

A STUDY ON ROLE OF MSME'S AND STARTUPS IN ACHIEVING SUSTAINABLE DEVELOPMENT GOALS

Fayaz G M

Assistant Professor, Department of Commerce and Management

Indus Valley Degree College, KR Puram, Bengaluru

Keerthi K Unni

Assistant Professor, Department of Commerce and Management

Indus Valley Degree College, KR Puram, Bengaluru

DOI: doi.org/10.34293/seamjr-v1i3-008

Abstract

Medium and Small-Scale Enterprises and Startups form a crucial part of the economy as they pave the path towards development. This study aims to highlight the various incentives and schemes introduced by the Government of India and the revisions made on the existing policies and their impact on the growth of MSME and Startups. The paper also seeks to illuminate the significance of implementation of various Ease of Doing Business initiatives, like reducing regulatory burdens, fostering innovation and enhancing access to the markets and how it has led to accelerating the growth of MSME in India. The growth of MSMEs not only directs the country to development but also has a huge impact on attaining The Sustainable Development Goals (SDGs) which are a set of 17 interlinked global objectives adopted by all United Nations Member States in 2015 as part of the 2030 Agenda for Sustainable Development. They serve as a universal blueprint for peace, prosperity, and environmental sustainability, aiming to end poverty, protect the planet, and ensure well-being and equality for all by 2030. The study is based on secondary data from journals, articles, and previous research and outlines how local economies gain strength through employment generation and poverty alleviation but also catalyzes progress across diverse Sustainable Development Goals by enhancing food security, advancing gender equality through women-led enterprises, fostering innovation and resilient infrastructure, reducing socio-economic disparities, and embedding sustainability into production and consumption patterns, thereby positioning MSMEs as critical agents in the holistic realization of the 2030 agenda for Sustainable Development.

Keywords: *MSMEs, Startups, SDGs, Growth, Infrastructure, Innovation, Revision of Existing Policies*

Full Forms

MSMEs – Medium and Small Scale Enterprises.

SDGs – Sustainable Development Goals

Introduction

Background

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, outlines 17 SDGs and 169 targets designed to eradicate poverty, protect the planet, and ensure prosperity for all. Achieving these goals requires active engagement from governments, civil society, international organizations, and the private sector. Micro, Small and Medium Enterprises (MSMEs) account for a large share of global economic activity, comprising about 90% of businesses worldwide and generating 60–70% of employment and up to 50% of GDP in many economies. MSMEs operate across sectors—manufacturing, agriculture, services—and have the potential to drive inclusive growth and sustainable development. Startups, often characterized by innovation, agility and technology-driven solutions, have emerged as dynamic players in addressing complex global challenges. Many are founded with sustainable business models that directly relate to the SDGs—particularly clean energy, education technology, sustainable agriculture, and healthcare solutions. Despite their recognized potential, the precise contribution of MSMEs and startups to

achieving SDGs, and the barriers limiting their impact, remain underexplored.

Objectives of the Study

The primary objectives of this study are: 1. To assess how MSMEs and startups contribute to specific Sustainable Development Goals. 2. To understand various initiatives of the Government of India towards encouraging new participants and also developing existing MSME sector in India. 3. To identify the challenges these enterprises face in adopting sustainable practices. 4. To examine the policy and institutional support required to enhance their contribution to SDGs.

Research Gap

While numerous studies highlight the theoretical role of MSMEs and startups in development, there are persistent gaps: • The extent of actual contribution of MSMEs and startups to specific SDGs is not well quantified. • The barriers they face in implementing sustainability strategies need deeper empirical investigation. • There is limited analysis of the policy support ecosystem needed to strengthen their sustainable outcomes. This paper addresses these gaps through data synthesis, case studies, and policy analysis.

Literature Review

MSMEs and Economic Growth

MSMEs contribute substantially to national economies. For example, in India, MSMEs account for about 30% of GDP and employ more than 110 million people. (Science Journal) Globally, MSMEs constitute over 90% of enterprises and generate a significant share of formal and informal employment. Research indicates that they are instrumental in fostering entrepreneurship and inclusive growth. (Journal of Marketing & Social Research)

MSMEs and SDGs

- MSMEs directly support SDG 8 (Decent Work & Economic Growth) through job creation and economic participation. (Sustainable Development Goals)
- They advance SDG 9 (Industry, Innovation & Infrastructure) by driving localized innovation and infrastructure development. (Journal of Marketing & Social Research) MSMEs contribute to SDG 12 (Responsible Consumption & Production) through more flexible sustainable practices. (CIMSME)
- Growing adoption of clean technologies among MSMEs links to SDG 13 (Climate Action), although this remains nascent. (Science Journal)

Startups and SDGs

Startups, especially those with sustainability orientations, have shown the potential to contribute to multiple SDGs through innovation. For instance, startups in renewable energy, sustainable agriculture, telemedicine, and fintech for financial inclusion have tangible impacts aligned with SDGs 7, 2, 3 and 1 respectively. However, literature indicates a lack of large-scale data to rigorously quantify this contribution.

Identified in Existing Literature

Common challenges faced by MSMEs and startups include:

- Access to finance and credit constraints, limiting growth and sustainability investments. (Sustainable Development Goals)
- Technological limitations hindering adoption of green practices. (T20 India)
- Regulatory complexities and compliance burdens. (Drishti IAS)
- Market access barriers in global value chains. (T20 India)

Methodology

This study uses a qualitative and quantitative mixed-methods approach:

Data Sources

- Secondary data from UN-published reports and policy briefs. (Sustainable Development Goals)
- Academic research articles on MSME involvement in SDGs. (Journal of Marketing & Social Research)
- Government and industry data on MSME contribution to GDP and employment.

Analysis Techniques

- Descriptive statistics to illustrate contribution proportions.
- Comparative case studies to understand regional dynamics.
- Policy analysis framework to evaluate institutional support mechanisms.

Limitations

- Limited availability of disaggregated data on startups and SDG contributions.
- Variability in MSME definitions across countries.

How MSME help in achieving Sustainable Developmental Goals

The development of Micro, Small, and Medium Enterprises (MSMEs) in India is pivotal for achieving multiple United Nations Sustainable Development Goals (SDGs) by 2030, particularly those related

to economic growth, employment, and poverty reduction. MSMEs in India are considered the backbone of the economy, contributing to roughly 30% of GDP, 45% of manufacturing output, and 40% of exports. The primary SDGs that can be achieved or significantly advanced through the development of MSMEs in India are

SDG 1 - Poverty Eradication

Through the development and upliftment of MSME and Startups in India, the main focus of the first goal of eradication and reduction of poverty can be achieved by ensuring access to economic resources/assets, mobilizing resources and strengthening national and international policies to address poverty. MSMEs can also recruit, train, and employ local community members, including those living in poverty, and integrate them into the MSME value chain.

SDG 8: Decent Work and Economic Growth (Primary Impact)

MSMEs are the second-largest employer in India after agriculture, employing over 110 million people, and contributing roughly 30% to the GDP. They not only ensure generation of employment but foster economic growth and provide livelihoods, particularly in rural and underserved areas.

SDG 9: Industry, Innovation, and Infrastructure

MSMEs contribute ~45% to manufacturing output, serving as critical links in global

supply chains and driving innovation in sectors like IT, renewable energy, and agroprocessing. They support the "Make in India" initiative through the development of industrial clusters, digitization of various processes, providing hassle free procedures to set up units along with easy access to fund that ensure ease of carrying out business.

SDG 12: Responsible Consumption and Production

Indian MSMEs are adopting "Zero Defect & Zero Effect" (ZED) manufacturing, focusing on waste reduction, resource efficiency, and sustainable production practices. This emphasizes on paying careful attention on efficient utilization of resources, and ensuring sustainable growth.

SDG 5: Gender Equality

Women-led MSMEs are increasing in India, with special government schemes like PMEGP providing subsidies for rural women, empowering them and promoting gender parity. Though there has been a drastic growth in the participation of women in micro industries, but initiatives should be directed at upscaling their imprint in small and medium enterprises sector too.

SDG 10: Reduced Inequalities:

By encouraging entrepreneurship among SC, ST, and women entrepreneurs and operating in rural areas, MSMEs help reduce regional disparities and income inequality.

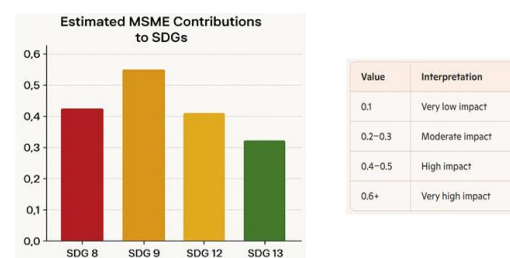
SDG 13: Climate Action

MSMEs are increasingly adopting green technologies, renewable energy solutions, and eco-friendly practices to combat climate change, with many operating in solar energy and waste management.

Findings and Discussion

MSMEs' Contribution to SDGs

Chart: 1 The visualization shows:



- SDG 9 has the highest estimated contribution (just above 0.5).
- SDG 8 and SDG 12 are close, both around 0.4.
- SDG 13 has the lowest contribution, between 0.2 and 0.3.

This highlights how MSMEs are particularly impactful in driving innovation and infrastructure (SDG 9), while their role in climate action (SDG 13) is still emerging compared to other areas.

1. Economic Impact: MSMEs contribute nearly half of employment in several countries. (Journal of Marketing & Social Research)
2. Innovation and Industry: A significant percentage of small enterprises engage

in innovative activities. (Sustainable Development Goals)

3. Responsible Production: Many MSMEs adopt waste-minimization and resourceefficient processes. (CIMSME)

Startups and Sustainable Innovation



Sector	Visual Description	SDGs Supported	Impact
Renewable Energy Tech	Solar panels and wind turbine	SDG 7, SDG 13	Clean energy access, climate mitigation
Agri-Tech Apps	Smartphone with crop data in field	SDG 2, SDG 12	Precision farming, food security
Health Tech	Doctor with laptop and stethoscope	SDG 3	Telemedicine, diagnostics, health equity
Waste Management	Recycling bins and plastic sorting	SDG 11, SDG 12	Circular economy, pollution reduction
Urban Mobility	Electric scooters in city setting	SDG 11, SDG 13	Sustainable transport, reduced emissions
EdTech	Student learning online with headphones	SDG 4	Inclusive, accessible education

Challenges in Sustainable Adoption

Challenge	Description	SDG Relevance
Access to Finance	Limited access to loans, especially for green and sustainable initiatives.	SDG 8 (Decent Work), SDG 9 (Industry), SDG 13 (Climate Action)
Technology Gap	Low adoption of Industry 4.0 tools like IoT, AI, and automation.	SDG 9 (Innovation), SDG 12 (Sustainable Production)
Regulatory Compliance	Complex procedures and high bureaucratic costs hinder MSME growth.	SDG 8 (Economic Growth), SDG 16 (Institutional Efficiency)
Market Access	Difficulty integrating into global value chains and accessing international markets.	SDG 17 (Global Partnerships), SDG 9 (Infrastructure & Industrialization)

Policy and Institutional Support

- Need for targeted green finance schemes.

- Enhanced digital infrastructure support.
- Capacity building and skill development programs.
- Public-private collaborations to integrate MSMEs/startups into SDG policy frameworks.

Various Incentives Schemes introduced for the development of MSME and Startups in India

Credit Guarantee Fund Trust for Micro and Small Enterprises

Access to affordable credit will remain a critical challenge for MSMEs in 2025, especially those without collateral. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) stand out as a transformative government scheme, set up by Ministry of Micro, Small & Medium Enterprises (MSME), Government of India and Small Industries Development Bank of India (SIDBI) offering collateral-free loans to fuel growth. With Budget 2025 doubling its loan ceiling to ₹10 crore, CGTMSE is a game-changer for MSMEs. It addresses the biggest hurdle for MSMEs: securing finance without assets.

- Collateral-Free Financing: CGTMSE guarantees up to 85% of loan amounts (90% for micro-enterprises with loans up to ₹5 lakh; 90-95% for women, SC/ST, or Northeast Region

businesses). This reduces lender risk, enabling banks to offer loans at competitive rates (7-12% p.a.), ideal for startups and small firms lacking property.

- **High Loan Ceiling:** The scheme supports loans up to ₹10 crore, a significant jump from ₹5 crore, unlocking an estimated ₹1.5 lakh crore in credit over five years. This empowers MSMEs to fund large-scale expansion, machinery upgrades, or working capital needs.
- **Versatile Usage:** Funds can be used for term loans or working capital, covering needs like purchasing equipment, expanding operations, adopting digital tools, or entering new markets.
- **Affordable Costs:** Annual guarantee fees range from 0.37% to 1.35% of the loan, based on the amount and borrower category. These fees are tax-deductible, easing financial strain.

Startup India Initiative

Startup India is a flagship initiative of the Government of India, intended to catalyze startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. Launched on 16th January 2016, their main aim was to support startups with unique products or services, and making it easier for new

businesses to comply with legal and administrative requirements. As access to finance was major problem, the initiative assisted in acquiring funds by enabling access through government-backed schemes and investor networks. Collaboration with incubators, accelerators, and industry bodies lead to the creation of Startup-Friendly Ecosystem. India ranks among the world's fastest-growing startup ecosystems.

Skill India Initiative

Skill India is an initiative of the Government of India which has been launched to empower the youth of the country with skill sets which make them more employable and more productive in their work environment. Skill India offers courses across 40 sectors in the country which are aligned to the standards recognized by both, the industry and the government under the National Skill Qualification Framework. The courses help a person focus on practical delivery of work and help them to enhance their technical expertise so that they are ready for day one of the job and companies don't have to invest into providing training required for the job. Focus is on facilitating employment and entrepreneurship generation, improving overall productivity for

enterprises, and catalyzing economic growth.

Technology Support

MSMEs are moving forward with renewed vim and vigor and a decided focus towards innovation and digitization of operational procedures. Adopting new tools and systems ensures a sharper edge to their global competitiveness. Moreover, schemes like the Digital MSME Scheme, which empowers all MSMEs registered with the Udyam registration portal to adopt Information Communication Technology (ICT) tools and applications in their production and operations, ensure that the transition from traditional processes to digital ones is as seamless as possible. Furthermore, the Ministry of MSMEs has been allocated INR 22,137.95 Cr under the interim Budget 2024-25 for implementing various schemes and technology upgrades.

Udyam Registration

Udyam registration is an initiative by the Government of India to register and classify MSME's in the country. It is a simplified, paperless process introduced by the Government of India to facilitate the registration of micro, small, and medium enterprises (MSMEs). It replaces the older UAM (Udyog Aadhaar Memorandum) system and allows entrepreneurs to register

online using their Aadhaar and PAN Number. With Udyam registration online, the registered organizations will automatically appear in other government databases with the company's PAN, GST, and IT data.

Insolvency and Bankruptcy Code

The Insolvency and Bankruptcy Code (IBC), 2016, has been a landmark reform in India's financial and legal landscape, significantly transforming insolvency resolution, particularly for Micro, Small, and Medium Enterprises (MSMEs). The IBC introduced a structured, timebound, and creditor-driven insolvency resolution mechanism, improving the ease of doing business and financial stability. One of the most significant reforms for MSMEs under the IBC was the introduction of the Prepackaged Insolvency Resolution Process (PIRP) in April 2021. This mechanism was designed exclusively for MSMEs, offering a simplified, cost-effective, and debtor-friendly resolution process. The Insolvency and Bankruptcy Code (IBC) has introduced several relaxed compliance requirements to ensure that MSMEs can navigate insolvency resolution without facing excessive procedural burdens and bureaucratic hurdles.

Single Window Systems

A Single Window Clearance System is a digital or centralized platform that allows businesses and investors to obtain all necessary approvals, permits, and clearances from multiple government departments through a single interface, streamlining processes and reducing delays. It acts as a single point of contact for submitting applications, uploading documents, making payments, and tracking the status of approvals, eliminating the need to approach multiple departments individually. Applying for multiple approvals through one portal, reducing repetitive documentation, digitally tracking application status and uploading the necessary documents for proceeding to next stage are few of the key features of Single Window systems. Therefore, Single Window Systems can be a game-changer in improving the investment climate across states especially with respect to MSME and Startups.

ZED Certification Scheme

The Government of India envisioned the Zero Defect Zero Effect (ZED) initiative to enhance MSME competitiveness, make them sustainable and transform them as National and International Champions. An assessment is carried out which determines the level of certification, they are classified

into Bronze, Silver and Gold. Through the journey of ZED Certification, MSMEs can reduce wastage substantially, increase productivity, enhance environmental consciousness, save energy, optimally use natural resources, expand their markets, etc. The ZED Certification aims at enhancing the competitiveness of an MSME through assessment, handholding, managerial and technological intervention etc., hence it is not just a Certification.

Recommendations

1. Expand Formal Credit and Green Finance Create dedicated SDG-linked financing instruments for MSMEs and startups.
2. Promote Sustainable Technology Adoption Subsidize green technologies and digital tools for small enterprises.
3. Simplify Regulatory Frameworks Reduce compliance complexity and provide one-stop digital clearances.
4. Strengthen MSME–Startup Ecosystems Establish innovation hubs and incubators linked to SDG targets.
5. Integrate SDGs into Business Trainings Include SDG frameworks in entrepreneurship and MSME management programs.

Conclusion

MSMEs and startups are indispensable to achieving Sustainable Development Goals, yet their full capacities are not yet harnessed due to financial, technological, and institutional barriers. Strengthened policy support and collaboration can unlock significant contributions to economic inclusion, environmental sustainability, and innovation. Greater empirical research, data tracking, and impact measurement frameworks are essential to quantify their roles and guide future actions.

Acknowledgement

This paper was presented at the Two-Day National Level Seminar on “Realising Sustainable Development Goals in the Indian Context” held at S.E.A. College of Science, Commerce and Arts (Autonomous) during 5th – 6th March 2026.

References

United Nations Department of Economic and Social Affairs. *Micro-, Small and Medium-sized Enterprises (MSMEs) and their role in achieving the Sustainable Development Goals

(SDGs). *2020. (Sustainable Development Goals)

Galgotias University authors. The Role of MSMEs in Achieving SDGs. 2025. (Science Journal)

Abidi, M.A., Srivastava, L. Role of MSMEs in Achieving SDGs. Journal of Marketing & Social Research. 2026. (Journal of Marketing & Social Research) • UN Policy Brief on MSMEs and SDGs, UN-DESA, 2018. (Sustainable Development Goals)

<https://businesswise.in/finance/details/2581/the-most-beneficial-government-scheme-formsmes-in-2025-cgtmse>

<https://www.msde.gov.in/ministry>

<https://udyogsuvidhakendra.in/startup-indiaregistration?msclkid=472bfe45eb5611b8d5e297e7ab759eaf>

<https://udyamitahelpline.com/learning/list-of-government-schemes-for-msme/>

<https://www.ijllr.com/post/impact-of-the-ibc-on-mirco-small-and-medium-enterprisesmsmes-a-comparative-study>

<https://www.nsws.gov.in/>

<https://zed.msme.gov.in/>

https://sdgs.un.org/sites/default/files/2020-07/Policy_Brief_MSMEs_and_SDGs.pdf