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## Growth and Challenges Faced By the Msmes in Maharashtra

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### Abstract:

The MSMEs (Micro, Small, and Medium Enterprises) play a pivotal role in the Indian economy, and structure due to their significant contribution in terms of output, export and employment. These dynamic enterprises serve as engines of economic growth, contributing to poverty reduction. The present study shows the growth and challenges faced by MSMEs in Maharashtra. The state has always been at the forefront of sustaining industrial growth and fostering an environment conducive to industrial development. It has historically been a major contributor to the national economy. It is understood that Maharashtra is one of the top states that employs 24% of the total workforce in the state with 8% of the total MSME output in India. But with the growth the state is also facing some challenges due to disclosure of regional disparities as far as the promotion of MSMEs and Employment generation is concerned. Additionally, certain industrial issues hinder growth to some extent. This research paper presents findings and data based on available secondary sources such as articles and government reports. Furthermore, the researcher offers insights into the growth and performance of the MSME sector in Maharashtra, exploring its potential within the broader Indian context.

**Keywords:** MSMEs, Employment, Growth, Manufacture.

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### Introduction:

In today's rapidly evolving global environment, Micro, Small, and Medium Enterprises (MSMEs) have become the cornerstone of India's economic success. This dynamic sector serves as a potent catalyst, driving socioeconomic advancement and propelling the nation towards its ambitious goals of fostering employment opportunities, reducing poverty, and mitigating the challenges of rural-urban migration. Acknowledging their immense importance, MSMEs are widely recognized as the key drivers of India's economic growth.

The 2022 Economic and Industrial Annual Report underscores the substantial contribution of the MSME sector to India's economic output. It accounts for an impressive 35.4% of manufacturing output and a remarkable 45.73% of total exports. Moreover, this sector plays a pivotal role in employment generation, providing livelihoods for a considerable portion of the Indian workforce, particularly in rural areas, where it contributes to over 62% of employment opportunities.

Maharashtra, India's second-largest state in terms of both population and geographical expanse, has consistently attracted significant industrial investment from both domestic and international sources. The state has cultivated a robust and supportive environment conducive to industrial development, characterized by investor-friendly

policies, world-class infrastructure, and a highly skilled and productive workforce. These factors have firmly established Maharashtra as a preferred destination for manufacturing, export, and financial services sectors. The primary objective of this paper is to illuminate the growth trajectory and the challenges encountered by MSMEs within Maharashtra.

### Objectives:

1. To study the growth and performance of MSMEs in Maharashtra.
2. Finding the challenges MSMEs are facing in the present time.

### Methodology:

This study investigates the growth and challenges encountered by Micro, Small, and Medium Enterprises (MSMEs) in Maharashtra. To this end, the researcher has compiled secondary data from a diverse range of sources, including research articles, scholarly journals, industry magazines, and government reports published by the Ministry of MSMEs. Additionally, the researcher has incorporated his own perspectives on the challenges faced by this sector.

### Literature Review:

A number of research scholars have studied micro, small and medium industries. Some of the important previous research literature covering various dimensions of MSMEs are presented here. The research by **Das, S.K (2014)** explores the

growth and potential of Micro, Small, and Medium Enterprises (MSMEs) in Odisha, India. It analyses various aspects of the MSME sector in the state, including its contribution to the economy, challenges faced by MSMEs, and potential growth opportunities. The study's key development is to fight against unemployment, poverty and achieve overall socio-economic growth in our state. The study by **Kumar, S (2013)** examines how Micro, Small, and Medium Enterprises (MSMEs) contribute to sustainable economic development.

It likely explores their role in job creation, poverty reduction, environmental protection, and overall economic growth while considering the challenges they face in achieving these goals. **Kale, B.S (2015)** likely focuses on the significance of Micro, Small, and Medium Enterprises (MSMEs) in the Indian state of Maharashtra. It probably examines their contribution to the state's economy, including aspects like job creation, industrial growth, and GDP. The research might also delve into the challenges faced by MSMEs in Maharashtra and explore potential solutions to enhance their growth and development. **Devali, P. N (2014)** enlighten the growth and performances of MSMEs in Maharashtra with context to India. This likely involves factors influencing growth and opportunities for the MSMEs sectors.

#### **Role of Msme in India:**

Micro, Small, and Medium Enterprises (MSMEs) are pivotal drivers of India's economic growth. By creating employment opportunities and fostering industrialization, they significantly contribute to reducing income disparities. MSMEs contribute substantially to India's economic

development through various avenues, including export production, domestic production, low investment requirements, operational flexibility, and their focus on technology-oriented enterprises. While state governments bear the primary responsibility for promoting and developing the MSME sector, the central government also plays a crucial supportive role through numerous initiatives.

The schemes and programs implemented by the Ministry of MSMEs and other organizations aim to provide a range of support, including enhanced access to credit, support for technological advancements and modernization, integrated infrastructure, modern testing facilities and quality certifications, access to contemporary management practices, comprehensive entrepreneurship development programs and skill enhancement initiatives, support for product development and design innovation, improved welfare measures for artisans and workers, facilitated access to both domestic and international markets, and cluster-based approaches to foster capacity building and empower individual units and their collectives.

The 2022-23 Annual Report of the Government of India on Micro, Small, and Medium Enterprises (MSMEs) reveals a total of 633.88 lakh enterprises within this sector. A notable observation is the significant entrepreneurial drive exhibited by rural India, with 51% of registered entrepreneurs originating from rural areas, surpassing their urban counterparts (49%). Furthermore, a deeper analysis of the data highlights the increasing participation of women entrepreneurs in the establishment of small-scale industries, signifying a positive shift in the landscape of entrepreneurship.

**Table 1. Distribution of Enterprises Category Wise (Numbers in lakh)**

Sector	Micro	Small	Medium	Total	Share
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

**Source:** Annual report of MSMEs 2022-2023

**Table 2. Percentage distribution of enterprises owned by Male/ Female entrepreneurs wise**

Category	Male	Female	All
Micro	79.56	20.44	100
Small	94.74	5.26	100
Medium	97.33	2.67	100
All	79.63	20.37	100

**Source:** Annual report of MSMEs 2022-2023

Table3. State-wise Distribution of estimated MSMEs in India

Sr. no.	State/ UT	No. of working Enterprises (in lakhs)	Employment (in lakhs)
1.	Uttar Pradesh	89.99 (14.20)	44.03 (12)
2.	West Bengal	88.67 (14)	34.64 (10)
3.	Tamil Nadu	49.48 (8)	33.13 (9)
4.	<b>Maharashtra</b>	<b>47.78</b> <b>(8)</b>	<b>30.63</b> <b>(8)</b>
5.	Karnataka	38.34 (6)	20.19 (6)
6.	Bihar	34.46 (5)	14.70 (4)
7.	Andhra Pradesh	33.87 (5)	25.97 (7)
8.	Gujarat	33.16 (5)	21.78 (6)
9.	Rajasthan	26.74 (4)	16.64 (5)
10.	Madhya Pradesh	26.74 (4)	19.33 (5)
11.	Other states/UTs	164.52 (26)	100.78 (28)

Source: Annual report of MSMEs 2022-2023

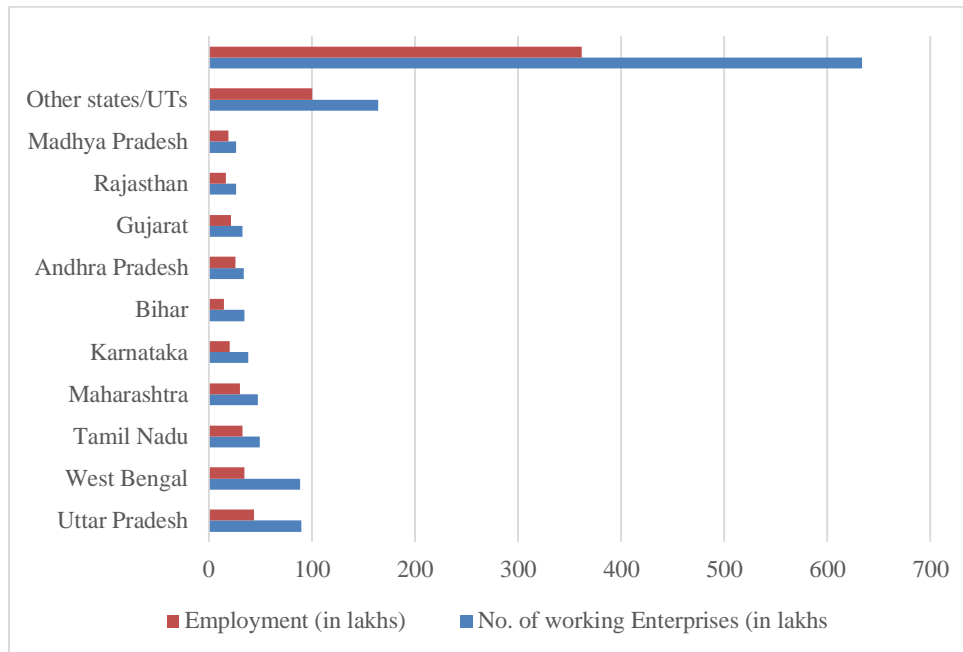


Figure 1. Comparative percentage distribution of MSMEs of States

The provided table illustrates the dominant state-wise distribution of MSME performance for the year 2022-23. Several factors contribute to varying levels of MSME development across states, including the quality of social, economic, and geographical infrastructure, the availability of essential facilities, the prevailing geographical environment, and the effectiveness of state government policies.

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Uttar Pradesh emerges as the leading state with the highest estimated number of MSMEs, constituting 14.20% of the national total. West Bengal follows closely with 14%, followed by Tamil Nadu at 8.30% and Maharashtra at 8%. Notably, the top ten states collectively account for approximately 74% of the total estimated MSMEs in the country.

**Msmes in Maharashtra:**

Maharashtra, a prominent state in western India, stands as the second-largest entity within the nation in terms of both population and geographical expanse, encompassing an area of 308,000 square km. The 2011 census recorded a population of 112,374,333, constituting a substantial 9.28% of India's total populace. Maharashtra's geographical position is strategically advantageous, with the Arabian Sea forming its western boundary. The state shares borders with neighbouring entities, including Gujarat and the Union Territory of Dadra and Nagar Haveli to the northwest, Madhya Pradesh to the northeast, Chhattisgarh to the east, Karnataka to the south, Andhra Pradesh to the southeast, and Goa to the southwest.

Maharashtra, a leading force in India's economic landscape, stands as one of the nation's most urbanized and second-most industrialized states. As an economic powerhouse, it contributes

significantly to India's Gross Domestic Product (GDP). The state has emerged as a prominent hub for the IT, electronics, BFSI (Banking, Financial Services, and Insurance), and business outsourcing sectors. In recent decades, Maharashtra has witnessed remarkable growth in the number of industrial clusters and infrastructure projects.

Its strategic location, coupled with excellent connectivity to major areas, positions Maharashtra as an attractive destination for investors, drawn by its advanced technology and infrastructure, abundant manpower, and rich natural resources.

Micro, Small, and Medium Enterprises (MSMEs) are the bedrock of the Indian economy, and Maharashtra stands out as a leading state with a thriving MSME sector. These enterprises play a crucial role in generating employment opportunities, fostering entrepreneurship, bolstering local economies, and contributing substantially to the nation's GDP.

**Table 4. Region-wise distribution of MSMEs in Maharashtra**

Sr. No.	Region	No. of MSME Units	Employment (Lakh)	Investment (crore)
1.	Mumbai	3,66,449 (21)	21.55 (23.68)	42,674 (17.89)
2.	Kokan (excl. Mumbai)	3,86,209 (22)	20.24 (22.24)	48,317 (20.26)
3.	Nashik	1,57,515 (9)	7.53 (8.27)	25,845 (10.83)
4.	<b>Pune</b>	<b>4,04,078 (23)</b>	<b>23.59 (25.92)</b>	<b>69,856 (29.28)</b>
5.	Aurangabad	1,81,355 (10)	8.79 (9.66)	25,501 (10.69)
6.	Amravati	67,206 (4)	2.54 (2.79)	7,613 (3.19)
7.	Nagpur	2,04,547 (12)	6.78 (7.45)	18,737 (7.85)
8.	<b>Total</b>	<b>17,67,359</b>	<b>91.02</b>	<b>2,38,543</b>

**Source:** Economic Survey of Maharashtra 2020-21

Table 4 presents a regional breakdown of working MSMEs, their employment figures, and investment levels in Maharashtra during the 2020-21 fiscal year, demonstrating significant growth compared to previous years. A total of 1,767,359 MSME units were registered in 2020-21, surpassing previous years. Notably, these units collectively generated employment for 91.02 lakh individuals, a substantial increase from the 78.92 lakh recorded in prior years.

Regional analysis reveals that Pune, fuelled by its burgeoning IT industry, experienced notable growth in MSME numbers, employment, and investment, followed by Mumbai, Konkan, and Nashik. While the establishment of MSMEs has spurred regional development across Maharashtra, significant regional disparities persist in terms of MSME promotion and employment generation.

Maharashtra, a powerhouse of Indian industry, boasts a diverse and dynamic economic landscape. The state is home to many MSMEs, including manufacturing, services, and agriculture-based industries. In Maharashtra, approximately 25% of India's total manufacturing output comes from manufacturing prowess. This thriving sector employs over 4 million workers across more than 4,200 large and medium-scale factories. There are 225 spinning and composite textile mills in the State. Beyond manufacturing, Maharashtra excels in the service sector also. Some of the major industrial centres in Maharashtra are Mumbai, Pune, Nashik, Aurangabad, and Nagpur.

The service sector of Maharashtra includes banking and financial services, insurance, transport, communication, information technology and business process outsourcing, real estate, hotels and

tourism, healthcare, retail and wholesale trade, and education. The state also has a growing IT industry, with many software companies based in cities like Pune and Nagpur.

Agriculture remains a cornerstone of Maharashtra's economy. respectively to the national production the state is a major producer of food grains, leading the nation in Jowar and Arhar production. It also ranks second in cotton, soybean, and overall cereal production. Other than these three important industries Maharashtra is also emerging in the field of Energy, Automotive, Pharmaceuticals, Chemicals and Construction.

#### **Challenges Faced By Msme In Maharashtra:**

1. **Lack of Credits:** This is a perennial issue that MSMEs often struggle to secure loans from banks and other financial institutions due to limited collateral, complex documentation processes, and high interest rates.
2. **Challenges to Markets:** Finding and entering new markets can be difficult, especially for smaller businesses and start-ups. Competition from larger players and limited marketing budgets pose significant hurdles in acquiring positions.
3. **Outdated Technologies and infrastructure:** Many MSMEs lack the resources and expertise to adopt new technologies, such as digital marketing, automation, and e-commerce. This can hinder their competitiveness and growth as they use manual processes due to the old industrial set-up. While improving, infrastructure in some parts of the state still presents challenges MSMEs face, such as inadequate transportation and power supply.
4. **Labor Problems:** Although MSMEs are primarily used at the grassroots level to generate employment, they still face challenges with skilled labourers and a sufficient number of labourers to work as it can be pretty costly and time-consuming.
5. **Regulatory Compliance:** Navigating complex and ever-changing regulations can be a burden for MSMEs. This includes issues like obtaining licenses, permits, and complying with environmental standards.
6. **Competition:** Competition from both domestic and international players is intense. MSMEs need to constantly innovate and adapt to stay ahead.

#### **Conclusion:**

The present study demonstrates a consistent expansion of Micro, Small, and Medium Enterprises (MSMEs). This burgeoning sector significantly contributes to employment generation, investment inflows, and export growth, both within Maharashtra and across the nation. Maharashtra stands as a prominent leader in the MSME domain,

offering substantial potential for further development.

However, contemporary MSMEs face a multifaceted array of challenges.

These include navigating the complexities of the global market, optimizing resource utilization, embracing innovative technologies, and securing adequate financing. Recognizing these hurdles, the Government of India has implemented a comprehensive suite of initiatives.

#### **These include:**

1. **Credit support from the Reserve Bank of India (RBI):** Facilitating access to affordable credit for MSMEs.
2. **Credit Linked Capital Subsidy Scheme (CLCSS):** Providing financial incentives for capital investment.
3. **National Equity Fund Scheme (NEF):** Enhancing access to equity capital for MSMEs.
4. **Prime Minister Rozgar Yojana (PMRY):** Promoting entrepreneurship and job creation.
5. **Khadi and Village Industries Commission (KVIC):** Supporting rural industries and artisans.

MSMEs are poised to play a pivotal role in addressing critical national challenges, such as poverty and unemployment. These enterprises serve as the engines of economic growth, stimulating demand for goods and services and fostering inclusive and balanced development. By mitigating social disparities and accelerating sustainable progress, today's MSMEs have the potential to evolve into the multinational corporations of tomorrow.

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