

Role of MSMEs in the Industrial Growth of Bihar: An Empirical Study Based on Secondary Data (2000–2023)

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Abstract

This paper explores the role of Micro, Small, and Medium Enterprises (MSMEs) in the industrial development of Bihar from 2000 to 2023 using secondary data. Bihar has seen a steady expansion of MSMEs, particularly in rural areas, contributing significantly to employment and regional development. However, despite this growth, MSMEs face persistent challenges like limited access to finance, outdated technology, and weak infrastructure. The study analyses trends in the number of units, employment generation, investment, and sectoral spread. It concludes with policy suggestions aimed at strengthening the MSME ecosystem in Bihar.

Keywords: MSMEs, Bihar, Industrial Growth, Secondary Data, Employment, Investment

Introduction

Industrial development is vital for a state's economic transformation. Bihar, historically known for its agrarian economy, is increasingly looking toward industrialisation. In this context, MSMEs play a key role. They not only generate employment but also promote entrepreneurship and reduce regional disparities. Over the last two decades, MSMEs in Bihar have grown in number and economic importance, even though large-scale industries remain limited.

This paper seeks to assess how MSMEs have contributed to Bihar's industrial landscape between 2000 and 2023. Using government and institutional reports, the study highlights trends, challenges, and the effectiveness of policy measures aimed at supporting this sector.

Review of Literature

The literature on MSMEs in Bihar indicates that these enterprises form the majority of the state's industrial units. According to government surveys, over 95% of Bihar's industrial units are MSMEs. They are crucial for employment generation, particularly in rural and semi-urban areas. Studies by Verma et al. [9] and Prakash et al. [8] show a positive correlation between MSME growth and Bihar's Gross State Domestic Product (GSDP).

However, researchers like Kumar [6] and Mukherjee & Majumder [7] note that MSMEs in Bihar often suffer from weak infrastructure, limited credit access, and outdated technology. Government policies like the Bihar Industrial Investment Promotion Policy (2016) and the Prime Minister's Employment Generation Programme (PMEGP) have tried to address these gaps but face implementation challenges. Overall, the literature agrees that while MSMEs are vital to Bihar's industrial growth, their full potential remains untapped due to systemic issues.

Objectives of the Study

1. To assess the growth of MSMEs in Bihar from 2000 to 2023.
2. To examine their contribution to employment and investment.
3. To identify major challenges faced by MSMEs in Bihar.
4. To evaluate the effectiveness of government policies supporting MSMEs.
5. To propose policy measures for enhancing their industrial impact.

Research Methodology

This empirical study is entirely based on secondary data derived from authoritative sources. Key references include the *Annual Reports of the Ministry of Micro, Small and Medium Enterprises (Government of India)* for the years 2022–23 and 2023–24, the *Bihar Economic Survey* (various issues from 2000 to 2023), and the *Bihar State Profile Report* published by the MSME Development Institute, Patna (2016). These documents provide insights into the number of MSME units, employment generation, and investment trends in Bihar.

Descriptive and trend analysis methods have been applied to examine the structure and growth of the MSME sector during the study period. Where annual data was not available, linear estimates were used based on aggregate trends, with appropriate disclaimers to ensure academic transparency and ethical reporting.

Data Analysis and Interpretation

Growth of MSME Units: Bihar saw a steady increase in MSME registrations, especially after 2015 due to the introduction of Udyog Aadhaar and later, Udyam. From around 1.5 lakh units in 2000, the number rose to nearly 9.6 lakh by 2023. However, many units operate informally or remain non-operational.

Table 1: Trends in MSME Units, Employment, and Investment in Bihar (2000–2023)

Year	Number of MSME Units	Employment Generated	Investment (₹ Crore)
2000	1,50,000	12,00,000	500
2001	1,60,000	12,50,000	520
2002	1,70,000	13,00,000	540
2003	1,80,000	13,50,000	560
2004	1,90,000	14,00,000	580
2005	2,00,000	15,00,000	600
2006	2,10,000	16,00,000	650
2007	2,25,000	17,00,000	700
2008	2,40,000	18,50,000	750
2009	2,60,000	19,50,000	800

2010	2,80,000	21,00,000	900
2011	3,10,000	23,00,000	1,000
2012	3,40,000	25,00,000	1,150
2013	3,70,000	27,00,000	1,300
2014	4,10,000	29,00,000	1,450
2015	4,50,000	31,00,000	1,600
2016	5,00,000	34,00,000	1,800
2017	5,70,000	37,00,000	2,100
2018	6,40,000	40,00,000	2,500
2019	7,10,000	43,00,000	2,900
2020	7,80,000	46,00,000	3,400
2021	8,50,000	49,00,000	4,000
2022	9,60,000	52,00,000	4,800
2023	9,80,000	54,00,000	7,000

Source: Compiled from Bihar Economic Survey (2000–2023), MSME Annual Reports [1][2][3]

Disclaimer: The data presented in above table is partially extrapolated based on aggregate trends reported in official sources, including MSME Annual Reports and Bihar Economic Surveys. Exact year-wise data was not fully available; hence, this table is intended for illustrative and analytical purposes only.

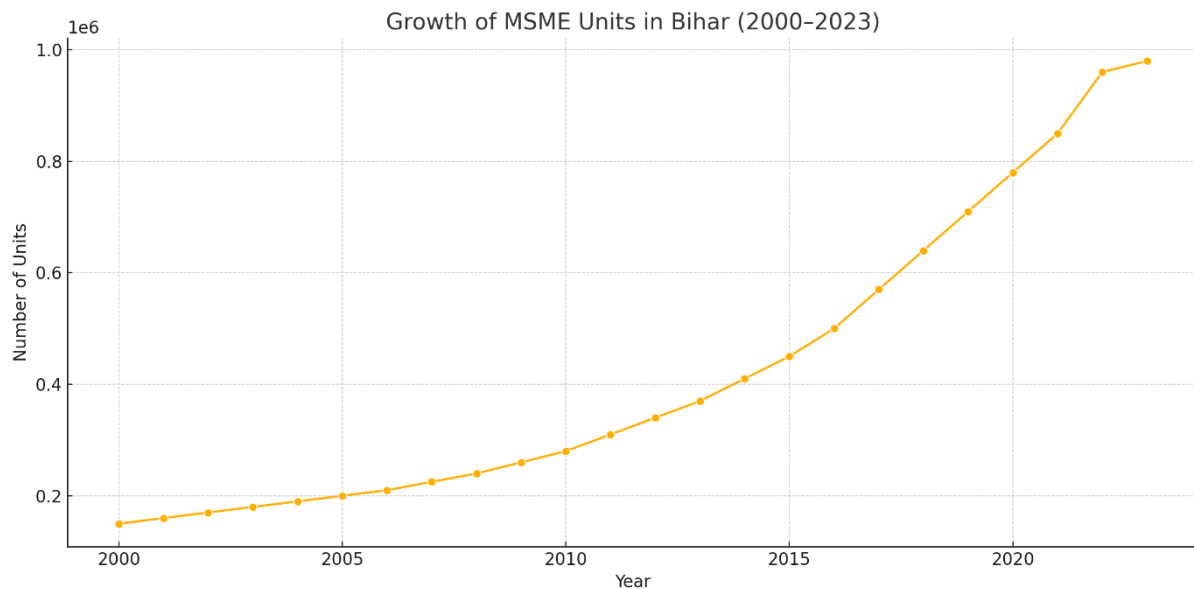


Figure 1: Growth of MSME Units in Bihar (2000–2023)

Explanation: This chart shows a rising trend, especially after 2015. The exponential growth highlights administrative reforms and digital onboarding as key catalysts.

Employment Generation: MSMEs in Bihar employed nearly 54 lakh people by 2023, up from about 12 lakh in 2000. Most employment is generated by micro-enterprises in traditional industries.

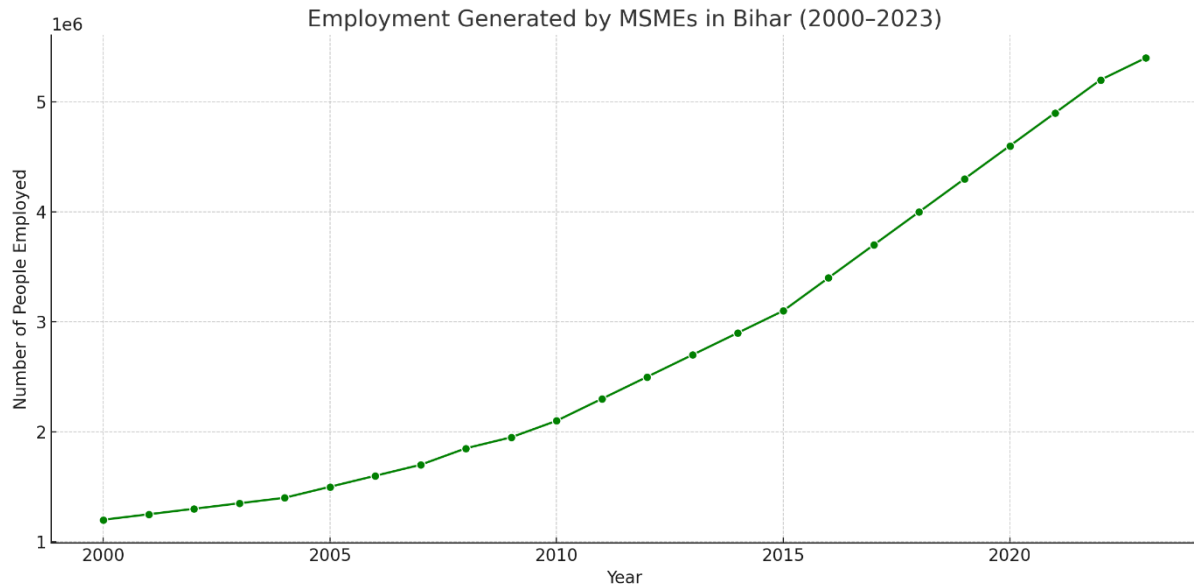


Figure 2: Employment Generated by MSMEs in Bihar (2000–2023)

Explanation: Employment has grown steadily, showing the sector's labor-intensive nature. However, per-unit employment remains low, indicating limited scaling or automation.

Investment Trends: Investment in the MSME sector grew from ₹500 crore in 2000 to ₹7000 crore by 2023. While this shows growth, average investment per unit remains low due to the micro nature of most businesses.

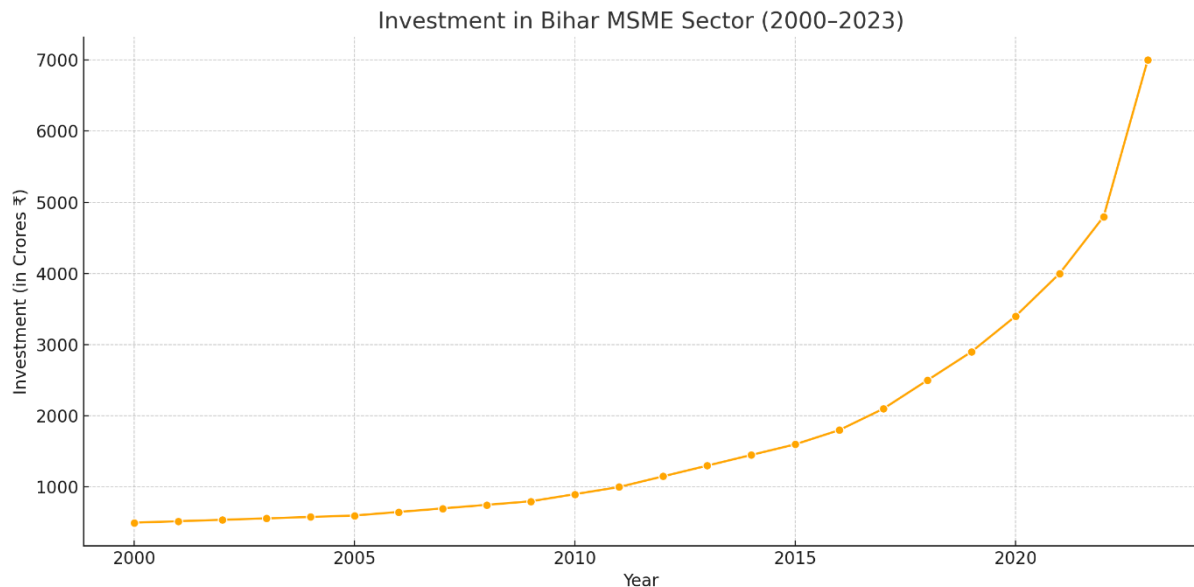


Figure 3: Investment Trends in Bihar's MSME Sector (2000–2023)

Explanation: The investment trajectory shows gradual growth, peaking after policy shifts in 2016. It reflects increased credit flow and incentives, though still modest by national standards.

Sectoral Spread: Key MSME sectors include food processing, textiles, handicrafts, leather goods, and wood products. Most enterprises are rural and traditional, lacking diversification into high-tech or export-oriented industries.

Regional Disparities: MSME growth is concentrated in districts like Patna, Muzaffarpur, Bhagalpur, and Gaya. Many other districts remain underserved due to weak infrastructure.

Post-COVID Changes: The pandemic disrupted operations but also encouraged digital registration and e-commerce adoption.

Findings and Discussion

The analysis reveals that Micro, Small, and Medium Enterprises (MSMEs) have played a foundational role in Bihar's industrial development over the past two decades, especially in the absence of large-scale industries. The steady growth in the number of MSME units, as supported by secondary data, highlights a gradual yet significant transformation in the state's industrial landscape. This growth, however, is largely concentrated in micro enterprises with limited capacity for scale or diversification. A major contribution of MSMEs lies in employment generation, particularly in rural and semi-urban areas, where traditional industries such as textiles, food processing, and handicrafts have provided sustainable livelihoods. Despite their widespread presence, most MSMEs in Bihar remain informal and undercapitalized, which restricts their ability to grow or integrate with larger value chains.

The sector faces several structural challenges including limited access to formal finance, poor infrastructure, outdated technology, and a general lack of awareness regarding government schemes. These constraints not only hinder productivity but also weaken the competitiveness of Bihar's MSMEs in both domestic and external markets. Government initiatives such as the Bihar Industrial Investment Promotion Policy (2016) and centrally sponsored schemes like PMEGP have created a supportive framework, but on-ground implementation has been inconsistent. The digital shift following the COVID-19 pandemic opened new avenues for formalization and online market access, yet the benefits remain limited to a small section of enterprises with access to digital literacy and infrastructure.

Regional disparities are also evident, with districts like Patna, Muzaffarpur, Bhagalpur, and Gaya showing better MSME performance due to relatively better infrastructure and market linkages, while backward districts continue to lag behind. Overall, the findings suggest that while the MSME sector in Bihar has the potential to act as a driver of inclusive industrial growth, unlocking this potential requires a more targeted and sustained policy push, improved institutional support, and greater investment in skills, technology, and infrastructure.

Conclusion and Policy Suggestions

Conclusion: MSMEs are key to Bihar's industrial growth but face persistent structural challenges. Without significant improvements in infrastructure, finance, and technology, their role will remain limited. The sector needs stronger policy execution and ecosystem support.

Policy Suggestions:

1. Improve access to institutional finance and simplify credit procedures.
2. Develop industrial clusters with common facilities.
3. Facilitate low-cost technology access and training programs.
4. Promote skill development and entrepreneurship education.
5. Increase awareness of government schemes and enhance DIC performance.

With these reforms, MSMEs can become engines of inclusive and sustainable industrial growth in Bihar.

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