



Why ~99% of MSMEs don't export; and how to fix it

**forv/s
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Only a small fraction of micro, small and medium enterprises (MSMEs) contribute to exports. The country can reduce the gap by taking efficient measures

1. India's growth story and the missing link

India continues to remain one of the fastest-growing major economies globally, with real GDP projected to reach approximately USD 2.13 trillion in FY 2025–26 and nominal GDP expected to touch USD 3.76 trillion.¹ This growth is increasingly supported by India's integration into global markets, where exports play a critical role.

However, beneath this macroeconomic momentum lies a structural imbalance. While MSMEs contribute nearly ~48%² of India's total exports, only ~1.1% of them actively participate in export activities, as highlighted by NITI Aayog. This creates a fundamental disconnect: a large share of export value is driven by a very small base of enterprises.

The visible gap in India's low MSME export participation might not be due to a lack of opportunity, but an absence of export readiness at the enterprise level. While the key execution gaps limiting MSME participation include capability constraints, sectoral concentration, and fragmented access to support systems, a simplified, execution-oriented framework would be able to improve MSME export readiness at scale.

If one looks at global trends, various export-oriented economies on IMF's GDP Index, including Belgium, South Korea, and Vietnam have built strong export ecosystems supported by manufacturing depth, SME integration, and global value chain participation. In contrast, while India is among the world's largest economies, exports account for a relatively smaller share of GDP, and enterprise-level export participation among MSMEs remains low.

This highlights the need to strengthen MSME export readiness to support broader and more sustainable export-led growth.



¹ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2212087®=3&lang=1>

² <https://www.pib.gov.in/PressNoteDetails.aspx?Notelid=157367&ModuleId=3®=20&lang=8>

2. The real problem

The low participation of MSMEs in exports is often attributed to lack of awareness or ambition to scale up. In reality, the issue is structural as most MSMEs are unable to convert capability into execution.

To illustrate this, export participation can be viewed as a staged journey. In the absence of a unified dataset, a readiness funnel is constructed using official data points and industry benchmarks to reflect the progressive drop-off.

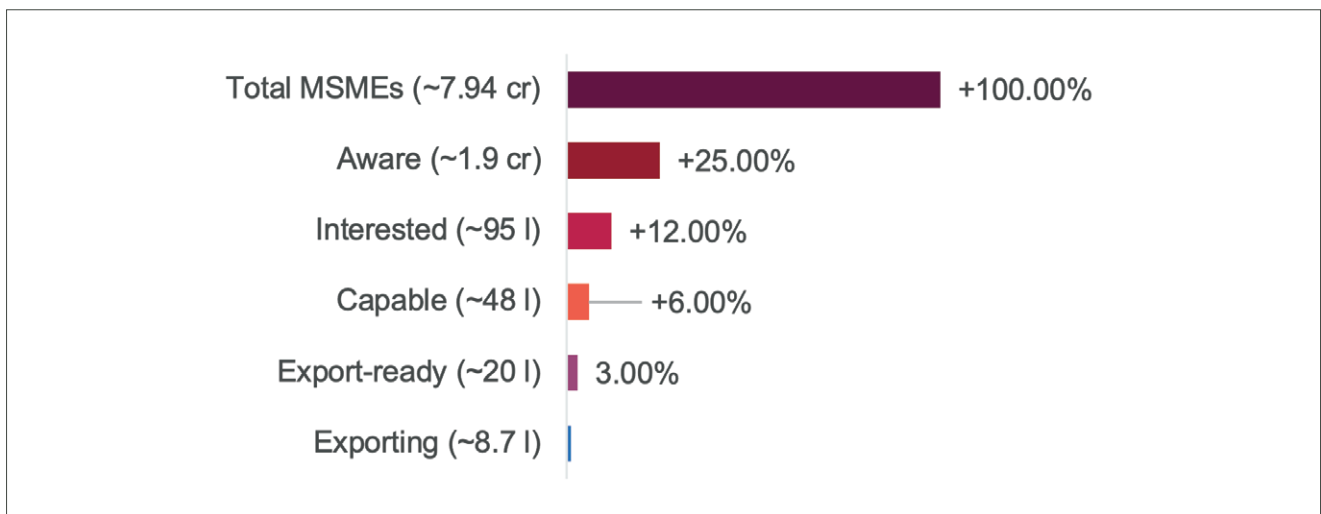


Figure 1: MSME export readiness funnel³

The funnel above highlights that while a meaningful proportion of MSMEs are aware of export opportunities, significantly fewer translate this into intent, and an even smaller segment develops the capability required for global markets. The most pronounced drop occurs at the transition from “capable” to “export-ready,” where firms must navigate compliance, logistics, and market access simultaneously.

The constraint is not production capacity it is the ability to execute across fragmented systems.

³ <https://dashboard.msme.gov.in/>

3. Structural gaps in MSME export capability

The limited export participation of MSMEs is driven by a set of structural misalignments across the ecosystem. Data from MSME sources indicates that, among the exporting units, nearly 64% report export turnover of less than ₹1 crore.⁴

This suggests that while some MSMEs do participate in exports, their scale remains limited indicating constraints in scaling operations, accessing markets, and sustaining export competitiveness.

3.1 Sectoral misalignment with export demand

A significant share of MSMEs continues to operate in low-technology, locally focused activities with limited product diversification and weak integration into global value chains. In contrast, exports are largely driven by manufacturing-intensive and higher-value sectors, limiting the ability of the broader MSME base to participate in exports at scale.⁵

Sector	MSMEs ⁶	Export intensity
Manufacturing	1,65,78,457	High
Services	2,89,23,192	Medium
Trading	3,39,24,062	Low

(MSME registration by activity (as of 6 May 2026) vis-à-vis export intensity across sectors)

Figure 2: MSME sector distribution vs export intensity

Insight: MSMEs are overrepresented in low-export-intensity sectors and underrepresented in high-growth export sectors. While manufacturing accounts for a smaller share of MSMEs, the segment itself is highly fragmented, with limited scale to drive broad-based export participation.

3.2 Capability and skill constraints

Export markets demand consistency, quality standards, and process reliability. While skill development and apprenticeship initiatives have expanded, their scale and alignment with export requirements remain limited relative to the size of the MSME base.

As a result, many MSMEs can produce, but not consistently meet the standards required for international markets creating a gap between capability and competitiveness.

⁴ http://www.dcmsme.gov.in/UDYAM_Publication_with_tables_final20220622.pdf

⁵ NITI Aayog (2025) - Enhancing Competitiveness of MSMEs

⁶ <https://dashboard.msme.gov.in/#>

3. Structural gaps in MSME export capability

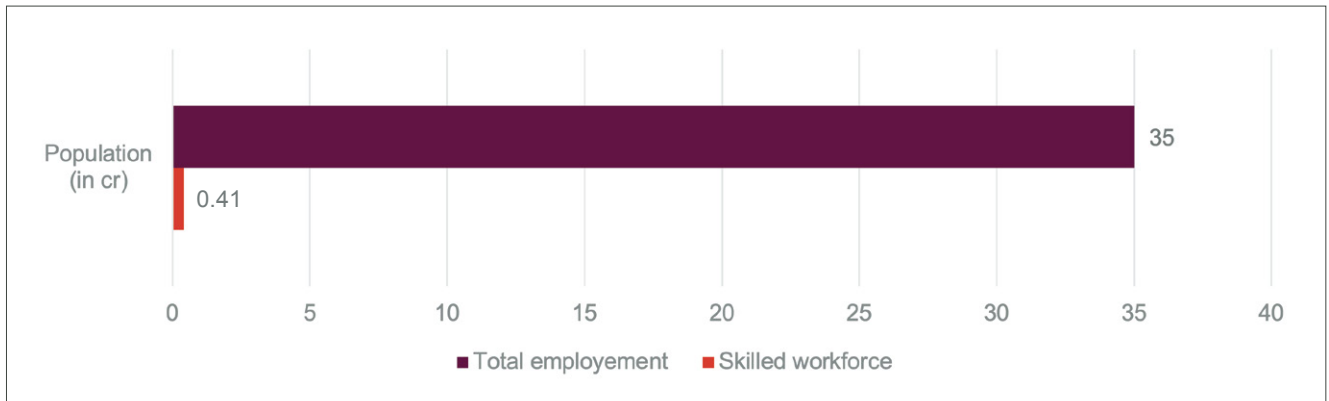


Figure 3: Skill development coverage vs MSME scale⁷

Insight: MSMEs employ approximately 35 crore individuals in India; however, only ~41 lakh individuals have received formal skilling under MSME-focused programmes over the past decade indicating that only ~1% of the MSME workforce has received structured skill development support. Skill development efforts are insufficient in scale and specificity to support export readiness.

3.3 Fragmented access to schemes & digital infrastructure

Limited digital adoption continues to be a major barrier to MSME export readiness. According to MoSPI (2024), only 5.7% of MSMEs report using computers, while only 37% use the internet, with significant variation across sectors and regions. Urban trade establishments report internet usage of 45.3%, compared to just 10.4% among rural manufacturing enterprises.

This digital gap directly impacts MSMEs' ability to access export-related schemes, compliance systems, market intelligence, and online trade platforms. As export processes become increasingly technology-driven, fragmented digital access remains a key constraint in enabling broader MSME participation in global markets.

⁷ <https://dashboard.msme.gov.in/>

4. Proposed solution

Addressing MSME export constraints requires a shift from fragmented support mechanisms to an integrated, execution-oriented model. While recent policy measures signal strong intent to strengthen MSME competitiveness, the key challenge lies in enabling MSMEs to effectively translate these initiatives into export participation.

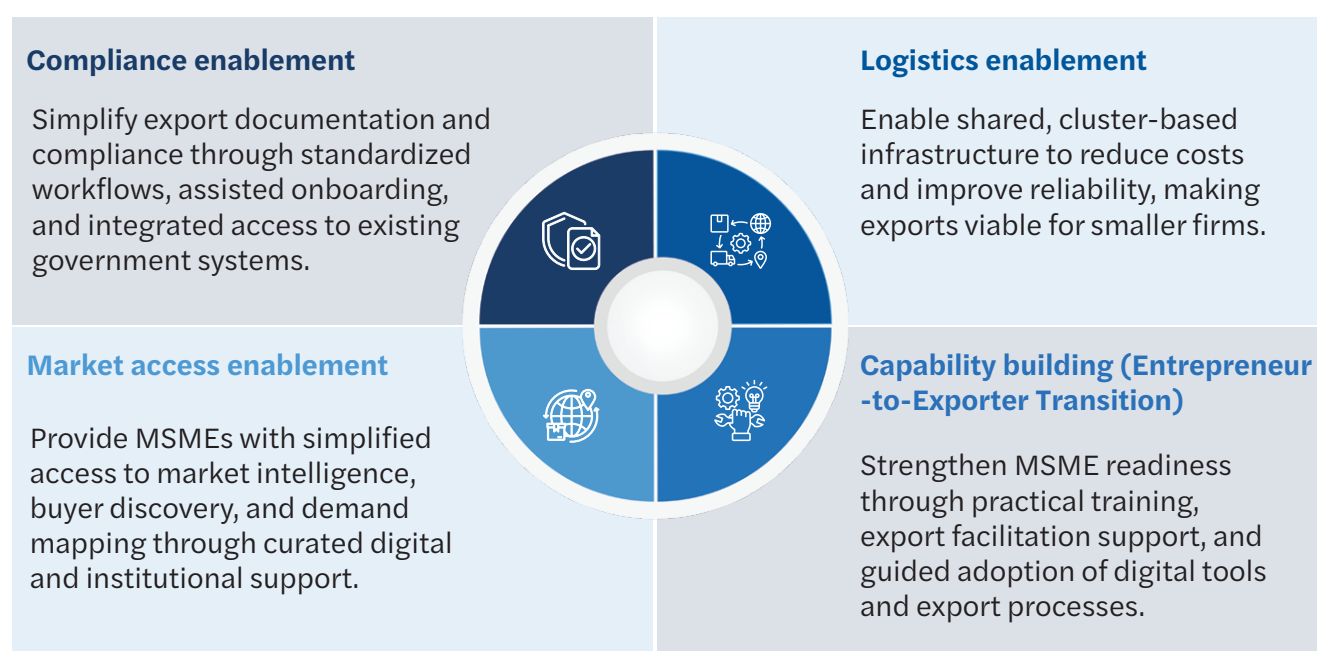
The Government of India has introduced several targeted interventions including the SME Growth Fund (USD 1.05 billion), the Self-Reliant India (SRI) Fund top-up (USD 210 million), the Export Promotion Mission (USD 2.63 billion), and continued support under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme. These measures address critical enablers such as financing, incentives, and ecosystem development.⁸

However, without simplifying execution at the enterprise level, their impact remains constrained. Moreover, many of the recent schemes launched in the past five years are yet to show real impact.

In this context, a Micro Export Stack is recommended as a simplified framework designed to translate policy support into actual export readiness and participation.



4.1 Solution pillars



⁸ <https://www.pib.gov.in/PressReleaseDetail.aspx?PRID=2228306®=6&lang=1>

4. Proposed solution

4.2 Implementation approach

The model can be deployed through a cluster-based, platform-enabled approach:

Pilot across high-potential MSME clusters	Use a digital backbone for standardization and scalability	Enable collaboration across government, industry bodies, and private players
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4.2 Implementation approach

By addressing execution gaps across capability, compliance, logistics, and market access simultaneously, the proposed model aims to improve MSME participation in exports in a more scalable and sustainable manner.

Increased participation	Expansion of the MSME export base
Reduced complexity	Simplified export processes and improved scheme uptake
Improved efficiency	Better utilisation of infrastructure, incentives, and financial support

India’s MSME sector holds significant untapped potential in global trade. While it already contributes significantly to exports, participation remains highly concentrated.

Unlocking this potential requires moving beyond fragmented support systems toward integrated execution frameworks. The Micro Export Stack offers a practical pathway to achieve this by addressing the core constraint execution.

The challenge is not whether MSMEs can export, but whether the system enables them to do so at scale.





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