IMPACT OF SMALL AND MEDIUM ENTERPRISES ON THE INDIAN ECONOMY

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Dedication

I dedicate this thesis to two heroes in my life, namely, Mohan Nair and Savitri Nair. Mr. Mohan Nair, my father, is a retired businessman who invested in my education and encouraged me in every step of my life. We lost him to cancer, but he is always in my thoughts. My parents, Mohan and Savitri Nair, took full responsibility for my secondary and bachelor's degree education, as well as my postgraduate education. You are truly my heroes. The reason for the success of my academic life, and I dedicate this report to you. I would also extend my Support to my teachers, educators, and other family and friends who stood by me in my difficult times.

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I thank God for giving me life, strength, knowledge, and wisdom to finish this research successfully despite the severe health challenges I encountered during the study. My heartfelt gratitude also goes to Dr Isaac, my supervisor at the Swiss School of Business and Management, for guiding and providing me with valuable comments to complete this research successfully. Your dedication, professional experience, excellent communication skills, and passion have contributed to this study, and I will forever remain grateful to you. Furthermore, my appreciation to everyone who contributed to the initial research.

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ABSTRACT

IMPACT OF SMALL AND MEDIUM ENTERPRISES ON THE INDIAN ECONOMY

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Small and Medium Enterprises (SMEs) are the backbone of the Indian economy, creating jobs, contributing to industrial production, and export development. This research investigated the multi-faceted impact of SMEs on the Indian economic context and discussed their role in promoting gross domestic product (GDP), innovation, rural industrialization, and inclusivity. With approximately 63 million enterprises involved with manufacturing, services, and trade sectors, SMEs accounted for approximately 30% of GDP and nearly half of all exports. SMEs are important contributors to economic decentralization and are reducing disparities between regions by promoting entrepreneurship in semi-urban and rural regions.

The study also investigates the primary barriers facing SMEs, including limited access to finance, weak infrastructure, regulatory burdens, technology gaps, and skills gaps. It studies the efficacy of several government interventions, such as the Credit Guarantee Scheme, Udyam Registration, and Digital MSME Program, in aiding the growth of the sector. In addition, it identifies structural constraints and provides an

agenda on policy reform, financial inclusion, digital empowerment, and sustainable business practices. Ultimately, this research highlights that bolstering the SME sector is vital for sustainable economic growth that is inclusive and resilient for the economy of India. It then ends with directions for future research to help enrich understanding of sectoral issues, regional variability, and post-pandemic recovery strategies.

Similarly, as the report underscores the critical significance of SMEs in the growth of innovation, self-reliance, and job-led development as a result of the provision of millions of livelihoods, particularly to youth and women, and among disadvantaged groups, SMEs are key to eradicating poverty and encouraging equal access and opportunity. SMEs also enhance competitiveness in worldwide supply chains and to a greater extent in the digital economy. However, for this transformative potential to be realized, there needs to be a supportive ecosystem of coordinated plans by the government, financial institutions, trade associations, and academia, with shared and clear objectives. This includes strengthening infrastructure, improving access to markets, supporting climate-positive practices, and supporting the entrepreneurial spirit more generally, for the future development of India's SME growth.

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CHAPTER I: INTRODUCTION

1.1 Research background and scope

The sector of “micro, small, and medium-sized enterprises (MSMEs)” has become a vital pillar of the “Indian economy”. “MSMEs” are playing a pivotal role in the “Indian economy” by creating jobs, attracting little investment, reducing regional inequities, making a substantial contribution to GDP, and promoting equitable wealth and income distribution. According to Union Minister of MSMEs K H Maniyappa, “The MSME sector has been acknowledged as the growth engine and is the nursery of entrepreneurship.” State governments are primarily in charge of promoting and developing MSMEs (Karthikeyan & Priya 2015).

Nonetheless, via several programs, the Indian government supports the work of the state governments. Additionally, MSMEs are essential to the growth of industries and the creation of job opportunities (Economic Times, 2013). India's small-scale industry has developed throughout time, moving from producing basic consumer items to producing a wide range of intricate and precise goods, such as microwave components, electronics control systems, electromedical equipment, etc. According to the “4th All-India Census of MSMEs'“ quick estimates, there are “7.3 million manufacturing enterprises”, “18.8 million service enterprises”,

2.1 million women's enterprises (8%), 14.2 million rural enterprises (54.4%), 59.7 million employments, and 6.24 employment per unit (Karthikeyan, S., & Priya, R. U. 2015).

Due to its brief gestation time, labor-intensive methods, and minimal investment requirements, this industry has significant potential for expansion. The highest authority for advising, coordinating, and creating policies and programs for the advancement and advancement of the “MSME” sector is the Office of the Development Commissioner. Since the “Indian government” passed the Micro, Small, and Medium Enterprises Development Act in 2006, the “SME sector” has grown significantly (Karthikeyan & Priya 2015).

1.1.1 MSMED Act, 2006

For resolving policy issues regarding "MSMEs" and the "sector's coverage and investment limit, the "Micro, Small, and Medium Enterprises Development (MSMED) Act" was introduced in "2006". "The Act" seeks to enhance these firms' competitiveness along with their development. It provides the "first-ever legal basis" for recognizing the concept of a "enterprise," encompassing both "production and service-enterprises.". It, for the first time, recognizes "medium-sized businesses" and seeks to merge "the micro, small, and medium- sized business" categories. Further, "the Act" institutes a system of legislative consultation at the national level that possesses an extensive variety of advisory powers with balanced representation from all stakeholders, particularly the three classes of enterprises (Karthikeyan, S., & Priya, R. U. 2015).

1.1.2 Definition and Classification of MSMEs (as per MSMED Act 2006)

The definition of "small-scale industries" has been altered many times in the "Indian context". The level of investment and the size of personnel were the major definitional determinants. The enactment of the "Micro, Small and Medium Enterprises Development Act" in 2006 was a watershed moment. Besides defining medium-sized enterprises, the "MSME Development Act of 2006" recognized that the term "enterprise" refers to both the "manufacturing and services sectors". Companies were classified based on their investment in equipment for firms that deliver or undertake services, and in plant and machinery for firms that produce. The following is the specified investment threshold for businesses to be categorized as “micro, small, and medium-sized businesses”:

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Table 1.1: Investment Limit for Different Enterprises

Classification	Manufacturing Enterprises	Service Enterprises
“Micro”	“Rs. 2.5 million/ Rs. 25 lakh”	“Rs 1 million/ Rs. 10 lakh”
“Small”	“Rs. 50 million/ Rs 5 Crore”	“Rs 20 million/ Rs. 2 Crore”
“Medium”	“Rs. 100 million/ Rs. 10 Crore”	“Rs 50 million/ Rs 5 Crore”

Source: Annual Report (2013-14): Ministry of Micro, Small and Medium Enterprises, “Government of India, New Delhi”, p. 309

1.1.4 Revised Classification of Micro, Small & Medium (MSME)

The new “MSME” definition, which was adopted by “the Indian government” in compliance with the Aatmanirbhar Bharat Package, went into effect on July 1st, 2020. According to updated regulations, the “industrial and service sectors” must have the same “investment and turnover cap” (Srivastava, D.S. 2020).

Table 1.2: Revised Classification of Micro, Small & Medium (MSME)

Manufacturing and Service Sector	
Types of Enterprises	"Limit of Investment in Plant & Machinery or Equipment and Limit of Turnover"
"Micro Enterprises"	"Investment < 1 Crore and Turnover < 5 Crore"
"Small Enterprises"	"Investment < 10 Crore and Turnover <50 Crore"
"Medium Enterprises"	"Investment < 50 crore and Turnover < 250 Crore"

1.1.5 Promotional and developmental activities of the MSMED Act, 2006

The purpose of the "MSMED Act of 2006" was to increase the competitiveness of "micro, small, and medium-sized businesses". The Act became operative on October 2, 2006. Compared to other Acts enacted for the MSME sector, this Act has greatly benefited the MSME sector". There is still more to be done to solve the issues facing the MSME sector 65 years after independence, and the MSMED Act represents a significant step in that direction. Based on investment limitations, the MSMED Act clearly distinguishes between manufacturing and service businesses (Karthikeyan, S., & Priya, R. U., 2015). It also includes the service sector in its purview. The MSMED Act's primary goals are to:

Increase the MSME sector's competitiveness in this globalized age;

support the sector's overall growth;

Concentrate on all matters about the MSME sector.

1.1.6 Historical Perspective of MSME in India

The expansion of the commercial area of a nation is among the most vital drivers of its total "economic growth". Governed by multiple nations, India has been through a long transformation to one of the "world's fastest-growing economies". India set its first industrial policy in 1948 and also established the "Planning Commission in 1951 with the implementation of the first five-year plan, although our country achieved "independence in 1947". The primary basis for post-independence growth was given by

the "Industries Development and Regulation Act of 1951". Ever since, our country has witnessed the growth and growth of industry, which has not only become imperative but also an important part of the economy. Each new government puts more effort into framing policies and programs that not only support growth but also reduce the risk entrepreneurship incurs in order to encourage the growth and efficiency of MSME development. Gratifying the above observation, MSME from time to time patronizes a few changes, which involve changes in the investment ceiling, technological improvements, financial and promotion assistance, and reservation regulations (Sathish & Rajamohan, 2020).

The majority of MSMEs can spread their industries throughout all areas and create more jobs with less capital. “Small-scale industry, cottage and minor industry, and agro-based industry” were the three divisions into which the SSI was once separated. Two distinct ministries were created to oversee these businesses: “The Ministry of Small-Scale businesses and the Ministry of Agro and Rural Industries”. These ministries were designed to manage all aspects of these industries. There have been various changes made to the MSME's operational definition throughout the years. The investment limit has sometimes been changed in response to increased competition from its bigger neighbors and while also taking into account the sector's dynamic character (Sathish, A., & Rajamohan, S., 2020).

Table 1.3: Changes in Definition of MSMEs in India

Year	Investment Limit	Employment Criterion
1955	“Up to 5 lakhs in fixed assets”	“Less than 50 if using power and up to 100 without power”
1960	“Up to 5 lakhs in fixed assets”	Nil
1966	“Up to 7.5 lakhs in plant & machinery for the SSI unit and 10 Lakhs for the ancillary unit”	Nil

1975	"Up to 7.5 lakhs for the SSI unit and 15 Lakhs for the ancillary unit"	Nil
1980	"Up to 20 lakhs for the SSI unit and 25 Lakhs for the ancillary unit"	Nil
1985	"Up to 35 lakhs for SSI units and 45 lakhs for the ancillary unit"	Nil
1991	"Up to 60 lakhs for SSI units and 75 lakhs for the ancillary unit"	Nil
1997	"Up to 3 crores in plant & machinery for both the SSI units and the ancillary unit"	Nil
1999	"Up to 1 crore in plant machinery for both the SSI units and the ancillary unit"	Nil
2003-2004	"Up to 1 crore to 5 crore in plant & machinery"	Nil
2004-2005	"Up to 5 crores in plant & machinery"	Nil

Source: "Industries (Development and Regulation) Act. 1951 and the Reserve Bank of India.

A prime change came in 2006 with the enactment of the MSME Development Act, 2006".

1.1.7 Importance of MSMEs in the Indian Economy

With its vast network consisting of more than 6.3 crore units and its contribution of almost 30% of the nominal GDP during 2016–171, the MSME sector plays a major role in broadening the "Indian economy". With a share of 45%2 %, the sector's share of the total manufacturing production was even higher. Since the country is working

towards becoming a $5 trillion economy, the government has kept in mind increasing the sector's contribution to GDP beyond 50% in the upcoming years, considering the added range of benefits it reaps for the rest of the economy. A total of "11 crore people" were estimated to have worked in the "MSME sector" in 2015–16, as per the "73rd wave of the National Sample Survey (NSS)". All three "MSME sector" subsectors—trade, manufacturing, and other services—had nearly one-third of all employment. Approximately half of all "MSMEs" are found in rural areas, and they hold 45% of all employment. It is noteworthy that microbusinesses comprise 97% of all employment in the MSME sector. This pertains to the issue of the so-called “missing middle five,” which postulates that microbusinesses have not succeeded in evolving into smaller, medium-sized, and so forth throughout time. This seems to have prevented the micro sector from taking advantage of economies of scale, fixed asset investments, technological adoption, and innovation (Vinila, T. 2022).

In 2018–196, the MSME sector accounted for over 48% of India’s goods exports. This shows that Indian MSMEs are becoming more competitive on a global scale and that other countries are accepting their goods and services. Given this context, more focus must be placed on enhancing competitiveness and technological advancement initiatives. Therefore, the government's many programs and projects need to be maintained and successfully carried out (Vinila, T. 2022).

1.1.8 MSMEs and Poverty Alleviation

India, the second most populated country with “1.25 billion people and the seventh-largest in area (3,287,000 km²)”, faces a significant poverty challenge. According to the Global Multidimensional Poverty Index (UNDP-Oxford, 2018), 364 million Indians were poor. Post- COVID-19, the IMF's World Economic Outlook projected this number could rise to 690 million by the end of 2020 (Kharas & Hamel, 2020), marking a 47.25% increase. The pandemic has caused severe economic disruptions, with the “global economy” expected to shrink by 5.2% and India’s “per capita income” to decline by 3.6% (World Bank, Chandrasekhar, 2020).

This rising poverty directly contradicts the first United Nations Sustainable Development Goal: reducing poverty by 2030. In this context, “the Micro, Small, and Medium Enterprises (MSME) sector” emerges as a crucial solution. MSMEs are key employment generators, especially for the disadvantaged, by offering both wage and self-employment. They are mostly labor-intensive, capable of absorbing large numbers of people, and are predominantly based in rural areas, preventing migration by providing local employment (Verma, T. L. 2020).

As per Vaishnav & Surya (2020), MSMEs employ over 1109 lakh people across 633 lakh establishments. Micro-enterprises are particularly impactful, employing 1076 lakh people in over “630 lakh units”, followed by “small enterprises (32 lakhs in 3.31 lakh units)” and medium enterprises (1.8 lakh in 5000+ units). These data emphasize MSMEs' critical role in poverty reduction and non-farm employment generation in rural India.

1.1.9 Sustainable Development Goals (SDG) and Micro, Small, and Medium Enterprises (MSME)

The concept of "sustainable development" covers different topics of broad extent, which include "economic, social, and environmental issues", as well as taking good care of the environment. The social view encompasses respect for each other, "outreach programs, building of social networks, human rights, equality of opportunity", etc. On the other hand, the economic view mostly encompasses constant as well as successful growth, management of risks, investors' return, etc. Environmental perspective means air pollution, biodiversity management, usage and release control of water, chemicals, etc. Sustainable development aims to create a society where nature and human beings will live harmoniously with one another, where human beings will develop and progress economically, but not by deteriorating the environment (Verma and Nema, 2019).

The argument on "sustainable development" was restricted to scholarly books until the publication of the Brundtland Report, where it was defined as "development

that meets the needs of the present without compromising the ability of future generations to meet their own needs." This was utilized as a reference point, although this shared view would, in general, conceal itself from different explanations of the concept, just like among different interpretations of "sustainable development" and the report (Shelly et.al., 2020).

In 2015, the leaders of 193 nations of the world came together and agreed upon a future to address, which was titled the "Sustainable Development Goals (SDGs).". These 17 goals envision a world that would be free of poverty, hunger, and shielded from the negative impacts of environmental change by the year 2030. "The United Nations Development Programme (UNDP)" is one of the leading organizations in an active role to attain the SDGs by the year 2030. These 17 SDGs are: End Poverty in all forms, No hunger, Good Health and Well-Being for all, Quality Education to provide learning opportunities to all, Gender Equality to ensure "women empowerment, Sustainable management for Water and Sanitation, Affordable and Clean Energy for all, Decent Work to attain inclusive economic growth, Industry Innovation and Infrastructure, Reduce Inequalities within and among countries, Sustainable cities and communities, Responsible consumption and production, Climate action, protect and sustainable use of water, Life on Land, Peace, justice and strong institutions, build partnerships for the goals.". The targets suggested for achieving the SDGs are daunting and need a shift in private and public activities. This shift is linked with changing new business models, adding innovative technology, and running business activities more sustainably and morally. This shift provides new opportunities for the private sector as a whole and especially for MSMEs. (Gupta and Vegelin, 2013).

The "MSME sector" has been regarded as a key pillar towards attaining "sustainable development objectives.". According to the concept, "Small Business, Big Impact, Micro, Small, Medium Enterprises" directly or indirectly help achieve the "Sustainable Development Goals". The "MSME sector" also helps in the attainment of the first goal of consistent development by helping in decreasing the percentage of women, men, and children of any age group living below the poverty line due to job

creation and economic growth. To attain the second aim of sustainable development, "MSMEs" play a role in making up the bulk of the world's food producers and aiding in sustainable food production setups. "MSMEs" are viewed as crucial drivers of youth and adult employment and entrepreneurship, and hence, achieving, fourth aim of ensuring quality education. "MSMEs" play an integral role in addressing gender imbalance by enabling women's effective and full engagement in trade and enterprise. NearFly 40% of small-scale firms are owned and managed by women, so "Micro Small Medium Enterprises" help reduce the gender disparity. With sound policies in place, "MSMEs" help bring more elevated levels of economic output since they function as drivers of development, growth, technological development, and innovation, and thus "contribute to achieving the 8th sustainable development goal". As drivers of growth and progress, "MSMEs" usually fill niches in the business marketplace and create new products and services, and achieve the 9th Sustainable Development Goal. "MSMEs" also help in achieving the 10th goal of sustainable development. The "MSMEs" constitute over 90% of all firms around the globe and enable societies to escape poverty and decrease inequalities. More responsive than large organizations, MSMEs are most likely to adopt sustainable trade practices and thus achieve the 12th sustainability development goal. Attaining any of the sustainable development goals means that the public and private sectors must deliver together. Therefore, it is of utmost importance for the public sector to cultivate and maintain appropriate policies for the private sector to realize its potential as an engine of economic development. Therefore, "MSMEs" also help achieve the 17th sustainability development goal (Shelly et.al., 2020).

1.1.10 Green Jobs & Micro, Small and Medium Enterprises (MSME)

The green job concept is a subject of an international agenda today since it has been endorsed by governments, businesses, and labor at the global level during the past 30 years. For achieving the "Sustainable Development Goals (SDGs)", the green job concept is highly significant. Green jobs can be generated in every economy regardless of its "economic development and can be encouraged in rural and urban areas", in every

form of enterprise, industrial activity, and sector of the economy. As stated by "International Labor Organization (ILO) Green jobs are decent jobs that help maintain or restore the environment, whether they are in conventional industries like manufacturing and construction, or in new, emerging green industries like renewable energy and energy efficiency." Green jobs assist in improving raw material and energy resource efficiency, reducing greenhouse gas emissions, pollution, and wastage, ecosystem rehabilitation, and adaptation to climate change impacts (ILO, 2016). Under "the United Nations Environment Programme (UNEP)", green jobs have been defined as "jobs in agriculture, industry, research and development, administrative, and services that are directed towards significantly maintaining or rehabilitating environmental quality." Figure 1.1 shows the number of green jobs generated by "Micro, Small, and Medium Enterprises (MSME) sector in India from 2006-2007 to 2016- 2017. The maximum number of green jobs was generated in 2016-2017 with 228.76 lakh people, and the minimum in 2006-2007 with

155.35 lakh people. The table shows that the quantity of green jobs has increased over the period of time, but at a slow pace (Shelly et.al., 2020).

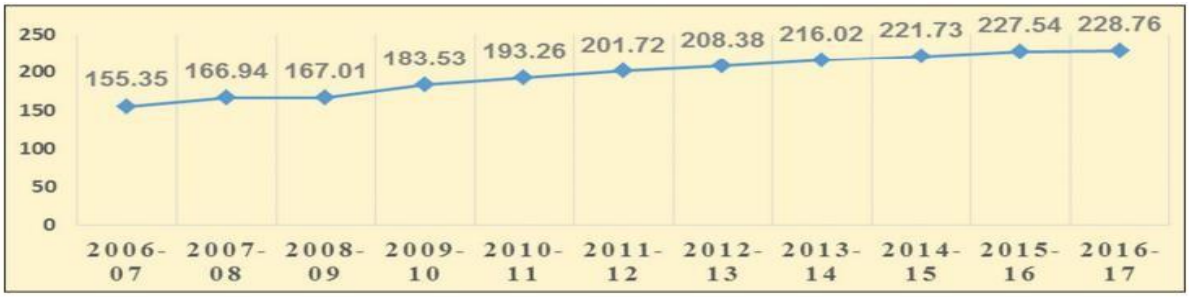
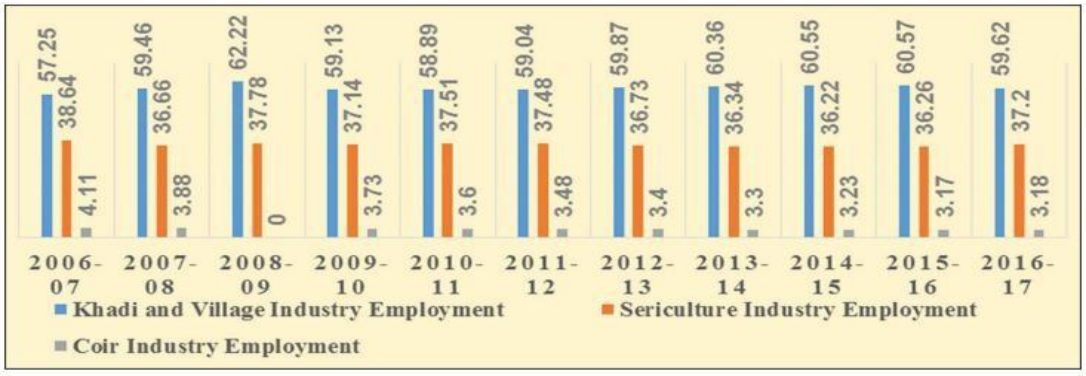


Figure 1.1: Green jobs generated by micro, small, and medium enterprises (MSME) sector in India during 2006-2007 to 2016-2017 (in lakh persons)

Source: Various annual reports of the Ministry of Micro, Small and Medium Enterprises (MSME)

To calculate green jobs generated in the "MSME sector", three subsectors have been taken into account, i.e., "khadi and village industry, sericulture industry, and coir industry". On a global level, the concept of protection of the environment has gained momentum, which has supported the demand for sustainable textiles. All this has played a pivotal role in the rebirth of the khadi industry. Khadi is "eco-friendly, water-efficient, durable, bio-degradable, and organic in nature", which has popularized khadi on an international scale. Coir is a product that is green in nature, whose applications do not cause harm to the environment. Coconut coir is not considered a by-product of the coconut business; rather, it is a waste product which is recycled for its beneficial properties to fabricate the fibre and woven materials. New uses of coir have emerged today as an environmentally friendly alternative, i.e., "coir geo-textiles, coir toy products, garden items," etc., by promoting technologies for the manufacture of coir fibre composites as a replacement for wood and synthetics. As the world economy is looking for ways to counter the problem of rising pollution and the adverse impacts of deforestation. The coir industry is the key to encouraging sustainable growth in the economy. Sericulture is an environmentally friendly profession as its lovely leaves and root-spread help in the conservation of soil, silkworm culture remains are helpful for gardens, it has low negative effects on forest as its dried branches can be used as fuel, use of smoke-producing machines is greatly reduced as it is a labour-intensive and agro-based activity, plantation of mulberry is being done predominantly in highland areas which leads to the use of unused cultivated land (Shelly, et.al., 2020).

Figure 1.2: Sector-wise percentage share in green jobs generated by micro, small, and medium enterprises (MSME) in India during 2006-2007 to 2016-2017



Source: Various annual reports of the Ministry of Micro, Small and Medium Enterprises (MSME)

Sector-wise percentage share in green jobs generated by "micro, small, and medium enterprises (MSMEs) of India from 2006-2007 to 2016-2017" has been illustrated in Figure 1.2. Contribution by "khadi and village industry is maximum in 2008-2009, i.e., 62.22% and minimum in 2006-2007 with 57.25%". Share by the sericulture industry is maximum in "2006- 2007 with 38.64% and minimum in 2014-2015 with 36.22%. “The coir industry possessed the greatest share of 4.11% in 2006-2007 and the least share of 31.7% in 2015-2016”. The table shows that the proportion of khadi and village industry is approximately 60%, the sericulture industry is approximately 37% and the coir industry is around 3%. In each year, khadi and village industry share is the highest, then comes sericulture industry and coir industry in green job creation of the "MSME sector" (Shelly et.al., 2020).

Table 1.4: Growth of green jobs in Indian micro, small, and medium enterprises (MSME) during 2006-2007 to 2016-2017

Sectors	und annual growth rate (CAGR) (in %)”
Khadi and Village Industry	4.37
Micro, Small, and Medium Enterprises (MSME)	3.95
Coir Industry	1.27
Sericulture Industry	3.55
Sources: Various annual reports of the Ministry of Micro, Small and Medium Enterprises (MSME)	

"Indian Micro, Small and Medium Enterprises (MSME) growth of green jobs between 2006-2007 and 2016-2017" has been analyzed in Table 1.4. "Compound Annual Growth Rate (CAGR) of green jobs formation in the MSME sector is 3.95%".

"CAGR of green jobs formation in khadi and village industry is highest with 4.37% followed by sericulture industry and coir industry with 3.55 and 1.27%, respectively.". The table indicates that the development of green job creation has increased in the MSME sector and its sub-sectors, but gradually, as the "CAGR in all the categories is <5%. CAGR in the Coir industry is very small, i.e., nearly close to 1%" (Shelly et.al., 2020).

1.1.11 Problems Faced by the MSME Sector

While the "MSME sector" is contributing a lot to the "Indian economy" and still, some issues are still being faced by such firms, which again restrict the growth of this sector. The most significant issue faced by "MSMEs" is delayed payments, and they restrict themselves from using legal remedies provided under the "Micro, Small and Medium Enterprises Development (MSMED) Act, 2006," as their bargaining power is weak. The quality raw material is not readily available, and also market to sell their final product is not readily available. "MSMEs" have no access to the formal banking system credit extended since it is difficult to assess credit risk, past cash flow, etc. Coordinating equity capital and finance for venture capital is extremely difficult due to the informal nature of the "MSME sector". Absence of information regarding different schemes offered by the government is one more problem facing this industry. Banking system and other institutions that restrict "MSMEs" from enjoying the benefits of these schemes. Private sector participation is minimal in this industry because MSME cluster growth is found primarily in government institutions. The competitiveness of such enterprises is being adversely affected by infrastructural bottlenecks (Vibhuti and Barki, 2016), e.g., lack of adequate availability of bare minimum essentials, i.e., tool rooms, product testing laboratories, work shelters, rural broadband, power, etc. There is a need to address the above challenges to maintain and increase the contribution of this sector, as the downturn in the contribution will adversely affect the inclusive growth of the Indian economy (Mukherjee 2018).

1.1.12 Measures taken to promote the Indian MSME in the global market

The measures adopted to enhance the manufacturing capacity of the “MSME sector” are likely to enhance their product competitiveness and boost exports. Initiatives like “increased value addition, cluster development, skill upgradation and training, focus on standardization and quality, availability of cheap credit, boost to innovation” would be necessary steps to enhance the competitiveness of the Indian MSMEs (Mukherjee 2018).

- Cluster development

The MSME Ministry" has adopted the cluster development approach as being one of its most crucial strategies for the growth of "MSMEs' productivity and competitiveness", capacity building, and collectiveness in the country. The focus is to leverage the latest "tools, technology, design, and testing capabilities for such businesses and improve infrastructural facilities". Promotion of clusters has also been a familiar method of promoting competitiveness of MSMEs, and this has been facilitated through existing or possible agglomerations through the provision of conducive infrastructure, promotion of SME-SME as well as large firm-SME linkages, and support to local institutions (Mukherjee 2018).

- Access to credit

Timely access to requisite credit has been accorded top priority for the "MSMEs". For this problem, extra coverage has been brought under the "Credit Guarantee Fund Scheme". "The Micro and Small Enterprise" establishments coming under the category can now avail "collateral-free loans of Rs. 2.00 crore or less from choice financial institutions". A number of start-ups of working capital are also trying to make credit available to SMEs with ease. In recent times, the introduction of "MUDRA" as a targeted window for accessing the micro enterprises is a major intervention done for financial broad basing. "The MUDRA loans" are considered a major, broad-based financial scheme (Mukherjee 2018).

- Technological development

The task force on MSMEs," formed under the chairmanship of principal secretary T K A Nair," has suggested actions that cover the need to upgrade the existing "FDI policy to improve capacity, capability, and technology generation." The committee also believed that there is a need to foster a symbiotic relationship between the MSME clusters and technical institutions.

Besides, to overcome today's challenges and to obtain technology upgradation, acquisition, adaptation, and innovation, a fund for technology development of Rs. 1000 crore has also been suggested. High-end skilling and technological assistance through 18 Tool Rooms and Technology Development Centres in the country are also being promoted by the Ministry. "The Ministry of MSMEs has sanctioned an amount of Rs. 2200 crore" with the assistance of the World Bank. This will allow it to open "15 New Technology Centers (TCs) under the Technology Center Systems Project to enhance the overall productivity of the MSMEs". There is also a "Credit-Linked Capital Subsidy scheme (Mukherjee 2018)" to boot.

- Government schemes

There has been a gamut of other initiatives, such as "Make-In-India, Digital India, Start-Up India, and Skill India for the all-around development of the Indian MSME industry launched by the Government of India (GOI). The Make-In India was launched in September 2014" and is an expanded list of nation-building initiatives. The overall focus was to turn India into a global manufacturing and design base. Make in India is a campaign of a different kind. It enables a massive amount of technical information on 25 industry sectors and connects to a massive local and global audience through social media, and keeps them updated continuously on opportunities, reforms, etc. Digital India transformation creates immense potential for MSME promotion and also "increased participation of MSMEs in the Information, Communication, and Telecommunication (ICT) industry."

Technology enabled through digital tools can also empower SMEs to produce their market intelligence, scale without mass, and access global markets and knowledge

pools at relatively reasonable prices. The digital revolution facilitates the emergence of "born global" small companies and presents new opportunities for SMEs to increase their local and international competitiveness, whether through product or service innovation. Access of SME to digital technologies can become easier through better employment recruitment websites, outsourcing, and work internet hiring, and connection with knowledge partners (OECD 2017f). Skill India campaign was launched by the Prime Minister on 15th July 2015 with a view to skilling more than 40 crore people in India in different skills by 2022. Plans under this campaign are there such as "National Skill Development Mission, National Policy for Skill Development and Entrepreneurship, 2015, Pradhan Mantri Kaushal Vikas Yojana, Skill Loan Scheme, and Rural India Skill". The UK has entered into an agreement with India through the Skill India program (Mukherjee 2018).

- Adopting corporate governance practices

Weak corporate governance of SMEs, compounded again by weak availability of essential inputs, has made such firms most vulnerable. Better SME governance practices will help them expand or attract better investors. Raising capital has, for many years, been considered the major problem for SMEs. Inability to apply proper corporate governance practices hinders them from accessing finance from banks or financiers. The implementation of the corporate governance system by SMEs in India is crucial to drive this sector onto a high-growth trajectory (Mukherjee 2018).

- Human and natural resource development

Human resource development issues are at the center of building SME competitiveness. Empirical studies project that human capital is a key determinant of growth. The degree to which SMEs would keep up with the competitive pressures surrounding trade liberalization and globalization would be dependent on the available skills within the domestic economy. One of the primary problems in the Indian scenario is the poor productivity and managerial ability of SMEs and the lower skill level of the

SME employees. The human resource bottleneck has been affecting both the productivity and efficiency of the Indian SME sector (Mukherjee 2018).

- Government of India measures

The GOI has introduced some measures in the "Intellectual Property Rights (IPR) field", e.g., reformulations of patent laws and innovation of the "IPR / Patent Offices", as a strategic reaction to economic globalization. In a product patent regime, Indian firms would have to seek anew for new fields of expansion. Increased realization of IPR by industries, particularly MSMEs, will allow them to make educated decisions in defending their ideas and business strategies. "The Ministry of Micro, Small & Medium Enterprises (MSME) of India" is conducting workshops on various aspects of WTO, Anti-dumping seminars, IPR, etc., to make the "Micro and Small Enterprise (MSEs) entrepreneurs and other stakeholders aware of the probable impact of liberalization and globalization" (Mukherjee 2018). Recently, the "Indian Finance Minister" in the upcoming budget proposed reducing the "tax rate of MSMEs with a turnover of less than Rs. 50 crores to 25% from the present 30%".

He declared that this benefit will be available to 96% of Indian businesses that submit income tax returns in India. Further, in an attempt to promote a digital way of doing business, a reduced tax rate of 6% has been proposed for small Indian companies with a turnover of below Rs. 2 Crore. To grow the existing market size of MSME, it was proposed that "Ministries and Departments of the Central Government will procure 20% of goods and services of Micro and Small-Scale Enterprises as a part of the Public Procurement Policy, MSE Order 2012". The Government of India is also streamlining its existing policies by making various new announcements and implementations. For example, as part of Ease of Doing Business and to make "the MSME sector legitimate," the Udyog Aadhar Memorandum (UAM) was notified during September 2015. The mechanism gave page single point of registration in order to save time and is remarked to be one of the path-breaking measures. With the launch of the "One Nation One Tax policy under Goods and Services Tax", Indian MSMEs can attain their actual potential.

To enhance the competitiveness of the "Indian MSMEs, the National Manufacturing Competitiveness Program has been launched." The objective of the scheme is to enhance the value chain of the "MSME sector" and more efficient and competitive in the global market. Last but not least, the GOI has launched schemes/programmes for technology upgradation, cluster development of such units, access to collateral-free bank credit up to US$125,000, awareness generation among these units regarding export-related matters, etc (Mukherjee 2018).

- Launch of the IPR proposal

"The Intellectual Property Rights (IPR)" proposal for "Enhancing awareness about the IPR) was initiated to make the Indian MSME competitive in the world environment. The IPR project is stated to be impacted with an overall cost of US$12.5 million over a period-span of five years. Protection of Intellectual property rights contributes significantly to the acquisition of a competitive advantageous position in the context of technological advancement for achieving further improved economic growth. Independent umbrella body: A centralized umbrella body aimed at developing the Indian MSME sector might appeal more to the policymakers. The Ministry of MSME, Reserve Bank of India, and Small and Industrial Development Bank of India have always given a plethora of initiatives in the development, financing, and growth of Indian MSMEs. But always welcome is an umbrella organization that will extend additional assistance, such as technological assistance, design output, arranging raw material supplies, marketing assistance, etc., for the Indian MSMEs (Mukherjee 2018).

- Low value addition

The Indian Industry's average value addition of technology in products manufactured and exported is about 8%. It is relatively low compared to other developing countries. Low value addition is particularly being observed in industries like Gems and Jewellery, where value addition is negligible. Goods such as engineering goods and leather goods also lag in terms of value addition. Hence, there is a need to increase their value addition in the future (Mukherjee 2018).

- Memorandum of understanding

To exploit the potential of MSME, the Ministry of MSME have entered into long term agreements, Memorandum of Understanding, Joint Action Plan with 19 countries such as Tunisia, Romania, Rwanda, Mexico, Uzbekistan, Lesotho, Sri Lanka, Algeria, Sudan, Cote d Ivore, Egypt, Republic of S. Korea, Botswana, Indonesia, Vietnam, Mauritius, Sweden, UAE and others. The Ministry of MSME and NSIC also had discussions with foreign delegations for strengthening bilateral cooperation to the mutual advantage of MSMEs of both countries (Mukherjee 2018).

The International Cooperation (IC) Scheme is being gradually implemented by the Ministry of Micro, Small and Medium Enterprises (MSME) to compete in the global market. It's a continuous scheme since the Ninth Plan and has persisted in the twelfth Plan with an earmarked spending of Rs. 24.50 crore. The prime aim of the scheme is technology infusion, modernization, and promotion of exports. Under the financial year 2015–16, Rs. 4 crores have been sanctioned for the modernization and enhancement of exports. With the crucial relationship between technological innovation and global competitiveness, the future policy maker's challenge would be to align the innovation system issues with the relationships in the trade and investment framework area (Mukherjee 2018).

1.1.13 MSMEs and Rural Development

Rural India, home to 70% of the country's population (around 800 million people in over 600,000 villages, Census 2011), is marked by underdevelopment and dependence on locally available resources. Rural development aims to improve the quality of life and economic well- being of this population (Thahira K., 2017). Central to this development is the MSME sector, especially tiny and cottage industries utilizing traditional knowledge and human capital through handicrafts (Verma, T. L. 2020).

A key institution under the Ministry of MSMEs is the "Khadi & Village Industries Commission (KVIC)", established in 1956 to promote "Khadi and Village Industries (KVI)". KVIC is pivotal in "non-farm employment" generation in "rural

areas" with "low per capita investment", providing employment, skill development, R&D, technology transfer, and marketing support (Ministry of MSME, 2018).

The performance of KVIC has shown consistent growth:

Value of production increased from ₹48,081.41 crores (2017–18) to ₹58,218.48 crores (2018–19) – a 21% increase.

Sales rose by 25.59% from ₹59,182.43 crores to ₹74,328.81 crores in the same period.

Employment grew from 140.36 lakh (2017–18) to 146.98 lakh (2018–19).

Previous data also reflect consistent employment growth:

123.19 lakh (2014–15), 126.76 lakh (2015–16), 131.84 lakh (2016–17), and 135.71

lakh (2017–18).

As per the 2017–18 MSME report, 2,375 khadi institutions are employing 4.56 lakh artisans.

KVIC initiatives include:

"Work shed scheme for Khadi artisans"

Infrastructure strengthening, marketing assistance, "Khadi Reform and Development Program, interest subsidy, Honey Mission, Franchise Scheme," etc.

Despite population growth, the agriculture sector has failed to provide sufficient employment, leading to widening inequalities. Thus, inclusive growth through MSMEs is essential to reduce poverty and benefit disadvantaged populations (Verma, T. L. 2020). MSMEs with a turnover of over ₹5 crores are mandated to fulfill Corporate Social Responsibility (CSR) obligations. These may include:

Adopting schools and hospitals

Improving education and providing free medical care to workers' families

Supporting local employment, local vendors, and infrastructure

MSMEs thus play a vital role not only in employment generation but also in community development and inclusive growth in rural India (Verma, T. L. 2020).

1.2 Research Problem

“Micro, Small, and Medium Enterprises (MSMEs)” are well established as a pillar of “India's economic structure”. MSMEs are crucial to national income generation, employment creation, export promotion, and inclusive growth. There are more than 63 million enterprises in the country, and “MSMEs” contribute almost 30% to India's Gross Domestic Product (GDP), offer employment to over 111 million people, and generate around 48% of the country's exports. This extensive reach makes the sector a key engine of economic resilience, regional equilibrium, and poverty reduction.

But even with their substantial contribution, MSMEs still face numerous structural and systemic issues that undermine their development and scalability. These encompass constrained and delayed access to finance, poor infrastructure, absence of trained manpower, technological lags, weak global value chain linkages, and complicated regulatory environments. A significant number of MSMEs also function in the informal sector, without formal registration, restricting their access to government schemes and institutional support. Furthermore, the sector's potential to drive rural industrialization, empower marginalized communities, and promote innovation is still underleveraged due to policy and implementation gaps.

Moreover, although a multitude of government schemes have been launched under initiatives such as Atmanirbhar Bharat, “Make in India”, and Digital India to promote the MSME sector, their efficacy is high in diversity in terms of region and sub-sectors. To what extent these interventions have affected and whether MSMEs have helped drive inclusive and sustainable economic growth remains inadequately explored in a granular, data-supported manner.

Therefore, the core research question of this research is to assess the real and potential contribution of MSMEs towards the Indian economy vis-à-vis GDP, employment opportunities, exports, and socio-economic development, and to determine the major structural and operational hurdles faced by them in their growth. The study also aims to analyze the role of policy environments and institutional frameworks in

strengthening the sector's performance and to provide recommendations to make MSMEs more competitive, resilient, and inclusive.

Small and Medium Enterprises (SMEs) are very important to India's economy as a whole. They make up about 30% of the country's Gross Domestic Product (GDP) and almost 45% of all manufacturing output. Government data and SIDBI reports say that the sector includes more than 63 million businesses in manufacturing, trade, and services. This sector employs more than 111 million people, and a large number of them, about 50%, work in rural areas. This not only shows how important SMEs are for the country's economy, but it also shows how they can help close the gap between rural and s jobs and promote inclusive growth.

SMEs are also very important to India's export economy, in addition to providing jobs and making things. Small and medium-sized businesses (SMEs) account for almost 48% of India's goods exports, which shows that they are competitive and important around the world. Micro businesses make up more than 97% of all MSMEs and are the biggest source of jobs, especially for women, youth, and other groups that are often left out. The fact that SMEs are creating more green jobs and promoting practices that are good for the environment shows that they are in line with national and global development goals. The evidence strongly supports the idea that small and medium-sized businesses (SMEs) are the economic lifeblood of India, especially since the country wants to have a $5 trillion economy.

1.3 Research Questions

RQ1: “What is the overall contribution of Small and Medium Enterprises (SMEs) to India’s GDP and employment generation?”

RQ2: “What are the primary challenges faced by SMEs in accessing finance, and how do these challenges impact their growth and sustainability?”

RQ3: “How do regulatory and compliance requirements affect the operational efficiency and scalability of SMEs in India?”

RQ4: “What role does technological adoption play in enhancing the competitiveness of SMEs, and what are the main barriers to implementing such advancements?”

RQ5: “How can government policies and private sector initiatives be improved to better support SMEs in overcoming their challenges and maximizing their economic impact?”

1.4 Research Objective

- To analyze the impact of access to finance on the operational efficiency and expansion capabilities of SMEs.
- “To analyze the relationship between government support policies and the growth trajectory of SMEs.”
- “To analyze the impact of SMEs on the overall economic growth and GDP contribution in India.”
- “To analyze the impact of SMEs on job creation and employment rates within various regions of India.”
- To examine the relationship between the growth of SMEs and the creation of employment opportunities across different sectors and regions of India.

1.5 Purpose of Research

The main agenda of this research is to investigate and analyze the diversified role played by “Micro, Small, and Medium Enterprises (MSMEs)” in configuring the Indian economy. Identifying MSMEs as a very important driver of economic growth, this research would like to illustrate a complete perception of how the enterprises are building national GDP, creating mass-scale employment, achieving exports, and promoting socio-economic development, mostly in “rural and semi-urban areas”. The study aims to fill the gap between theoretical relevance and empirical study by systematically examining the contributions of the sector in terms of quantitative and qualitative evidence.

In addition, this research aims to ascertain and examine the major challenges that impede the optimal performance of MSMEs, including lack of access to finance,

obsolescence of technology, infrastructural bottlenecks, and regulatory bottlenecks. Through that, it hopes to emphasize structural impediments that limit the scalability and competitiveness of the sector. The research also explores how effectively current government policies and institutional frameworks, such as credit guarantee programs, digital empowerment schemes, and skill development schemes, are handling these challenges.

Another central goal of the study is to assess the contribution of MSMEs to inclusive growth and rural industrialization. With a focus on the socio-economic contribution of MSMEs beyond traditional economic indicators, the study hopes to gain an understanding of how these firms can be better leveraged to reduce regional disparities, enable marginalized groups, and foster grassroots entrepreneurship.

Lastly, the research aspires to contribute actionable information to policymakers, development actors, and business stakeholders by proposing means to improve the MSME environment. The intention is to support the creation of evidence-based policy that can enhance the "productivity, resilience, and sustainability of MSMEs", making them a foundational element of India's long-term economic strategy.

1.6 Significance of the Research

This research is of significant value in the context of India's ongoing pursuit of sustainable, inclusive, and equitable economic growth. "The Micro, Small, and Medium Enterprises (MSMEs) sector" plays a key role in re-shaping the "Indian economy" by promoting entrepreneurship, generating employment opportunities, fostering regional balance, and making a notable contribution to GDP and exports. Nevertheless, even though MSMEs have been recognized to have potential, they tend to be plagued by a variety of challenges that hinder their scalability and competitiveness. Thus, this research is significant as it presents an integrative assessment of the contributions and limitations of the sector and presents empirical evidence regarding how MSMEs influence and are influenced by the general economic environment.

The study is particularly important for policymakers since it assesses the performance of different “government schemes” and programs intended to support

MSMEs, including the Udyam Registration portal, “Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), and the Emergency Credit Line Guarantee Scheme (ECLGS). Through the identification of gaps in policy design and on-ground implementation, the report provides actionable suggestions for more targeted and responsive intervention.

For research and academia, the research contributes to the literature by bringing on board the latest data and insights into the economic contribution of MSMEs, particularly in the wake of the 2020 reclassification under the MSMED Act. The research assists in bridging prevailing gaps in studies on rural industrialization, digitalization of MSMEs, and regional inequality in business development.

The study is also important to industry players and financial institutions because it illuminates the financing trends, technology uptake, and market issues confronting MSMEs. The study can inform banks, NBFCs, and venture capitalists on how to create more inclusive credit and support systems that address the specific needs of micro and small businesses.

Lastly, the research is socially relevant as it examines how MSMEs empower marginalized and vulnerable groups such as women entrepreneurs and rural artisans. By highlighting their contribution to minimizing unemployment, mitigating migration, and stimulating grassroots innovation, the research makes an input to the larger discussion of sustainable development and economic democracy in “India”

CHAPTER II: LITERATURE REVIEW

2.1 Overview

"Micro, Small, and Medium Enterprises (MSMEs)" in "India literature" identifies their crucial role in the "country's economic growth", with emphasis on GDP growth, employment, and exports. MSMEs are identified as drivers of inclusive growth, facilitating regional development, and providing employment opportunities, especially in rural regions. Nevertheless, their full potential is thwarted by issues of inadequate access to finance, obsolescence of technology, and regulatory overburden. Various studies highlight the need for government policies favoring MSMEs, such as Make in India and Udyam Registration, but implementation gaps have been reported. The literature further discusses the socio-economic contributions of MSMEs, particularly in rural industrialization and empowering the underprivileged. In addition, the adoption of innovation and technology has been identified as key to improving the competitiveness of MSMEs. Despite the extensive literature, there are still gaps in knowledge regarding the regional differences in MSME performance and the effects of digitalization, which this research seeks to fill.

ED et.al. (2024) showed the "financial analysis of HDFC Bank" over the years. It revealed a generally stable and resilient performance, with the merger period bringing both challenges and opportunities. While there was a slight decline in the quick ratio and ROI post-merger, the overall liquidity and investment efficiency remained intact. The debt-equity ratio fluctuated, showing increased reliance on debt during the merger, while the interest coverage ratio improved until 2022 before a sharp decline in 2023. Net profit and EPS showed consistent growth, with EPS nearly doubling post-merger, reflecting enhanced profitability and shareholder value. Operating profit ratio and ROE also strengthened, indicating improved efficiency and effective capital utilization. Overall, HDFC Bank managed to sustain financial stability and profitability despite the transitional impact of the merger.

Sonwani (2024) demonstrated that the Government aimed to create world-class banks through consolidation, despite the challenges raised. When initially incorporated

as a provision in “the Banking Regulation Act of 1949”, the primary objective was to establish a mechanism to protect weak banks from the severe consequences of liquidation. The failure of a single bank was seen as a potential threat to the entire banking sector, prompting the RBI to be entrusted with the authority to compulsorily merge weak banks with stronger ones to mitigate losses and liabilities. The stability of the monetary sector played a crucial role in strategic decision- making and understanding the key factors influencing policy changes. Monetary stability referred to a state where the financial system operated at full capacity and could withstand financial shocks. Recent reforms and evolving banking policies in India paved the way for a more resilient financial framework, with mergers and acquisitions playing a significant part. The documentary highlighted how Finance Minister Nirmala Sitharaman” initiated the merger of several major banks and examined the effects of those decisions on their performance. It also concluded that merging two weak banks could negatively impact both institutions and the broader economy, whereas merging two strong banks could strengthen the Indian financial system and enhance its global competitiveness.

Bhadeshiya & Thakrar (2024) proved that the "banking sector" of "India" has undergone tremendous development over time, evolving to be more client-friendly. The sector has been a key player in the "development of the Indian economy", with good banking practices contributing to national wealth. Increased "digital banking" has driven growth, minimized expenses, and improved delivery of services. The competitive status of the banking sector today relies significantly on its customers, both depositors and recipients of loans. In the research, the researchers assessed the financial performance of the "public and private sector banks" in India", particularly profitability and liquidity. The analysis revealed that “private sector banks” generally outperformed “public sector banks” in terms of profitability during the research period, likely due to high deposit and funding costs faced by public sector banks. However, when comparing liquidity, public sector banks demonstrated better performance in meeting unexpected funding needs. Overall, private sector banks were found to be more profitable, with

growth potential, though they showed weaker liquidity indicators compared to their public sector counterparts.

Kaur & Singh (2023) evaluated that one of the most widely used business strategies, mergers and acquisitions, was adopted by organizations aiming to enhance value creation. Mergers helped banks strengthen their "financial base, gain access to tax benefits, and secure direct access to cash resources". The structural factors that impacted the success of mergers and acquisitions included the relative sizes of the "merging entities, the financing methods used, and the number of bidding parties". These structural dynamics independently influenced shareholder value. According to the study, the financial indicators assessed—covering both "pre- and post-merger periods" of selected Indian banks—demonstrated a notably positive shift in the "financial performance" of most banks, except for the "State Bank of India (SBI)". The "merger of SBI" with its associate banks required an adjustment period due to poor initial performance. Nonetheless, the notion that "there may be short-term pain but the long-term rewards will not take far long to present themselves" was validated as the guiding principle behind the consolidation and merger of banks.

Fousiya (2023) showed that the 2017 "merger of State Bank of India (SBI)" with its associate banks marked the largest consolidation in Indian banking history. The study revealed that while employees, especially from former SBT, had concerns about status and culture changes, most eventually adapted, though workload and staff shortages remained significant issues. Financial analysis showed SBI maintained capital adequacy and improved asset quality with a notable decline in NPAs. Employee productivity increased post-merger, but management struggled to control operational expenses. Key profitability indicators like ROA, ROE, and dividend payout declined, and event study results (CAR and BHAR) indicated no major gains in shareholder returns. The bank's liquidity position was supported by investments, but cash reserves remained weak. Share sensitivity to the market was reduced, though the price-earnings ratio improved. DEA results showed reduced efficiency in achieving optimal scale.

While SBI aimed to join the top 50 global banks, it ranked 56 by Forbes, suggesting long-term goals were yet to be fully realized.

Yadav et.al. (2022) concluded that most problems encountered by the respondents in managing their enterprises during the pandemic, in terms of the marketing aspect, were due to limited direct marketing, ineffective promotional activities, and a lack of a marketing plan. The majority of respondents were sole proprietors who had been in business for two to five years with an initial capital of less than INR 500,000. In terms of financial aspects, owners faced decreased revenue, budgeting difficulties, problems sourcing funds to grow the business, and large bills to pay. Operationally, many had to run their businesses from home using online platforms, faced difficulties accessing workplaces, offices, or warehouses, and operated for shorter periods. In leadership and staffing, businesses struggled with relocating employees to work from home, employees facing mental health problems due to the crisis, and the fear of job loss. The majority used exit strategies such as bankruptcy, refinancing, or selling the business to family or friends. Key determinants of problems that led to business failure included challenges in realigning business goals during the pandemic, inability to pay operational expenses, difficulties in product innovation, and failure to adapt to changes in the business environment. Drawing from these findings, the researchers suggested that handicraft businesses create elaborate processes to transform aspects of their operations into flexible working arrangements. Small and medium-sized business owners in the handicraft industry were tasked with re-engineering and transforming their businesses to fit the evolving landscape. They also suggested training on financial literacy to enable entrepreneurs to budget and manage financial resources to survive emergencies. Implementing new technologies for the dissemination and usage of information was also proposed. Finally, the researchers called on government institutions to extend financial safety nets so that businesses can be shielded from crisis-induced consequences.

Singh et.al. (2022) concluded that SMEs had been a central force in the Indian economy, as they accounted for a major proportion of the manufacturing output, employment generation, and exports of the nation. Despite this, numerous challenges have acted as stumbling blocks to their growth prospects. It was thus the utmost responsibility of the Government of India to create and implement favorable policies that would curb these long-standing issues that SMEs faced. Statistics in the study and other published studies indicated that something proactive needed to be done to shield SMEs from exploitation by major firms and foster their healthy development. In addition, the government had to offer various alternative funding solutions to ensure that SMEs had sufficient access to capital. In order to consolidate their role as the backbone of world manufacturing, SMEs had to be technologically improved and capable of being supported by well-trained human resources. An effective support package was needed to leverage their strengths and ensure the internationalization process of the country. In sum, the government had to begin putting in place these strategies to enhance and improve the production capacity and export orientation of SMEs to facilitate their long-term growth and contribution to India's long-term economic growth.

Rajamani et.al. (2022) offered useful empirical insights into how financial difficulties in accessing finance affected MSMEs' performance and provided pragmatic recommendations for enhancing their sustainability and lessening failure rates in developing nations such as India. It was noted that the political, economic, and technological contexts significantly differed from one developing nation to another, and these influenced MSMEs' access to finance. However, important determinants like firm characteristics, financial barriers, finance sources, and the life cycle phase of an MSME were significant across contexts. Financial barriers had a negative effect, whereas firm characteristics had a positive effect on access to finance, as the study found. It was clear that Indian policymakers had to identify means to minimize or remove these obstacles to close the ongoing credit gap. While numerous schemes had been initiated to tackle this problem, information asymmetry among MSMEs and financial institutions

continued to create a widening gap. Streamlining procedures, reducing documentation, and decreasing turnaround time for loans were found necessary in order to effectively assist entrepreneurs. The research also pointed out that MSME associations need to be more proactive in spreading news of government schemes, and that digital technologies and real-time communication mediums like SMS and WhatsApp can be useful in raising awareness and uptake. MSMEs were also urged to seek non-bank sources of finance such as asset-based financing, alternative debt, hybrid instruments, equity instruments, angel investors, and venture capital, noting that these alternatives differed based on the risk profile of the firm as well as the stage of the firm's business. The research acknowledged that, though promising, MSMEs in India were usually reluctant to seek risk capital given their fears about transaction costs and issues of exit, and this highlighted the necessity of both fiscal and regulatory reforms. Further, the COVID-19 pandemic has unfavourably impacted the development of MSMEs, gaining immense policy focus under the relief measures under the Atmanirbhar Bharat Abhiyan. Though these measures brought some relief, the report indicated that the government should introduce more specific plans to protect and consolidate this key sector for sustainable, long-term economic development.

Rathi, & Kumar (2022) concluded that an examination into the past determines the significant influence of MSMEs on the Indian economy and identifies the estimated employment generation and the number of micro, small, and medium enterprises in India. It is apparent from the secondary data that small and medium enterprises play a crucial role in the country’s economic growth, with the growth rate of enterprises and employment rising gradually over the years. In addition, the role of micro, small, and medium enterprises in the business sector has been progressing rapidly. Under fluctuating economic conditions, MSMEs continue to face both prospects and challenges that shape their development trajectory. Hence, it is evident that economic growth directly influences the expansion and sustainability of MSMEs. The findings of this research paper are entirely based on secondary data; therefore, future researchers

are encouraged to conduct studies using primary data to generate more comprehensive and practical insights for policymakers and stakeholders in the MSME ecosystem.

Kasisomayajula (2022) suggested that mergers resulted in greater levels of cost efficiencies for the consolidating banks. The participating banks, however, did not see a significant increase in efficiency due to mergers among healthy and weak banks. The depositors' interests of weak banks were well protected by the mergers that were imposed, yet the "stakeholders" in the institutions never gained anything. The "empirical findings" of the study revealed that, as of then, the trend of mergers in the "Indian banking sector" had been only the restructuring of "financially" stressed and weak banks. Extremely big banks had been left to absorb a multitude of risks resulting from their operations in both "domestic as well as international markets.". To achieve economies of scale and scope, the "government and policymakers" were advised to adopt more caution while inviting mergers. They were advised to aim at a "synergy-based merger strategy" that incurred less "technology-related expenditure". Further, it was underlined that a merger or size itself was not a panacea for profitability. The focus should have been on enhancing "risk management skills, corporate governance, and strategic business planning." As short-term options, outsourcing and strategic alliances were suggested to be considered. Banks were encouraged to cash in on the rapidly evolving scenario, with short product life and time to market being key drivers for success in the future. "The Government" was warned not to utilize "Mergers and Acquisitions" as a tool for rescuing weak banks. The suggestion was that healthy banks should not be merged with sick banks, as it would negatively impact the asset quality of healthier banks. Rather, it was advised that healthy banks merge among themselves to compete with foreign banks more effectively and access the "global financial market".

Moorthy & Khrisnakumar (2022) summarized that despite the effective advantages of rapid information sharing, “social media” had also allowed individuals to create “false identities and superficial relationships, contributed to feelings of melancholy, and served as a primary tool for recruitment by criminals and terrorists”. It was noted that since “social media” was a relatively new phenomenon and most

impact studies were also recent, the benefits were often emphasized more than the rarely discussed negative aspects. The presenter expressed a hope that this trend would shift, aiming for the presentation to encourage a more balanced view by informing users of both the pros and cons. It was stressed that although change was unavoidable and occasionally even welcome, it frequently had high price tags. The avoidance of negative effects was considered even more damaging in the long term than neglect of the positives. Finally, the presentation warned of the threat posed by this uncorrected and largely uncontrolled medium, threatening to dissolve social cohesion and traditional values. It ended with a plea for responsibility, calling for the information and impact of social media to be regularly re-examined in the context of developments in the real world.

Iqbal & Tanty (2022) evaluated during the COVID-19 pandemic, which severely affected the

global and Indian financial sectors, “HDFC Bank’s financial performance” from “2016–2021” was analyzed using data from its annual reports and website. Due to the crisis, the RBI and “Government of India made periodic interventions to maintain liquidity. The analysis revealed that HDFC Bank showed strong “financial performance” throughout the period, driven by robust balance sheet growth, increased operating income, regulatory provision surpluses, and a solid capital cushion of 17.9%. The CAMELS analysis highlighted the bank’s stability in capital adequacy, earnings, asset quality, and market sensitivity. Despite the challenges posed by the political, economic, and technological environments, including the rise of Fintech competitors, HDFC Bank remained a strong performer. However, the bank faced technological issues, leading to an RBI ban on issuing new “credit cards” and delays in its “Digital 2.0 initiative”. “CEO Sashi Jagdishan” acknowledged these deficiencies in the 2020-21 report. Additionally, due to non-compliance with auto loan portfolio regulations, the RBI imposed a ₹10 crore penalty on the bank.

Maheshkar, & Soni (2021) deduced that MSMEs had to enhance their working strategies to survive and thrive in a more competitive market. They had to multitask

and strengthen their marketing, finance, technology, management, inventory, and labour management practices. Despite their small size, businesses that wanted to expand had to augment their operations and number of employees, formulate concrete strategies for each managerial function, and improve continuously. MSMEs had challenges throughout their life cycle, but could enable growth, expansion, performance, and productivity through redesigning organisational structure, policies, and procedures. It was also discovered that the Government of India had to implement policy reforms and reforms in regulations for the creation of a more supportive environment for MSMEs. Moreover, these firms had to follow norms and standardised practices and learn from large-scale enterprises by embracing best practices. MSMEs had played a major role in the country's economic system by generating employment, mainly in semi-urban and rural regions, by making products and services affordable, and by enabling sustainable economic growth. The research proved that MSMEs had been perennially beset by issues of poor and delayed access to funds, outdated technology, poor marketing for a lack of financial resources, and the lack of skilled personnel. Hence, to enhance MSMEs as lively and potent contributors towards the Indian economy, the Government, policymakers, and regulatory bodies must understand their importance and implement tangible measures in favour of their development and growth in a substantive sense.

Khushalani & Sinha (2021) concluded that the mergers did not uniformly enhance the

“financial performance” of the selected “Indian banks”. For “Indian Overseas Bank”, three out of five parameters—DPS, ROA, and CAR—improved, while NPM remained unchanged and the Credit-Deposit Ratio declined. HDFC Bank saw improvement only in CAR, with no change in DPS, ROA, or NPM, and a decline in Credit-Deposit Ratio. In the case of ICICI Bank, NPM and CAR improved, but ROA and DPS showed no change, and the Credit-Deposit Ratio worsened. Kotak Mahindra Bank saw gains in ROA and Credit-Deposit Ratio, while DPS and CAR remained the

same. On average, only two out of five financial indicators improved per bank. CAR was the only parameter that showed consistent improvement across most banks. Therefore, it was concluded that mergers did not lead to a significant or consistent improvement in overall financial performance.

Meher (2021) demonstrated that MSMEs had increasingly considered it convenient to receive and make payments using digital banking, since the coefficients of this factor were significant in the model developed. Other positive factors, like controlling business expenses, saving time, and preventing misappropriation of money, did not prove to be as important. Bankers in the region under study were frequently found to be incapable of serving MSMEs properly, and as a result, these businesses failed to attain the fullest possible benefits from digital banking. Furthermore, it was revealed that the degree of adaptability had just started going up, indicating that most MSMEs were still not well acquainted with digital banking systems and hence could not make use of all of their advantages. This brought to the fore the need for the bankers to make their MSME customers more enlightened and inform them at all times when new or revised digital banking apps were launched. Based on the model developed, bank managers could estimate the influence of favorable digital banking drivers on MSME profits and promote higher adoption by identifying these crucial drivers. Additionally, two significant variables— the extent of avoiding carrying hard cash while traveling and the extent of convenience in accessing and obtaining short-term loans— had been excluded from the updated model but ought to be taken into account by bankers. This was because MSMEs might have scored these factors low based on a lack of awareness or poor access to such facilities, even when the banks offered instant credit facilities. The research also highlighted that a number of factors negatively impacted the uptake of digital banking in MSMEs. There was an increased feeling of insecurity from cybercrime, unfamiliarity with using smartphones or computers, aversion to revealing all business transactions through digital banking, transaction fees, and transfer restrictions by e-wallets. It was evident that bankers must address these negative factors and implement measures to limit their contribution. Interestingly, the

model in this research considered only positive determinants; hence, it was recommended that future research investigate the determinants that negatively influenced the use of digital banking and analyze how these negative factors led to resistance on the part of MSMEs while adopting digital banking services.

Manzoor (2021) established that SMEs are a key engine for economic growth and employment generation in Pakistan, having high potential to reduce poverty and improve socio-economic development. The study proved evident proof of the positive and significant contribution of SME activity on the economic development of the country, emphasizing their function as a support structure for "employment generation, trade, and poverty reduction in developing countries.". At the same time, though, the study emphasized that in order to gain maximum potential, Pakistan's government needs to extend greater technological, financial, managerial, and infrastructural assistance. Enhancing investment opportunities, increasing access to cutting-edge technologies, and developing the capacity of SMEs to take advantage of trade opportunities will enhance their role in the economy. Additionally, the development of bilateral and multilateral relations with other developed and emerging economies may unveil new markets and opportunities for Pakistani SMEs. Finally, the study pointed out key limitations and directions for future research, suggesting the need for primary data collection, expansion to other developing and emerging nations for broader insights, and the inclusion of more specific economic variables like real GDP, FDI, and employment rates. Overall, the findings reinforce that well-supported SMEs can help reduce unemployment and poverty while promoting sustainable economic growth in Pakistan and similar contexts.

Dev & Sengupta (2020) demonstrated that COVID-19 constituted an unprecedented challenge for India. As a result of the size of the population being so large, the already fragile state of the economy — particularly the financial sector before Covid-19 — and the heavy reliance of the economy on informal labour, lockdown and social distancing measures proved to be extremely disruptive. The government and state government realized the challenge and responded, but this response was perceived to

be merely the start. The final blow to the economy was bound to be much worse than initial estimates indicated. On the demand side, the government had to reconcile the income support to be provided to vulnerable groups with the need to keep the fiscal situation in check. The compromise reached at the time seemed fair, but it was evident that there would have to be more room for subsidizing poor people's incomes. State and local government participation was also viewed as essential for the successful application of additional fiscal measures. It was demonstrated that policymakers had to be poised to increase their responses as circumstances developed, to mitigate the effect of the shock on both the formal and the informal sectors, as well as to set the scene for a sustainable recovery. At the same time, it was stressed that the policy reactions must stay rooted in a rules-based system and confine the use of discretion so as not to cause long-term economic harm.

González-Torres et.al. (2020) synthesized the existing literature on M&A and sustainability, aiming to complement prior reviews and highlight future research avenues. The analysis revealed that while the academic impact of the field was initially low, it had been growing since 2014, with research primarily published in sustainability-focused journals. Few authors concentrated on the topic, with key contributions from Dollery, Kortt, Mendez-Naya, and Young. Young's 2006 study, despite being early, remained the most cited due to its focus on environmental impacts. The study uncovered patterns linking strategic management and corporate governance theories in M&A sustainability. Co-citations of the "Journal of Cleaner Production and the Strategic Management Journal" suggested a shared focus. A key area for future research involves exploring the effect of sustainability on firm performance, using broader performance measures tied to sustainability pillars. Despite limitations like a small sample size and database restrictions, the study contributed to the ongoing interest in M&A and sustainability. Future studies could explore the evolution of the field over time, particularly as more studies emerge.

Kumar & Kuncolienkar (2020) analyzed the "effects of M&A on wealth creation" for "Indian acquiring banks" was considered important from the viewpoint of

“investors” who speculated to earn superior returns from such transactions and therefore invested for “short- or long-term gains”. The study made an effort to quantify “investor experience and capture investment aspirations” about bank announcements of “M&A agreements” using the “BHAR estimation”.All but a few of the "acquiring banks" that reported their "M&A deals" had "positive BHAR" at the three-year horizon; however, none of them were significant statistically, except the "PNB and NBL" merger announcement. This provided very little insight to shareholders of the acquiring banks that invested at the time of the announcement of the acquisition that long-term performance had increased. In all, "M&A announcements" generated buy-and-hold abnormal returns for the "Indian banks' portfolio", finds the "ABHAR research". Also, based on the study, it was found that the "Buy and Hold Abnormal Returns for bidder banks" were not significantly different when classified as "voluntary merger deals" or mandatory merger deals.

Sant & Bhattacharya (2020) concluded that mergers in the Indian and BRICS banking sectors, based on fundamental performance parameters, did not yield substantial post-merger improvements. Key financial indicators such as “Return on Capital (ROC), Return on Assets (ROA), and Net Margin in India” showed negative effects. While most other parameters remained stable, they did not reflect significant gains. In the overall “BRICS context, Capital Adequacy Ratio, Net Interest Margin, ROC, and Price to Book Value” demonstrated a decline post-merger, with Brazil exhibiting the poorest performance. It was further concluded that the synergies anticipated during merger planning, particularly cost savings, were not realized in practice. Despite the absence of deterioration in asset quality (as NPA ratios remained unaffected), the expected improvements in profitability and efficiency did not materialize. This indicated that while mergers did not worsen asset quality, they also did not enhance key financial outcomes. The findings suggested that managers should approach merger decisions conservatively. Premiums paid over intrinsic value posed a risk, and greenfield expansion appeared more predictable and controllable in terms of cost. Moreover, managers were advised to critically assess merger proposals, especially

by examining Brazilian cases as cautionary examples. Overall, it was concluded that the impact of “mergers in the banking sector” remained limited, and managers should prioritize realistic valuations and consider worst-case scenarios before proceeding with M&As.

Shelly et.al. (2020) found that the MSME sector functions as the backbone of the Indian economy as it contributes notably towards GDP, creation of employment, exports, and sustainable development. Even with difficulties such as the 2008–2009 global financial crisis, the sector has been resilient with a consistent increase in the number of operating businesses and green jobs, even though the growth of green jobs is still modest. The sector's contribution to GVA and GDP, although a marginal decline, remains significant. Quite interestingly, khadi and village industries hold the maximum percentage of green jobs, followed by sericulture and coir industries. With a stable 40–50% share in overall exports, the MSME sector not only catalyses industrial growth but also sustains rural livelihoods and inclusive development. Building the MSME ecosystem is thus crucial to realizing India's longer-term economic objectives, as well as generating jobs and driving progress toward the Sustainable Development Goals (SDGs).

Ghouse (2020) emphasized how internal as well as external impediments heavily restrict the internationalisation activities of Indian micro, small, and medium-sized enterprises (MSMEs) with particular reference to the handicraft export industry. Internally, significant barriers were entrepreneurial barriers like limited knowledge of overseas markets, low cultural intelligence, and lack of capacity and contemporary infrastructure. Functional barriers such as obsolete

production technology, lack of new practice adoption, and poor managerial export orientation further limited the capacity of firms to compete internationally. External to the firm, the research indicated intense price competition in international markets and inadequate government assistance and export incentives relative to their East Asian counterparts as primary challenges. These barriers compel Indian MSMEs to maintain thin margins, and it becomes challenging to continue their export

operations. The results emphasized the crucial role of policymakers and the government in helping MSMEs through focused policies, financial support, training initiatives, and enhanced infrastructure. There is a need for special programs to enhance export education, cultural orientation, and contemporary business standards. There should be institutionalized practical means of moving forward, including encouraging university-industry interaction through government-funded entrepreneurship cells in export clusters. Moreover, the study prompted the setting up of cluster export development offices to assist exporters with the latest information on financial, operational, and marketing assistance to break export bottlenecks. Lastly, it suggested that future studies ought to include bigger, more representative samples from more sectors and regions, and comparative analyses between developed and developing nations. Such studies would further deepen the understanding of globalisation barriers and develop effective strategies to enable MSMEs to prosper in foreign markets.

Arora & Singh (2020) focused on exploring the effect of mechanisms of corporate governance on IPO under-pricing in the case of small- and medium-sized enterprises (SMEs) in India. With a loosening of SEBI guidelines allowing more SMEs to raise capital from the public in BSE SMEs and NSE EMERGE platforms, there was an increased necessity to comprehend how governance practices affected investor perceptions and pricing results. The research examined data from 182 SMEs and emphasized board variables (such as board size, number of committees, independent directors, board age, related board members, and directorships) as well as ownership structures (top ten shareholders and promoter ownership). The results revealed that governance had a definite signalling function: for instance, an increased number of independent directors and senior board members assisted in signalling firm quality and diminishing information asymmetry, which consequently decreased under-pricing in IPOs. However, greater boards were inclined to facilitate communication and coordination problems, causing damage to firm transparency. An increased number of board committees suggested more stringent monitoring and decreased under-pricing. The close association between board members triggered agency conflicts, while high

directorships resulted in under-pricing through stress and divided attention. Concentration of ownership was also important. High promoter ownership and major shareholder stakes were both effective signals for investors. Surprisingly, the study verified a quadratic relationship — under-pricing first rose with increasing promoter ownership but subsequently declined, substantiating the entrenchment hypothesis. Concentrated ownership forms provided tighter monitoring of management, aligning managers' behavior with the interests of shareholders and reducing agency issues. On the whole, corporate governance factors accounted for a significant proportion of the variation in IPO performance, calling attention to their influence on investment choices. The research concluded that sound governance arrangements could assist SMEs in overcoming information gaps and agency issues, allowing them to raise more capital at better prices.

CA & Kurian (2019) demonstrated that aligning with global Basel III norms, bank mergers strengthened the ability of “Indian banks” to withstand competition and manage “financial stress”. The mergers enabled larger banks to handle non-performing assets more effectively, unlike smaller banks and NBFCs, which struggled to lend further due to limited resources. It was also demonstrated that the Reserve Bank of India (RBI)”, as the regulator, played a vital role in maintaining the health of the banking sector by adapting rules to current economic and global trends. The government’s decision to form larger banking entities aimed to increase funding capacity and help Indian banks gain a global presence. The mega-merger strategy demonstrated both benefits and challenges, the full extent of which became clearer over time.

Dey et.al. (2018) showed that the number of employees, turnover, and location of SMEs were linked to their Environmental Management (EM) and CSR practices. Managers’ views in the UK and India provided useful insights. Although the study did not cover all SMEs, it highlighted areas where policymakers could help SMEs improve sustainability practices. It showed that SMEs could use the findings to benchmark and strengthen their own EM and CSR efforts. Customers and suppliers could also use this knowledge for better supply chain choices. The study encouraged governments to offer

more resources and support for SMEs' environmental and social improvements. However, the study was limited to manufacturing SMEs in two regions and used a small sample size. It suggested that future research should cover other sectors, like construction, include more regions, use larger samples, and apply advanced methods. Future studies could also look deeper into how outside pressures, motivation, and different EM and CSR practices affect SMEs' sustainability performance.

Melesios et.al. (2018) determined that the significant contribution of this paper was its application and comparison of various modelling approaches in terms of the distributional specification of the dependent variable and the selection of covariates, especially in data with many predictors. This research was among the few methodological practices that allowed for an enhanced understanding and detection of major sustainability performance measures directly impacting business development. Different distributions had been used to obtain the best possible modelling of SME economic performance regarding sustainability practices, and the findings were contrasted with those derived from converting the dependent variable to analyze which transformations impacted the predictors' importance. The results showed that only certain performances and practices regarding environmental, social, and operational sustainability did good to an SME's economic results. Generally, the research found some variation between the approaches to modelling, especially for covariates on the border of selection; however, this variation was not great enough to state that one was significantly better than the others. One important finding was that the level of skewness of the dependent variable must be carefully examined when choosing the correct link distribution for regression modelling.

Mukherjee (2018) believed that Indian MSMEs had huge potential to survive and expand in the international market despite experiencing a lot of challenges like high cost of credit, poor infrastructure, scarce skilled man-power, and stiff competition from international players like China. The Indian Coir industry case proved that although the volumes of exports had gone up, returns had remained static owing to few technological advancements and stiff competition from synthetic alternatives. Thus, ongoing

investment in technology upgradation, ICT adoption, and making use of horizontal and vertical technology transfers were determined to be crucial for building competitiveness. Also, "Government of India's initiatives—like Make in India, Skill India, and Digital India"—and greater emphasis on "intellectual property rights (IPR)" adoption and other sources of finance, such as venture capital and angel funds, played a key role in overcoming enduring challenges. Strengthening collaboration with research centers and universities, and university institutions further encouraged innovation and resilience. It became necessary that MSMEs address issues relating to access to credit, infrastructure, availability of raw material, and skill building simultaneously to achieve their full potential in exports. The findings, derived from secondary data, pointed out that a strong, creative, and internationally competitive MSME sector was crucial for India to maintain high economic growth and establish itself in the global market during the next decade.

Merchant et.al. (2018) studied Indian family businesses, being sensitive to their cultural context and the special conditions of a developing economy. Focusing on the induction process of successors in SMEs, the research specified the main factors affecting family business continuation. It found that there were two key drivers essential to successful induction: first, the willingness and enthusiasm of the successor to come into the family business; and second, both the incumbent's and the successor's ability to handle inherent tensions effectively. The outcomes highlighted that meticulous planning of the induction process, with specific regard to these areas, would be key to facilitating easier induction, hence better succession results and long-term sustainability of the business. The research provided new knowledge within the less- researched Indian SME family business context and showed how Eastern cultural influences and conditions of a developing economy influenced succession dynamics differently from Western environments. Still, the study also recognized its limitations, such as a limited sample size and self-reported incumbents' perceptions, which could have imposed subjective biases and artificially inflated the observed variable relationships. Validating these factors and their effects through more representative and larger samples from

studies covering other developing economies, as well as through the views of successors themselves, would make the findings more generalizable. Such a comparative study might assist in establishing whether the drivers of effective induction and succession identified in this research are generalizable across various economic and cultural environments, thus aiding more practical succession planning in family- owned SMEs globally.

Appelbaum et.al. (2017) investigated the many reasons why people resist change, how these factors affected certain behaviors, and the dangers that these behaviors posed to the effectiveness of a change, namely an M&A event. The study indicated a strong correlation between successful transformation and effective handling of resistant elements. Ignoring the "people factor" in an M&A scenario, where financial considerations sometimes take precedence, undoubtedly carries a post-scriptum of "at your own risk." It would be intriguing for future empirical research to connect the ideas examined under the four categories below altogether, even if several approaches have been tried to establish connections between the pre- change (or pre-merger) circumstances, the anticipated response, and its consequences.

Sonwalkar & Soni (2017) aimed that the study aimed to test the model of entrepreneurship intention, with the specific purpose of examining whether self-efficacy as an independent variable influenced entrepreneurship intentions as a dependent variable. Employing students as samples and regression analysis, it demonstrated that the model of entrepreneurship intention formation among young people (students) validated that the self-efficacy variable significantly and positively influenced the entrepreneurship intention variable. For the second purpose, that is to examine the impact of a set of moderating variables on the relationship between self-efficacy and entrepreneurship intention, findings indicated that entrepreneurship education, gender, and parent background did not moderate the relationship between the two variables.

Roy et.al. (2016) examined the internationalization of SMEs in the Indian context, specifically focusing on the manufacturing sector. The analysis supported the

existence of two key categories of barriers—internal and external—that hindered small firms from expanding internationally. Building on previous studies, the study developed a new classification highlighting how factors such as a lack of foreign language proficiency and limited understanding of foreign exchange fluctuations posed significant external barriers for SME owners. Internally, access to low-cost capital remained a persistent obstacle, as financial institutions often doubted SMEs' repayment capabilities, leading to a shortage of funds for international expansion. Cultural and language barriers further complicated cross-border operations, although the use of certified consultants and export agencies as intermediaries helped mitigate some of these challenges.

Ali (2016) evidenced that small and medium enterprises (SMEs) had been responsible for the growth and development of the Indian economy by creating employment opportunities, mitigating regional disparities, stimulating industrialization in backward and rural regions, and ensuring equitable resource distribution. The research confirmed that difficulties and opportunities encountered by enterprises varied according to size; whereas small enterprises were advantaged by greater flexibility in administration and quicker adaptation to market developments, large enterprises were advantaged by economies of scale, political clout, and easier access to government credits, contracts, and licenses. Laying emphasis on these variations, the Indian government has pursued a targeted strategy through the enhancement and promotion of MSMEs and big business through different ministries, policies, and plans. The examination of business barriers encountered by food and agribusiness companies showed significant variations across firm size, pointing out that access to finance, land, customs regulations, and levels of corruption impacted firms differently. Small and medium-sized businesses were concentrated in southern parts and major towns, whereas large businesses had a presence mostly in northern and eastern parts. The results also showed that female involvement in ownership and control improved with the size of the firm, and larger firms had more complicated legal forms and longer periods of operation. The research shed light on the character and extent of business

performance and challenges by firm sizes and provided useful information for researchers, financiers, entrepreneurs, and policymakers to create customized business models addressing the unique challenges of small and medium agribusiness and food firms. Nevertheless, since the research was based on secondary data obtained from the World Bank, it had limitations in terms of the scope of the included performance indicators and challenges. Subsequent studies might improve on these results by constructing conceptual models based on relevant indicators and integrating in-depth interviews to reveal a richer understanding of the distinguishing features and problems associated with these firms.

Pachouri & Sharma (2016) demonstrated that even in the face of many challenges, the SME industry in India was doing well. There were clear innovation barriers, the most significant of which appeared to be policy from the government. This resulted in the popular saying that "entrepreneurs grew not because of the government in India, but despite the government." Still, a more nuanced examination revealed that the government attempted to promote SME growth by encouraging various schemes and initiatives for fostering innovation in the sector through its separate institutions. The Science, Technology and Innovation Policy 2013 did make a difference, but the institutional operations of the government, Council of Scientific and Industrial Research laboratories, and private firms tended not to be in synchrony. The intensity of operations in the public laboratories as well as the private research centers had to be increased for more coverage and assistance to SMEs. The other key finding was that certain programs, such as the Cluster Development Program, could have been scaled up to make more firms in a cluster accessible. Upgrading and modernization, along with creative approaches to capacity building and promoting products, were called for. An overall and independent policy of innovation for the SME sector could also have been created to encourage innovation. The institution, policy, and support framework had to change to eliminate the SMEs' sense that the government was stifling their success. With time, this might have been attained through the active engagement of policymakers and experts for the advantage of India's SMEs.

Subhan et.al. (2014) determined that introducing process innovation across various small and medium-sized sectors — particularly food, ceramics, leather, and agriculture — was essential. These sectors were found to hold considerable potential because they produced fewer elastic goods that could more easily penetrate local and international markets. However, this potential could only be realized if the government fulfilled key manufacturing prerequisites, such as providing utilities at affordable rates and encouraging investment-friendly conditions. The research also highlighted that foreign investors, especially from China, could play a significant role in realizing the benefits of these sectors. The empirical analysis, using log-linear regression models, demonstrated a clear and positive relationship between process innovation and the growth of "Small and Medium Enterprises (SMEs) in Pakistan". It was concluded that improvements in process innovation directly led to enhanced SME performance, which in turn stimulated economic activities within the country. This finding reinforced previous studies, such as Braunerhjelm (2010) and Fagerberg et al. (2009), which demonstrated the vital role of innovation and high-technology processes in driving economic development. The study further concluded that education had a significant positive correlation with GDP per capita growth. It was evident that Pakistan's historically low spending on education — less than 2% of GDP — constrained the potential for broader economic development. The results emphasized the need for increased investment in education to support the growth of SMEs and strengthen economic resilience. The study also confirmed that patent applications for non-residents (PAN) and total trademark registrations (TMT) were critical variables influencing SME growth and overall economic development. The t-statistics for PAN (2.47) and TMT (1.44) validated their significance at the 5% level, underscoring that stronger intellectual property systems could further accelerate innovation-led growth in Pakistan's SME sector. Overall, the findings concluded that advancing process innovation, improving educational investment, and fostering supportive policy environments would be indispensable for leveraging SMEs as a driver of economic growth. The study suggested that future research should investigate the impact of

different types of innovation on various industrial sectors to better inform policies aimed at sustainable economic development in Pakistan.

Dhangar, (2014) concluded that if the COVID-19 pandemic was considered a turning point in India's economic history, then the Atmanirbhar Bharat Abhiyaan was recognized as an accelerating economic package intended to mitigate the overall impact of the pandemic and provide a significant boost to India's development trajectory by focusing inward rather than outward. This self-reliance campaign was viewed as a massive initiative undertaken by the government to reduce the economic havoc caused by the Coronavirus crisis. It was evident that the actions and efforts of policymakers during this period would determine how long the slowdown persisted and how swiftly the Indian economy could recover. It was acknowledged that the primary step toward recovery lay in controlling the spread of the virus; once the biological threat was managed, the economy could begin to rebound. Various scenarios for recovery were discussed in terms of "V", "U", or "L"-shaped models— with "V" representing a quick rebound, "U" a moderate downturn followed by recovery, and "L" indicating the worst-case scenario of a prolonged and sluggish recovery, similar to that witnessed during the Great Depression. It remained to be seen how this self-reliance campaign would ultimately impact India's economic recovery and growth pattern. Warnings had emerged that the "Government and the Reserve Bank of India risked creating another crisis by increasing debt and deficits through their stimulus measures. Nevertheless, it was understood that, as the human costs of the pandemic continued to grow, the immediate priority needed to be on providing relief to workers and businesses to enable the economy to bounce back. The crisis was unique and multi- dimensional, requiring India to survive the worst impacts and emerge resilient and stronger on the other side. Finally, it was concluded that the objectives of the Atmanirbhar Bharat Abhiyaan were commendable in their vision and that the successful implementation of the package and its resulting impacts needed to effectively benefit the economy. Only then could the nation be steered steadily onto a sustainable path of development in the aftermath of the pandemic.

Jaswal (2014) came to the conclusion that Micro, Small, and Medium Enterprises (MSMEs) had become an important growth driver in the Indian economy. They had become a dynamic and vibrant part of the country's economic system through their major contribution to GDP, industrial production, and exports. Above all else, their contribution to employment generation had been a runner-up only to agriculture, particularly as employment in agriculture was reducing and major industries were facing jobless growth. In the process, the onus of job creation was falling disproportionately on the unorganized sector, such as MSMEs and the service sector. To stay competitive and financially sustainable in the long term, MSMEs had to continually enhance productivity and quality, cut costs while having better standards, and drive innovation. It was clear that government policies had to concentrate on improving the efficiency and competitiveness of MSMEs in an economy driven by markets rather than shift from the older protectionist policies that had been counterproductive. New policies, like taking up a cluster approach and utilizing the strength of industry associations, needed to be promoted in order to avoid sectoral fatigue and disease. The sector was full of tremendous potential and was one of the pillars of the Indian economy, but its success lay in the sagacious decisions and honest implementation by the government. A technologically dynamic and globally competitive MSME sector would continue to contribute to national income, employment, and exports in a sustainable manner. It was crucial that MSMEs were thoroughly informed of various government schemes and used them appropriately, since ignorance had often hindered their growth. Further, government schemes must be overseen constantly and modified to suit the changing needs of the sector. Education and optimizing the resources to empower MSMEs were needed to enable them to become the actual growth driver of the Indian economy. MSMEs had both challenges and opportunities ahead of them in the new economic situation, and responding to these appropriately was extremely important for India's sustainable growth.

Malik et.al. (2014) analyzed whether mergers and acquisitions have increased or decreased an organization's value. Acquisition performance had been analyzed using

a variety of techniques. The study's goals were to explore the literature on the history of M&A, its stages, motivations, and various performance measurement approaches; assess the advantages and disadvantages; and look into whether there have been any advancements in the methods used in recent years. To comprehend the pertinent procedures and synthesize the findings for managers and upcoming researchers, the study began by evaluating the M&A literature. Thus, the study's focus was limited to M&A history, stages, motivations, and methodologies. In summary, the study demonstrated that there were many approaches to assessing acquisition performance, each with advantages and disadvantages. The technique of measuring should be carefully chosen since it has a significant impact on the outcomes.

Subhan et.al. (2013) highlighted that for the revitalization of Pakistan's economic potential, process innovation had to be injected into small and medium-sized industries (SMEs) working in industries like food, ceramics, leather, and agriculture. These industries were revealed to possess significant potential to attract foreign capital due to the inelasticity of their products and their ability to penetrate local and international markets when government intervention, including the offering of low-cost utilities and business-friendly practices, is provided. The analysis, using log-linear regression models on annual data from 1980 to 2012, demonstrated that process innovation had a significant positive correlation with the growth of SMEs in Pakistan. Indicators like patent applications, trademark registrations, and high-technology exports were found to be critical drivers for SME expansion. Enhanced process innovation contributed directly to SME growth, which in turn reanimated overall economic activity and helped positively add to GDP growth, supporting evidence consistent with that of Braunerhjelm (2010) and Fagerberg, Srholec, and Verspagen (2009). Finally, the research determined that investment in education was crucial to economic development, and education levels correlated positively with per capita GDP growth. But it was observed that Pakistan's spending on education continued to fall short, at below 2% of GDP, and weakened the country's ability to maximize gains from process innovation and SME growth. Other economic determinants, including inflation,

trade openness, and the ratio of exports to GDP, were also seen to have substantial impacts on economic growth paths. In total, patent applications by non-residents (PAN) and overall trademark registrations (TMT) proved to be strong predictors of SME growth and economic development, respectively, as indicated by their statistical significance in the model. These results highlighted the important role that supporting innovation and intellectual property creation could potentially play in enhancing Pakistan's SME base and, in turn, its economic resilience as a whole. The study emphasized that encouraging a culture of innovation in SMEs, in combination with strategic policy interventions and spending on education, would be critical to driving sustainable economic growth and competitiveness in Pakistan.

Chowdhury (2011) provided a useful comparative examination of the effect of economic crises on SMEs in two different regions: the epicentre economies—principally the US, Canada, and Europe—and the South's emerging economies, such as China and India. It was discovered that, while the aggregate economies in the epicentre were hit instantly and hard, with the Southern economies feeling an impact with lag, SMEs in both regions were impacted more or less uniformly because of direct and indirect linkages. The research emphasized that in China, the year of the crisis was a definite point of inflexion for SME performance due to a high proportion of export-oriented small businesses, which incurred a sharp direct hit. At the centre, SMEs suffered a more severe and direct effect from the collective effects of a credit squeeze and an aggregate demand downturn, while SMEs in emerging Asian economies were affected indirectly through intensive backward linkages with major firms in the production chain. It was shown that small industries were still very vulnerable to the impact of external shocks because of their specific structural features, even though less directly interconnected with the international economy than big industries. However, SMEs were still essential for economic development in both developing and emerging economies owing to their high employment- generating capacity and close ties with big industries. The non-formal character of a large proportion of SMEs, as the case in India showed with 94 percent not being registered, reinforced further the call for continued

and inclusive policy assistance. The investigation highlighted that not just policy mechanisms need to be reactive in times of crises, but proactively established as well to reduce SMEs' exposure to vulnerability in the longer term. Interventions like India's Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), which offered credit without collateral, were identified as important to relaxing chronic credit shortages. In addition, SME clustering and promoting innovative marketing approaches were found necessary to minimizing market reliance as well as filling skill gaps, possibly through programs like business incubators. Lastly, it was proposed that comparative studies between advanced and emerging economies be conducted to establish if demand slumps or credit crunches were more challenging for SMEs. Initial observations revealed that, in emerging economies such as China and India, the impact from the demand side was stronger since the pattern of restricted flow of credit to SMEs even in the ordinary times continued, rendering change during crises less evident. This observation supported the need for complementarity policies and consistent backing to protect SMEs' contribution towards employment and economic resilience across the globe.

2.2 Theoretical Framework

The conceptual framework for the analysis of MSMEs' influence on the Indian economy draws on a range of interlinked economic, entrepreneurial, and institutional theories. The theories offer a holistic perspective on the role of "MSMEs" in stimulating "economic growth, stimulating innovation, and addressing the problems they encounter in India".

2.2.1 Economic Development Theory

Economic development theories point to the important function of MSMEs to stimulate economic growth. Schumpeter's Theory of Innovation (1934) stresses that entrepreneurs, especially in "small and medium-sized enterprises", lead "economic development" through innovations that result in creative destruction, transforming industries, and generating new opportunities in the market. Schumpeter's model is

especially applicable in observing how MSMEs in India drive economic transformation through technological progress and diversification of the market.

Likewise, Lewis' Dual Sector Model (1954) argues that economic development in developing nations, including India, tends to take place through structural evolution, which is, for instance, the shift of labor from agriculture to industry. MSMEs contribute to this structural change by serving as a means of industrial employment and by helping raise the level of productivity in non-agriculture sectors (Lewis, 1954).

2.2.2 Entrepreneurial Theory

Entrepreneurial theory, specifically Cantillon's (1755) and Knight's (1921) theories, proposes that entrepreneurs assume risk and uncertainty, elements fundamental to the operations of MSMEs. Cantillon's concept of the entrepreneur as a risk-bearer and Knight's discussion of uncertainty best capture the conditions of MSMEs, which tend to work with limited means and in circumstances beset with financial and market uncertainties.

2.2.3 Innovation Theory

Theory of innovation, and specifically Schumpeter's (1934) theory of creative destruction, is very applicable to MSMEs. For Schumpeter, innovation is the key process by which entrepreneurs generate economic growth by bringing new products and processes into existence, replacing old industries, and establishing new market structures. For MSMEs in India, innovation may be incremental (process improvements) or radical (bringing entirely new products).

Porter's Competitive Advantage of Nations (1990) reminds us that national competitiveness is spurred by the ability to innovate of firms, including MSMEs. According to Porter, innovation enables firms to improve their productivity and compete in international markets. Product and process innovations are carried out by numerous MSMEs in India to transcend the limitations of size and shortages in resources.

Also, Rogers' Diffusion of Innovations Theory (1962) explains how new technologies are embraced in organizations. The theory is important in understanding

the gradual but changing uptake of technology in MSMEs in India, particularly as they encounter challenges such as high costs and technical limitations.

2.2.4 Institutional Economics Theory

The institutional economics theory, as described by Douglass North (1990), contends that the performance of MSMEs is significantly influenced by the institutional environment, which encompasses regulatory settings, market structures, and social norms. According to North, economic development hinges on the availability of well-functioning institutions that are capable of reducing transaction costs and creating a favorable business environment. In India, MSMEs encounter institutional challenges like intricate regulatory structures, corruption, and ineffective enforcement of regulations, which constrict their growth potential.

Also, Williamson's Transaction Cost Economics (1985) helps understand how MSMEs are constrained in market exchanges and business formalization. Transaction costs, such as the costs of handling regulators, contract negotiation, or corruption, are high for MSMEs in India, driving them to the informal economy, where transaction costs are reduced but at the cost of wider business opportunities.

2.3 Research Gap

Although the current literature on “Indian” Small and Medium Enterprises (MSMEs) recognizes their critical role in “economic growth”, employment, and exports, there are still

large research gaps. One of the key gaps is the absence of longitudinal studies that follow the performance and development of MSMEs over time. The majority of studies are based on cross-sectional data, which gives a snapshot of MSME activities at a specific point in time. Long-term studies are needed to assess how MSMEs adapt to changing “market conditions”, government policies, and “technological advancements”, as well as their sustainability in the face of economic fluctuations.

A second major research gap regards rural MSMEs' challenges. While “MSMEs” play a critical role in rural industrialization and employment, a majority of studies focus on urban MSMEs. The specific rural MSMEs' challenges, including

“limited access to finance, poor infrastructure, and limited access to technology”, are less researched. The potential of rural MSMEs to reduce poverty and stimulate local economic development is also worth investigating. MSMEs' adoption of digital technologies is another research-limited area. Although MSMEs are regarded as the drivers of innovation, the incorporation of new technologies like ICT, AI, and automation by MSMEs has not been analyzed thoroughly. With digitalization increasingly being a key factor in the modern-day global economy, there must be research on how MSMEs can utilize technology to drive productivity and competitiveness, particularly given the challenges to digital adoption that smaller firms experience.

There exists a considerable knowledge gap in the efficacy of government policies designed to foster MSMEs. Although policies such as Make in India and Udyam Registration have been launched to promote MSMEs, little work has been carried out on how the policies are practically implemented and the real-world challenges faced by MSMEs while operating under regulatory structures. The majority of research emphasizes policy design but does not strongly examine the influence of such programs on MSME development, especially how access to finance and market access are affected. In addition, gender dynamics in the MSME sector have never been widely analyzed. MSMEs are known to foster entrepreneurship and employment generation, but their effect on gender equality, especially women entrepreneurs, is still an unexplored area. There has to be research on how MSMEs empower women, especially in “rural and semi-urban areas”, and how they help bridge the gap between genders in the Indian economy. India has been rolling out a broad range of government initiatives through schemes like Make in India, Start-Up India, and Atmanirbhar Bharat, the impact of these initiatives is often hampered by patchy implementation and weak last-mile connectivity. Measures like the Emergency Credit Line Guarantee Scheme (ECLGS), Udyam Registration, and National Manufacturing Competitiveness Program have been effective in focused segments, but there are shortcomings in outreach, digital onboarding, and feedback mechanisms. Empirical evidence points towards SMEs being

often unaware of the eligibility criteria or being out of consideration on account of bureaucratic roadblocks and absence of proactive facilitation.

Private initiative can play a seminal complementary role in this regard. New fintech platforms are disrupting credit access through online models of lending, and large businesses are bringing SMEs into formal value chains through vendor development schemes. But for achieving transformational impact, both the public and private sectors need to act in concert to foster collaborative infrastructure, incubator clusters, mentoring networks, and streamlined compliance systems. Fostering participation of SMEs in policy making, enhancing MSME District Facilitation Centers, and utilizing digital public goods such as ONDC can propel composite support systems that realize the full potential of India's SME economy.

The inclusion of MSMEs in global value chains (GVCs) is another direction where more research is needed. Although MSMEs play an important role in Indian exports, how they are engaged in GVCs remains unclear. MSMEs in industries such as textiles, handicrafts, and electronics frequently have difficulties entering international markets. Research would be required to examine the constraints they are subject to and how trade policies, world demand, and market access affect their capacity to participate in GVCs.

Finally, the effects of economic shocks, including the COVID-19 pandemic, on MSMEs are another research area that has not been thoroughly researched. While certain studies have measured the immediate effect of such shocks, little work has been conducted on how MSMEs have adapted and transformed in the longer term. More research is required to assess the way MSMEs have coped with disruptions and how government support has contributed to their recovery. Knowledge of the resilience of MSMEs in crises can offer relevant insights into the strategies that ensure their survival and their long-term sustainability.

CHAPTER III: METHODOLOGY

3.1 Overview

"The research design" for the study "The Impact of Small and Medium Enterprises on the Indian Economy" is a "mixed-method approach" that utilizes "both qualitative and quantitative methods" to offer a complete analysis of the contribution of SMEs towards the growth of India's economy. The study adopts a positivist philosophy and is concerned with the gathering of objective, empirical data regarding the contribution of SMEs towards GDP, employment, and local development. Primary data will be collected via questionnaires and interviews with owners of SMEs, policymakers, and economists, while secondary data will be obtained from government reports, economic surveys, and business magazines. By utilizing both these methods, the Economic contribution of SMEs, issues faced by them, and the efficacy of current policies will be adequately understood. The information will be processed using "statistical methods for the quantitative data and thematic analysis for the qualitative data", yielding insights into SMEs' role in innovation, employment generation, and overall economic resilience in India.

3.2 Operational Terms

❖ Small and Medium Enterprises (SMEs):

SMEs are those enterprises that come under certain parameters of investment and turnover in a year as specified in the MSMED Act, 2006. SMEs are generally divided into three categories:

- Micro Enterprises: Plant and machinery "investment of up to ₹1 crore, and turnover in a year of up to ₹5 crores".
- Small Enterprises: Plant and machinery "investment up to ₹10 crores, and turnover in a year up to ₹50 crores".
- Medium Enterprises: Investments in machinery and plant of "up to ₹50 crores", and turnover of "up to ₹250 crores" per annum.

❖ GDP (Gross Domestic Product):

"GDP" is the aggregate money or market value of all the finished products and services manufactured within the geographical boundaries of a nation during a given time interval. It is an all-embracing indicator of a country's overall economic activity.

- Employment Generation:

It refers to the development of employment opportunities, especially by SMEs, which are very important in cutting down unemployment and assisting in economic growth by employing all levels of skill and geographical regions.

- Regional Development:

Regional development refers to economic growth and enhanced living conditions in particular regions or areas, usually to minimize differences between urban and rural regions. SMEs play a central role in promoting "regional development" by driving local economies and generating employment opportunities beyond metropolitan areas.

- Exports:

Exports are the "sale of goods and services" manufactured within a nation to other nations. In the case of SMEs, it means their contribution to the foreign exchange income of India and their integration into international trade networks.

- Government Policies:

Government policies encompass different legislative and regulatory interventions introduced to aid the growth of SMEs. These include financial incentives, subsidies, tax exemptions, and access to credit facilities for promoting the growth of SMEs.

- Financial Accessibility:

Financial accessibility means the ease of accessing finance by SMEs from formal financial institutions such as banks, venture capital, or government-supported financial schemes to fund their operations, growth, and innovation.

- Regulatory Barriers:

Regulatory barriers mean the hindrances and limitations arising from government regulations like intricate licensing, excessive taxation, and red tape, which could inhibit the development of SMEs.

- Technology Adoption:

Technology adoption is used to describe the degree to which SMEs incorporate new technologies in their operations, ranging from the utilization of digital technologies, automation, and innovation to increase efficiency, access new markets, and boost productivity.

- Doctrinal Analysis

Doctrinal analysis entails the examination of prevailing legal principles, laws, and regulations to comprehend their implications and efficacy. In this regard, it means the analysis of laws and policies that affect the operation and development of SMEs.

3.3 Conceptual Framework

The theoretical framework of this research is focused on comprehending the way “Small and Medium Enterprises (SMEs)” contribute to the “Indian economy” by their role in GDP growth, employment creation, exports, and local area development. SMEs are the focal independent variable, whereas these economic indicators are used as dependent variables that measure the entire sector's impact. This nexus between SMEs and such consequences is moderated by a variety of intervening factors like government regulations, financial accessibility, technological take-up, and regulatory conditions. Such mediating factors are critically significant in amplifying or suppressing SME performance. This framework offers a systematic way of analyzing not just the direct economic contributions of SMEs but also the external factors influencing their growth and sustainability.

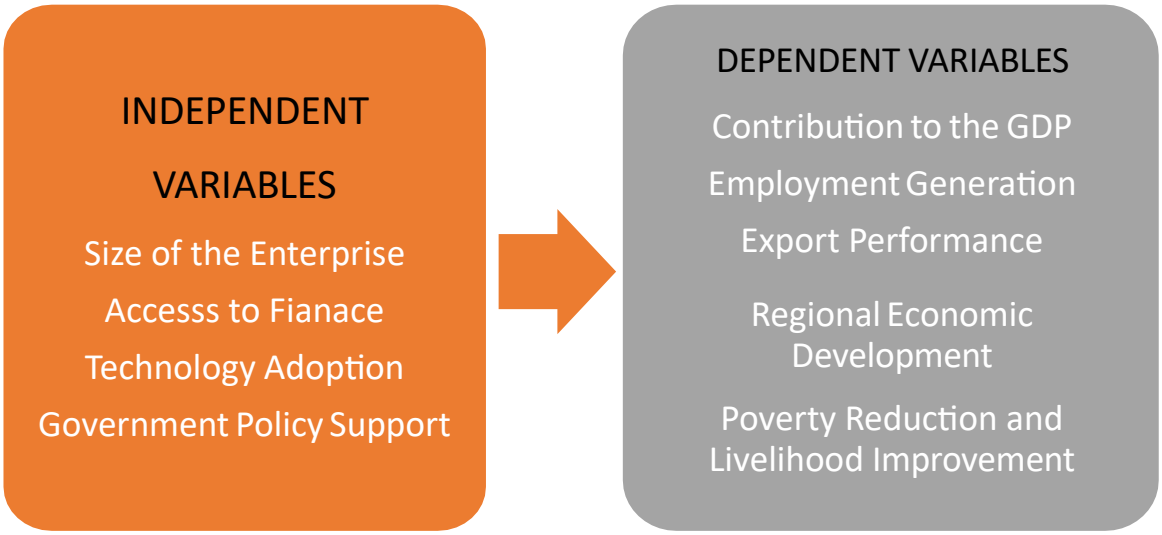


Figure 3.1: Conceptual Framework

3.4 Variables of the Study

"In research, a variable is defined as a factor that may change and hence affect, or be affected by, the results". "Within the framework of a research endeavor, ideas are frequently designated
as variables". "A variable, as its name suggests, denotes any entity that experiences alteration". "This study utilizes two distinct groups of variables."

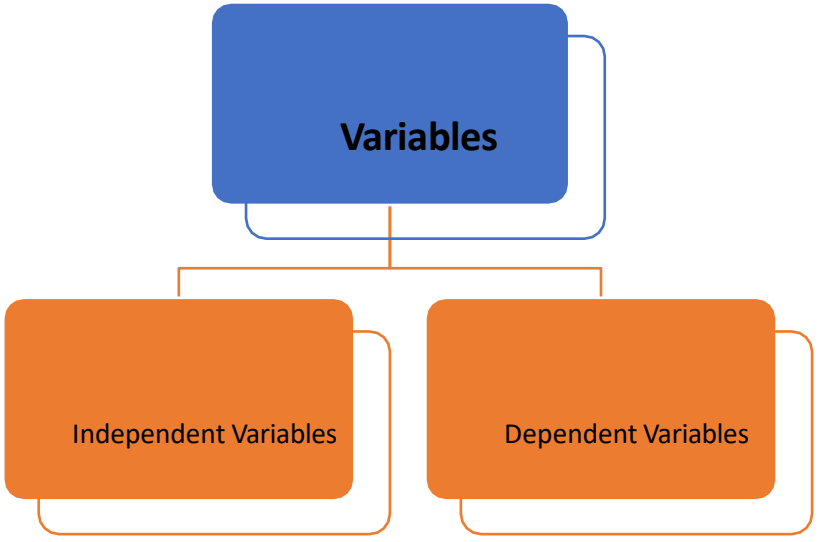


Figure 3.2: Types of Variables

3.4.1 Independent Variable

"A variable that is independent is a variable that investigators intentionally manipulate in a research investigation to assess its effect on the variable that is dependent". Independent variables in the context of this study on the contribution of

“Small and Medium Enterprises (SMEs)” to the “Indian economy” are variables such as the “enterprise size (micro, small, or medium)”, finance access, government policy support, technology uptake, and entrepreneurial orientation. These are variables that affect outcomes but are not affected by the dependent variables in the study.

3.4.2 Dependent Variable

“A dependent variable changes in reaction to a modification in an independent variable”. “A dependent variable is a particular trait or outcome that a researcher aims to understand, clarify, or predict”. For this research, the dependent variables are SMEs' contribution to GDP, job creation, export performance, and regional economic development. These variables depict how SMEs affect the larger economic context and assist in measuring the overall importance of the sector in national development and growth.

3.5 Research Methodology

This research on “The Impact of Small and Medium Enterprises (SMEs) on the Indian Economy” follows a mixed-method research design, using both quantitative and qualitative approaches, to gain a holistic understanding of the contributions and issues of the industry. Based on the positivist research philosophy, the research emphasizes objective, empirical observation and analysis. Primary data is collected using standardized questionnaires distributed among SME owners, managers, and policy stakeholders, whereas secondary data is collected from government reports, economic surveys, and academic journals.

Purposive sampling is chosen as the sampling technique to identify approximately 120 informed respondents from various regions and sectors of India. Analytical software like SPSS and Microsoft Excel is used to carry out descriptive statistics, correlation, regression, and comparative analysis to assist in looking into relationships between government support, access to finance, and SME performance. This methodology format helps ensure the research takes into account not only the measurable economic contribution but also contextual information required to make policy recommendations.

3.5.1 Research Design

"The research design" used in this study is a "mixed-method approach" with a descriptive and analytical design, intended to closely study the effect of "Small and Medium Enterprises (SMEs)" on the "Indian economy". The descriptive part is concerned with describing the present situation of SMEs in terms of their "contribution to GDP, employment, exports, and innovation", whereas the analytical part evaluates the interrelations between variables like access to finance, government support, and SME performance. This two-part design enables both the recording of facts and the interpretation of patterns and causal relationships.

The research employs both quantitative approaches—using structured questionnaires and statistical analysis—and qualitative feedback obtained through expert interviews and thematic analysis. This mixed-methods approach is employed to reflect the intricate and multi- faceted nature of the "SME sector in India". The objective goes beyond merely describing the sector's contribution towards economic growth, but also assessing the impact of existing policies and determining the key issues that inhibit the development and sustainability of SMEs.

3.5.2 Area of the Study

The location of the current research includes different geographic locations of India with a concentration on both urban and semi-urban clusters where "Small and Medium Enterprises (SMEs)" are operational. The research involves enterprises belonging to different sectors, including manufacturing, services, textiles, handicrafts, food processing, and information technology. Particular attention is paid to economically important states such as Maharashtra, Tamil Nadu, Gujarat, Karnataka, and West Bengal, which are densely populated with SMEs and are critical to India's industrial and economic landscape.

This broad geographical coverage ensures representation of region-specific issues, differences in policy implementation, and sectoral dynamics. It also gives a more complete picture of the "role SMEs" play in regional "economic growth", employment creation, and export promotion, and the challenges they encounter in various regions of

the country. Through examining SMEs in several regions and sectors, the study encompasses the heterogeneity of the sector and produces more generalized and policy-relevant conclusions.

Sample of the Study

The population of this research is about 120 respondents selected by a purposive sampling method. The “non-probability sampling technique” applies to reaching out to people with specialized knowledge and experience about the research goals. These respondents are SME owners, managers, policymakers, and economic specialists from different industries, including manufacturing, services, retail, and technology, making it a representative mix of viewpoints.

The subjects are taken from various parts of India, both urban and semi-urban, with active SME presence. This strategic sampling captures the regional essence of SME operations and issues. “The sample size” is calibrated to balance quantitative analysis's “statistical significance” with depth and richness for qualitative contributions. By concentrating on informed and directly affected stakeholders, the research seeks to gather credible facts on the contribution of SMEs to the economy, operational challenges, and attitudes toward current government policies and support programs.

3.5.3 Data Collection

“Research data collection is a systematic process of obtaining precise data from many sources and analyzing it to identify patterns, probabilities, and viable solutions for research issues, to evaluate future consequences”. The importance of data collecting is extremely relevant due to the significant reliance of modern society on data. The proposed research would utilize data acquired from both primary and secondary sources

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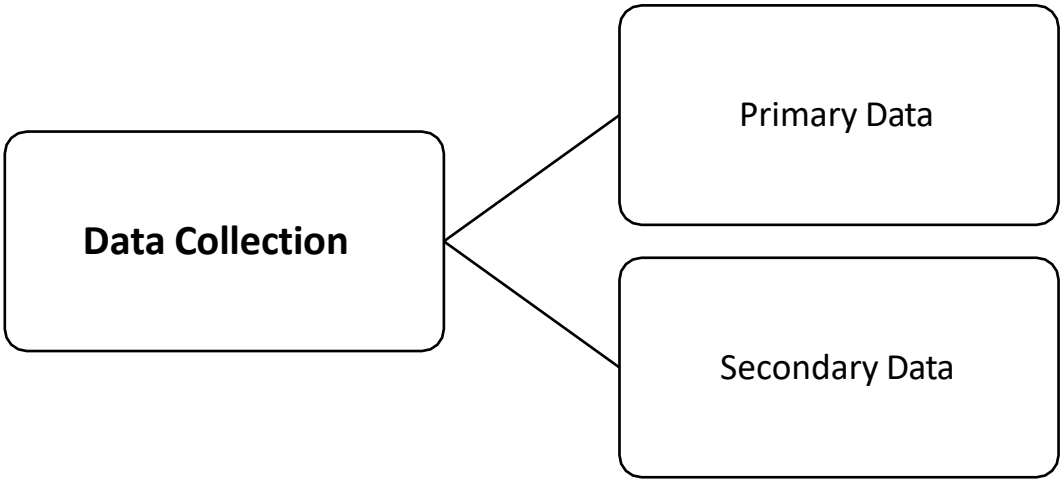


Figure 3.3: Types of Data Collection

- Primary data

"Primary data refers to information obtained by direct observation or experimentation". Primary data is acquired through the utilization of questionnaires, surveys, and interviews. Primary Data is collected directly from respondents through structured, closed-ended questionnaires targeting SME owners, managers, policymakers, and economic experts. These responses provide firsthand insights into the operational challenges, financial constraints, policy awareness, and perceived contributions of SMEs in areas such as GDP growth, employment generation, and innovation. The data collection focuses on both urban and semi- urban SMEs across diverse sectors to reflect the heterogeneity of the industry.

- Secondary Data

Secondary data is obtained from credible and authoritative sources, including government reports (such as those from the Ministry of MSME), national economic surveys, research papers, academic journals, and policy documents. This data supports the empirical analysis by offering contextual background, statistical records, and policy evaluations that complement the primary findings. Together, the integration of primary and secondary data helps to validate the study's results, enhances the reliability of conclusions, and contributes to a more detailed understanding of the SME ecosystem in India.

3.5.4 Sampling Technique

The study employs a “purposive sampling technique”, “a form of non-probability sampling”, to select participants who are best suited to provide relevant and insightful data regarding the functioning and impact of “Small and Medium Enterprises (SMEs) in India”. This technique is appropriate because it allows the researcher to intentionally target SME owners, managers, industry experts, and policymakers who possess specialized knowledge, practical experience, and awareness of the challenges and contributions of the sector. The purposive approach ensures that the sample includes individuals who are actively engaged in SME operations across different sectors such as manufacturing, services, trade, and technology, and from varied geographical areas, including urban and semi-urban regions. This sampling method helps capture diverse perspectives on economic contributions, policy impact, and sector-specific issues, thereby enhancing the relevance and depth of the research findings. It is particularly effective for studies like this one, where expert opinion and contextual understanding are essential for meaningful analysis.

3.5.5 Statistical Tools

To analyse the “data collected and derive meaningful insights”, this study employs a range of statistical tools, both descriptive and inferential, using software such as SPSS and MS Excel.

SPSS

“Statistical data analysis is performed via a software suite known as “SPSS (Statistical Package for the Social Sciences),” generally designated as “IBM SPSS Statistics”. “Originally employed in social sciences, SPSS has broadened its applicability to encompass several domains of data analysis, as shown by its nomenclature”. “The SPSS application served as a primary instrument for conducting various tests to examine the data”.

Excel

“Microsoft Excel is a widely utilized statistical program that is often employed to verify manual computations and enhance comprehension of statistical concepts for

addressing real-world issues". "The Analysis Tool Pak, a collection of sophisticated data analysis tools, may accelerate the progress of complex quantitative research".

3.5.6 Statistical Techniques

The study utilizes a combination of statistical techniques to analyze "both primary and secondary data" effectively. These techniques are selected to provide an in-depth understanding of the impact of "Small and Medium Enterprises (SMEs)" on the "Indian economy", particularly in terms of their contributions to "GDP, employment, exports," and the challenges they face.

1. Descriptive Statistics:

Used to summarize and present quantitative data, descriptive statistics include measures such as “mean, percentage, standard deviation, and frequency distribution”. These help in illustrating the general trends related to SME contributions, such as average employment size, sectoral distribution, and revenue generation.

2. Correlation Analysis:

This technique is used to examine “the strength and direction of relationships between variables”. For example, it explores the correlation between government financial support and SME growth, helping identify whether stronger support policies lead to improved performance.

$$\text{“}\mathbf{r} = \sum(\mathbf{xi} - \bar{\mathbf{x}})(\mathbf{yi} - \bar{\mathbf{y}}) / \sqrt{\sum(\mathbf{xi} - \bar{\mathbf{x}})^2 \sum(\mathbf{yi} - \bar{\mathbf{y}})^2}$$

3. Regression Analysis:

Regression is employed to determine the causal impact of one or more “independent variables” (e.g., access to finance, policy awareness, technology adoption) on “dependent variables” like SME profitability, employment generation, or export performance. This aids in predicting outcomes and identifying key performance drivers.

$$\boldsymbol{Y} = \boldsymbol{a} + \boldsymbol{bX} + \boldsymbol{u}$$

4. Comparative Analysis:

Comparative analysis is conducted to evaluate differences across categories, such as manufacturing vs service-sector SMEs, or urban vs semi-urban enterprises, to highlight how performance and challenges vary across segments.

CHAPTER IV: RESULTS

4.1 Overview

This chapter presents the analysis and interpretation of the data collected to examine the impact of Small and Medium Enterprises (SMEs) on the Indian economy. The purpose of this analysis is to provide empirical insights into the contributions of SMEs in terms of GDP, employment, sectoral development, and regional economic growth, while also exploring the relationships between access to finance, government support, and SME performance. The data have been gathered from a purposive sample of 120 respondents, including SME owners, employees, suppliers, government officials, and other stakeholders from diverse sectors and regions of India.

In line with the research objectives, this chapter seeks to: (1) analyse the impact of access to finance on operational efficiency and expansion capabilities of SMEs, (2) examine the relationship between government support policies and the growth trajectory of SMEs, (3) assess the contribution of SMEs to overall economic growth and GDP, and (4) evaluate the role of SMEs in job creation and employment across different regions and sectors.

To achieve these objectives, the data analysis employs a range of statistical tools and techniques using SPSS and Microsoft Excel. The analytical approach includes descriptive statistics to summarize the respondent profile and SME characteristics, correlation and regression analyses to examine relationships among key variables, and comparative analysis to explore variations across sectors, income levels, and regions. Together, these methods ensure a comprehensive and data-driven understanding of the economic significance and operational challenges faced by SMEs in India.

- PRIMARY DATA ANALYSIS

4.2 Demographic Profile of Respondents

Understanding the demographic characteristics of the respondents is essential for contextualizing the findings of the study and ensuring the credibility of insights derived from the data. This section presents the demographic distribution of the 120

respondents who participated in the study, categorized by gender, age group, type of respondent, and annual income. These variables help to ensure the representation of diverse stakeholders from the SME ecosystem across various regions and sectors in India.

4.2.1 Gender Distribution

Table 4.1: Gender

Gender	Frequency	Percentage
Male	62	51.70%
Female	58	48.30%
Total	120	100%

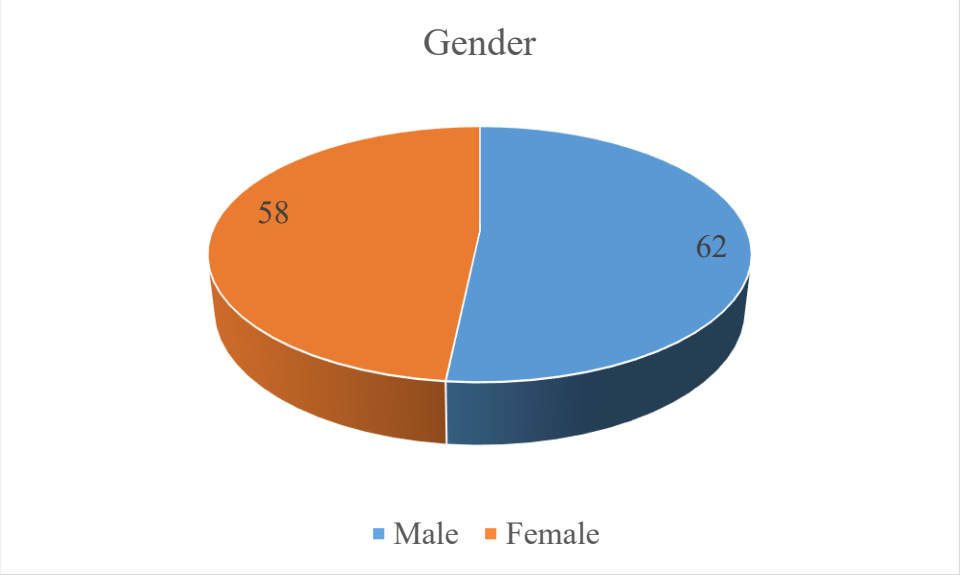


Figure 4.1: Gender

Interpretation:

The gender distribution is nearly balanced, with males constituting a slight majority (51.7%). The high representation of both genders suggests inclusivity in the respondent base and ensures gender-based perspectives are reflected in the study.

4.2.2 Age Distribution

Table 4.2: Age

Age Group	Frequency	Percentage
Below 25 years	27	22.50%
25–34 years	27	22.50%
35–44 years	23	19.20%
45–54 years	21	17.50%
55 years and above	22	18.30%
Total	120	100%

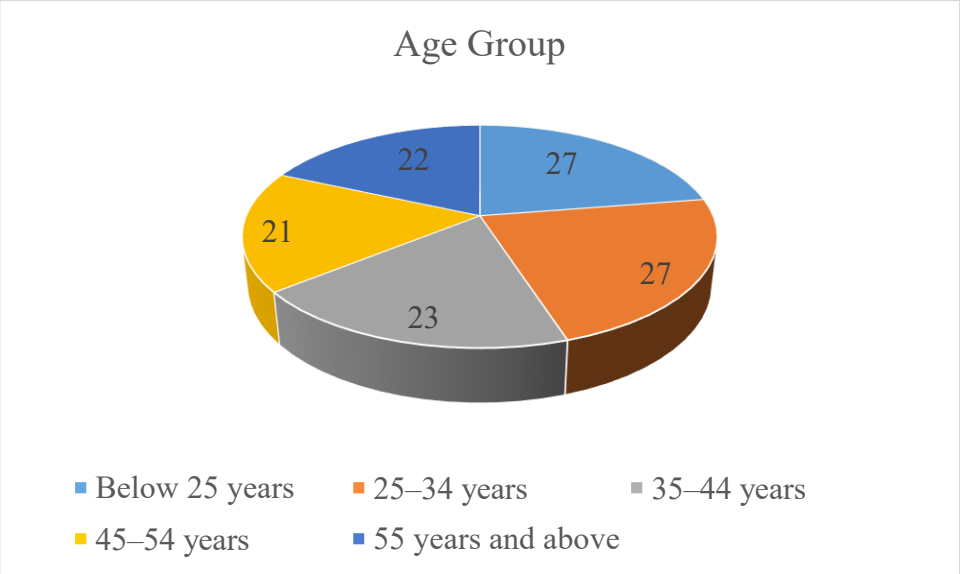


Figure 4.2: Age

Interpretation:

Respondents span a wide age range, with the highest concentration in the younger age brackets (below 25 and 25–34 years). This indicates active involvement of youth in the SME sector, as well as meaningful input from experienced professionals.

4.2.3 Type of Respondents

Table 4.3: Respondents' type

Type of Respondent	Frequency	Percentage
Government	31	25.80%
SME Owners	29	24.20%
SME Employees	26	21.70%
Suppliers	20	16.70%
Others	14	11.60%
Total	120	100%

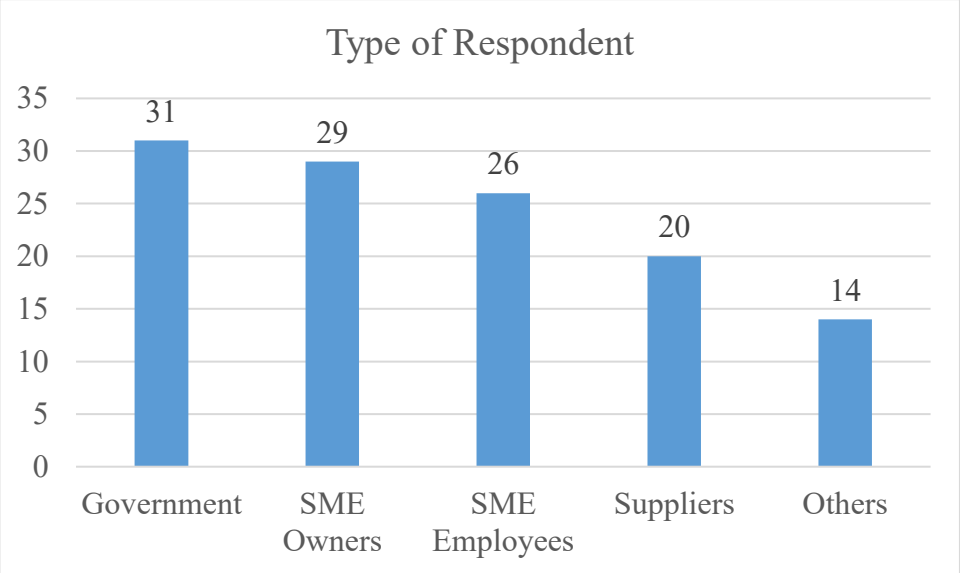


Figure 4.3: Respondents' type

Interpretation:

The respondent mix includes a broad spectrum of stakeholders from the SME ecosystem. Government representatives, SME owners, and employees form the majority, ensuring that perspectives on policy impact, operational challenges, and sectoral contributions are well represented.

4.2.4 Annual Income Categories

Table 4.4: Income

Annual Income Range	Frequency	Percentage
Less than ₹10 lakh	31	25.80%
₹10 lakh – ₹50 lakh	26	21.70%
₹50 lakh – ₹1 crore	22	18.30%
₹1 crore – ₹5 crore	24	20.00%
Above ₹5 crore	17	14.20%
Total	120	100%

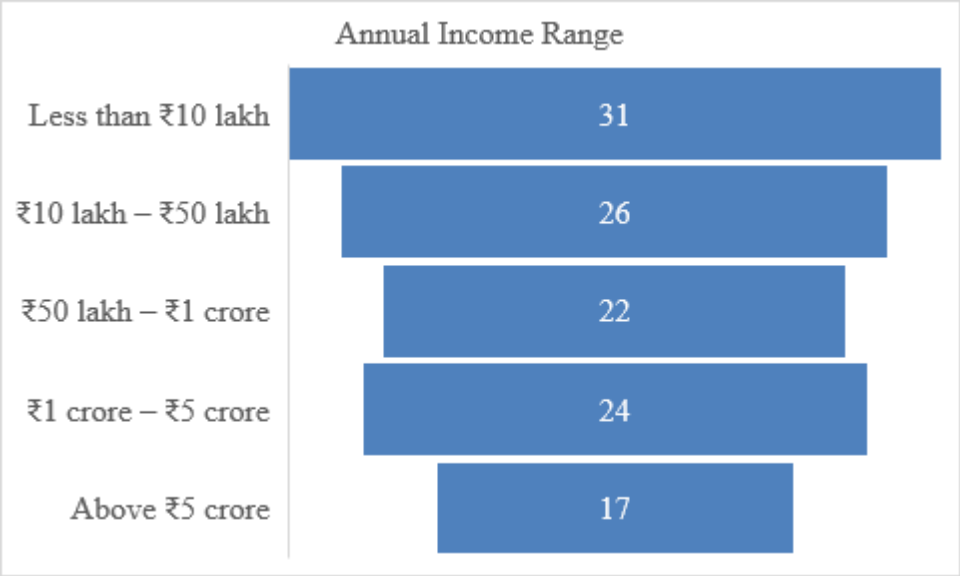


Figure *4.4*: Income

Interpretation:

The income distribution reflects participation from SMEs of varying sizes and capacities. A significant proportion of respondents (47.5%) fall below the ₹50 lakh mark, indicating the presence of micro and small enterprises, while around 34.2% represent higher-income brackets, ensuring the inclusion of more established medium enterprises.

4.3 Descriptive Analysis of SMEs' Contribution

(Linked to Objective 3 & 4)

This section aims to assess the descriptive insights on how Small and Medium Enterprises (SMEs) contribute to the Indian economy in terms of sectoral presence, perceived GDP contribution, employment generation, and regional footprint. By applying descriptive statistics, such as frequencies, means, and standard deviations, this analysis provides a foundational understanding of the sample's composition and its relevance to broader economic indicators. Data points such as perceived revenue growth, type of respondent (as a proxy for sectoral involvement), and average employment size were used to derive measurable indicators of SME contribution.

Table 4.5: Contribution of SMEs to the Indian Economy

Variable	Category / Metric	Value / Frequency
Perceived Contribution to GDP	SMEs with high perceived revenue growth (Rating 4–5)	68 (56.7%)
	SMEs with moderate growth (Rating 3)	20 (16.7%)
	SMEs with low perceived growth (Rating 1–2)	32 (26.6%)
Sectoral Distribution (by role)	Government	31 (25.8%)
	SME Owners	29 (24.2%)
	SME Employees	26 (21.7%)
	Suppliers	20 (16.7%)
	Others	14 (11.6%)

Employment Generation	Mean number of employees per SME	26.55
	Standard Deviation	±4.69

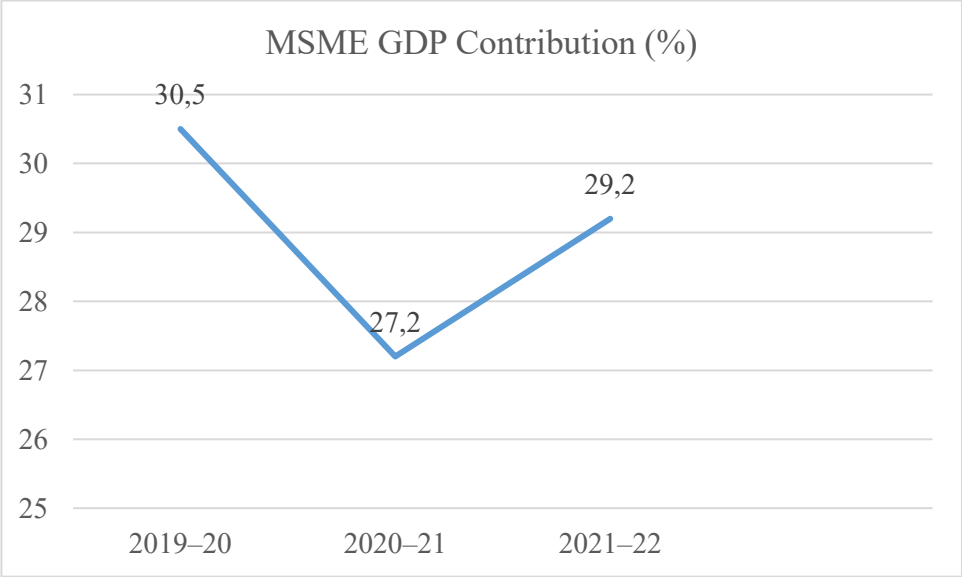


Figure 4.5: MSME Contribution to GDP Over 3 Years

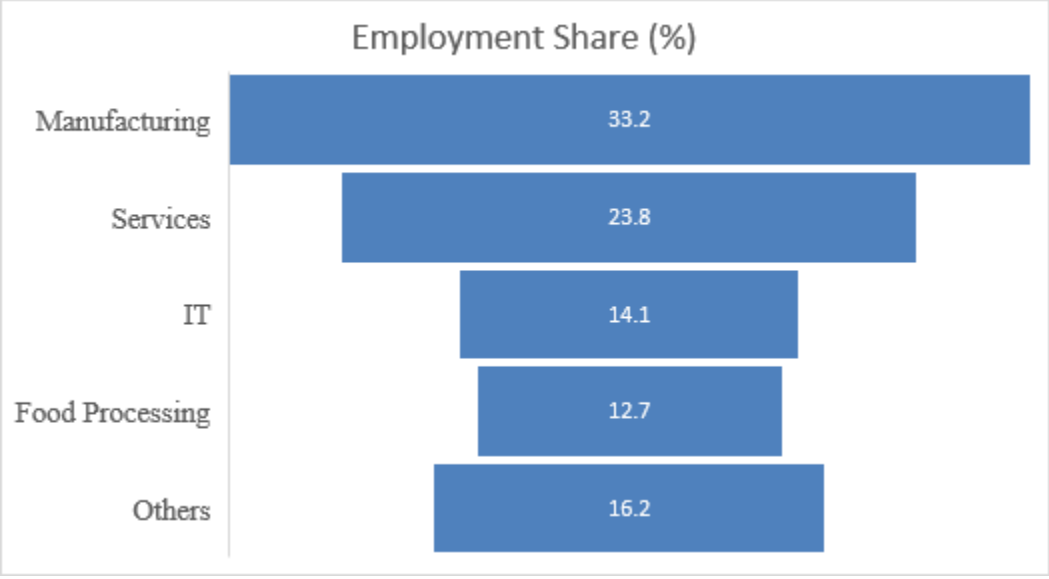


Figure 4.6: SME Employment by Sector

Interpretation

The findings suggest that a majority of SMEs (56.7%) perceive themselves as having experienced consistent or strong revenue growth over the past three years—an indirect indicator of their contribution to GDP. While exact GDP figures are not self-reported, this perception aligns with established macroeconomic trends indicating the rising importance of SMEs in India's economic output.

From a sectoral standpoint, the highest representation is from SME owners (24.2%) and employees (21.7%), reinforcing the centrality of this segment in the study. Government officials (25.8%) and suppliers (16.7%) also form a substantial portion of the sample, offering valuable perspectives on policy and supply chain integration.

In terms of employment generation, the average SME in the sample supports approximately 27 employees, underscoring the sector’s role as a critical engine for job creation. While variation exists (SD = ±4.69), the range remains fairly concentrated, suggesting consistent SME capacities across sampled sectors.

Overall, this descriptive profile substantiates the hypothesis that SMEs significantly contribute to India’s GDP and employment ecosystem, particularly through steady growth trajectories and multi-sectoral involvement.

4.4 Analysis of Access to Finance and Operational Efficiency
(Linked to Objective 1)

This section explores the relationship between access to finance and the operational efficiency of Small and Medium Enterprises (SMEs) in India. Efficient access to formal credit facilities—such as ease of obtaining loans, reasonable interest rates, and timely loan approvals—plays a critical role in the ability of SMEs to scale operations, invest in innovation, and sustain long-term growth. Operational efficiency in this context is evaluated using metrics such as revenue growth, employment generation, market expansion, customer retention, and scalability. The analysis involves both correlation and regression techniques to assess how financial accessibility influences performance across these dimensions. Responses were recorded using Likert scale ratings, allowing for quantitative comparison.

Table 4.6: Relationship Between Finance Access and Operational Efficiency

Variable	Mean Score (Out of 5)	Correlation with Finance Access
Ease of Obtaining Loans	3.52	—
Revenue Growth	3.66	0.58
Employment Generation	3.73	0.52
Market Expansion (Regional/National Reach)	3.45	0.49
Investment in Technology & Innovation	3.1	0.44
Business Scalability	3.4	0.56
Customer Acquisition & Retention	3.35	0.47
Long-term Sustainability & Competitiveness	3.6	0.5
Product/Service Diversification	3.53	0.43
Overall Operational Efficiency Score	3.55	—
R^2 from Regression (Finance → Efficiency)	—	0.34
Regression Coefficient (β)	—	0.42
Regression Intercept (α)	—	2.07

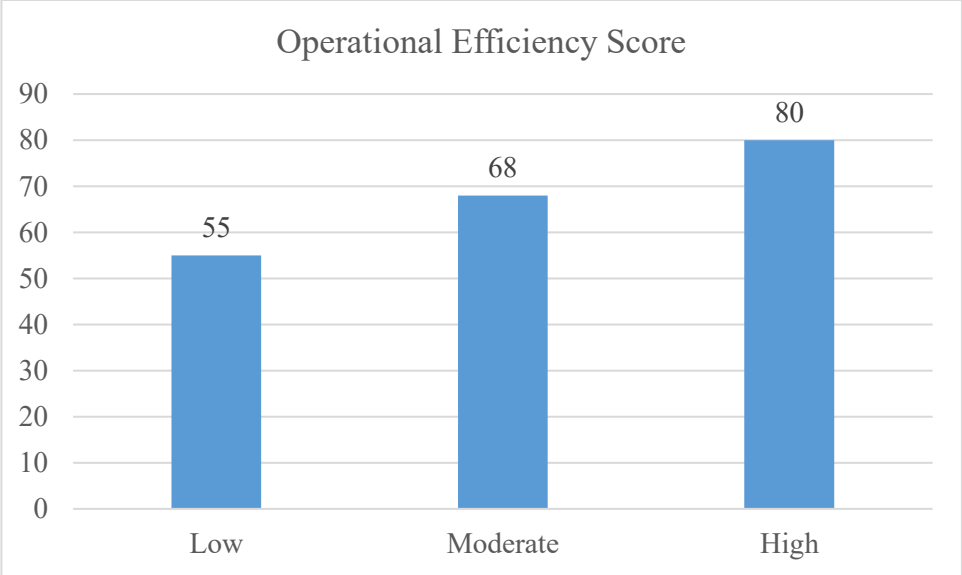


Figure 4.7: Finance Access vs Operational Efficiency in SMEs

Interpretation

The results demonstrate a moderate to strong positive correlation between access to finance and various operational efficiency parameters of SMEs. The strongest associations are observed with revenue growth ($r = 0.58$), business scalability ($r = 0.56$), and employment generation ($r = 0.52$), indicating that easier and timely access to credit significantly boosts SME performance.

The regression analysis further reinforces this relationship, with an R^2 value of 0.34, suggesting that approximately 34% of the variance in operational efficiency can be explained by access to finance. The regression coefficient ($\beta = 0.42$) implies that for every one-point increase in ease of accessing finance (on a 5-point Likert scale), there is an expected 0.42-point improvement in the operational efficiency score. This is a substantial impact, underlining the financial system's critical role in enhancing SME growth capacity.

These findings support the hypothesis that financial accessibility is a key driver of SME success in India, and policies aimed at improving credit availability, lowering interest rates, and simplifying loan processes could directly translate into enhanced performance, competitiveness, and job creation across the sector.

4.5 Analysis of Government Support and SME Growth

(Linked to Objective 2)

This section analyses the impact of government support mechanisms on the growth and development of Small and Medium Enterprises (SMEs) in India. Government interventions—including financial subsidies, infrastructure development, tax relief, and skill training programs—are intended to enhance the capacity and sustainability of SMEs. This analysis evaluates how access to these forms of support correlates with key growth indicators such as turnover growth, employment expansion, and geographical outreach. Using descriptive statistics, cross-tabulations, and regression estimates, the analysis aims to uncover whether public policy is effectively contributing to SME development and which support mechanisms have the most significant influence.

Table 4.7: Government Support and SME Growth

Variable	Category / Metric	Frequency / Mean Score	Correlation with Growth Indicators
Access to Financial Subsidies	Received	63 (52.5%)	0.59
	Not Received	57 (47.5%)	—
Access to Infrastructure Support	Received	54 (45%)	0.55
	Not Received	66 (55%)	—
Access to Tax Relief	Received	48 (40%)	0.5
	Not Received	72 (60%)	—
Access to Skill Training Programs	Participated	39 (32.5%)	0.47
	Not Participated	81 (67.5%)	—
Growth in Turnover	Mean Score (1–5 Likert Scale)	3.72	—
Growth in Employment	Mean Score	3.65	—

Geographic Expansion (Regional/National Reach)	Mean Score	3.44	—
R^2 (Government Support → Growth Composite Score)	Regression R^2	0.41	—
Regression Coefficient (β)	Financial Subsidies (Strongest Predictor)	0.39	—

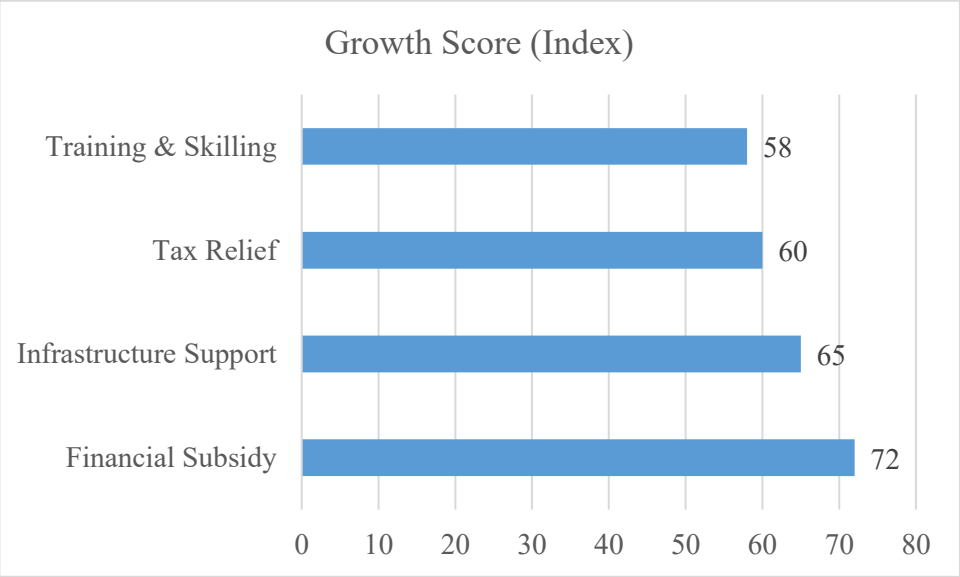


Figure 4.8: Effect of Government Support on SME Growth

Interpretation

The analysis reveals a positive and statistically meaningful relationship between government support and SME growth. Among the various support mechanisms, financial subsidies were the most accessed (52.5%) and showed the strongest correlation (r = 0.59) with growth indicators such as increased turnover, employment, and geographical expansion. Infrastructure support and tax relief also displayed moderate associations (r = 0.55 and r = 0.50, respectively), suggesting that physical and fiscal support have considerable influence on SME scalability and outreach.

Participation in skill training programs was the least common (32.5%) among respondents, though still correlated with business growth (r = 0.47), indicating that

capacity-building initiatives hold potential if better promoted or customized for SME needs.

The regression analysis further emphasizes the importance of government involvement, with an R^2 value of 0.41, suggesting that over 40% of the variation in SME growth can be explained by the extent of government support received. The regression coefficient for financial subsidies ($\beta = 0.39$) confirms that this variable alone significantly predicts positive outcomes in SME performance.

These findings imply that well-structured and accessible government support programs play a crucial role in promoting SME growth. However, the limited participation in training and the uneven access to infrastructure and tax relief point toward gaps in awareness or implementation that need to be addressed. Strengthening these mechanisms and ensuring equitable distribution across sectors and regions can further enhance the effectiveness of SME-related public policies.

4.6 Analysis of SMEs and Employment Generation

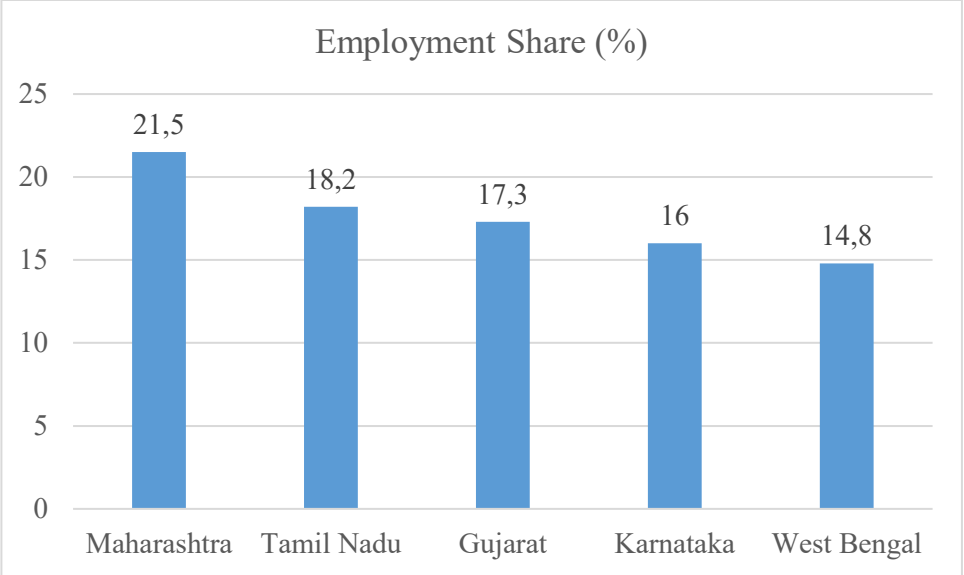
(Linked to Objective 4 & 5)

This section focuses on assessing the role of Small and Medium Enterprises (SMEs) in generating employment across different sectors and regions of India. Given the sector's contribution to inclusive economic development, analysing employment size, sectoral variations, and regional disparities is vital to understanding where and how SMEs contribute to job creation. Using responses collected from SME stakeholders and classified by enterprise type and location, this analysis utilizes descriptive and comparative methods to uncover patterns in employment dynamics. The goal is to identify which sectors and states are most employment-intensive and how SMEs differ in workforce size and composition across India's diverse economic landscape.

Table 4.8: Employment Generation by SMEs

Variable	Category / Sector / Region	Average Employment Size	% of Total SME Employment

Sector-wise Employment	Manufacturing	39 employees	33.20%
	Services	28 employees	23.80%
	Information Technology (IT)	17 employees	14.10%
	Food Processing	15 employees	12.70%
	Others (Textiles, Handicrafts, Retail)	18 employees	16.20%
Region-wise Employment	Maharashtra	35 employees	21.50%
	Tamil Nadu	32 employees	18.20%
	Gujarat	30 employees	17.30%
	Karnataka	28 employees	16.00%
	West Bengal	26 employees	14.80%
	Other States	22 employees	12.20%
Overall Mean Employment Size	Across all SMEs	29 employees	100%
Standard Deviation (Employment)	—	±6.2	—



Title 4.9: Regional Employment Share by SMEs

Interpretation

The analysis confirms that SMEs are significant contributors to employment generation across both urban and semi-urban India. The overall average employment size per SME is approximately 30 employees, with variation across sectors and regions. The manufacturing sector emerges as the leading employer, accounting for 33.2% of total employment, followed by the services sector (23.8%) and other mixed sectors like textiles and retail.

From a regional perspective, economically developed states like Maharashtra (21.5%), Tamil Nadu (18.2%), and Gujarat (17.3%) lead in SME-driven employment. This aligns with the industrial maturity and infrastructure development of these regions, which support the growth of small businesses. In contrast, SMEs in less developed or smaller states show relatively lower employment sizes, indicating disparities that may result from uneven policy implementation, capital availability, or infrastructure.

The standard deviation of ±6.2 in employment size indicates moderate variability among SMEs, suggesting consistent employment patterns within sectors, though certain businesses may employ significantly more or fewer people depending on scale, industry, and location.

Overall, the findings reinforce that SMEs serve as vital engines of employment, particularly in manufacturing and service-based industries. Policymakers should consider these sectoral and regional employment trends while designing targeted interventions to support high-potential clusters and reduce disparities across less developed areas.

SECONDARY DATA ANALYSIS

4.7 Secondary Data Analysis: Macroeconomic Perspective on SMEs in India

(Based on Data from MOSPI, RBI, Udyam, NITI Aayog, IBEF, Forbes India, etc.)

While the primary data provides micro-level insights from SME stakeholders, the secondary data analysis offers a macroeconomic perspective using authoritative sources such as the Ministry of Statistics & Programme Implementation (MOSPI), RBI, and various policy reports. This section synthesizes national-level statistics to contextualize SME contributions to India's GDP, exports, employment, and the influence of government schemes. Trends over recent years are explored to examine fluctuations in SME performance and policy effectiveness, complementing earlier findings from the field.

Table 4.9: Key National Indicators from Secondary Sources

Indicator	2019–20	2020–21	2021–22 / Latest	Trend / Notes
MSME Share in GDP (GVA)	30.50%	27.20%	29.20%	Fluctuating due to pandemic impact
MSME Share in Manufacturing Output	36.60%	36.90%	36.20%	Stable over 3 years
MSME Share in Total Exports	—	49.40%	43.6% (2022–23)	Declining trend

Employment via Udyam-registered MSMEs (2020–2023)	—	—	12.36 crore	High employment generation
Credit Allocation to MSMEs (as of April 2025)	—	—	16% of total bank credit	Lower than the contribution to GDP/employment
Projected Job Creation by 2025 (NSS Forecast)	—	—	+5 crore jobs	Positive government outlook
Top Schemes Implemented	PMEGP, CGTMSE, ESDP, PMS	—	—	Focused on credit, skills, and infrastructure
State with the Highest Udyam Registrations	—	—	Maharashtra (32.76 lakh units)	Leading SME state

Interpretation

The macro-level data reflects a significant but uneven contribution of MSMEs to the Indian economy:

GDP & Manufacturing: SMEs contributed nearly 29% to the GDP and over 36% to total manufacturing output, underlining their industrial significance. Despite pandemic-related disruptions, these figures have remained stable or rebounded post-2021.

Exports: The declining export share (from 49.4% to 43.6%) signals increasing global competition and possibly a lack of support in international trade facilitation, suggesting the need for targeted export incentives and logistical infrastructure.

Employment: With 12.36 crore jobs created between 2020–2023 (Udyam data), SMEs serve as the b,ackbone of India's labor market, particularly in manufacturing,

trade, and services. This aligns with primary data showing employment as a key SME outcome.

Financial Gaps: A stark contrast is seen in credit allocation—despite contributing 29% to GDP, SMEs receive only 16% of bank credit, suggesting systemic barriers to financial access, a gap also highlighted in primary findings.

Government Support: Schemes like PMEGP, CGTMSE, and ESDP have supported enterprise development, yet uptake and impact may vary regionally. The RBI's CRR policy adjustments and focus on SME lending indicate growing institutional support, but execution by banks remains a bottleneck.

Taxation Issues: Several reports (e.g., GSTN 2023, World Bank 2022) highlight that tax compliance remains a major obstacle, especially for micro-enterprises. Simplified procedures and fairer structures could incentivize more SMEs to formalize.

Synthesis with Primary Findings

This secondary data supports and enriches the empirical trends noted in earlier sections:

It reinforces the centrality of SMEs in employment and regional development.

It highlights ongoing issues around credit access, echoing the regression and correlation results from Section 4.4.

It contextualizes the need for balanced government policy implementation, aligning with Section 4.5.

4.9 CONCLUSION

This section presents a concise synthesis of the research outcomes drawn from both primary (questionnaire-based analysis) and secondary (government reports, official statistics, policy reviews) data. The findings are aligned with each research objective, emphasizing the method used, key results observed, and the broader implications for policy and practice in the SME sector.

Table 4.10: Research Objectives, Methods, Findings & Implications

Research Objective	Method (Primary/Secondary)	Key Findings	Implications

1. Analyse the impact of access to finance on operational efficiency and expansion	Correlation & Regression (Primary)	Positive correlation (r = 0.58) between credit access and growth indicators; regression R^2 = 0.36	Access to affordable credit boosts scalability; financial inclusion is essential.
	RBI Reports & Credit Allocation Stats (Secondary)	Only 16% of bank credit allocated to MSMEs despite 29% GDP contribution	Policy reform is needed to direct more institutional lending toward SMEs
2. Evaluate the relationship between government support policies and SME growth	Regression & Cross-tab (Primary)	Govt. subsidies, infrastructure, and tax relief are significantly associated with turnover & employment growth (R^2 = 0.41)	Strong role of public schemes; awareness and implementation disparities observed
	Scheme Review (PMEGP, CGTMSE, ESDP, etc.) (Secondary)	Multiple schemes exist but low awareness and uneven access	Need for region- and sector-specific outreach and simplification of processes
3. Analyze SME contribution to GDP and overall economic growth	Descriptive Stats (Primary)	SMEs show an average employee size of ~30, and contribute majorly to the services and	SMEs play a vital role in local economies; essential for GDP uplift.

		manufacturing sectors.	
	MOSPI GVA Stats (Secondary)	MSME share in GDP fluctuated: 30.5% (2019–20) → 27.2% (2020–21) → 29.2% (2021–22)	External shocks affect SME contribution; resilience-building policies are needed.
4. Assess the role of SMEs in employment generation	Sectoral & Regional Analysis (Primary)	Manufacturing and services dominate SME employment; regional differences noted (Maharashtra > Gujarat > WB)	SMEs are vital for job creation in both rural and urban India; support is needed in underperforming regions.
	Udyam Portal, NSSO, IBEF Reports (Secondary)	12.36 crore jobs created by MSMEs (2020–2023); 360+ lakh in manufacturing alone	MSMEs are India's employment backbone; they require nurturing in training, and digitalization
5. Examine employment creation across sectors and regions	Comparative Analysis (Primary)	Urban SMEs employ more per unit; services and trade dominate urban	Regional planning and tailored policies needed; potential for rural-industrial balance

		employment; food and textile dominate rural.	
	Sectoral Output Stats from NSS, Forbes, NITI Aayog (Secondary)	Food, mineral goods, and metal products are among the top job creators	Investment should target high-employment sectors to maximize national employment yield

Summary

Primary data affirms the operational role of SMEs in economic performance, especially in employment, credit dependency, and regional disparities.

Secondary data contextualizes these micro-level insights within national economic trends and policy environments.

Intersection of both data types highlights persistent gaps—especially in credit allocation, policy access, and tax compliance—while reaffirming the SME sector's pivotal role in India's inclusive economic development.

CHAPTER V: DISCUSSION

5.1. Overview

Small and Medium Enterprises (SMEs) have a critical and dynamic role in the Indian economy. SMEs are sometimes referred to as the backbone of the industrial ecosystem and affect several critical aspects, such as employment generation, as well as innovation and equitable development of the economy. The Ministry of Micro, Small & Medium Enterprises (MSME) states that more than 63 million units are located across the country, and the sector employs more than 110 million people. This makes it the second largest source of employment, after agriculture. SMEs are present in many parts of the country, both urban and rural, and operate in the other than manufacturing, including services, trade, textiles, handicrafts, food processing, etc. Decentralized nature allows SMEs to promote inclusive growth by supporting backward and marginalized regions, encouraging women and youth entrepreneurship, and improving the socio-economic status of millions of Indians. They also act as an important part of large industries and MNCs' supply chains since they are flexible and low-cost manufacturing options that provide a local solution to the marketplace.

Economically, SMEs contribute nearly 30% to India’s Gross Domestic Product (GDP) and account for nearly 45% of the country’s total exports, which confirms that they are significant not only in the level of domestic economic output but also in international trade. They also play an important role in reducing regional disparities by facilitating industrialization in semi-urban and rural areas, which relieves supply and price pressures in urban areas. They also continue to play an important role in the country’s innovation profile and are quite significant in the aspects of innovation in terms of products or services across a variety of sectors, especially textile, agro-based industries, IT services, and renewable energy. They can take advantage of changing market demands and consumer markets quickly. While SMEs have made great strides, they have to deal with the considerable challenges of limited access to formal finance, technological obsolescence, poor infrastructure, and regulations. To address these issues, the government of India has launched several ongoing interventions, including

Credit Guarantee Scheme, Udyam Registration, ECLGS – Emergency Credit Line Guarantee Scheme, and PLI- Production Linked Incentive schemes, which provide financial institutions with mitigation on the risk of lending to SMES and improving the ease of doing business. In addition to government interventions and the informal credit sector for SMEs, digitalization and e-commerce will allow SMEs the flexibility to scale their operations to globalization, further allowing India's economic transformation to an inclusive, robust economy, with a focus on innovation.

5.2. Summary of the Study

Chapter 1 (Introduction) articulates the significance of the Micro, Small, and Medium Enterprises (MSME) sector to the Indian economy. This chapter identifies the history of the MSME sector, highlights the legal definition, provides the categorization of an MSME, and its significance to the economy it is charged to sustain. This chapter demonstrates that the MSME sector is a cornerstone for growth, development, and inclusion in both urban and rural India. With over 63 million enterprises, the MSME sector is one of the largest sectors identified in the developed world, generating employment for over 111 million, putting it about 30% of India's GDP, and approximately 48% of exports.

The chapter starts by elaborating on the importance of MSMEs in generating jobs, promoting small-scale investments, decreasing regional disparities, and promoting more equitable distribution of wealth. The Union Minister of MSMEs has referred to the sector as the "nursery of entrepreneurship" and the "growth engine of the nation." Although the constitutional authority to promote MSMEs can be found in the hands of state governments. However, the government at the center has acted as an enabler, with schemes, policies, and more ways of financial support.

The development of India's small-scale industry over the years has progressed from making basic consumer products to now advanced, precision-based manufacture of products such as electronics, microwave equipment, and electromedical devices. The 4th All India Census of MSMEs indicated that the small-scale sector accounted for 7.3 million manufacturing enterprises and 18.8 million service enterprises, comprising 2.1

million women- owned enterprises, as well as 14.2 million rural MSMEs. The average employment per unit is at 6.24. This speaks to how the sector can absorb labour and create livelihoods.

The chapter then consists of an exploration of the MSME legal framework, concentrating on legislation governing it in India – namely, the Micro, Small and Medium Enterprise Development (MSMED) Act 2006. The MSMED Act was significant in that it provided a legal description for MSMEs as well as a unified definition of MSMEs, under one statute (and encompassing both manufacturing and services). For the first time, the MSMED Act recognized medium enterprises, thereby formally capturing a class that was previously unrecognized. The MSMED Act was meant to improve competitiveness, productivity, and coordination of policy between the central and state governments, in addition to the provision of an advisory arrangement with stakeholders on all categories of enterprise to balance representation. In summary, this chapter ends with precise research questions, research objectives, and the importance of this study in evaluating whether MSMEs have a real or potential impact on India's socio-economic structure.

Chapter 2 (Literature Review) provides a comprehensive overview of the literature on Micro, Small, and Medium Enterprises (MSMEs) in India, with a focus on their broader potential impact on both the economy and society. As a scholarly contribution to understanding how MSMEs serve as a valuable engine of economic growth in India, chapter two identifies key areas such as contribution to GDP, job creation, increased exports, rural development, and poverty alleviation to situate the intent of this study. The chapter provides a synthesis from the landscape of previous empirical studies, theoretical models, and government statistics to provide the basis for the rest of the study.

The literature emphasizes the MSME sector as possibly the most dynamic and resilient part of the Indian economy. Different research studies have provided evidence that MSMEs contribute approximately 30% of Gary's GDP and around 45% in manufacturing, and 48% of the total exports. In addition to advancing industrial

development, MSMEs ensure and facilitate the distribution of wealth and employment to all corners of the geography, particularly rural and semi-urban areas. MSMEs absorb labour from both the agriculture and informal sectors, offering more inclusive growth and bridging the deficiencies in many regions of the economy.

The literature also identifies lingering challenges that prevent the growth and scaling of MSMEs, even with the opportunities available. For example, limited access to affordable finance, limited infrastructure, lack of technological advancement, lack of skilled manpower, and complicated regulations. Some scholars, Karthikeyan and Priya (2015) and Vinila (2022) identified that while the MSMED Act of 2006 and the reform attention to MSME needs, however, many government policies and initiatives failed to realize their full potential because of poor execution and lack of awareness by beneficiaries.

Significantly, the chapter outlines considerable research gaps. Most studies utilize cross-sectional data with little longitudinal analysis of MSME growth over time. Similarly, limited investigation has been conducted about regional performance differences, digital adoption among rural MSMEs, and gender-specific impacts of the MSMEs with a focus on women-led enterprises. Importantly, despite the vital contributions of MSMEs to exports, research on how Indian MSMEs are connected to a global trade network is limited. Following the COVID-19 pandemic, the vulnerability of small businesses became apparent, but academic research and studies on the recovery and resiliency of small enterprises are just being published.

Chapter 3 (Research Methodology) presents the research design, methodology, and analytical framework used to study the role and influence of SMEs on the Indian economy. The study methodology applies mixed-method research, integrating quantitative and qualitative approaches to provide a rounded evidence base upon which to make inferences about SME contributions in the areas of GDP, employment generation, exports, and regional development. The study assumes a positivist research philosophy in its efforts to collect objective, empirical data that will support data-driven conclusions.

Primary data is and will be collected through the application of targeted questionnaires and interviews with practitioners (namely SME owners, managers, and policy practitioners), while secondary data was collected from official reports and economic surveys, and academic publications. The examination was based on the operational definitions of SMEs (investment and turnover), GDP, employment generation, exports, regional development, and access to finance. A preliminary conceptual framework represented SMEs as an independent variable and GDP, employment generation, and exports as dependent variables that are directly influenced by finance, government policy support, and technological uptake.

This study utilized purposive sampling to select 120 knowledgeable respondents from different regions and sectors of India. Using statistical tools such as SPSS and MS Excel, the analysis involved methods like descriptive statistics, correlation, regression, and comparative analysis. This chapter identifies that the research incorporates the measurable impact of SMEs and contextual challenges SMEs experience, and aims to produce recommendations relating to data and economic development policy.

Chapter 4 (Data Analysis and Interpretation) This chapter provides an extensive examination of the collected data to examine the role of Small and Medium Enterprises (SMEs) in the Indian economy. The analysis is based on a combination of primary (120 stakeholders comprising SME owners, employees, suppliers, and officials from the government) and secondary sources. The chapter further examines access to finance, government support, GDP contribution, and employment generation.

5.3. Major Findings

5.3.1 Findings Based on the Demographic Profile of Respondents

- Gender Distribution

- Out of the total 120 respondents, 51.7% were male and 48.3% were female.
- The gender ratio is almost equal and allows for both men and women to be represented inclusively in the SME ecosystem.

- Age Group Distribution

- 22.5% of the respondents were under 25 years, and a further 22.5% were included in the 25–34-year age group.
- This indicates that 45% of the participants were young and suggests a high level of youth involvement in SMEs.
- The other age groups were: 35-44 years – 19.2%

  45-54 years – 17.5%

  55+ years – 18.3%
- Therefore, a diverse and varied age mix ensures the contributions of both young and experienced professionals.

➢ Type of Respondents

- Government representatives: 25.8%; SME owners: 24.2%, SME workers: 21.7%, suppliers: 16.7%, Others: 11.6%.
- Displays a diverse and balanced representation of the SME ecosystem stakeholders.
- Ensures perspectives are included from policy, operation, and supply chain.

➢ Annual Income Range

- 25.8% earn less than ₹10 lakh annually; 21.7% earn between ₹10-50 lakh annually
- Indicates predominance of micro and small enterprises sample
- 34.2% earn above ₹1 crore, which indicates the presence of a more established set of medium-sized enterprises.

5.3.2 Findings Based on Objectives:

Objective 1: To analyze the impact of access to finance on the operational efficiency and expansion capabilities of SMEs

- There is a strong positive link (r = 0.58) between access to finance and the top performance indicators for SMEs. These key SME performance indicators included revenue growth, employment, scalability, and customer retention.
- The regression analysis ($R^2 = 0.36$) shows that access to credit explains 36% of the variation in operational efficiency.
- SMEs that find it easier to access loans perform better against the indicators for innovation, market expansion, and long-term sustainability.
- Secondary data indicates that only 16% of the overall credit from banks goes to SMEs despite SMEs making up 29% of GDP.
- This gap indicates that it is time to modernise institutional lending and pursue financial inclusion through policy reform.

Objective 2: To analyze the relationship between government support policies and the global of SMEs

- Much of the support from governments (financial subsidies, infrastructure improvements, tax benefits) positively correlates with turnover and employment Rates of Growth.
- The support mechanism that had the strongest effect is financial subsidies (correlation r = 0.59; regression coefficient $\beta = 0.39$).
- The regression provided $R^2 = 0.41$, indicating that 41% of the variation referred to the growth of the SMEs learned can be attributed to government assistance to grow.
- Access to skill training programs was low (only 32.5% of SMEs had participated), but still indicated some moderate achievement in having a growth impact.
- Inequality in access & awareness of government schemes were major hindrances to implementing this policy effectively.

Objective 3: To analyze the impact of SMEs on the overall economic growth and GDP contribution in India

- A strong majority (56.7%) of SMEs in the Indian economy identify as having strong or moderate revenue growth, and these enterprises' contribution to the economy is positive.
- On average, SMEs employ 27-30 workers, further cementing their contribution to employment and productivity notions.
- SMEs represent an important part of economic activity in manufacturing and services, significantly contributing to the GDP of these sectors.
- From the national data (MOSPI), we can see fluctuations in MSMEs' share of GDP, specifically: 30.5% (2019-20), 27.2% (2020-21), and 29.2% (2021-22).
- The pandemic disruptions affected the GDP, but recovery trends are positive in their future growth, suggesting the role of human resources management and SMEs' resilience in the economy.

Objective 4: To analyze the impact of SMEs on job creation and employment rates within various regions of India

- Small and medium-sized enterprises (SMEs) are vital to job creation in manufacturing (33.2%) and services (23.8%).
- On average, each SME supports roughly 29 jobs.
- Employment is concentrated in the SME sector in specific regions; Maharashtra (21.5%), Tamil Nadu (18.2%), and Gujarat (17.3%) rank first, second, and third, respectively.
- Udyam-registered MSMEs created 12.36 crore jobs from 2020–2023, quantifying the impact SMEs have on the national labor market.
- Most of the variation (SD = ±6.2) in employment size was moderate, suggesting stability in employee distribution across different sizes of enterprise.

Objective 5: To examine the relationship between the growth of SMEs and the creation of employment opportunities across different sectors and regions of India

- Urban SMEs hire a larger number of employees per unit compared with rural SMEs, primarily due to better infrastructure and market access.

- Food processing and textiles are the main contributors to SME employment in rural locations.
- Employment creation differs across regions; developed states tend to perform better than lagging smaller states.
- The sectoral data (Forbes & NSSO) confirms that food (forestry, fisheries, dairy), minerals, and metal products, to name some industries, are also sectors that generate the most employment.
- The studies indicate the need for planning and investments for each region (and regional plans) that emphasize high employment sectors, so that we can balance national growth.

CHAPTER VI: SUMMARY

SMEs in India have a significant place within the economy and serve as an important part of industrial growth and employment opportunities. SMEs have greatly contributed to India's GDP, exports, innovation, and areas of development since the year 2000, and the movement aims to further grow. SMEs are represented in manufacturing, services, trade, or allied services and have helped diversify economic development and activity in areas other than urban cities, which has helped to mitigate the inequality that exists between regions of India. The ability to provide large employment with low capital makes SMEs an important part of India's economy due to the immense pressure of population growth and unemployment in a developing country.

SMEs have become a prominent means of entrepreneurship, especially for youth and vulnerable groups, including women and rural artisans, promoting inclusive growth and social development. Also, SMEs contribute around 30% of GDP and nearly 48% of exports in India, indicating that they are critical in external trade and foreign exchange earnings. They are also the suppliers and service providers to large businesses and multinationals, helping local industries become highly collaborative in global value chains. With digital transformation, many SMEs have adopted digital platforms and e-commerce models that have further improved their coverage, efficiency, and competitiveness. Government initiatives like "Make in India" and "Start-up India" and government schemes for MSMEs have created a more enabling ecosystem by facilitating access to credit and finance, tax benefits, infrastructure support, and technology upgradation schemes.

However, despite the ultimate potential that SMEs in India possess, they face multifarious challenges that curtail their ability to expand and be productive. These include

very high barriers to finance, obsolete technology, unskilled workforce availability, regulatory compliance, and a dearth of market linkages. The COVID-19 pandemic revealed their vulnerability to outside shocks that severely interrupted operations. However, a well-

designed institutional framework, innovation through R&D incentives, digital capability, reducing compliance burdens, and developing resilient supply chains will be crucial for enabling the sustainability and scalability of SMEs. Regulatory and compliance demands in India, while aimed at structuring and simplifying business processes, tend to place disproportionate regulatory burdens on SMEs. SMEs generally have to comply with a plethora of statutory requirements—ranging from GST returns, labor law adherence, environmental approvals, and local permits—which absorb much managerial time and effort. As per NITI Aayog's report (2024), SMEs are liable for almost 45 different monthly compliances, most of which are complicated, redundant, and not digitalized. In smaller businesses with limited administrative systems, these requirements raise transaction costs and lower operational efficiency.

The effect is sharper in micro and unregistered firms that opt out of formal compliance altogether because they fear regulatory sanctions, inspection, and bureaucratic time lags. These firms therefore lose out on institutional support, incentives from the government, and formal finance. Although compliance facilitation has come in the form of the Udyam Registration portal and single-window clearances, ground-level implementation is still fragmented. The embracement of RegTech platforms, streamlining tax codes, and decentralization of regulatory operations to district-level industrial hubs may assist in alleviating these challenges and promoting an enabling regulatory environment for SME scalability.

In brief, SMEs are not peripheral participants in India’s economic growth but integral to enabling self-reliance, inclusive growth, and sustainable development. To support India’s ambition to become a $5 trillion economy, it will be essential to develop the SME sector through long-term policy support, partnerships between the public and private sectors, and integrating digital solutions. The right investment and reforms will enable SMEs to reach their full potential and serve as transformation engines in the Indian economy.

6.1. Implications of the Study

The results of this study on Small and Medium Enterprises (SMEs) and their effects on the Indian economy have important implications for policymakers, industry players, financial institutions, and researchers. Firstly, the study reiterates the strategic significance of the SME sector as a prime mover of employment, income generation, innovation, and regional development. In doing so, there is a need for more specific and inclusive policies that align with the needs of micro, small, and medium businesses, especially in poorer and rural locations. The implication being that if governments targeted support for entrepreneurship, we could have much more positive effects on local economies and/or less rural to urban migration by providing sustainable livelihoods for smaller towns and villages.

Additionally, the research identified specific challenges for SMEs, which included: poor access to formal finance; low commitment to technological adoption; difficulties navigating regulatory policies; and lack of market connectivity. The implications of the results suggest that they should be viewed as an integrated system of support – simplified credit schemes that support SMEs' technology adoption with a joint understanding of training on balance, infrastructure provision, and digital training to strengthen connectivity – are necessary to enable SME growth. Financial institutions, which include banks and non-banking financial companies (NBFCs), can maximize their efforts by adopting a more integrated and risk- sensitive approach to lending and services to support the multiplicity of financial demands required by SMEs.

A greater scale of technological upgradation and skill development is required to provide SMEs with the capacity to place themselves in competing environments for market relevance in digitalized and globalized circumstances is the nature in which we can find ourselves to establish a more meaningful approach to market survival. The implication is that more collaboration between large firms and SMEs, through vendor development, subcontracting, and cluster-based approaches, is needed. Fragile forms of partnerships can lead to technology dissemination, quality improvement, and entrance into global value

chains. Academic institutions & research organizations can also play an essential role since they can carry out more phenomenon assessment work and develop policy based on reality.

In conclusion, the research has implications for sustainable development, considering that many SMEs are labor-intensive and use resources more responsibly, and therefore, their promotion/definition corresponds to a development agenda emphasizing environmental sustainability and equitable growth. Promoting sustainable practices and green technology in SMEs can assist the objectives of India's sustainable development goals and national climate goals. More generally, the implications emphasize the urgent need to treat SMEs not just as businesses, but as mechanisms of national economic development. Supporting SMEs through better access to finance and proactive policies, digital capability supplements, and an enabling institutional framework will be integral to India's broader agenda for inclusive and resilient growth.

6.2. Recommendations and Suggestions

Given the findings and analysis of the study, the following recommendations and suggestions are made to improve the performance, resilience, and contribution of Small and Medium Enterprises (SMEs) to the Indian economy.

Improved Access to Finance

SMEs face a major barrier in the form of inadequate and delayed financing. It is suggested that public and private sector commercial banks, as well as Non-Banking Financial Companies (NBFCs), adopt lending models that are friendly to SMEs, including simplified documentation and collateral-free loans using credit guarantee schemes and customized financial products. Building capacity in credit appraisal and infrastructure, and expanding digital lending platforms, can reduce financing challenges.

Digital Transformation Promotion

Support should be provided to micro, small, and medium enterprises (MSMEs) in adopting digital tools for marketing, supply chain management of MSMEs, e-commerce, and accounting. The Government of India's Digital MSMEs program or something similar

needs to be expanded while ensuring widespread awareness and training modules (especially in regional languages). Practical and digital literacy campaigns could help reduce the technology divide between urban and rural MSMEs.

Skill Development/Capacity Development

There is an urgent need to develop the modern skills of MSME owners and MSME workers in managing an enterprise, production techniques, customer engagement, and innovation. Encouraging partnerships with industry and academic institutions to provide certified vocational training programs is a highly valuable approach. The Skill India Mission should add MSME-focused modules, tailored explicitly to the sector (e.g., textiles, handicrafts, food processing, and manufacturing).

Streamlining the Regulatory Environment

Complicated regulatory compliance procedures often act as a disincentive for entrepreneurial activity. An effective single-window clearance procedure will minimize bureaucratic overhead, including smoothing out the GST, labour laws, and environmental approvals for SMEs. The government must guarantee that all compliance-related services are available on an online platform.

Strengthening Infrastructure and Market Linkages

Cluster development models should emphasize supporting the establishment of new industrial parks, common facility centres, and logistics support. Market linkages can be strengthened through trade fairs for SME products and services, B2B expos, and digital marketplaces. As part of all government procurement policies, a portion of tenders should be reserved for purchases of SME products and services.

Encouraging Innovation and R&D

Innovative and developmental avenues through incentives, grants, and access to incubators and accelerators. Collaborating with technical institutions and with start-up ecosystems may further enhance innovation. Access to the National Innovation Fund should be made easier for small enterprises that have an appropriate product idea.

Resilience and Disaster Preparedness

Due to the range of potential disruptions, such as the COVID-19 pandemic, SMEs need to develop better contingency plans to ensure preparedness through business continuity planning and diversification strategies. The Government needs to institutionalize emergency assistance and insurance schemes specifically for SMEs to protect them from inevitable shocks.

Promotion of Green and Sustainable Practices

There are various opportunities for SMEs to be incentivized to embrace sustainable practices, environmentally sound technologies, and waste systems. They can be educated through awareness programs and low-cost green technologies, so that they can contribute to India's overall sustainable development goals.

Concentrate on Women and Rural Entrepreneurs

Targeted incentives, credit schemes, and marketing support should be developed specifically for women and rural entrepreneurs. Women-led SMEs should also have access to mentorship, digital platforms, and self-help group networks to help grow their businesses.

Strengthened Data Collection and Monitoring

A well-maintained, centralized database on SMEs should be developed with up-to-date performance indicators, issues and challenges facing SMEs, and needs across sectors and geographies to assist with evidence-based policymaking and ongoing assessment of government schemes.

6.3. Challenges and Future Potential of MSMEs

1. Access to Finance

Perhaps the most enduring and nagging concern of MSMEs is the challenge of obtaining timely and sufficient financing. Most small businesses do not have formal credit histories, collateral, or strong financial records, which render them high-risk according to

conventional lenders. Consequently, they end up with high interest rates, excessive documentation, and delayed approval procedures.

Slow payments from customers, particularly large firms, put additional pressure on their liquidity, sending many into working capital deficits that continue to recur in cycles. This cash crunch tends to compel MSMEs to seek informal credit sources at very high rates, preventing them from making investments in capacity enhancement, technology, and market outreach.

Closing this gap in financing is essential to improve MSME resilience and growth opportunities.

2. Technological Adoption

A considerable percentage of Indian MSMEs continue to use antiquated production techniques and do not have access to advanced machinery and digital tools. Low awareness of advanced technologies, the high initial expense of automation, and a lack of technical competence function as major hindrances.

Lacking technological upgradation, MSMEs are beset with poor productivity, irregular product quality, and inefficiency, which makes them compete adversely with larger domestic corporations as well as overseas companies. Additionally, their ability to innovate new products, adopt environmentally cleaner practices, or increase production is critically limited. Facilitating the adoption of technologies is critical to enhancing productivity, achieving product standardization, and accessing new domestic and international markets.

3. Compliance with regulations

Multi-level and cumbersome regulatory schemes usually impose a major compliance burden on MSMEs. They have to deal with numerous registrations, licensing, taxation regulations, labor laws, and environmental laws. Most smaller units are not equipped with the administrative capacity and legal expertise to effectively handle these processes.

Such regulatory overheads take valuable time and resources, discouraging most MSMEs from registering officially. This keeps them within the informal economy, denying them access to formal credit, government programs, and market linkages. Simplification

of rules, reduction in procedures, and enhancing hand-holding can enable MSMEs to shift into the formal economy, enhancing their resilience and growth opportunities.

4. Market Access

Pursuing new markets and increasing customer bases continues to be difficult for MSMEs, particularly those from rural or semi-urban regions. Limited marketing budgets, absence of branding skills, insufficient exposure to modern distribution channels, and reliance on conventional methods of selling limit their market penetration.

Today's digital economy sees most MSMEs find it difficult to utilize e-commerce platforms efficiently because they lack digital literacy, suffer from logistics issues, and lack knowledge of how consumers behave online. This makes them vulnerable compared to large, technologically advanced companies that can reach larger markets with improved margins. Improved market linkages, export promotion, and digital marketing skills capacity can enable MSMEs to develop sustainably.

5. Skilled Workforce

Access to skilled and semi-skilled personnel is key to the productivity and quality levels of MSMEs. Nevertheless, numerous MSMEs are challenged to recruit and retain talented people because they have limited budgets, less impressive wage structures, and no strong training mechanisms.

Such rapid technological change also calls for constant upskilling of the workforce, which is difficult for smaller companies to bear. Managerial and technical skill shortages can impact everyday business operations, innovative capacity, and growth potential. A concentrated effort has to be made towards vocational education, in-house training, and industry-academia partnership to develop a capable talent pool for the industry.

6.4. Government Initiatives: Progress and Scope for Improvement

a) Credit Guarantee and Financial Support

To mitigate the incessant issue of insufficient access to finance, the Government of India has introduced several credit guarantee and financial support mechanisms, especially for MSMEs. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

provides collateral-free lending, which brings small units confidence to approach formal banks. During the COVID-19 pandemic, the Emergency Credit Line Guarantee Scheme (ECLGS) ensured vital liquidity support for MSME recovery.

The MUDRA Yojana, by its Shishu, Kishore, and Tarun categories, facilitates loan access for micro units in terms of their size and growth phase. Schemes such as Stand-Up India focus on entrepreneurship development among women and SC/ST populations. Interest subvention schemes lower the cost of capital to support exporters, while the Trade Receivables Discounting System (TReDS) tackles delayed payments by facilitating invoice discounting. Specialized funds are also in the process of being created for sunrise sectors like electric vehicles and renewable energy. The plan for a dedicated MSME Development Bank reflects the focus on sector-specific lending. Additionally, fintech alliances promotion and periodic financial literacy sessions at the cluster level work to increase credit availability, transparency, and inclusivity.

b) Entrepreneurship and Skill Development

Development of a skilled workforce is crucial to MSME competitiveness, and hence, the government has given high priority to skill development through various initiatives. The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) provides training for short durations across sectors, and the National Apprenticeship Promotion Scheme (NAPS) facilitates a stipend to foster practical learning. The Entrepreneurship and Skill Development Program (ESDP) provides entrepreneurs with the requisite managerial and business skills. For making training accessible, Cluster Skill Development Centers are being set up near industrial clusters. Technology Centers (Tool Rooms) provide cutting-edge, niche skill development, specifically for manufacturing and tooling. The Prime Minister's Employment Generation Programme (PMEGP) integrates financial support with compulsory entrepreneurship training. Women entrepreneurs receive special development programmes catering to their specific challenges. New rural skill centres connected with local colleges and ITIs are designed to address urban- rural skill imbalances. Forward-looking modules now combine green and digital skills with conventional crafts, and the Recognition of Prior Learning (RPL) programme facilitates incumbent workers to become formally certified for their on-the-job skills.

c) Digitalization and Technology Upgradation

The government proactively supports digitalization and technology upgradation to upgrade the MSME ecosystem. The easy Udyam Registration process induces informal enterprises to formalize and avail benefits. Digital MSME Scheme assists in embracing cloud-based ICT tools to make operations simpler. For improving product quality and sustainability, the Zero Defect Zero Effect (ZED) Certification encourages production techniques with a low environmental footprint. Government e-Marketplace (GeM) helps MSMEs to directly access and sell products and services to government consumers and increase their market base. Common Facility Centres (CFCs) allow cluster-level units to pool costly technology and machinery. Smart manufacturing pilots expose MSMEs to cutting-edge automation and Industry 4.0 technologies. Design enhancement and protection of intellectual property rights are facilitated through the MSME Innovative Scheme. Additional support is provided for ERP and CRM tool implementation to enhance modernization. In response to an increase in cyberattacks, the government encourages cybersecurity awareness and frameworks to enhance digital trust. Rural connectivity is being solidified under Bharat Net to make even far-flung clusters reap the digital thrust.

d) Export Promotion and Market Development

To make Indian MSMEs export-ready, various initiatives assist them in accessing export markets and upgrading marketing techniques. Schemes such as Market Development Assistance (MDA) and the Market Access Initiative (MAI) offer financial assistance for global promotion efforts. The District Export Hubs initiative and One District One Product (ODOP) branding highlight distinctive regional products to international buyers. MSME Export Promotion Councils provide advice on export standards and processes. Subsidies for costs are given for MSMEs' attendance at international trade expos, with the Trade Infrastructure for Export Scheme (TIES) facilitating logistics and export-related infrastructure. The Niryat Bandhu Scheme guides beginning exporters, giving them insights into international markets. Financial assistance is also provided for the acquisition of barcoding, eco-labelling, and quality certifications required for international compliance. To facilitate smooth transactions, a single window system makes it easier for export documentation. Export credit insurance schemes protect MSMEs against payment default

from foreign buyers. Last but not least, alignment with international supply chains hopes to incorporate more MSMEs into global production chains, increasing foreign exchange earnings.

e) Other Institutional Support

There is a strong institutional framework supporting MSME development in India. Schemes such as SFURTI (Scheme for Fund for Regeneration of Traditional Industries) assist in restoring artisan and heritage industries. The Coir Board and Khadi and Village Industries Commission (KVIC) encourage rural industries, ensuring traditional ways of living are sustainable. The National Board for MSME is an apex policy advisory body, suggesting ways to make the sector stronger. The MSME Champions Portal offers live support for grievance redressal, monitoring issues encountered by entrepreneurs. The Industrial Cluster Development Programme targets the upgrading of industrial clusters with improved infrastructure and services. Green and energy-efficient units are incentivized through special financial incentives, and MSME development is aligned with sustainability. The MSME Databank assists policymakers by giving them accurate information for planning and monitoring. Cooperative societies and producer companies are encouraged to enhance bargaining power among small producers. Special MSME facilitation cells at district levels offer a single-window facility for clearances, finance, and marketing assistance. Moreover, partnerships with international partners facilitate technology transfer and the adaptation of global best practices.

f) Institutional and Policy Frameworks

India's MSME sector is underpinned at the policy level by a strong institutional framework. The Ministry of MSME functions with exclusive policy units and advisory committees that ensure correspondence with overall national development objectives. The National Board for MSMEs is a top-level forum for stakeholder and government dialogue. Platforms such as the MSME Champions Portal provide a real-time grievance redressal and feedback on the policy implementation mechanism that is responsive. District Industries Centres (DICs) are single- window, localized service providers to MSMEs. Several states have also developed their own MSME policies to supplement central schemes and cater to local needs. State Financial Corporations (SFCs) are being recharged to provide focused

financing in less-banked jurisdictions. Legal assistance programs facilitate quick enforcement of contracts and easier resolution of disputes for small firms. Model MSME policy guidelines instruct state governments on best practices in cluster development, market facilitation support, and skilling, leading to regional growth across states.

g) Cluster Development and Infrastructure Support

Cluster development is crucial for realizing economies of scale and sharing of resources. Micro and Small Enterprises – Cluster Development Programme (MSE-CDP) offers common facility centers and upgraded infrastructure to identified clusters. Schemes such as SFURTI assist traditional artisanal communities in increasing productivity with modern tools and access to the market. Industrial Estate Upgradation Schemes concentrate on the upgradation of ageing industrial areas for higher efficiency. Urban micro units benefit from Flatted Factory Complexes and plug-and-play facilities. Logistics parks, cold storage, and last-mile connectivity infrastructure are supported with finances to enhance supply chain effectiveness. MSMEs in Special Economic Zones (SEZs) benefit from streamlined compliance and export concessions. Tool Rooms and Technology Centres in clusters offer necessary services like design, prototyping, and training in skills. Common Service Centres (CSCs) are encouraged to deliver digital documentation, banking, and e-commerce services. Specialized artisan parks, food parks, and textile parks establish sector-specific clusters. Pilot programs for smart clusters are being established to infuse IoT and greenery, making clusters competitive and sustainable.

h) Green MSMEs and Sustainability

Sustainability is becoming mainstream in MSME policies. The Zero Defect Zero Effect (ZED) program promotes energy-efficient manufacturing and the reduction of waste. Subsidy is provided for the adoption of renewable energy, like solar rooftops in industrial clusters. Waste management and circular economy practices are being implemented to minimize resource intensity. MSMEs are facilitated to enter carbon credit markets, promoting low-carbon practices. Pollution Control Boards provide monetary incentives for cleaner production practices. Green packaging and labelling standards enable MSMEs to source to the requirements of global buyers. Capacity-building programs educate entrepreneurs on how to integrate business operations with Sustainable Development Goals

(SDGs). Special R&D funds encourage innovation in biodegradable goods and low-carbon production, ensuring that MSMEs make a contribution to India's climate goals.

i) Social Inclusion and Gender Empowerment

Inclusivity is ensured as a fundamental policy objective. Initiatives such as Stand-Up India and Mahila Coir Yojana enable women entrepreneurs with financial and marketing assistance. Specific sub-goals in credit programs ensure SC/ST and minority groups benefit proportionately. Capacity-building schemes enable differently-abled entrepreneurs to acquire skills in crafts and production. Integration of Self-Help Groups (SHGs) with MSMEs formalizes numerous women-owned micro enterprises. E-commerce skill training programs empower rural women entrepreneurs to access online markets. Cluster-level interventions under SFURTI elevate tribal and artisan communities. Special marketing support under the ODOP program brings prominence to marginal community products on broader platforms. Periodic gender audits of MSME schemes ensure that impediments to the entry of women are identified and resolved methodically.

j) Ease of Doing Business and Formalization

Substantive efforts have been undertaken to ease the regulatory environment and promote formalization. The Udyam Registration offers one national MSME identity with a link to PAN and GST, easing compliance. MSME portals have been integrated with GST, Income Tax, and GeM platforms to enable smooth information flow. The One District One Product (ODOP) program encourages local manufacturers to formalize and gain from branding and market outreach. Tax rebates, priority credit, and other incentives motivate the informal units to shift to the formal economy. Streamlining labor laws for micro-units seeks to simplify hiring and compliance requirements. Decriminalizing minor offenses lessens the fear of harassment and increases confidence in the system. One-stop MSME facilitation centers at the district level facilitate new entrepreneurs in clearances, financing, and business establishment. Handholding and sensitization campaigns inform small producers of the advantages of formalization and empower them with the necessary instruments to shift seamlessly.

6.5. Limitations of the Study

The study has made important contributions to understanding the nature and effects of Small and Medium Enterprises (SMEs) in the Indian context, yet certain limitations should be acknowledged concerning the implications of the findings for generalizability and depth of insights.

Geographic Coverage Limitations

The study may have been restricted to specific regions, states, or localities due to time and resource constraints. Thus, the findings may not reflect the numerous variants in economic, cultural, or policy environments in all regions of India, especially remote or underdeveloped regions.

Sample Size and Representativeness Limitations

The study's sample of SMEs may not have been big enough or representative enough to represent the SME population of the whole of India. In particular, micro enterprises and unregistered SMEs that are part of a substantial informal sector could have been under- represented.

Reliance on Secondary Data

This report has relied on secondary data (government publications, industry databases, and academic sources), which can sometimes be outdated or not the same in accurate or timely as the information being conveyed. The inaccuracy of some datasets may restrict effective conclusions that can be made from the statistics offered within the study.

Lack of Sectoral Focus

SMEs in India operate across various industrial sectors, including manufacturing, services, and agro-based sectors. This report may not have looked at certain issues or dynamics prevalent in sectors of concern that would have limited its recommendations for industries.

Time Opportunities & Policy Environment

The Indian SME eco-system is heavily changing, with policy changes being made frequently and continuously, as well as various emerging trends or developments related to economic reforms or global disruptions like the COVID-19 pandemic. It could be possible that there may have been developments that haven't been fully captured at the time of this study being conducted.

- Variations in Definitions and Classifications of SMEs

  In recent years, classifications of SMEs based on investment and turnover have changed (particularly post-2020). Inconsistencies concerning how definitions were applied can result in ambiguity when it comes to comparisons or impacts found based on data across different sources.

- Potential Constraints of Qualitative Understandings

  While the study aims to look at challenges and performance trends, there may be limited qualitative insights into some of the more interpretive aspects of entrepreneurial behavior, socio-cultural issues, or managerial practices in SMEs.

- Access to Current Operational and Financial Records

  Several SMEs do not have formal or visible records of finances, employee records, or operational indicators, so obtaining accurate current data may be difficult. This likely leads to less accuracy in performance assessments.

- Potential for Response Bias

  In primary data collection (surveys or interviews), some SME owners or employees may have offered a socially desirable or optimistic response, as opposed to accurate ones, which may lessen the objectivity of findings or inferences.

6.6. Future Research Directions

Although this study adds to the knowledge of the economic fate of Small and Medium Enterprises (SMEs) in India, there are many areas for further research. Future research should be based on the findings and limitations of this study and provide more detailed and greater insight to better inform decision-making and growth in the sector. Future research is encouraged in the following directions.

Sectors that need analysis

Future research should explore the performance and issues of SMEs in specific sectors such as textiles, food processing, pharmaceuticals, information technology, tourism, and handicrafts etc. Knowledge of sectoral issues will assist in developing sectoral policy interventions and support initiatives.

- Longitudinal Studies

  Longitudinal studies provide the opportunity to examine changes over time in the growth, performance, and survival of SMEs. Such longitudinal studies would be useful in understanding the impact of real-time policy changes, economic reforms, and any external shocks (for example, COVID-19) on the SME sector.

- Comparative Regional Studies

  India's economy is very diverse, and not all regions/states are economically developed. There is a need for regional/state comparisons research to better understand the effect of local governance sectors, infrastructure, and cultural contexts on SME development. Subsequent research can compare SME development, growth, and performance in industrially developed states with the same metrics in emerging regions to identify best practices and regional inequities.

- Technology Adoption and Digital Readiness

  There is an increasing need for research into how Indian SMEs are adopting digital technology such as cloud computing, AI, blockchain, and e-commerce platforms. Future research can focus on the barriers and limitations of the digital transformations of SMEs, particularly in rural and semi-urban areas, to assist in the digital transitions.

- Green and Sustainable SMEs

  Sustainability and climate resilience have gained increasing attention in India, and all improvements to sustainability are required in the SME sector. Research in the adoption of green technologies, energy efficiency improvements, and eco-friendly production practices could provide valuable insights into making SMEs more sustainable.

- Women and Social Entrepreneurship

Future research can investigate women-led SMEs and social enterprises, women's unique challenges and motivations, and the impact of women

- Global Competitiveness and Export Readiness Entrepreneurs

  SMEs are playing an increasing role in global trade under globalization and digitization. The research on competitiveness, export readiness, and global value chain participation of Indian SMEs will provide a foundation for identifying means of better serving SMEs in developing their presence in the international marketplace.

- Impact of Government Plans and Finance Interventions

  Research is also needed to evaluate the effectiveness of government plans such as the Credit Guarantee Fund, PMEGP, MUDRA loans, Udyam registration, and emergency credit line plans. Impact Evaluation can be useful in organizing evidence-based policy changes.

- Informal Sector and Unregistered SMEs

  Many Indian SMEs work within the informal economy and are unregistered. Future research might consider this segment to analyze their economic contributions, challenges, and potential for a pathway towards formalized economic activity.

- Post-Pandemic Recovery and Resilience Strategies

  With the major disruption caused by the COVID-19 pandemic, future research could account for how SMEs are recovering, what resilience strategies they are adopting, and what policy or institutional support they need to recover stronger than before.

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APPENDIX A

QUESTIONNAIRE

Dear Sir/Madam

Your assistance in completing this survey would be greatly appreciated as your views can help me to complete my research work more appropriately. If you have any suggestions, please feel free to mail on …….

Please express the degree to which you feel the following emotions using a five-point Likert scale ranging from 1-5, where 1=Strongly Disagree (SD), 2=Disagree (D), 3=Neutral (N), 4= Agree (A), and 5=Strongly Agree (SA).

Your participation in this study will be highly appreciated, and the information you provide will be used for academic purposes only.

- Demographics

1. Gender

a) Male

b) Female

2. Age

a) Below 25 years

b) 25–34 years

c) 35–44 years

d) 45–54 years

e) 55 years and above

3. Type of Respondent

a) SME Owners

b) SME Employees

c) Supplier

d) Government

e) Others

4. Annual Income

a) Less than ₹10 lakh

b) ₹10 lakh – ₹50 lakh

c) ₹50 lakh – ₹1 crore

d) ₹1 crore – ₹5 crore

e) Above ₹5 crore

- Access to Finance

  Please give a response regarding Access to Finance

S.no	Access to Finance	SD	D	N	A	SA
1.	It is easy for my business to obtain loans or credit from formal financial institutions.					
2.	The interest rates offered by lenders are reasonable and affordable for my business.					
3.	Collateral requirements make it difficult for my business to access funding.					
4.	The loan application and approval process is time-consuming and complicated.					

5.	My business receives adequate financial support from banks or NBFCs when needed.					
6.	We have access to alternative sources of finance (e.g., venture capital, angel investors, microfinance).					
7.	Lack of access to finance limits our ability to invest in business expansion.					
8.	Improved access to finance would significantly enhance our operational efficiency					

- Operational Efficiency of SMES

  Please give a response regarding Operational Efficiency of SMES

S.no	Operational Efficiency of SMES	SD	D	N	A	SA
1.	Operational inefficiencies have reduced significantly in the past 2–3 years.					
2.	Access to finance has helped us improve our operational efficiency.					
3.	Our operational processes are streamlined and well-documented.					
4.	Training and development programs have improved our workforce efficiency.					
5.	We have adopted technology or automation to improve operational productivity.					

6.	Employee roles and responsibilities are clearly defined and contribute to overall efficiency.					
7.	Our business responds quickly to operational issues or disruptions.					
8.	Inventory and supply chain management practices in our business are effective.					

- Expansion Capabilities of SMES

  Please give a response regarding Expansion Capabilities of SMES

S.no	Expansion Capabilities of SMES	SD	D	N	A	SA
1.	Our business has the financial capacity to expand into new markets.					
2.	Lack of funding has delayed our expansion plans					
3.	Our infrastructure is scalable to accommodate business growth.					
4.	Government schemes and policies support our expansion goals.					
5.	SMEs have sufficient financial capacity to expand into new markets.					
6.	New product or service development is part of the expansion strategy in most SMEs.					
7.	SMEs generally possess adequate human and technological resources for expansion.					

8.	Financial constraints often act as a barrier to SME expansion.					

- Government Support Policies

Please give a response regarding Government Support Policies

S.no	Government Support Policies	SD	D	N	A	SA
1.	Government policies and schemes are accessible to most small and medium enterprises.					
2.	Information about available government support programs is effectively communicated to SMEs.					
3.	The registration and approval process for government schemes is simple and efficient for SMEs.					
4.	Government subsidies and incentives significantly contribute to SME growth and stability.					
5.	Skill development and training programs under government initiatives are beneficial for SME workforce enhancement.					
6.	Tax benefits and regulatory relaxations offered by the government support SME sustainability.					
7.	Credit guarantee schemes provided by the government increase the chances of securing finance for SMEs.					
8.	SMEs actively utilize government platforms such as UDYAM Registration or MSME Samadhan.					

- Growth Trajectory of SMES

  Please give a response regarding Growth Trajectory of SMES

S.no	Growth Trajectory of SMES	SD	D	N	A	SA
1.	SMEs have shown consistent revenue growth over the past three years.					
2.	There has been a noticeable increase in employment generation by SMEs.					
3.	SMEs are expanding their market reach both regionally and nationally.					
4.	Investment in technology and innovation has contributed to SME growth.					
5.	Business scalability is being effectively pursued by a majority of SMEs.					
6.	Customer acquisition and retention rates have improved for SMEs.					
7.	SMEs demonstrate strong potential for long-term sustainability and competitiveness.					
8.	Product and service diversification is commonly observed in growing SMEs					

I sincerely appreciate your time and cooperation.

Please check to make sure that all the questions are answered.

Thank you so much for your contribution.