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MSMES AS ENGINES OF INCLUSIVE GROWTH: A GENDER PERSPECTIVE ON INDIA'S DEVELOPMENT PATH

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) have become the backbone of India's economy, playing a crucial role in national economic, political, and social development. This article explores the comprehensive impact of MSMEs on India's growth, analysing their contributions to GDP, employment creation, and export earnings. With the Micro, Small, and Medium Enterprise Development Act of 2006 providing a strong legal framework, MSMEs now contribute about 30% to India's GDP while employing 60% of the workforce. This analysis compares MSME performance with the agriculture and industrial sectors, highlighting MSME's distinctive role in India's economy. The MSME sector has also gained importance in promoting women entrepreneurship, with women-owned MSMEs making up 40% of the total. This article discusses the challenges and opportunities for women's participation in this vital sector. It concludes with recommendations for increasing women's participation as entrepreneurs in the MSME sector.

Key words: MSME, GDP, Export, Employment, Women Entrepreneurs.

Introduction

The Micro, Small and Medium Enterprises (MSME) Act, 2006 was passed by the Parliament, aiming to alleviate the challenges faced by micro, small, and medium enterprises (MSMEs). This Act establishes a legal framework for promoting, developing, and enhancing the overall competitiveness of these three categories of enterprises, covering both the manufacturing and service sectors.

The Act classifies enterprises with a turnover of up to Rs. 5 crores as Micro Enterprises, those with an annual turnover between Rs. 5 and Rs. 75 crores as Small Enterprises, and enterprises with an annual turnover between Rs. 75 and Rs. 250 crores as Medium Enterprises, moving away from the earlier classification based on investment levels. Typically, regarding workforce size, Micro Enterprises hire up to 10 employees, Small Enterprises employ between 10 and 50, and Medium Enterprises have between 50 and 250 employees. The Act covers both traditional and modern enterprises, including those in rural and urban areas, recognizing the importance of both regions in driving economic growth, creating employment, and ensuring fair income distribution. It aims to promote balanced development between urban and rural areas, thereby reducing migration from rural to urban regions. This, in turn, alleviates strain on limited urban infrastructure, such as water, power, transportation, and housing, and helps maintain social cohesion, ultimately leading to fewer law and order issues.

2. Overview of MSMEs' Scale and Reach in India

2.1 National MSME Landscape

Based on December 2024 data, the large-scale registration of Micro, Small, and Medium Enterprises and their geographical distribution highlight their diversity and contribution to national economic growth. Maharashtra leads with 8.3 million registered MSMEs, followed by Uttar Pradesh with 6.8 million and Tamil Nadu with 5.1 million enterprises. Figure 1 shows the total MSMEs registered state-wise.

2.2 Women Entrepreneurship in MSMEs

The MSME sector has become a significant platform for women entrepreneurship, with women-owned enterprises showing strong presence across states. The data from July 2020 to November 2024 reveals interesting patterns in women's entrepreneurial participation.

West Bengal leads in absolute numbers with 2.48 million women-owned MSMEs, accounting for 62% of the state's total MSMEs. This remarkable participation rate highlights the state's favourable environment for women entrepreneurs. Maharashtra comes next with 2.53 million women-owned enterprises, though they make up only 22% of the total MSMEs, reflecting the state's large overall MSME base.

Other notable states include Uttar Pradesh (1.96 million, 33%), Tamil Nadu (1.92 million, 32%), and Karnataka (1.65 million, 45%). Bihar has remarkable women's participation at 50%,

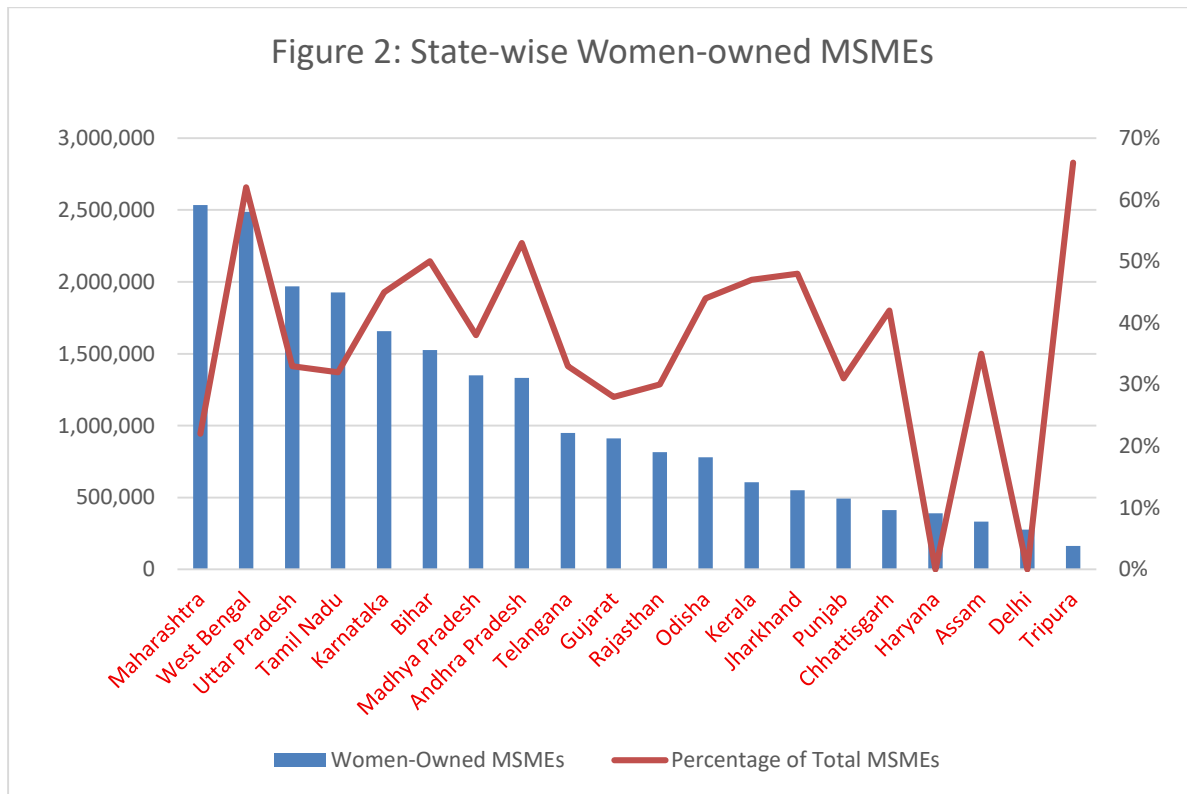
while Andhra Pradesh reaches 53% women's ownership. Tripura displays the highest percentage of women-owned MSMEs at 66%, demonstrating how smaller states can lead in gender inclusivity. Table 1 presents the women-owned MSMEs, and Figure 2 provides its graphical representation.

Table 1: State-wise Women-Owned MSMEs data¹

State/UT	Women-Owned MSMEs	Percentage of Total MSMEs
West Bengal	2,486,603	62%
Maharashtra	2,535,077	22%
Uttar Pradesh	1,968,385	33%
Tamil Nadu	1,926,040	32%
Karnataka	1,656,845	45%
Bihar	1,525,287	50%
Madhya Pradesh	1,349,621	38%
Andhra Pradesh	1,332,126	53%
Telangana	948,659	33%
Gujarat	912,052	28%
Rajasthan	815,207	30%
Odisha	779,711	44%
Kerala	606,823	47%
Jharkhand	550,417	48%
Punjab	491,259	31%
Haryana	390,068	-
Chhattisgarh	412,172	42%

¹ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2083806>

Assam	331,016	35%
Delhi	276,746	-
Tripura	162,406	66%



2.3 Gender Distribution in MSME Workforce

The overall workforce in MSMEs consists of 260 million people, with male workers making up 84.66 million (76%) and female workers 26.49 million (24%). State-wise female employment percentages from 2020 to 2023 show Andaman and Nicobar Islands leading at 32.20%, followed by Andhra Pradesh at 29.44%. These figures highlight regional differences in women's workforce participation and indicate opportunities for growth in states with lower percentages. Table 2 shows the number of male and female workers in MSMEs.

Table 2 : The number of Male and Female Workers

(in millions)

Total MSME Employment ²	Male Workers ³	Female Workers ⁴	Women-owned MSMEs ⁵
260	84.66 (76%)	26.49 (24%)	22.07 (40% of Total MSMEs)

State-wise female employment percentages from 2020 to 2023 show (Table 3)⁶ Andaman and Nicobar Islands lead at 32.20%, followed by Andhra Pradesh at 29.44%. These figures reflect regional variations in women's workforce participation and highlight opportunities for improvement in states with lower percentages.

Table 3: State-wise Female Employment Percentage (from 2020 to 2023)

State	Percentage
Andaman and Nicobar Islands	32.20%
Andhra Pradesh	29.44%
Arunachal Pradesh	27.41%
Assam	27.26%
Bihar	22.20%
Delhi	18.69%

2.4 Economic Contribution and Sectoral Comparison

The contribution of MSMEs to the nation's GDP growth, employment generation, and export promotion is unparalleled, especially when compared to the agricultural and industrial sectors. The MSME sector has demonstrated remarkable growth, consistently contributing around 30% of India's GDP. The agricultural sector accounts for approximately 17 to 18% of India's GDP, while the industrial sector's contribution is about 27.6%. Table 4 will show the share of these three sectors in India's GDP growth from 2019 to 2023, year by year.

²

https://www.sidbi.in/uploads/Understanding_Indian_MSME_sector_Progress_and_Challenges_13_05_25_Final.pdf

³ <https://www.niti.gov.in/sites/default/files/2023-03/Decoding-Government-Support-to-Women-Entrepreneurs-in-India.pdf>

⁴ Ibid 5

⁵ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2083806>

⁶ <https://sansad.in/getFile/loksabhaquestions/annex/1711/AU18.pdf>

Table 4: GDP contribution table between MSME, Agricultural and Industrial Sectors

Year	MSME GDP Contribution ⁷	Agricultural Sector Contribution ⁸	Industrial Sector's contribution
2019-20	30.5%	17.8%	
2020-21	27.2%	19.9%	
2021-22	29.2%	Not Available	
2022-2023	30%	18.2%	27.6%
2025	30.1%	18.2%	27-28% ⁹
Employment Generation	250 million	150 million	
Workforce Share	60%	42.3%	4.1% (2009-10) data
Export Contribution	44-46% (2023-24)	-	-

2.5 GDP Contribution Analysis

MSMEs have consistently remained a major contributor to India's GDP, making up about 30% in recent years. The sector's resilience is clear from its performance during tough times, including the pandemic years. In 2019-20, MSMEs contributed 30.5% to GDP, which dropped to 27.2% in 2020-21 due to pandemic effects, but rebounded to 29.2% in 2021-22 and stabilized at 30% by 2022-23, with projections of 30.1% for 2025. Compared to the Agricultural and Industrial sectors, MSMEs show stronger contribution patterns. An interesting paradox appears when examining MSME performance: while employing 60% of the workforce, they contribute 30% to GDP. This employment-to-GDP ratio indicates that MSMEs focus on inclusive growth and job creation rather than just maximizing economic output. This trait makes MSMEs especially valuable for India's development strategy, which stresses both economic growth and social inclusion.

2.6 Employment Generation Comparison

The employment generation capacity highlights MSMEs' significant social impact, indicating that MSMEs create jobs for 250 million people, which accounts for 60% of India's workforce.

⁷ <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1946375> (GDP 2019-20, 2020-21 and 2021-2022)
[https://www.sidbi.in/uploads/Understanding Indian MSME sector Progress and Challenges 13 05 25 Final .pdf](https://www.sidbi.in/uploads/Understanding_Indian_MSME_sector_Progress_and_Challenges_13_05_25_Final.pdf) (GDP for 2023)

⁸ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2097886> (Total GDP)
<https://testbook.com/articles/contribution-of-agriculture-in-gdp> (GDP 2019-20, 2020-21)

⁹ https://en.wikipedia.org/wiki/Economy_of_India

Agriculture employs approximately 150 million people, making up 42.3% of the workforce, while the Industrial Sector employed only 4.1% of the workforce (2009-10 data).

2.8 Export Contribution

The MSMEs' export contribution highlights the sector's competitiveness with other sectors and its integration into the global market. Table 5 presents the comparative export share among MSMEs, the Agriculture, and Industrial Sectors in 2022-23.

Table 5: Export Share of MSMEs, Agriculture and Industrial sectors

Sector	2022-23 Export Share	2023-24 Export Share
MSMEs ¹⁰	43.59%	45.73% (May 2024: 45.79%)
Agriculture ¹¹	~11.7%	~10%
Industrial ¹²	~70% (estimate)	~65%+ (estimate)

2.9 Balanced Regional Development

MSMEs play a crucial role in promoting balanced and inclusive development between urban and rural areas by creating jobs, distributing industries, and providing entrepreneurship opportunities among various social groups, such as SC, ST, OBC, and other communities. They also see substantial women involvement in entrepreneurship in both regions. This inclusive development across geographic areas helps reduce rural-to-urban migration, which can strain urban infrastructure, including water, power, transportation, and housing systems. This distributed development model helps maintain social cohesion and reduces law and order challenges associated with rapid urbanization. The sector's inclusive nature allows participation across social and economic strata, providing opportunities for social mobility and economic empowerment. MSMEs aid in reducing income disparities by offering individuals numerous job opportunities and industrializing rural regions.

Women's significant participation as entrepreneurs and in the workforce demonstrates the sector's role in gender empowerment and social transformation. Marginalized social groups are showing notable involvement in entrepreneurship in both rural and urban areas. Table 6 shows

¹⁰ <https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2035073>

¹¹ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2097886>

¹² <https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154474&ModuleId=3>

the social group distribution in 2022.

Table 6: MSME Entrepreneurship: Social Group Distribution in Urban and Rural India¹³

Social Group	Rural (%)	Urban (%)
SC	15.37	9.45
ST	6.70	1.43
OBC	51.59	47.80

3. Challenges Faced by Women in MSMEs

While women have achieved significant representation in MSME ownership and employment, several challenges still hinder their ability to exist and contribute to the nation, society, and family. The geographical disparities of women-owned MSMEs across states (ranging from 22% in Maharashtra to 66% in Tripura) highlight uneven access to entrepreneurial opportunities and variations in support systems, access to finance, training, and markets. Despite owning 40% of MSMEs, women account for only 24% of the total MSME workforce, indicating potential barriers to employment or preferences for different employment arrangements. Societal gender bias and cultural norms continue to restrict women's success and participation in MSMEs, with the national scenario reflecting these barriers across all aspects of life, including economic activities. Women aspiring to become entrepreneurs in MSMEs encounter challenges such as lack of awareness about existing government schemes and limited access to financial resources. Lower awareness, complicated registration processes, high registration fees, insufficient financial support, restricted access to social networks, and the struggle to balance work and family responsibilities all create significant obstacles.

3.1 Remedial Measures

This situation can be addressed through several steps: Introduce special financial schemes for women entrepreneurs without requiring collateral and implement simplified loan procedures. Offer comprehensive training programs to improve technical skills, business management, and digital literacy. Established women entrepreneurs can serve as mentors to newcomers. Enhance

¹³ msme.gov.in

digital connectivity in rural areas to allow women entrepreneurs to access online markets and services, enabling them to compete with urban businesses. Improve transportation and logistics infrastructure to facilitate market access. Set up a single-window system to streamline enterprise registration and compliance procedures, and provide dedicated market platforms for selling products. Support innovation and technology adoption, and develop state-specific programs to address local challenges and opportunities. MSMEs play a vital role in empowering women by promoting gender equality. They enable women to gain economic independence, develop skills, and assume leadership roles, challenging stereotypes and allowing them to make a positive impact on their families and communities. Women who participate in MSMEs have access to income-generating opportunities that improve their financial security, self-esteem, and sense of achievement. MSMEs also frequently provide flexible work schedules, which help women successfully manage their personal and professional obligations. This flexibility is especially important for women, whose participation in the workforce may be restricted by cultural norms and societal expectations. MSMEs give women the opportunity to learn new skills and information, enabling them to start their own businesses and become entrepreneurs. In addition to stimulating the economy, this also advances gender equality by questioning established gender norms and giving women the confidence to take on leadership roles in their communities. In general, it is impossible to overestimate the significance of MSMEs for women's empowerment since they provide women a chance to prosper, support the economy, and question social norms, all of which help to build a society that is more inclusive and equal¹⁴.

Women entrepreneurs can access subsidies on interest rates, obtain loans without collateral, and secure financing for the priority sector. By reducing the financial barriers that female entrepreneurs often encounter, these policies aim to empower them to expand their businesses and participate more actively in the market.

The involvement of women in MSMEs has a ripple effect on society. Besides increasing household income and achieving economic independence, women also gain higher social status and greater influence over family decisions. Positive outcomes include more spending on healthcare, education, and the overall well-being of their families. Despite these advances,

¹⁴ International Journal of Engineering Applied Sciences and Technology, 2023 Vol. 8, Issue 04, ISSN No. 2455-2143, Pages 149-156
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challenges remain that hinder women from fully participating in MSMEs. These challenges include social norms, gender biases, lack of supportive infrastructure, and limited access to financing. Discrimination and gender stereotypes from society are another major obstacle. Women often face prejudice and skepticism, which can harm their reputation and limit their opportunities for advancement. Additionally, it can be difficult for women to balance their personal and professional lives due to cultural norms and traditional gender roles. Promoting gender equality and challenging social conventions that restrict women's participation in the business sector are essential to overcoming these barriers. Lastly, women in MSMEs typically face limited market access and growth opportunities. They may struggle to secure contracts, enter new markets, or receive fair payment for their goods or services. This can hinder their ability to expand their businesses and compete effectively with male counterparts.

3.1.1. Basic Amenities to women

Access to safe drinking water, toilet facilities, and support for menstrual hygiene are vital for women in the workforce, including those in rural and urban MSMEs. However, studies show that these basic needs are often unmet, especially in informal sectors in rural areas. In rural regions, about one-third of households lack improved sanitation and still practice open defecation. In such contexts, it is unlikely that MSMEs provide adequate sanitation facilities or a supportive environment for women to manage toilets and menstruation at work. In urban settings, shared toilet facilities are offered to reduce dependence on municipal services, but these often lack reliable water supply, which hampers effective menstrual hygiene management. Women in both rural and urban areas face challenges like lack of privacy, insufficient water for washing, and inadequate disposal facilities for menstrual materials. These issues are more severe in rural and low-income urban areas. The absence of water makes toilets unusable. The availability of piped water and private latrines improves menstrual hygiene management, but such facilities are not universally accessible, especially in smaller or informal MSMEs. Anxiety and discomfort related to managing periods due to inadequate facilities negatively affect women's productivity in the economy. Many women in rural and urban MSMEs in India still lack reliable access to safe drinking water, proper toilets, and menstrual hygiene support. These gaps create serious health and dignity issues, especially for women in smaller or informal businesses.

4. Recommendations

To unlock the full potential of MSMEs—particularly for women entrepreneurs—the following targeted recommendations are made:

1. Implement collateral-free loans with preferential interest rates and streamline documentation requirements for women-owned MSMEs.
2. Launch large-scale, accessible capacity-building programs covering technical, business, and digital skills, combined with structured mentoring from established women entrepreneurs.
3. Invest in rural digital infrastructure and transportation networks to help women access broader markets, e-commerce, and business services.
4. Establish single-window systems at the state and district level for enterprise registration, compliance, access to government schemes, and dispute resolution.
5. Actively spread information about government schemes, funding options, and training opportunities through local bodies, self-help groups, and digital platforms.
6. Promote public awareness and gender-sensitization initiatives to counter stereotypes, encourage entrepreneurship as a viable career path for women, and foster a culture of inclusion.
7. Create tailored programs that meet the unique challenges and opportunities faced by women entrepreneurs in different regions, ensuring equitable support across India.

Conclusion

The MSME sector is a key pillar of India's economic growth, employment creation, and social change, with women entrepreneurs becoming increasingly important. Despite notable achievements—such as women owning 40% of MSMEs and making substantial contributions to employment and exports—ongoing barriers related to finance, social norms, and infrastructure need to be tackled. Active efforts by policymakers, financial institutions, and society are necessary to promote gender-inclusive growth, leverage the innovative potential of women entrepreneurs, and further develop MSMEs as engines of fair and sustainable progress. With targeted strategies, the sector can not only boost India's economy but also create a more inclusive and forward-looking society.