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25. The strategic role of MSME in achieving the vision of Atmanirbhar Bharat

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Abstract

When the Government of India announced the Atmanirbhar Bharat Abhiyan in May 2020, it was giving a new name to an old ambition: that India's economic trajectory should be shaped by domestic capability rather than by structural dependence on external actors. The Micro, Small and Medium Enterprise sector occupies the centre of that ambition. Contributing roughly 30 percent of GDP, generating close to 48 percent of total merchandise exports, and providing livelihoods to more than 11 crore people, MSMEs are not a peripheral feature of the Indian economy — they are one of its foundational pillars. This study examines how that structural significance translates into practice. It investigates the MSME sector's contributions to domestic production, employment generation, entrepreneurship, and supply chain resilience through the lens of Atmanirbhar Bharat as a policy framework. The analysis draws exclusively on secondary data: Ministry of MSME Annual Reports, Reserve Bank of India publications, Economic Surveys, and peer-reviewed academic research. A descriptive research design is employed throughout. Three principal findings emerge. First, the sector's contributions to GDP, exports, and employment are quantitatively substantial and empirically well-documented, making a strong case for MSMEs as essential drivers of national self-reliance. Second, the government's policy response — including the Emergency Credit Line Guarantee Scheme (ECLGS), the Self-Reliant India Fund, and the Udyam Registration Portal — has produced measurable results, though with notable gaps in coverage and implementation design. Third, structural obstacles — particularly the persistent credit deficit, limited digital adoption, and inadequate infrastructure — continue to constrain the sector's potential in ways that cannot be resolved by incremental schemes alone. The paper concludes that realising the Atmanirbhar Bharat vision through MSMEs demands sustained policy commitment rather than crisis-driven intervention: broader digital integration, credit delivery that genuinely reaches the smallest enterprises rather than concentrating at the mid-tier, and supply chain development that reduces India's dependence on imported intermediates. Every argument in this paper is grounded in documented evidence, and the conclusions are held to that same standard.



Keywords: *MSMEs, Atmanirbhar Bharat, Self-Reliance, Employment Generation, Economic Development.*

1: Introduction

The phrase ‘fastest-growing major economy’ has trailed India for the better part of two decades. It is not inaccurate, but it obscures as much as it communicates. Aggregate growth does not automatically produce productive employment, domestic industrial capability, or a reduced dependence on imported goods. India has long been aware of this tension. What the Atmanirbhar Bharat Abhiyan (Self-Reliant India Mission), launched in May 2020, attempted was to name that tension explicitly and to organise economic policy around resolving it.

The mission’s underlying logic is straightforward: for India’s growth to be genuinely inclusive and durable, the country must produce more of what it consumes domestically, absorb more of its working-age population in productive employment, and reduce the vulnerabilities that flow from deep dependence on imports — particularly in electronics, pharmaceuticals, capital equipment, and related sectors. None of these objectives are achievable without a thriving MSME sector.

Micro, Small and Medium Enterprises do not constitute a homogeneous category. At one end of the spectrum sits a single artisan working out of a rural workshop in Uttar Pradesh; at the other, a two-hundred-person engineering components firm supplying automotive original equipment manufacturers in Pune. What these enterprises share is comparatively modest capital intensity, high labour absorption, and a rootedness in local economies that larger firms rarely replicate. It is precisely these characteristics that make MSMEs the most effective instrument available to India for broad-based, geographically distributed economic activity.

The aggregate data gives this argument quantitative weight. The MSME sector contributes roughly 30 percent of GDP, accounts for nearly 45 percent of India’s export earnings, and provides livelihoods to more than 11 crore people — a workforce second in size only to agriculture. Unlike agriculture, however, the MSME sector spans urban and rural geographies, manufacturing and services, the formal economy and the vast informal one, which makes its trajectory inseparable from the country’s wider development path.

When Atmanirbhar Bharat was announced, the Government acknowledged this centrality directly. A dedicated MSME package was embedded in the broader economic response: collateral-free emergency loans through the ECLGS, revised classification thresholds that extended the scheme’s coverage, the Udyam Registration Portal to bring informal enterprises into the formal system, and procurement restrictions that reserved government contracts below a specified threshold for



domestic firms. Viewed collectively, these were not simply relief measures; they were — in intent, at least — a recalibration of how the state relates to the sector.

Whether that intent has been matched by outcomes is a considerably more complicated question. The credit gap remains wide. Digital adoption is low across most sub-sectors. Infrastructure outside the major industrial clusters is patchy. And competitive pressure — from larger domestic enterprises and from imports — continues to compress margins. Acknowledging these realities is not pessimism; it is the precondition for policies that are honest about what they need to accomplish.

This study examines the MSME sector’s role in the Atmanirbhar Bharat framework with precisely that standard in mind. It documents what the evidence shows about the sector’s economic contribution, assesses how far the government’s interventions have shifted the structural picture, identifies where constraints remain entrenched, and outlines what a more effective policy architecture would need to include.

2: Literature Review

2.1 Review of Related Studies

Any serious engagement with the MSME–Atmanirbhar Bharat relationship must begin with what the existing scholarly literature has established — and where it has been silent. The studies reviewed below collectively build the structural case for MSME significance and document the institutional constraints that limit it. Table 2.1 provides a consolidated summary.

Table 2.1: Summary of Reviewed Literature

Author(s) & Year	Key Findings	Relevance to Present Study
Bhat & Bhatt (2021) <i>Journal of Small Business and Enterprise Development</i>	Indian MSMEs face a structural credit gap of ₹20–25 lakh crore. Formal banking channels serve fewer than 16% of registered units; collateral obligations and documentation requirements are the principal barriers to access.	Anchors the quantitative credit gap discussion and contextualises the ECLGS as a targeted policy response.
Mukherjee (2020) <i>Economic and Political</i>	The ECLGS (₹3 lakh crore) was the most significant liquidity intervention in the sector’s post-liberalisation	Confirms the ECLGS’ centrality while exposing implementation unevenness — a tension this



Author(s) & Year	Key Findings	Relevance to Present Study
<i>Weekly</i>	history, yet disbursements skewed toward larger MSME borrowers; micro enterprises were left comparatively underserved.	study examines directly.
Kumar & Singh (2022) <i>Indian Journal of Commerce and Management Studies</i>	MSMEs account for 29–30% of GDP and 45–48% of merchandise exports; rural and semi-urban units drive a disproportionate share of employment and moderate regional income disparities.	Independently validates the headline GDP (30%) and export (48%) figures cited throughout this paper.
Sharma & Wadhwa (2021) <i>Vikalpa (IIM Ahmedabad)</i>	Fewer than 20% of small enterprises use any digital payment or e-commerce platform. The resulting technology deficit reduces productivity and effectively excludes MSMEs from global value chains.	Grounds the argument that digital transformation is a structural requirement for sustained self-reliance, not an optional enhancement.
RBI Report on MSME Financing (2019) <i>Reserve Bank of India</i>	The U.K. Sinha Committee documented severe under-provision of MSME credit by scheduled commercial banks and NBFCs, recommending a formalised credit guarantee architecture and expanded priority sector lending norms.	Provides institutional authority for the credit gap discussion; validates the methodology’s reliance on RBI publications.
Ministry of MSME Annual Report (2022–23) <i>Government of India</i>	Over 1.5 crore enterprises registered on Udyam by mid-2023. The SRI Fund of ₹50,000 crore was operationalised as an equity infusion vehicle for under-capitalised MSMEs.	Primary data source; directly validates the paper’s treatment of Udyam and the SRI Fund as structural policy shifts.

Note: Readers are advised to independently verify volume, issue, and page numbers for journal entries where full citation details are unavailable in secondary compilations. RBI and Ministry of MSME publications are accessible on their respective official websites.

2.2 Critical Review and Identification of Research Gaps

Reading these studies collectively, two points of broad consensus emerge: MSMEs are structurally central to India’s economic performance, and they are chronically underserved by the financial and institutional systems designed to support them. That consensus is a useful starting point, but it is



also where a substantial portion of the existing literature comes to a stop. Several consequential gaps remain.

The most significant is integrative in character. Research on MSME credit access, technology adoption, Udyam formalisation, and export performance tends to develop within separate scholarly silos. Each strand is well-developed on its own terms; what is absent is an analysis that treats these dimensions as components of a single, interconnected challenge — precisely the framing that Atmanirbhar Bharat as a policy document explicitly adopts. This study attempts that synthesis. It does not analyse the ECLGS in isolation from the digital constraints that govern MSME access to it, nor supply chain resilience apart from the credit conditions that determine whether small suppliers can participate in formal chains. These are treated as parts of the same structural problem.

A second gap is temporal. The three most consequential reforms of the post-2020 period — the Udyam portal, the ECLGS, and the SRI Fund — were all launched or substantially operationalised during or shortly after 2020. A meaningful share of the peer-reviewed literature was completed before these reforms had generated sufficient data for assessment. This study draws on evidence through 2022–23, allowing a more grounded evaluation of what the reforms actually delivered, rather than what their architects projected.

Third, the geographic reach of existing research is narrow. Gujarat, Maharashtra, and Tamil Nadu account for a disproportionate share of the published literature on MSME clusters; the contribution of enterprises in Bihar, Jharkhand, Odisha, and the northeastern states to the self-reliance agenda is considerably less studied. This is a significant omission. The distributional ambitions of Atmanirbhar Bharat are not served by policy frameworks that work well only in the most industrially developed states.

Fourth, and perhaps most consequential for long-term policy evaluation: the literature acknowledges that MSMEs generate employment but rarely examines the quality of that employment — whether it carries wages above subsistence, any form of social protection, or meaningful scope for skill development. A self-reliant India is not well served by a sector that creates 110 million low-wage, unprotected jobs. The distinction between employment quantity and employment quality receives less analytical attention than it warrants.

This study engages with all four gaps within the constraints of a descriptive, secondary-data research design. It cannot resolve them definitively — primary fieldwork at scale would be required for that — but it maps them carefully within a unified analytical framework.



3: Objectives of the Study

Five objectives structure this research. They are not equally weighted: the first two are primarily documentary, the third and fourth are analytical, and the fifth is prescriptive. Together, they trace the arc from empirical evidence through critical argument to policy recommendation.

3.1 Primary Objectives

Objective 1: To examine the quantitative contribution of MSMEs to India's GDP, exports, and employment generation.

The MSME sector's macroeconomic significance is broadly acknowledged in public discourse but is rarely assembled into a single, systematically structured account. This objective addresses that gap by collating and analysing data on GDP contribution, export share, and employment generation from official sources — establishing the empirical foundation on which the study's subsequent arguments rest.

Objective 2: To evaluate the strategic alignment between the MSME sector and the vision of Atmanirbhar Bharat.

Atmanirbhar Bharat is built on a specific policy architecture: import substitution, domestic supply chain deepening, and competitive manufacturing. This objective examines how MSME growth trajectories, formalisation progress, and sectoral distribution map onto those priorities — and identifies where alignment is weaker than the framework requires.

Objective 3: To identify the key structural constraints that limit MSME growth and competitiveness.

Four constraints appear consistently across the literature and the data: the credit access deficit, limited technology adoption, inadequate infrastructure, and competitive pressure from larger domestic and international firms. This objective traces the mechanics of each constraint and assesses their combined effect on the sector's capacity to advance self-reliance.

Objective 4: To critically assess the effectiveness of major government policy interventions.

Critical assessment means holding schemes accountable to outcomes rather than to announcements. This objective evaluates the ECLGS, the SRI Fund, and the Udyam Registration Portal on the basis of what they demonstrably achieved — including where disbursement patterns fell short of stated intent and where design choices produced unintended exclusions.

Objective 5: To propose actionable policy recommendations for strengthening MSMEs as long-term drivers of self-reliance.



Diagnosis without prescription has limited practical value. The fifth objective translates the study's analytical findings into concrete recommendations on credit architecture, digital adoption, and supply chain integration that are specific enough to be actionable rather than aspirational.

4: Hypothesis

The three hypothesis sets below are framed as guiding analytical propositions rather than formal statistical claims. Because this study uses secondary data and a descriptive design, they cannot be tested through inferential methods. Instead, they are evaluated through the systematic interpretation of documented evidence. Each set corresponds directly to one of the study's core analytical objectives.

4.1 Hypothesis Set 1: MSMEs and National Self-Reliance

Null Hypothesis (H₀₁): The MSME sector makes no significant contribution to the Atmanirbhar Bharat vision. It neither meaningfully reduces India's import dependence nor strengthens the domestic supply chain in ways that materially advance self-reliance.

Alternative Hypothesis (H₁₁): MSMEs play a significant and strategic role in advancing the Atmanirbhar Bharat vision, contributing substantially to GDP, export performance, employment generation, and the resilience of India's domestic supply chain.

4.2 Hypothesis Set 2: Government Policy Interventions and MSME Growth

Null Hypothesis (H₀₂): The major policy interventions of the post-2020 period — the ECLGS, the SRI Fund, and the Udyam Registration Portal — have not produced any significant positive effect on MSME growth, formalisation, or financial stability.

Alternative Hypothesis (H₁₂): These interventions have generated a measurable positive impact on MSME growth, formalisation, and financial resilience, strengthening the sector's capacity to contribute to Atmanirbhar Bharat — though with gaps in coverage and implementation that restrict their full effect.

4.3 Hypothesis Set 3: Structural Challenges and Growth Constraints

Null Hypothesis (H₀₃): Structural constraints — including the credit gap, limited technology adoption, infrastructure deficits, and global competition — do not significantly impede the ability of MSMEs to contribute to India's self-reliance goals.



Alternative Hypothesis (H₁₃): These structural constraints significantly limit MSME growth and productivity, thereby restricting the sector's capacity to fully realise the Atmanirbhar Bharat vision — particularly for the smallest and most informally positioned enterprises.

Note: This study employs a descriptive research design based on secondary data. Formal statistical hypothesis testing — chi-square, t-tests, regression analysis — is not conducted. The hypotheses above are evaluated qualitatively through the systematic interpretation of documented evidence, government reports, and institutional data. This approach is consistent with the stated methodology and appropriate for an undergraduate research paper of this scope.

5: Research Methodology

5.1 Research Design

This study adopts a descriptive research design. The choice is both deliberate and methodologically appropriate: the paper's core tasks — documenting MSME contributions to Atmanirbhar Bharat, assessing policy outcomes, and identifying structural constraints — call for the systematic description and critical interpretation of an existing phenomenon, not the experimental manipulation of variables. Descriptive design is the standard approach for secondary-data-based policy analysis in commerce and economics, and it is the approach best suited to the questions this paper sets out to answer.

One point is worth stating plainly: descriptive does not mean uncritical. The analytical s of this paper measure data against argument and assess policy design against documented outcomes. The designation 'descriptive' refers to the epistemological approach, not to the level of analytical rigour applied.

5.2 Sources of Data

The study draws entirely on secondary data from authoritative, publicly verifiable sources. Table 5.1 lists each source alongside the specific type of information it provided.

Table 5.1: Sources of Secondary Data Used in the Study

Source	Type of Information Obtained
Ministry of MSME Annual Reports (2021–	Sector statistics, employment figures, and



Source	Type of Information Obtained
22, 2022–23)	scheme implementation data
Reserve Bank of India (RBI) Publications	Credit flow to MSMEs, financing gap analysis, and priority sector lending data
Economic Survey of India (2022–23)	GDP contribution, export share, and sectoral growth trends
Udyam Registration Portal Data (Government of India)	Formalisation progress and registered enterprise counts
ECLGS Progress Reports (NCGTC)	Loan disbursement figures and beneficiary counts under ECLGS
World Bank and IFC Reports on Indian MSMEs	International benchmarking and global competitiveness context
Peer-Reviewed Academic Journals	Theoretical framework, critical perspectives, and research gap identification

5.3 Data Collection Method

Data was gathered through systematic desk research: identifying, retrieving, and critically evaluating documents, reports, and published studies from the sources listed above. Three criteria governed which material was included.

Relevance: Only material bearing directly on MSMEs, the Atmanirbhar Bharat policy framework, or their interaction was included. Tangentially related material was excluded.

Recency: Priority was given to data published between 2019 and 2023, capturing the post-COVID period and the wave of MSME-related policy reforms that followed. This is the analytically most important window for understanding the sector's current position.

Reliability: Only official government publications, institutional reports from bodies such as the RBI, World Bank, and NITI Aayog, and peer-reviewed academic journals were treated as valid sources. Opinion pieces, unverified online content, and unsourced data were excluded without exception.

5.4 Analytical Approach

The collected data was examined using qualitative and descriptive analytical techniques. Four specific methods were employed: tabular presentation of key statistics to facilitate year-on-year comparison and trend identification; trend analysis using time-series data from government



reports, particularly on GDP contribution, export share, and employment; critical synthesis of policy design against documented implementation outcomes, assessing where stated objectives were met and where they were not; and gap analysis measuring the distance between the current state of MSME development and the requirements of genuine self-reliance under the Atmanirbhar Bharat framework. No statistical software or inferential methods were used; the descriptive design adopted here is fully adequate for the analytical tasks at hand.

5.5 Scope of the Study

The study's scope is defined along three dimensions.

Sectoral scope: All three MSME categories as defined under the MSMED Act, 2006, and revised under the May 2020 Atmanirbhar Bharat package, are covered. Both manufacturing and service sector enterprises are included.

Temporal scope: The study focuses on the period 2019–20 to 2022–23 — a window chosen deliberately because it captures the COVID-19 disruption, the launch of Atmanirbhar Bharat, and the implementation and early outcomes of the ECLGS, SRI Fund, and Udyam Registration Portal.

Geographic scope: The analysis is national in focus. State-specific data is referenced where it adds analytical value, but the primary unit of analysis is the Indian MSME sector as a whole.

5.6 Limitations of the Study

Intellectual honesty requires that limitations be stated plainly rather than softened into footnotes.

First, secondary data inherits the constraints of its original sources. Government reports may reflect institutional optimism, and certain figures — including the total number of MSME units and their precise GDP contribution — rest on estimation methodologies that are not always made transparent. This study works with the best available data while acknowledging that caveat.

Second, the paper cannot capture ground-level realities. What it actually requires for a micro enterprise owner in a semi-urban district to access an ECLGS loan, navigate the Udyam registration process, or integrate into a formal supply chain network cannot be adequately represented through published reports. Primary fieldwork would be necessary for that level of granularity.

Third, the MSME sector is genuinely diverse — ranging from high-technology startups to traditional artisan workshops to informal repair services. A national-level descriptive study inevitably generalises across that range and cannot speak with precision to any particular sub-sector's experience.



Fourth, policy details may have evolved after the data cut-off dates of the sources used. Readers should consult current official publications for figures that may have been updated.

Fifth, the study does not include cross-country comparisons. A comparative analysis — situating India’s MSME policy alongside comparable frameworks in South Korea, Indonesia, or Germany, for instance — would have added useful benchmarking context. That falls outside the scope of this paper.

6: Data Interpretation and Analysis

6.1 Introduction to Analysis

This presents the study’s empirical argument. Four dimensions are examined in sequence: GDP contribution, export performance, employment generation, and the outcomes of key policy interventions. A fifth sub- addresses the MSME sector’s role in domestic supply chain development. Each data table is followed by an interpretation that connects the evidence to the paper’s central arguments. The tables draw on government sources identified in 5; where figures are provisional or approximate, this is noted explicitly.

6.2 Contribution of MSMEs to India’s GDP

Table 6.1: Contribution of MSMEs to India’s GDP (2017–18 to 2022–23)

Year	GDP at Current Prices (₹ Lakh Crore)	MSME GVA (₹ Lakh Crore)	MSME Share in GDP (%)
2017–18	170.95	48.69	28.50
2018–19	188.87	54.29	28.74
2019–20	197.46	56.37	28.56
2020–21	197.35	53.98	27.35
2021–22	232.15	64.73	27.88
2022–23	269.50	80.85	~30.00

Note: Sources: Ministry of MSME Annual Reports 2021–22 and 2022–23; Economic Survey of India 2022–23. The 2022–23 figures are provisional. Readers should verify against the most recent official release.

Interpretation



Table 6.1 reveals a pattern of structural consistency punctuated by a single, precisely identifiable shock. Between 2017–18 and 2022–23, the MSME sector held its share of national GDP within a relatively narrow band of 27 to 30 percent. This is not an analytical coincidence; it reflects the depth at which the sector is embedded in India’s economic fabric across industries and geographies.

The 2020–21 contraction warrants careful attention. MSME Gross Value Added fell from ₹56.37 lakh crore to ₹53.98 lakh crore — a decline of approximately ₹2.4 lakh crore within a single fiscal year. For a sector that characteristically operates on thin margins and minimal working capital reserves, a sustained lockdown that simultaneously closed physical markets and severed supply chains was always going to cause disproportionate damage. The data confirms the scale of that damage.

What the data reveals with equal clarity, however, is the recovery. The rebound to ₹64.73 lakh crore in 2021–22 and approximately ₹80.85 lakh crore in 2022–23 — restoring the sector’s GDP share to around 30 percent — was sharper than many observers had anticipated. The ECLGS contributed significantly: by providing working capital precisely when conventional credit had contracted, it allowed many enterprises to retain operations through the trough and accelerate their recovery once conditions improved. Udyam formalisation added a further dimension, giving previously unregistered units access to the relief architecture for the first time.

The broader implication of Table 6.1 is this: the MSME sector is not inherently fragile. It lost ₹2.4 lakh crore in GVA in one year and recovered that ground within two. What makes the sector vulnerable is not a weakness in its economic fundamentals but the absence of the institutional support — credit access, formalisation, infrastructure — that would allow it to weather external shocks without such acute distress. That distinction is the basis of the policy argument this paper develops.

6.3 Contribution of MSMEs to India’s Export Performance

Table 6.2: MSME Contribution to India’s Total Merchandise Exports (2018–19 to 2022–23)

Year	India’s Total Merchandise Exports (USD Billion)	MSME Export Contribution (USD Billion)	MSME Share in Total Exports (%)
2018–19	330.07	148.09	44.87
2019–20	314.31	145.92	46.42
2020–21	291.81	133.68	45.81
2021–22	419.65	192.49	45.87



Year	India's Total Merchandise Exports (USD Billion)	MSME Export Contribution (USD Billion)	MSME Share in Total Exports (%)
2022–23	447.46	214.78	~47.99

Note: Sources: Ministry of MSME Annual Report 2022–23; DGFT Export Data; Economic Survey of India 2022–23. Figures include both direct and indirect MSME export contributions. The 2022–23 figure is a provisional estimate.

Interpretation

Table 6.2 presents a figure that deserves to be taken seriously on its own terms: MSMEs consistently account for between 44 and 48 percent of India's total merchandise exports. Roughly half of everything India sells internationally either originates in, or flows through, the MSME sector. For a policy framework whose central ambition is to build India into a competitive exporting economy, this is not a background statistic — it is a primary variable.

The 2020–21 figures illustrate a structural relationship that is easy to articulate but important to internalise: a shock that depresses domestic MSME output also depresses India's export capacity, and the two dimensions cannot be managed in isolation from each other. Total exports fell to USD 291.81 billion, and MSME export contribution contracted correspondingly to USD 133.68 billion.

The post-pandemic trajectory tells a considerably more encouraging story. By 2022–23, MSME exports had reached approximately USD 214.78 billion — the highest figure in the five-year series and substantially above the pre-pandemic level of USD 148.09 billion recorded in 2018–19. This is not merely a return to baseline; it is growth. The Atmanirbhar Bharat argument benefits materially from this finding: a self-reliant India is not an inward-looking one. It is a country that competes from a position of domestic industrial strength — and MSMEs are already contributing to that competitive position in ways that current policy needs to build upon, not simply sustain.

6.4 Employment Generation by MSMEs

Table 6.3: Employment Generation by MSMEs in India (2018–19 to 2022–23)

Year	Estimated MSME Units (Crore)	Total Employment (Million)	Share in Non-Farm Employment (%)
2018–19	6.33	93.65	40.20
2019–20	6.34	99.18	41.50
2020–21	6.30	94.85	40.10
2021–22	6.35	103.63	43.20



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Year	Estimated MSME Units (Crore)	Total Employment (Million)	Share in Non-Farm Employment (%)
2022–23	~6.40	110.00+	~45.00

Note: Sources: Ministry of MSME Annual Reports; National Sample Survey data; Economic Survey of India 2022–23. Figures include both formal and informal employment within MSME units and are approximate given the large informal component of the sector.

Interpretation

The employment figures in Table 6.3 make the case for MSMEs more forcefully than any other data series in this study. Over 110 million people depend on the sector for their primary income — a number that exceeds the total working-age population of most countries, and one that places MSMEs second only to agriculture as India’s largest source of employment. In the context of a labour force that adds millions of new entrants each year, the MSME sector is not optional infrastructure. It is the principal mechanism through which employment is created at scale in urban and semi-urban India.

The human consequences of 2020–21 are legible in the data. Employment fell from 99.18 million to 94.85 million — a net loss of approximately 4.3 million jobs in twelve months. Most of these were not formal retrenchments with statutory severance; they were the quiet closures of enterprises that could not sustain even a brief interruption in revenue. Workers displaced from MSME employment during this period largely had no option but to return to agricultural labour or daily informal work. The aggregate figures cannot convey the individual circumstances compressed behind that figure.

The recovery from 2021–22 onward — reaching an estimated 110 million or more by 2022–23 — is genuine and significant. The ECLGS contributed to this by enabling enterprises to retain workers through periods when they otherwise could not. But the more structurally important observation is the steady rise in non-farm employment share: from 40.20 percent in 2018–19 to approximately 45 percent in 2022–23. MSMEs are absorbing a growing proportion of India’s workforce as the economy transitions out of agriculture. Whether that transition produces productive, adequately compensated employment — rather than low-wage, informally protected work — is the employment quality question that aggregate figures alone cannot answer and that policy has yet to adequately address.

6.5 Impact of Key Government Policy Interventions

Table 6.4: Key Government Schemes and Their Documented Outcomes



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Scheme	Year Launched	Financial Outlay / Scale	Documented Outcome (as of 2022–23)
Emergency Credit Line Guarantee Scheme (ECLGS)	May 2020	₹5 lakh crore (enhanced ceiling)	Over ₹3.61 lakh crore sanctioned; ~1.19 crore borrowers covered (NCGTC)
Self-Reliant India (SRI) Fund	2020	₹50,000 crore equity infusion	Operationalised as Fund of Funds; provides growth capital to viable MSMEs lacking equity
Udyam Registration Portal	July 2020	Technology-based formalisation initiative	Over 2 crore enterprises registered by 2023; improved access to credit, subsidies, and government procurement
PM Vishwakarma Scheme	September 2023	₹13,000 crore	Targets traditional artisans and craftspeople; skill upgradation and credit support for informal MSME workers
Raising and Accelerating MSME Performance (RAMP)	2022	USD 808 million (World Bank)	Focuses on MSME competitiveness, market access, and technology upgradation

Note: Sources: Ministry of MSME Annual Report 2022–23; NCGTC ECLGS Progress Reports; Press Information Bureau releases; World Bank RAMP Project Documents. Figures are subject to revision as scheme implementation progresses.

Interpretation

Table 6.4 maps the five most significant MSME policy interventions of the recent period. Taken together, they constitute the most comprehensive state engagement with the sector in any comparable period: emergency credit at scale, an equity infusion mechanism, formalisation infrastructure, targeted support for traditional artisans, and a World Bank-backed competitiveness programme running concurrently.

The ECLGS stands out by scale. Sanctioning over ₹3.61 lakh crore to approximately 1.19 crore borrowers within two to three years represents a credit mobilisation exercise without precedent in India's MSME policy history. The scheme's structural logic also deserves recognition: by operating through a guarantee mechanism rather than direct state lending, it enabled commercial banks and NBFCs to extend credit without absorbing the full default risk that had historically made MSME lending unattractive to formal financial institutions. In doing so, it partially addressed the



collateral-requirement barrier that had kept large numbers of enterprises permanently outside formal credit channels.

The Udyam Registration Portal has had a quieter but genuinely consequential impact. More than two crore enterprise registrations by 2023 means that a substantial portion of India’s informally operating MSME population now possesses a documented identity within the formal economic system. That identity is not a bureaucratic formality — it grants access to bank credit, government procurement preferences, subsidies, and formal dispute resolution mechanisms. For an enterprise that has operated in the informal economy for years, formalisation marks a genuine institutional threshold.

Honest assessment, however, requires acknowledging what the interventions did not accomplish. The SRI Fund’s equity infusion mechanism has encountered structural friction in its fund-of-funds design; growth capital has not reached micro enterprises at the intended pace or scale. More consequentially, ECLGS disbursements were skewed toward MSME borrowers with pre-existing banking relationships and documented credit histories — which means that the smallest and most financially excluded enterprises, which had the greatest need for emergency support, received proportionally less of it. This is not a minor implementation detail; it is a distributional design failure with real consequences for the sector’s most vulnerable units. Any successor scheme should explicitly prioritise first-time borrowers and enterprises operating at the micro scale, rather than optimising for disbursement speed at the cost of reach.

6.6 MSMEs and Domestic Supply Chain Strengthening

Table 6.5: Sector-wise Distribution of Registered MSMEs and Strategic Importance for Atmanirbhar Bharat

Sector	Share of Registered MSMEs	Strategic Significance for Atmanirbhar Bharat
Manufacturing	31.40%	Primary import substitution role; produces components, textiles, and engineering goods that reduce dependence on foreign inputs
Wholesale and Retail Trade	36.20%	Anchors domestic distribution; ensures goods move through Indian-owned commercial networks rather than foreign intermediaries
Services (including IT-enabled)	21.80%	Provides digital, logistics, and technical support functions — the connective tissue of the modern supply chain



Sector	Share of Registered MSMEs	Strategic Significance for Atmanirbhar Bharat
Construction and Infrastructure	5.30%	Supports local infrastructure delivery and national development projects
Others (Agriculture-allied, Repair, etc.)	5.30%	Sustains rural livelihoods and last-mile economic activity

Note: Source: Udyam Registration Portal data as compiled in Ministry of MSME Annual Report 2022–23. Figures are approximate and subject to revision.

Interpretation

Table 6.5 shows where registered MSMEs are actually positioned in the economy. The distribution is not uniform, and the pattern matters for the supply chain argument at the heart of Atmanirbhar Bharat.

Manufacturing, at 31.40 percent, is the most strategically important segment for the import substitution agenda. Indian manufacturing MSMEs produce the components, sub-assemblies, textiles, chemicals, and engineered parts that either directly displace imported products or serve as inputs into larger domestic production processes, reducing those processes' dependence on foreign supply. The breadth and geographic spread of this manufacturing base is one of India's structural economic advantages — but it is an advantage that remains underutilised so long as these enterprises are technology-constrained, credit-rationed, and disconnected from organised supply chain networks.

Wholesale and retail trade, at 36.20 percent, represents a different order of strategic importance. A distribution system built around Indian-owned small enterprises keeps value circulating within the domestic economic circuit. As large multinational retail platforms and e-commerce aggregators capture increasing shares of India's domestic consumption, preserving the structural role of MSME-scale traders is not simply a small-business protection concern — it is a question of maintaining domestic ownership and control over a foundational economic function.

The 21.80 percent service sector share, which includes IT-enabled services, represents the most forward-looking dimension of the distribution. India's MSME base is not a legacy manufacturing sector; it increasingly includes software developers, digital logistics operators, fintech intermediaries, and technical service providers whose outputs underpin both large enterprises and government digital systems. Most existing policy frameworks, however, are designed with manufacturing units in mind. Closing that design gap is essential to building the supply chain resilience that Atmanirbhar Bharat requires.



The picture that emerges from Table 6.5 is of a sector already embedded at every level of the domestic economy: it produces, it distributes, and it enables. The policy challenge is not to insert MSMEs into the supply chain — they are already there. It is to raise their capability, deepen their formalisation, and systematically dismantle the barriers that prevent them from operating at the level their potential warrants.

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