

Unlocking the Potential of Gen Z: Participation in MSME and Paving way towards Atmanirbhar Bharat

Binita Kumari

State Aided College Teacher, Commerce, Deshbandhu College For Girls

Abstract

This paper explores the transformative role of Generation Z in invigorating India's Micro, Small, and Medium Enterprises (MSME) sector as a key driver towards the national vision of Atmanirbhar Bharat. Gen Z, born and raised amid digital proficiency, innovative mindset, and entrepreneurial spirit, holds immense potential to modernize traditional MSMEs through technology, sustainability, and creative business models. Despite MSMEs' significant contribution to economy and employment, they face challenges like limited innovation and digital infrastructure. By integrating Gen Z into this ecosystem, these barriers can be effectively mitigated. Present paper examines barriers, and opportunities for Gen Z's active participation, highlighting the importance of government initiatives like Startup India and Digital India. It advocates for youth-centric interventions such as mentorship and digital upskilling. Ultimately, empowering Gen Z within the MSME sector is essential for building a resilient, innovation-led, and self-reliant Indian economy.

Keywords: Generation Z, MSME, Atmanirbhar Bharat, Technology, Sustainability

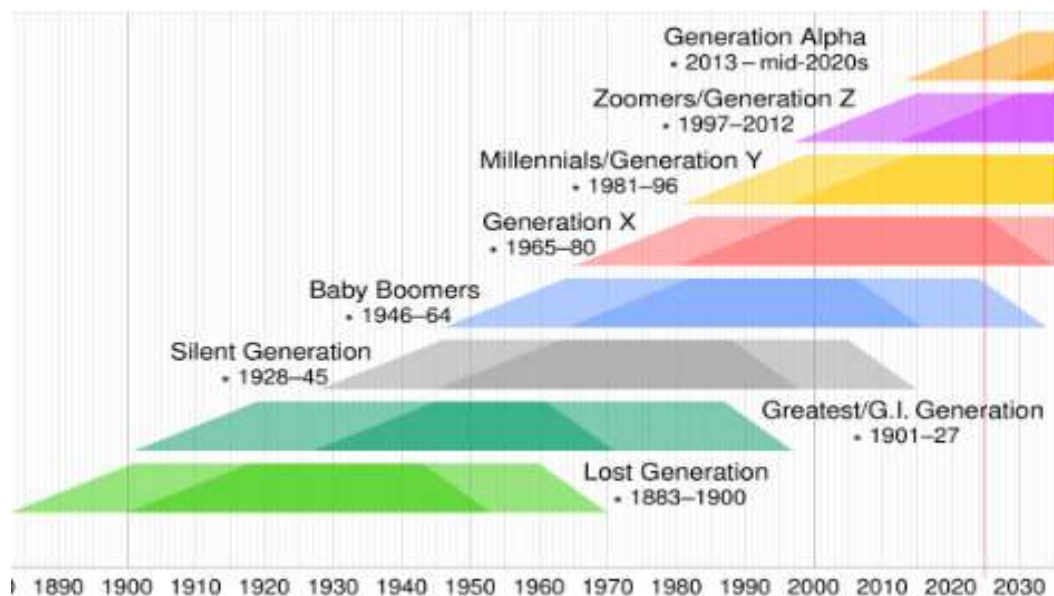
1. Introduction

Generation Z, commonly referred to as Gen Z, represents the demographic cohort born approximately between 1997 and 2012 (Dimock, 2019). Following Millennials, Gen Z is characterized by its upbringing in a fully digital era, having grown up with smartphones, social media, and high-speed internet from a young age. This constant exposure to technology has shaped Gen Z into a highly connected, tech-savvy, and socially aware generation. They tend to be pragmatic, socially conscious, and inclined toward innovation and flexibility in the workplace (Francis & Hoefel, 2018). In the context of economic participation, Gen Z shows a strong interest in startups, freelancing, and digital-first business models, making them a crucial demographic in reshaping industries such as MSMEs.

India's MSME sector, a backbone of the economy, contributes significantly to economy, exports, and employment generation. However, it faces structural challenges such as lack of innovation, limited digitalization, and restricted access to modern markets. Gen Z, with its entrepreneurial mindset, inclination toward startups and social enterprises, can address these challenges by driving innovation, enhancing productivity, and bridging the urban-rural divide through tech-driven solutions. India reports approximately 180 million internet users and 80 households ready for e-commerce that opens avenues for young entrepreneurs (Sanwal et. al., 2023). Indonesia experienced economic recovery through Gen Z participation in MSME in the post pandemic phase (Purnama, et. al., 2023). Similarly, West Java recorded

95% youngsters active on digital payment platform in the area of MSME (Fajri et. al., 2025). Further, potential of Gen Z has acted as an agent to optimize MSMEs performance in Anggode Coffee (Maryati et. al., 2024). MSME by Gen Z prioritizes mutual respect, team work that improves the happiness index and thus increases performance (Astuty et. al., 2024). Ultimately, unlocking the potential of Gen Z in MSMEs aligns directly with the objectives of Atmanirbhar Bharat., fostering a resilient, inclusive, and innovation-led economy.

The emergence of Generation Z (Gen Z) as a formidable demographic force presents a transformative opportunity for India's economic and entrepreneurial landscape, particularly within the Micro, Small, and Medium Enterprises (MSME) sector. Their integration into the workforce is already influencing consumer behaviour, workplace culture, and the future of entrepreneurship globally, especially in emerging economies like India. This paper explores the synergistic potential of integrating Gen Z into the MSME ecosystem to bolster the national vision of Atmanirbhar Bharat. With their digital fluency, innovative thinking, and preference for entrepreneurial ventures, Gen Z is uniquely positioned to reshape traditional MSMEs through technology adoption, creative problem-solving, and sustainable business models.



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2. Opportunities Gen Z hold in MSME sector

Despite above challenges, Generation Z brings a transformative edge to the MSME sector, marked by their innate digital proficiency and entrepreneurial mindset. Their comfort with technology- ranging from e-commerce and social media to data-driven tools, positions them as catalysts for the digital evolution of small businesses. This generation thrives on innovation and autonomy, aligning seamlessly with government initiatives which emphasize self-reliance and grassroots enterprise. Gen Z also prioritizes sustainability and social responsibility, embedding ethical practices into their business models- an increasingly valuable trait in today's conscientious consumer market. With global platforms at their fingertips, they are uniquely equipped to access international customers and scale their ventures beyond geographical confines. Moreover, their digital fluency enables them to effectively leverage policy- driven support systems. These advantages collectively empower Gen Z not just to participate in the MSME sector, but to redefine its future with agility and vision.

1. The mindset of Digital-First makes them familiar with digital tools, e-commerce, social media and data analytics that fosters modernization of MSME keeping advantage on digitalize supply chain, market competition, and customer engagement.
2. They have strong inclination for self-employment and ventures driven by innovation. This attribute aligns with the national initiatives like Startup India and Atmanirbhar Bharat boosting local entrepreneurship.
3. Their focus is on social impact and sustainability. They seem to be more conscious of social issues and environment. Therefore, their business model integrates sustainability.
4. They have access to global market aided by digital platform. They are able to cater their products and services across the border (Shopify, freelancing platform, Amazon Global).
5. The tech fluency of Gen Z makes them eligible to harness the benefit of Government Schemes and initiative like Digital India, PMEGP and Mudra Loan designed for tech-enabled entrepreneurs. This provide them a leverage over traditional MSME.

3. Some Challenges faced by Gen Z in MSME sector

Generation Z, with its tech-savvy orientation and entrepreneurial zeal, is increasingly drawn to the Micro, Small, and Medium Enterprises (MSME) sector. However, their journey is often fraught with multifaceted challenges that stem from both systemic constraints and experiential gaps. A primary impediment is the struggle to secure funding, as many lacks the financial history or assets. Additionally, the absence of experienced mentors hinders their ability to make informed decisions in areas such as fiscal planning and operational management. In less urbanized regions, inadequate digital infrastructure stifles the potential of tech-centric ventures. Moreover, their inclination toward unconventional business models often clashes with the practical expectations of local markets. Navigating regulatory frameworks without prior exposure further complicates the entrepreneurial process. Together, these factors render the MSME landscape both promising and profoundly challenging for Gen Z. Few challenges are pointed below to understand the hardship of Gen Z.

1. Credit and capital- Every venture require capital; the young entrepreneurs often possess no credit history and lack of collateral that makes it difficult to raise capital and investments. Contrary, to this the conventional entrepreneur engaged in MSMEs might reap the advantage of long-term relationships with banks, local lenders to access credit.
2. This generation may suffer from insufficient mentorship and guidance as they lack experience and network that essentially aids in navigating complex business ecosystem. Though they are technically sound, however, core business requires soundness in financial planning, compliance and supply chain management.
3. Digital divide posed by Tier 2 and Tier 3 cities may be a potential hurdle because commercial area in semi-urban and rural region lack digital infrastructure to support tech-based business.
4. Market risk from disruptive ideas and experimental business model that might not align with local market demands. Tried-and-tested models sometimes become boring to the Zen Z.
5. The policy and regulatory framework could be a challenge due to lack of prolonged exposure to bureaucratic landscape.
6. Psychological pressure concerning peer pressure, fear of failure, mental health may pose obstacle in the risk-taking ability.

4. Overview of Gen Z as bloomers

Generation Z is making remarkable strides in the entrepreneurial landscape, driven by a blend of innovation, tech fluency, and social awareness. They are building ultra-fast delivery platforms that redefine convenience in urban living, using smart logistics and real-time tracking to meet consumer demands within minutes. Others are tackling the complexities of last-mile logistics, offering streamlined solutions that ease congestion and inefficiencies in city transport systems. In the world of fashion, Gen Z entrepreneurs are crafting brands that blend modesty, affordability, and style, catering to the evolving tastes of young consumers. On the tech front, many are delving into advanced domains like artificial intelligence, web solutions, and natural language processing, contributing to the digital transformation of businesses. Furthermore, they are championing financial literacy and empowerment by creating platforms that educate and equip the youth with essential economic tools. Collectively, these ventures underscore Gen Z's potential to innovate with impact, relevance, and resilience.

1. Zepto- Quick e-commerce platform for grocery delivery within minutes leveraged by technology
2. Paper n Parcel- Offers efficient delivery services to solve urban logistics issue.
3. Nayaab by Jannat- Provides modest, stylist and affordable wear catering fashion needs of young women.
4. Apex Infosys India- Provides technical solution with specialization in AI, web development and Natural Language Processing.
5. The 1% Club- Bridges the gap between technology and the workforce by providing financial education and resources.

5. Conclusion

While Generation Z brings fresh energy, digital expertise, and entrepreneurial enthusiasm to the MSME sector, they face several critical challenges that can hinder their full potential. Mitigation of these challenges through targeted financial support, mentorship, and digital infrastructure development are essential. Additionally, integrating entrepreneurship education and mental health support will enhance their resilience and risk-taking capacity. Generation Z holds immense scope in transforming the Indian MSME sector through their digital fluency, entrepreneurial drive, and commitment to sustainability. As digital natives, they are well-equipped to modernize MSMEs by leveraging e-commerce, social media marketing, and data analytics, enabling businesses to reach wider markets and operate more efficiently. Their strong inclination toward entrepreneurship aligns with government initiatives like Startup India and Atmanirbhar Bharat offering opportunities to launch innovative, tech-driven enterprises across sectors such as fintech, health tech, and agritech. Moreover, Gen Z's focus on sustainability and ethical business practices positions them to lead MSMEs toward environmentally and socially responsible growth. Their deep understanding of youth consumer behaviour also gives them a competitive edge in designing relevant products and services. Additionally, they can capitalize on policy support and financial schemes such as PMEGP and Mudra Loans, which are increasingly geared toward empowering young entrepreneurs. Together, these factors highlight Gen Z's vital role in reshaping and revitalizing India's MSME landscape and achieving the national goal of Atmanirbhar Bharat.

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