



Growth of Small and Medium Enterprises in Asian Countries with Special Emphasis on India

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ABSTRACT

This paper examines the growth trajectory of Small and Medium Enterprises (SMEs) across Asian countries, with an emphasis on India. SMEs constitute the backbone of economic development in Asia, contributing significantly to employment generation, poverty alleviation, and export growth, yet they face persistent structural challenges like limited access to finance and inadequate infrastructure. This paper also delves into various Government interventions and policies supporting MSMEs. It also draws a comparison of India with other Asian countries such as Indonesia, Malaysia, the Philippines, and Thailand.

Keywords: SMEs, MSMEs, Asian Economy, Financial Obstacles, Government Policies.

INTRODUCTION

Small and Medium Enterprises (SMEs), also called Micro, Small, and Medium Enterprises (MSMEs) in many countries, are very important for the growth of economies in Asia. They help people get jobs, reduce poverty, and support local communities. In ASEAN countries, many of these businesses have fewer than 100 workers, but they still have a big role in increasing exports and helping rural areas earn more (Anggadini et al. 488). By creating jobs and giving people more income, they help make the economy fairer for everyone (Anggadini et al. 490). India, as one of the largest developing economies in the region, offers an important case for understanding the scale and challenges of MSMEs. Examining the Indian context helps highlight how central these enterprises are to national economic performance.

In India, MSMEs make up the largest group of industrial businesses and give work to millions of people, even though they often do not have enough money, technology, or good infrastructure to grow (Pradhan 2). In 2011–12, they employed over 80 million people, produced 45% of India's manufacturing output, made 40% of the country's exports, and added 17% to the GDP ("Indian MSMEs" 61). They are closely linked to India's overall economic performance, but they also face problems like lack of finance, poor infrastructure, and outdated technology ("Indian MSMEs" 59–60). These structural challenges become even more serious when placed in the context of economic liberalisation and global competition. As markets opened and competition intensified, technological capability became a key factor for survival.

After India opened up its economy in the 1990s, competition increased. To survive, businesses needed better technology. Sadly, small firms are still the weakest in this area, spending only about 0.1% of their sales on research and development between 1991 and 2008 (Pradhan 3). Without improving in this area, it is hard for them to compete with others (Pradhan 2–3). These long-standing weaknesses were further exposed during periods of crisis. External shocks tend to affect smaller enterprises more severely due to their limited financial buffers. Recent events have also made things harder. The COVID-19 pandemic was one such event that intensified existing vulnerabilities.

Recent events have also made things harder. The COVID-19 pandemic stopped supply chains, lowered customer demand, and caused heavy financial losses. A survey found that 71% of MSMEs could not pay their workers, and production dropped from 75% to just 11% (Kelkar 14). In 2020, their contribution to the economy was expected to drop by up to 5.7% in the worst cases.

To help, the government gave out collateral-free loans, changed the definition of MSMEs to include more businesses which may attract new entrepreneurs to the sector, resulting in increased investment, production, and employment in the economy. The government also created online market links to help them find buyers (Kelkar 13). Although the Indian experience is distinctive, it reflects broader regional trends. Many Asian economies depend heavily on small and medium enterprises for growth and employment.

Other Asian countries like Indonesia, Malaysia, the Philippines, and Thailand also depend a lot on SMEs. In Indonesia, for example, they provide more than 61% of the country's GDP (Anggadini et al. 489). These countries have big markets, natural resources, and good locations for trade, which help their businesses grow (Anggadini et al. 490). Still, they face similar problems to India, such as slow government processes, poor infrastructure, and low use of digital tools (Anggadini et al. 490). Comparing India with other Asian countries provides a wider perspective on shared opportunities and challenges.

ARE SMALL AND MEDIUM ENTERPRISES THRIVING OR NOT IN ASIA?

In Asian countries, MSMEs contribute significantly to the country's economy. They support economic growth because MSMEs can stimulate job demand, competition, and innovation, as well as create jobs (Anggadini et al. 489).

Figure 1: Percentage of MSMEs Contribution to State Income in ASEAN countries

No.	Country	GDP	GNP	GNI
1	Indonesia	US\$1,060 trillion	US\$1,049 trillion	US\$4,050 per capita
2	Malaysia	US\$336 billion	US\$322 billion	US\$10,550 per capita
3	Filipina	US\$362 billion	US\$336 billion	US\$3,850 per capita
4	Thailand	US\$509 billion	US\$478 billion	US\$7,340 per capita

Table 1: Percentage of GDP, GNP, and GNI data of the four countries in 2020 (Anggadini et al. 490)

In the Indonesian business landscape, MSMEs are currently starting to develop. They already contribute significantly to the economy which is around 60.3% of the country's gross domestic product and 97% of the workforce, as stated by the website of the Ministry of Finance in India. Indonesian MSMEs are still relatively small on the international scale (Anggadini et al. 492). Despite their substantial contribution to employment and GDP, the growth trajectory of Indonesian MSMEs remains uneven. Their limited scale and capacity place them at a disadvantage when compared to MSMEs operating in more developed economies. This highlights the gap between economic contribution and structural strength. Understanding this gap is essential to evaluating the challenges these enterprises continue to face, particularly in the context of modernization and competitiveness.

The level of digitization among MSMEs in Indonesia is still deficient, with less than 15% having used digital platforms. (Anggadini et al. 492) This condition shows that MSMEs in Indonesia still expect assistance beyond government funding. The most common types of financial assistance are operational subsidies, service subsidies for technology solution providers, incentives to use digital platforms, and subsidies for digital tools (Solina as quoted in (Anggadini et al. 493)). The low adoption of digital technologies further underscores the structural limitations faced by MSMEs in Indonesia. In an increasingly digital global economy, the inability to integrate technology affects productivity, market access, and long-term sustainability. As a result, external support mechanisms become crucial in enabling MSMEs to transition into more competitive and technologically equipped enterprises. This dependence on institutional support differentiates Indonesia's MSME ecosystem from those of more digitally advanced nations.

MSMEs in Malaysia have an important role in various sectors, making a sizable contribution in their share of national income. Like in many other countries, MSMEs in Malaysia are involved in various industries (Mizunoura as quoted in (Anggadini et al. 493)), with the most dominant being the manufacturing industry, including the processing and production of raw materials, for example, food, beverages, textiles, petroleum, timber, and rubber, as well as the assembly and manufacture of electrical and electronic equipment and components. MSMEs in Malaysia make up more than 90% of the country's total manufacturing companies. Based on performance statistics, MSMEs in Malaysia do not seem to have a problem. Looking at these MSMEs' contributions to export, field employment, and economic growth, visible performance is already good (Anggadini et al. 493). In contrast to Indonesia, the Malaysian MSME sector demonstrates a higher level of industrial integration and operational maturity. The strong presence of MSMEs in manufacturing indicates better infrastructure, technological adoption, and access to markets. This comparative strength suggests that supportive policy frameworks and targeted development strategies play a key role in enhancing MSME performance. Examining these differences allows for a clearer understanding of how policy environments shape enterprise outcomes.

Policies and programs to guarantee access to adequate funding are carried out by providing initial capital, business expansion with financing, and business repair or rehabilitation. These MSME banks also have special programs to encourage rural economic development by fostering an entrepreneurial spirit and spirit in the community, as can be demonstrated through the partnership between the bank and the Ministry of Rural Development (Anggadini et al. 493).

“SMEs are significant contributors to urban economic dynamics, providing substantial opportunities for employment and enabling localized wealth generation” (Omowole et al.). Unlike large corporations which often centralize the decision-making process, SMEs create multiple points of economic activity throughout urban areas. This allows income and purchasing power to circulate and flow within the local communities. “Research indicates that SMEs generate more than 50% of total employment in many emerging economies, highlighting their pivotal role in job creation and, by extension, in reducing urban poverty levels” (Omowole et al. 1128) Employment generation is one of the primary contributions that SMEs make to urban economies (Omowole et al. 1133). They play a crucial role in creating jobs for people and reducing the unemployment rates. According to the findings from rural areas in the Czech Republic, the role of SMEs in rural areas is determined by the creation of competitive environment, the deepening of ties between apprentices and practice, the use of local resources, the increase in rural area attractiveness, the financial benefits for municipalities, the creation of vacancies, the sustaining of positive relationships within the local community and the development of infrastructure (Kubíčková et al.). This demonstrates that SMEs function as comprehensive development agents rather than singular economic entities, contributing to social and educational advancements. The establishment of industries in rural areas through SMEs has an irreplaceable role in job creation (Kubíčková et al. 1994)

THE CHALLENGES FACED BY MSMEs IN ASIAN COUNTRIES

MSMEs have great potential for increasing the workforce as a driver of economic growth, but in reality, they still face several obstacles in internal and external fields, including production, processing, marketing, capital, and others. (Anggadini et al. 490) In Indonesia, there needs to be more synergy between Bank Indonesia and other ministries/agencies in order to develop MSMEs. (Anggadini et al. 491).

The level of digitisation among MSMEs in Indonesia is still deficient, with less than 15% having used digital platforms. The latest official report revealed that as many as 9.4 million people and 7 MSMEs have gone digital, compared to the government's target of 10 million by the end of 2020.

This condition shows that MSMEs in Indonesia still expect assistance beyond government funding. (Anggadini et al.492) There are still a number of challenges and obstacles Malaysian MSMEs face. These challenges arise namely from globalization, liberalization and organizational expansion, and institutional and technological changes (Solina, 2020 as quoted in (Anggadini et al. 493)). Such obstacles as lack of financing, low productivity, lack of managerial ability, access to management and technology, and government policy that Malaysian MSMEs face damage performance (Yuen & Ng, 2021 as quoted in (Anggadini et al. 493)).

One of the most cogent ways to explain the lack of financial awareness among MSMEs is the complexity in accessing formal finance. This means that the micro-enterprises are still facing some difficulties in applying several products provided by financial institutions. (A and D. 9223) Not only will micro entrepreneurs depend on the grants funded by the governments but also avoiding the formal finance due to its cost and difficulties.

Atkinson and Messy (2012) argue that a lack of knowledge and illiteracy in developing countries, especially among the poor who are also MSME operators is a significant barrier in the move towards whole financial inclusion. This arises due to the unique nature of financial products and services offered by financial institutions. Improvements such as product design may deter the poor MSMEs from access and use of monetary services (World Banks, 2010). Agarwal (2008) observes that lack of knowledge and understanding of financial items and solutions triggered by lack of knowledge and low level of financial literacy may lead MSMEs to financial exemption. (A and D. 9224)

REGARDING FINANCIAL BEHAVIOUR/OBSTACLES

Additionally, the downsides of financial behaviour of MSMEs are record-keeping practices, poor cash management, improper saving habits, and less awareness regarding different financial loans and instruments which communicate the amount of financial literacy.

MSMEs in the Philippines face various challenges, both domestically and globally. These challenges include intensifying global competition from other manufacturers (e.g., China and India), limited ability to meet the challenges of market liberalization and globalization, limited capacity for technological knowledge management, low productivity and quality of output, skills shortage for the business environment, and limited access to finance, including capital and crucial initial funding for business development (Husin & Haron 2020 as quoted in (Anggadini et al. 494)). Filipino MSMEs still face challenges such as lack of access to finance, human resource constraints, limited ability to adopt technology, lack of information about potential markets and customers, and global competition (Anggadini et al. 494).

The biggest problem MSMEs face in Thailand is a lack of access to and credit for resources, coupled with limited assistance in the field of financial accounting. Besides that, Thailand's challenges in managing MSMEs are availability and stability regulation in implementing development to different sectors (Bruch & Hiemenz, 2019 as quoted in (Anggadini et al. 495)). Overall, there are many structural, institutional, technological barriers that are faced by these MSMEs. Addressing these barriers will lead to enhanced finance access, stronger coordination and stability. Also, digitization in the present age is absolutely necessary and will significantly boost MSME growth.

These issues can be addressed by strong government support

GOVERNMENT POLICIES SUPPORTING MSMES

Indonesia, Malaysia, the Philippines, and Thailand have the ambition to become advanced countries with the hope of improving their economies. Efforts are being made to enhance the industrial sector through various government policies such as foreign investment, infrastructure development, and support for MSMEs. (Anggadini et al. 488-489)

By improving the industrial sector, countries can increase production and export of goods, which can increase national income and reduce unemployment rates. Improving the economy brings the expectation that the welfare of society will be improved, and that the nation will eventually become an advanced country in the future. These four countries have implemented various efforts to attract investors, including:

- i. opening investment opportunities in strategic sectors such as energy, transportation, infrastructure, information technology, tourism, etc in the form of providing incentives and facilities for investment;
- ii. improving the investment climate, including policy and regulatory reforms to improve the investment climate, which involves improving licensing regulations, reducing bureaucracy, and ensuring legal certainty and political stability;
- iii. providing fiscal incentives for investors, such as tax exemptions or tax discounts for a certain period of time, tax relief for investment in certain sectors, and so on;
- iv. building infrastructure, such as toll roads, ports, airports, and so on; and
- v. improving the quality of human resources by improving access to education and training for workers.

One way Bank Indonesia has created more synergy between the bank itself and the ministries is through the government distributing Direct Cash Assistance ("BLT") for MSMEs, or Government Assistance for Micro Businesses ("BPUM"). These programs began August 24, 2020, with a target of 12 million local MSMEs receiving aid that is to be transferred directly to the business owners' accounts. (Anggadini et al. 491).

Due to the Direct Cash Assistance and Government Assistance for Micro businesses, Indonesian MSMEs became less dependent on external funding from private investors. This boosted the MSMEs that were struggling in terms of their finances and helped them continue their operations more effectively. The money is transferred directly to the business owners accounts, which also helps reduce possibilities of corrupt practices, creating a wider reach of these policies.

In Malaysia, the government has programs such as Cooperative Micro Loans and Small and Medium Business Loans provided by the Credit Counseling and Management Agency ("AKPK"). In addition, there are also training and consultation programs through agencies such as SME Corporation Malaysia and Malaysia Digital Economy Corporation ("MDEC"). (Anggadini et al. 491)

In Malaysia, the development process of MSMEs was initiated by the government at an earlier stage than the other countries which has helped them to prioritise the growth of MSMEs. Attention to MSMEs has existed since the 1970s, through the "New Economic Policy" of 1971, which essentially outlined plans for the future prosperity of the people and encouraged an ethnically balanced economic structure.

Malaysian SMEs are dominated by economic activities related to the manufacturing industry. The general policy for MSMEs' development is to include MSME as part of the manufacturing industry development value chain (Abdullah as quoted in (Anggadini et al. 493)).

In the Philippines, the government provides various assistance programs such as low-interest loans through the Small Business Corporation and training and consultation programs through the Department of Trade and Industry. In addition, there are also programs from financial institutions such as Land Bank of the Philippines and Development Bank of the Philippines that offer loans and other financial services (Anggadini et al. 491-492).

In order to support the competitiveness of MSMEs, policies to encourage high competitiveness are carried out through several activities, including linking MSMEs as part of the regional and global supply chain. Encouraging MSMEs to become part of multinational companies operating in the Philippines is carried out by providing incentives for international companies while at the same time facilitating MSMEs' integration into global company operations. MSMEs are encouraged to improve their basic competence in production and design according to international standards. The Philippine government also encourages MSMEs to carry out productive innovations, spending large amounts of money on innovation (Anggadini et al. 494).

The government policies in Philippines aren't that strong but after identifying some of the challenges faced by MSMEs in Philippines, some strategies that can be adopted by the government are as follows:

First, the government provides incentives available to MSMEs and educates practitioners on how to access them.

Second, in line with existing incentives, the government should also increase the number of MSMEs coaching centers that offer consulting and expert services to MSMEs by involving more experts in different fields (e.g., IT, financial planning, marketing planning, and others). Ensuring that MSMEs have effective and affordable access to these incentives would help managers of MSME to understand financial accounting and develop qualified accounting behavior so they can create quality financial reports (Naradda, 2020).

Thirdly, providing subsidies for MSMEs to apply global standards to their operations will encourage efficiency and competitiveness (Anggadini et al. 494).

In all, the Philippine government has taken various initiatives for the boost of MSMEs as is required, but these have not yet reached a large number of MSMEs. Spreading awareness about these initiatives will definitely help in the scalability of MSMEs in the Philippines.

In Thailand, the government provides various assistance programs such as soft loans with low interest rates. There are also training, consultation, and market access programs provided by the Department of Small and Medium Enterprise Development and the Ministry of Commerce (Anggadini et al. 492).

Prior to 2000, there were no specific institutions or rules governing the presence of MSMEs in Thailand. Finally, in 2000, the parliament of Thailand passed some policies that facilitated the development of MSMEs (Anggadini et al. 494).

Based on policy news, Thailand slowly started the effort of MSMEs development by establishing a special institution called the Office of Small and Medium Enterprises Promotion (OSMEP). Under the same regulations, MSMEs in Thailand are divided into three main clusters: the manufacturing sector, the trade sector, and the service sector (Siriphattrasophon as quoted in (Anggadini et al. 494).

A policy derivative, specifically about developing MSMEs in Thailand, was developed into a differentiated Master Plan framework on goal focus and timeframe (Anggadini et al. 494).

The first MSMEs development Master Plan (2002–2006) focused on the recovery economy, development of infrastructure, and increased competitiveness (Anggadini et al. 494).

The second plan for the development of MSMEs contained in the 2007-2011 Master Plan has a different focus, namely encouraging the implementation of knowledge-based activities and supporting the restructuration of the social economy through enhancing the level of public life overall (Bruch & Hiemenz as quoted in (Anggadini et al. 494))

MSMEs' management in Thailand continues to develop after the Master Plan 2012–2016. OSMEP collaborates with various parties, such as public agencies, the private sector, and academics. For this step, Thailand committed to increasing power competitiveness and project MSMEs under a framework of achievement growth towards a stable national economy. The mapping of roles and coordination between agencies is also becoming more visible in the framework planning for 2012–2020. (Anggadini et al. 495)

Among the four ASEAN countries analyzed, the government's role in MSMEs' development is very strong because it is part of the political process of using government programs to increase welfare.

MSMES IN INDIA

Micro, Small and Medium Enterprises (MSMEs) are the most dynamic and significant organs of an economy. In addition to creating a sizable number of jobs for the working population of a country, MSMEs contribute to Exports revenue as well as Gross Domestic Product to a reasonable extent. (KANNAN and SUDALAIMUTHU 58)

Table 2: showing Summary Results of Fourth All India MSME census (completed in 2011-12)

Characteristics	Units	Regd. Sector	Unregd. Sector	EC-2005	Total
Size of Sector	In Million Numbers	1.56	19.87	14.74	36.17
Rural Units	In Million Numbers	0.71	11.97	7.34	20.02
Women Enterprises	In Million Numbers	0.22	1.81	0.64	2.67
Total Employment	In Million Numbers	9.31	40.89	30.33	80.53
Per Unit Employment	In Numbers	5.97	2.06	2.06	2.23
Total Original Value of Plant & Machinery	In Billion Rupees	1050.25	946.39	--	1996.64
Total Fixed Investment	In Billion Rupees	4491.38	2408.17	--	6899.55
Total Gross Output	In Billion Rupees	7075.10	3697.03	--	10772.13

Source: MSME Annual Report, 2012-2013 as shown in (KANNAN and SUDALAIMUTHU 60)

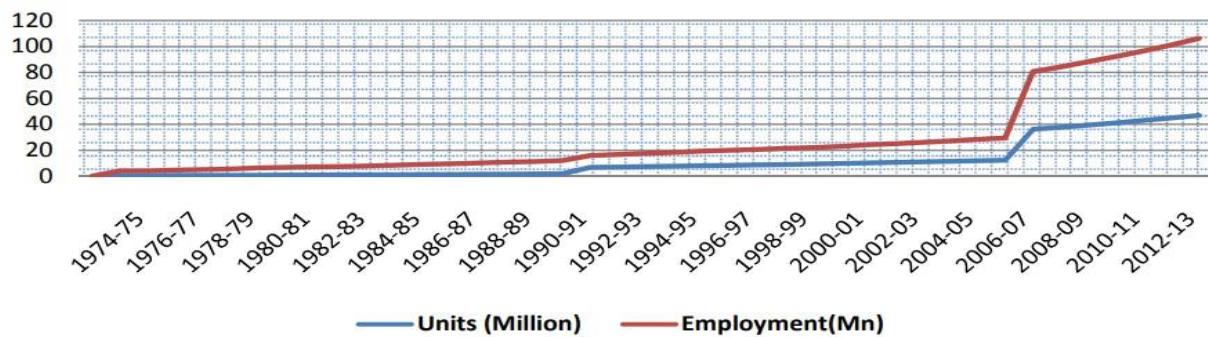
MSMEs in India provided employment to 80.53 million persons as in 2011-12, with a per unit capacity of 2.23 persons. In terms of value of Plant & Machinery, as depicted in the table, MSMEs accounted for almost 2 trillion rupees, with a total investment in fixed assets of nearly 7 trillion and total gross output of more than 10 trillion rupees as in 2011-12. The 2013 data reveals that SMEs in India employ close to 40% of India's workforce, and contribute 45% to India's manufacturing output. Further, they account for 40% of India's total exports, and contribute to 17% of the GDP, as reported in Economic Times19 (2013). (KANNAN and SUDALAIMUTHU 61)

Table 4: Highlighting the Economic Implications of MSMEs in India (in terms of Employment potential, Market Value of Fixed Assets, and Contribution to GDP)

Year	MSME Employment (in Million)	Market Value of Fixed Assets (in Billion)	Gross Output (in Billion)	GDP at Current prices (in Billion)	GDP of Public Sector	Pub + Orgd. Pvt Sector Employment (in million)	Proportion of MSME Emp to Pub+OrgdPvtEmp	Proportion of Gross Output of MSME to GDP at current prices	Proportion of MSME Gross output to GDP of public sector
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(2)/(7)	(4)/(5)	(4)/(6)
2002-03	26.02	1623.17	3148.50	25363.27	5854.28	27.00	0.96	0.12	0.54
2003-04	27.14	1702.19	3645.47	28415.03	6240.91	26.45	1.03	0.13	0.58
2004-05	28.26	1786.99	4297.96	32422.09	6805.19	26.46	1.07	0.13	0.63
2005-06	29.49	1881.13	4978.42	36933.69	7290.40	26.96	1.09	0.13	0.68
2006-07	80.52	8685.44	13513.83	42947.06	8188.89	27.24	2.96	0.31	1.65
2007-08	84.22	9174.38	14351.79	49870.90	9138.22	27.55	3.06	0.29	1.57
2008-09	88.11	9717.08	15242.35	56300.63	10747.16	28.18	3.13	0.27	1.42
2009-10	92.22	10293.31	16193.56	64778.27	13058.82	28.71	3.21	0.25	1.24
2010-11	96.57	10948.93	17215.53	77953.13	15116.67	29.00	3.33	0.22	1.14
2011-12	101.26	11769.39	18343.32	89749.47	17134.47	30.00	3.38	0.20	1.07

Source: MSME Annual Report (2012-13) & Reserve Bank of India as shown in (KANNAN and SUDALAIMUTHU 61)

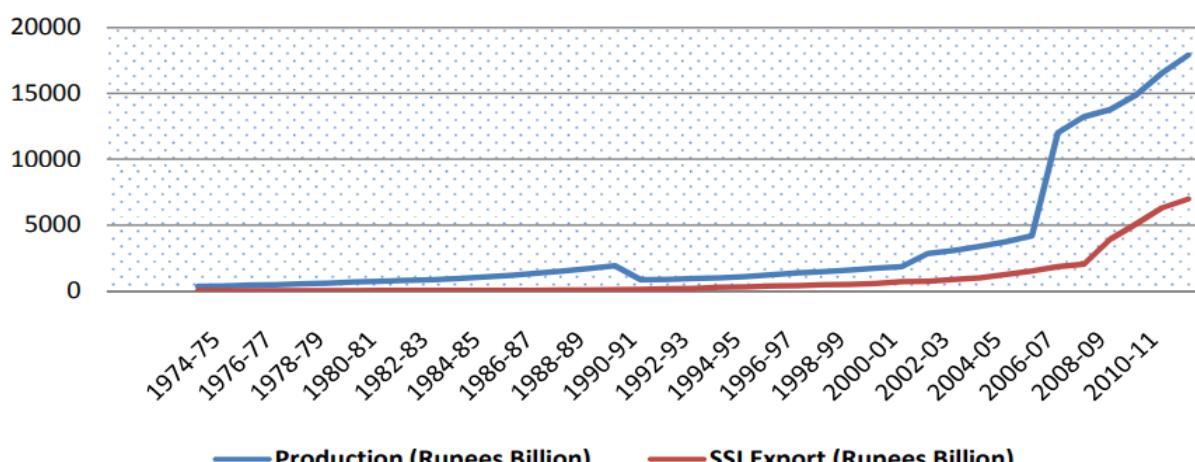
Units & Jobs created by MSMEs in India (1974 to 2013)



Source: Reserve Bank of India

The above figure presents the pattern of growth in MSME units operational in the country between 1974 and 2013, as well as the jobs created by them for the same period. From the graph it can be understood that the growth trend in units and jobs were quite steady for almost two decades in the beginning, there registered steep rise in both in the years 2005 and 2007, which was continuously maintained in the subsequent 5 years as evidenced in the graph.

Production and Export Performance of MSMEs in India (1974 to 2012)



Source: Reserve Bank of India

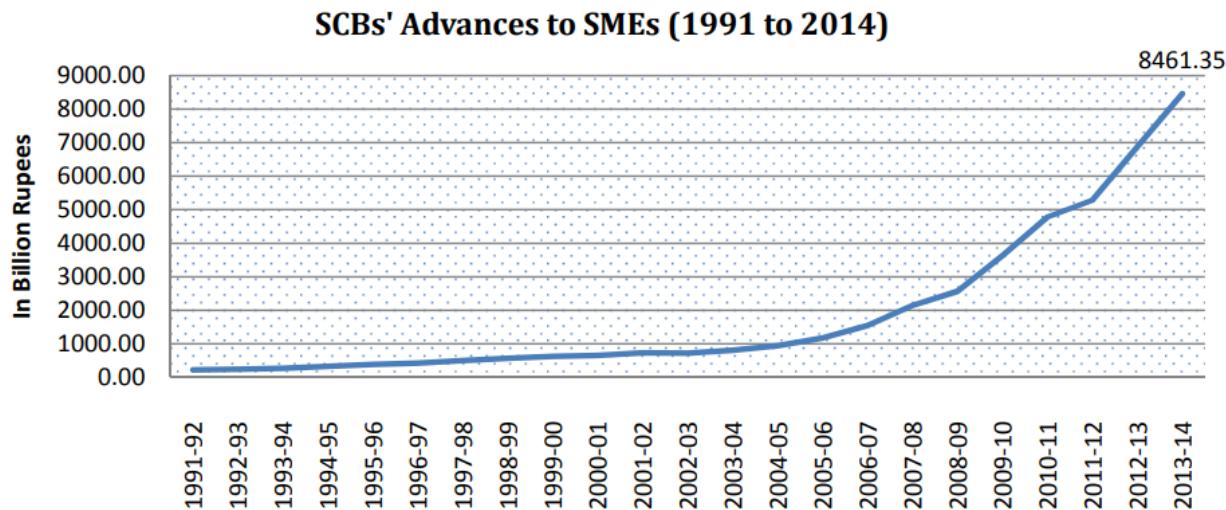
The above figure highlights the performance of MSMEs in India in terms of production and exports, both reported in billion rupees, from 1974 to 2012. Parallel to the trend noticed in the previous graph (of units and jobs), there was a steep increase in production coupled with a moderate rise in exports between 2005 and 2007, which trend was maintained thereafter. These graphs show a high correlation between the economy and MSMEs and hence signifies the dependence of the economy on MSMEs. This shows that MSMEs are the backbone or the pillar of the Indian economy.

CHALLENGES FACED BY INDIAN MSMEs (MAJORLY RELATED TO FINANCE)

Anis Ali & Firoz Husain²⁶ (2014), in their study on Problems and Prospects of MSMEs, summarized the following as problems of MSMEs in India: (i) lack of credit from banks; (ii) competition from multinational companies; (iii) poor infrastructure; (iv) unavailability of raw material and other inputs; (v) lack of advanced technology; (vi) lack of distribution of marketing channels; (vii) lack of training and skill development programs; and (viii) complex labor laws and red-tape. (KANNAN and SUDALAIMUTHU 65)

Many research studies (including Prasad²⁷, 2006; Ram Jass Yadav²⁸, 2012; Brij Raj²⁹, 2012; Nagaraju&Kavitha Vani³⁰, 2013; and address by K.C.Chakrabarty³¹, Dy Gov. RBI, 2012) explained the reluctance on the part of formal financial institutions – mainly due to borrowers' incompetency in addressing lenders' demands – in funding the financial needs of micro, small and medium enterprises, especially due to their inability to show their worthiness as a reliable and performing borrower. (KANNAN and SUDALAIMUTHU 65)

As per IFC report on MSME Finance in India¹ (2012), there was a total finance requirement of 32.5 trillion rupees in MSME sector, which comprises 26 trillion of debt demand and 6.5 trillion of equity demand. The study showed that of the overall finance demand of 32.5 trillion rupees, 78 percent or 25.5 trillion is either self-financed or from informal sources. Formal sources cater to only 22 percent or 7 trillion rupees of the total MSME debt financing. Within the formal financial sector, banks account for nearly 85 percent of debt supply to the MSMEs, with Scheduled Commercial Banks (SCBs) comprising 5.9 trillion rupees. The graph presented below shows the trend in advances by scheduled commercial banks to small and medium enterprises in India³³ between 1991 and 2014. (KANNAN and SUDALAIMUTHU 66)



GOVERNMENT INITIATIVES PROMOTING MSMEs IN INDIA

- i. To encourage micro and small enterprises to adopt global standards in barcoding and comply with best practices, the Development Commission-MSME, Govt. of India, has notified an attractive financial assistance scheme for registered micro and small enterprises that allows eligible units to claim reimbursements of 75% of the one-time registration fee and 75% of the annual fee paid to GS1 India for the first three years, against proof of payment. The reimbursements are made directly by MSME. (www.gs1india.org)
- ii. The Credit Guarantee Fund Scheme for Micro and Small Enterprises makes available collateral-free credit to the MSMEs through a trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Scheduled Commercial Banks are eligible lending institutions, among others, in this scheme. Both term loans and working capital facility up to Rs.10 million per borrowing unit can be covered under the scheme without any collateral security or third party guarantee, to a new or existing MSME. The guarantee cover available under the scheme is to the extent of 75 percent of the sanctioned amount of the credit facility. The cover is for the agreed tenure of the term loan/composite credit, and in case of working capital, the cover is for 5 years or a block of 5 years. The scheme is operated through the internet, hosted at www.cgtsi.org.in.
- iii. Credit Linked Capital Subsidy Scheme, which offers 15% back end capital subsidy, capped at one billion rupees for technology up-gradation, is operated through NABARD and SIDBI.
- iv. Mini tools room and training centre scheme offers assistance to state governments who come forward to set up mini tool room and training centres – each at an estimated cost of 150 million rupees in the form of one-time grant-in-aid equal to 90 percent of the cost of machinery/equipment in case of new setup, and 75 percent in case of capacity expansion.
- v. The National Award Scheme is the one under which the ministry of MSME gives away national awards annually to selected entrepreneurs and enterprises having permanent registration. The prerequisite for this award is that the enterprise must have been in continuous production or service for four years.

- vi. "Market Development Assistance scheme for MSMEs" offers funding for the participation by manufacturing SMEs in international trade fairs/exhibitions under MSME India stall. It also offers funding for the sector-specific market studies by industry associations/export promotion councils/FIEO.
- vii. MSE-Cluster Development Program (MSE-CDP) was comprehensively modified in 2010 to provide higher support to the MSEs. The scope of the scheme includes: (i) Grant for preparation of diagnostic study report; (ii) Grant for soft interventions like training, exposure, technology up-gradation, etc.; (iii) Grant for preparation of detailed project report; (iv) Grant for hard interventions like tangible assets development; (v) Grant for infrastructure development; and (vi) Assistance for exhibition centers by Associations of Women Entrepreneurs.
- viii. The Performance and Credit Rating scheme is implemented through National Small Industries Corporation (NSIC), through which the ministry of MSME offers to the MSEs a subsidy of 75% of fee charged by the Rating Agency, subject to a ceiling of Rs.40,000.
- ix. Tax Sops: The government seeks to encourage entrepreneurship ventures by offering tax sops, such as: a. General Excise Exemption scheme of the Central Excise Department wherein specified goods are exempted from excise for SMEs b. Tax holidays on Export Oriented Units: i. Exemption from Customs and Excise Duties on import/local procurement of capital goods, raw materials, consumables, spares, packing materials, among others. ii. Tax holidays for various small scale industries and others like IT, food processing, pharmaceuticals and energy. iii. Turnover threshold limits of tax audit raised to 6 million rupees. iv. Tax holidays for MSMEs in specific underdeveloped states and north eastern regions.
- x. In addition to the mushrooming number of incentive schemes offered by the Federal Government in India, there are measures taken by State governments also. Owing to these measures, many states show consistently good performance in the MSME front, with Tamil Nadu being one among them. There was a 30% growth in new units in Tamil Nadu in 2012-13, showing that capital formation in the sector is growing rapidly. Tamil Nadu boasts of the highest number of new units in the MSME sector. The government of Tamil Nadu has launched many schemes and given new life to several initiatives in the MSME sector. Among the innovative programs it has launched is the NEEDS program. In this, the government arranges a collateral-free loan of INR 10 million for start-ups. The government subsidy of 25% is given after the unit has started up and the loan has been repaid. In backward districts, the government has come out with a scheme called the State Balanced Growth Fund implemented through the state planning commission. (Times of India25, 9-Sep-2014, pp.6).

CONCLUSION

This paper delves into how small and medium enterprises play a central role in shaping the economic landscape of Asian countries, particularly in developing economies such as India. We can see that SMEs contribute to employment generation, industrial output, exports, and income distribution. Their ability to provide livelihoods to large sections of the population makes them a crucial instrument for growth and poverty reduction. In India, MSMEs form the backbone of the industrial sector and remain closely linked to national economic performance, despite persistent structural limitations.

The paper shows that technological capability has emerged as a critical factor determining survival and growth in this environment. However, Indian MSMEs continue to lag in research and development investment and technological adoption, limiting their competitiveness both domestically and internationally. These weaknesses were further exposed during periods of crisis, particularly during the COVID-19 pandemic, which disrupted supply chains, reduced demand, and severely affected employment and production levels.

Government interventions and policies can significantly support and enhance the resilience of SMEs. Continuous investment in infrastructure, access to affordable credit, technological upgradation, and skill development are essential to strengthen the sector.

The comparative analysis with Indonesia, Malaysia, the Philippines, and Thailand demonstrates that India's challenges are not isolated but reflect broader regional patterns. Despite varying levels of economic development and sectoral composition, Asian SMEs universally grapple with bureaucratic inefficiencies, inadequate infrastructure, and low digital adoption that constrain their growth trajectories. At the same time, shared strengths like large domestic markets, strategic trade locations, and growing regional integration present substantial opportunities for SME expansion. Learning from regional best practices can help countries like India design more effective support frameworks.

In conclusion, the growth of SMEs in Asia, particularly in India, depends on a balanced approach that combines policy reform, technological innovation, and institutional support. These businesses hold communities together, keep traditional skills and knowledge alive, and help families build better lives. As Asian countries deal with tough global competition, rapid changes in technology, and environmental challenges, governments need to create smart policies that truly help SMEs grow and adapt to local needs. Strengthening the SME sector is not only vital for economic growth but also for ensuring equitable development and long-term economic stability across the region.

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