



## The MSMEs' Revolutionary Transformation of Maharashtra's Entrepreneurial Landscape

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### ABSTRACT

Maharashtra, the industrial powerhouse of India, has witnessed a remarkable surge in manufacturing growth in recent years. The state's manufacturing sector has not only contributed significantly to its economic development but has also set a new standard for industrial growth in the country. Maharashtra's manufacturing growth sets a new standard for industrial development in India. With a strong emphasis on industrial infrastructure, favorable policies, and a diverse manufacturing landscape, the state has attracted significant investments and positioned itself as a leading manufacturing hub. Maharashtra, one of India's most populous and economically advanced states, has been experiencing a significant rise in industrial growth. The state's vibrant industrial sector is driving economic prosperity and contributing to its overall development. Maharashtra's strategic location, favorable business environment, and focus on infrastructure development have made it an attractive destination for investment and have propelled its industrial growth to new heights. According to the Economic Survey of Maharashtra 2020-21, the state's industrial sector has been a key driver of its economic growth. In 2019-20, the industry sector contributed

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34.6% to Maharashtra's Gross State Value Added (GSVA), higher than the national average of 29.3%. This highlights the crucial role played by the industrial sector in Maharashtra's economic prosperity. Maharashtra's thriving industries have created a favorable environment for employment and innovation, driving economic growth in the state. The diversified industrial sectors, proactive government initiatives, skilled workforce, and robust infrastructure have established Maharashtra as a breeding ground for opportunities and an epicenter of innovation. To ensure sustainable progress, it is vital to address potential concerns and challenges, focusing on inclusive growth, environmental sustainability, and continuous support for entrepreneurship and innovation. Maharashtra's economic contribution towards Indian growth is undeniable, with impressive statistics reflecting its importance. The state's high GSDP, significant industrial output, FDI inflows, and employment generation showcase its vital role in India's economic landscape. However, to ensure comprehensive growth, it is essential to address regional disparities, promote formal employment, and adopt sustainable practices.

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## Introduction

In India, MSMEs are often referred to as the "engines of economic growth." They play a major role in creating employment opportunities, fostering entrepreneurship, promoting innovation, and enhancing social cohesion. Since independence, these businesses have been instrumental in the economic development of the country, aligning with the Gandhian philosophy and the goals of increased industrial output, employment generation, and entrepreneurship development.

Micro, Small, and Medium Enterprises (MSMEs) serve as incubators for entrepreneurship, giving individuals the chance to establish and run their own businesses. These enterprises provide a platform for aspiring entrepreneurs to turn their ideas into action, unleashing their creativity, innovation, and risk-taking abilities. By empowering individuals to become self-employed, MSMEs promote economic self-

sufficiency and reduce reliance on traditional employment. They also lower barriers to entry, allowing entrepreneurs to start small and gradually expand their operations. With the right support, micro and small businesses can grow into medium-sized entities, contributing further to economic development.

The impact of MSMEs on economic growth is significant. These enterprises foster job creation, especially in rural and underdeveloped areas, providing employment opportunities and raising income levels, thereby reducing poverty and inequality. Additionally, MSMEs drive local economic development by promoting innovation and competition. Their dynamic nature encourages entrepreneurial experimentation and creativity, leading to the development of new products, services, and business models. This innovation-driven growth enhances productivity, competitiveness, and market diversification, fueling overall economic progress.

### **The Crucial Role of MSMEs in Driving Economic Growth**

MSMEs are the backbone of many economies, accounting for almost 60% of total employment. They make significant contributions to economic growth through their impact on the GDP, innovation, and job creation. Moreover, MSMEs act as a stepping stone for budding entrepreneurs, offering opportunities to learn, develop, and eventually establish accomplished businesses. MSMEs provide a platform for aspiring entrepreneurs to showcase their skills and ideas, enabling them to turn their passion into a viable business. By encouraging entrepreneurship, MSMEs contribute to the overall economic growth of a nation. One of the key contributions of MSMEs is their role in employment generation. They employ a significant portion of the workforce, both in urban and rural areas. This not only reduces unemployment rates but also improves the standard of living for those involved in these enterprises. MSMEs foster innovation by promoting creativity and flexibility. They often specialize in niche markets or develop unique products/services to cater to specific customer needs. This not only encourages competition among businesses but also drives technological advancements.

### **The Empowering Role of MSMEs in Fostering Entrepreneurship**

MSMEs play a crucial role in empowering entrepreneurship by providing a platform for aspiring entrepreneurs to gain practical experience and knowledge. They create an environment conducive to innovation, allowing entrepreneurs to test their ideas and products in the market. Additionally, MSMEs serve as a valuable training ground for young entrepreneurs, equipping them with the skills and knowledge needed to establish and grow successful businesses.

## MAHARASHTRA

Maharashtra is one of the prominent states in India for Micro, Small, and Medium Enterprises (MSMEs), which contribute considerably to the state's economy. Maharashtra is the nation's second most populous state, with about 120 million inhabitants. Manufacturing, banking, and services are just a few of the diverse businesses that comprise the state's economy, and MSMEs are critical for creating jobs, fostering entrepreneurship, and increasing regional and national GDPs.

Maharashtra is a significant hub for Micro, Small, and Medium Enterprises (MSMEs) and plays an important part in the Indian economy. The MSME sector contributes significantly to Maharashtra's GDP and provides employment opportunities, particularly in rural and inadequately developed regions. It also has a considerable impact on the state's exports, emphasizing the importance of the state in the worldwide market's have a tremendous impact on entrepreneurship in the region. The development of entrepreneurship and human skills is vital for sustainable economic and social progress, and establishing MSMEs is a key strategy in achieving this development. Maharashtra has the potential to revitalize its MSME sector and drive overall economic prosperity in the state through innovation, employment, and sustainable growth.

As per the Ministry of MSMEs, Maharashtra has the highest percentage of MSMEs in India, with 24 percent of the state's workforce employed by MSMEs. The momentary the MSME sector in Maharashtra contributes approximately 15% of all MSME output in India, 20% of total industrial production, 20% of Indian exports, and 29% of FDI that occurs in India. Maharashtra MSMEs contributed 30% of GDP, 45-50% of exports, and 40% of manufacturing GVA between FY20 and FY22. Of the estimated 633.88 MSMEs in Maharashtra, 51.25% are in rural areas and 48.75% are in urban areas. Almost 8% of the total MSMEs in India are Micro, Small, and Medium Enterprises in Maharashtra, with 48 Lakh total enterprises. Of these, 47.60 lakh are micro firms and 0.17 lakh being small enterprises. Out of these 20 Lakh enterprises, around 3.8 lakh have enrolled for Udyam registration, generating 1 crore employment in the state. Maharashtra MSMEs contribute 17% of total India's employment.

Notably, the highest percentage of Udyam Registration is held by MSMEs in Maharashtra out of all the Indian states. The number of businesses that have registered with Udyam is close to 3.8 lakh, with a higher percentage of MSMEs in the service sector than in the manufacturing sector. In Maharashtra, MSMEs have a big impact on the state's culture, economy, and society.

**Table No:1- Maharashtra GDP Contribution**

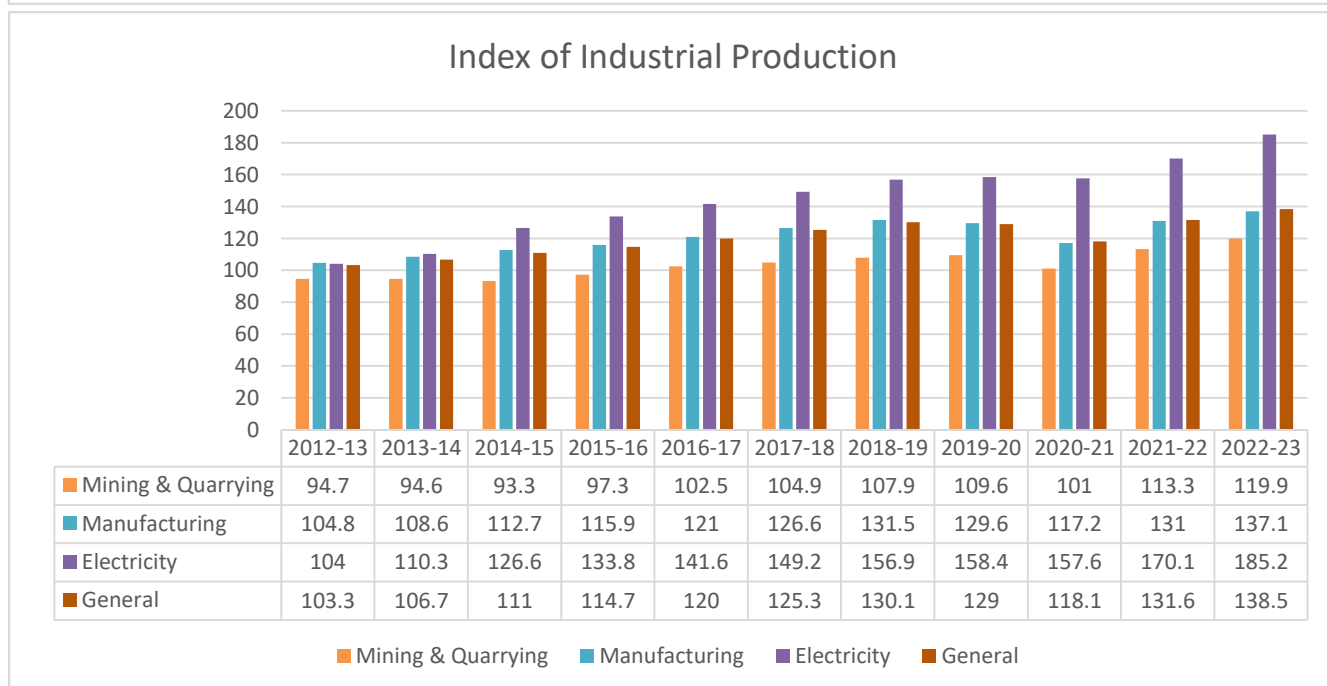
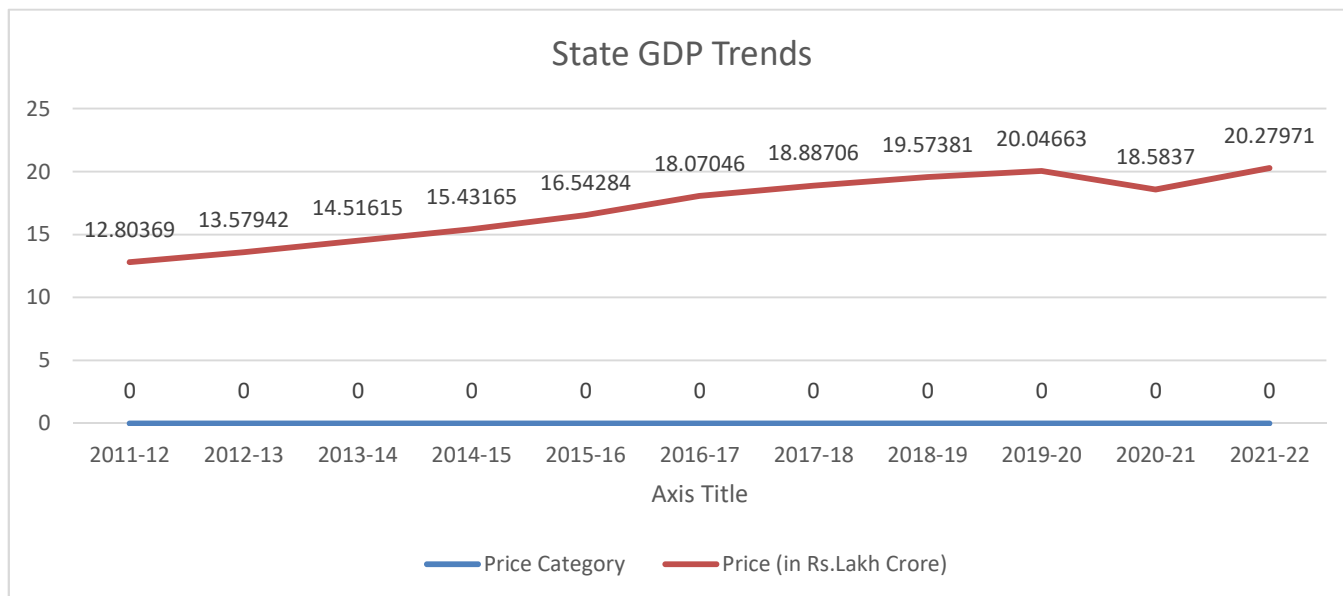
Year	Gross Domestic Product (millions of <u>INR</u> )
2000	₹ 2,386,720
2005	₹ 3,759,150
2011	₹ 9,013,300
2014	₹16,866,950
2019	₹26,327,920

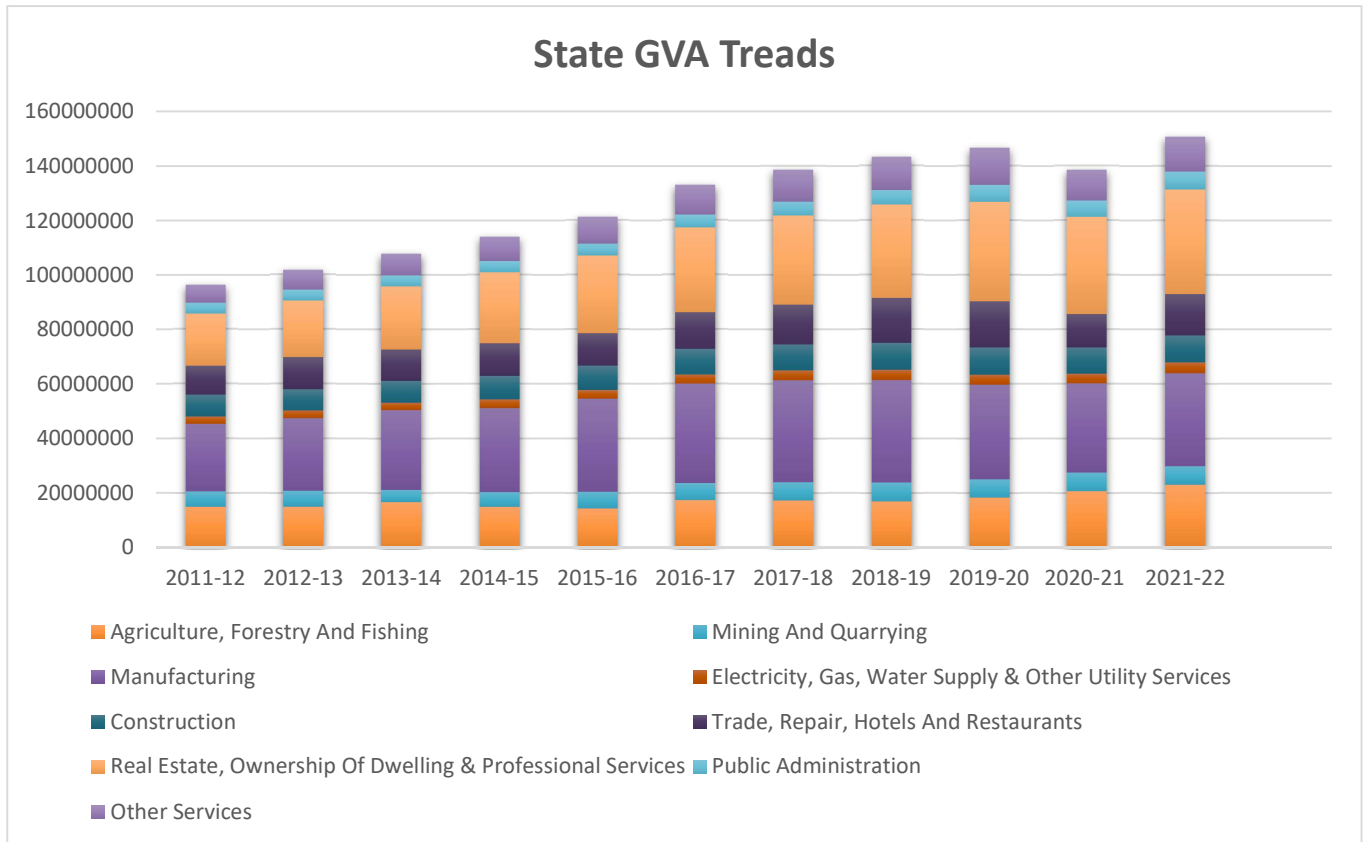
India's nominal GDP in FY22 was \$3.3 trillion (INR 234 lakh crore). Maharashtra stands as India's leading state-level economy, with a GDP of INR 31 lakh crore (\$444 billion), accounting for 13% of India's GDP in FY22.

Industries in Maharashtra are highly diversified, encompassing a range of sectors. The state houses numerous Micro, Small, and Medium Enterprises (MSMEs) operating in manufacturing, services, and agriculture-based sectors. In FY22, the Gross Value Added (GVA) in Maharashtra was composed of 14% from agriculture, 16% from manufacturing, 59% from services, and the remaining 11% primarily derived from construction and infrastructure (6%) as well as mining, energy, and other utilities (5%).

Maharashtra is a state rich in manufacturing, with important sectors including chemicals, textiles, pharmaceuticals, autos, and engineering. In FY22, the manufacturing sector brought in \$64 billion, or 16% of the state's GVA.

The economy of Maharashtra is heavily dependent on services, which include a wide range of industries like banking and financial services, insurance, real estate, hotels and tourism, transportation, communication, information technology, and business process outsourcing. In FY22, the service sector brought in \$234 billion, or 59% of the state's GVA.





### Objective Of Research

The objective of this research is to investigate the role of Micro, Small, and Medium Enterprises (MSMEs) in empowering entrepreneurship and fostering economic growth. The research aims to:

1. Analyze the contribution of MSMEs to the economy by examining their percentage in the total business population, their contribution to GDP, and their role in employment generation.
2. To explore the impact of MSMEs in Maharashtra, including their contributions, challenges, and growth potential.
3. Understand how MSMEs empower entrepreneurship by providing a platform for aspiring entrepreneurs to gain practical experience and knowledge, and serving as a training ground for young entrepreneurs.

4. Identify the challenges faced by MSMEs, including barriers to growth such as lack of access to finance, inadequate infrastructure, and regulatory hurdles.

### **Review of Literature**

Manikandan, S. (2021). The Micro, Small, and Medium Enterprises (MSME) sector in India is an important part of the economy, creating jobs and promoting rural industrialization. Recognizing its importance, the Indian government has taken steps such as broadening the definition of small-scale industries and enacting the MSME Development Act. The sector is the second-largest source of employment, contributing to inclusive growth. The Ministry of Micro, Small, and Medium Enterprises works with stakeholders to help it grow, and the Startup India initiative aims to foster innovation and long-term economic growth.

The cluster development is an important economic strategy that focuses on establishing geographical concentrations of interconnected businesses, suppliers, and service providers in order to boost productivity and competitiveness. The Indian government, through the Ministry of MSME, has launched the Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) to help micro and small businesses grow and build capacity. This study aims to investigate the barriers that SMEs face in obtaining bank financing and to propose potential solutions to improve their access to funding.

Amutha, D. (2022). Small and medium-sized enterprises (SMEs) are critical to the economic development of both developed and developing countries, including India. These companies have made significant contributions to India's economic development, with the manufacturing sector accounting for more than 45 percent of GDP and more than 40 percent of export revenues. The Ministry of MSMEs and its affiliated organizations collaborate closely with states to encourage entrepreneurship, create job opportunities, and improve the competitiveness of SMEs in an ever-changing economic landscape. This study investigates the performance of MSMEs by examining various factors and government policies designed to promote their growth.

Kumar, G. (2023). This paper examines inclusive growth in the Indian Micro, Small, and Medium Enterprises (MSMEs) sector. Over the last five decades, India's MSME sector has grown significantly, creating jobs and facilitating industrialization in the country's rural and underdeveloped areas. This industry is critical to promoting greater income distribution and socioeconomic advancement. According to research, MSMEs can be found in every state of India, with a higher concentration in larger states.



However, there is a noticeable gender bias in the MSME sector, which could be attributed to the scarcity of white-collar job opportunities that can be completed remotely. The study also found that marginalized social groups frequently own businesses in both rural and urban areas..

Shetty, M. O., & Bhat, G. (2022). MSMEs. Micro, Small, and Medium Enterprises (MSMEs) are considered as the driving force behind India's economy, contributing significantly to industrialization and exports. With a focus on creating employment opportunities, especially in rural areas, MSMEs play a crucial role in reducing regional imbalances and boosting the country's GDP. Despite having strengths and weaknesses, this sector has the potential to uplift the Indian economy through initiatives like Atmanirbhar Bharat and the Production Linked Scheme, supporting global competitiveness and positioning India as a manufacturing hub.

### Research Methodology

This study relies on a comprehensive literature review and analyzes data from various government and international sources to gain insights into the current landscape of women-owned and led businesses, as well as future economic trends. Secondary data, obtained through sources such as magazines, reports, internet research, journals, and corporate offices of entrepreneurship and women organizations, is used to address the research questions. It is important to note that several factors may shape the future of women entrepreneurship in India at both the state and sector levels.

The Indian government has launched several initiatives to assist Micro, Small, and Medium Enterprises (MSMEs) in India in growing. Among the initiatives covered are credit support, new enterprise development, formalization, technological assistance, and skill development. They imply the government's dedication to promoting MSMEs in the country.

MSMEs have grown significantly in India and now play an important role in the economy. Here are some key points about their development:

1. **Contribution to GDP:** MSMEs contribute approximately 30% of India's total GDP.
2. **Manufacturing Output:** MSME manufacturing output was 36.6% of total India manufacturing output in 2019-20, 36.9% in 2020-21, and 36.2% in 2021-22.

3. **Export Contribution:** MSME products accounted for 49.4% of India's exports in 2020-21. This proportion dropped to 45.0% in 2021-22 and then to 43.6% in 2022.
4. **Job Creation:** In the MSME sector, over 100 million jobs have been created in manufacturing, non-captive electricity generation and transmission, trade, and other services.
5. **Government Objectives:** The government anticipates to increase MSMEs' contribution to India's total GDP to 50% in the future.

The aforementioned statistics demonstrate the importance of MSMEs in driving economic growth and employment in India. The government's initiatives, combined with the industry's tenacity, contributed in the growth of MSMEs in the country.

Micro, Small, and Medium Enterprises (MSMEs) are a significant component of the Indian economy and provide numerous benefits to the country. Here are some of the most important advantages of MSMEs for India:

1. **Employment Generation:** MSMEs provide a significant number of jobs in various sectors, contributing to the overall employment rate.
2. **Economic Growth:** MSMEs contribute greatly to India's GDP through various sectors of the economy, including manufacturing, services, and trade, thereby supporting economic growth.
3. **Innovation and Entrepreneurship:** MSMEs provide a conducive environment for entrepreneurs to test their ideas and products in the market, fostering innovation and entrepreneurship in India.
4. **Inclusive Growth:** MSMEs cater to local markets, reducing income disparities and promoting balanced regional development.
5. **Technology Adoption:** MSMEs adopt new technologies to improve their productivity and competitiveness, leading to technological advancements and improvements in various sectors of the economy.
6. **Export Promotion:** MSMEs specialize in products that have a high demand in international markets, contributing significantly to India's export earnings.

7. **Resilience:** MSMEs are more resilient to economic shocks compared to large-scale enterprises due to their small scale and localized operations, enabling them to quickly adapt to changes in market conditions.

These advantages highlight the importance of MSMEs and their contribution to the growth and development of the Indian economy.

The Indian government has initiated various programs to support the advancement of Micro, Small, and Medium Enterprises (MSMEs). Some of the key schemes are:

1. **Market Promotion & Development Scheme (MPDA):** This program serves to develop markets for MSMEs, especially in the Khadi, Village, and Coir industries.
2. **Raising and Accelerating MSME Performance (RAMP):** In collaboration with the World Bank, this scheme was launched in 2022 to promote strong governance among MSMEs.
3. **Credit Support:** In FY 2023-24, the government increased its budget allocation for MSMEs by 42 percent, providing much-needed credit support.
4. **Technological Assistance:** The government is modernizing MSMEs' manufacturing processes to minimize waste, encourage innovation, and improve their competitiveness.
5. **New Enterprise Development:** To facilitate the establishment of new micro-enterprises, the government is implementing various schemes.
6. **Skill Development:** Various programs have been introduced for honing skills in the MSME sector.

### Considering The Challenges MSMEs Face

An approach with multiple facets is necessary to tackle the obstacles encountered by MSMEs. This entails expanding financial accessibility, offering programs for training and development, upgrading infrastructure, and streamlining regulatory procedures. To foster an environment that allows MSMEs to prosper, governments, financial institutions, and other stakeholders must collaborate.

MSMEs face various challenges despite their potential for driving entrepreneurship and economic growth. Access to finance is a primary concern, as limited credit history and high interest rates hinder

their ability to obtain funds for expansion and modernization. Additionally, MSMEs struggle with limited managerial capabilities, technological adoption, and market access. These businesses often lack the skills and knowledge needed to navigate complex business environments, hampering their growth prospects. Moreover, limited resources for marketing, distribution, and networking make it challenging for MSMEs to reach broader markets.

### **Overcoming Challenges for MSMEs**

MSMEs play a vital role in the economy, but they encounter several obstacles. These include limited access to finance, inadequate infrastructure, and regulatory hurdles. These challenges impede their growth and restrict their ability to make even greater contributions to the economy. In recent years, MSMEs in Maharashtra have faced various challenges, such as limited access to finance, infrastructure issues, and delayed payments. These challenges hinder the sector's growth potential, affecting both the businesses and the state's overall economy. To address these challenges, it is crucial to explore solutions and support mechanisms that alleviate the financial burdens and promote growth for MSMEs in Maharashtra. One possible approach is to develop specialized financial assistance programs tailored to their unique needs. Collaboration with commercial banks and financial institutions can help create initiatives that provide easier access to credit and capital.

Additionally, encouraging digital and cashless transactions can help MSMEs adapt to the changing economic landscape. This reduces reliance on the cash economy and mitigates the impact of pandemic-related restrictions. It is also important to prioritize enhancing infrastructure and addressing regulatory hurdles that impede the smooth operation of MSMEs in the state.

### **Conclusion**

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic growth and entrepreneurship development in any nation. MSMEs provide a platform for aspiring entrepreneurs to gain practical experience and knowledge, while also contributing to employment, innovation, and inclusive growth. Despite their advantages, MSMEs face several challenges, including lack of access to finance, infrastructure, and skilled labor. To fully harness the potential of MSMEs and foster economic growth and entrepreneurship, it is crucial to address the challenges they face and create a conducive

environment for them to thrive. Governments and policymakers should support and promote the growth of MSMEs, which are essential for driving sustainable economic progress.

The MSME sector is critical to the growth and development of Maharashtra's economy. MSMEs in the state contribute significantly to job creation, exports, and overall economic growth. Maharashtra has a well-developed infrastructure, including industrial parks and dedicated MSME clusters, which fosters sectoral growth. The Maharashtra government has implemented schemes, incentives, and simplified procedures for establishing MSMEs in order to further support entrepreneurship and the MSME sector. Obtaining licenses and clearances has also become easier. The increasing adoption of digital technologies in Maharashtra's MSMEs is a notable development. The government has launched initiatives to promote the use of digital technologies, such as providing subsidies for their adoption and establishing online marketplaces to facilitate the sale of MSME products. MSMEs in Maharashtra have a bright future thanks to a favorable policy environment, robust infrastructure, and a strong entrepreneurial spirit among the people. MSMEs in Maharashtra will thrive and contribute significantly to the state's overall development as the government continues to support and promote the sector.

In conclusion, MSMEs are essential for empowering entrepreneurship and economic growth. By providing opportunities for budding entrepreneurs, generating employment, and fostering innovation, MSMEs contribute significantly to the overall development of a nation's economy.

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