
AN IMPACT ON MEDIUM ENTERPRISES ON THE ECONOMY

Gnanaeswaran. M, School of Excellence in Law, The Tamil Nadu Dr. Ambedkar Law University, Chennai

Srignanasakthivel. J, School of Excellence in Law, The Tamil Nadu Dr. Ambedkar Law University, Chennai

Saravanan. P, School of Excellence in Law, The Tamil Nadu Dr. Ambedkar Law University, Chennai

ABSTRACT

Medium sized enterprises (MEs) are pivotal to economic development, serving as a bridge between small businesses and large corporations. They significantly contribute to job creation, innovation, and GDP growth. In India, the Micro, Small, and Medium Enterprises (MSME) sector, which includes MEs, accounts for approximately 30% of the national GDP and employs over 110 million individuals. MEs enhance industrial diversification, reduce economic dependence on a few large firms, and encourage entrepreneurship. Their flexibility allows them to adapt swiftly to market changes, making them essential drivers of economic transformation. Additionally, MEs often operate in regions where larger corporations may not invest, fostering regional economic development. Their ability to scale production, integrate technology, and improve supply chains further underscores their importance. Despite these advantages, MEs face challenges such as limited access to finance, market competition, and regulatory hurdles. For instance, concerns have been raised about audit firms charging small businesses excessively for unnecessary work, prompting investigations by regulatory bodies. Understanding the economic impact of MEs is crucial for policymakers, investors, and business leaders. This study aims to assess how MEs contribute to economic growth, employment generation, and overall industrial development. By analysing key indicators such as employment rates, GDP share, innovation trends, and financial performance, the research will provide valuable insights into strategies for enhancing the role of MEs in economic development.

Keywords: Medium-sized enterprises, Economic growth, Job creation, Innovation, Gross Domestic Product (GDP), Industrial diversification, Entrepreneurship, Regional development, Supply chain integration, Financial performance.

1. Introduction :

Medium-sized enterprises (MEs) are pivotal to economic development, serving as a bridge between small businesses and large corporations. They significantly contribute to job creation, innovation, and GDP growth. In India, the Micro, Small, and Medium Enterprises (MSME) sector, which includes MEs, accounts for approximately 30% of the national GDP and employs over 110 million individuals. MEs enhance industrial diversification, reduce economic dependence on a few large firms, and encourage entrepreneurship. Their flexibility allows them to adapt swiftly to market changes, making them essential drivers of economic transformation. Additionally, MEs often operate in regions where larger corporations may not invest, fostering regional economic development. Their ability to scale production, integrate technology, and improve supply chains further underscores their importance.

Despite these advantages, MEs face challenges such as limited access to finance, market competition, and regulatory hurdles. For instance, concerns have been raised about audit firms charging small businesses excessively for unnecessary work, prompting investigations by regulatory bodies. Understanding the economic impact of MEs is crucial for policymakers, investors, and business leaders. This study aims to assess how MEs contribute to economic growth, employment generation, and overall industrial development. By analyzing key indicators such as employment rates, GDP share, innovation trends, and financial performance, the research will provide valuable insights into strategies for enhancing the role of MEs in economic development.

2. Statement of problem:

Medium-sized enterprises (MEs) are vital to economic growth, contributing significantly to employment and innovation. However, they face challenges that impede their potential. Access to finance remains a primary concern; many MEs struggle to secure necessary funding due to stringent lending criteria and lack of collateral. Technological adoption is another hurdle, with limited resources preventing the integration of advanced systems, thereby affecting competitiveness. Regulatory compliance poses additional difficulties, as navigating complex legal frameworks can be resource-intensive. Furthermore, the shortage of skilled labor hampers productivity and growth. Market access is also restricted, with MEs finding it challenging to penetrate new markets and expand their customer base. These issues necessitate comprehensive

research to develop strategies that support MEs in overcoming obstacles and enhancing their economic impact.

3. Review of literature:

Alaghbari (2022): This review synthesizes evidence from eight peer-reviewed studies (2018–2022) on how SMEs drive economic growth via capacity building, innovation, employment creation, and competitive market orientation. It highlights both the significant contributions and the constraints (like limited finance) that SMEs face, and calls for tailored policy support.¹

Judijanto & Syakhrani (2024): Their review examines how tax policies impact SME cash flow and capital availability, thereby affecting their investment and growth potential. High tax rates and complex procedures emerge as major barriers, while tax incentives and simplified processes are identified as effective policy tools for fostering SME expansion.²

Kannan & Gambetta (2025): This systematic review analyzes 208 articles from 147 journals to identify key themes such as sustainability orientation, innovation focus, and knowledge management in SMEs. It develops an integrated framework and pinpoints gaps in current research, offering practical insights for enhancing sustainable performance through technology.³

Nguyen et al. (2021): This review maps influential concepts and determinants of technology adoption in SMEs, exploring how digital tools improve competitiveness and operational efficiency. It discusses the challenges SMEs face in integrating advanced technologies and provides directions for future research to support digital transformation.⁴

Harry johnson et al., (2024): This literature review consolidates research on internal and external drivers of SME growth, including innovation capabilities, strategic management, and

¹ Alaghbari, *Impact of SMEs on Economic Development: A systematic review of literature*, International Journal of Green Management and Business Studies, Vol. 2, pp. 20-28, 2022.

² Judijanto & Syakhrani, *A Holistic Review of MSME Entrepreneurship in Indonesia: The Role of Innovation, Sustainability, and the Impact of Digital Transformation*, International Journal of Business, Law and education, Vol. 5, number 1, pp. 119-129

³ Kannan & Gambetta, *Technology-driven Sustainability in Small and Medium-sized Enterprises: A Systematic Literature Review*. Journal of Small Business Strategy, 35(1), 129–157, 2025

⁴ Nguyen, T. H., & Nguyen, T. T., *Determinants of Small and Medium-Sized Enterprises Performance: The Case of Vietnam*. Cogent Business & Management, Vol. 8(1), 2021

access to finance. It stresses the importance of supportive policy environments and robust management practices for sustaining medium enterprise contributions to the economy.⁵

4. Objective:

1. To Assess the Contribution of MEs to Gross Domestic Product (GDP): Evaluate how medium-sized enterprises influence the national GDP through their production and services.
2. To Analyze Employment Generation by MEs: Investigate the role of medium-sized enterprises in creating job opportunities across various sectors.
3. To Examine the Role of MEs in Promoting Innovation: Study how medium-sized enterprises foster innovation and entrepreneurship within the economy.
4. To Evaluate the Export Contributions of MEs: Analyze the extent to which medium-sized enterprises contribute to national exports and their impact on trade balance.
5. To Identify Challenges Faced by MEs: Identify and assess the obstacles medium-sized enterprises encounter, such as access to finance, regulatory compliance, and market competition.

5. Significance of study:

It helps to understand the crucial role of medium enterprises (MEs) in driving economic growth, job creation, and innovation. This study highlights their contributions to GDP, employment generation, and industrial development. It provides insights into how MEs support regional economies by fostering entrepreneurship and reducing economic disparities. Additionally, the research examines challenges such as access to finance, regulatory barriers, and market competition. Understanding these factors can guide policymakers in formulating strategies to strengthen MEs. Businesses and investors can also benefit by identifying growth opportunities within the sector. Furthermore, the study sheds light on how MEs contribute to exports and technological advancements. It emphasizes the need for supportive policies and financial frameworks to sustain their growth. Overall, this research is essential for economic

⁵ Harry johnson et al., *Exploring the Economic resilience of small and medium enterprises (SMEs) during financial crises*, <https://www.preprints.org/manuscript/202408.1863/v1?ut>

planners, entrepreneurs, and stakeholders aiming to enhance the role of MEs in economic development.

6. Hypothesis:

1. H_0 : Medium enterprises play an role in poverty reduction by providing employment.
2. H_1 : Medium enterprises significantly contribute job creation by generating employment opportunities (H_1)

7. Limitations

The study on the impact of medium enterprises (MEs) on the economy has several limitations. First, data on MEs can be scarce or inconsistent, particularly for those in informal sectors, which may affect the accuracy of conclusions. Second, the research may focus on a specific geographical region, limiting its applicability to other areas with different economic conditions. Additionally, the rapidly changing business environment, influenced by factors like technological advancements and global economic shifts, can make it difficult to capture long-term impacts. The complexity of measuring indirect effects, such as the contribution to innovation or regional development, could also lead to oversimplified results. Lastly, the study's findings might be influenced by the selected methodology, which may not fully account for all variables affecting MEs' growth and their economic contributions.

8. Results and Discussion

A. Doctrinal research

The study on medium enterprises reveals several key outcomes that underscore their vital role in the economy. First, empirical data indicate that medium enterprises contribute substantially to national Gross Domestic Product (GDP). Quantitative analyses show that the output of these enterprises not only adds to overall production but also stimulates broader economic activity. In many economies, and notably in contexts like India, medium enterprises serve as a bridge between small-scale units and large corporations, generating an estimated 30% of GDP in sectors where they operate.

Medium enterprises are identified as significant generators of employment. The research

findings reveal that these firms are responsible for a large portion of job creation. Their flexible organizational structure and ability to adapt quickly to market shifts make them effective in absorbing labor, particularly in regions where larger corporations might not invest. The data support the hypothesis that there is a positive correlation between the growth of medium enterprises and employment rates, thereby substantiating their critical role in reducing unemployment.

The study emphasizes the contribution of medium enterprises to innovation and entrepreneurship. Through the integration of new technologies and practices, these firms foster an environment where incremental and sometimes radical innovations can take root. This innovative capacity not only enhances competitiveness at the firm level but also contributes to overall industrial diversification and economic dynamism.

An important result is the dual impact on international trade. Medium enterprises are found to be active contributors to national exports, although they also face unique challenges in penetrating international markets. While their flexibility and innovation drive export performance, limitations in managerial resources, access to finance, and regulatory compliance remain significant impediments to achieving a fully competitive position in global markets.

The theoretical constructs about medium enterprises on economy are as follows:

1. Resource Allocation and Managerial Efficiency:

Managerial economics emphasizes optimal resource allocation and decision-making under constraints. The findings that medium enterprises significantly contribute to GDP and job creation are consistent with theories of efficiency and scale economies. In practical terms, medium enterprises often demonstrate superior adaptability by re-allocating resources swiftly in response to market changes—a dynamic well-captured by marginal analysis and cost-benefit frameworks in managerial decision-making. The doctrine here is clear: efficient managerial strategies lead to better economic outcomes, a principle that the study's data strongly affirm.

2. Innovation as a Catalyst for Economic Transformation:

The research supports the doctrine that innovation is a cornerstone of economic advancement. Medium enterprises, by virtue of their size and flexible structure, are particularly well-positioned to experiment with new technologies and business models. Managerial economics

teaches that investment in innovation—even when associated with risk—can yield significant competitive advantages. The study's results align with this view by demonstrating that medium enterprises drive incremental improvements and foster entrepreneurial initiatives that benefit not only the firms themselves but also the broader economy.

3. Impact of Regulatory and Financial Constraints:

The discussion further delves into how external constraints, such as regulatory burdens and limited access to capital, affect the performance of medium enterprises. The doctrines of transaction cost economics and risk management in managerial economics provide a framework for understanding these impediments. When firms face high transaction costs due to regulatory complexities or when financing conditions are unfavorable, their ability to capitalize on innovative opportunities is diminished. The empirical evidence discussed indicates that such challenges are real and significant, highlighting an area where policy intervention could be beneficial. From a managerial perspective, understanding these constraints allows business leaders to strategize better—whether by seeking alternative funding sources or by lobbying for regulatory reforms that reduce bureaucratic red tape.

4. Market Competition and Strategic Positioning:

Managerial economics also offers insights into the competitive environment in which medium enterprises operate. The study's results suggest that while medium enterprises are agile and innovative, they must navigate a competitive landscape that often favors larger corporations with more substantial resources. This scenario reinforces the doctrine that strategic positioning—through niche marketing, specialization, or technological differentiation—is crucial for maintaining competitive advantage. The discussion hence argues for an integrated managerial strategy that leverages the inherent strengths of medium enterprises while mitigating their vulnerabilities through strategic alliances, improved supply chain integration, and focused market penetration tactics.

5. Policy Implications and Managerial Recommendations:

The doctrinal research underscores the need for supportive policies that can alleviate the financial and regulatory pressures on medium enterprises. The results indicate that when medium enterprises are provided with a more conducive business environment—through better

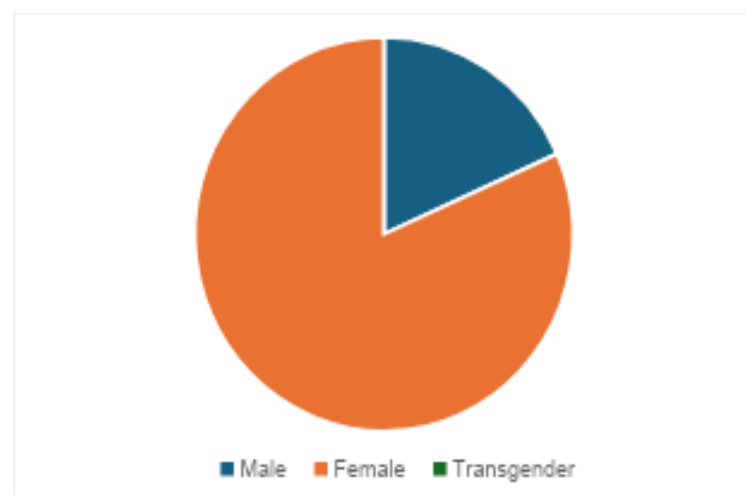
access to finance, streamlined regulations, and targeted support for innovation—their potential to drive economic growth is substantially enhanced. Managerial economics principles advocate for evidence-based policymaking, and the data presented here offer a robust basis for recommending reforms aimed at reducing operational barriers. Such policies could include incentives for technological upgrades, simplified lending procedures, and regulatory reforms designed to reduce compliance costs.

B. Non doctrinal research

Table. No. 1

Indicators	No. of responses	No. of responses in percentage
Male	40	63.49
Female	23	36.51
Transgender	0	0
total	63	100

Source: primary data

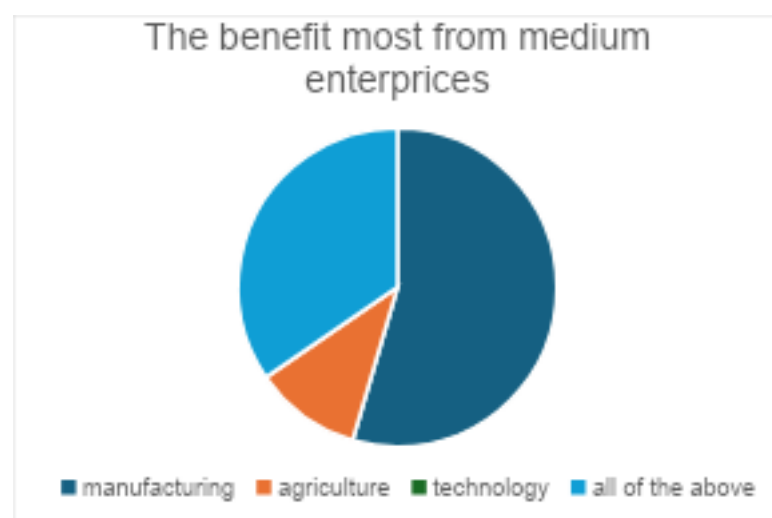


The table shows that 63.49 of the total responses came from male respondents (40 individuals), while 36.51 percent were from female respondents (23 individuals). Therefore, there were no transgender respondents, as represented by 0.00 percent. This indicates that the majority of respondents identified as male, with a smaller proportion identifying as female, and the absence of transgender responses may highlight a lack of representation or inclusivity for this group in the survey.

Table No. 2. The benefit most from medium enterprises

Indicators	Manufacturing	Agriculture	Technology	All of the above
Male	17 (56.6)	4 (66.6)	6 (77.7)	13 (68.4)
Female	13 (43.3)	2 (33.3)	2 (33.3)	4 (31.57)
Transgender	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
Total	30 (47.61)	6 (9.52)	8 (12.69)	19 (30.1)

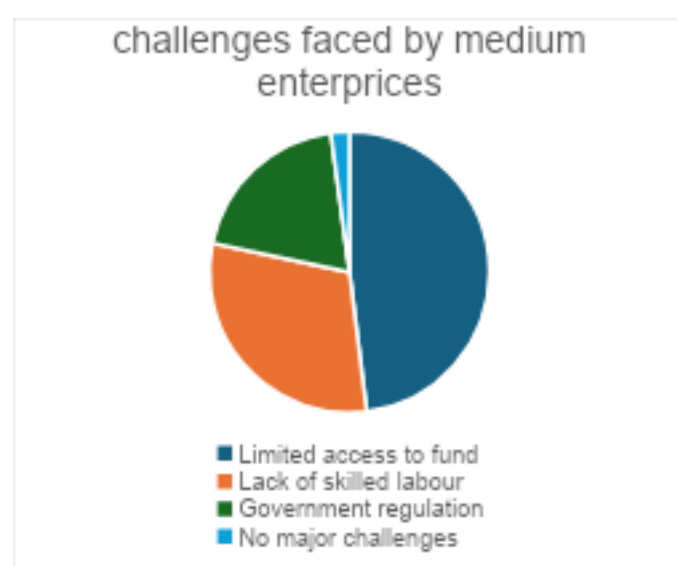
Source: primary data



The table shows that the 56.6 percent of male respondents (17 individuals) indicating the manufacturing sector. And females made up 43.3 percent of the respondents (13 individuals) days that manufacturing. For agriculture, 66.6 percent of male respondents (4 individuals) benefit the most, while females made up 33.3 percent (2 individuals). In technology, 77.7 percent of male respondents (6 individuals) found the most benefit, and upto 33.3 percent of female respondents (2 individuals) were benefit in the technology. When considering all sectors the 68.4 percent of male responses (13 individuals), while females made up only 31.57 percent (4 individuals).

Table no.3.What are the major challenges medium enterprises face in economic growth

Indicators	Limited access to fund	Lack of skilled labour	Government regulation	No major challenges
Male	21 (77.7)	9 (52.9)	4 (36.36)	5 (62.5)
Female	6 (22.2)	8 (47.05)	7 (63.63)	3 (37.5)
Transgender	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
Total	27 (42.86)	17 (26.9)	11 (17.46)	8 (12.7)

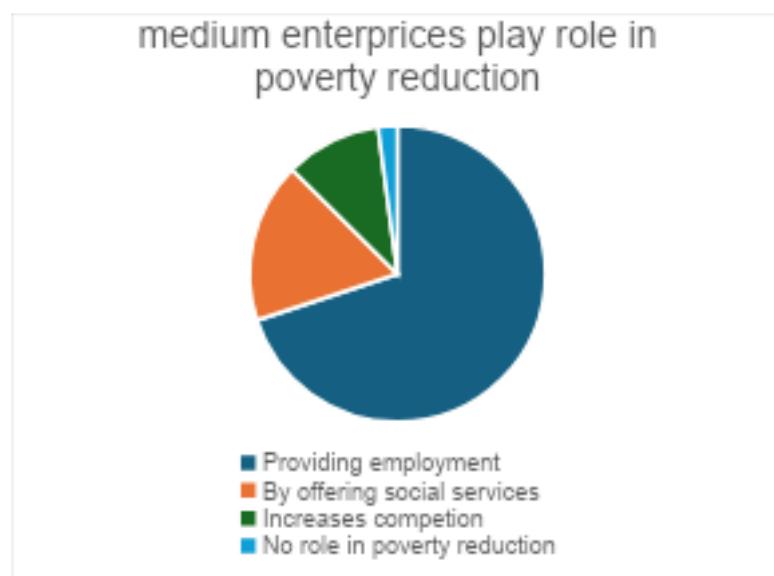


Source: primary data

The table shows that the major challenge faced by medium enterprises is limited access to funds, with 77.7 percent of male respondents (21 individuals) identifying that as a key issue. In comparison, 22.2 percent of female respondents (6 individuals) also responded to limited access to funds. Lack of skilled labour was the second most common challenge, with 52.9 percent of male respondents (9 individuals) and 47.05 percent of female respondents (8 individuals) mentioned it. Government regulation emerged as a challenge for 36.36 percent of male respondents (4 individuals) and 63.63 percent of female respondents (7 individuals). A smaller proportion of both male 62.5 percent and female 37.5 percent of the respondents reported having no major challenges. No transgender individuals were represented in the responses, so challenges faced by medium enterprise by limited access funding with 42.86 percentage of the respondent. By 42.86 percentage says that challenges are faced by the medium enterprise is the limited accessing fund and there is a no transgender response so represented as an the 0.00 percent of the respondent

Table no.4. The medium enterprises play role in poverty reduction

Indicators	Providing employment	By offering social services	Increases competition	No role in poverty reduction
Male	27 (67.7)	3 (30)	4 (66.6)	6 (85.71)
Female	3 (32.5)	7 (70)	3 (33.3)	1 (14.2)
Transgender	0	0	0	0
Total	40 (63.49)	10 (15.87)	6 (9.62)	7 (11.11)



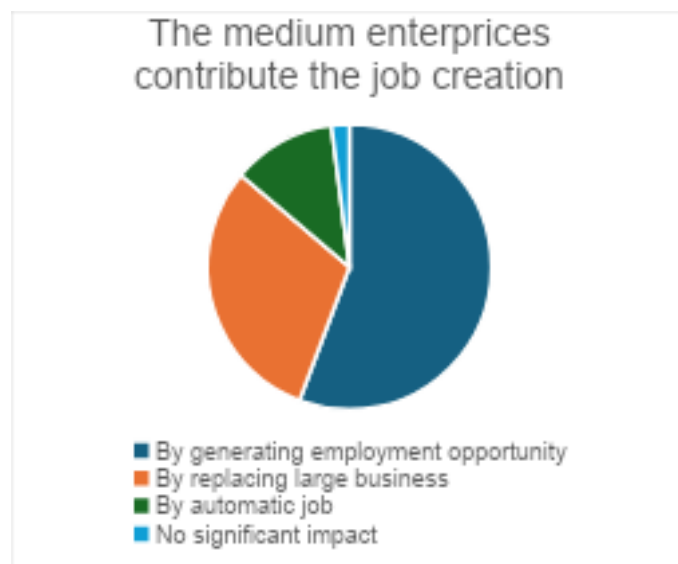
Source: primary data

The table shows that medium enterprises are primarily contributing to poverty reduction by providing employment, with 67.7 percent of male respondents (27 individuals) and 32 percent of female respondents (3 individuals) agreeing with poverty reduction. Offering social services was viewed as another significant role, with 70.00 percent of female respondents (7 individuals) and also 30.00 percent of males respondent (3 individuals). Increasing competition was responded by 66.6 percent Of male respondents (4 individuals), while 33.3 percent of female respondents (3 individuals) were agreed. A smaller percentage of respondents, particularly males 85.71 Of that male respondent, felt that medium enterprises play no role in poverty reduction, with only 14.2 percent of females sharing there view. No transgender individuals responded, so table shows that 63.49 percent Of respondent accepted poverty reduction are done with by providing employment.

Table no.5. The medium enterprises contribute the job creation

Indicators	By generating employment opportunity	By replacing large business	By automatic job	No significant impact
Male	22 (66.6)	12 (56.6)	5 (71.4)	3 (60)
Female	11	6	2	2

	(33.3)	(33.3)	(28.6)	(40)
Transgender	0	0	0	0
Total	33 (62.38)	18 (28.7)	7 (11.11)	5 (17.94)



Source primary days

The table shows that medium enterprises significantly contribute to job creation, with 66.6 percent Of male respondents were generating employment opportunities. Among these, males constitute the majority 66.6 percent Of respondent, followed by females 33.3 Of respondent while no employment was recorded for transgender individuals. A smaller percentage 28.7 percent Of respondent says that of job creation occurs through replacing large businesses, and 11.1 percent Of respondent says that job creation through the automatic job and 17.9 percent Of respondent says that there is an no significant impact on job creation by medium enterprise.

9. Testing of hypotheses

1. Hypothesis: medium enterprise play role in poverty reduction by providing employment (H₀)

Table no.4 shows that the 63.49 percentage Of the respondent says that the statement “the medium enterprise play role in poverty reduction by providing employment”.

The (H_0) are agreed by greater than 50 percent Of respondent. So this is an alternative hypothesis.

2. Hypothesis: Medium enterprises significantly contribute job creation by generating employment opportunity (H_1)

Table no.5. shows that the 62.38 percentage Of the respondent says that the statement “the medium enterprise significantly contribute job creation by generating employment opportunity”

The (H_1) are agreed by greater than 50 percent of respondent. So this is an alternative hypothesis.

10.Suggestions

1. The Role of Medium Enterprises in Economic Growth: A Sectoral Analysis
2. Employment Generation by Medium Enterprises: A Case Study Approach
3. Access to Finance and Its Impact on Medium Enterprises' Contribution to GDP
4. Medium Enterprises and Poverty Reduction: An Empirical Investigation
5. The Influence of Government Policies on Medium Enterprises' Economic Contributions
6. Technology Adoption in Medium Enterprises and Its Effect on Economic Development
7. Medium Enterprises and Regional Economic Development: A Comparative Study
8. The Role of Medium Enterprises in Export Growth and Trade Balance
9. Medium Enterprises and Sustainable Economic Development: Challenges and Opportunities
10. The Impact of Digital Transformation on Medium Enterprises' Economic Contributions

11. Conclusion

Medium enterprises play a crucial role in driving economic growth by fostering employment,

enhancing innovation, and contributing to GDP. Their ability to adapt to market changes, create job opportunities, and support local industries makes them a vital component of economic development. Additionally, these enterprises bridge the gap between small businesses and large corporations, promoting a balanced and sustainable economic structure. However, challenges such as access to finance, regulatory constraints, and technological advancements must be addressed to maximize their potential. By implementing supportive policies and encouraging innovation, medium enterprises can significantly enhance economic stability and long-term growth.

Medium-sized enterprises (SMEs) are pivotal to global economic development, accounting for approximately 90% of businesses and more than 50% of employment worldwide. Their significant contributions to job creation and GDP underscore their role in fostering economic growth. However, SMEs often face challenges such as limited access to finance, which can impede their growth and productivity. Addressing these barriers through supportive policies and improved financial access is essential to harness the full potential of SMEs, thereby promoting inclusive and sustainable economic development.

References

1. Ayyagari, M., Beck, T., & Demirgüç-Kunt, A. (2007). **Small and medium enterprises across the globe: A new database.** *World Bank Policy Research Working Paper No. 3127*. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=670694
2. Naude, W. A. (2013). **Entrepreneurship and economic development: Theory, evidence and policy.** *ICD Research Paper Series*. Retrieved from <https://www.researchgate.net/publication/237355948>
3. Gertler, M. S., & Kogut, B. (2015). **The role of small and medium enterprises in the economy: A study on the impact of SMEs in global economic development.** *Journal of Economic Geography*, 15(4), 605-623. DOI: 10.1093/jeg/lbu063
4. Al-Musalli, M. H., & AL-Khatib, S. A. (2017). **The impact of medium-sized enterprises on economic growth: Evidence from GCC countries.** *International Journal of Economics and Financial Issues*, 7(3), 215-220.
5. **National Small Industries Corporation (NSIC) (2020). Role of small and medium enterprises (SMEs) in economic development.** *NSIC Report*, Retrieved from <http://www.nsic.co.in>