

MSMEs in the Context of Atmanirbhar Bharat: An Examination

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are the foundation of the Indian economy, driving growth and creating job opportunities. In both developed and developing nations, this sector plays a vital role in economic and social progress by encouraging entrepreneurship and providing employment. In India, the MSME sector is key to achieving the goal of becoming self-reliant. However, for these businesses to succeed, they need three important things: financial stability, access to skilled workers, and products that are competitive in the market. This helps them replace imported goods and also promotes exports. To make India truly self-reliant, it is important to support domestic industries and improve their position on the global stage. In this context, the current study examines the role of MSMEs in promoting gender equality within the framework of Atmanirbhar Bharat. The research uses a descriptive approach and relies entirely on secondary data collected from academic articles, government documents, MSME annual reports, books, and online resources. The findings show that the MSME sector plays a major role in creating jobs, especially in rural and semi-urban regions. Despite this, the sector encounters several challenges such as complex regulations, poor infrastructure, and limited financial support. The paper ends by proposing ways to support the MSME sector, including better access to loans, improved infrastructure, simpler regulations, and the encouragement of skill development initiatives.

Keywords: MSME, Atmanirbhar Bharat, Entrepreneurship, Employment, Skill Development

JEL Classification: C40, J16, J21, L52, and L60

Introduction:

The MSME sector is the foundation of India's economy, helping to drive social and economic growth across the country. It is a key part of the Indian economy, making a big impact on GDP, job creation, and exports. With over 7.34 crore estimated MSMEs employing around 26 crore people, the sector is important for encouraging entrepreneurship, innovation, and economic stability. Although there are still challenges, government policies that are forward-thinking, efforts to include more people in finance, and digital advancements are helping the sector grow in a sustainable way. With ongoing support, MSMEs are expected to be a major force in helping India reach its economic goals in the next ten years. The idea of small-scale industries in India was first introduced through the Industries (Development and Regulation) Act, 1951. However, a clear structure for MSMEs was created with the Micro, Small and Medium Enterprises

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Development (MSMED) Act, 2006, which officially classified MSMEs based on the amount of money invested in machinery or equipment.

Objectives:

The research aims to look into how small and medium enterprises (MSMEs) contribute to making India self-reliant. The specific goals of this study are:

1. To study the growth of MSME sector in Indian economy.
2. To analyse the role of MSMEs in achieving the goal of gender equality within the framework of Atmanirbhar Bharat.

Research Methodology:

This study is descriptive in nature. It uses only secondary data for analysis. The data comes from academic papers, government reports, annual MSME publications, as well as books and online sources.

Review of Literature:

Manikandan (2023) stated that MSMEs have an important role in achieving the goals of the Atmanirbhar Bharat Abhiyan. One of the key aims of this initiative is to support local manufacturing and cut down on imports. MSMEs can help reach these goals by making products in India, which also creates jobs and reduces unemployment. They also drive innovation and entrepreneurship and support exports.

Singh and Mallaiah (2022) studied the MSME sector and found it to be a major source of employment and helps spread national income more evenly. This industry is very active and plays a big part in the country's GDP. MSMEs are essential for building a self-reliant India. They are especially important for developing rural and underdeveloped areas, helping to balance development across different regions. The study looked at the technical efficiency of MSMEs in different states. It found that many states with a lot of MSMEs need to improve their efficiency. Gujarat and Kerala are among the least efficient in terms of registered MSMEs. In most states, registered MSMEs are not performing well. However, unregistered MSMEs are doing better in most regions. The study also suggests that registered MSMEs should make better use of their resources.

A recent study by Behera, M., et al., (2021) tried to measure how much MSMEs contribute to the Indian economy and also looked into the challenges and problems these businesses faced before and during the COVID-19 period. They found that MSME units are dealing with many issues because of the pandemic. Because of the widespread disruption caused by COVID-19, the government needs to set up a continuous monitoring system and take quick relief measures to boost confidence in the MSME sector.

Singh (2021) in his research paper looked into the definition of MSMEs, their role and performance in the current situation, and found that MSMEs have made a big contribution to the growth of the Indian economy. They are heavily involved in GDP, employment, exports, production, and industrialization in rural areas. The sector has many challenges and

opportunities, and the pandemic has had a negative impact on MSMEs. So, the government should take appropriate steps to deal with these effects.

Sur D., & Prasad S., (2020) in their paper discussed the mission of the Atmanirbhar Bharat Abhiyan. They focused on the main goals of this stimulus package, which aim to make India self-reliant in its key economic sectors and to improve its ability to handle future geoeconomics shocks. The paper also outlined the obstacles that were faced during the implementation of the package and suggested some ways to ensure its proper execution to achieve the goals of the Atmanirbhar Bharat Abhiyan.

Pitke, M., et al., (2020) in their paper explored the changing role of MSMEs in making India Atmanirbhar Bharat. The research paper also suggested a list of measures that the government should take to involve and support MSMEs in achieving the mission of Atmanirbhar Bharat. Finally, the study concluded that a systematic framework is needed to include MSMEs and make the Atmanirbhar Bharat mission a reality.

Sarita Satpathy, Sailaja Rani, and Nagajyothi, M.L (2017) in their paper titled "Study of Micro, Small and Medium Enterprises; the Backbone for Economic Development of Indian Economy," emphasized the role of MSMEs in contributing to total production, GDP, employment, and fixed investment in the Indian economy. The study also looked at how fast the MSME sector is growing compared to other sectors. The researchers found that this sector has a lot of potential and opportunities to boost industrial growth, especially under initiatives like "Make in India." They suggested that the government should take more actions to improve the situation for the people.

Classification of MSME Sector:

In India, MSMEs are categorized according to whether they have invested in equipment or machinery for their businesses.

- **Pre-2006 Era:** small-scale industries (SSI) were mainly classified based on investment limits, with separate thresholds for small and ancillary industries.
- **MSMED Act, 2006:** In 2006, the MSMED Act introduced a three-tier system for classifying enterprises as Micro, Small, or Medium, with different investment limits for manufacturing and service sectors.
- **Revised Classification (July 1, 2020):** On July 1, 2020, the Government of India removed the distinction between manufacturing and service sectors and started using a combined approach based on both investment and turnover to classify MSMEs.
- **Revised Classification (April 1, 2025):** On April 1, 2025, the Government of India further updated the MSME classification by increasing the investment and turnover limits, allowing businesses to grow while still being considered MSMEs.

Table 1: Current MSME classification (Effective April 1, 2025)

Enterprise Category	Investment Limit	Turnover Limit
Micro Enterprises	Up to ₹2.5 crore	Up to ₹10 crore

Small Enterprises	Up to ₹25 crore	Up to ₹100 crore
Medium Enterprises	Up to ₹125 crore	Up to ₹500 crore

Source: Economic Research and Data Analysis Vertical, SIDBI (May, 2025)

This updated classification helps improve financial access, makes it easier to run a business, and supports small businesses to grow without losing the advantages they already have because of a strict classification system.

The MSME sector plays a crucial role in the Indian economy. Its contribution to the country's Gross Value Added (GVA) has been increasing, going from 27.3% in 2020-21 to 29.6% in 2021-22 and then to 30.1% in 2022-23, showing its growing importance in the national economy. The exports from MSMEs have also grown a lot, rising from ₹3.95 lakh crore in 2020-21 to ₹12.39 lakh crore in 2024-25. The number of MSMEs involved in exports has also gone up, from 52,849 in 2020-21 to 1, 73,350 by May 2024. The share of MSMEs in India's total exports has been steadily increasing, reaching 43.59% in 2022-23, 45.73% in 2023-24, and 45.79% in 2024-25 (up to May 2024).

Table 2: Growth of MSME Sector in Indian Economy

Year	Total Working MSME (lakh Numbers)	Growth Rate of Total Working MSME	Employment (Lakh Persons)	Growth Rate of Employment	Production (Current Prices, Rs. in Crore)	Growth Rate of Production	Export (Rs. in Crore)	Growth Rate of Export
1990-91	67.87	---	158.34	---	78802	---	9664	---
1991-92	70.63	4.07	165.99	4.83	80615	2.30	13883	43.66
1992-93	73.51	4.07	174.84	5.33	84413	4.71	17784	28.10
1993-94	76.49	4.07	182.64	4.46	98796	17.04	25307	42.30
1994-95	79.60	4.07	191.40	4.79	122154	23.64	29068	14.86
1995-96	82.84	4.07	197.93	3.42	147712	20.92	36470	25.46
1996-97	86.21	4.07	205.86	4.00	167805	13.60	39248	7.62
1997-98	89.71	4.07	213.16	3.55	187217	11.57	44442	13.23
1998-99	93.36	4.07	220.55	3.46	210454	12.41	48979	10.21
1999-2000	97.15	4.07	229.10	3.88	233760	11.07	54200	10.66
2000-01	101.1	4.07	238.73	4.21	261297	11.78	69797	28.78
2001-02	105.21	4.07	249.33	4.44	282270	8.03	71244	2.07

2002-03	109.49	4.07	260.21	4.36	314850	11.54	86013	20.73
2003-04	113.95	4.07	271.42	4.31	364547	15.78	97644	13.52
2004-05	118.59	4.07	282.57	4.11	429796	17.90	124417	27.42
2005-06	123.42	4.07	294.91	4.37	497842	15.83	150242	20.76
2006-07	261.12	111.57	595.66	101.98	709398	42.49	182538	21.50
2007-08	272.79	4.47	626.34	5.15	790759	11.47	202017	10.67
2008-09	285.16	4.53	659.35	5.27	880805	11.39	---	---
2009-10	298.08	4.53	695.38	5.46	982919	11.59	---	---
2010-11	311.52	4.51	732.17	5.29	1095758	11.48	---	---
2011-12	447.66	43.71	1011.80	38.19	1,183,332.00	7.99	---	---
2012-13	467.56	4.45	1061.52	4.91	1,269,338.02	7.26	---	---
2013-14	488.46	4.67	1114.29	4.97	1,363,700.54	7.43	---	---
2014-15	510.57	4.53	1171.32	5.11	1,471,912.94	7.93	---	---
2015-16	633.88	24.15	1109.89	-5.25	---	---	---	---

Source: Annual Report, MoMSME, GOI

The MSME sector in India has witnessed significant changes in the post liberalised era of Indian economy. We will examine the data from 1990-91 to 2015-16 and highlight some of the trends and features of this sector. Data related to total number of working MSME units, employment generated in the process, total production of this sector and exports and their growth rate are presented in Table 2.

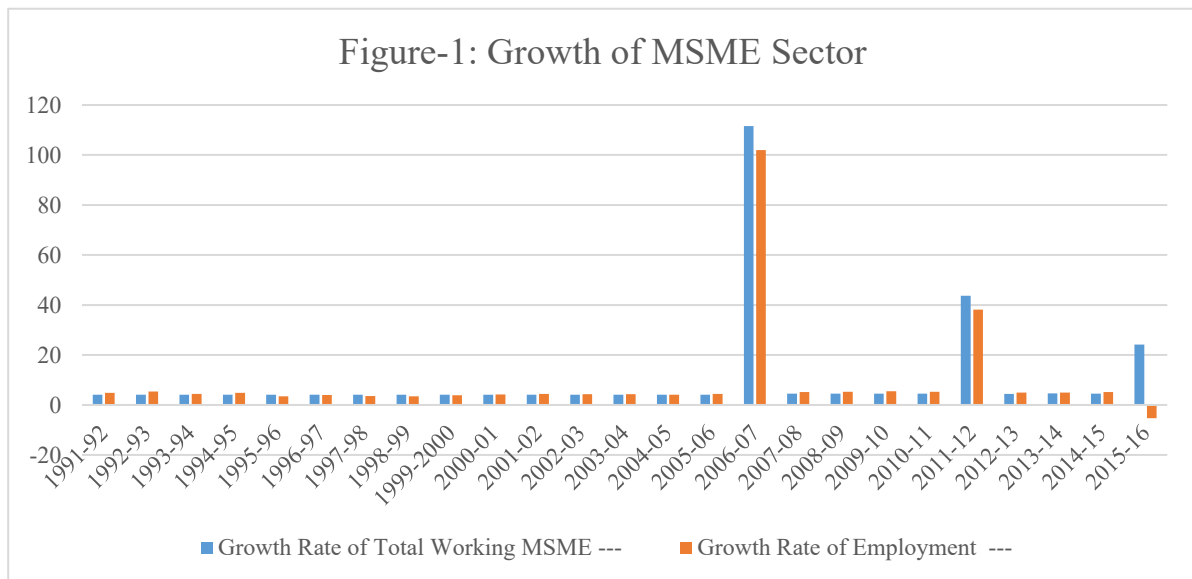


Figure-1 shows the growth rate of MSME sector in case of total number of working MSME units and employment generated in the process and the data reveals that there is a tremendous increase in the process of employment as well as total number of working MSME units in the year 2006-07.

After the NSSO Survey in 2016-17, it became clear that many estimated MSMEs were not officially registered, causing them to miss out on several benefits, such as Priority Sector Lending. As a result, the government started focusing on making the MSME sector more formal. The MSME Formalisation Project is a government effort to bring informal small businesses into the formal economy by offering them Udyam Registration. This process helps these businesses access various government benefits and support systems, which helps them grow and stay sustainable. The project shows the government's dedication to improving the competitiveness and productivity of the MSME sector, which is very important for India's economic growth.

Table-3: Plan Outlay (Rs. in crore)

Financial Year	Budget Estimates (BE)	Revised Estimates (RE)	Actual Expenditure
2008-09	1794.00	1725.00	1658.05
2009-10	1794.00	1517.76	1392.26
2010-11	2400.00	2390.02	2271.61
2011-12	2700.00	2457.00	2019.55
2012-13	2835.00	2541.95	2236.46
2013-14	2977.00	2600.00	2281.15
2014-15	3327.00	2500.00	2391.19
2015-16	2612.51	2620.00	1853.98
2016-17	2999.99	4983.20	3173.02
2017-18	6481.96	6481.96	6222.21
2018-19	6552.61	6552.61	6513.13
2019-20	7,011.29	7,011.29	6,717.53
2020-21	7,572.20	5,664.22	5,647.50
2021-22	15,699.65	15,699.65	15,160.47
2022-23	21,422.00	23,628.73	23,583.90
2023-24	22,137.95	22,138.01	22,094.17
2024-25	22,137.95	17,306.70	7,225.19*

Source: Annual Report, MoMSME, GOI

Table-3 shows the significant increase in plan outlay for the Micro, Small, and Medium Enterprises (MSME) sector from 2008–09 to 2024–25 reflects the Indian government's growing strategic commitment to this sector. The explanation for this outlay centres on strengthening economic resilience, formalization, credit access, and global competitiveness. During the COVID-19 pandemic period, in order to support, provide relief and give impetus to the MSME Sector, Government has taken a landmark step to double the budget allocation for the Ministry in the fiscal year 2021-22.

Atmanirbhar Bharat Abhiyan was launched by Prime Minister Modi during the COVID-19 pandemic. It was a special economic support plan designed to help the country during that tough time. The main goal of this initiative is to build a self-reliant India by making the country's economy stronger and guiding its development in a new direction. Atmanirbhar Bharat is built on five key pillars that are:

1. **Economy** - The goal is to build an economy that can make big progress instead of just small improvements, so the country can become self-reliant in meeting its own needs.
2. **Demography** - The active and youthful population, especially the ambitious millennials, is considered a key driver in helping India move to a global stage and transform from a developing country to a developed one. This group will be given chances to help build a self-reliant India.
3. **System** - The plan is to create a system that uses modern technology to meet the needs of the 21st century, with a complete update and improvement of current systems.
4. **Demand** - It is important to create a cycle of demand and supply. The Atmanirbhar Bharat Abhiyan aims to build a strong demand and supply chain within the economy, making sure the country's needs are met and its full potential is used.
5. **Infrastructure** - The focus is on building modern and important infrastructure that shows India's progress, improves connections, and supports economic growth.

By focusing on these pillars, the Atmanirbhar Bharat Abhiyan seeks to create a self-reliant India that is economically robust, has modern infrastructure, is driven by advanced systems, benefits from its dynamic population, and has a well-functioning demand and supply system.

Table- 4 shows the status of MSME sector through Atmanirbhar Bharat Abhiyan. Since its inception in October 2021, as on 31.12.2022, total 34 Daughter Funds have been empanelled with National Small Industry Corporation (NSIC) Venture Capital Fund Limited (NVCFL) or Mother Fund and by way of investing of Rs. 2,790 crore, 140 potential MSMEs have been assisted. Like this, total 53 Daughter Funds have been empanelled with Mother Fund and by way of investing of Rs. 7,649 crore, 432 potential MSME have been assisted in 2023-24 and 59 Daughter Funds have been empanelled with Mother Fund and these daughter funds have assisted 533 MSME by way of investment of Rs. 9,999 crore in these MSME in 2024-25.

Table- 4: Status of MSME Sector through Atmanirbhar Bharat Abhiyan

Year	Daughter Funds	Number of potential MSME	Investment

2022-23	34	140	Rs. 2,790 crore
2023-24	53	432	Rs.7, 649 crore
2024-25	59	533	Rs. 9,999 crore

Source: Annual Report, MoMSME, GOI

To help the MSME sector quickly, various steps have been taken as part of the package. The government is injecting Rs 50,000 crore in equity through the Self Reliant India Fund. The main goal of this fund is to tackle the issue of getting proper finance to MSMEs by providing equity. As part of the Atmanirbhar Bharat Package, the government has also set up a Rs 10,000 crore Fund of Funds for MSMEs. This fund is meant to support Venture Capital and Private Equity firms that invest in the MSME sector, encouraging them to invest more in this area. This fund helps MSMEs get the equity they need, helping them overcome challenges, encouraging them to grow and become more corporate, and reach their full potential to become global leaders. With government support, this fund brings together different kinds of money to help under-served MSMEs and meet the needs of those that have strong growth potential. The money collected by the daughter funds and the money provided by the SRI Fund are in a 4:1 ratio. These initiatives are expected to have a big impact, bringing significant liquidity of Rs 50,000 crore to the MSME sector and helping the country's economy grow.

Rise of women entrepreneurship in MSMEs: Women entrepreneurship is now playing an important role in the MSME sector. According to the Annual Survey of Unincorporated Sector Enterprises (ASUSE) for 2023-24, 26.2% of proprietary enterprises are owned by women. This shows a change in society's views, leading to greater inclusion, diversity, and equality, which are essential for the economy to grow in a sustainable way. Under the Prime Minister's Employment Generation Programme (PMEGP), women who start businesses get a higher subsidy and have to pay less of their own money. Since the program began in 2008-09 up until December 31, 2024, a total of 3, 22,195 projects by women entrepreneurs have been supported through PMEGP.

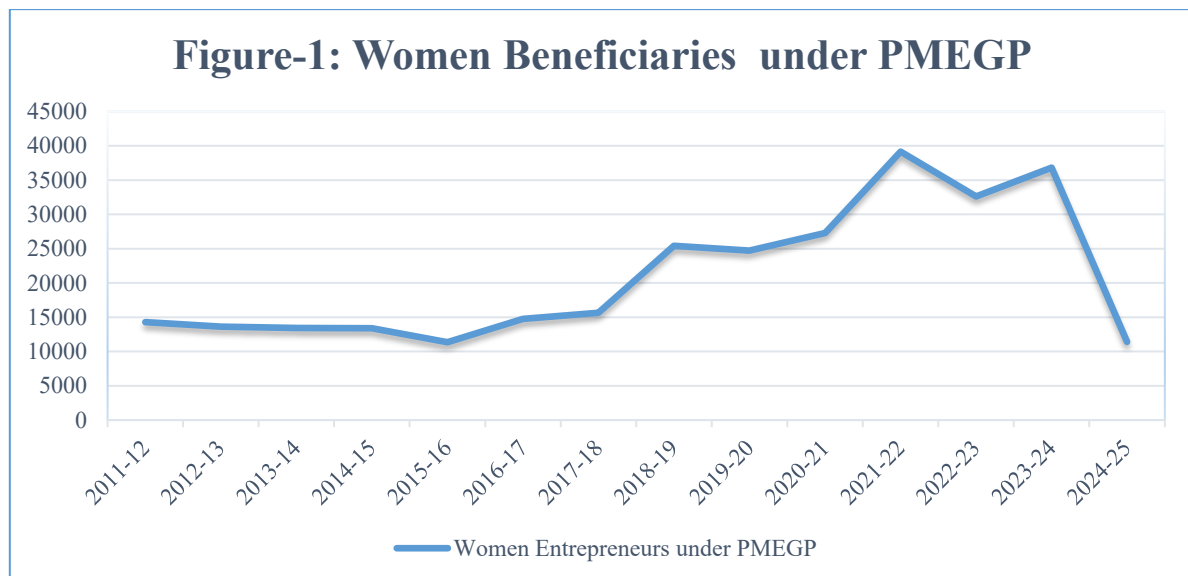
Table 5: Women beneficiaries under PMEGP during 2011-12 to 2024-25

Year	Women Entrepreneurs under PMEGP	Growth Rate
2011-12	14299	---
2012-13	13612	-4.80
2013-14	13448	-1.20
2014-15	13394	-0.40
2015-16	11356	-15.21
2016-17	14768	30.04
2017-18	15669	6.10

2018-19	25,434	62.32
2019-20	24,720	-2.81
2020-21	27,285	10.38
2021-22	39,156	43.51
2022-23	32,626	-16.67
2023-24	36,806	12.81
2024-25 (up to 31.12.2024)	11,415	-68.98

Source: Annual Report, MoMSME, GOI

Table 5 shows the number of women entrepreneurs under PMEGP each year from 2011-12 to 2024-25, up to December 31, 2024. The data shows changes in the number of projects over the years. There was a big increase in 2021-22, with the number of projects reaching 39,156, which is a 43.51% rise, the highest in the past six years. This growth may be because of the recovery after the pandemic and the government focusing more on helping people start their own businesses. However, in 2022-23, the number of projects went down by 16.68%, possibly because of less funding, uncertain markets, or difficulties in the administrative process. In 2023-24, there was a smaller increase of 12.81%, bringing the total number of projects to 36,806. These results highlight how PMEGP can support women by helping them start small businesses, especially if the program is implemented consistently and with strategies that match the needs of different regions. Figure 1 shows the connection between the year and the number of women entrepreneurs under PMEGP, and it shows that the highest number of women entrepreneurs were supported in the 2021-22 financial year.



The main aim of the various schemes and programs run by the Ministry's organizations is to offer and support a wide range of services that help speed up the development of small and medium enterprises (MSMEs). There are also specific programs designed for individual beneficiaries. Many of these schemes provide additional benefits, discounts, and support for

women, aiming to end discrimination, stop violence against women, and prevent harmful practices. They also work to encourage women's involvement in decision-making, improve their access to economic resources, technology, and reproductive health services, and strengthen policies and laws that promote gender equality.

Formal women-owned MSMEs are active in many different sectors. They are especially common in retail and wholesale, healthcare, beauty, and cosmetics. They are nearly as present in the tourism, transport, hotels and restaurants, services, and trade sectors. However, they have a slightly smaller presence in manufacturing, agriculture, and construction. Despite this, women-owned and women-led businesses face several challenges. The biggest issue is limited access to financial resources. Other barriers include a lack of business skills and limited access to professional networks. Women are mostly employed in low-skilled jobs and earn lower wages. They often work in poor conditions, without proper social security, maternity benefits, or protections against sexual harassment. Improving working conditions in MSMEs can help increase women's economic participation and promote gender equality. Strengthening the capacity of women-owned or women-led MSMEs can also be a key way to empower women economically.

Conclusion:

The MSME sector in India is a key player that helps the economy grow and supports entrepreneurship. It contributes almost a third of the country's GDP and half of its exports. With around 633.9 lakh MSMEs spread evenly between rural and urban areas, this sector is very important for creating jobs. The MSME sector helps India's economy a lot because it works well with the country's challenges like lack of capital, limited technology, and poor infrastructure. MSMEs have the potential to help India reach new levels of success. Therefore, the MSME sector can play a big role in achieving India's dream of self-reliance. Even though the sector is growing strongly and is resilient, there are still challenges such as the credit gap, limited access to technology, and low levels of innovation. The government's efforts, including credit schemes, Udyam registration, and skill development programs, are good, but tackling these challenges is essential for the continued growth of the MSME sector in India, both in terms of quantity and quality.

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