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"Vision Viksit Bharat @2047: A Study of Opportunities and Difficulties for MSMEs in India's Future"

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ABSTRACT
India has set itself the goal of becoming a developed nation (*Viksit Bharat*) by 2047, the centenary of its independence. Achieving this goal implies sustaining high growth for more than two decades, creating productive jobs for a large young workforce, raising per capita income to high-income levels, and building globally competitive industries. Micro, Small and Medium Enterprises (MSMEs) are central to this agenda. They account for roughly 30 per cent of gross domestic product, a little over 45 per cent of exports, and employment for well over 11 crore people, which makes them the second-largest source of livelihoods after agriculture.

This paper examines the opportunities and difficulties that MSMEs face on the road to 2047. Using a descriptive and analytical research design based on secondary data from government reports, regulatory publications, multilateral institutions and published literature, the study (i) traces the evolving role and definition of MSMEs in the Indian economy, (ii) maps the principal opportunities arising from formalisation, digitalisation, manufacturing and export policy, green transition and emerging technologies, (iii) identifies persistent structural difficulties such as the credit gap, delayed payments, low technology adoption, skill shortages, regulatory complexity and climate and compliance pressure, and (iv) assesses the policy architecture meant to address these problems.

The study finds that the opportunity set for MSMEs is unusually large, but that it is unevenly accessible. Enterprises that are formalised, digitally enabled and connected to credit and markets are well placed to scale, whereas the large base of tiny, informal, own-account enterprises risks being left behind. The paper argues that a *Viksit Bharat* will require MSMEs to move from being numerous but

small to being fewer but stronger, and recommends a five-part strategy: patient and data-based finance, cluster-based modernisation, skills and technology diffusion, simplified compliance with enforced payment discipline, and a deliberate push toward sustainable and export-ready production.

Keywords: Viksit Bharat 2047, MSMEs, Udyam, formalisation, credit gap, digitalisation, exports, Make in India, sustainability

1. Introduction

1.1 Background

Every country that has moved from middle-income to high-income status has done so on the back of a productive and dynamic enterprise sector. In India, the enterprise landscape is dominated by MSMEs, which range from a roadside repair shop and a village weaver to a precision component maker supplying global automobile firms. The Government of India has articulated the aspiration of *Viksit Bharat @2047*: a country that is economically advanced, socially inclusive, technologically capable and environmentally responsible by the time it completes 100 years of independence. Commonly cited ambitions include an economy of over thirty trillion US dollars and per capita income at or near the threshold of high-income countries.

Such an ambition cannot be reached by a handful of large corporations. India's workforce is large and still growing, a significant share of workers remain in low-productivity agriculture and informal activity, and the country must create a large number of non-farm jobs every year. MSMEs are the sector with the widest employment reach, the greatest geographic spread, and the lowest capital cost per job. Their performance over the next two decades will therefore strongly influence whether the national vision is achieved.

1.2 Statement of the Problem

Despite their importance, a large proportion of Indian MSMEs are very small, informal, thinly capitalised and technologically backward. They struggle to raise formal credit, are exposed to delayed payments by larger buyers, find it difficult to attract skilled labour, and often lack the scale needed to compete globally. At the same time, new opportunities are emerging through digital public infrastructure, supply-chain diversification away from single-country dependence, the green transition, and artificial intelligence. The question is whether MSMEs can convert these opportunities into growth and whether the difficulties they face will be reduced fast enough.

1.3 Objectives of the Study

1. To understand the role and contribution of MSMEs in the Indian economy and in the *Viksit Bharat* vision.
2. To identify the major opportunities available to MSMEs in the period up to 2047.
3. To analyse the principal difficulties and structural constraints affecting MSMEs.
4. To evaluate the adequacy of existing policy support and suggest a way forward.

1.4 Research Questions

- What role can MSMEs play in achieving the goals of *Viksit Bharat @2047*?
- Which opportunities are most significant, and which kinds of enterprises can access them?
- Which constraints are most binding, and why have they persisted?
- What policy and institutional changes would most improve MSME outcomes?

1.5 Scope and Limitations

The study covers MSMEs across manufacturing and services in India at a national level. It relies on secondary sources, so it is limited by the availability, definitions and timing of published data. MSME statistics in India have historically been fragmented, and the shift to registration-based data through the Udyam portal means that figures from different periods are not always directly comparable. The numerical figures quoted here are indicative and readers should verify them against the latest releases of the Ministry of MSME, the National

Sample Survey Office, the Reserve Bank of India and the Economic Survey before citing them in formal work.

2. Research Methodology

The study is descriptive and analytical in nature. It draws on secondary data and documents, including annual reports and notifications of the Ministry of MSME, Udyam registration statistics, Reserve Bank of India publications on credit to MSMEs, the Economic Survey, NITI Aayog documents on India's development vision, reports of the International Finance Corporation and other multilateral agencies on the MSME finance gap, and peer-reviewed and policy literature on small-firm growth. Evidence has been organised thematically into opportunities and difficulties, and then synthesised through a simple framework that links enterprise-level capabilities (finance, technology, skills, markets and compliance) to the national outcomes envisaged in the 2047 vision.

3. Conceptual Framework and Literature Review

3.1 Defining MSMEs

The MSME Development Act, 2006 introduced a classification of enterprises into micro, small and medium categories. The definition was revised in 2020 to move from a distinction based on manufacturing and services to a composite criterion based on both investment in plant and machinery or equipment and annual turnover, and it was revised upward again in 2025 to reflect inflation and to allow enterprises to grow without losing the benefits available to smaller categories. Under the 2025 revision, a micro enterprise has investment up to ₹2.5 crore and turnover up to ₹10 crore, a small enterprise has investment up to ₹25 crore and turnover up to ₹100 crore, and a medium enterprise has investment up to ₹125 crore and turnover up to ₹500 crore. The wider ceilings are intended to reduce the incentive for firms to stay artificially small, a phenomenon often discussed in the literature as the "missing middle" or the "small firm trap".

3.2 Size and Structure of the Sector

India has several crore MSMEs, the great majority of which are micro enterprises, and a large share are unregistered own-account enterprises with no hired workers. Since 2020 the Udyam registration portal has become the main source of administrative data, and registrations have grown rapidly, including those of informal micro

enterprises brought onto the portal. The sector is spread across the country, with a significant share in rural areas and with substantial participation by women entrepreneurs and by enterprises owned by socially disadvantaged groups, though women-owned enterprises remain concentrated at the smallest scale.

3.3 Theoretical Perspectives

Several strands of literature inform the analysis. Dual-economy models stress the transfer of labour from low-productivity traditional activity to modern enterprise as the engine of development. Research on the "missing middle" in developing countries argues that economies with many micro firms and few large firms, and a thin band of medium firms, tend to have lower aggregate productivity. Studies of industrial clusters, from Italian industrial districts to Indian clusters such as Tiruppur, Ludhiana, Morbi and Surat, show how geographic concentration allows small firms to share skills, suppliers and infrastructure and to achieve collective efficiency. Finance literature emphasises information asymmetry and collateral constraints, which lead lenders to ration credit to small borrowers. Finally, the technology-diffusion literature highlights that the gap between frontier and average firms is driven by weak absorptive capacity, which depends on managerial skill, workforce capability and access to extension services.

3.4 Existing Evidence

Prior studies and official reports consistently identify a shortage of formal credit as the most cited problem, with the IFC and other agencies estimating a very large unmet demand for MSME credit measured in tens of lakh crore rupees. Other recurring themes are delayed payments, high compliance costs, limited market access, low technology adoption and difficulty in recruiting skilled labour. There is a gap in the literature in linking these enterprise-level difficulties to the long-term national vision, which this paper attempts to address.

4. MSMEs and the Viksit Bharat Vision

4.1 Contribution to Output, Exports and Jobs

MSMEs contribute around 30 per cent of gross domestic product, with manufacturing MSMEs accounting for a substantial share of manufacturing output, and a little above 45 per cent of India's exports, with items such as textiles, gems and jewellery, leather, engineering goods, processed food and pharmaceutical inputs having

heavy MSME participation. They provide employment to well over 11 crore people according to government estimates, and a large share of that employment is outside agriculture and in smaller towns and rural areas, which makes the sector critical to regional balance.

4.2 Linking MSMEs to the Pillars of 2047

The *Viksit Bharat* agenda can be read through four pillars, and MSMEs are relevant to each.

Economic growth and manufacturing depth. India's ambitions for a larger manufacturing share of output and deeper domestic value chains depend on tier-two and tier-three suppliers that are mostly MSMEs. Large anchor firms attracted through production-linked incentives need reliable domestic suppliers in order to raise domestic value addition.

Employment and inclusion. MSMEs can absorb labour at relatively low capital cost. Enterprises owned by women, rural artisans and first-generation entrepreneurs are a route to inclusive growth.

Technology and innovation. Many technology-led product and service firms begin as small enterprises. Process innovation in clusters and incremental innovation by small manufacturers add up to national productivity gains.

Sustainability. A large share of industrial energy use and emissions, as well as pollution in several industrial towns, comes from small units. Making these units cleaner is essential to meeting national climate commitments without sacrificing jobs.

5. Opportunities for MSMEs on the Road to 2047

5.1 Formalisation and the Udyam Ecosystem

The move toward formalisation, supported by Udyam registration, the Goods and Services Tax, digital invoicing and the digital payments revolution, creates a verifiable footprint for small firms. A formal footprint is the foundation for access to credit, public procurement, government schemes and large-buyer supply chains. Formalisation also makes it easier for lenders to assess cash flows rather than collateral, a shift that is central to solving the MSME credit problem.

5.2 Digital Public Infrastructure and Fintech

India has built a distinctive stack of digital public infrastructure, including Aadhaar-based identity, the Unified Payments Interface, the Account Aggregator framework, the Open Network for Digital Commerce (ONDC), the Government e-Marketplace (GeM) and the Trade Receivables Discounting System (TReDS). Together these allow even a very small enterprise to receive digital payments, share consented financial data with lenders, sell on open networks and discount invoices. Fintech lenders and platform-based lending models using transaction data can reduce the cost of serving small borrowers. The opportunity is for MSMEs to become digitally native businesses with low transaction costs and transparent records.

5.3 Manufacturing Policy, Supply-Chain Diversification and Exports

Global firms are diversifying their supply chains away from excessive dependence on a single country, often described as a "China plus one" strategy. India's scale, its production-linked incentive schemes, improving logistics, and a growing network of free trade agreements, including agreements with the United Arab Emirates, Australia, the United Kingdom and the European Free Trade Association and negotiations with other partners, widen the scope for MSME participation in export-oriented value chains. Both direct exports and indirect exports through supplying larger exporters are important. Government initiatives for export promotion, such as district-level export planning and support for exporter credit, are meant to bring smaller firms into this opportunity.

5.4 Domestic Demand and Public Procurement

Rising incomes, urbanisation and a growing consumer base create a deep domestic market. Public procurement policies reserve a share of government purchases for MSMEs, and GeM gives small sellers direct access to government buyers. Large infrastructure programmes, including roads, railways, renewable energy and housing, generate demand for materials, components, fabrication and services that small firms can supply.

5.5 The Green Transition

The shift to renewable energy, electric mobility, energy-efficient equipment, recycling and the circular economy opens new markets for MSMEs. Small firms can manufacture components for electric

vehicles and solar installations, offer recycling and waste-management services, and supply sustainable products. At the same time, international buyers and carbon-related trade measures such as the European Union's Carbon Border Adjustment Mechanism will increasingly reward clean production, which makes early green adoption a competitive advantage rather than only a cost.

5.6 Artificial Intelligence, Automation and Industry 4.0

Affordable cloud services, low-cost sensors, accessible automation and generative AI tools can raise productivity in design, quality control, inventory management, marketing, customer service and accounting. For small enterprises the barrier is no longer only the price of technology but the knowledge needed to adopt it. Shared testing facilities, common engineering centres and technology extension models can lower this barrier considerably.

5.7 Cluster Development and Local Value Chains

India has several thousand identified industrial clusters. Programmes that upgrade common facilities, design centres and testing laboratories allow clusters to improve quality and reach larger markets. The "one district one product" approach and geographical indications help to brand local products and connect artisan and agro-based enterprises to national and international buyers.

5.8 Entrepreneurship, Women and Start-ups

A young population, a vibrant start-up ecosystem, growing venture and angel finance, and schemes targeted at women, scheduled caste and scheduled tribe entrepreneurs expand the pool of potential founders. Women-led enterprises in particular represent an under-tapped source of growth, since closing the gender gap in entrepreneurship could add materially to output and employment.

5.9 Summary of Opportunities

Opportunity	Enabler	Who benefits most
Formalisation	Udyam, GST, e-invoicing	Micro and small firms seeking credit and tenders
Digital public infrastructure	UPI, Account Aggregator, ONDC, TReDS, GeM	Firms with digital records and online presence

Export and supply-chain shift	FTAs, PLI, logistics improvement	Small and medium manufacturers in clusters
Green transition	Renewable energy, EV and recycling markets	Firms able to invest in clean technology
AI and automation	Cloud, sensors, AI tools	Firms with managerial and digital skills
Clusters and local brands	Common facilities, ODOP, GI tags	Artisan, agro and traditional manufacturing units

6. Difficulties and Challenges Facing MSMEs

6.1 The Credit Gap

Access to finance remains the most frequently reported constraint. A large share of MSME credit demand is estimated to be unmet by formal sources, and many small firms depend on informal borrowing at high interest rates. Causes include lack of collateral, absence of credit histories, high lender costs of appraising small loans, and a tendency of banks to lend against assets rather than cash flows. Even where credit is available, it is often working-capital finance, whereas firms seeking to modernise need long-term loans and risk capital. Credit guarantee schemes and priority sector lending have helped, but the gap remains large relative to the sector's potential, and it is widest for the smallest, women-owned and rural enterprises.

6.2 Delayed Payments and Working-Capital Stress

Small suppliers frequently wait for months to be paid by larger buyers, which forces them to borrow to fund operations. The law requires payment within a statutory period, and a provision of the Income Tax Act that restricts the deduction of unpaid MSME dues beyond the permitted period was introduced to encourage prompt payment. Yet enforcement through the dispute-resolution route has been uneven, and many small firms fear that complaining will cost them future orders. TReDS and invoice-financing platforms offer a market-based solution but have so far reached only a fraction of eligible firms.

6.3 Informality and the Small-Firm Trap

A very large number of enterprises are tiny, informal and own-account. Informality limits access to credit, formal markets and schemes, while the fixed costs of compliance deter growth. Regulatory

thresholds and the loss of benefits upon crossing size limits create incentives to remain small or to split businesses. The result is the "missing middle", and the economy has many micro firms but too few medium and large firms with the scale to invest in technology, brand building and exports.

6.4 Technology Gaps and Low Productivity

Many small enterprises use outdated machinery and processes, have limited quality certification, and lack design and research capability. Productivity in small firms is considerably below that in large firms. The obstacles include shortage of capital, lack of information on suitable technology, weak managerial capability, and fear of disruption. Digital adoption is often limited to payments and messaging rather than the integration of operations, supply-chain management and analytics.

6.5 Skills, Labour and Managerial Capability

Employers report difficulty in finding workers with the right technical and soft skills, and small firms struggle to retain trained employees who move to larger employers. Many owner-managers have little formal management training, which constrains planning, costing, marketing and financial management. Vocational training has expanded but is not always matched to the needs of local industry, and small firms rarely have the resources to train workers themselves.

6.6 Regulatory Complexity and Compliance Burden

Small enterprises must deal with multiple laws on taxation, labour, environment, factory safety and local licensing, administered by different agencies at the central, state and local levels. Although reforms such as the consolidation of labour laws into codes, online registrations and decriminalisation of minor offences have reduced some burdens, inspection practices, state-level variation and the cost of professional help continue to weigh heavily on very small firms relative to their size.

6.7 Market Access, Logistics and Infrastructure

Small firms often lack the brand, marketing capability and certification needed to reach distant or international buyers. Logistics costs in India remain high relative to leading manufacturing economies, and quality of power, industrial land, testing facilities and connectivity varies sharply across regions. Exporters, in particular,

face compliance with standards, documentation and fluctuating shipping and currency costs, and sudden changes in tariffs or trade restrictions in major markets can hit small exporters hardest because they have little ability to absorb shocks.

6.8 Climate, Sustainability and Standards Pressure

The green transition is an opportunity but also a threat for firms that lack the capital to clean up their processes. Small units in energy-intensive sectors such as foundries, ceramics, textiles processing and brick-making face rising energy costs and tighter environmental regulation. Foreign buyers increasingly demand traceability, emissions reporting and compliance with environmental, social and governance standards, which small suppliers are often unprepared to meet. Climate events such as floods and heatwaves also disrupt operations, and few small firms have insurance or contingency reserves.

6.9 Cyber Risk, Data and Digital Divides

As more enterprises digitise, they become exposed to fraud, ransomware and data breaches without the security resources of larger firms. There is also a digital divide between enterprises in well-connected urban areas and those in remote regions, and between owners who are comfortable with technology and those who are not, which could widen performance differences.

6.10 Summary of Difficulties

Difficulty	**Core cause**	**Effect on 2047 goals**
Credit gap	Collateral-based lending, information asymmetry	Limits investment, scale and modernisation
Delayed payments	Weak enforcement, buyer power	Working-capital stress and firm closure
Informality and small-firm trap	Compliance costs, loss of benefits on growth	Missing middle and low productivity
Technology and skills gaps	Capital, awareness and managerial limits	Weak competitiveness and exports
Regulatory burden	Multiplicity of laws and agencies	Time and cost drag on small firms

Climate and standards pressure	Cost of clean technology, buyer demands	Risk of exclusion from global value chains

7. Policy Architecture and Its Assessment

7.1 Major Initiatives

Over the past decade the government has introduced a broad set of measures aimed at MSMEs. These include the Udyam registration system, the Prime Minister's Employment Generation Programme for new micro enterprises, the credit guarantee schemes administered through the Credit Guarantee Fund Trust for Micro and Small Enterprises, the MUDRA loans for very small borrowers, the emergency credit line during the pandemic, the Raising and Accelerating MSME Performance (RAMP) programme, the Zero Defect Zero Effect (ZED) certification scheme, the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) for clusters, public procurement policy and the TReDS platform for invoice discounting. The revised definition of MSMEs and enhanced guarantee coverage announced in recent Union Budgets further signal intent to support growth rather than only survival.

7.2 Strengths

The policy framework is now more data-driven and technology-enabled than in the past. Udyam provides a registry, digital public infrastructure lowers transaction costs, and the credit guarantee system lowers lender risk. The recognition of the "graduation" problem in the revised definition is a conceptual advance.

7.3 Gaps

Several gaps remain. Awareness of schemes is low among the smallest firms, and access often depends on intermediaries. Many schemes are fragmented across ministries and states, which results in overlap and uneven delivery. Impact evaluation is limited, so it is hard to know which programmes raise productivity or employment. Enforcement of payment discipline remains weak, and long-term, patient capital for modernisation is still scarce. Finally, the focus on registration and credit has tended to overshadow the capability-building agenda of skills, technology, design and management.

8. Discussion and Analysis

The evidence suggests that the national vision and the enterprise reality are linked through a few critical bottlenecks. First, **finance** determines whether firms can invest in the equipment and technology that raise productivity. Second, **market access and payment discipline** determine whether firms can convert production into reliable cash flow. Third, **capabilities**, including skills, management and technology, determine whether firms can use whatever finance and market access they obtain. Fourth, the **regulatory and cost environment** determines whether growth is rewarded or penalised.

A noteworthy feature of the present moment is that the opportunities are increasingly *conditional*. Digital public infrastructure rewards firms that maintain digital records; global supply chains reward firms that meet quality and sustainability standards; credit rewards firms with a verifiable cash-flow footprint. The firms that are already formal, digitised and well connected will benefit disproportionately, while the large base of informal micro enterprises may be left further behind unless there is deliberate support. This suggests that policy needs two tracks: one that accelerates the already capable firms to scale, compete and export, and another that raises the baseline for the very small by supporting formalisation, basic digital adoption, skills and livelihood security.

It also suggests that the objective should not be to maximise the number of MSMEs but to improve their average productivity and growth. A *Viksit Bharat* is more likely to resemble an economy with a healthy distribution of firm sizes, including a robust middle, than one with an enormous number of subsistence enterprises. Moving workers from very low productivity self-employment into more productive small and medium firms with decent wages is likely to matter as much to national income as increasing the number of new enterprises.

9. Recommendations and the Way Forward

9.1 Patient and Data-Based Finance

Lenders should be encouraged to move from collateral-based to cash-flow-based lending using GST, UPI and Account Aggregator data. Credit guarantees should be extended and made automatic for small loans, and the development of long-term finance, equipment leasing, venture debt and risk capital for growth-stage small firms should be promoted. Specific targets for lending to women-owned, rural and first-time enterprises would help reduce inequality in access.

9.2 Payment Discipline and Working Capital

Payment-period rules should be enforced through transparent reporting of buyer payment behaviour, mandatory disclosure of overdue MSME dues by larger firms, and automated settlement through TReDS or similar platforms. Dispute resolution should be time-bound and should protect small suppliers from retaliation.

9.3 Cluster-Based Modernisation and Technology Diffusion

Support should be concentrated on clusters, where common testing laboratories, design centres, shared machinery and technology-extension services can reach many firms at once. Technology and productivity audits, subsidised for small firms, along with demonstration projects for automation and AI, can help firms move from awareness to adoption.

9.4 Skills and Management Capability

Industry-linked vocational training, apprenticeships co-designed with clusters, and short managerial training for owner-managers should be expanded. Digital literacy and cyber-security awareness should be part of this effort. Partnerships with industrial training institutes, universities and larger firms can strengthen the pipeline of skilled workers.

9.5 Simplified Compliance with Graduated Support

A single-window, digitally integrated compliance system, risk-based and third-party inspections, and graduated compliance requirements that rise gradually with size would reduce the cost of formality and weaken the incentive to stay small. Benefits should taper rather than disappear abruptly when a firm crosses a size threshold.

9.6 Export Readiness and Sustainable Production

Export facilitation should include help with certification, standards compliance, documentation, trade finance and buyer linkages. Concessional finance and technical help for energy efficiency, renewable energy adoption and waste management should be made available to small firms, particularly in energy-intensive sectors, so that they can meet the sustainability requirements of domestic and foreign buyers. Climate and disaster insurance products designed for small firms would increase resilience.

9.7 Governance, Data and Evaluation

Scheme delivery should be consolidated and simplified, with a single digital interface for the enterprise, and programmes should be evaluated rigorously, using Udyam and tax data, to retain what works and discontinue what does not. Closer coordination between central and state governments and local bodies is necessary because many of

the binding constraints, such as land, power and licensing, lie at the state level.

9.8 A Timeline Perspective

A phased approach is advisable. In the near term (to about 2030), the emphasis should be on formalisation, digital adoption, payment discipline and expansion of cash-flow-based credit. In the medium term (to about 2035-2040), emphasis should shift to technology upgradation, cluster modernisation, export diversification and green production. In the long term (to 2047), the aim should be a stable base of globally competitive medium-sized firms, a healthy distribution of enterprise sizes, and an MSME sector that is clean, digital and innovation-driven.

10. Suggested Areas for Further Research

Future work could use firm-level panel data from Udyam, GST and credit bureaus to track the growth paths of enterprises and identify the conditions under which small firms graduate; evaluate the causal impact of specific schemes such as credit guarantees and cluster programmes; study the adoption and productivity impact of AI and automation among small firms; and examine the situation of women-owned and rural enterprises in more detail through primary surveys.

11. Conclusion

MSMEs are indispensable to the *Viksit Bharat @2047* vision. They are the largest providers of non-farm livelihoods, a major source of exports, and the base of the manufacturing supply chain that India hopes to deepen. The coming two decades offer them extraordinary opportunities: formalisation, digital public infrastructure, supply-chain realignment, expanding domestic demand, the green transition and new technologies. Yet the same period will test them, because credit shortages, delayed payments, technology and skill gaps, regulatory complexity, and rising sustainability and standards expectations remain significant obstacles.

The central conclusion of this study is that India's MSME challenge is no longer chiefly one of creating more enterprises but of helping existing ones grow, modernise and compete. The nation will be closer to its 2047 goal if policy, finance and technology are aligned so that micro enterprises can become small, small enterprises can become medium, and medium enterprises can become globally competitive. A *Viksit Bharat* will be built not only in large factories and technology campuses but also in the workshops, clusters and small-town firms that make up the real economy.

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