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Original Article

A Decadal Review of the Problems and Prospects of MSMEs in India: A Secondary Analysis of Annual Reports (2013–2023)

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Abstract: *This study presents a comprehensive decadal review of the evolution, structural challenges, and emerging opportunities of Micro, Small, and Medium Enterprises (MSMEs) in India based on Annual Reports issued by the Ministry of MSME from 2013 to 2023. The research adopts a qualitative secondary analysis approach and evaluates sectoral performance across employment generation, GDP contribution, export share, financial access, and technological advancement. The findings reveal persistent constraints such as limited institutional credit penetration, delayed payments, technological backwardness, infrastructure gaps, and regulatory complexities. The COVID-19 pandemic further intensified operational disruptions and liquidity stress across enterprises. However, the review identifies significant positive developments, including the introduction of Udyam Registration, digitisation initiatives, the Trade Receivables Discounting System (TReDS), the Emergency Credit Line Guarantee Scheme (ECLGS), export promotion schemes, and sustainability-oriented programs such as Zero Defect Zero Effect (ZED). The study concludes that although structural inefficiencies remain, policy-driven formalisation, digital transformation, and inclusive enterprise support mechanisms are gradually reshaping the MSME ecosystem. Strategic coordination, improved credit outreach, technological modernisation, and green entrepreneurship can further strengthen the resilience and competitiveness of Indian MSMEs in a dynamic global economy.*

Keywords: *Credit Gap, Digital Transformation, Export Development, India, MSME, Policy Reform, Technological Challenges.*

I. INTRODUCTION

The Micro, Small, and Medium Enterprises (MSME) sector represents one of the most dynamic and employment-intensive segments of the Indian economy. Over the past decade, MSMEs have consistently contributed between 28 per cent and 31 percent to India's Gross Domestic Product and nearly half of the country's total exports. The sector plays a vital role in promoting balanced regional development, fostering entrepreneurship, supporting rural industrialisation, and enhancing inclusive growth.

Despite its importance, the MSME ecosystem has faced recurring structural challenges, including limited access to formal credit, technological obsolescence, infrastructure inadequacies, compliance burdens, and market constraints. The period between 2013 and 2023 witnessed significant economic transitions, including regulatory reforms, digitalisation drives, financial inclusion initiatives, and the unprecedented disruption caused by the COVID-19 pandemic.

A decadal review of Annual Reports issued by the Ministry of MSME provides valuable insight into evolving policy frameworks, institutional mechanisms, sectoral performance indicators, and reform outcomes. This study systematically examines these reports to identify long-term patterns in challenges and opportunities, assess policy effectiveness, and explore the transformation trajectory of the MSME sector in India.

II. LITERATURE REVIEW

The economic importance, level of employment, and export contribution of the MSME sector have attracted much scholarly attention. Government reports and RBI publications, SIDBI studies and NITI Aayog policy documents also indicate the structural bottlenecks and progress in the sector that is reform-oriented.

Themes of infrastructure constraints, late payment, change of technology, and financial exclusion appear to have been repeated every year since 2013 in Annual Reports of the Ministry of MSME (2013-2023). RBI studies stress the existence of the credit gap, and only a small fraction of the MSMEs apply for institutional finance. Further, according to SIDBI MSME Pulse Reports, liquidity constraints and exposure to economic shocks can be found.

The academic literature states that the formalization rate has been enhanced due to digitization efforts, including Udyam Registration, e-marketplace integration, and fintech growth. The changes in export facilitation and cluster-driven initiatives like SFURTI and MSE-CDP are also identified in the research literature as factors in the growth of employment and productivity.

This new analytical dimension presented by the pandemic period (2020-2022) was accompanied by emergency measures of interventions such as the Emergency Credit Line Guarantee Scheme (ECLGS) to reduce the immediate liquidity pressure. Nevertheless, in literature it is reported that the recovery rate is uneven among the micro, small and medium enterprises.

Altogether, the available knowledge bases deem MSMEs as drivers of inclusive growth and the necessity of institutional coordination, technological modernization, and enhanced financial penetration.

III. OBJECTIVES OF THE STUDY

- To analyse the major problems faced my MSMEs over the last ten years based on government published data
- To identify progressive reforms and trends contributing to the sector's evolution
- To evaluate the sector's performance against key economic indicators such as employment, GDP contribution, credit flow and exports.
- To suggest actionable strategies that can foster a more resilient MSME ecosystem

IV. RESEARCH METHODOLOGY

This study adopts a qualitative secondary research approach, relying on the Annual Reports of the Ministry of MSME (2013–2023) as the core data source. Supplementary data is drawn from related publications by SIDBI, RBI, and NITI Aayog. A thematic content analysis method was used to identify patterns and synthesize findings across different policy periods and administrative changes.

V. RESULTS AND DISCUSSION

A) Sectoral Growth and Economic Contribution

The analysis of decadal reports shows a consistent GDP contribution ranging from 28–31 percent. The export share gradually increased and reached approximately 49 percent in 2022–2023. With the introduction of the Udyam Registration Portal, formalization was greatly introduced, and the number of registered enterprises grew after 2020.

Creation of jobs had been one of its strong areas as the sector helped to sustain the livelihood of over 110 million people, especially in rural and semi-urban areas. Cluster programs helped build skills and create employment.

B) Financial Exclusion and Credit Constraints

Despite policy interventions, only about 15–17 percent of MSMEs accessed formal institutional credit. Delayed payments from large corporates and public sector units affected working capital cycles. Although schemes such as CGTMSE and MUDRA were introduced, awareness and accessibility gaps persisted.

C) Technological Backwardness

A substantial number of microenterprises continued to rely on traditional production processes. Adoption of advanced technologies such as automation, artificial intelligence, and IoT remained limited, restricting productivity growth and global competitiveness.

D) Infrastructure and Market Constraints

Inadequate logistics infrastructure, weak common facility centers, and limited participation in Government e-Marketplace (GeM) initially constrained market expansion. However, gradual improvements in digital platforms improved transparency and procurement access.

E) Pandemic Impact and Recovery

COVID-19 severely disrupted supply chains, labor availability, and demand cycles. The Emergency Credit Line Guarantee Scheme (ECLGS) provided emergency liquidity support, stabilizing many enterprises. Nevertheless, long-term recovery remains uneven across sub-sectors.

F) Emerging Opportunities

Digitization initiatives such as Udyam Registration, TReDS platform, and digital payment infrastructure enhanced transparency and inclusion. Export-focused districts and RoDTEP incentives supported international competitiveness. Sustainability initiatives, including the Zero Effect Zero Defect (ZED) certification, promoted environmentally responsible manufacturing. Women-led and socially inclusive enterprise schemes strengthened participation across diverse groups.

VI. CONCLUSION

According to the decadal review, there has been a slow structural change in the Indian MSME sector. The continuing problem of poor credit penetration, technology, and infrastructure all remain a burden on the growth potential. Nevertheless, recent policy initiatives that focus on digitization, financial inclusion, export facilitation, sustainability and inclusive entrepreneurship have enhanced institutional support mechanisms.

The awareness of schemes, the increase in alternative financing schemes, the ease of the low-cost technological upgrade, and enhanced coordination between central and state governments and encouraging green entrepreneurship need to be enhanced in order to make the situation more resilient in the long run. Through reforms that are sustainable and have efficient implementation at the grassroots, MSMEs can remain viable drivers of inclusive and sustainable economic development in India.

VII. RECOMMENDATIONS

- Enhance Awareness & Outreach: Launch multilingual campaigns to educate MSMEs on available schemes.
- Improve Credit Mechanisms: Expand TReDS adoption and alternative financing like invoice discounting.
- Facilitate Technology Access: Strengthen linkages with technical institutes and subsidize low-cost upgrades.
- Strengthen Institutional Coordination: Harmonize efforts between central ministries, state departments, and industry bodies.
- Encourage Green Entrepreneurship: Promote low-carbon technologies and incentivize ESG-compliant MSMEs.

Interest Conflicts

The authors declare that there is no conflict of interest concerning the publication of this paper.

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