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RESEARCH PAPER

Bridging the Gender Gap in Indian MSMEs: Skill Development, Barriers, and Policy Pathways

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ABSTRACT

The Micro, Small, and Medium Enterprises (MSMEs) sector forms the backbone of India's economy, contributing nearly 30% of GDP, 45% of exports, and employing over 111 million people. Yet women remain underrepresented, with only 20.37% of MSMEs under female ownership, and their share in small and medium segments negligible. This paper examines the structural barriers that limit women's participation in MSMEs, focusing on skill development deficits, financial exclusion, and socio-cultural constraints. Using official data from the MSME Annual Report (2023–24) and the Skill Development and Entrepreneurship Report (2023–24), the study analyzes the impact of government initiatives such as PMKVY, SANKALP, and MUDRA, while highlighting gaps in gender budgeting. The analysis is grounded in the Capability Approach and the Entrepreneurial Ecosystem Framework, demonstrating how systemic disadvantages across skills, finance, and markets reinforce gender inequality. Empirical evidence shows that while interventions have created opportunities such as the Drone Didi program in agri-tech and localized artisan training schemes, fragmented implementation and underfunding continue to constrain outcomes. The paper concludes that bridging the gender gap requires an integrated strategy that links gender-responsive skilling with financial access, mentorship, regulatory support, and market linkages. Expanding women's participation in MSMEs is critical not only for gender equity but also for achieving India's inclusive growth and sustainable development goals.

HIGHLIGHTS

- MSMEs enhance inclusivity in economic growth by empowering disadvantaged sections, fostering social mobility, and bridging economic disparities.
- The paper examines the structural barriers that limit women's participation in MSMEs, focusing on skill development deficits, financial exclusion, and socio-cultural constraints.
- The study analyzes the impact of government initiatives such as PMKVY, SANKALP, and MUDRA, while highlighting gaps in gender budgeting.
- Bridging the gender gap requires an integrated strategy that links gender-responsive skilling with financial access, mentorship, regulatory support, and market linkages.

Keywords: MSMEs, Women Entrepreneurs, Skill Development, Financial Inclusion, Gender Budgeting, Policy Pathways, Inclusive Growth

The MSME sector is vital for India's growth story. According to the Ministry of MSME (2023–24), there are 633.88 lakh MSMEs, accounting for nearly a third of the country's GDP and employing over 111 million individuals. MSMEs also contribute nearly 45% of India's exports, making them indispensable for economic resilience and self-reliance. Yet, women remain significantly underrepresented in this critical sector. Women own only 20.37% of MSMEs, with their presence especially low in small (5.26%) and medium (2.67%) enterprises. This imbalance reflects

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deeper structural barriers that hinder women's access to entrepreneurial opportunities.

The reasons for women's underrepresentation are multifaceted. Socio-cultural norms restrict women's mobility and access to entrepreneurial networks. Financial exclusion remains pronounced as women face collateral requirements, biased lending practices, and limited awareness of financial products. Regulatory hurdles and limited digital literacy further exacerbate challenges. Most importantly, skill development opportunities for women are inadequate, fragmented, and often confined to traditional low-value sectors.

This paper investigates these barriers and evaluates policy interventions aimed at addressing them. It argues that the key to improving women's participation in MSMEs lies in integrating skill development with access to finance, mentorship, and market linkages. The following sections explore theoretical frameworks, structural barriers, empirical data, government initiatives, and policy recommendations.

LITERATURE REVIEW

The Micro, Small and Medium Enterprises (MSMEs) sector plays a pivotal role in employment generation, innovation, regional development, and inclusive economic growth. Despite its significant contribution to the Indian economy, women's participation in MSMEs remains disproportionately low because of persistent structural barriers related to skills, finance, markets, and institutional support. Existing literature consistently demonstrates that gender disparities in entrepreneurship are not solely the result of financial constraints but are also shaped by socio-cultural norms, inadequate access to education and training, weak entrepreneurial networks, and limited policy implementation.

The theoretical foundation for understanding women's participation in entrepreneurship is provided by Amartya Sen's Capability Approach (Sen, 1999), further developed by Nussbaum (2000), which emphasizes the expansion of individual capabilities rather than merely increasing economic output. Within this framework, skill development enhances women's agency, decision-making capacity, confidence, and economic independence. Studies by Kabeer (1999) further argue that education and vocational training strengthen women's bargaining power within households and communities, thereby creating favourable conditions for entrepreneurial engagement. Consequently, skill development should be viewed as a mechanism for social empowerment in addition to income generation.

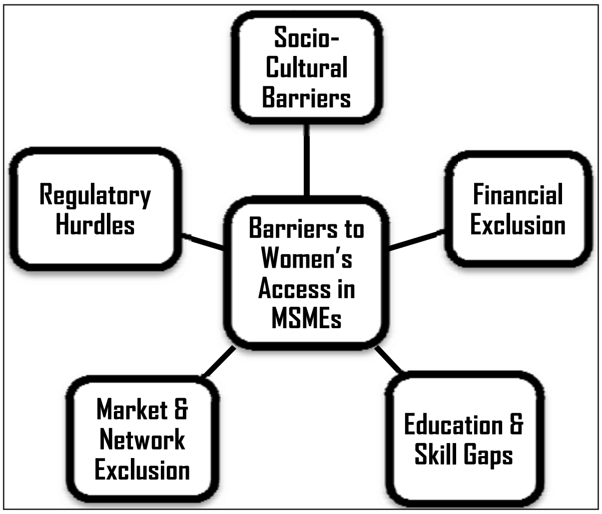

Chart-1: Barriers to Women's Access in MSMEs

Complementing this perspective, the Entrepreneurial Ecosystem Framework (Isenberg, 2011; Stam, 2015) highlights the importance of supportive institutions, access to finance, mentoring, market linkages, and enabling cultural environments for entrepreneurial success. Women entrepreneurs often face discrimination in credit markets due to limited collateral ownership and gender bias (Buvinić & Berger, 1990; ILO, 2017). Simultaneously, exclusion from professional networks restricts access to market information, business mentoring, and growth opportunities (Brush *et al.* 2009). Regulatory complexities, inadequate digital literacy, and limited institutional support further discourage women, particularly those operating in rural and semi-urban areas (Kantor, 2002; McCormick, 1996).

Empirical studies also reveal that women remain concentrated in low-value and informal enterprises because of restricted access to quality education, technical skills, finance, and modern markets (Agarwal & Lenka, 2015; Nair *et al.* 2016). Although government initiatives such as PMKVY, SANKALP, MUDRA, Stand-Up India, TREAD, and the Women Entrepreneurship Platform (WEP) have improved access to skill training and financial assistance, researchers observe that fragmented implementation, procedural bottlenecks, limited awareness, and inadequate gender-responsive budgeting continue to reduce their effectiveness. Therefore, the literature converges on the view that sustainable enhancement of women's participation in MSMEs requires an integrated policy framework that combines gender-responsive skill development with affordable finance, mentorship, digital inclusion, market access, and supportive institutional ecosystems.

Overall, previous studies establish that strengthening women's capabilities and creating an enabling entrepreneurial ecosystem are complementary strategies for reducing gender disparities in MSMEs. However, limited evidence exists on the combined effectiveness of recent government skill-development initiatives and entrepreneurship promotion programmes in addressing these multidimensional barriers. The present study attempts to bridge this gap by examining women's participation in Indian MSMEs through the combined perspectives of capability enhancement and entrepreneurial ecosystem development, using recent secondary data and policy evidence.

METHODOLOGY

The study uses secondary data like, MSME Annual Report (2023–24) and Skill Development and Entrepreneurship Report (2023–24) and descriptive analysis is done to figure out effectiveness of various schemes towards ensuring the participation of women in MSMEs.

Table 1: Percentage Distribution of Enterprises in Rural and Urban Areas (Male/ Female ownership and category wise)

Sector	Male	Female	All
Rural	77.76	22.24	100
Urban	81.58	18.42	100
All	**79.63**	**20.37**	**100**

Source: *Ministry of MSME, Annual Report 2023-24.*

Table 2: Percentage Distribution of Enterprises owned by Male/ Female Entrepreneurs wise

Category	Male	Female	All
Micro	79.56	20.44	100
Small	94.74	5.26	100
Medium	97.33	2.67	100
All	**79.63**	**20.37**	**100**

Source: *Ministry of MSME, Annual Report 2023-24.*

According to the MSME Annual Report (2023–24), of 633.88 lakh MSMEs, women own only 20.37%. Women's participation is highest in micro enterprises (20.44%), compared to small (5.26%) and medium (2.67%). Women-owned MSMEs are slightly more common in rural areas (22.24%) than urban (18.42%). While these figures show that women are entering entrepreneurship, their enterprises remain concentrated in low-value sectors, limiting their economic impact.

As depicted in table 1 and 2, out of 633.88 MSME, there were 608.41 lakh (95.98%) MSME were proprietary concerns. There was dominance of male in ownership of proprietary MSME. Thus, for proprietary MSME as a whole, male owned 79.63% of enterprises as compared to 20.37% owned by female. There was no significant deviation in this pattern in urban and rural areas, although the dominance of male owned enterprises was slightly more pronounced in urban areas compared to rural areas (81.58% as compared to 77.76%).

As far as Skill Development and Women's Entrepreneurship is concerned, it has emerged as a cornerstone of India's policy response to low women's participation in MSMEs. Key initiatives include (a) PMKVY 4.0 and the Drone Didi Initiative provides short-term training for employability. Its Drone Didi initiative under PMKVY 4.0 represents a step forward by integrating women into emerging technology sectors like agri-tech and precision farming; (b) SANKALP Program strengthens state-level skilling systems with explicit targets for women's participation. Incentive-based grants encourage states to expand training tailored to women's needs, linking skills with entrepreneurship support; (c) Golden Grass Craft Project implemented in Odisha, trained 3,128 women artisans in eco-friendly crafts and connected them to sustainable markets. It highlights the importance of localized interventions that combine skills and market access and (d) AVSAR Project trained and certified 4,468 women and transgender candidates, promoting inclusive approaches to skilling.

RESULTS AND DISCUSSION

The National Policy for Skill Development & Entrepreneurship (2015) explicitly includes women as a priority group. Yet, implementation gaps remain. Gender budgeting under MSDE shows limited funding: allocations for women-specific training declined from ₹ 1,801.33 crore in 2023–24 (RE) to ₹ 847.39 crore in 2024–25 (BE). This raises concerns about the sufficiency of resources given the scale of the challenge.

Schemes like MUDRA and Stand-Up India have improved access to credit but continue to face awareness and procedural hurdles. Women entrepreneurs often report receiving smaller loans than requested, undermining their business viability. According to the Ministry of Finance (2018), the MUDRA scheme has facilitated easier access to credit for women entrepreneurs by offering loans in three categories: Shishu (for startups), Kishor (for mid-stage businesses), and Tarun (for well-established businesses). The scheme has been particularly effective in reaching women from marginalized communities, helping them to set up small enterprises (Singh, 2020).

The Stand-Up India Scheme aims to promote entrepreneurship among women and disadvantaged groups by providing loans ranging from ₹ 10 lakh to ₹ 1 crore to establish new businesses in manufacturing, trading, or service sectors. As reported by the Ministry of Micro, Small, and Medium Enterprises (2020), this initiative has empowered women entrepreneurs by offering financial and mentoring support, particularly in rural areas.

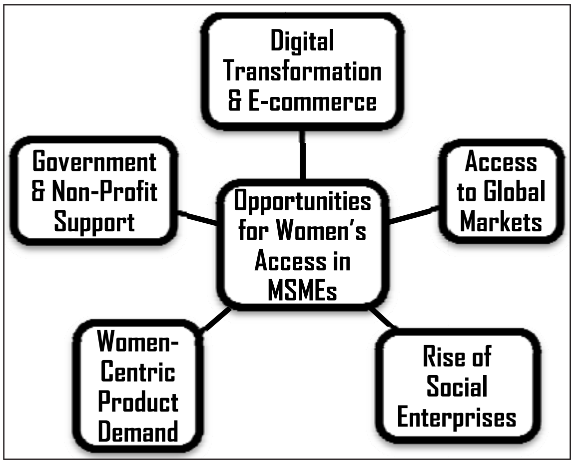

Chart 2: Opportunities for Women's Access in MSMEs

The Mahila Udyam Nidhi Scheme is administered by the Small Industries Development Bank of India (SIDBI) and provides financial assistance to women entrepreneurs for starting and expanding their MSMEs. According to SIDBI (2018), the scheme offers soft loans for working capital, plant and machinery, and other business-related expenditures, making it easier for women to access credit at affordable rates.

The Trade Related Entrepreneurship Assistance and Development (TREAD) scheme, launched by the Government of India, provides financial and technical assistance to economically disadvantaged women entrepreneurs.

The Women's Entrepreneurship Platform (WEP) was launched by NITI Aayog as an online platform to facilitate networking, mentorship, and funding opportunities for women entrepreneurs. As reported by NITI Aayog (2020), WEP brings together various stakeholders, including government agencies, industry experts, and financial institutions, to support women in MSMEs. The platform serves as a one-stop solution for women entrepreneurs to access business resources and opportunities.

Despite challenges, several emerging opportunities can be leveraged Digital Platforms like, E-commerce and fintech solutions enable women to overcome mobility constraints and access wider markets; Export Markets in textiles, organics, and handicrafts offer global opportunities for women-led MSMEs; Green MSMEs helps growing demand for eco-friendly products positions women entrepreneurs advantageously; Social Enterprises impact investing aligns with women-led ventures in healthcare, education, and sustainability. The chart-2 depicts different opportunities which could enhance the way of women's access in MSMEs.

Gender-responsive skilling, enhanced financial inclusion linking training completion with access to collateral-free loans, *market linkages* building digital platforms and export councils dedicated to women-led MSMEs, *outcome-oriented gender budgeting*, women-focused facilitation cells for MSMEs registration and compliance and *mentorship and networks* strengthen initiatives are the encouraging government initiatives towards fostering women's access to MSMEs.

CONCLUSION

Women's participation in MSMEs is both an economic and social imperative. Structural barriers across skills, finance, and markets limit their potential. While schemes like PMKVY, SANKALP, and MUDRA represent progress, declining gender budget allocations and fragmented implementation constrain impact. A gender-responsive, ecosystem-based strategy is essential to bridge these gaps. Expanding women's access to MSMEs will not only promote equity but also enhance India's prospects for inclusive growth and sustainable development.

To realize this vision, ongoing efforts must focus on creating an enabling environment for women entrepreneurs, addressing gaps in finance, skills, and networks, and dismantling socio-cultural barriers. By capitalizing on these opportunities and addressing the challenges, India can unlock the full potential of women in the MSME sector, driving both economic prosperity and social progress.

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