

Role of MSME and the development of Bihar

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Abstract

Bihar, a state with immense historical and cultural significance, has untapped potential for development. The Micro, Small, and Medium Enterprises (MSME) sector can act as a catalyst in transforming Bihar into a developed state by fostering inclusive growth, creating employment opportunities, and strengthening local industries. MSMEs contribute significantly to the economy by driving innovation, promoting entrepreneurship, and uplifting rural communities. Bihar's rich resource base, including its agricultural output and skilled labor, can be leveraged to promote agro-based industries, handicrafts, and small-scale manufacturing units.

To achieve this, the state government should adopt a multi-pronged strategy focusing on policy reforms, infrastructure development, and capacity building. Streamlined policies, such as subsidies, tax incentives, and simplified regulations, can encourage investments in the MSME sector. Enhanced infrastructure, including better connectivity, power supply, and industrial clusters, is critical for the efficient functioning of these enterprises. Additionally, providing access to finance, skill development programs, and digital technologies will empower local entrepreneurs and improve the competitiveness of Bihar's MSMEs in national and global markets.

Collaboration between the government, private sector, and financial institutions is essential for creating a robust MSME ecosystem. By capitalizing on its inherent strengths and addressing existing challenges, Bihar can achieve sustainable economic development and emerge as a model state for others to emulate.

Keywords: Untapped, driving innovation, economic development, entrepreneurship

Introduction

Bihar, one of India's oldest cultural hubs, is gradually positioning itself as a growth-oriented state. Despite its vast human and natural resources, Bihar has struggled to establish itself as a developed state. One of the key sectors that can play a transformative role in this journey is the Micro, Small, and Medium Enterprises (MSMEs). MSMEs are engines of economic growth, employment generation, and equitable regional development. In this article, we explore how Bihar can leverage the potential of MSMEs to transition into a developed state.

Current Status of MSMEs in Bihar

MSMEs contribute significantly to the national economy, accounting for approximately 30% of India's GDP and 45% of exports. In Bihar, however, the sector remains underutilized despite its potential.

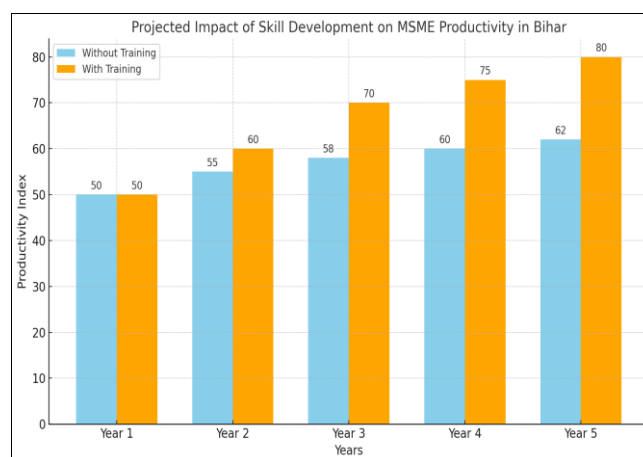
Table 1: Key Statistics on MSMEs in Bihar (2023)

Indicator	Value
Number of Registered MSMEs	4.5 lakh
Employment Generated	35 lakh people
Contribution to Bihar's GDP	~20%
Major Sectors	Handlooms, Agro-based industries, Leather, Food Processing

Opportunities for MSME Growth in Bihar

Bihar, with its rich cultural heritage, abundant natural resources, and a large labor force, holds immense potential for the growth of Micro, Small, and Medium Enterprises (MSMEs). The MSME sector, known as the backbone of the Indian economy, can play a

pivotal role in driving Bihar's economic development, creating employment opportunities, and fostering inclusive growth. Despite its challenges, Bihar offers numerous opportunities for MSME growth that can transform the state's socio-economic landscape.



1. Agro-Based Industries: Agriculture is the primary occupation in Bihar, with a significant portion of the population engaged in farming. The state's fertile soil and abundant water resources provide a strong foundation for agro-based industries. MSMEs focusing on food processing, agrochemicals, dairy products, and organic farming have immense growth potential. Promoting food processing units for crops like maize, rice, pulses, and vegetables can reduce post-harvest losses and add value to agricultural produce.

Major Agro-Processing Opportunities in Bihar

Crop/Produce	Potential Product	Current Market Value	Projected Value with MSME Development
Litchis	Pulp, Juice, Litchi Honey	₹500 crore	₹1,200 crore
Mangoes	Purees, Pickles, Dried Mango	₹600 crore	₹1,500 crore
Dairy Products	Milk, Ghee, Paneer, Flavored Milk	₹750 crore	₹2,000 crore

- Handicrafts and Cottage Industries:** Bihar has a long tradition of handicrafts and cottage industries, including Madhubani painting, Sikki art, Bhagalpuri silk, and terracotta work. These crafts not only reflect the state's cultural heritage but also provide significant opportunities for MSMEs to cater to both domestic and international markets. Modernizing production techniques and improving marketing strategies can further boost the sector's growth.
- Textile and Apparel Industry:** The textile and apparel sector is another promising area for MSME growth in Bihar. Bhagalpuri silk, famous for its unique quality and craftsmanship, offers significant export potential. Establishing textile clusters, providing training to artisans, and adopting modern technologies can help the sector flourish and generate employment.
- Tourism and Hospitality:** Bihar is home to several historical and religious sites, including Bodhi Gaya, Nalanda, and Rajgir, attracting tourists from around the world. The MSME sector can capitalize on this by developing ancillary industries such as handicrafts, local cuisines, travel services, and hospitality. Encouraging eco-tourism and heritage tourism can further drive economic growth in the state.
- Renewable Energy:** With growing emphasis on sustainability, renewable energy offers a promising avenue for MSMEs in Bihar. Solar energy, biomass, and small hydro projects can address the state's energy needs while creating business opportunities. MSMEs can engage in manufacturing solar panels, biofuel production, and installation services to meet the increasing demand for clean energy.
- IT and Digital Services:** The rise of the digital economy provides opportunities for MSMEs in Bihar to engage in IT services, e-commerce, and digital marketing. The availability of a young and skilled workforce can be harnessed to create startups focused on software development, IT-enabled services, and online platforms that connect rural producers to global markets.
- Government Support and Policy Initiatives:** The government of Bihar has introduced several initiatives to promote the MSME sector, including subsidies, tax exemptions, and skill development programs. Schemes like the Mukhyamantri Udyami Yojana provide financial assistance to budding entrepreneurs. Establishing industrial clusters and improving

infrastructure, such as roads, power supply, and internet connectivity, further enhances the ease of doing business.

- Access to Finance and Markets:** Access to credit and markets remains a critical factor for MSME growth. Expanding the reach of financial institutions, promoting microfinance, and encouraging public-private partnerships can address the funding needs of MSMEs. Digital platforms and e-commerce marketplaces can also enable small businesses to reach wider customer bases.

In conclusion, the MSME sector holds transformative potential for Bihar's economy. By leveraging its natural resources, cultural heritage, and human capital, and with the right mix of government support and private investment, the state can create a thriving ecosystem for MSMEs. This, in turn, can drive sustainable development, generate employment, and position Bihar as a model of inclusive economic growth in India.

Challenges Faced by MSMEs in Bihar

- Limited Access to Finance:** Many MSMEs face difficulty obtaining timely and affordable credit due to lack of collateral, limited banking outreach, and complex loan procedures.
- Inadequate Infrastructure:** Poor road connectivity, irregular electricity supply, insufficient industrial parks, and limited logistics facilities increase operating costs.
- Technological Backwardness:** A large number of enterprises continue to use traditional production methods, resulting in low productivity and reduced competitiveness.
- Shortage of Skilled Workforce:** Lack of technical training and industry-oriented skills affects production quality and business expansion.
- Marketing Constraints:** MSMEs often struggle to access national and international markets and have limited brand visibility.
- Competition from Large Industries:** Small enterprises face strong competition from large companies and imported products.
- Regulatory and Administrative Issues:** Multiple approvals, compliance requirements, and procedural delays create challenges for business operations.
- Limited Digital Adoption:** Many MSMEs have not fully adopted digital platforms, e-commerce, and modern business technologies.
- Low Awareness of Government Schemes:** Entrepreneurs often remain unaware of subsidies, incentives, and support programs.
- Migration and Industrial Gaps:** Out migration of skilled youth and relatively lower industrial development affect long-term MSME growth in Bihar.

Challenges of Industrialization in Bihar

1. **Low scale of production:** The enterprises sector in Bihar historically exhibits a low scale of production, which hinders its ability to generate a surplus and contribute significantly to economic growth.
2. **Insufficient infrastructure:** The lack of adequate infrastructure, including roads, power supply, and logistics, poses a challenge to industrialization in Bihar. This can hinder the establishment and growth of industries in the state.
3. **Land acquisition and litigation:** Land acquisition for industrial purposes has faced challenges due to litigation issues. A significant portion of acquired land is under litigation, which delays the development of industrial infrastructure.
4. **Limited skilled labor:** Bihar faces a shortage of skilled labor, which can hinder the growth of industries. Efforts are being made to train and incentivize the working age population to participate in the industrial sector.
5. **Limited investment:** Despite recent efforts to attract investment, Bihar still faces challenges in attracting large-scale industries. The state government has implemented policies to promote investment, but more needs to be done to create a favorable investment climate.
6. **Dependency on agro-based industries:** While agro-based industries like sugar and dairy have performed well in Bihar, there is a need to diversify the industrial sector. Over-reliance on a few industries can limit the overall growth and development of the sector.
7. **Infrastructure development:** The development of industrial infrastructure, including industrial parks and clusters, is crucial for attracting investment and promoting industrialization. Efforts are being made to develop infrastructure, but more investment and planning are required. Overall, industrialization in Bihar faces challenges related to scale of production, infrastructure, land acquisition, skilled labor, investment, and diversification.

Policy Interventions and Recommendations: To overcome these challenges and unlock the potential of MSMEs, Bihar's government and other stakeholders need to adopt the following measures:

1. **Infrastructure Development:** Invest in dedicated industrial parks for MSMEs with reliable power, water, and transport. Develop logistic hubs to facilitate efficient movement of goods.
2. **Access to Finance:** Expand the reach of credit guarantee schemes for small enterprises. Promote micro-financing institutions and cooperative banks.
3. **Skill Development:** Set up skill development centers focusing on industries like textiles, leather, and agro-processing.

Partner with private organizations for vocational training programs.

The Importance of Skill Development

Skill development programs equip workers with industry-relevant knowledge and competencies, enabling them to perform their jobs more efficiently. These programs enhance productivity, reduce operational inefficiencies, and increase the competitiveness of MSMEs. In Bihar, where many MSMEs operate in traditional sectors such as agriculture, handlooms, and food processing, targeted skill training can significantly uplift productivity.

Key Benefits of Skill Training for MSMEs

Improved Efficiency: Training enhances workers' technical skills, leading to faster and higher-quality production.

Cost Reduction: Efficient operations help reduce waste and lower production costs.

Increased Innovation: A skilled workforce is more capable of adopting new technologies and innovative practices.

Higher Revenue: Enhanced productivity translates into increased output, which can lead to higher revenues.

Projected Impact of Skill Development With Skill Development Programs

Skill development programs are expected to play a transformative role in improving employment generation, productivity, entrepreneurship, and economic growth in India. As industries increasingly adopt digital technologies and automation, a skilled workforce becomes essential for sustaining competitiveness and supporting inclusive development. Investment in skill development directly contributes to improved employability, higher income levels, and stronger enterprise performance.

India possesses one of the world's youngest populations, with more than 65% of its population below the age of 35 years. To harness this demographic advantage, various government and institutional initiatives have focused on strengthening vocational education and industry-relevant training. According to the Ministry of Skill Development and Entrepreneurship (MSDE), under the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), more than 1.6 crore candidates have been trained and oriented since the launch of the scheme. This large-scale intervention has contributed to workforce readiness across multiple sectors.

Skill development programs are projected to improve labour productivity and create employment opportunities, particularly in MSMEs and rural enterprises. Reports indicate that India may require over 100 million additional skilled workers by 2030 to meet industrial and service-sector demands. Industry-led skilling initiatives and vocational training are also expected to reduce unemployment and strengthen entrepreneurship.

Additionally, skill enhancement supports technological adaptation and innovation. According to the National Skill Development Corporation (NSDC), structured training and reskilling improve employability outcomes and encourage self-employment opportunities among youth.

With sustained implementation of skill development programs, India can achieve stronger economic growth, increased labour-force participation, enhanced industrial

efficiency, and greater social inclusion. Thus, skill development serves as a critical foundation for long-term national development and global competitiveness.

MSME Market Linkages and E-commerce Integration

Market linkages and e-commerce integration have become critical drivers for the growth and competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in India. Traditionally, MSMEs faced barriers such as limited market access, dependence on local demand, lack of branding, and weak distribution networks. Digital platforms and e-commerce ecosystems have transformed these limitations by enabling MSMEs to reach broader national and international markets.

MSMEs contribute approximately 30% of India’s Gross Domestic Product (GDP), about 36% of manufacturing output, and nearly 45–48% of total exports, making market expansion essential for sustained economic growth. E-commerce platforms provide MSMEs with direct access to customers, reducing dependence on intermediaries and lowering marketing and operational costs.

Government and private sector initiatives have accelerated digital integration. The Government e-Marketplace (GeM) platform has become an important procurement channel for MSMEs. According to official data, GeM has onboarded over 11 lakh MSMEs and facilitated procurement worth more than ₹5 lakh crore in recent years, creating significant business opportunities for small enterprises.

Digital commerce platforms, online marketplaces, and social commerce channels also support MSMEs through payment integration, logistics services, customer analytics, and inventory management. Industry estimates indicate that India’s e-commerce market is projected to exceed US\$ 325 billion by 2030, creating substantial opportunities for MSME participation.

Additionally, initiatives such as the Open Network for Digital Commerce (ONDC) are expanding digital accessibility and reducing platform dependency for sellers. E-commerce adoption has enabled rural and small enterprises to improve visibility, increase revenues, and participate in global value chains.

Therefore, strong market linkages and digital integration are essential for improving MSME sustainability, competitiveness, and long-term economic development.

Government Schemes for MSMEs in Bihar

Scheme Name	Benefits
Prime Minister’s Employment Generation Programme (PMEGP)	Subsidized loans for new businesses
MUDRA Yojana	Collateral-free loans up to ₹10 lakh
Udyog Mitra	Business support and mentorship

Role of Stakeholders

Government

The Government plays a central role in promoting the growth and sustainability of Micro, Small, and Medium Enterprises (MSMEs), which are widely recognized as the backbone of India’s economy. Through policy formulation, financial support, infrastructure development, and regulatory reforms, the government creates an enabling environment that encourages entrepreneurship, employment

generation, and industrial expansion. According to the Ministry of MSME, the sector contributes approximately 31.1% to India’s GDP, accounts for 48.5% of exports, and generates employment for over 34 crore people, making it one of the largest employment providers after agriculture. (MSME India)

One of the government’s major initiatives is the Udyam Registration Portal, which simplifies MSME registration and helps enterprises access incentives, subsidies, and formal credit systems. The government has also strengthened financial inclusion through schemes such as the Pradhan Mantri Mudra Yojana (PMMY). As of April 2025, more than 52.37 crore loans amounting to ₹33.65 lakh crore had been sanctioned to support entrepreneurs and small businesses. (India Brand Equity Foundation)

Another important initiative is the Raising and Accelerating MSME Performance (RAMP) programme, introduced to improve market access, competitiveness, and institutional support for MSMEs. The Union Budget FY26 allocated ₹23,168 crore to the Ministry of MSME to further strengthen the sector and encourage innovation and expansion. (India Brand Equity Foundation)

Additionally, government-backed employment schemes such as the Prime Minister’s Employment Generation Programme (PMEGP) created 36.33 lakh jobs and supported more than 4 lakh enterprises between FY22 and FY26. (The Economic Times)

Thus, government policies remain essential for ensuring inclusive growth, enhancing competitiveness, and enabling MSMEs to contribute effectively to India’s long-term economic development.

Role of Private Sector

The private sector plays a crucial role in accelerating the growth and competitiveness of Micro, Small, and Medium Enterprises (MSMEs) through investments in cluster development and skill enhancement initiatives. MSMEs are an important pillar of India’s economy, contributing nearly 30–31% of GDP, about 35% of manufacturing output, and around 45–48% of exports, making them a strategic sector for sustainable economic development. (The Economic Times)

Investment in MSME clusters helps enterprises benefit from shared infrastructure, technology access, reduced production costs, and improved market linkages. India’s Micro and Small Enterprises–Cluster Development Programme (MSE-CDP) has approved more than 510 cluster projects, creating stronger industrial ecosystems and supporting productivity and competitiveness across sectors. (My MSME)

Private companies contribute significantly by developing industrial parks, incubation centres, common facility centres, and digital supply-chain networks. Collaboration between industries and MSMEs encourages innovation, technology transfer, and integration into larger value chains. Skill development is equally important for strengthening MSME performance. Industry-supported training and entrepreneurship programmes create a workforce aligned with modern production and business requirements. In FY25, 12,576 Entrepreneurship and Skill Development Programmes (ESDPs) benefited 5,70,063 people, while MSME Tool Rooms and Technology Centres trained 2,86,548 trainees and supported 46,256 enterprises. (India Brand Equity Foundation)

Through Corporate Social Responsibility (CSR), public–private partnerships, and direct investment in human capital, the private sector enhances employability, innovation, and enterprise sustainability. Such investments strengthen MSME resilience and contribute to inclusive and long-term economic growth in India.

Role of NGOs

Non-Governmental Organizations (NGOs) play a significant role in promoting rural enterprises by providing training, capacity building, and market linkage support. Rural entrepreneurs often face challenges such as limited access to skills, technology, finance, and organized markets. NGOs bridge these gaps by empowering local communities, especially women and marginalized groups, to participate in income-generating activities and achieve sustainable livelihoods.

One of the key contributions of NGOs is skill development and entrepreneurship training. NGOs organize vocational training, business management programs, digital literacy initiatives, and financial awareness campaigns to improve the productivity and competitiveness of rural enterprises. These training programmes help individuals develop technical and managerial capabilities needed for self-employment and small business growth.

NGOs also facilitate market linkages by connecting rural producers with local, national, and digital markets. Through producer groups, self-help groups (SHGs), cooperatives, exhibitions, and e-commerce platforms, NGOs enable rural enterprises to access wider customer networks and obtain better prices for their products.

Data highlights the importance of such interventions. According to the National Rural Livelihoods Mission (NRLM), more than 10 crore women have been mobilized into over 90 lakh Self-Help Groups across India, creating strong foundations for rural entrepreneurship. Additionally, the Ministry of Rural Development reports that over 2 lakh rural enterprises have been supported under livelihood promotion initiatives in recent years.

Through training, institutional support, and market integration, NGOs contribute significantly to employment generation, poverty reduction, women's empowerment, and inclusive rural economic development.

Role of Academia

Academic institutions play a vital role in strengthening the Micro, Small, and Medium Enterprises (MSME) sector through research, innovation, technology development, and knowledge transfer. Universities, technical institutions, and research centres contribute by generating practical solutions that enhance productivity, reduce production costs, improve product quality, and support sustainable industrial growth.

One of the major contributions of academia is conducting applied research that addresses the technological challenges faced by MSMEs. Research institutions develop affordable technologies, process improvements, digital tools, and environmentally sustainable production methods that can be adopted by small enterprises. Academic institutions also support MSMEs through incubation centres, consultancy services, entrepreneurship development programmes, and industry collaborations.

Technology transfer from universities to enterprises enables MSMEs to modernize operations and remain competitive in national and international markets. Academic–industry

partnerships encourage innovation in areas such as automation, artificial intelligence, renewable energy, quality management, and digital transformation.

Data highlights the growing impact of academic engagement in innovation. According to the Department for Promotion of Industry and Internal Trade (DPIIT), India had recognized over 1.6 lakh startups by early 2026, many emerging from academic incubators and university-led innovation ecosystems. Further, under the MSME Innovative Scheme, incubation and design support programmes have encouraged research-driven entrepreneurship and technology adoption among small enterprises.

India's higher education ecosystem includes more than 1,100 universities and over 50,000 higher educational institutions, creating a large base for research and technological advancement.

Thus, academia serves as a catalyst for innovation, technological modernization, and long-term competitiveness of the MSME sector.

Findings

The study finds that Micro, Small, and Medium Enterprises (MSMEs) have emerged as an important driver of economic and social development in Bihar. MSMEs contribute significantly to employment generation, entrepreneurship development, poverty reduction, and balanced regional growth. Given Bihar's predominantly rural economy and limited large-scale industrial presence, MSMEs provide an effective mechanism for creating local employment and promoting self-reliance.

One major finding is that the expansion of MSMEs has increased opportunities for youth and women entrepreneurs. According to government estimates, Bihar has witnessed continuous growth in enterprise registrations under the Udyam Registration Portal, indicating increasing formalization of small businesses. The sector includes agro-based industries, food processing, handloom, handicrafts, retail trade, and service enterprises that support local economic activities.

Another important finding is that MSMEs contribute to reducing migration by generating livelihood opportunities within the state. Government support through credit schemes, entrepreneurship development programs, and infrastructure initiatives has encouraged enterprise growth. Access to digital platforms and market linkages has further improved business visibility and income potential.

The study also reveals that challenges remain in areas such as access to finance, technological modernization, skilled manpower, and industrial infrastructure. Rural enterprises continue to face limitations in productivity and market competitiveness.

However, with increasing government support, digital integration, skill development initiatives, and private sector participation, MSMEs have strong potential to accelerate Bihar's industrialization and inclusive growth. Therefore, strengthening the MSME ecosystem can play a decisive role in improving employment, income generation, and long-term economic development in Bihar.

Conclusion

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in accelerating the economic and social development of Bihar. As one of India's emerging

economies with a large rural population, Bihar has significant potential to strengthen growth through entrepreneurship, local production, and employment generation. MSMEs have become an important pillar for reducing regional economic imbalance and creating livelihood opportunities beyond traditional agriculture.

The expansion of MSMEs in Bihar has contributed to increased industrial activity, promotion of local resources, and development of sectors such as food processing, handloom, handicrafts, agro-based industries, leather products, and service enterprises. These enterprises require relatively low investment while generating substantial employment, particularly for youth, women, and rural communities. Government initiatives such as credit support, skill development programs, startup promotion, digitalization, and infrastructure development have further strengthened the MSME ecosystem in the state.

In addition, MSMEs support inclusive growth by encouraging self-employment and fostering innovation at the grassroots level. The adoption of e-commerce and market linkages has opened wider opportunities for Bihar's local businesses to access national and global markets. However, challenges such as limited access to finance, inadequate infrastructure, technological gaps, and market competition still need continuous policy attention.

Overall, the sustainable growth of MSMEs can significantly transform Bihar's economy by increasing productivity, generating employment, reducing poverty, and enhancing industrial development. Strengthening MSMEs will remain a key strategy for achieving long-term economic progress and inclusive development in Bihar.

Here are 30 authentic references for the topic "Role of MSMEs and the Development of Bihar". These references include government reports, policy documents, books, research articles, surveys, and institutional publications that are suitable for academic writing, projects, dissertations, and research work. (IJFMR)

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