

Role Of Micro Small and Medium Enterprises in Achieving Sustainable

Development Goals in India

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Abstract

Sustainable development is a concept that benefits the present as well as the future of mankind. The traditional linear economic model of make, use and throw leads to un-sustainability while sustainability requires the development of balanced production systems with circular economy keeping in mind the 5 P's i.e. People, Planet, Prosperity, Peace and Partnership. As a universal call to achieve Sustainable Development Goals, Micro Small and Medium Enterprises (MSMEs) is the key to employment generation, poverty eradication, removal of regional disparity, removal of gender inequality, promoting entrepreneurship, reducing the severity of hunger, etc. Contributing to 90% of businesses worldwide, 60 to 70% of employment and 50% of GDP, MSMEs are the backbone of the global and domestic economies. The main objective of this research paper is to examine the potential of MSMEs in the Indian context to achieve Sustainable Development Goals.

Keywords: MSMEs; Sustainable Development Goals; Poverty Eradication; Inclusive Growth

Introduction:

Under the leadership of Jawaharlal Nehru, the focus was on heavy machinery and engineering goods, but the Father of the Nation, Mahatma Gandhi was against these mechanized means of production. His economic philosophy was always inclined towards the labor-intensive model. His dream was to have a decentralized economy where rural people could live as self-sufficient republics, so he encouraged cottage and household industries. Nowadays, these enterprises are known as 'MSME' which play an important role in the economic growth and social transformation of India. MSMEs play a vital role in promoting inclusive growth, as they help reduce inequality

by providing economic opportunities to marginalized communities, including women and rural entrepreneurs.

The SDGs adopted in 2015 by all United Nations (UN) member states, consist of 17 goals aimed at ending poverty, protecting the planet and ensuring prosperity for all. MSMEs are supporting the India's efforts towards sustainable development and play a significant role in achieving the SDGs by contributing to economic growth, employment generation, innovation and social inclusivity (UN, 2024). Collaborative efforts between stakeholders, including government, industry and academia, are essential to promote sustainable development. By aligning their business practices with sustainability principles, MSMEs can help to accelerate progress toward these goals. MSMEs can learn to enhance their practices from Corporate Social Responsibility (CSR) strategies, which benefiting both employees and the community. Despite their potential, MSMEs are facing a number of challenges such as lack of access to capital, resources, technology & policy support, and markets, which hinder their contribution to achieving the SDGs. If adequate support is given, MSMEs have the potential to transform economies, boost employment generation and promote equitable economic growth. This paper explores the challenges and presents policy recommendations for MSMEs to achieve the SDGs.

Objectives of the Study:

1. To analyze the contribution and potential of MSMEs for achieving various SDGs in India.
2. To identify challenges faced by MSMEs.
3. To evaluate existing policies and propose recommendations.

Research Gap:

Limited empirical studies measuring the specific contributions of MSMEs to various SDGs through quantitative data and a gap in evaluating the effectiveness of existing policies and programs designed to support MSMEs in achieving SDGs.

Statement of the Problem:

Despite the recognized potential of MSMEs to drive sustainable development in India, significant gaps still remain in their ability to effectively contribute to the SDGs. Challenges such as lack of capital, limited access to resources, lack of technological advancements, and insufficient policy

support hinder their growth and sustainability. This research aims to investigate these challenges and identify pathways to enhance the role of MSMEs in achieving SDGs in India.

Implication of the Study:

My research can contribute to a holistic understanding of how MSMEs can be catalysts for achieving SDGs in India, with wide-ranging implications for policy, economy, and society.

Literature review:

[Baral et al. \(2023\)](#), discussed how small and medium-sized enterprises can leverage Industry 4.0 technologies to implement circular economy principles. They emphasized that by adopting Industry 4.0 technologies within a circular economy framework, SMEs can enhance their sustainability efforts and contribute to broader environmental goals.

[Loo et al. \(2023\)](#), emphasized strategies to promote technology adoption and innovation within MSMEs, and highlighted their important role in economic growth. They examined the critical factors influencing e-commerce adoption in MSMEs and its implications for sustainability.

[Akhtar \(2024\)](#), advocated rethinking economic philosophy to include ethics and sustainability and suggested that such an approach is essential to achieving the Sustainable Development Goals and promoting a more equitable and sustainable future.

Global MSMEs and SDGs:

MSMEs in the global economy are pivotal, particularly regarding sustainable development goals. Women entrepreneurs are increasingly recognized for their impact on economic development, with a significant proportion of MSMEs in developing countries owned by women. Supporting these entrepreneurs is crucial for reducing gender disparities and enhancing overall economic resilience. According to World Bank (2023), MSMEs contribute to over 90% of global turnover, 60 to 70% of employment and over 50% of GDP (about 35% of GDP in developing countries and about 50% in developed countries) worldwide. MSMEs are critical for achieving SDGs declared by UN. The United Nations General Assembly declared 27th June as “Micro, Small and Medium Enterprises Day” to raise awareness of MSMEs contribution to the achievement of the SDGs and uncover opportunities for further advancement.



[Akhtar \(2024\)](#), Indian Economic Philosophy, Ethics and Sustainable Development Goals, AN International Multidisciplinary Half Yearly Research Journal 12(2): 43-49.

In the European Union (EU), MSMEs are essential to the economy, making up over 99% of all businesses and providing two-thirds of private-sector employment. The EU has established a comprehensive support framework for MSMEs, emphasizing sustainability and innovation, which align with key SDGs like SDGs 8, 9 & 13. A significant aspect of this support is green financing, enabling MSMEs to invest in cleaner technologies and reduce their carbon footprints. The European Union MSMEs had adopted measures to lower energy consumption and minimize environmental impacts, positioning them as leaders in global sustainable development efforts. This proactive approach will not only boost economic growth, but to achieve a sustainable economy also [\(OECD, 2020\)](#).

In the United States (US), MSMEs often referred to as small and medium enterprises constitute approximately 99.9% of all businesses and employ 47.1% of the private workforce. The US government actively encourages innovation sustainability through programs such as the Small Business Innovation Research, which provides funding to support technological progress in small enterprises. These initiatives significantly contribute to achieve SDGs such as SDGs-8 & 9. In 2021, the US SMEs contribute about 44% of the country's GDP, with many adopting innovative practices to reduce their environmental impact. This trend is especially evident in sectors like clean energy and information technology, where small businesses are at the forefront of reducing their carbon footprint while driving economic growth.

In Germany, MSMEs are a vital part of the economy, employing 55% of the workforce. These enterprises generate more than half of the net value added to the nation and provide over 75% of the country's apprenticeships and vocational training opportunities.

Notably, 96.9% of German exporters are SMEs, highlighting their crucial role in international trade. SMEs also contribute significantly to innovation, accounting for about one-third of the country's innovative capacity. This is largely driven by firms committed to research and development, which represent 32% of innovation expenditure and 35% of R&D spending in Germany. The focus on sustainability, alongside achievements in the circular economy, underscores the value SMEs bring to both society and the economy, fostering a more sustainable and innovative future.

In China, MSMEs are crucial to the economy, contributing approximately 60% of GDP, 70% of patent applications and 80% of urban employment. China's government has created significant investment to boost MSMEs as part of its sustainable development agenda that focuses on digital transformation and green technologies. This aligns with the Sustainable Development Goals (SDGs) such as SDG 9 and SDG 13. China's MSMEs play a vital role in poverty alleviation i.e. SDG 1 and economic growth i.e. SDG 8 by creating jobs in both urban and rural areas. Their commitment to clean technologies and green industry positions them as leaders in climate action. In 2020, these enterprises were responsible for approximately 60% of the country's total patent applications, underscoring their critical role in advancing innovation and sustainability within the economy ([ICSB Global MSMEs Report, 2023](#)).

African MSMEs contribute significantly to SDG 1 and SDG 8 by creating jobs for a large portion of the population. Despite this, their progress towards SDG 13 is hindered by challenges such as limited access to clean technologies and sustainable practices. As of 2020, only 20% of African MSMEs had access to formal credit, limiting their ability to invest in sustainable technologies or expand their operations. Despite these constraints, MSMEs play a key role in sectors such as agriculture and renewable energy, where they can have a substantial impact on local economies and sustainability. Additionally, women entrepreneurs are increasingly being recognized for their contributions to economic growth, job creation and reducing gender inequalities. Currently, over 162 million formal MSMEs exist in developing countries, an estimated one-third of which are

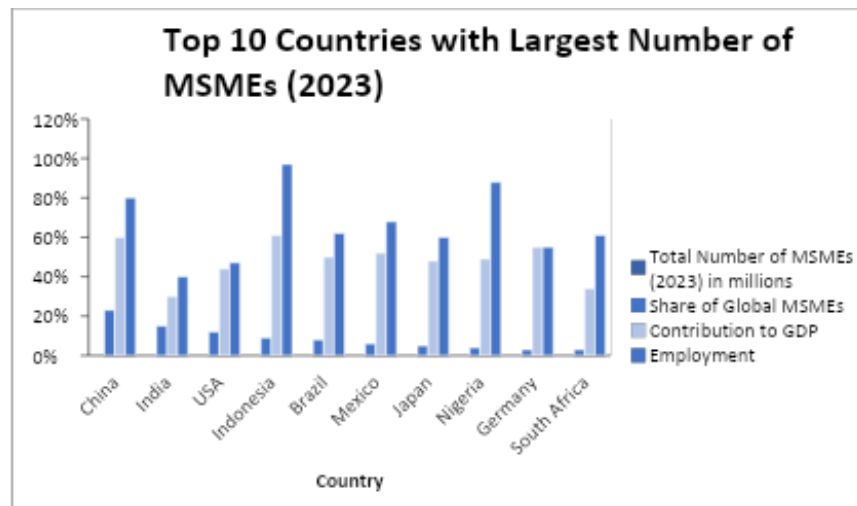
owned by women, highlighting their critical role in promoting inclusive economic growth ([ICSB Global MSMEs Report, 2023](#)).

Table 1 Top 10 Countries with Largest Number of MSMEs (2023):

Country	Total Number of MSMEs (2023) in millions	Share of Global MSMEs	Contribution to GDP	Employment	Potential SDGs Contribution
China	45	23%	60%	80% of urban employment	SDG-8, 9 & 13
India	63.4	15%	30%	40% workforce	SDG-1, 2, 5, 6, 7, 8, 9, 10, 12 & 13
USA	32.5	12%	44%	47.1% of private workforce	SDG-8, 9 & 10
Indonesia	19	9%	61%	97% workforce	SDG-8 & 12
Brazil	17	8%	50%	62% workforce	SDG-8 & 9
Mexico	12.3	6%	52%	67.9% workforce	SDG-8 & 12
Japan	6.5	5%	48%	60% workforce	SDG-9 & 13
Nigeria	5.9	4%	49%	87.9% workforce	SDG-1 & 8
Germany	4.3	3%	55%	55% workforce	SDG-8 & 9
South Africa	3.6	3%	34%	61% workforce	SDG-8, 10 & 12

Source: ILO and World Bank, (2023) & ICSB Global MSMEs Report, (2023).

Figure 1



Micro Small and Medium Enterprises in India:

There is a significant role of MSMEs in the growth of Indian economy. The Government of India aims to double the economy to \$5 trillion in the next five years. MSMEs are recognized as major employment creators that can create career opportunities for the youth and play a crucial role in shaping the future of the nation as well. They employ and skill millions of workers and are also a significant part of the global value chains, and help in achieving this goal. To achieve this, the government is actively promoting MSMEs to boost their contribution to exports and GDP.

MSMEs contribute approximately 30% to India’s GDP and account for nearly 45-50% of its exports. They are the second-largest employment sector, generating around 111 million jobs, mainly in rural and semi-urban areas. Moreover, MSMEs are preserving and upholding local culture and heritage, such as khadi and handicrafts, etc. Micro food processing enterprises also address agricultural profitability and food security, contributing to inclusive growth ([MSMEs Annual Report 2023-24](#)).

The micro sector dominates, with an estimated 63.052 million enterprises making up over 97.7% of the total MSMEs. Small and medium sectors account for a much smaller proportion, with 1.5% and 0.8% respectively. Of the total estimated 63.388 million MSMEs, 32.488 million (51.25%) are in rural areas, and 30.9 million (48.75%) are in urban areas ([MSMEs Annual Report, 2023-24](#)).

A revision in the definition of MSMEs was introduced under the Aatmanirbhar Bharat Abhiyaan Scheme on May 13, 2020, with the new classification taking effect from July 1, 2020. This classification is based on investment in plant and machinery and turnover.

Table 2: Classification of MSMEs

Criteria	Manufacturing Enterprises and Enterprises rendering Services (Revised classification with effect from July 1, 2020)	
	Turnover	Investment
Micro	Rs. 5 crore (US\$ 610,000)	Less than Rs. 1 crore (US\$ 120,000)
Small	Rs. 50 crore (US\$ 6.1 million)	More than Rs. 1 crore (US\$ 120,000) but less than Rs. 10 crore (US\$ 1.2 million)
Medium	Rs. 250 crore (US\$ 30.4 million)	More than Rs. 10 crore (US\$ 1.2 million), but less than Rs. 50 crore (US\$ 6.1 million)

Sources: MSMEs Annual Report, 2023-24

India has approximately 63.052 million MSME units, growing at a projected CAGR of 2.5%. Notably, 51% of these enterprises are located in rural areas, while urban MSMEs significantly contribute to the economic development of tier 2 and tier 3 cities. The manufacturing sector is vital, with 38% of registered MSMEs operating in this space, employing 32% of the MSME workforce. Women own more than 20% of MSME units, compared to only 11% in large-scale industries, highlighting the role of MSMEs in promoting gender equality. The socially backward groups owned almost 66.27% of MSMEs. Bulk of that was owned by OBC (49.72%). The representation of SC and ST owners in MSME sector was low at 12.45% and 4.10% respectively. In rural areas, almost 73.67% of MSME were owned by socially backward groups, of which 51.59% belonged to the OBC. In urban areas, almost 58.68% belonged to the socially backward groups, of which 47.80% belonged to the OBC. Moreover, Indian MSMEs are increasingly adopting digital payments with 72% of transactions occurring through digital modes. This shift not only enhances efficiency but also supports broader financial inclusion and modernization efforts within the sector ([MSMEs Annual Report 2023-24](#)).

The Ministry of MSME in India oversees five key statutory bodies that promote and develop various sectors:

1. Khadi and Village Industries Commission: Promotes khadi and village industries to create rural employment and strengthen the rural economy ([MSMEs Annual Report 2023-24](#)).
2. Coir Board: Focuses on the development of the coir industry and improving workers' living conditions ([MSMEs Annual Report 2023-24](#)).
3. National Small Industries Corporation Limited: Supports the growth of micro and small enterprises on a commercial basis ([MSMEs Annual Report 2023-24](#)).
4. National Institute for Micro, Small and Medium Enterprises: Promotes entrepreneurship and conducts studies for policy formulation ([MSMEs Annual Report 2023-24](#)).
5. Mahatma Gandhi Institute for Rural Industrialization: Accelerates rural industrialization, empowers artisans, and fosters innovation through research and development ([MSMEs Annual Report 2023-24](#)).

Together, these bodies enhance the MSME sector and promote sustainable economic development in India.

Micro Small and Medium Enterprises and SDGs in India:

MSMEs in India are instrumental in driving progress toward achieving the SDGs by fostering economic growth, creating jobs, and promoting inclusive and sustainable practices. Continued support from the government, private sector, and civil society is crucial for maximizing their impact on sustainable development. The table shows the ways MSMEs contribute to specific SDGs:

Box 1: MSME Data in Relation to SDGs

SDGs	Potential of MSMEs
SDG-1	MSMEs are responsible for approximately 111million jobs in India, accounting for around 40% of the total employment in the industrial sector. This creates a livelihood for millions, particularly in rural and semi-urban areas. MSMEs often employ marginalized groups, including women and youth, promoting inclusive growth and helping reduce poverty among these populations.
SDG-2	Approximately 30% of MSMEs in India operate in the agricultural sector, including food processing, packaging, and distribution. These enterprises play a crucial role in increasing food availability and reducing wastage. About 70% of India’s workforce is employed in agriculture, with MSMEs supporting significant numbers of farmers and farm workers. The food processing sector, largely composed of MSMEs, contributes around 9% to India’s GDP. By adding value to raw agricultural products, these enterprises enhance food security and reduce post-harvest losses. Many MSMEs are adopting innovative agricultural practices, such as precision farming and organic farming techniques. Nearly 15-20% of MSMEs are engaged in sustainable farming practices that improve productivity while minimizing environmental impact. Women-owned MSMEs are increasingly participating in agriculture and food processing, providing jobs and enhancing food production. About 30% of agricultural MSMEs are women-led, contributing to food security and economic empowerment. This helps the poor family to secure food security because most of the male members spend their income on alcohols. MSMEs strengthen local food systems by connecting producers to consumers, thereby reducing food miles and enhancing food freshness. This is crucial for ensuring food availability and access.
SDG-3	Approximately 15-20% of MSMEs operate in the healthcare sector, including clinics, diagnostic centres, and pharmacies. These enterprises provide essential health services, especially in underserved areas, improving access to healthcare. MSMEs are involved in the production of generic medicines and medical devices, contributing to affordable healthcare. They account for about 30% of India’s pharmaceutical production, helping make essential medicines more accessible. This not only supports economic stability but also enhances the capacity of the healthcare workforce. A growing number of MSMEs are leveraging technology to provide healthcare solutions, such as telemedicine services. Anticipated that tele-health market in India could reach \$5.4 billion by 2025, with MSMEs driving innovation in this space. A growing number of MSMEs are offering mental health services, including counselling and wellness programs. As mental health awareness increases, the demand for these services is rising, creating new opportunities for MSMEs.

SDG-4	<p>A growing number of MSMEs operate in the education technology sector, developing e-learning platforms and tools. The EdTech market in India is projected to reach \$10.4 billion by 2025, with MSMEs contributing significantly to this growth. MSMEs contribute to job creation, particularly for young people. They employ around 111 million individuals, providing opportunities for fresh graduates and school leavers to enter the workforce and gain practical experience. Many MSMEs collaborate with educational institutions to create specialized training programs that align with industry needs. Under the Skill India initiative, numerous MSMEs have been involved in training over 400,000 individuals through partnerships with various educational and training organizations since its launch in 2015. These partnerships help bridge the skills gap and enhance the quality of education. Local Outreach Programs: Some MSMEs engage in community-based educational programs, offering training in skills like handicrafts, agriculture, and digital literacy. This contributes to local development and enhances educational opportunities.</p>
SDG-5	<p>20% of MSMEs are owned by women; strong presence in Tamil Nadu, Karnataka, and West Bengal. MSMEs are significant employers of women, providing jobs to nearly 30% of the female workforce in the informal sector. This contributes to economic independence and empowerment. More than 50% of women-owned MSMEs have benefited from these financial support schemes. The increasing use of digital platforms by women-owned MSMEs is notable. About 30% of women entrepreneurs are leveraging digital technologies for marketing and operations, improving their business reach. Many MSMEs are adopting gender-sensitive policies, with around 25% implementing measures to promote gender equality in the workplace, such as flexible working hours and parental leave.</p>
SDG-6	<p>Many MSMEs are involved in providing water supply and sanitation services, especially in rural and semi-urban areas. Approximately 10-15% of MSMEs are engaged in manufacturing water purification and filtration systems, contributing to improved access to clean water. Innovative Solutions: MSMEs are promoting rainwater harvesting systems, particularly in regions facing water scarcity. About 20% of MSMEs offer products or services related to rainwater collection and management, enhancing local water availability. About 15% of MSMEs participate in local outreach programs that promote hygiene and responsible water usage.</p>
SDG-7	<p>Around 15-20% of MSMEs are adopting solar energy solutions to power their operations. This shift not only reduces energy costs but also contributes to a cleaner energy mix. Approximately 30% of MSMEs have implemented energy-efficient practices, such as using energy-saving devices and improving operational efficiencies. This reduces overall energy consumption and lowers carbon emissions. The renewable energy sector, largely supported by MSMEs, is projected to create millions of jobs. By 2030, it is expected that the renewable energy sector could employ over 1 million individuals, directly impacting local economies.</p>

SDG-8	<p>111 million jobs provided by MSMEs; 30% contribution to GDP; 45% to total exports. Initiatives like the Entrepreneurship Development Program and various skill development schemes help enhance the skills of the workforce, making them more employable and capable of starting their own businesses. Modernizing MSMEs through technology adoption improve productivity and competitiveness, further supporting income generation. The rise of fin-tech and digital lending platforms has improved access to finance for MSMEs, especially in rural areas, helping them grow and sustain their businesses.</p>
SDG-9	<p>13% of MSMEs are involved in high-tech sectors; strong growth in automotive and IT industries in Tamil Nadu, Gujarat. More than 60% of MSMEs have adopted some form of digital technology, including e-commerce, digital payments, and social media marketing. As of 2023, around 30% of MSMEs are actively selling products online, with many leveraging platforms like Amazon, Flipkart, and regional e-commerce sites to reach broader markets. Approximately 70% of MSMEs have started using digital payment methods, significantly increasing the efficiency of transactions and expanding customer bases. About 50% of MSMEs utilize social media for marketing and customer engagement, enhancing their visibility and brand recognition. A growing number of MSMEs, around 25%, are adopting cloud services for better data management and operational efficiency. MSMEs contribute about 48% of India's total exports. By fostering a competitive manufacturing environment, they help integrate India into global supply chains and promote innovation.</p>
SDG-10	<p>MSMEs are responsible for approximately 111 million jobs in India, providing employment to a diverse workforce, including marginalized groups such as women, youth, and rural populations. Approximately 20% of MSMEs are owned by women. These enterprises empower women by providing them with economic independence and opportunities for leadership, helping to reduce gender disparities in the workforce. MSMEs promote balanced regional development by establishing operations in rural and semi-urban areas. This decentralization of economic activity helps reduce urban-rural disparities and provides livelihoods to communities that may otherwise have limited opportunities. Various government and NGO-led programs focus on skill development for</p>

	<p>marginalized groups. Approximately 40% of MSMEs have participated in training programs that enhance the skills of their workforce, contributing to employability and economic mobility. Some MSMEs operate as social enterprises, aiming to address social issues while generating profit. These businesses often focus on community welfare and inclusive practices, further contributing to reducing inequalities.</p>
SDG-12	<p>10 million MSMEs involved in organic farming, recycling, and energy-efficient products. Many MSMEs are adopting resource-efficient practices to minimize waste. For instance, sectors like textiles and manufacturing are increasingly using sustainable materials, with an estimated 20-30% of MSMEs implementing eco-friendly practices. MSMEs are key players in the circular economy by recycling waste materials. For example, about 15% of MSMEs in the manufacturing sector are involved in recycling processes, reducing waste and promoting sustainable production. An estimated 25% of MSMEs are investing in energy-efficient technologies and renewable energy sources, such as solar power, to reduce their carbon footprint. This aligns with sustainable production practices. Many MSMEs are prioritizing local sourcing of raw materials, which reduces transportation emissions and supports local economies. Approximately 30% of MSMEs report sourcing locally as part of their sustainability initiatives. There is a growing demand for sustainable products, leading to an increase in MSMEs producing eco-friendly goods. The market for green products in India is projected to grow by 20% annually, with MSMEs actively participating in this shift. Various organizations and NGOs are providing training to MSMEs on sustainable practices, enhancing their ability to implement eco-friendly production methods.</p>
SDG-13	<p>19% of MSMEs have adopted energy-efficient technologies by 2020. Nearly 25% of MSMEs have begun implementing energy-efficient practices, such as using LED lighting and energy-efficient machinery. This transition helps reduce energy consumption and carbon emissions. Around 15-20% of MSMEs are investing in solar energy solutions to power their operations. This shift not only reduces dependency on fossil fuels but also lowers operational costs over time. Many MSMEs are adopting waste management practices, with about 30% engaged in recycling and reusing materials in their production processes, thus minimizing waste and its environmental impact. Nearly 40% of MSMEs have started measuring their carbon footprints, recognizing the importance of tracking emissions and identifying areas for improvement. Various initiatives, supported by the government and NGOs, have provided training to over 35% of MSMEs on sustainable practices and climate resilience, helping them adapt to climate change impacts. Many MSMEs are diversifying their product offerings to include climate-resilient solutions, such as eco-friendly products. The green products market is projected to grow at 20% annually, with MSMEs contributing significantly.</p>

Sources: Ministry of Micro, Small, and Medium Enterprises Government of India Annual reports 2023-24; NITI Aayog; Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry & World Bank and International Finance Corporation, World Bank, (2023).

State-wise MSMEs in India:

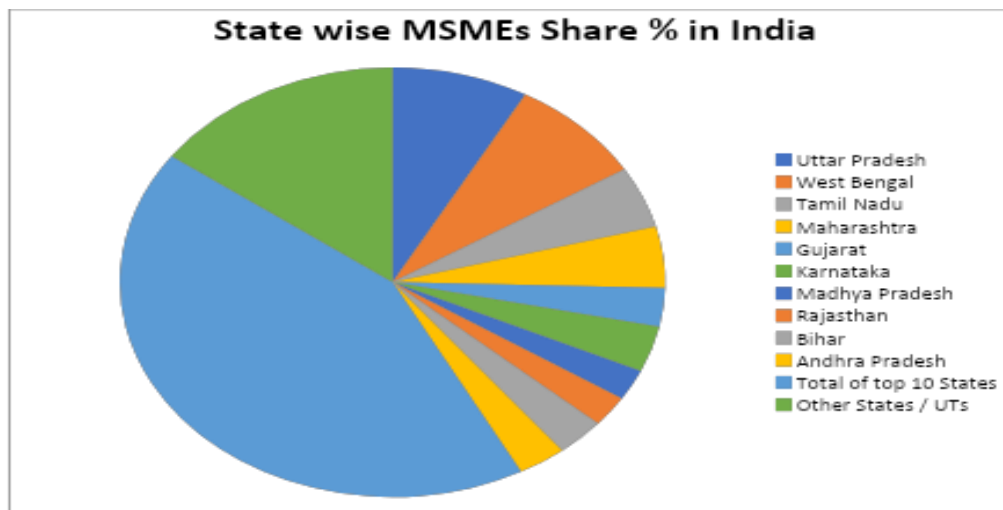
MSMEs are essential for the economic development of each state in India, supporting employment, innovation, and local industries. Continued focus on enhancing their growth through supportive policies and infrastructure development is crucial for sustainable development. In the year 2023 State of Uttar Pradesh had the largest number of estimated MSME with a share of 14.20% of MSME in the country. Top 10 States accounted for a share of 74.05% of the total estimated number of MSME in the country ([MSMEs Annual Report 2023-24](#)).

Table 3: State-wise MSMEs in India

State	Total MSMEs (2023-24)		Key Sectors	Potential SDGs Contribution
	in millions	Share %		
Uttar Pradesh	9.0	14	Textiles, handicrafts, agri-based industries	SDGs-1 & 8
West Bengal	8.9	14	Jute, textiles, leather, food processing	SDGs-8 & 12
Tamil Nadu	4.9	8	Automobiles, electronics, textiles	SDGs-9 & 13
Maharashtra	4.8	8	Pharmaceuticals, IT, chemicals, food processing	SDGs-8 & 9
Gujarat	3.3	5	Gems, textiles, chemicals, food processing	SDGs-9 & 12
Karnataka	3.8	6	IT services, textiles, manufacturing	SDGs-8 & 9
Madhya Pradesh	2.7	4	Textiles, agri-processing	SDGs-8 & 12
Rajasthan	2.7	4	Handicrafts, mining, tourism	SDGs-8 & 12
Bihar	3.4	5	Agri-based industries, food processing	SDGs-1 & 8
Andhra Pradesh	3.4	5	Agro-processing, textiles, electronics	SDGs-8 & 9
Total of top 10 States	46.9	74		
Other States / UTs	16.5	26		

Sources: Ministry of Micro, Small, and Medium Enterprises Government of India Annual reports 2023-24; NITI Aayog; Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry, (2023).

Figure 2



Sector-wise MSMEs in India:

MSMEs in India are diverse and contribute significantly across various sectors. They are crucial for job creation, innovation, and regional economic development. Supporting these enterprises through policy frameworks, financial assistance, and capacity-building initiatives is essential for sustaining their growth and enhancing their impact on the economy.

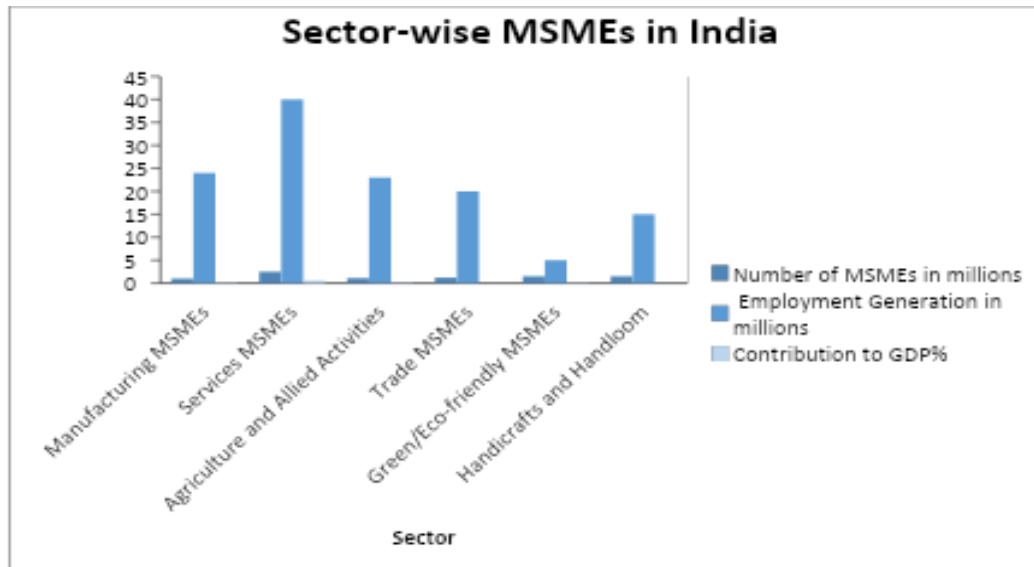
The service sector now constitutes the largest share of MSMEs, followed by manufacturing MSMEs. The rise of green MSMEs indicates increasing adoption of sustainable practices, contributing to SDG 13.

Table 4: Sector-wise MSMEs in India

Sector	Number of MSMEs in millions	Employment Generation in millions	Contribution to GDP	Key Industries	Potential SDGs Contribution
Manufacturing MSMEs	1.0	24	18%	Textiles, garments, automobiles, food processing	SDGs-9 & 12
Services MSMEs	2.5	40	58%	IT services, healthcare, trade, tourism, .	SDGs-8 & 10
Agriculture and Allied Activities	1.1	23	17%	Agro-processing, dairy, fisheries, organic farming, cessing, packaging, and distribution of food products	SDGs-1, 2, 8 & 10
Trade MSMEs	1.2	20	NA	Wholesale, retail trade, logistics and e-commerce	SDGs-8 & 12
Green/Eco-friendly MSMEs	1.5	5	15%	Renewable energy, recycling, eco-friendly manufacturing Waste Management	SDGs-12 & 13
Handicrafts and Handloom	1.5	15	NA	traditional crafts, textiles, and artisan products	SDGs-1, 2, 8 & 10

Sources: Ministry of Micro, Small, and Medium Enterprises Government of India Annual reports 2023-24; NITI Aayog; Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry, (2023).

Figure 3



Challenges of MSMEs in India:

MSMEs, in India, are facing numerous challenges which are hindering their development. To overcome these challenges, a multi-pronged approach is required such as support from government and financial institutions and industry collaboration to create an enabling environment for MSMEs.

- Access to Finance: 95% of MSMEs depend on informal sources of financing due to lack of adequate collateral and high working capital needs.
- Access to the Market: Low outreach and non-availability of new Market such as B2B, B2G but high market restriction only focus business to consumer, with a slow process of sales with no intermediary.
- Technology Access: Many MSMEs lag behind in adopting modern technologies due to limited human resources and weak financial position, leading to loss of efficiency and competitiveness due to high costs and lack of awareness.
- Quality and Export Issues: Low quality products impact export competitiveness with inadequate access to quality raw material and modern machine.

- **Lack of Buoyancy:** Lack of backup against to sustain major reforms such as demonetization & GST.
- **Lack of Economies of Scale:** MSMEs often operate on smaller production volumes, which lead to higher per-unit costs for materials, labor, and overhead. Smaller enterprises typically have less negotiating power with suppliers and distributors, resulting in higher prices for raw materials and lower prices for their own products.
- **Infrastructure Issues:** Poor infrastructure such as inadequate transportation, Lack of 24/7 power supply and logistics, use to increase costs and reduce efficiency for MSMEs.
- **Indian economy is dominated by dwarfs MSMEs:** Some MSMEs always maintain their status as small businesses to continue receiving tax concessions and other benefits from the government.
- **Shortage of Skilled Labor:** There is often a gap between the skills of the labor-force and the needs of MSMEs, making it difficult to find qualified employees.
- **Supply Chain Disruptions:** MSMEs are more vulnerable to disruptions in the supply chain, which affects their production and delivery capabilities.
- **Competition from Larger Firms:** Large corporations often dominate markets, making it difficult for MSMEs to compete on price and scale of production.
- **Access to the International Market:** Information barriers also prevent MSMEs from internationalizing their operations, such as limited awareness and knowledge regarding increasing competitiveness, inadequate information about in demand and services, limited marketing linkages and a lack of understanding of foreign markets, etc.
- **Regulatory Compliances:** MSMEs have to comply with a lot of different rules and regulations related to labor, environment, taxation and corporate governance, which is very costly and time consuming.

Limited financial resources often restrict the full implementation of CSR activities by MSMEs, although some of the MSMEs prioritize social welfare as part of their mission, aiming for long-term stability and ethical standards, which are crucial for building customer trust and fostering economic growth ([Ahmadov et al., 2023](#)).

Government Initiatives regarding MSMEs in India: Despite the above challenges it does not mean that the Indian government is not taking steps to solve the problems of MSMEs. These

initiatives are aimed to enhance the growth, sustainability, competitiveness of MSMEs, fostering an environment conducive to entrepreneurship and innovation, and preparing them to achieve SDGs.

- **MUDRA Scheme:** This initiative provides loans to small businesses through Micro Units Development and Refinance Agency (MUDRA) to support growth and expansion. In budget 2024-25 the limit further enhanced to Rs 2 million from current Rs 1 million under 'Tarun' category.
 - **Atmanirbhar Bharat Abhiyan:** This includes measures specifically for MSMEs, such as collateral-free loans and support for marketing and technology upgradation.
 - **Single Window Clearance System:** Simplifies the regulatory process for setting up and operating MSMEs by providing a one-stop solution for various approvals and clearances.
 - **National Small Industries Corporation:** Provides various support services, including marketing assistance, technology support, and financial aid to MSMEs.
 - **TReDS:** Trade Receivables Discounting System is an online platform in India designed to facilitate the financing of trade receivables of MSMEs. It allows MSMEs to sell their invoices (trade receivables) to financial institutions at a discount, enabling them to receive immediate cash flow.
 - **Government e-Marketplace (GeM):** A dedicated online platform for government procurement. It is transparent and provides direct access to buyers.
 - **Zero Effect and Zero Defects (ZED):** This helps MSMEs to improve their competitiveness. The program's goal is to encourage MSMEs to manufacture high-quality products with minimal environmental impact.
 - **One District One Product (ODOP):** In this initiative by the Government of India aimed at enhancing and enabling holistic socio-economic growth in the form of specific products from each district, local manufacturing and entrepreneurship, particularly in the MSME sector. Each state in India is responsible for identifying suitable products based on local resources and strengths, and the initiative is supported by various government schemes and programs designed to aid MSMEs.
- Suggestions for MSMEs to Sustainable Development Goals:** A human-centered approach is essential in exploring the circular economy that can ignite entrepreneurs' innovative spirit and fostering inclusive growth. Which empowers entrepreneurs to develop sustainable solutions that benefit both the environment and society, creating a more inclusive and equitable future.

- **Use of Local Resources:** The MSMEs ought to use raw materials from local suppliers to reduce transportation emissions and regional inequality, and recycled materials in production processes.
- **Involvement in Community development:** Development cannot be possible vacuum form that's why MSMEs should participate actively in local environmental initiatives and community development projects taken by government, and collaborate with NGOs and other organizations focused on sustainability.
- **Sunset Clause Scheme:** It refers to a policy or regulation that includes a pre-determined time limit for certain benefits or exemptions provided to MSMEs. This will encourage MSMEs to grow and adapt within the time and businesses to become more self-reliant.
- **A Grandfathering Clause:** This is a provision that allows existing businesses to retain certain benefits or rights under older regulations, even after new rules or changes are implemented. This helps to ensure stability for established MSMEs during transitions and encourage sustainable growth without the fear of losing previously granted benefits.
- **Corporate Social Responsibility:** By implementing tailored CSR solutions, MSMEs can contribute to social good while driving sustainable growth.
- **Humans are the ones who provide creativity, emotional intelligence, and ethical oversight.** The incorporation of Artificial Intelligence (AI) will boost the potential for innovation and growth for entrepreneurs and small businesses.
- **There are plaintiff possibilities to drive sustainable and inclusive growth for MSMEs in Tourism and sports sectors.** To ensure the prosperous of MSMEs and their crucial role in economic development, suitable strategic policies should be implemented.

Conclusion:

Balancing is a natural phenomenon. The SDGs are to balance between present and future needs. MSMEs are a labor-intensive sector which works for sustainable development at the micro level that contribute to inclusive and resilient economy to achieve SDGs at macro level by fostering enterprises, quality education and regional & gender equality, and reduce poverty. The collaborative efforts of the government, industry, civil society and international organizations are crucial in realizing this vision. Higher Education institutions should create a positive atmosphere

to foster innovation, and fill the gap between academic and industrial demand by designing adequate curriculum and infrastructure.

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