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MSMEs as Catalysts of Industrial Growth, Employment, and Innovation in India

MSMEs are the true catalysts of the economy today. They are driving to industrial growth, employment generation, innovation, and regional development in our diverse nation. This article entails contribution and innovation brought in by the top 4 manufacturing industries -

Textiles, Food Processing, Pharmaceuticals, and Auto Components. Collectively, these 4 industries contribute over 48 million jobs in the country. Each sector reflects a growing culture of innovation: from sustainable textile production and millet-based food products to advanced pharmaceutical formulations and EV-ready auto components. These enterprises are increasingly leveraging automation, IoT, and digital systems to sharpen their competitive edge. Government initiatives that are fueling the growth of MSMEs in these industries include SAMARTH, PM MITRA, PMFME, PLI, and FAME II. If the administration continues to provide support to the MSMEs through policy & financial support, technological, infrastructure and skill development, then it will lead India to be the global leader in almost all industries.

Introduction

The Micro, Small and Medium Enterprises (MSME) sector plays a vital role in India's economic development by contributing to industrial growth, employment generation, innovation, and regional development.

Textiles, Food Processing, Pharmaceuticals, and Auto Components Manufacturing Units are among the top contributors to the economy. The article discusses the contributions of these industries, the innovative practices and technologies implemented across the sectors, and the ongoing government initiatives supporting their growth and development. MSMEs have shown dedicated efforts to improve productivity and competitiveness. If the administration continues to provide support to the MSMEs

through policy & financial support, technological, infrastructure and skill development, then it will lead India to be the global leader in almost all industries.

MSMEs play a pivotal role in India's economic framework by acting as a key driver of industrial growth, employment generation, and even increase in exports. It has been recognized as the backbone of the Indian economy, as MSMEs have been contributing significantly to strengthen the manufacturing sector, encouraging entrepreneurship, and promoting regional development. However, the adequacy and effectiveness of institutional support mechanisms continue to remain areas of discussion.

With 7.94 crore registered MSMEs employing more than 35 crore people

(as on 15 May 2026), these enterprises hold a significant share of the country's economy as depicted in Figure 1.

Contribution, Growth Trends, and Government Schemes in MSME Sectoral Development

MSMEs represent a diverse ecosystem of businesses. Based on business activities, MSMEs are generally classified into three categories - Manufacturing, Service, and Trading sectors.

This classification provides a structured framework for analysing growth trends, investment requirements, employment generation, sector-specific challenges and specialised government schemes available to facilitate its growth.

This article examines some top manufacturing industry contributors

Figure 1.



Source: dashboard.msme.gov.in | *UAP - Udyam Assist Platform

to the economy and how MSMEs are making a difference in that industry.

Manufacturing Units

Manufacturing MSMEs plays a crucial role in industrialization and economic expansion. Industries are the real growth engines of an economy. This sector is also a major source of employment, particularly for semi-skilled and skilled workers. We analyse the impact, innovation and specific wise-industry government incentives and subsidy schemes available for textile manufacturing, food processing manufacturing, pharmaceutical manufacturing and auto components manufacturing units.

Textile Manufacturing Units:

India’s textile industry employs over 45 million people and contributes 2.3% to GDP, 13% to industrial production, and 12% to total exports. It is interesting to know that MSMEs dominate this sector, accounting for nearly 80% of textile capacity (especially in handlooms, powerlooms, and garment manufacturing).

Source: <https://msme.gov.in/sites/default/files/MSME-Connect.htm>

Some of the Government Initiatives include SAMARTH (Scheme for Capacity Building in Textile Sector) for skill development programs, TUFs (Technology Upgradation Fund Scheme) providing financial assistance for modernizing textile

units, and PM MITRA (Pradhan Mantri Mega Integrated Textile Region and Apparel) Parks creating integrated textile manufacturing hubs.

India is currently a global leader in the textile market and is expected to retain this position, due to the combination of a strong MSME foundation and India’s rich heritage in traditional handicrafts, abundant raw material base including cotton and silk, and well-established global supply chains. This industry is one of the biggest contributors to support rural livelihoods.

What Innovations are MSMEs bringing to the Textile Industry?

Textile MSMEs are increasingly adopting GOTS (Global Organic Textile Standard), recycled polyester fibre manufacturing from waste PET (Polyethylene Terephthalate) bottles, eco-friendly dyeing technologies and sustainable fabric production like certified organic cotton or bamboo clothing to promote sustainable manufacturing.

Many manufacturing units are adopting digital printing, automated machines for cutting and stitching, IoT-enabled looms, along with water recycling systems, zero-liquid-discharge technologies and energy efficient machines to improve production efficiency and environmental sustainability. In fact, many MSMEs are also exploring smart fabrics like no iron shirts, customized small-batch

production to cater to specialized and export markets. Moreover, brands recycling old or torn clothes into bags and other accessories are becoming very popular and are generating more employment in rural areas.

These innovations help MSMEs reduce production costs, improve product quality, minimize resource wastage, meet global sustainability standards, and diversify into high-value textile segments. This in turn enhances export competitiveness, increases profits and supports long-term growth of the sector.

Central Government Initiatives for Supporting Textile MSMEs

A. SAMARTH Scheme (Scheme for Capacity Building in Textile Sector)

SAMARTH is a flagship skill development initiative launched by the Ministry of Textiles, Government of India to enhance workforce skills in the textile industry.



Nature of Assistance – Financial assistance is provided for skill development and capacity building in the textile sector through training programs, certification, and placement-linked skilling across organized and traditional textile segments such as handloom, handicrafts, jute, and sericulture.

Who Can Apply – Textile manufacturing units, industry associations, NGOs, training institutes, start-ups, and organizations having training infrastructure and placement tie-ups with textile industries.

How to Apply – Applications are submitted through the Ministry

of Textiles and empanelled implementing agencies as listed in the Table 1 below.

B. PM MITRA (Pradhan Mantri Mega Integrated Textile Region and Apparel) Scheme

This scheme was launched to develop large-scale textile parks with world-class infrastructure to promote textile manufacturing and strengthen the textile value chain.

Nature of Assistance – Financial support is provided for developing large textile parks, infrastructure, and common facilities through state implementing agencies and Special Purpose Vehicles to promote integrated textile manufacturing.

The scheme supports development of world-class industrial textile infrastructure across selected states.

Who Can Apply – State Governments, textile manufacturers, private investors, and industrial units establishing textile units within PM MITRA parks located in Tamil Nadu (Virudhunagar), Telangana (Warangal), Gujarat (Navsari), Karnataka (Kalaburagi), Madhya Pradesh (Dhar), Uttar Pradesh (Lucknow), and Maharashtra (Amravati).

How to Apply – Applications are submitted through the Ministry of Textiles or respective State-level agencies managing PM MITRA parks as listed in the Table 2 below.

Table 1: List of Empanelled implementing agencies and Ministry of Textile website for application submission

Particulars	Website Link
Ministry of Textiles (MoT)	https://www.texmin.gov.in
SAMARTH Official Portal (Registration & MIS Platform)	https://samarth-textiles.gov.in
Directorate of Handlooms (Ministry of Textiles)	https://handlooms.nic.in
Development Commissioner (Handicrafts)	https://handicrafts.nic.in
Central Silk Board	https://csb.gov.in
Central Wool Development Board	https://woolboard.nic.in

C. Technology Upgradation Fund Scheme (ATUFS – Amended TUFs)

This scheme supports modernization and technology upgradation of textile units to improve productivity and product quality.

Nature of Assistance – Capital subsidy provided for purchase of new machinery and technology used in textile manufacturing.

Table 2: List of respective State-Level agencies managing PM MITRA parks through Ministry of Textiles

Particulars	Website Link
Ministry of Textiles (Central Authority)	https://www.texmin.gov.in
Tamil Nadu – SIPCOT / PM MITRA Park Tamil Nadu Limited (Virudhunagar)	https://sipcotweb.tn.gov.in/pm-mitra/public/
Telangana – Telangana State Industrial Infrastructure Corporation (TSIIC)	https://tsiic.telangana.gov.in/
Gujarat – Gujarat Industrial Development Corporation (GIDC)	https://gidc.gujarat.gov.in
Karnataka – Karnataka Industrial Areas Development Board (KIADB)	https://kiadb.in/
Madhya Pradesh – Madhya Pradesh Industrial Development Corporation (MPIDC)	https://invest.mp.gov.in
Uttar Pradesh – PM MITRA Park Uttar Pradesh Limited / Invest UP	https://invest.up.gov.in
Maharashtra – Maharashtra Industrial Development Corporation (MIDC)	https://www.midcindia.org

Who Can Apply – Existing textile MSMEs such as spinning, weaving, garment, and processing units.

How to Apply – Applications are submitted through the i-TUFS (ATUFS) Online Portal and through notified lending banks. Major authorities and banks involved include:

Website: <https://itufstxcindia.gov.in/>

Major Lending Banks – State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, Union Bank of India, Bank of India, Indian Bank, IDBI Bank, Central Bank of India, Indian Overseas Bank, UCO Bank, Punjab & Sind Bank, and SIDBI.

Food Processing Manufacturing Units

The entire food processing industry of India employs about 1.7 million people directly and MSMEs contribute over 70% of total processing units nationwide. The sector has been continually supporting agriculture's crucial transition to value-addition and to improve farmer incomes through modern supply chain systems. India's exceptionally diverse agricultural base



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provides abundant raw materials for both - traditionally processed food products as well as modern packaged food products.

Source: <https://msme.gov.in/sites/default/files/MSME-Connect.htm>

Various Government initiatives in the food processing sector include –

- PM Formalisation of Micro Food Processing Enterprises (PMFME) Scheme facilitating formalization of micro food enterprises,
- Mega Food Parks providing common infrastructure development, and
- Operation Greens supporting perishable produce processing initiatives.

What Innovation are MSMEs bringing to the Food Processing Industry?

Food processing MSMEs are increasingly adopting certified organic sourcing, eco-friendly packaging and modern milling technologies to produce high-quality food products while meeting sustainability and healthy product demand of the next generation. Many units are also implementing cold-chain logistics, automated sorting and grading systems, dehydration and



preservation technologies, millet-based and functional food production, and hygienic processing units to enhance food safety and extend shelf life naturally. Additionally, MSMEs are exploring sustainable packaging, vacuum sealing, and various digital tools for efficiency like supply chain management softwares. This also reduces wastage in this industry as most items are perishable.

These innovations are adding value to the product of MSMEs, reducing post-harvest and processing losses, improving product shelf life and enhancing food quality standards. This in turn is opening premium domestic and export markets for them. Especially some innovations are gaining market attention like –

- dehydrated home cooked meals which are solving the home cooked food issue for Indian students studying abroad.
- millet cookies which are healthier than present packed cookie options.
- the return of traditional food products having low glycaemic index like khapli atta and red rice into the Indian markets.

In fact, to promote “vocal for local initiative” many regional products have got GI tags from DPIIT which is giving recognition to local products and is connecting it to global markets while

safeguarding their authenticity. For example, Indian cheese – Kalari from Udhampur, J&K—has got recognition in big cities in the north for its health benefits and young entrepreneurs are developing supply chains for its expansion.

Central Government Initiatives Supporting Food Processing MSMEs

A. Operation Greens Scheme

Operation Greens is a scheme launched by the Ministry of Food Processing Industries (MoFPI) to strengthen the supply chain of Tomato, Onion & Potato (TOP) and other perishable crops by promoting food processing, storage, and transportation infrastructure.

Nature of Assistance – Financial assistance of 35%–70% subsidy for food processing and storage infrastructure, along with a 50% subsidy on transportation and storage of perishable crops.

Who Can Apply – Farmer Producer Organizations (FPOs), MSMEs, food processing units, cooperatives, logistics operators, and agri-entrepreneurs.

How to Apply – Applications may be submitted online through



“ India’s auto component industry contributes 2.3% to GDP and directly employs over 1.5 million people. In the year 2024 turnover of the industry reached Rs. 6.14 lakh crore (US \$74.1 billion) with domestic OEM supplies comprising 54% and exports accounting for 18%. ”

the Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA) Portal of the Ministry of Food Processing Industries (MoFPI) by submitting a Detailed Project Report (DPR). You can find more information at: <https://sampada.gov.in>

B. PM Formalization of Micro Food Processing Enterprises (PMFME) Scheme

PMFME Scheme is a centrally sponsored scheme to support micro food processing units by providing financial, technical, and marketing assistance to promote formalization and growth of the food processing sector.

Nature of Assistance – Credit-linked subsidy of 35% of project cost (up to INR 10 lakh per unit) for setting up or upgrading food processing units, along with support for branding, marketing, and training.

Who Can Apply – Individual micro food processing entrepreneurs, Self-Help Groups (SHGs), FPOs, and cooperatives.

How to Apply – Applications may be submitted online through the PMFME portal or via State Nodal Agencies and District Resource



Persons. Find more information at: <https://pmfme.mofpi.gov.in>

C. Scheme for Technology Upgradation - Credit Linked Capital Subsidy for Technology Upgradation (CLCS-TUS)

This scheme was started with the goal of supporting modernisation and technology upgradation of MSME manufacturing units, including food processing industries.

Nature of Assistance – Capital subsidy of 15% on institutional finance for purchase of machinery and technology.

Who Can Apply – Existing MSME manufacturing units, including food processing industries.

How to Apply – Apply through banks and financial institutions under the CLCS-TUS scheme.

Major Lending Banks – SIDBI, NABARD, State Bank of India, Bank of Baroda, Punjab National Bank, Bank of India, Canara Bank, Indian Bank, Corporation Bank, Andhra Bank, and Tamil Nadu Industrial Investment Corporation Ltd.

Pharmaceuticals Manufacturing Units

The Indian pharmaceutical industry was valued at US\$ 50 billion in FY 2023-24, and it is projected to reach

THEME ● THE CHARTERED ACCOUNTANT

US\$ 130 billion by 2030. This will position India as the “pharmacy of the world.”

As the 3rd largest producer globally, India supplies 20% of generic medicines worldwide and MSMEs contribute 35-40% of industry output, particularly in APIs, generics, and intermediates.

India hosts over 500 U.S. Food and Drug Administration (USFDA) approved facilities and 2,000+ World Health Organization – Good Manufacturing Practices (WHO-GMP) certified units.

Source: <https://msme.gov.in/sites/default/files/MSME-Connect.htm>

What Innovation are MSMEs bringing to the Pharmaceutical Industry?

Pharmaceutical MSMEs are increasingly adopting WHO-GMP compliant manufacturing, advanced formulation technologies, biotechnology-based processes, and contract manufacturing systems to produce complex generics, oncology drugs, and special formulations for regulated domestic and international markets.

They are diversifying into products like vitamin gummy bears, multivitamin patches, rare disease drugs and much

more. Many MSMEs with the support of incubators focusing on genetic disease, autoimmune diseases, cancer, and other rare diseases, drug research and development and stem cell research.

These innovations enable pharmaceutical MSMEs to enter high-value therapeutic segments such as cancer and rare disease treatments, improve product quality, meet global regulatory standards, facilitate expansion of exports and much more. This in turn strengthens revenue generation and enhances India's competitiveness in specialized pharmaceutical manufacturing.

Central Government Initiatives Supporting Pharmaceuticals MSMEs

A. Production Incentive (PLI) Scheme for Pharmaceuticals

A scheme launched to promote domestic manufacturing of pharmaceutical products, including bulk drugs and high-value medicines, and reduce dependence on imports.

Nature of Assistance – Financial incentives are provided to pharmaceutical manufacturers based on incremental sales of eligible pharmaceutical products over a fixed period.

Who Can Apply – Pharmaceutical manufacturing companies, including eligible MSMEs engaged in drug manufacturing and bulk drug production.

How to Apply – Applications are submitted online through the Department of Pharmaceuticals portal as per scheme guidelines at <https://pharma-dept.gov.in>.

B. Credit Linked Capital Subsidy Scheme (CLCS-TUS)

This scheme thrusts to supports technological upgradation of MSME manufacturing units, including pharmaceutical industries,



to improve production quality and efficiency.

Nature of Assistance – Capital subsidy of 15% is provided on investment in eligible plant and machinery.

Who Can Apply – Existing pharmaceutical MSMEs seeking modernization or technology improvement.

How to Apply – Apply through banks and financial institutions under the CLCS-TUS scheme.

Auto Components Manufacturing Units

India's auto component industry contributes 2.3% to GDP and directly employs over 1.5 million people. In the year 2024, turnover of the industry reached Rs. 6.14 lakh crore (US\$74.1 billion) with domestic OEM supplies comprising 54% and exports accounting for 18%. MSMEs are supporting India's comprehensive automotive manufacturing ecosystem by playing a crucial role in forging, casting, machining, and aftermarket auto components.

Source: <https://msme.gov.in/sites/default/files/MSME-Connect.htm>

There are various government initiatives that support the automotive industry which includes PLI Scheme for Auto Components providing



advanced technology manufacturing incentives, ASPIRE Scheme promoting innovation and entrepreneurship support, and FAME II which is driving EV adoption.

What Innovation are MSMEs bringing to the Auto Component Industry?

Auto component MSMEs are adopting CNC machining, robotic-assisted manufacturing, 3D printing, and IoT-enabled production systems to manufacture precision components. Many units are also developing electric vehicle (EV) components and export quality lightweight materials. MSMEs are increasingly using quality control softwares, supply chain management softwares and other digital systems to improve efficiency and product accuracy.

These innovations help MSMEs improve production speed, reduce material wastage, enhance component quality, and support entry into EV supply chains. In turn, it leads to market expansion and long-term growth for the sector because continuous innovation is essential for long term competitiveness in the automotive sector, otherwise the industry becomes obsolete.



Central Government Initiatives Supporting Auto component sector

A. ASPIRE Scheme

Launched by the Ministry of MSME to promote innovation, entrepreneurship, and rural industrialization through incubation and skill development.

Nature of Assistance – Financial support for setting up Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs), along with training and innovation grants.

Who Can Apply – Government institutions, NGOs, technical institutes, incubation centers, and MSMEs.

How to Apply – Apply through the Ministry of MSME by submitting incubation project proposals at: <https://aspire.msme.gov.in>

B. FAME II Scheme

Launched by the Ministry of Heavy Industries to promote electric vehicle adoption and EV manufacturing in India.

Nature of Assistance – Financial incentives for electric vehicles, EV components, and charging infrastructure development.

Who Can Apply – EV manufacturers, component manufacturers, transport agencies, and MSMEs in the EV supply chain.

How to Apply – Apply through the Ministry of Heavy Industries as per FAME II guidelines at: <https://fame2.heavyindustries.gov.in>

Conclusion

MSMEs continue to play a vital role in India's economic growth through employment generation, industrial development, innovation, exports, and entrepreneurship. With increasing adoption of technology, sustainable practices, and government support initiatives, the sector holds strong potential for future growth. Continued



policy support, easier access to market & finance, and infrastructure development will further strengthen MSMEs and enhance India's global competitiveness.

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