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**Author's :**

**Dr. Sourav Kumar**

Department of Economics, Veer  
Kunwar Singh University, Ara (Bihar).

Corresponding Author :

**Dr. Sourav Kumar**

Department of Economics, Veer  
Kunwar Singh University, Ara (Bihar).

## **Micro, Small and Medium Enterprises in Bihar : An Empirical Assessment of Growth, Employment, and Developmental Challenges**

**Abstract :** Micro, Small and Medium Enterprises (MSMEs) are widely recognized as engines of economic growth, employment creation, and inclusive development across developing economies (OECD, 2019). In India, the MSME sector plays a crucial role in supporting industrial output, exports, and entrepreneurship, particularly in states with limited large-scale industrialization (Ministry of MSME, 2024). Bihar, one of India's most populous and agrarian states, has increasingly relied on MSMEs as a strategic instrument for economic diversification and livelihood generation (Economic Survey of Bihar, 2023). This paper examines the growth, structural composition, and developmental role of MSMEs in Bihar using secondary data from government publications, institutional reports, and scholarly literature. The study analyzes enterprise registration trends, employment generation, sectoral distribution, policy interventions, and constraints affecting MSME performance. The findings indicate that Bihar has experienced substantial growth in MSME registrations, predominantly driven by micro enterprises, which contribute significantly to employment and rural development (NABARD, 2023). However, challenges

such as limited access to finance, infrastructural inadequacies, low technological adoption, and weak market integration continue to restrict the sector's productivity and scalability (RBI, 2022). The paper concludes that targeted policy reforms, enhanced financial inclusion, infrastructure development, and skill upgradation are essential to unlock the full potential of MSMEs in Bihar and ensure sustainable economic development.

**Keywords :** Micro and Small Enterprises, Bihar Economy, Employment Generation, Industrialization, Entrepreneurship Development, Inclusive Growth.

**1. Introduction :** Micro, Small and Medium Enterprises (MSMEs) occupy a central position in the development strategies of emerging economies due to their ability to generate employment, promote entrepreneurship, and facilitate balanced regional development (UNIDO, 2021). In India, MSMEs represent a vital component of the industrial ecosystem, contributing substantially to manufacturing output, exports, and job creation (Ministry of MSME, 2024).

According to official estimates, the MSME sector contributes nearly 30 percent to India's Gross Domestic Product (GDP), about 45 percent to manufacturing output, and around 40 percent to total exports, while employing more than 110 million people (Ministry of MSME, 2024; Government of India, 2023). Given India's demographic profile and persistent employment challenges, MSMEs are increasingly viewed as instruments for inclusive growth and poverty reduction (World Bank, 2020).

The relevance of MSMEs becomes particularly significant in states such as Bihar, where large-scale industrialization remains limited (NITI Aayog, 2022). Bihar is characterized by high population density, a predominantly rural economy, and heavy dependence on agriculture (Economic Survey of Bihar, 2023). Despite abundant human resources and fertile land, the state has historically faced structural constraints such as inadequate infrastructure, low private investment, weak financial inclusion, and governance challenges (Planning Commission, 2012).

In recent years, the MSME sector has emerged as a promising pathway for economic transformation in Bihar. The low capital requirement and labor-intensive nature of MSMEs make them well suited to the socio-economic conditions of the state (Dey, 2014). Government initiatives at both central and state levels—such as Udyam Registration, PMFME, Mukhya Mantri Udyami Yojana, and Bihar Laghu Udyami Yojana—have provided renewed momentum to enterprise formation and formalization (Ministry of MSME, 2024; Government of Bihar, 2022).

**2. Review of Literature :** The MSME sector has been extensively studied in the context of economic development and industrialization. **Venkatesh and Muthiah (2012)** observed that MSMEs play a significant role in employment generation and contribute meaningfully

to industrial output in developing economies. Their study emphasized the importance of MSMEs in fostering decentralized industrial growth.

**Singh, Verma, and Anjum (2012)** examined the performance of small-scale industries in India and concluded that policy liberalization led to an increase in the number of enterprises and employment. However, they highlighted persistent issues related to finance and technology adoption.

**Murthy (2016)** conducted an empirical study on MSMEs and found that the sector contributes to inclusive growth by creating employment opportunities in rural and semi-urban regions. The study underscored the need for infrastructure development and skill enhancement.

**Dey (2014)** analyzed the growth trajectory of MSMEs in India and reported that while the sector's contribution to GDP and exports has improved, regional disparities persist. Economically weaker states require targeted policy interventions to strengthen their MSME base.

**NABARD (2023)** highlighted that Bihar has experienced rapid growth in MSME registrations following the introduction of digital registration platforms. However, the report pointed out that micro enterprises dominate the sector, reflecting limited capital intensity.

**The Economic Survey of Bihar (2023)** emphasized the role of MSMEs in employment generation and rural non-farm activities, while also identifying infrastructure and credit constraints as major challenges.

Despite these studies, there remains limited comprehensive research focusing exclusively on MSMEs in Bihar. This study attempts to address this gap through a detailed analysis of the sector.

**3. Research Methodology :** The present study adopts a descriptive and analytical research design to examine the development and performance of Micro, Small and Medium Enterprises (MSMEs) in Bihar. The descriptive approach is used to present the overall status, structure, and growth pattern of MSMEs, while the analytical approach helps in interpreting trends related to employment generation, sectoral distribution, and challenges faced by the sector.

The study is based entirely on secondary data collected from reliable and authoritative sources. These include government publications such as Economic Surveys, MSME annual reports, and policy documents, along with reports of financial and development institutions. In addition, data and insights from research journals, books, and official websites related to MSMEs have been used to support the analysis.

The period of study broadly covers recent years, particularly focusing on

developments after the introduction of digital registration and policy reforms in the MSME sector. This time frame enables the study to capture recent structural changes and emerging trends.

For data analysis, simple statistical tools such as percentage analysis, trend analysis, and comparative analysis have been employed. Tables and figures have been used wherever necessary to present data clearly and facilitate better understanding.

The scope of the study is limited to MSMEs operating within Bihar. Since the research relies on secondary data, the findings are subject to the availability and accuracy of published information. Despite this limitation, the methodology provides a systematic framework for analyzing the role and challenges of MSMEs in the state.

#### **4. Growth and Structure of MSMEs in Bihar**

**Growth Trends in MSME Registrations :** The Micro, Small and Medium Enterprises (MSME) sector in Bihar has witnessed significant expansion in recent years, particularly in terms of formal enterprise registrations. This surge is closely linked to the implementation of the Udyam Registration system, which simplified the process of MSME registration through an online one-step procedure (Ministry of MSME, 2024). As a result, Bihar experienced a sharp increase in the number of registered units, reflecting both latent entrepreneurial activity and the impact of digital reforms aimed at reducing bureaucratic barriers to enterprise creation.

According to the National Bank for Agriculture and Rural Development (NABARD), Bihar had over 50.69 lakh MSME units registered on the Udyam portal, accounting for around 4% of total MSME registrations in India (NABARD, 2023). This indicates a substantial base of enterprises, especially when considering the state's earlier historical performance in industrial development.

The growth in registrations also reflects targeted government efforts to formalize previously informal small business activity. Previously, many micro enterprises operated without formal recognition due to procedural complexity and a lack of awareness about registration benefits (Economic Survey of Bihar, 2023). The streamlined Udyam process reduced documentation requirements and enhanced accessibility, thereby encouraging a broader base of informal enterprises to seek official status.

**Structural Composition of the MSME Sector :** The structure of MSMEs in Bihar is heavily skewed toward micro enterprises, a pattern typical of states that are transitioning from agrarian economies with limited industrialization to more diversified economic frameworks. As of the latest available data:

The introduction of Udyam Registration has significantly increased the number of formally registered MSMEs in Bihar. According to NABARD (2023), Bihar accounts for

approximately 4 percent of total MSME registrations in India.

**Table 1 : Distribution of MSMEs in Bihar by Category**

Category	Number of Units	Share (%)
Micro Enterprises	49.3 lakh	97.26
Small Enterprises	1.32 lakh	2.60
Medium Enterprises	0.07 lakh	0.14
<b>Total</b>	<b>50.69 lakh</b>	<b>100</b>

Source: NABARD (2023, p. 15)

This distribution reveals that the MSME ecosystem in Bihar is dominated by businesses with very low capital requirements and predominantly local operational scales, often rooted in household or family ownership structures (Mukherjee, 2018).

Such dominance of micro units is reflective of multiple socio-economic factors:

- Low startup costs, which make micro enterprise formation accessible to low-income groups;
- Limited access to formal capital, which constrains the growth of enterprises into larger categories;
- Predominance of informal business practices, which reduces the incentive to scale up formally (RBI, 2022).

This skew toward micro enterprises suggests that while Bihar has a vibrant base of entrepreneurial activity, the ability of these enterprises to evolve into medium-scale operations remains limited due to structural and resource constraints.

**Sectoral Distribution of MSMEs :** The MSMEs in Bihar are spread across multiple sectors, but certain segments have higher concentrations of enterprise activity. According to the Ministry of MSME (2024), the sectoral composition can be broadly categorized as follows:

- **Manufacturing (≈ 32%)** – This includes small-scale production units engaged in agro-based processing, food products, textiles, leather goods, and metal fabrication.
- **Services (≈ 48%)** – Comprising businesses such as repair workshops, transport services, IT and communication support, hospitality, and professional services.
- **Trade (≈ 20%)** – Small retail outlets, wholesale traders, and distributive businesses that cater to local markets (Ministry of MSME, 2024).

The high share of services and trade reflects the importance of non-farm economic activities in Bihar's restructuring away from a purely agrarian economy. It also indicates

that many MSME ventures are oriented toward meeting local consumption demand rather than export or large-scale industry linkages (Economic Survey of Bihar, 2023).

**Regional Patterns Within Bihar :** The distribution of MSMEs across Bihar is not uniform. Districts with better infrastructure, greater urbanization, and higher levels of connectivity generally show higher concentrations of MSME activity. For instance:

- Regions around Patna, Gaya, and Muzaffarpur have more diversified enterprise structures, including manufacturing and services (NABARD, 2023).
- On the other hand, economically backward districts with limited connectivity see MSME activity dominated by micro retail and agro-related units (NITI Aayog, 2022).

This internal variation highlights the uneven nature of economic development within the state and suggests that the growth of MSMEs is closely tied to regional access to resources, infrastructure, and markets.

**Linkages and Value Chain Integration :** Another structural aspect of Bihar's MSME sector is its limited integration into formal value chains. Most enterprises operate independently or at the first level of production and trade rather than serving as suppliers to larger industrial clusters. This pattern is visible in sectors like food processing, where units primarily process local agricultural products for local consumption instead of participating in broader value networks (World Bank, 2020).

Limited integration into state or national supply chains restricts the ability of MSMEs to achieve economies of scale, access formal markets, or attract institutional investments.

**Entrepreneurship Patterns and Socio-Economic Dimensions :** The MSME sector in Bihar demonstrates a strong presence of first-generation entrepreneurs, especially in micro enterprises. Many proprietors start ventures as a means of supplementing farm income or multiplying household earnings (ILO, 2020). Women entrepreneurs form an emerging group in areas such as handicrafts, food processing, and service activities, though their representation remains lower compared to men due to socio-cultural barriers and limited access to finance (FICCI, 2023).

The socio-economic composition of enterprise owners thus reflects broader patterns of rural workforce engagement and income diversification strategies among households.

**Drivers of Structural Change :** Several factors have contributed to the current structure of MSMEs in Bihar:

1. **Policy Interventions** – Digital registration and incentive schemes improved formalization rates (Ministry of MSME, 2024).
2. **Credit Accessibility Programs** – Expanded lending under schemes like CGTMSE and Mudra Yojana enabled more enterprises to access finance (RBI, 2022).

3. **Skill Development Initiatives** – State skill missions and central programs have facilitated operational improvements, though uptake remains uneven (NITI Aayog, 2022).
4. **Entrepreneurship Ecosystem Support** – Incubation centers, training workshops, and industry linkages have begun to emerge, particularly in urban clusters (ASSOCHAM, 2022).

While these drivers have catalyzed growth, the structural dominance of micro enterprises points to the need for enhanced scaling pathways, such as better credit products, technology partnerships, and export market linkages.

**5. Employment Contribution of MSMEs in Bihar :** The employment contribution of Micro, Small and Medium Enterprises (MSMEs) in Bihar reflects the sector’s critical role in absorbing labour, generating livelihoods, and supporting inclusive economic development. MSMEs provide diversified job opportunities across manufacturing, services, and trade sectors, particularly in a state with limited formal industrialization and high rural workforce participation (NABARD, 2023). This section provides a detailed analysis of employment trends, scale, composition, and implications for Bihar’s labour market.

**Employment Trends from Udyam Registration Data:-** One of the most reliable recent sources of employment statistics for Bihar’s MSMEs comes from the Udyam Registration Portal data, as released by the Government of India. According to the Press Information Bureau (PIB), the cumulative number of persons employed by Udyam-registered MSMEs in Bihar increased significantly between 2020–21 and 2023–24.

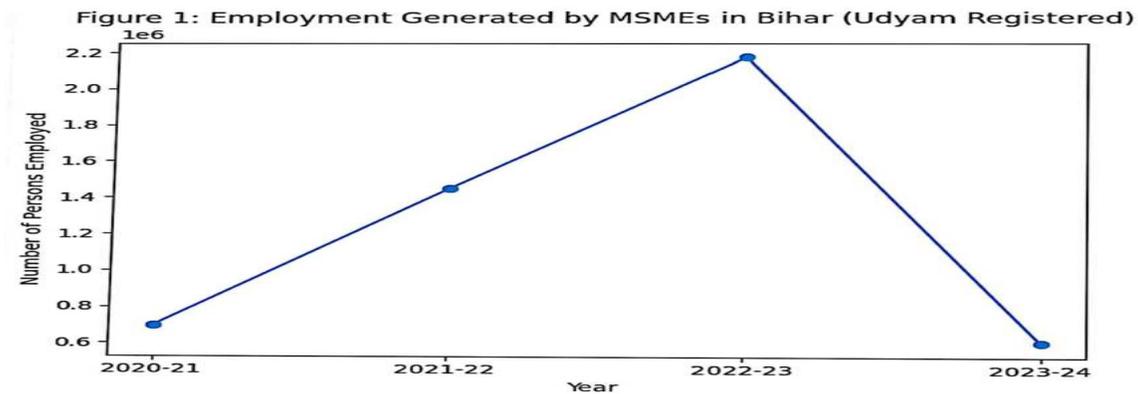
**Table 2 : Employment Generated by Udyam-Registered MSMEs in Bihar**

Financial Year	Number of Persons Employed
2020–21	694,423
2021–22	1,447,440
2022–23	2,175,714
2023–24	606,625
<b>Total (Cumulative)</b>	<b>4,924,202</b>

**Source:** Compiled from Press Information Bureau (PIB), Government of India, based on Udyam Registration Portal data.

These figures indicate a remarkable expansion in formal job creation within the MSME sector in Bihar, driven by increasing enterprise registrations and formalization via the Udyam system.

**Figure 1: Employment in Bihar MSMEs (Udyam Registered, 2020–24)**



Here is a graph illustrating the employment trend over these four years:

Figure 1: Employment reported by MSMEs in Bihar based on Udyam Registration data (2020–21 to 2023–24). Data shows substantial growth in reported employment, with a cumulative employment count of almost 5 million over four years (source: Udyam Registration Portal data as per PIB). ([Press Information Bureau](#))

**Sectoral Breakdown and Workforce Composition:-** Employment generation remains the most significant contribution of MSMEs in Bihar. The data from Udyam Registration not only highlights aggregate employment numbers but also underscores how different enterprise sizes contribute to labour absorption. The sector provides direct employment to approximately 29.3 lakh persons, largely through micro enterprises (NABARD, 2023).

**Table 3. Employment Generated by MSMEs in Bihar**

Enterprise Category	Employment (lakh)
Micro	26.8
Small	2.1
Medium	0.4
<b>Total</b>	<b>29.3</b>

Source: NABARD (2023, p. 18)

MSMEs help absorb surplus agricultural labor and reduce distress-driven migration.

- Micro enterprises employ the largest proportion of workers, reflecting the labour - intensive nature of small-scale business activities, especially in rural and semi-urban regions of Bihar (NABARD, 2023).
  - Micro units in Bihar historically accounted for a major share of employment, with estimates from earlier Udyog Aadhaar data indicating about 29.29 lakh jobs generated across registered MSMEs as of 2021, ranking Bihar eighth among all Indian states in MSME employment contribution. ([NABARD](#))

The predominance of micro enterprise employment is consistent with the fact that micro units account for over 97% of all registered MSMEs in Bihar (NABARD, 2023), which typically have simpler business models and employ more workers per unit of capital than larger SMEs.

**District-Level Employment Patterns:-** More granular employment data from government sources show district-wise employment contributions in Bihar. For example:

- Districts such as Gaya, Begusarai, Bhagalpur, and Darbhanga report employment levels exceeding 1.3 lakh persons per district under Udyam registration.
- Smaller districts such as Arwal and Buxar still contributed tens of thousands of jobs through local MSMEs. ([Digital Sansad](#))

This dispersed pattern of employment suggests that MSME job creation is not limited to urban centers but also spreads across rural and peri-urban regions, supporting regional economic inclusiveness.

**Comparison with National Employment Contribution:-** At the national level, MSMEs are recognized as a major employment sector. For instance:

- MSMEs contribute to employment for nearly 110 million people nationally, second only to agriculture (NABARD, 2023).
- In a broader national comparison, Bihar's share of total Indian MSME employment was estimated at around 1.745 million (or 3.48% of national MSME employment) in older datasets (2014-15), indicating Bihar's workforce contribution despite industrial limitations. ([Allied Business Academies](#))

Comparative state statistics reinforce that Bihar's MSME sector, while smaller in absolute numbers than some large industrial states, still plays a significant role in absorbing labour and contributing to economic activity.

**MSMEs and Inclusive Employment Opportunities:-** The employment generated by MSMEs in Bihar is particularly impactful for traditionally disadvantaged and rural populations. Given that a large portion of the state's workforce is engaged in informal and agricultural activities, MSME-related employment provides an alternative livelihood with greater stability, market integration, and formal recognition.

Additionally, MSME jobs are created across manufacturing, services, trade, and processing activities, which diversify the employment base beyond agriculture (Economic Survey of Bihar, 2023). This diversification is critical for economic resilience and the absorption of youth entering the labour force.

**Policy Implications and Growth Prospects:-** The upward trajectory of reported employment via the Udyam portal has several policy implications :

1. **Encouraging Formalization:** Continued efforts to enroll informal enterprises on the Udyam portal extend MSME benefits and improve employment reporting accuracy (Udyam Registration uses Aadhaar and PAN for verification). ([Wikipedia](#))
2. **Skill Development:** Training and skill enhancement can amplify the productivity of MSME workers, especially in high-growth clusters such as food processing and trade.
3. **Credit Access:** Improved credit access through schemes like the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) can help enterprises expand and employ more workers.

**Regional Support:** District-level employment figures suggest the need for localized intervention to strengthen MSME performance and job creation in backward areas.

## 6. Policy Support and Institutional Framework

**State Government Initiatives:-** The Government of Bihar has introduced entrepreneurship-focused schemes such as :

- **Mukhya Mantri Udyami Yojana**
- **Bihar Laghu Udyami Yojana**

Between 2018 and 2023, over ₹2,900 crore was disbursed to more than 74,000 beneficiaries, encouraging enterprise formation (Business Standard, 2024).

**Central Government Initiatives:-** Central government support includes:

- Udyam Registration
- PMFME Scheme
- Credit Guarantee Fund (CGTMSE)
- Stand-Up India and Mudra Yojana

Bihar has emerged as a strong performer under the PMFME scheme, particularly in food processing (Ministry of MSME, 2024).

**7. Challenges Faced by MSMEs in Bihar :** Despite the increasing number of MSMEs and their growing contribution to employment and economic activity, the sector in Bihar continues to face several challenges that limit its overall performance and long-term sustainability. These challenges are structural in nature and affect enterprises across different sectors and regions.

One of the major challenges faced by MSMEs in Bihar is limited access to finance. Many enterprises operate with inadequate capital and find it difficult to obtain loans from formal financial institutions due to lack of collateral, insufficient credit history, and limited financial documentation. As a result, a significant number of MSMEs rely on personal savings or informal sources of finance, which restricts their capacity to invest, expand, or adopt new technologies.

Another important challenge is inadequate infrastructure. Irregular power supply,

poor road connectivity in rural areas, limited availability of industrial land, and insufficient storage and logistics facilities increase operational costs for MSMEs. These infrastructural shortcomings reduce productivity and restrict market access, particularly for manufacturing and agro-based enterprises.

**Technological backwardness** is also a key constraint. Many MSMEs in Bihar continue to use traditional production methods and outdated machinery, which affects product quality and efficiency. Limited awareness of modern technology, high costs of upgradation, and lack of technical support further discourage enterprises from adopting innovative practices.

The sector also faces shortage of skilled manpower. Although Bihar has a large workforce, many workers lack formal training and technical skills required for MSME operations. This results in low labour productivity and limits the ability of enterprises to improve quality standards and compete in wider markets. Managerial and entrepreneurial skills are also often inadequate, especially among first-generation entrepreneurs.

Limited market access poses another significant challenge. Most MSMEs in Bihar operate within local or regional markets and face difficulties in expanding their customer base. Lack of marketing knowledge, weak branding, poor packaging, and limited exposure to digital platforms restrict their ability to reach national and international markets. Weak linkages with larger industries and supply chains further reduce growth opportunities.

MSMEs in Bihar also face regulatory and compliance-related challenges. Although business registration has become simpler, compliance with various legal, tax, and labour requirements remains complex for small enterprises. Limited awareness and administrative capacity make it difficult for MSMEs to fully comply with regulations, leading to operational inefficiencies.

Regional disparities within the state further affect MSME development. Enterprises are more concentrated in districts with better infrastructure and urbanization, while economically backward regions lag behind. This uneven distribution reflects broader development imbalances and limits inclusive growth.

Finally, MSMEs in Bihar are highly vulnerable to external shocks such as economic slowdowns, demand fluctuations, and supply chain disruptions. Limited financial reserves and lack of risk-management mechanisms make it difficult for small enterprises to withstand sudden disruptions.

**8. Findings of the Study :** The present study examined the growth, structure, employment contribution, policy environment, and challenges of Micro, Small and Medium Enterprises (MSMEs) in Bihar. Based on a comprehensive analysis of the available data and discussions presented in earlier sections, the following key findings have emerged:

**Rapid Expansion of the MSME Base:-** The study finds that the MSME sector in Bihar has experienced a substantial increase in the number of registered enterprises in recent years. This expansion reflects a growing entrepreneurial inclination among the population and improved ease of entry into business activities. The simplified registration framework has encouraged many informal enterprises to formalize their operations, thereby expanding the official MSME base of the state.

**Predominance of Micro Enterprises:-** A major finding of the study is the overwhelming dominance of micro enterprises within Bihar's MSME ecosystem. Most enterprises operate with limited capital investment, small workforce size, and localized market orientation. While this indicates strong grassroots-level entrepreneurship, it also reveals the limited capacity of enterprises to scale up into small or medium units. The slow transition across enterprise categories highlights structural and financial constraints affecting business growth.

**Significant Role in Employment Generation:-** The MSME sector has emerged as a crucial source of employment in Bihar, particularly in non-farm activities. The study finds that MSMEs provide livelihood opportunities to a large section of the workforce, including rural laborers, youth, and first-generation entrepreneurs. Micro enterprises contribute the largest share of employment due to their labor-intensive nature. The sector plays a meaningful role in absorbing surplus agricultural labor and reducing dependence on seasonal farming income.

**Contribution to Economic Diversification:-** The findings indicate that MSMEs have contributed to the gradual diversification of Bihar's economy. While agriculture remains dominant, MSMEs have expanded activities in manufacturing, services, and trade. Enterprises engaged in food processing, textiles, repair services, retail trade, and small-scale manufacturing have helped broaden the economic base of the state. This diversification has enhanced income stability and reduced overdependence on agriculture.

**Positive Influence of Policy Support:-** The study finds that government initiatives aimed at promoting entrepreneurship and supporting small businesses have had a favorable impact on MSME development in Bihar. Financial assistance schemes, training programs, and enterprise promotion initiatives have encouraged business formation, especially among youth and women. However, the benefits of these policies are unevenly distributed, with micro enterprises gaining more immediate advantages than small and medium enterprises.

**Persistent Financial Constraints:-** Despite policy support, access to finance remains a major constraint for MSMEs in Bihar. Many enterprises face difficulties in obtaining institutional credit due to limited collateral, lack of financial records, and low

creditworthiness. As a result, a significant number of enterprises continue to rely on informal financing, which restricts investment capacity and limits business expansion.

**Infrastructural and Technological Limitations:-** The study finds that infrastructural inadequacies significantly affect MSME productivity and competitiveness. Irregular power supply, poor transport connectivity, and limited availability of industrial workspaces increase operational costs. Additionally, most enterprises continue to operate with traditional technologies and outdated production methods, which limit efficiency, product quality, and market competitiveness.

**Skill Gaps and Managerial Challenges:-** Another important finding is the presence of skill and managerial gaps within the MSME workforce. While labor availability is high, many workers lack technical and vocational skills suited to modern enterprise requirements. Limited exposure to business management practices, digital tools, and quality control systems further constrains enterprise performance.

**Uneven Regional Distribution:-** The study reveals noticeable regional disparities in MSME development within Bihar. Districts with better infrastructure, urbanization, and market access exhibit higher concentrations of enterprises, while economically backward regions lag behind. This uneven distribution reflects broader developmental imbalances within the state.

**High Vulnerability to External Shocks:-** The findings also indicate that MSMEs in Bihar are highly vulnerable to economic disruptions. Limited financial reserves, weak risk management practices, and low digital readiness make enterprises susceptible to market fluctuations, demand shocks, and supply chain disruptions. This vulnerability poses challenges to the long-term sustainability of small businesses.

**9. Conclusion :** The present study highlights the growing significance of Micro, Small and Medium Enterprises (MSMEs) in the economic development of Bihar. Over the years, the MSME sector has emerged as a vital pillar of the state's economy by promoting entrepreneurship, generating employment, and supporting income diversification beyond agriculture. The expansion of MSMEs reflects a positive shift toward self-employment and small-scale industrial activity, particularly in rural and semi-urban areas.

The dominance of micro enterprises indicates strong grassroots entrepreneurial participation; however, it also reveals structural limitations related to capital availability, technology adoption, and growth capacity. While micro enterprises have played a crucial role in employment generation, their limited scalability restricts productivity enhancement and long-term sustainability. The slow transition of enterprises from micro to small and medium categories remains a critical concern that requires focused attention.

The study also establishes that MSMEs have contributed significantly to non-farm

employment and have helped absorb surplus labor from the agricultural sector. By creating localized employment opportunities, MSMEs have the potential to reduce distress migration and improve livelihood security. At the same time, their role in promoting sectoral diversification—through manufacturing, services, and trade has strengthened the economic base of the state.

Despite these positive contributions, MSMEs in Bihar continue to face multiple challenges. Limited access to institutional finance, inadequate infrastructure, low levels of technological adoption, skill shortages, and weak market linkages constrain enterprise performance and competitiveness. Additionally, regional disparities within the state highlight the uneven spread of MSME development, leaving backward districts at a disadvantage. The vulnerability of MSMEs to economic shocks further underscores the need for resilience-building measures.

In conclusion, while the MSME sector in Bihar has demonstrated considerable potential as a driver of inclusive growth, realizing this potential requires sustained and coordinated efforts. Strengthening financial access, improving infrastructure, enhancing skill development, encouraging technology upgradation, and supporting enterprise scaling are essential for ensuring long-term sustainability. A comprehensive and region-sensitive approach to MSME development can transform the sector into a robust engine of economic growth and social development in Bihar.

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