

Role of micro level industries in economic Development of India.

Dr Abha Rani

Associate Professor, Department of Commerce, Indraprastha College for Women (IPCW),
University of Delhi, India-110054,

Email: arani@ip.du.ac.in, ORCID ID: 0000-0001-9337-2628

Abstract

Micro-level industries make up an essential part of the industrial structure in India and help with the creation of jobs, entrepreneurship, and inclusive economic development. Still, the contribution of the micro-level industries becomes hidden within the aggregate statistics for the MSMEs in India, and information about the role played by these industries in employment, financing, digitalization, rural development, women entrepreneurship, and enterprise resilience becomes fragmentary. This paper looks into the role played by the micro-level industries in the economic development of India in 2021-2025 with a special focus on employment creation and entrepreneurship development. The research methodology adopted in the paper is descriptive and analytical and includes only the secondary data collected from Government of India sources, Ministry of MSME sources, and relevant literature. Percentage analysis, growth rate analysis, trend analysis, comparative analysis, and thematic synthesis have been used. According to the results, micro enterprises are the major component of the ecosystem of the registered MSMEs in India, and micro enterprise schemes supported by the government play a key role in creating jobs, participating in entrepreneurship, rural livelihoods, and economic activity of women. While on the other hand, variations in the nature of definitions, scope of registration, geographical settings, and availability of data impede direct comparison in a longitudinal perspective as well as correlation and regression analyses. From the overall findings of this study, the importance of micro-industries in the development process in India can be noted especially in terms of employment creation and entrepreneurship. This implies the need for greater coordination in supporting them.

Keywords

Micro-enterprises; MSMEs; Employment Generation; Entrepreneurship Development; Economic Development; Financial Inclusion; Rural Development; India

1. Introduction

The growth of enterprises goes hand in hand with structural changes, employment generation, earning income, innovation, and productivity. In India, MSMEs have been found to be vital for livelihood generation, promoting entrepreneurship, and expanding business operations. However, considering MSMEs as a single unit ignores the heterogeneity between the firms based on their capital, number of employees, finance, and vulnerability due to size of enterprises (Nagaraj & Vaibhav, 2020; Pandey & Chaudhary, 2024).

Micro enterprises are particularly important as they constitute the smallest enterprise size recognized by official classifications, yet cover a wide array of production, services, and trade activities. Micro enterprises create employment and self-employment

opportunities, livelihood creation, entrepreneurship, and formal finance. The growth of micro enterprises depends on financial access, market opportunity, institutions, and entrepreneurship (Chatterjee & Datta, 2023; Mor et al., 2020).

The topic of micro-enterprises is also significant from the perspective of rural and inclusive development since these enterprises provide livelihoods in addition to being non-farm sources of income for women and rural entrepreneurs. According to research, there are factors such as access to finance, entrepreneurship abilities, technology, and institutions that affect the growth of microenterprises, though the opportunities provided by these factors may vary (Kumari & Mor, 2021; Maurya & Mohanty, 2021; Mishra & Mohanty, 2022).

(i) Information from Government Websites / MSME

The Government of India classifies firms via the MSME scheme under the purview of the Ministry of Micro, Small and Medium Enterprises. The scheme changed from classification based primarily on investment in plant and machinery or equipment to a classification based on a composite criterion of investment and annual turnover with the removal of the manufacturing and services classification as well (Ministry of Micro, Small and Medium Enterprises [MoMSME], 2020). These alterations have relevance when considering comparisons of firm populations and policy applicability (Nagaraj & Vaibhav, 2020).

Classification was again changed from 1 April 2025 onwards. According to the new scheme, an enterprise is classified as a micro enterprise based on its investment of ₹2.5 crore and annual turnover of ₹10 crore, with different levels of investment and annual turnovers for small and medium enterprises (MoMSME, 2025). Hence, comparisons for 2021-2025 should be made considering the threshold for classification.

Further evidence of the prevalence of micro enterprises in India can be derived from the official Udyam figures. According to the MoMSME Annual Report 2024-25, there were 3,16,45,955 micro enterprises as against 7,32,782 small and 69,013 medium enterprises registered under Udyam by 31 December 2024. These figures reflect the number of registered/formalised enterprises and should not be considered the census number for all micro enterprises in India. The policy significance of this

category revolves around employment, entrepreneurship, livelihood creation, and availability of government/financial support (MoMSME, 2020).

(ii) Definition of Micro-Level Industries

However, “micro-level industries” is not an independent statutory category in India; rather, the correct terminology would be “micro enterprise.” Thus, in this study, the researcher refers to the term as the term used in research to describe economic activities performed by enterprises in India as per government categorization as “micro-enterprise,” specifically focusing on employment and entrepreneurship.

While the definition of micro-enterprises relies on quantified government criteria, the term MSMEs refers to micro, small, and medium enterprises collectively. Micro-entrepreneurs are the people creating or managing micro-enterprises. On the other hand, informal or unorganized enterprises are formally categorized enterprises, implying that one cannot equate being a micro enterprise with being an informal one (Mor et al., 2020).

Several aspects of micro-enterprises are discussed in the literature. Survival, entrepreneurial experience, capital, and industrial sectors are some of the issues studied by Mor et al. (2020). However, Chatterjee and Datta (2023) study the formation of micro-enterprises using self-help groups in relation to financing, marketing, and institution building. Finally, Pandey and Chaudhary (2024) take a wider perspective of the economic and developmental impacts of MSMEs on employment, entrepreneurship, and economic development.

Table 1. Definitions and Classification of Micro-Level Industries / Micro Enterprises

Source/Author	Definition	Classification/Criteria	Key Characteristics	Relevance to Present Study
Government of India/MoMSME (2020)	Micro enterprise under the revised MSME framework	Investment not exceeding ₹1 crore and turnover not exceeding ₹5 crore under the 2020 framework	Composite investment-turnover criterion; manufacturing and services treated alike	Establishes the classification applicable to much of the study period
Government of India/MoMSME (2025)	Micro enterprise under the revised MSME framework	Investment not exceeding ₹2.5 crore and turnover not exceeding ₹10 crore from 1 April 2025	Revised composite thresholds	Necessary for interpreting observations at the

				end of the 2021–2025 period
Mor et al. (2020)	Microenterprise as a very small-scale business unit, examined within the informal small-business segment	Empirical study of microenterprises rather than a new statutory classification	Survival, capital, experience, sector and entrepreneurial characteristics	Supports the enterprise-level and livelihood-oriented interpretation of “micro”
Chatterjee and Datta (2023)	Micro enterprise as an avenue for entrepreneurial activity, including transition from SHG participation	Focus on individuals establishing micro enterprises	Financial access, market opportunity, state support and entrepreneurial capability	Directly relevant to entrepreneurship development
Nagaraj and Vaibhav (2020)	MSMEs understood through changing official classification criteria	Critically examines changes in investment-based and revised criteria	Classification affects eligibility, measurement and policy coverage	Provides the methodological basis for treating classification changes carefully

Source: Compiled by the author from Ministry of Micro, Small and Medium Enterprises, Government of India, and the cited literature.

In this regard, the current research refers to micro-industries as an analytic category, which denotes the economic activity of the micro-classified firms, rather than a synonym of “micro enterprise” in the statutory sense. The latter is crucial when it comes to preventing conceptual extrapolations when working with secondary data.

(iii) Author Definitions of Micro

From an authorial standpoint, the concept of “micro” may be examined from three different aspects: scale, economic function, and entrepreneurial agency. Scale involves the threshold of investment and turnover defined by the Government; economic function consists of the production of goods and services, employment and household income at the operational level; while entrepreneurial agency concerns the contribution of micro enterprises to facilitating the process of self-employment and business activity.

This view is justified by the literature. Thus, Mor et al. (2020) discuss the issue of survival and sustainability of small-scale enterprises, and Chatterjee and Datta (2023) underline the necessity of financial, market and institutional environment for the creation of micro-enterprises. The research on women-owned micro-enterprises proves that there are different financial, technological, demographic, and institutional determinants of the

success (Harpriya et al., 2022; Kumari & Mor, 2021; Mishra & Mohanty, 2022).

In this study, a micro-industry is defined as any micro-productive, micro-service or micro-trading operation conducted by any enterprise classified as a micro-enterprise by the Government of India. This definition is less broad than “MSME,” yet more than “manufacturing industry.”

This perspective matters since lumping all micro-, small, and medium enterprises together may fail to highlight the particular development contribution made by the micro-enterprises. Micro-enterprises can create self-employment, employment for others, household income, entrepreneurship, financial access, and economic diversification simultaneously. The above factors relate to social and economic inclusion through women entrepreneurship, rural entrepreneurship, micro-credit, and digital finance inclusion (Baker, 2021; Maurya & Mohanty, 2021; Sahu et al., 2024).

Thus, the two major dimensions that need focus in this study are employment and entrepreneurship development. The two factors are linked but different. Growth in the number of micro-enterprises will not automatically lead to equal employment growth, and vice versa. The outcome depends on the enterprise survival, financial access, entrepreneurial

ability, and market opportunities (Mor et al., 2020; Chatterjee & Datta, 2023).

In other words, small-scale industries will be viewed as a diverse element of the Indian enterprise system in which the role of these industries in the development process can be gauged by means of the employment and entrepreneurship related facts and not merely by the number of enterprises alone.

2. Problem Statement

Micro-enterprises represent an essential component of the enterprise sector in India and have implications not only for production but also for employment, self-employment, entrepreneurship, household income, and local economic activity. The existing literature shows that micro-enterprise development is impacted by entrepreneurial ability, finance, institutions, markets, and digital assets (Mor et al., 2020; Chatterjee & Datta, 2023; Kumari & Mor, 2021; Mishra & Mohanty, 2022). Evidence obtained from female entrepreneurs, rural enterprises, micro-credit schemes, and particular industrial clusters reveals that the developmental impact of micro enterprises depends on the institutional and socio-economic context (Maurya & Mohanty, 2021; Sahu et al., 2024; De et al., 2024).

Nevertheless, the aggregation of indicators of MSME may be associated with the loss of information about particular features of micro, small, and medium enterprises. Aggregation may cover differences in the employment potential, entrepreneurial features, financial, technological, and vulnerability of micro enterprises. Changes in the classification of MSME also present problems for measuring and comparing the indicators of micro, small, and medium enterprises (Nagaraj & Vaibhav, 2020). The period of 2021-2025 is especially significant due to post-pandemic recovery, changes in the criteria for enterprise classification, increasing formalisation, and initiatives for digital and financial inclusion.

The current body of literature offers considerable but relatively scattered information on employment, entrepreneurship, finances, women's enterprises, livelihoods, digitization, and resilience in various sectors. However, what is needed to be examined to

date is how all these factors are connected together in terms of the role of micro-enterprises in India's development. A systematic review of secondary data is thus required to synthesize available knowledge without exaggerating causality.

The research problem investigated in the present study is the lack of proper synthesis of the information on how micro-level industries help with employment and entrepreneurship in India in 2021-2025 taking into account financial, digital, institutional, and development-related factors.

3. Review of Literature

3.1 Literature Review

From literature, it emerges that micro-enterprises represent a heterogeneous group within the MSMEs of India's broader ecosystem. Macro level researches relate MSMEs to employment, production, entrepreneurship and regional development, but it is essential to take into account that such findings include evidence for micro-, small and medium enterprises (Pandey & Chaudhary, 2024; Martinravi & Krishnasamy, 2025). The research dedicated specifically to micro-enterprises demonstrates that survival and development of such enterprises depend on starting capital, experience of entrepreneurs, sector of business, market circumstances and institutions (Mor et al., 2020; Chatterjee & Datta, 2023). Enterprise quantity alone is not enough to estimate developmental impact.

Employment and entrepreneurship. Literature demonstrates a correlation between MSMEs and employment creation and entrepreneurial entry (Uma & Anbuselvi, 2023). Micro-enterprises are especially related to self-employment and small employment, however, evidence depends on the context. Chatterjee and Datta (2023) discovered through the analysis based on evidence of SHGs from West Bengal that financial opportunities, government support and market opportunities are important in order to ensure success of entrepreneurs. It was also shown recently that entrepreneurial motives and resource bricolage are related to livelihood capital of Indian micro-entrepreneurs (Suresh et al., 2025).

Finance, credit and women-owned enterprises. Financing is identified as a problem continuously. While Dehejia & Gupta (2022) have shown that financial development influences the transition of women-owned informal micro-enterprises into formal employment, Maurya and Mohanty (2021) find that there is a disparity with respect to the time and space dimensions of formal credit availability for unorganized women entrepreneurs. Kumari and Mor (2021), on their part, demonstrate that enterprise-related aspects including nature of business, location and enterprise age are associated with sources of finance for women-owned microenterprises. In North India, demographic and enterprise aspects have been found to influence the financial performance of women-owned micro-enterprises (Harpriya et al., 2022). The difference, however, lies in the geography and enterprise aspects.

Women, rural development and inclusive livelihoods. Gender and spatial inclusion are recurrent themes in the literature. Studies on urban women micro-entrepreneurs reveal fund availability, work-life balance and skills deficiency as key obstacles (Majumdar et al., 2023). Rural and tribal literature reveals that microcredit may play a role in transforming employment and livelihood through women entrepreneurs (Sahu et al., 2024), whereas SHGs participation results in economic and sociocultural empowerment (Ghosh et al., 2024). In other words, micro-enterprises may lead to inclusive development; however, their success depends on institutional and sociocultural environment and not merely creation of enterprises.

Digitalization, financial literacy and innovation. The relationship between digitalization and micro-enterprise development is increasingly recognized in the recent literature. In research on women MSME entrepreneurs from Odisha, Mishra and Mohanty (2022) show that access to ICT is not equal to effective use due to language and other factors. Also, Suresh et al. (2025) find the link between mobile payment and livelihood processes. Kumari et al. (2024) based on Delhi-NCR survey find positive connections between financial literacy and innovative business performance.

Institutional environment, resilience and post-COVID factors. The pandemic brought to the fore the vulnerability of small scale firms, especially specific sector based business, including crafts (Yadav et al., 2022). De et al. (2024) reveal how institutional settings affected the entrepreneurial capabilities and resilience of West Bengal weaving clusters. The comparison proves that cooperative and trader-dominated institutional setting can produce varied mixes of innovation, bargaining power and resilience. These insights reaffirm the significance of institutional environment. The similar insights have been offered by Martinravi and Krishnasamy (2025) on the continued challenges of finance, technology, regulatory difficulties and infrastructural issues for MSMEs. The following studies from 2026 add recent context: Sanu and Anjum (2026) examine firm and human capital aspects related to employment generation in MSMEs in Assam, and Ponna Srilatha (2026) examines changing structure of MSMEs. As these are post-study period studies, they are cited here only as recent extension of the literature.

Table 2. Literature Review Synthesis

Author & Year	Study Context/Data	Variables/Focus	Methodology	Major Findings	Limitations /Gap	Relevance to Present Study
Mor et al. (2020)	Informal microenterprises, Haryana	Survival, capital, experience, sector	Primary data; multinomial logistic regression	Capital and experience support survival	Haryana-specific	Micro-enterprise sustainability
Nagaraj & Vaibhav (2020)	Indian MSME classification	Definition/classification	Analytical review	Classification changes affect policy coverage	Classification-focused	Measurement consistency
Baker (2021)	Indian paratransit	Digital financial inclusion	Qualitative research	Everyday digital finance shaped by	Sector-specific	Digital inclusion

	micro-entrepreneurs			institutional/social conditions		
Maurya & Mohanty (2021)	Unorganized women entrepreneurs, India	Formal credit access	National secondary datasets; probit models	Regional disparities in credit access	Unorganized-sector focus	Finance and spatial inequality
Kumari & Mor (2021)	Women microentrepreneurs, Haryana	Finance and enterprise characteristics	Primary survey; chi-square/association analysis	Business characteristics associated with financing	Local and pre-study-period data	Gender and finance
Dehejia & Gupta (2022)	Indian households/enterprises	Financial development and micro-entrepreneurship	Large-scale empirical analysis	Financial access affects employment/entrepreneurship transitions	Broader than micro enterprises	Finance–employment linkage
Harpriya et al. (2022)	Women-owned microenterprises, North India	Demographics, sales, profitability	Survey; multivariate regression	Several enterprise/demographic factors associated with performance	Regional sample	Women's enterprise performance
Yadav et al. (2022)	Indian handicraft MSMEs	COVID-19 impact, exit strategies	Descriptive empirical study	Lockdown created substantial enterprise challenges	Handicraft-specific	Post-COVID resilience
Mishra & Mohanty (2022)	Women MSMEs, Odisha	ICT access/use	165 interviews; Capability Approach	Access does not guarantee effective digital use	Two districts; women-focused	Digitalization
Chatterjee & Datta (2023)	SHGs, West Bengal	Entrepreneurial ability	Ground-level survey; logistic regression	Finance, state support and markets matter	Regional/SHG context	Entrepreneurship
Uma & Anbuselvi (2023)	Indian MSMEs	Employment and development	Secondary/descriptive analysis	MSMEs associated with employment and development	Aggregate MSME focus	Employment context
Majumdar et al. (2023)	Urban women microentrepreneurs	Funding, skills, responsibilities	Empirical non-parametric analysis	Funding and work–family constraints prominent	Urban focus	Gender constraints
De et al. (2024)	Weaving clusters, West Bengal	Institutions, entrepreneurship, resilience	Comparative cluster analysis	Institutional environment affects capability and resilience	Sector/cluster-specific	Institutions and resilience
Kumari et al. (2024)	Microentrepreneurs, Delhi-NCR	Financial literacy, performance, innovation	Survey; PLS-SEM	Financial literacy positively related to performance and innovativeness	Regional primary sample	Finance and innovation
Sahu et al. (2024)	Tribal women, PMMY	Credit, employment, livelihoods	Empirical assessment	Microcredit linked with livelihood transformation	Tribal/women-specific	Inclusive finance
Pandey & Chaudhary (2024)	Indian MSMEs	GDP, employment, exports, policy	Secondary-data critical analysis	MSMEs contribute across development indicators	Aggregate MSME level	Broader development context
Ghosh et al. (2024)	Rural SHG women, India	Empowerment, entrepreneurship	Survey; linear regression	SHG intervention associated with empowerment	SHG-specific	Rural inclusion
Martinravi & Krishnasamy (2025)	Indian MSMEs	Employment, output, finance, technology	Strategic/quantitative analysis	Finance, regulation and technology remain constraints	MSME aggregation	Current strategic context

Suresh et al. (2025)	Indian microentrepreneurs	Motivation, bricolage, mobile payments, livelihoods	Survey; structural modelling	Bricolage/mobile payments linked with livelihood processes	Primary, cross-sectional evidence	Digital livelihood linkage
Sanu & Anjum (2026)	MSMEs, Assam	Firm characteristics, human capital, employment growth	Survey; robust regression	Size, age, sector and human capital matter	2026; regional MSME sample	Recent employment evidence
Ponna Srilatha (2026)	Indian MSMEs	Structure, formalisation, employment, regional distribution	Secondary descriptive/analytical analysis	Micro enterprises dominate MSME structure	2026; aggregate MSME focus	Recent structural context

Source: Compiled by the author from the supplied literature.

3.2 Literature Review Gap

The extant literature indicates that micro-enterprises have a close association with employment, entrepreneurship, financing, livelihood, digitalisation, and inclusion. Nevertheless, there is a lack of coherent evidence in respect to these aspects which may be related to the fragmented analysis of micro enterprises in the context of women, SHGs, certain states, or even single programs rather than to micro enterprises within the broader framework of India's economic development.

Three major limitations are evident. First, there is much information on employment and development in general concerning aggregate MSMEs which makes it difficult to highlight the specific contribution of micro enterprises (Uma & Anbuselvi, 2023; Pandey & Chaudhary, 2024; Martinravi & Krishnasamy, 2025). Second, most studies use primarily primary, cross-sectional, and geographically limited data rather than a secondary one at the national level. Third, the new classification of MSMEs makes longitudinal comparison complicated (Nagaraj & Vaibhav, 2020).

Although such aspects as financing, digital capabilities, institutional support, gender, rural location, and resilience affect employment and entrepreneurship, none of these aspects were ever considered collectively and in a temporal perspective through secondary data from 2021 to 2025. Hence, there is no gap in the number of studies but in their integration into a single perspective.

This study fills the gap through an analysis of the secondary data for the period 2021-2025 that differentiates between micro-level activity and the overall performance of MSMEs through the analysis of financial, digital, rural, institutional and inclusive development dimensions.

4. Methodology

4.1 Research Design: Descriptive and Analytical

The methodology employed in this research is descriptive and analytical research design that will investigate the role of micro-level industries in economic development in India between 2021-2025. A descriptive design is suitable for systematically reporting trends and patterns associated with micro-enterprises, employment, entrepreneurship, financing, and development. The use of an analytical design will be for interpreting the relationships and differences revealed by the literature on secondary sources in relation to micro-enterprise and its connection to employment and entrepreneurship development. This research design will be suitable for synthesizing findings since there is no need to conduct primary experiments or surveys to prove causality.

Micro-enterprise/ micro-level economic activity will be the main unit of analysis, whereas national-level indicators and relevant comparative state-, sector-, or program-level indicators will be the context units of analysis. They will not be arbitrarily merged when the definition of units of analysis and the periods of observation are different.

4.2 Data Source: Secondary Data

This study makes use only of secondary data. There is no use of any kind of questionnaire, interviews, field observation, respondent survey, or primary data set created by researchers. Official data sources include the Ministry of Micro, Small and Medium Enterprises, Government of India, various Government of India sources, Economic Survey, and other official statistics, wherever applicable. In addition to this, the study will make use of the peer reviewed literature and other institutional literature provided to explain the themes of employment, entrepreneurship, financing, rural development, digitalization, inclusiveness, and institutions.

Four main criteria are used to select the secondary data for this study. These include relevancy to the research objective, credibility of sources, definition of indicators, and comparability during the entire period of the study. Any study dealing with specific

groups and regions is considered as contextual evidence.

4.3 Study Period: 2021–2025

The empirical study period is **2021–2025**. This period captures the post-pandemic phase, continuing formalisation of enterprises, changes in the policy environment, and increasing relevance of digital and financial inclusion. Particular care is required because India's MSME classification was revised during this period. The 2025 revision therefore requires year-specific interpretation rather than assuming that identical classification thresholds applied throughout 2021–2025 (Nagaraj & Vaibhav, 2020; Ministry of Micro, Small and Medium Enterprises [MoMSME], 2025).

Publications made in 2026 are used as sources of contemporary literature or context but not as 2026 observations for the study period.

4.4 Variables

The principal analytical dimensions are:

Variable/Dimension	Illustrative Secondary Indicators
Micro-enterprise activity	Registered micro enterprises, enterprise counts and relevant MSME indicators
Employment	Employment associated with micro/MSME activity and available employment indicators
Entrepreneurship	Enterprise formation, entrepreneurial participation and business-development indicators
Finance/Credit	Credit access, microcredit, institutional finance and financial inclusion
Rural development/Livelihoods	Rural enterprise activity, livelihood transformation and income-related evidence
Digitalisation	Digital financial services, mobile payments, ICT access/use and digital capability
Inclusive development	Women's entrepreneurship, empowerment and participation of disadvantaged groups

Indicators have been used where it was clearly defined and measurable. Micro enterprise registrations should not be directly regarded as entrepreneurial success, nor should employment from MSMEs be considered employment from micro enterprises alone.

This approach will enable the research goals to be achieved since it allows for a constant framework for

exploring the connection between micro enterprise activity, employment creation and entrepreneurship development, as well as finance, digitalization, rural livelihoods, institutions and inclusive development. This approach therefore enables H1 and H2 hypotheses to be evaluated on the basis of evidence without turning secondary data into causations.

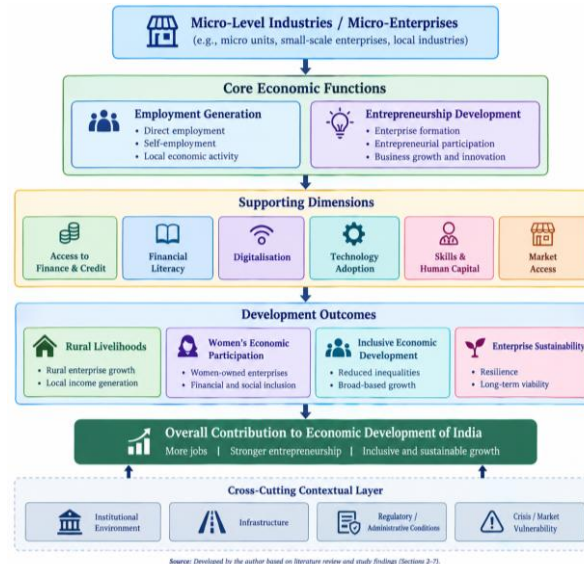


Figure 1. Conceptual Framework of the Role of Micro-Level Industries in Economic Development of India

5. Research Hypothesis

Two hypotheses have been formulated on the basis of the literature review conducted. Since the study is

entirely based on secondary information and no formal testing of the correlation and regression is being carried out, these hypotheses have been taken as analytical hypotheses.

Hypothesis	Conceptual Basis	Supporting Literature	Relevant Variables / Constructs	Basis for Proposition	Interpretation
H1: Micro-Level Industries and Employment H1: Micro-Level Industries play a significant role in employment generation in India.	Employment can be created within micro-industries through enterprise based employment, self-employment, livelihood activities, and local economy. Their existence in large numbers can help in creating employment especially in the local economy.	The employment creation function of MSMEs in India is captured by Uma and Anbuselvi (2023). The economic importance and viability of microenterprises are brought out by Mor et al. (2020). Employment creation through microcredit-enabled entrepreneurship is explained by Sahu et al. (2024).	Industry activity at micro level: microenterprise activity, enterprise counts, and entrepreneurship. Employment: employment-related indicators, self-employment, and livelihood generation. Ancillary dimensions: finance, microfinance, rural livelihoods, and enterprise survival.	According to the discussed literature, micro-enterprises have the potential of generating livelihoods and employment opportunities. The financial and institutional assistance could enhance entrepreneurship activities and employment capabilities (Kumari & Mor, 2021; Sahu et al., 2024).	This statement shows a relationship but not causation. Employment can also be dependent on finance, skills, markets, technology, institutions, and other economic factors. As such, this research does not make any claim that the micro-level industry causes employment generation.
H2: Micro-Level Industries and Entrepreneurship Development H2: Micro-Level	The micro-industries offer chances for establishing businesses,	Entrepreneurial abilities and micro-enterprise creation have been studied by	Micro level industry actions: firm creation and development. Development of	From literature, micro-enterprise development appears to be connected to	The theory does not imply causality but rather an association

Industries play a significant role in entrepreneurship development in India.	entrepreneurial involvement, business development, innovations and livelihood-based entrepreneurship. The process of entrepreneurship development also involves finances, information and institutional capacities.	Chatterjee & Datta (2023). Relevance of financial development for micro-entrepreneurship has been established by Dehejia and Gupta (2022). Finance of women micro-entrepreneurs has been analyzed by Kumari and Mor (2021). The importance of digital access and usage by women MSME entrepreneurs has been stated by Mishra and Mohanty (2022).	entrepreneurship: entrepreneurial participation, entrepreneurial capacity and business development. Supporting dimensions: finance, financial literacy, digitalization, innovation and institutions.	entrepreneurial capacity, financial inclusion, financial literacy, digital assets, and institutional environment. This can facilitate entrepreneurship and enterprise development (Dehejia & Gupta, 2022; Kumari et al., 2024).	between entrepreneurship development and various factors such as education, skill, finance, digitalization, institutions, market, and socioeconomic environment.
---	---	--	--	---	--

5.1 Hypothesis Assessment

The hypotheses postulated in the current research work are considered analytical hypotheses and are analyzed based on the secondary evidence available as opposed to hypothesis testing techniques. The first hypothesis (H1) is tested based on evidence pertaining to micro-enterprise operations and employment creation, while the second hypothesis (H2) is analyzed using evidence involving enterprise creation, entrepreneurship engagement, financial inclusion, digitalization, business development, and entrepreneurship competencies. As secondary evidence available does not include consistently comparable national statistics about micro-enterprises for 2021-2025, the hypotheses cannot be statistically tested by correlation and regression analysis. Consequently, neither H1 nor H2 is statistically confirmed or falsified, and any significance values, coefficients, and p-values are not calculated. Instead, H1 and H2 are analyzed based on percentage analysis, growth rate analysis, trend analysis, comparative analysis, and thematic synthesis wherever applicable.

6. Results and Discussion

The results have been obtained strictly on the basis of proven secondary data available with Ministry of MSME and other Government of India. Since there has been variation in the coverage of Udyam Registration during the period under review especially owing to inclusion of Informal Micro Enterprises through Udyam Assist Platform (UAP), the data cannot be considered a continuously growing series. Data of PMEGP provides a better continuously growing series of micro-enterprises from 2021-22 to 2024-25. (MSME)

6.1 Percentage Analysis

The evidence of Udyam shows that micro enterprises dominate the total registered MSMEs. Up to 31 December 2021, out of 6,410,453 registered enterprises 6,062,213 micro enterprises were registered having 94.57% share. In the year 2022, out of 13,093,698 total registered enterprises 12,617,959 micro enterprises were registered having 96.37% share. By 31 December 2024, as Udyam Registration included Informal Micro Enterprises registered through UAP, 56,901,755 micro enterprises had a share of 98.61% out of total 57,703,750 registered enterprises. The latter figure has more coverage as compared to the former two

figures and thus cannot be treated as a continuously growing series. (MSME)

Table 6.1. Trend of Micro-Level Enterprises / Relevant MSME Indicators, 2021–2025

Year/Reference date	Micro enterprises	Total classified MSME registrations	Micro share	Coverage
2021	6,062,213	6,410,453	94.57%	Udyam Registration
2022	12,617,959	13,093,698	96.37%	Udyam Registration
2024	56,901,755	57,703,750	98.61%	Udyam + Informal Micro Enterprises on UAP

Source: Ministry of MSME, *Annual Report 2021–22*, *Annual Report 2022–23*, and *Annual Report 2024–25*. (MSME)

The figure is an expression of the ratio of the number of micro enterprises to the total number of classified MSME registrations as a percentage. It expresses the

numerical superiority of the micro enterprise category in the particular registration database, but it is not the proportion of all micro enterprises in India.

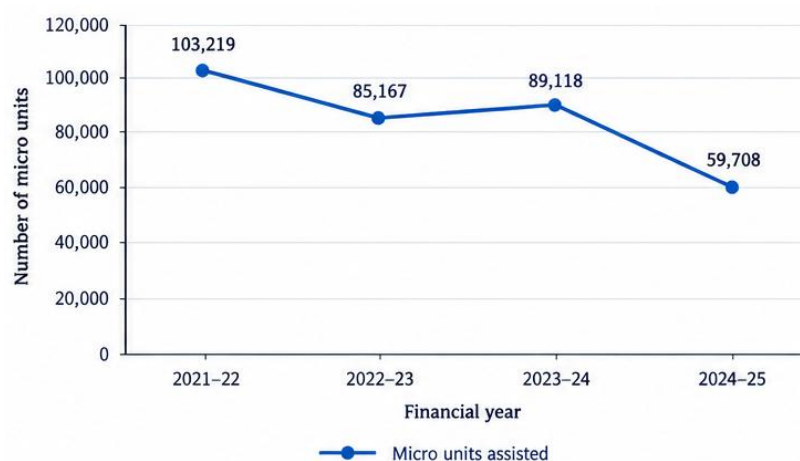


Figure 6.1. PMEGP Micro-Units Assisted, 2021–22 to 2024–25

Source: Ministry of MSME, PMEGP performance data. ([MSME](#))

6.2 Growth Rate Analysis

For a comparable series, PMEGP provides annual data on micro units assisted. The number of assisted micro units declined from **103,219 in 2021–22** to **59,708 in 2024–25**. Using the specified formula:

$$\text{Growth Rate (\%)} = [(59,708 - 103,219) / 103,219] \times 100 = -42.15\%$$

Therefore, the number of micro enterprises supported through PMEGP showed a reduction of approximately 42.15 percent from FY 2021–22 to FY 2024–25. Employment generated through the PMEGP-supported units was estimated at 825,752 persons in FY 2021–22 to 477,664 persons in FY 2024–25. This represents the same reduction of

42.15 percent. The time-series graph shows an intermediate increase in 2023–24 followed by a reduction in 2024–25. (MSME)

The above calculation is confined to PMEGP because the annual series uses a uniform definition based on a scheme. Growth rates cannot be calculated for Udyam registrations from 2021–2025 due to the change in coverage with the addition of Informal Micro Enterprises through UAP.

6.3 Discussion

From the results, it is evident that micro enterprises form the biggest number of entities within India's registered MSME system. Specifically, micro enterprises represented 94.57% of Udyam

classifications in 2021, 96.37% in 2022, and 98.61% in 2024 under the more inclusive Udyam-plus-UAP classification. The result shows the importance attached to the concept of micro-industries within the current study, despite being different from economic performance. Consistent with Mor et al. (2020), who show the economic importance and vulnerability of microenterprises, there is evidence on the economic importance of MSMEs in terms of employment and development (Uma & Anbuselvi, 2023; Pandey & Chaudhary, 2024).

The evidence provided by PMEGP gives more support to employment and entrepreneurship in particular. For instance, between 2021/22 and 2024/25, PMEGP-assisted micro enterprises dropped from 103,219 to 59,708, while employment generated fell from 825,752 to 477,664. This trend implies variability in micro-enterprise establishment supported rather than a declining trend in micro-enterprise employment in India. Similarly, Sahu et al. (2024) link entrepreneurship and employment through microcredit.

There is also entrepreneurship evidence through the involvement in the PMEGP programme. The proportion of women among aided PMEGP entrepreneurs was 37.93% in 2021-22 and 39.25% in 2024-25, and it is also noted that roughly 80% of the units set up under the PMEGP programme are in rural areas. These trends are also in line with the literature regarding women entrepreneurship, finance, rural livelihood and entrepreneurship capability (Kumari & Mor, 2021; Chatterjee & Datta, 2023; Kumari et al., 2024). Economically speaking, it can be observed that micro-industries form a significant institution base for employment, self-employment and entrepreneurship, especially in rural and inclusive-development schemes. The policy implication is that efforts should not only include registering but also finance, skill, digital, market and enterprise sustainability.

Thus, the evidence offered provides descriptive and analytical support for H1 and H2, although no statistical significance or causation is established. Consequently, H1 and H2 are kept as analytical propositions instead of accepted hypotheses.

Table 6.2. Employment-Related Evidence of Micro-Level Industries

Indicator	Year	Verified value	Interpretation
Employment provided by micro enterprises under Udyam	2022	78,262,228 persons	Employment declared by registered micro enterprises
Employment provided by micro enterprises under Udyam/UAP coverage	2024	221,887,190 persons	Broader administrative coverage including Informal Micro Enterprises
PMEGP-assisted micro units	2021–22	103,219 units	Micro units assisted
PMEGP estimated employment	2021–22	825,752 persons	Estimated employment associated with assisted units
PMEGP-assisted micro units	2024–25	59,708 units	Micro units assisted
PMEGP estimated employment	2024–25	477,664 persons	Estimated employment associated with assisted units

Source: Ministry of MSME, *Annual Reports 2022–23, 2024–25 and 2025–26*. Udyam employment figures are administrative declarations and have different database coverage across years; PMEGP figures are scheme-specific estimates. (MSME)

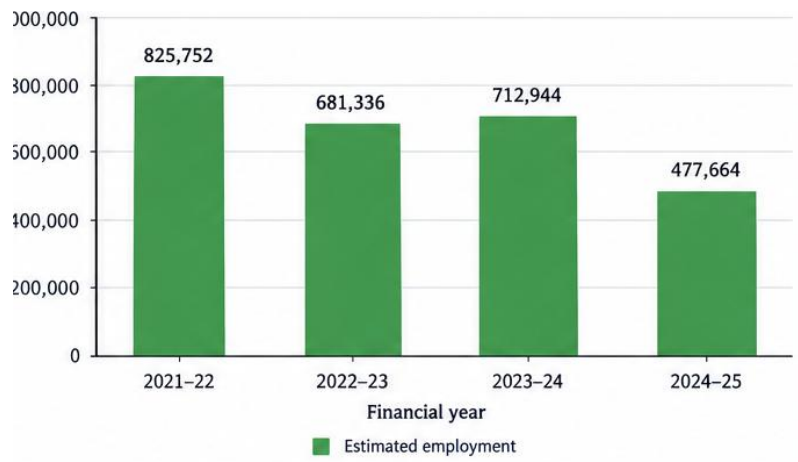


Figure 6.2. Estimated Employment Generated under PMEGP, 2021-22 to 2024-25

Source: Ministry of MSME, PMEGP annual performance data. ([MSME](#))

Table 6.3. Entrepreneurship, Rural Development and Inclusive-Growth Evidence

Indicator	2021-22	2022-23	2023-24	2024-25
PMEGP micro units assisted	103,219	85,167	89,118	59,708
Women entrepreneurs assisted	39,156	32,626	36,806	23,434
Women as share of PMEGP units	37.93%	38.31%	41.30%	39.25%
Estimated employment generated	825,752	681,336	712,944	477,664

Source: Ministry of MSME, PMEGP performance data. Approximately 80% of PMEGP-established units are reported to be located in rural areas. ([MSME](#))

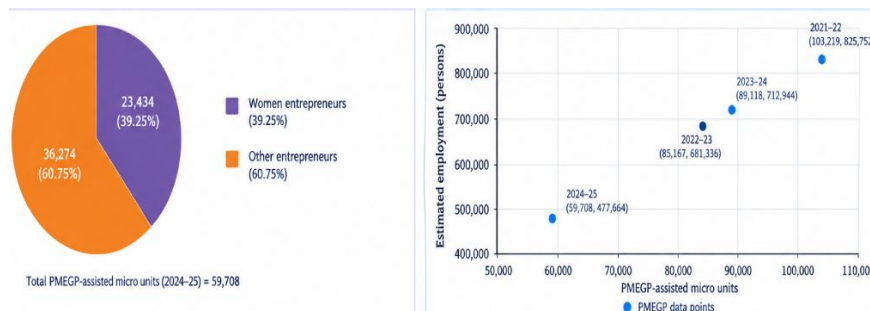


Figure 6.3. Women Entrepreneurs Assisted under PMEGP, 2021-22 to 2024-25

Source: Ministry of MSME, PMEGP data on women entrepreneurs. ([MSME](#))

7. Challenges Faced by Micro-Industries

There are multiple inter-related economic, technological, institutional, market, and human capital constraints at the micro-industrial level that influence the ability of such industries to create employment and enable entrepreneurship.

1. Access to financial and credit services: The literature indicates that access to credit remains a major constraint for micro-entrepreneurs,

especially for women and informal enterprises (Maurya & Mohanty, 2021; Kumari & Mor, 2021). Lack of access to formal sources of finance could limit working capital and growth potential of an enterprise, thus, affecting employment and entrepreneurship opportunities.

2. Market access: Micro-enterprises usually operate in a market with limited geographical scope and find it difficult to enter large competitive markets. Data on the handicrafts

- and weaving industry point towards vulnerability to market and institutional shocks (Yadav et al., 2022; De et al., 2024).
3. Digital divide: While access to digital technology does not automatically imply its effective usage. Research conducted by Mishra and Mohanty (2022) indicates an "access-use" gap for women MSME entrepreneurs while Baker (2021) emphasizes the need for digital financial inclusion for micro-entrepreneurial activities.
 4. Adoption of technology: Low technological capacity can limit the productivity, innovativeness and competitiveness of enterprises. Financial literacy and digital capacity are also related to business performance and innovativeness (Kumari et al., 2024).
 5. Human capital and skills: Entrepreneurial and managerial capabilities and human capital affect microenterprise development (Chatterjee & Datta, 2023). Hence, skill limitations may limit the sustainability and growth of enterprises.
 6. Infrastructure: Rural and cluster-based enterprises can suffer from institutional and infrastructural limitations that affect production, connectivity and participation in markets (De et al., 2024).
 7. Financial literacy: Lack of financial knowledge can limit the financial decision making and performance of enterprises (Kumari et al., 2024).
 8. Institutional context: Quality of institutions affects the resilience and development of micro-enterprises in sector and location specific environments (De et al., 2024).
 9. Bureaucratic and regulatory burden: Regulatory and compliance requirements impose disproportionate burden on enterprises with low managerial and bureaucratic capacity. Changing categorization of MSMEs needs proper interpretation of evidence based on registration (Nagaraj & Vaibhav, 2020).
 10. Gender constraints: Women-owned enterprises face various constraints in terms of finance, digital and institutions that may inhibit enterprise development (Harpriya et al., 2022; Majumdar et al., 2023).
 11. Crisis vulnerability: The effects of the pandemic such as COVID-19 and lockdowns have exposed the vulnerabilities of micro and small businesses, especially those in handicrafts and clusters (Yadav et al., 2022; De et al., 2024).
 12. Entrepreneurial performance and innovations: Constraints in finance, financial literacy, digital technologies and entrepreneurial abilities affect performance and innovations (Kumari et al., 2024).

These factors combined together can adversely affect employment creation, entrepreneurship development and economic contributions of micro-level industries. Therefore, the recommendations should consider addressing the interconnected constraints and not just enterprise registration or credit provision alone.

8. Recommendations

Problem	Proposed Intervention	Responsible Stakeholder	Expected Development Outcome
Limited credit access	Expand appropriately designed collateral-light and working-capital finance for viable micro enterprises.	Government/MSME institutions; banks	Enterprise continuity, investment and employment
Weak financial capability	Integrate financial-literacy modules with credit and enterprise-support programmes.	Banks; financial institutions; entrepreneurship institutions	Better financial decisions and business performance
Digital access-use gap	Provide practical digital-payment, e-commerce and digital-finance training alongside connectivity support.	Digital-support institutions; state/local authorities	Greater digital participation and market access
Limited technology adoption	Facilitate affordable technology upgrading, common facilities and innovation support.	MSME institutions; technology institutions	Productivity, competitiveness and innovation

Entrepreneurial capability gaps	Strengthen mentoring, business-planning and enterprise-development programmes.	Entrepreneurship-development institutions	Improved enterprise formation and sustainability
Skills constraints	Align skill programmes with local micro-industry and market requirements.	Skill-development institutions; state authorities	Improved human capital and employability
Restricted markets	Strengthen digital marketplaces, procurement linkages, branding and cluster-based market support.	Government/MSME institutions; local authorities	Expanded market opportunities
Rural enterprise constraints	Develop integrated rural enterprise support combining finance, skills, infrastructure and market linkage.	State/local authorities; MSME institutions	Rural livelihoods and employment
Gender-related barriers	Provide targeted finance, digital training, mentoring and market support for women-owned enterprises.	Government; banks; entrepreneurship institutions	Greater women's entrepreneurial participation
Institutional fragmentation	Establish coordinated delivery and referral mechanisms across MSME, banking, skill and digital-support agencies.	Government/MSME institutions	Reduced administrative friction
Crisis vulnerability	Promote business-continuity planning, diversified markets and accessible emergency finance.	Government; financial institutions	Greater enterprise resilience

These recommendations align well with the literature that underlines the significance of financing, entrepreneurial skills, digitization, financial literacy, and institutional assistance (Dehejia & Gupta, 2022; Mishra & Mohanty, 2022; Kumari et al., 2024; Mishra & Choudhury, 2025).

9. Limitations of the Study

This study faces certain evidence-based limitations. Firstly, being entirely based on secondary data, this study does not allow influencing the process of developing and measuring the indicators used. Secondly, MSMEs' categorization and registration processes changed throughout the study timeframe, especially due to different formalization mechanisms, which made it sometimes inappropriate to conduct the comparison for each year separately. Thirdly, the available evidence varies according to geographical, sectoral, and demographic coverage; conclusions about women-owned businesses, rural businesses, handicraft clusters, or businesses in particular states cannot be generalized for all micro-businesses in India. Finally, there is a lack of annual data on national level for micro-enterprises.

The study also places great weight on aggregated administrative and publically accessible information

instead of using data from individual firms. Different methods used in different sources limit direct comparisons. Correlation and regression analysis could not be performed due to the lack of appropriate statistical methods which would allow drawing inferences about the interrelations between micro-businesses, employment, and entrepreneurship. Lastly, publication and selection biases may play role in choosing literature, and the period of the study (2021–2025) limits generalization of the results beyond this period.

10. Scope of the Study

This study analyzes the influence of micro level industries on India's economic growth for the period 2021-2025 using only secondary data. The main emphasis of this study lies on the activities of micro-enterprises in terms of generating employment opportunities and development of entrepreneurship as well as finance, digitalization, rural economy, inclusion, institutions and resilience of enterprises as supplementary dimensions. National level evidence is supplemented by relevant state, sectoral, gender and scheme level literature.

The study does not draw conclusions about causal firm level relationships nor national level implications from geographically and sectorally limited research findings. Future research may build

on the current research by comparing states and districts, rural urban differences, sector specific studies, research on women owned micro-enterprises, surveys at the firm level, panel and longitudinal data as well as evaluations at the scheme level. Research may also analyze issues like finance and credit availability, digitalization, entrepreneurship capabilities and employment creation using comparable firm level data. Comparative research on the subject in international context may determine whether micro-enterprise development experience in India differs from that of other emerging economies.

11. Conclusion

It is concluded that micro-level industries constitute an essential base of India's economic development due to their contributions in the generation of employment opportunities, entrepreneurship, and inclusive participation in economic development. The evidence provided for the period 2021-2025 shows that micro-enterprises constitute an important source of self-employment, business creation, local economic development, and livelihoods, with additional employment and entrepreneurial engagement being created through government initiatives. The relevance of these businesses in terms of development does not only lie in the number of enterprises created but also in financing, financial inclusion, digitalization, financial literacy, skills, technologies, market access, and institutions that affect the ability of micro-enterprises to sustain and grow. It is also mentioned that these businesses are important for rural development and women's economic engagement, however, it is impossible to generalize the evidence from certain regions, industries, and population groups for the whole country. Nevertheless, micro-industries face certain limitations related to financing problems, market barriers, digital and technological gap, lack of skills, infrastructure limitations, institutional challenges, and gender constraints.

Such constraints may limit the potential for employment generation and entrepreneurship development. Thus, it becomes clear that an approach combining credit, finance literacy, digitalization, technology, skills, markets linkage,

enterprise promotion in rural areas, targeted help to women, and institution coordination should be used instead of enterprise registration and other single tools. There is a lot of evidence to confirm Hypotheses 1 and 2 regarding employment generation and entrepreneurship development respectively; however, neither hypothesis is rejected nor accepted since there are no correlation and regression tests. In general, micro industries should be considered as an important part of inclusive development strategy in India.

References:

1. Mor, S., Madan, S., Archer, G. R., & Ashta, A. (2020). Survival of the Smallest: A Study of Microenterprises in Haryana, India. *Millennial Asia*, 11(1), 54-78. <https://doi.org/10.1177/0976399619900609>
2. Harpriya, Sharma RK, Sah AN. *Impact of demographic factors on the financial performance of women-owned micro-enterprises in India*. *Int J Fin Econ*. 2022; 27: 6–17. <https://doi.org/10.1002/ijfe.2133>
3. Nagaraj, R., & Vaibhav, V. (2020). Revising the Definition of MSMEs: Who is Likely to Benefit From it?. *The Indian journal of labour economics : the quarterly journal of the Indian Society of Labour Economics*, 63(Suppl 1), 119–126. <https://doi.org/10.1007/s41027-020-00266-x>
4. Baker, L. (2021). Everyday experiences of digital financial inclusion in India's 'micro-entrepreneur' paratransit services. *Environment and Planning A: Economy and Space*, 53(7), 1810-1827. <https://doi.org/10.1177/0308518X211026320>
5. Maurya P, Mohanty PC. *Inter-temporal and spatial variation in credit access to Indian unorganized women entrepreneurs*. *J Public Affairs*. 2021; 21:e2192. <https://doi.org/10.1002/pa.2192>
6. Yadav, U. S., Tripathi, R., & Tripathi, M. A. (2022). Adverse impact of lockdown during COVID-19 pandemic on micro-small and medium enterprises (Indian handicraft sector): A study on highlighted exit strategies and important determinants. *Future Business Journal*, 8(1), 52. <https://doi.org/10.1186/s43093-022-00166-0>
7. Dehejia, R., & Gupta, N. (2022). Financial Development and Micro-Entrepreneurship. *Journal of Financial and Quantitative Analysis*,

- 57(5), 1834–1861.
doi:10.1017/S0022109021000569
8. Kumari, P., & Mor, S. (2021). *Entrepreneurship and source of finance: The case of Indian women microentrepreneurs*. *Strategic Change*, 30(4), 331–340.
<https://doi.org/10.1002/jsc.2427>
9. Mishra, Anindya Jayanta, and Elisa Mohanty. 2022. “The digitally mediated lives of women MSME entrepreneurs in India: Navigating the “access-use” conundrum.” *International Social Science Journal*, 72, 1017–1032.
<https://doi.org/10.1111/issj.12379>
10. Chatterjee, S., & Datta, D. (2023). Entrepreneurial Ability and Development of Micro Enterprise. *Arthaniti: Journal of Economic Theory and Practice*, 22(1), 47-66.
<https://doi.org/10.1177/0976747920946405>
11. Majumdar, R., Mittal, A., & Bhardwaj, S. (2023). The Challenges Faced by Women Micro-entrepreneurs: Evidence from Urban India. *Vision: The Journal of Business Perspective*, 0(0).
<https://doi.org/10.1177/09722629231185464>
12. Uma, R., & Anbuselvi, R. (2023). Role of Micro Small and Medium Enterprises (MSME) in Employment Generation in India. *Shanlax International Journal of Economics*, 11(2), 22-27.
<https://doi.org/10.34293/economics.v11i2.5809>
13. De, I., Biswas, S. N., & Dey, D. (2024). Micro-entrepreneurship, Institutional Environment and the COVID-19 Pandemic: A Comparison of Weaving Clusters in West Bengal, India. *The Journal of Entrepreneurship*, 33(1), 59-87.
<https://doi.org/10.1177/09713557241233904>
14. Kumari, R., Sharma, V. C., & Adnan, M. (2024). Financial Literacy of Microentrepreneurs and its Effect on the Business Performance and Innovativeness: Empirical Evidence from India. *SEDME (Small Enterprises Development, Management & Extension Journal): A Worldwide Window on MSME Studies*, 51(2), 133-148.
<https://doi.org/10.1177/09708464241233025>
15. Sahu, T. N., Agarwala, V., & Maity, S. (2024). Effectiveness of microcredit in employment generation and livelihood transformation of tribal women entrepreneurs: evidence from PMMY. *Journal of Small Business & Entrepreneurship*, 36(1), 53–74.
<https://doi.org/10.1080/08276331.2021.1928847>
16. Pandey, P., & Chaudhary, A. K. (2024). The Role of Micro, Small, and Medium Enterprises in India's Economic Development: A Critical Analysis. *Asian Journal of Economics, Business and Accounting*, 24(7), 366–384.
<https://doi.org/10.9734/ajeba/2024/v24i71416>
17. Mishra, A. S., & Choudhury, S. (2025). Enhancing financial inclusion and business growth of micro-enterprises in rural India: assessing the moderating role of bank support. *Journal of Human Behavior in the Social Environment*, 1–26.
<https://doi.org/10.1080/10911359.2025.2503439>
18. Martinravi, C. P., & Krishnasamy, K. (2025). Unleashing the potential of MSMEs in India: A strategic analysis. *Journal of the International Council for Small Business*, 6(1), 123–143.
<https://doi.org/10.1080/26437015.2024.2397664>
19. Ghosh, S., Mahapatra, M. S., Tandon, N., & Tandon, D. (2024). Achieving Sustainable Development Goal of Women Empowerment: A Study among Self-help Groups in India. *FIIB Business Review*, 13(4), 477-491.
<https://doi.org/10.1177/23197145231169074>
20. Suresh, R.V., C, C.M., Alshebami, A.S. et al. Transforming lives: the power of entrepreneurial motivation, bricolage, and mobile payments in strengthening livelihoods for micro-entrepreneurs. *Discov Sustain* 6, 154 (2025). <https://doi.org/10.1007/s43621-025-00922-6>
21. Sanu, M. S., & Anjum, S. (2026). Employment Growth Among MSMEs in Assam, India: The Role of Firm-specific Characteristics and Human Capital. *The Indian Economic Journal*, 0(0).
<https://doi.org/10.1177/00194662261437393>
22. Ponna Srilatha. Changing structure of India's MSME sector: trends and policy implications. *Int. J. Res. Manage.* 2026;8(4S):637-642. DOI: [10.33545/26648792.2026.v8.i4Sa.865](https://doi.org/10.33545/26648792.2026.v8.i4Sa.865)