.

Ahmed (2019)⁴, in his research study, examined the contribution of the MSME sector to India's inclusive growth and found that this sector is the backbone of the Indian economy. This sector plays a significant role in India's economic and social development, employment generation, poverty alleviation, and inequality reduction. Therefore, MSMEs are considered the growth engine of the Indian economy, contributing to India's economic growth and balance of payments. MSMEs play a key role in India's high economic growth, rapid employment generation, and rapid industrial development.

Pawar S. Arvind (2023)⁵ in his study found that youth in rural and urban areas of India are facing problems in employment. It plays a vital role in providing opportunities. It requires less capital and less experience, which encourages new entrepreneurs. This sector, with its high per-unit employment potential, also plays a vital role in India's inclusive growth. Therefore, MSMEs help address macroeconomic problems in the Indian economy, such as poverty, inequality, inflation, fiscal deficits, and balance of payments.

3. OBJECTIVES :

1. To study the contribution of MSMEs in making the Indian economy a \$5 trillion economy.
2. To study the role of women in making the Indian economy \$5 trillion through MSMEs.
3. To study the current status and structure of MSMEs.
4. To study the contribution of MSMEs to the Indian economy.
5. To study the contribution of MSMEs in the creation of entrepreneurship.
6. To study the major challenges, opportunities, and various government policies of MSMEs, possible strategies for MSMEs in the future.

4. RESEARCH METHOD:

The present research study is based on secondary data collected from various secondary sources such as annual reports of MSMEs, published data and reports of various government and non-government organizations, research articles and research papers published in various national and international journals, journals like Yojana, Kurukshetra etc. MS Excel, charts, graphs, tables, percentage system etc. have been used to analyze the data obtained from various secondary sources.

1. Uma, P. (2013). Role of SMEs in Economic Development of India. *Asia Pacific Journal of Marketing & Management Review*, 2(6), 120–126.

2. Kumar, V. (2017). *An analysis of growth of MSMEs in India and their contribution in employment and GDP of the country. International Journal of Interdisciplinary and Multidisciplinary Studies*, 4(2), 187-191.

3. Karthikeyan, K., & Dinesh kumar, M. (2018). Micro, small, and medium enterprises in India: Opportunities and challenges. *Entrepreneurship in India: Opportunities and Challenges*, 61–65. ISBN: 978-93-87102-45-3.

4. Ahmed, A. (2019). MSMEs: Its role in sustainable development in India. *Journal of the Gujarat Research Society*, 21(5), 1–10

5. Pawar, S. A. (2023). *A review on role of MSME in employment generation in India. International Journal of Advances in Engineering and Management*, 5(2), 19-24. <https://doi.org/10.35629/5252-05021924>



5. DISCUSSION:

Role of Micro, Small and Medium Enterprises in the Indian Economy:

Role of MSMEs in Gross Value Added (GVA)

The contribution of MSMEs to Indian Gross Value Added, growth rate of Gross Value Added, India's Gross Value Added, MSMEs' share in Gross Value Added at constant prices from FY 2011-12 to FY 2024-25 are shown in the following Table-4:-

Table:-4

GVA of India and GVA of MSMEs (At Constant Price)				
Year	Total GVA	MSME GVA	Growth rate of GVA	% share in GVA
2011-12	8106946	2622574	5.2%	32.35%
2012-13	8546275	3020528	5.4%	32.82%
2013-14	10363153	3389922	6.1%	32.71%
2014-15	11504279	3704956	7.2%	31.80%
2015-16	12574499	4059660	8%	32.28%
2016-17	13965200	4502129	8%	32.24%
2017-18	15505665	508643	6.2%	32.79%
2018-19	171755128	5741765	5.8%	33.50%
2019-20	18381117	5602564	3.9%	30.48%
2020-21	18210997	4971602	-4.1%	27.30%
2021-22	21635584	6412787	9.4%	29.64%
2022-23	246559041	76433303	6.7%	31.00%
2023-24	26762147	8082168	7.2%	30.20%
2024-25	292663609	86628428	6.4%	29.60%

(Annual report 2014-15, 2020-21 & 2024-25)

Chart:-6

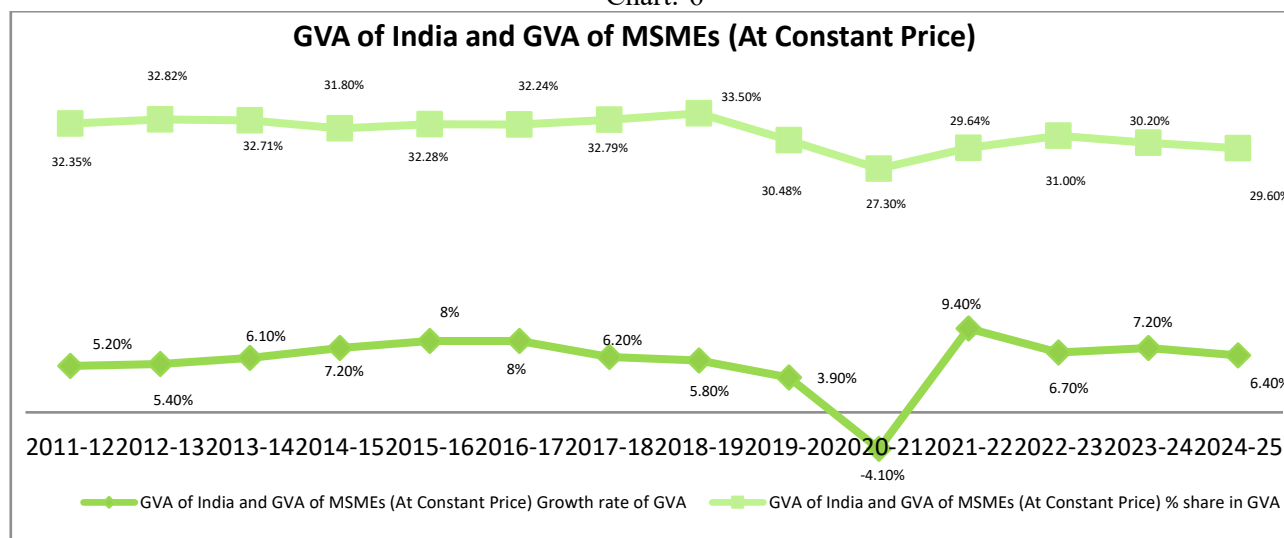


Table-4 shows the contribution of MSMEs to India's GVA. It is clear from Table-4 and Chart-6 that the percentage growth rate of India's Gross Value Added from FY 2011-12 to FY 2024-25 has been 5.20 per cent, 5.40 per cent, 6.10 per cent, 7.20 per cent, 8.0 per cent, 8.0 per cent, 6.20, 5.80, 3.90, 4.10, 9.40, 6.70, 7.20 and 6.40 respectively. MSMEs contributed 32.35 per cent of India's total GVA in 2011-12, which increased to 33.50 per cent in FY 2018-19. Meanwhile, from fiscal year 2019-20 to fiscal year 2024-25, the contribution of MSMEs to India's GDP has been 30.5, 27.3, 29.6, 31, 30.20, and 29.60 percent, respectively. Over the years, the share of MSMEs in India's gross value added has sometimes decreased and sometimes increased, but overall, their contribution to Indian GDP has remained constant at around 30 percent. Chart-6 above also clearly shows that there is a positive correlation between India's GDP growth rate and the share of MSMEs in India's GDP. Therefore, it is clear that to reduce rising unemployment in the Indian economy and to achieve a \$5 trillion economy, there is a need to increase the contribution of MSMEs to the Indian economy to over 50 percent, similar to other major economies such as the United States, China, Japan, and Germany.



Role of MSMEs in Indian Export (In Rs.):

The following table-5 shows the contributions of MSMEs in Indian total Export (In Rs.):-

Table:-5

Financial Year	Total Export	Contribution of MSMEs	% share of MSMEs
2011-12	1465959	630362.4	43.00%
2012-13	1634319	702757.2	43.00%
2013-14	1905011	800104.6	42.00%
2014-15	1896348	853356.6	45.00%
2015-16	1716384	858192	50.00%
2016-17	1849434	924717	50.00%
2017-18	1956515	958692.4	49.00%
2018-19	2307726	1110016	48.10%
2019-20	2219854	1104821	49.77%
2020-21	2159043	1065488	49.35%
2021-22	3147021	1417104	45.03%
2022-23	3621550	1578634	43.59%
2023-24	3618952	1641557	45.36%
2024-25 (Apr-Dec)	2698637	1235706	45.79%

(Source: DGCI&S, Report of expert committee on MSMEs 2019-20, 2023-24 & 2024-25)

Chart-7

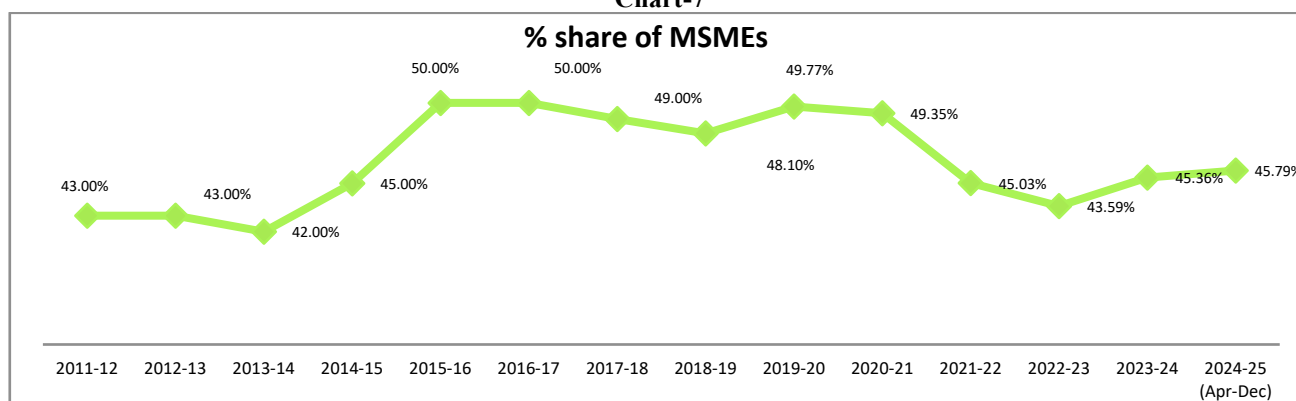


Table-5 presents the contribution of MSMEs to India's total exports. Table-5 and Chart-7 show that MSMEs contributed 43 percent to India's total exports in fiscal year 2010-11, which increased to 50 percent in fiscal year 2014-15. Meanwhile, their contribution to India's total exports remained stable at 50 percent in 2016-17. From fiscal year 2017-18 to fiscal year 2022-23, the contribution of MSMEs to India's total exports has been continuously declining. In fiscal year 2023-24, the contribution of MSMEs to India's total exports increased to 45.36 percent, which further increased to 45.79 percent in fiscal year 2024-25. The Goods and Services Tax (GST) was implemented in India on 01 July 2017, which had a negative short-term impact on India's micro, small, and medium enterprises (MSMEs). Due to the COVID-19 pandemic, the contribution of MSMEs to India's total exports has been declining. However, in the long term, the contribution of MSMEs to India's total exports has been increasing.

Role of MSMEs in Employment:

Employment Generated in MSMEs

India's MSME sector is the second-largest self-employment and employment generator after the primary sector. The MSME sector generates the largest number of employment opportunities for India's workforce. The low cost of establishing an MSME in India, requiring minimal knowledge, capital, and labor, effectively serves the country's economic development and employment objectives. The employment generated by MSMEs in India is presented in Table-6 and Chart-8.

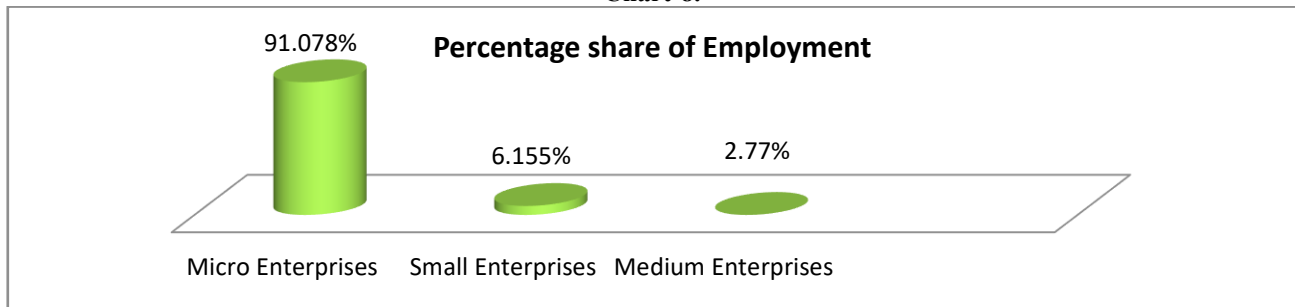
Table:-6 (No. in Lakh)

Categoeries of Enterprises	Providing Employment	Percentage share of Employment
Micro Enterprises	22,18,87,190	91.078
Small Enterprises	1,49,94,229	6.15
Medium Enterprises	67,39,936	2.77%
Total Enterprises	24,36,21,355	100.00%

(Sources: Annual Report of MSMEs 2024-25)



Chart-8.



Currently, MSMEs employ approximately 60 percent of India's total workforce, making them the second largest employment provider after agriculture. Table-7 presents the total employment generated by MSMEs in India, categorized by function and sector. Currently, MSMEs in India generate over 240 million jobs, with over 91 percent of these jobs generated in micro enterprises, over 6 percent in small enterprises, and approximately 3 percent in medium enterprises. Therefore, government initiatives to prioritize all three types of MSME industries are essential to reduce unemployment and promote industrial development in India. The MSME Annual Report 2024-25 also reveals that manufacturing, trade, and other services contribute 32 percent, 35 percent, and 33 percent, respectively, to the total employment generated by MSMEs. There is no significant difference in the share of manufacturing, trade, and other services in employment generation.

Role of MSMEs in the development of entrepreneurship:

MSMEs play a vital role in the development of any country's economy because they create employment opportunities and utilize local resources. The cumulative impact of MSMEs on the Indian economy can be illustrated in Chart-9 below.

Chart-9



These enterprises pay local people for using local resources, which increases their incomes and thus their purchasing power, which increases aggregate demand. This increase in aggregate demand provides entrepreneurs with investment opportunities, which in turn attract new entrepreneurs to establish enterprises and so on, the cycle continues.

Role of MSMEs in top Economy of the World:

MSMEs play a significant role in the global economy, forming the backbone of many countries' economies. According to the World Trade Organization, the sector represents over 90 percent of global companies and contributes over 60 percent of total employment. Micro, small, and medium enterprises contribute over 50 percent of global GDP. Many MSMEs depend directly or indirectly on international trade to sustain their operations, relying on imported goods for raw materials to manufacture goods sold domestically. This sector is a major employer of women and youth, and also helps foster innovation.

Table:-7

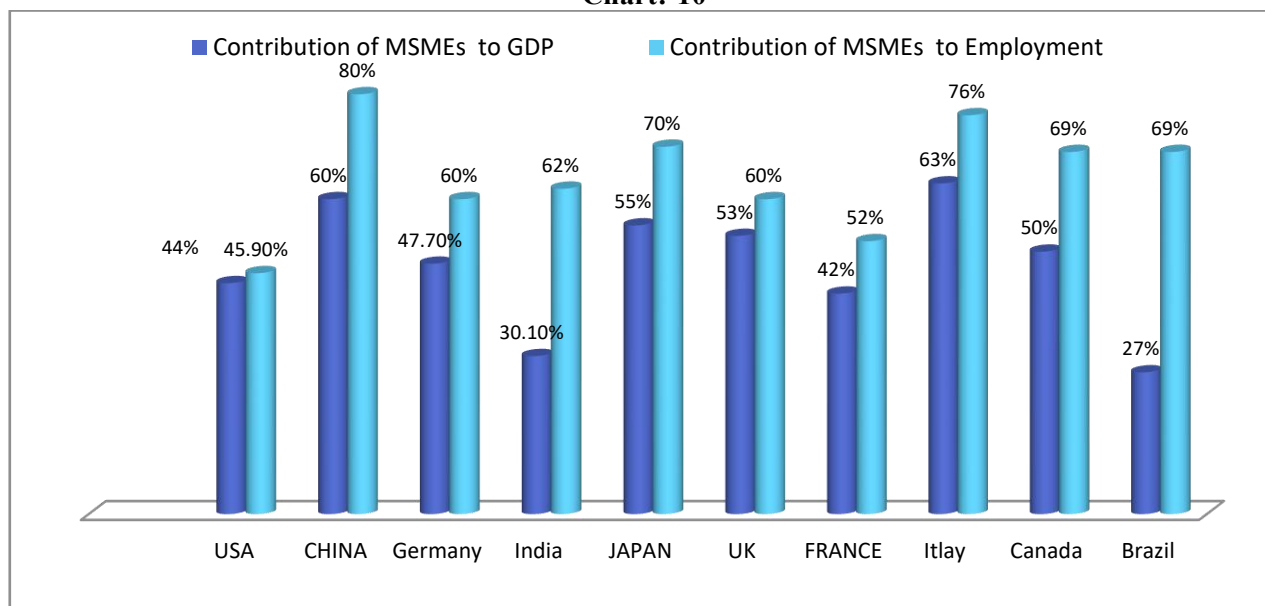
Rank	Country	GDP (in Trillion)	Per capita GDP(in US\$)	Contribution of MSMEs to GDP	Contribution of MSMEs to Employment
1.	USA	\$30.5	\$89,105	44%	45.9%
2.	CHINA	\$19.23	\$13,657	60%	80%



3.	Germany	\$4.74	\$55,911	47.7%	60%
4.	India	\$4.187	\$2,934	30.1%	62%
5.	JAPAN	\$4.186	\$33,955	55%	70%
6.	UK	\$3.84	\$54,949	53%	60%
7.	FRANCE	\$3.21	\$46,792	42%	52%
8.	Italy	\$2.42	\$41,091	63%	76%
9.	Canada	\$2.23	\$53,558	50%	69%
10.	Brazil	\$2.13	\$10,234	27%	69%

(Source: World Economic Forum 2025 & <https://www.worldbank.org/ext/en/home>)

Chart:-10



The above table-7 shows the share of MSMEs in GDP of the world's largest economies. The contribution is shown. Table-7 and Chart-10 clearly show that MSMEs contribute the most to China's economy. In other countries, such as the USA, China, and Germany, MSMEs contribute 44 percent, 60 percent, and 47.7 percent to GDP, respectively. In Italy, Japan, the UK, Canada, and France, MSMEs contribute 63 percent, 55 percent, 53 percent, 50 percent, and 42 percent, respectively. Of the total workforce in China, 80 percent, Japan 70 percent, Italy 76 percent, Canada 69 percent, Brazil 69 percent, and India 62 percent are employed in micro, small, and medium enterprises. Thus, the development of MSMEs is crucial from an employment perspective. According to World Bank data, on average, micro, medium, and small enterprises contribute more than 50 percent to the global economy. The above analysis also makes it clear that in the world's largest economies, MSMEs contribute over 50 percent of GDP on average. Therefore, to make India the world's third largest economy, it is essential to increase the contribution of MSMEs beyond 50 percent. On the one hand, the establishment of such enterprises will increase the country's GDP, while on the other hand, it will reduce unemployment, poverty, and economic inequality, as well as increase aggregate demand and aggregate supply, opening new avenues for investment.

MSMEs Ownership and Education Level:

The educational level of owners or entrepreneurs of registered micro enterprises operating in the world's top economies is shown in the following Table-9 and Chart-6.

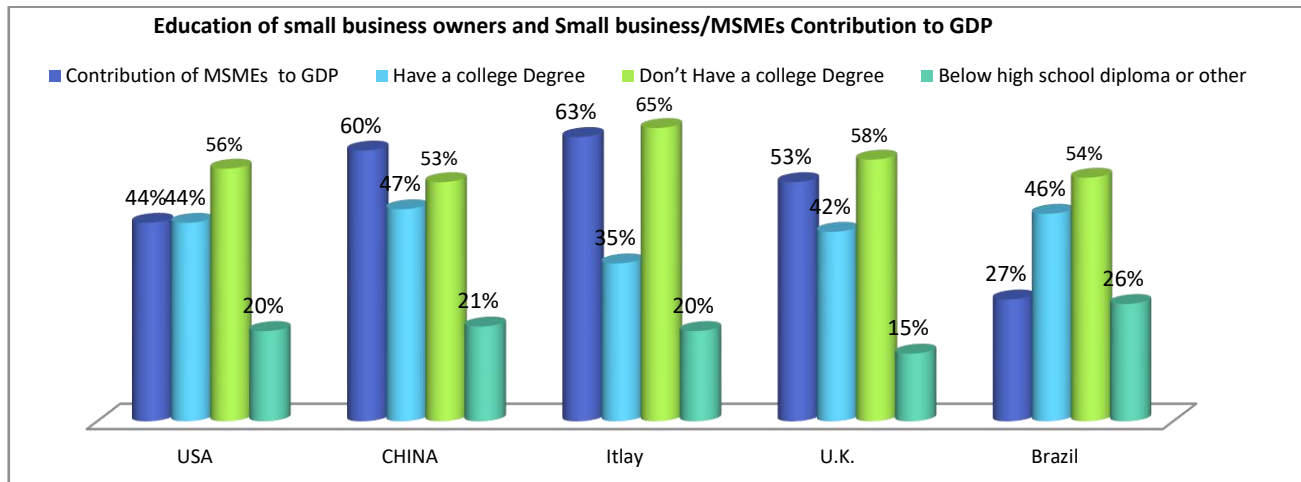
Table-8

Rank	Country	Contribution of MSMEs to GDP	Have a college Degree	Don't Have a college Degree	Below high school diploma or other
1.	USA	44%	44%	56%	20%
2.	CHINA	60%	47%	53%	21%
3.	Italy	63%	35%	65%	20%
4.	U.K.	53%	42%	58%	15%
5.	Brazil	27%	46%	54%	26%

(Source: Hitachi capital invoice finance U.K., small business profile statistics 2025 US Edition, china economic review, 73, 2022, is small business entrepreneur, RAUSP management journal, 53, apr-june 2018, Question di economia e finanza, and occasional paper number 724, October 2022 education of small business owners)



Chart-11



It is clear from the above Table-8 and Chart-11 that the total micro economies of the world. Most entrepreneurs in enterprises have educational qualifications below the bachelor's degree level. In the USA, most micro-entrepreneurs have educational qualifications below the bachelor's degree level. Similarly, in the economies of China, Italy, the UK, and Brazil, most micro-entrepreneurs have educational qualifications below the bachelor's degree level, i.e., up to the higher secondary level. Experts suggest that entrepreneurs under the age of 30 require more experience to make their business successful. Entrepreneurs over the age of 50 have more energy to start a venture. College and university education is often considered the best path to success, but a thorough analysis reveals that entrepreneurs in micro, small, and medium enterprises do not require a college education to succeed.

The role of women in making India the third largest Economy:

Currently, the Indian economy is the world's fourth-largest economy with a total of \$4.187 trillion. Japan, with \$4.186 trillion, is the fifth-largest economy, while Germany's economy, with \$4.74 trillion, is the third-largest economy. India needs an additional \$0.54 trillion to become the world's third-largest economy, and by then, Germany's economy will also have grown. Thus, India can become the world's third-largest economy only if the Indian economy grows by at least \$1 trillion in the coming year. Women can play a crucial role in increasing India's economy to over \$5 trillion if half of the total working-age women become self-employed or self-employed. According to the PLFS and NFHS-5 reports, 40 percent of India's working population is women, while the labor force participation rate is approximately 42 percent. India currently has an estimated population of 1.41 billion, of which approximately 720 million are men and approximately 690 million are women. Of these, an estimated 890 million people constitute the working-age population, of which 430 million are estimated to be women of working age. Of these 430 million working-age women, only 40 percent are actually working. If 43 million women, or 10 percent of the total working-age population, were either enrolled or employed under MSMEs, the per capita GDP of India could increase India's total GDP by approximately $\$2,934 \times 4.3 \text{ crore} = \1.26 trillion . Thus, India is projected to achieve a growth of approximately \$1.26 trillion in the next fiscal year with an economy of over \$5 trillion; it could become the world's third largest economy.

MSMEs and future strategies:

If we consider the world's top economies and those with high per capita income, the contribution of MSMEs to their GDP is significantly higher than India's. Furthermore, micro-enterprises in that country also contribute significantly to global exports. MSMEs utilize a country's internal resources, generating many times more direct and indirect employment, which has a cumulative impact on the economy. More employment, higher income, greater aggregate demand, higher investment, and increased exports are truly beneficial, driving a country's economy forward. Because women are more likely to work locally, stay at home, and care for their families, they refrain from travelling to other factories or locations, even if they have to survive with limited resources. If we succeed in connecting women with micro-enterprises, the Indian economy could soon become the world's third-largest economy. At the same time, the majority of India's total MSMEs are concentrated in a select few states, such as Maharashtra, Gujarat, Uttar Pradesh, Delhi, and Tamil Nadu. Therefore, this uneven distribution of MSMEs also increases economic inequalities. Therefore, to reduce these economic inequalities, create a unified industry chain, and increase the country's overall GDP; a specific strategy needs to be adopted in various states and union territories. Under this strategy, special caps can be established in rural and urban areas to connect women and men belonging to specific groups with micro-enterprises by providing them with training and equipment through government assistance. In areas with favourable raw materials and



environments for micro-enterprises, the establishment of similar micro-enterprises can be encouraged, trained, and marketing can be arranged. To make them globally competitive, periodic training can be provided for local marketing and high-quality production. To improve the financial system, easy and low-interest lending and subsidy-based loans should be provided. To improve the marketing system, knowledge and training in e-commerce should be prioritized for women and young entrepreneurs.

7. FINDINGS:

- In the present study, it is found that micro, small and medium enterprises provide employment to more than 24 crore people in the country, which is an important source of livelihood in both urban and rural areas of India.
- It has also been found in the present study that micro, small and medium enterprises contribute more than 30 percent to the country's GDP, due to which this sector plays an important role in the economic development of the country.
- The study also found that the contribution of micro, small and medium enterprises to the country's exports ranged between 45 per cent and 50 per cent, indicating that the sector plays a vital role in making the country's exports globally competitive.
- It has been found in the study that setting up such enterprises requires less capital, labour, education and training, hence even people from ordinary families can easily start this business.
- It was found in the study that since such enterprises can be established even on a small scale; therefore, establishment of such enterprises can prove to be very helpful in the industrial development of backward and rural areas.

8. CHALLENGES OF MICRO, SMALL AND MEDIUM ENTERPRISES:

Despite the crucial role played by MSMEs in the country's economy, these enterprises face a number of constraints and challenges. Key challenges facing the sector include a lack of adequate capital, a shortage of skilled human resources, marketing issues, inadequate credit and capital, technological backwardness, lack of digitization, power, transportation, and logistics issues, the short-term adverse effects of the Goods and Services Tax, the adverse effects of demonetization, the impact of the COVID-19 pandemic, and inadequate infrastructure.

9. CONCLUSION AND SUGGESTIONS:

The present study examines the contribution of MSMEs to the growth of the Indian economy and how they can make India the third largest economy in the world. The study found that MSMEs play a significant role in employment, contribution to GDP, and India's share of total exports. MSMEs are the backbone of the Indian economy, providing employment to over 240 million people. MSMEs contribute over 30 percent to the country's GDP. Establishing these enterprises requires little capital, minimal education, and a small workforce, making them easily run by household members. Therefore, their management and operation do not require specialized education, knowledge, or experience. Thus, micro, small, and medium-sized enterprises play a crucial role in the country's industrial progress. Because these enterprises are established on a small scale, they offer greater employment potential. Employment availability significantly impacts income, aggregate demand, aggregate supply, economic equality, and the emergence of new entrepreneurs. However, there are problems like lack of capital and lack of a wide market etc. in setting up and running such enterprises, which if overcome can play an important role in making the Indian economy the third largest economy in the world with a budget of \$5 trillion.

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