



**Empowering Micro and Small Enterprises in India: A Study of  
Government Initiatives and Their Role in Entrepreneurial Growth**

**Dr. Pratap J. Phalphale<sup>1</sup> & Mr. Saurabh U. Shinde<sup>2</sup>**

<sup>1</sup>Sangamner Nagarpalika Arts, D. J. Malpani Commerce & B. N. Sarda Science College  
(Autonomous), Sangamner, Ahmednagar, Maharashtra, India.

<sup>2</sup>Savitribai Phule Pune University, Pune 411 007, Maharashtra, India.

**Corresponding author: Dr. Pratap J. Phalphale**

**DOI -10.5281/zenodo.14856584**

**Abstract:**

*Micro and Small Businesses (MSEs) are essential to the economic growth of India. Their contributions to rural development, economic diversification, and job creation are substantial. Nonetheless, MSEs encounter a number of difficulties, such as restricted financial resources, insufficient infrastructure, and market accessibility. As a result, the Indian government has started a number of programs to empower MSEs and encourage the expansion of entrepreneurship. The usefulness of significant government programs, their influence on MSE expansion, and their part in forming India's entrepreneurial environment are all examined in this review article. The analysis also identifies the difficulties these businesses encounter when trying to use government programs and makes recommendations for future development.*

**Keywords:** *MSEs, Economic Growth, Job Creation, Government Initiatives, Entrepreneurship, India.*

**Introduction:**

In India, MSEs are considered the backbone of the economy. The sector provides a substantial share of employment, especially in rural and semi-urban areas, and plays an important role in promoting inclusive growth. According to the Ministry of Micro, Small and Medium Enterprises (MSME), there are over 63 million MSEs operating in India, contributing around 30% to the country's GDP and generating over 110 million jobs. However, MSEs face multiple barriers to growth, such as inadequate access to finance, lack of skilled labor, inadequate infrastructure, and regulatory challenges. Recognizing these challenges, the Indian government has launched a series of initiatives to promote the growth of MSEs and facilitate entrepreneurial activity. Micro and Small Enterprises (MSEs) in India are classified based on their annual

turnover to streamline support and policies. Micro Enterprises are those with an annual turnover up to ₹5 crore, typically small-scale operations focused on local or regional markets. Small Enterprises have a turnover between 5 crore and 75 crore, offering more capacity for growth and expansion. This classification helps the government implement targeted schemes, ensuring that both micro and small businesses receive the necessary resources and support for development and sustainability. Micro and Small Enterprises (MSEs) are vital to India's economy, contributing to employment, output, and exports. Despite government support, they face challenges that hinder growth and sustainability (Ahamed & Raju, 2023).

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in

Maharashtra's economic growth by contributing to employment, innovation, and industrial development (Kale, 2015). Despite strong government support through initiatives like MIDC, MSFC, and MSInS, MSMEs face challenges such as financial constraints, inadequate infrastructure, and regulatory complexities. Kalyan and Kumar (2019) highlight the significance of policy measures in addressing these issues, emphasizing the need for inclusive policies and streamlined regulations. Ahmad and Patra (2023) further explore MSMEs' role in entrepreneurship development, stressing their impact on job creation and economic expansion. Strengthening financial access, regulatory reforms, and skill development initiatives remain crucial for the sustainable growth of MSMEs in India. Chandraiah and Vani (2013) explored the impact of globalization on Micro, Small, and Medium Enterprises (MSEs) in India, highlighting how global trends influence local businesses, particularly in terms of competition, market access, and technology adoption. Jasra (2011) identified key determinants of business success for small and medium enterprises in Pakistan, emphasizing factors such as innovation, technology upgrades, and the use of skilled labor as critical for growth and sustainability. Both studies underscore the importance of adaptation and innovation in helping MSEs thrive in a competitive and evolving business environment.

This review examines government policies supporting Micro and Small Enterprises (MSEs) in India, focusing on their effectiveness and challenges in implementation. MSEs are vital to India's economy, contributing to employment

and industrial growth, but face hurdles such as financial limitations and regulatory issues. By exploring opportunities in government support, innovation, and exports, and developing strategies to address these challenges, MSEs can achieve sustainable growth and enhance their competitiveness.

### **Government Initiatives for MSE Empowerment:**

Over the years, the Indian government has introduced several initiatives aimed at addressing the challenges faced by MSEs. These initiatives span various aspects of enterprise growth, including financial support, technology upgradation, skill development, and market access.

#### **1. Prime Minister's Employment Generation Programme (PMEGP):**

Launched by the Ministry of MSME in 2008, PMEGP is one of the most prominent schemes aimed at generating self-employment through the establishment of micro-enterprises. The scheme provides financial assistance to individuals looking to set up new businesses in the manufacturing, service, or retail sectors. Under PMEGP, the government offers a combination of subsidy and bank loans, with a focus on rural areas. By promoting self-employment and entrepreneurship, PMEGP has generated millions of jobs, particularly in rural and backward regions. Despite its success, challenges related to awareness, delayed disbursements, and lack of managerial skills among beneficiaries persist.

**2. Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGTMSE):**

One of the major barriers for MSEs is access to credit. Many small enterprises, especially those in the informal sector, face difficulties in obtaining loans due to lack of collateral. The CGTMSE, introduced in 2000, offers collateral-free loans to MSEs by providing a credit guarantee to banks and financial institutions. This scheme has significantly increased the flow of credit to MSEs, enabling entrepreneurs to access working capital and expand their businesses. However, issues such as limited awareness of the scheme among entrepreneurs and the reluctance of financial institutions to lend to high-risk sectors have hindered its full potential.

**3. MUDRA Scheme (Micro Units Development and Refinance Agency):**

The MUDRA scheme, launched in 2015, provides financial support to micro and small enterprises in the non-corporate sector. The scheme offers loans under three categories: Shishu (up to 50,000), Kishore (50,000 to 5 lakh), and Tarun (5 lakh to 10 lakh). The objective of MUDRA is to promote entrepreneurship in the informal sector by offering affordable and easily accessible loans. By facilitating credit to businesses that lack access to traditional banking, MUDRA has played a vital role in empowering entrepreneurs at the grassroots level. However, challenges such as inadequate financial literacy and the lack of a formal credit history for borrowers persist.

**4. National Manufacturing Competitiveness Programme (NMCP):**

Launched in 2005, the NMCP aims to enhance the competitiveness of MSEs by promoting technological

advancements, improving quality standards, and providing skill development opportunities. The scheme offers financial support to MSEs for upgrading technology, implementing quality certifications, and improving production processes. The NMCP has proven instrumental in helping businesses improve efficiency, reduce costs, and become competitive in the global market. However, the implementation of the scheme has faced delays, and its impact has been limited in some regions due to insufficient infrastructure and training programs.

**5. Make in India Initiative:**

Launched in 2014, the Make in India initiative aims to transform India into a global manufacturing hub by encouraging both domestic and foreign investments. The initiative focuses on creating a conducive environment for the growth of MSEs by improving infrastructure, streamlining regulations, and enhancing access to global markets. Through initiatives such as the Digital India program, make in India has provided MSEs with opportunities to integrate modern technologies and become part of global supply chains.

**Impact of Government Initiatives on Entrepreneurial Growth:**

Government initiatives have had a significant impact on the growth of MSEs in India. The following key areas highlight the positive effects of these initiatives:

**1. Access to Finance:**

Financial access remains one of the most critical challenges for MSEs. Government schemes like CGTMSE and MUDRA have played a pivotal role in improving access to capital for small entrepreneurs, particularly in

underserved sectors. These schemes have enabled businesses to invest in infrastructure, technology, and human resources, thereby driving growth. However, challenges related to delayed loan disbursements, high interest rates, and complex application procedures continue to limit the effectiveness of these programs.

## **2. Employment Generation:**

Government initiatives such as PMEGP have contributed to significant employment generation in rural and urban areas. By encouraging entrepreneurship and the establishment of small businesses, these schemes have created numerous jobs, especially in areas with limited formal employment opportunities. PMEGP has led to the creation of thousands of small enterprises, many of which have employed a large number of local workers, thus contributing to rural economic development.

## **3. Skill Development:**

Government programs like the NMCP have played an important role in upgrading the skills of entrepreneurs and their workforce. These initiatives have supported the training of thousands of workers in areas such as manufacturing processes, product development, and quality management. Skill development has helped MSEs improve productivity and compete in both domestic and international markets. However, there is still a gap in technical skills, particularly in rural areas, which limits the potential for innovation and growth.

## **4. Technological Advancement and Innovation:**

The focus on technology upgradation through initiatives like the NMCP and Make in India has allowed

MSEs to adopt modern manufacturing processes, improve product quality, and enhance operational efficiency. MSEs that have benefited from these programs have successfully integrated new technologies into their businesses, leading to higher productivity and competitiveness.

## **Challenges and Limitations of Government Initiatives:**

Despite the positive impact of government initiatives, several challenges persist that hinder the full realization of these programs:

### **1. Bureaucratic Hurdles:**

MSEs often face bureaucratic delays in accessing government schemes and financial assistance. The lengthy application processes, documentation requirements, and delays in fund disbursement reduce the effectiveness of these initiatives. Additionally, many small business owners lack awareness of the schemes, which further limits their reach.

### **2. Implementation Gaps:**

While the government has introduced several policies to support MSEs, the implementation of these policies is often inconsistent. Some schemes fail to reach the target beneficiaries, especially in rural or remote areas, due to ineffective delivery mechanisms, lack of awareness, and insufficient infrastructure.

### **3. Financial Sustainability:**

Although government programs provide initial financial support, many MSEs struggle with long-term sustainability. Factors such as fluctuating demand, rising competition, and the inability to repay loans due to low margins continue to pose significant challenges. Government schemes need to offer more than just initial funding; they

should include comprehensive support for business sustainability.

#### **4. Limited Awareness:**

Despite the extensive range of government initiatives, many MSE owners remain unaware of the available programs. Lack of effective communication and outreach efforts have limited the penetration of these schemes, particularly in rural areas.

#### **Conclusion:**

In conclusion, Micro and Small Enterprises (MSEs) are crucial to India's economic growth, driving employment, innovation, and industrial development. Government initiatives such as PMEGP, CGTMSE, MUDRA, and Make in India have made notable contributions to empowering MSEs, providing financial access, skill development, and fostering technological advancement. However, challenges such as bureaucratic delays, limited awareness, and implementation gaps continue to hinder the full potential of these programs. To enhance the effectiveness of these initiatives, it is essential for the government to focus on improving awareness, streamlining processes, and providing long-term support to ensure the sustainable growth and success of MSEs. Addressing these challenges will enable MSEs to play a pivotal role in driving economic development and entrepreneurship in India.

#### **Author Contributions:**

Conceptualization, P.J.P. and S.U.S.; Methodology, P.J.P. and S.U.S.; Formal analysis, P.J.P. and S.U.S.; Investigation, P.J.P. and S.U.S.; Resources, P.J.P. and S.U.S.; Data curation, P.J.P. and S.U.S.; Writing—original draft preparation,

S.U.S.; Writing and editing, S.U.S.; Visualization, P.J.P. and S.U.S.; Supervision, P.J.P.; All authors have read and agreed to the published version of the manuscript.

#### **Acknowledgments:**

The authors gratefully acknowledge the Sangamner Nagarpalika Arts, D. J. Malpani Commerce & B. N. Sarda Science College (Autonomous), Sangamner, Ahmednagar, Maharashtra, India, for financial and research support. The authors whose work formed the basis for writing this paper and unknown reviewers for critically reviewing and suggestions are also acknowledged.

**Conflicts of Interest:** The authors declare no conflict of interest.

#### **References:**

1. Ahamed, G. T., & Raju, S. A. A. (2023). A Review of Challenges and Opportunities for MSMEs in India: A Roadmap for Success. *International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS)*, 89, 89-98.
2. Ahmad, F., & Patra, M. R. (2023). Role of MSME in Entrepreneurship Development. *Entrepreneurship In India-Issues and Challenges*, 1(1), 108.
3. Almond, P. (2011). Re-visiting 'country of origin' effects on HRM in multinational corporations. *Human Resource Management Journal*, 21(3), 258-271.
4. Benard, M. C., & Victor, K. R. (2013). SWOT analysis of growth of women entrepreneurs in Dar es

- Salaam. *Academic Research International*, 4(1), 50.
5. Dehejia, R., & Gupta, N. (2022). Financial development and micro-entrepreneurship. *Journal of Financial and Quantitative Analysis*, 57(5), 1834-1861.
  6. Economic Survey of Maharashtra 2013-14, pp 111-135.
  7. Federation of Indian Chambers of Commerce and Industry (FICCI). (2022). Role of MSEs in Economic Growth.
  8. Government of India. (2021). MUDRA Scheme: Impact on the Micro and Small Sector.
  9. Jasra, J., Hunjra, A. I., Rehman, A. U., Azam, R. I., & Khan, M. A. (2011). Determinants of business success of small and medium enterprises. *International Journal of Business and Social Science*, 2(20).
  10. Kale, D. B. (2015). Micro, Small and Medium Enterprises–A Case Study of Maharashtra. *Indian Journal of Applied Research*, 5(8).
  11. Kalyan, N. B., & Kumar, N. N. (2019). CASE STUDY ON POLICY MEASURES FOR MSME IN INDIA (Micro, Small and Medium Enterprises).
  12. Ministry of Micro, Small & Medium Enterprises, Government of India. (2023). Annual Report.
  13. National Small Industries Corporation (NSIC). (2023). Annual Report on MSE Development.
  14. Reserve Bank of India. (2023). Financial Inclusion and Credit Schemes for MSEs.
  15. Vani, R. M. C. (2013). The impact of globalization on micro, small and medium enterprises with special reference to India. *Innovative Journal of business and management*, 2(05).