

## Indian MSMEs: A decade of resilient growth and innovation



Over the past ten years, India's Micro, Small, and Medium Enterprises (MSMEs) have evolved from informal, localized businesses into a dynamic, formal sector driving economic growth, exports, and employment—shaped significantly by precise governance and strategic reforms.

India's MSME sector has witnessed robust structural growth and formalization over the past decade. According to SIDBI, the total number of MSMEs rose from 63 million in FY 2014–15 to over 73.4 million by September 2024, reflecting a significant expansion of the entrepreneurial base. A key driver of this growth has been the push for digital formalization—over 37 million MSMEs were registered on the Udyam portal by July 2024, enabling easier access to credit, subsidies, and government support mechanisms. This growth has translated directly into employment gains. As per data from Reuters citing government sources, MSMEs generated 11 million new jobs between 2023 and 2024 alone, increasing total employment to 120.6 million, solidifying their status as the second-largest employment generator in the country.

### GDP share, bank credit & export performance

India's Micro, Small, and Medium Enterprises (MSMEs) have firmly established themselves as a foundational pillar of the country's economic engine, consistently contributing nearly 30% to the Gross Domestic Product (GDP) from FY 2017–18 to FY 2022–23, according to data from the Press Information Bureau (PIB). This steady contribution underscores the sector's resilience and its critical role in driving inclusive, grassroots-led economic development across urban and rural India. **Gaurang Shetty, Chief Innovation Catalyst, Somaiya Vidyavihar University** says *"MSMEs are the backbone of India's economy — generating livelihoods where they matter most."*

One of the most significant areas of MSME impact has been in international trade. MSMEs have emerged as a powerful export powerhouse, with their exports surging from ₹3.95 lakh crore in FY 2020–21 to ₹12.39 lakh crore in FY 2024–25. As of FY 2023–24, MSMEs accounted for 45.7% of

India's total exports, showcasing their growing capability to meet global demand, adhere to international standards, and leverage cross-border e-commerce and supply chain networks. This remarkable growth reflects not just increased production but also improved competitiveness and market diversification.

On the financial front, access to credit—long a barrier for MSMEs—has seen notable improvement, particularly through formal banking channels. According to SIDBI, total bank credit to MSMEs crossed ₹35.2 lakh crore by March 2025, registering a robust 13% year-on-year growth. This expansion in credit availability is partly a result of proactive government schemes like the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Emergency Credit Line Guarantee Scheme (ECLGS), and increased digital integration through platforms like Udyam, TReDS, and GeM. The increased financial flow has enabled MSMEs to invest in technology upgrades, expand production capacity, hire talent, and strengthen supply chains.

Together, these developments highlight a dynamic shift in India's MSME ecosystem—transforming from largely informal, credit-starved businesses into digitally empowered, globally competitive economic contributors that are central to India's aspirations of becoming a \$5 trillion economy.

### **Government Interventions & Policy Reforms**

Over the past decade, the Indian government has implemented a wide array of policy reforms and targeted interventions to empower and formalize the MSME sector, recognizing its critical role in job creation, exports, and GDP contribution.

A major turning point came with the launch of the Udyam Registration Portal in July 2020, aimed at simplifying the process of MSME classification and providing a single-window system for benefits access. As per MSME Ministry data, over 37 million enterprises had registered on the platform by July 2024, enabling them to tap into formal credit, subsidies, and priority sector lending.

To address long-standing credit challenges, the government significantly strengthened the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). According to SIDBI's May 2025 report, the scheme now covers guarantees of over ₹5.33 lakh crore, supported by AI-driven credit assessment to improve underwriting for smaller borrowers. The Emergency Credit Line Guarantee Scheme (ECLGS), launched during the COVID-19 pandemic, further injected over ₹3 lakh crore in collateral-free loans to over 1.3 crore MSMEs by mid-2023 (source: PIB).

The 2025 Union Budget reinforced this momentum by announcing a digital MSME credit card offering collateral-free loans up to ₹10 lakh, simplified through Aadhaar and PAN-based authentication. It also proposed enhancements to the Raising and Accelerating MSME Performance (RAMP) program, a World Bank-backed initiative with an outlay of \$808 million over five years to improve market access, digitalization, and skilling, as per NITI Aayog.

On the market access front, the Government e-Marketplace (GeM) platform, launched in 2016, has enabled direct procurement by government bodies from MSMEs. As of FY 2024–25, GeM reported a gross merchandise value (GMV) of over ₹13.6 lakh crore, with more than 10.4 lakh MSE sellers and service providers onboard according to GeM Portal Annual Report 2025.

Further, to boost local manufacturing and align with the 'Make in India' and 'Atmanirbhar Bharat' missions, the government revised MSME definitions in 2020, allowing more businesses to qualify for benefits by increasing investment and turnover limits. This reclassification facilitated wider access to formal schemes and financial tools, according to NITI Aayog's MSME Policy Review (2023).

To enhance transparency and real-time grievance redressal, the Ministry of MSME also launched the CHAMPIONS portal, which resolved over 50,000 issues within weeks of launch by integrating with CPGRAMS and other feedback channels, as per MSME Ministry.

Together, these policy reforms and institutional interventions reflect a comprehensive and coordinated strategy to unlock the full potential of MSMEs—by enabling formalization, access to credit, digital adoption, market linkages, and ease of doing business—backed consistently by data from SIDBI, PIB, NITI Aayog, and the Ministry of MSME.

### **MSMEs: Challenges and the road ahead**

Despite their critical contribution to India's economy, Micro, Small, and Medium Enterprises (MSMEs) continue to face persistent structural challenges that hinder their full potential. According to the NITI Aayog's "Report on India's MSMEs" (2023), the sector remains highly fragmented and informal, with nearly 90% of MSMEs operating outside the formal system, limiting their access to institutional finance, modern technology, and organized supply chains.

One of the most pressing issues is the credit gap. As highlighted by SIDBI in its May 2025 MSME Pulse report, formal credit penetration remains uneven, particularly for micro and women-led enterprises. The credit demand–supply mismatch stands at an estimated ₹30 lakh crore, with micro enterprises often dependent on informal sources at high interest rates. Only 16% of total credit disbursed in FY 2024–25 went to micro enterprises, despite them accounting for over 95% of registered MSMEs, reflecting a serious imbalance in capital allocation, as per SIDBI, 2025.

Additionally, digital adoption and technological readiness remain major hurdles. The Ministry of MSME's 2024 Annual Report observed that while the pandemic accelerated digital uptake, the majority of MSMEs still lack robust digital infrastructure, e-commerce integration, or access to Industry 4.0 tools like AI and automation. This digital divide makes it difficult for them to compete with larger enterprises, especially in global markets.

Export participation is another area of concern. A 2024 NITI Aayog analysis revealed that only 0.3% of medium enterprises accounted for 40% of total MSME exports, exposing a concentration risk and a lack of export-readiness among smaller enterprises. Limited awareness of international compliance standards, logistics constraints, and inadequate access to global supply chains were cited as key barriers.

Skill shortages and workforce upskilling are also persistent challenges. According to the National Skill Development Corporation (NSDC), nearly 47% of MSME workers require reskilling or upskilling to remain relevant in digitally evolving industries. However, low investment in employee training and lack of structured programs limit progress.

On the regulatory front, compliance burdens continue to weigh down smaller businesses. The MSME Ministry's Ease of Doing Business Survey (2023) pointed out that a significant percentage of MSMEs found it difficult to navigate licensing, taxation, and statutory filings, often leading to non-compliance or stagnation.

### **The road ahead**

To address these challenges, policy experts and government bodies have recommended several key focus areas:

- **Bridging the credit gap** through enhanced credit guarantee coverage, credit scoring innovations, and deeper fintech integration (SIDBI, 2025).
- **Accelerating digital transformation** via targeted subsidies, common tech platforms, and MSME-focused digital literacy programs (Ministry of MSME, 2024).
- **Strengthening export readiness** through capacity-building, incentives for global certifications, and improved logistics infrastructure (NITI Aayog, 2024).
- **Building a future-ready workforce** by integrating MSMEs with national skilling programs like Skill India, with modular, on-the-job training models (NSDC, 2023).
- **Simplifying compliance** with unified filing portals, single-window clearances, and AI-assisted documentation to reduce administrative load (Ministry of MSME, 2023).

With focused reforms and collaborative execution, India's MSMEs can overcome these systemic hurdles and become global engines of inclusive, sustainable growth.

#### **Neha Juneja – CEO & Co-Founder of IndiaP2P**

MSMEs form the backbone of India's economy, contributing nearly 30% to GDP and employing over 110 million people. They drive innovation, enable livelihoods, and sustain local economies across urban and rural India. Yet, access to timely and affordable credit remains a key barrier to their growth. On MSME Day, we recognise their outsized role and the urgent need to support them with policies, capital, and opportunities. A thriving MSME sector is not just good economics—it's essential for inclusive, resilient, and sustained national prosperity.

#### **Niraj Kumar, CTO, Onix**

"On MSME Day, Onix celebrates the resilience and innovation of India's Small and Medium Enterprises. Our AI-first approach to cloud and data is built to be scalable, secure, and result-driven, making us a strong partner for SMEs looking to modernize, leverage AI, and grow. Through our deep collaboration with Google Cloud, our IP products, and the Wingspan platform, we streamline the data-to-AI journey and deliver enterprise-grade AI solutions, making advanced AI capabilities and domain-specific AI agents accessible and impactful for growing businesses. At Onix, we are making enterprise-grade tech accessible so SMEs can lead in a data-driven world."

#### **Vishal Salvi, CEO, Quick Heal Technologies Limited**

"MSMEs limited resources and cybersecurity awareness leave them vulnerable to evolving cyber threats and frauds. Just as MSMEs adapt and evolve to meet market demands, we continuously innovate to address emerging cyber threats that could potentially disrupt their progress. We envision a cyber-secure ecosystem where every MSME can thrive fearlessly in the digital age, contributing to our nation's prosperity and global competitiveness."

#### **Rahul Sharma, VP – Sales, Salesforce India**

"India's MSMEs continue to power innovation, employment, and economic growth across the country. With AI and automation becoming more accessible, these small businesses have a golden opportunity to scale smarter, collaborate more effectively, and deliver even greater value to their customers. As more MSMEs embrace these digital-first tools, they'll be better equipped to navigate changes, boost productivity, and grow their businesses at scale. We're committed to helping India's MSMEs harness the power of AI, so they can work faster and smarter, all in one place."