

The Role of MSMEs in Realizing the Sustainable Development Goals (SDGs)

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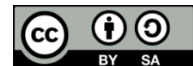
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ABSTRACT

This study analyzes the most important contribution of Micro, Small, and Medium Enterprises (MSMEs) to the attainment of the Sustainable Development Goals (SDGs) in a systematic review of 25 articles from the Scopus database. MSMEs are revealed by the analysis to be drivers of economic growth, social inclusion, and environmental sustainability. Priority trends are their job creation, innovative, and community development impacts and increasing adoption of sustainable practices such as energy saving and reducing wastes. Nonetheless, there are continuing challenges of access to finance, resources, and green technology still being restricted. This study demonstrates the critical value of conducive systems, capacity improvement programs, and focused policy strategies to optimize the potential of MSMEs toward the SDGs. It concludes that it is possible to achieve the true potential of MSMEs towards sustainable development by promoting stakeholder cooperation and structural barriers elimination.

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1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are now at the heart of economic development, social inclusion, and environmental sustainability, particularly in the developing and emerging world. MSMEs constitute a significant portion of the world's businesses, and they are vital to the creation of employment, poverty alleviation, and local economic growth [1]. Their built-in flexibility, responsiveness, and local focus enable them to address different socio-economic issues, and thus they are core drivers of the success

of the Sustainable Development Goals (SDGs).

The UN SDGs established in 2015 are a comprehensive outline for global development addressing 17 goals intended to end poverty, reduce inequality, maintain economic growth, and protect the planet. MSMEs, as key economic actors, are in a good position to support several SDGs, including Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth), Goal 9 (Industry, Innovation, and Infrastructure), and Goal 12 (Responsible Consumption and Production). Their impacts transcend economic aspects to influence environmental sustainability and

social equity through innovative measures and community engagement.

Despite their enormous potential, MSMEs are faced with a myriad of challenges in their integration with the SDGs. Limited access to finance, technological constraints, inadequate skilled human resources, and weak policy support are some of the challenges that hinder their growth and sustainability. In addition, the dispersed contribution of MSMEs across sectors necessitates an integrated approach to quantify their contribution towards the realization of the SDGs.

This study aims to address such deficits through a systematic review of literature on 25 documents accessed from the Scopus database. Through the integration of existing research, this article aims to establish the pivotal contributions MSMEs contribute towards the attainment of the SDGs, examine the challenges they face, and provide actionable recommendations on how such contributions can be enhanced.

2. LITERATURE REVIEW

2.1 *Economic Contributions of MSMEs*

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic growth, job creation, and poverty alleviation, particularly in developing countries. They support Sustainable Development Goals (SDGs) such as SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 9 (Industry, Innovation, and Infrastructure) by fostering innovation, competitiveness, and market diversity. MSMEs contribute significantly to GDP and household incomes, as seen in Kazakhstan's poverty reduction efforts [2], while effective resource management enhances financial performance and sustainable growth [3]. In Nigeria, MSMEs in manufacturing, transport, and ICT sectors help reduce poverty [4]. Women's participation in MSMEs strengthens local economies and promotes inclusivity [5]. Integrating MSME development into national policies and providing government support,

such as subsidies and affordable credit, further enhances their impact on economic development (Nor, 2024; [4], [6]. However, researchers also highlight persistent challenges such as limited access to financial resources and technological infrastructure, which constrain MSMEs' potential to scale and compete globally.

2.2 *Social Inclusion and Equity*

Micro, Small, and Medium Enterprises (MSMEs) promote social inclusion by empowering marginalized groups, particularly women, youth, and rural populations, fostering economic independence and reducing inequalities in line with SDG 5 and SDG 10. Social entrepreneurship enhances inclusive development through skills training, microfinance, and market access, supporting sustainable livelihoods [7]. Programs like Jan Shikshan Sansthan (JSS) boost household income and gender inclusivity through vocational training, while Savings and Lending Groups (SLGs) improve financial access for rural women, as seen in Rwanda [8]. Institutional support, including mentorship and policies, is vital for women entrepreneurs in South Africa, despite barriers like financial exclusion [9]. Women entrepreneurship also strengthens sustainable livelihoods, necessitating further research to address challenges related to health and food security [10]. However, the literature also highlights the need for policy interventions to further support inclusivity, particularly through capacity-building programs and equitable access to resources.

2.3 *Challenges and Gaps in Existing Literature*

While the existing body of literature highlights the significant contributions of MSMEs to the SDGs, several gaps remain. First, there is a lack of comprehensive frameworks that integrate MSME contributions across economic, social, and environmental dimensions. Second, the fragmented nature of existing research often limits its generalizability, as studies tend to focus on specific regions or industries.

Additionally, the dynamic and evolving nature of MSMEs in the context of globalization and digitalization remains underexplored. Emerging trends, such as the digital transformation of MSMEs and their role in global supply chains, are critical areas requiring further investigation to understand their implications for sustainable development.

3. METHODS

The systematic literature review was designed to ensure a structured and replicable process for collecting and analyzing academic literature, adhering to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines, which emphasize transparency and rigor. This approach facilitates the identification of relevant studies, extraction of meaningful data, and synthesis of findings across multiple sources. Data for this study were obtained from the Scopus database, a widely recognized repository of high-quality academic research. The collection process involved a search strategy using keywords such as "MSMEs," "Sustainable Development Goals," "economic growth," "social inclusion," "environmental sustainability," and "sustainable practices," with Boolean operators and filters to refine results. A total of 25 documents, including peer-reviewed journal articles, conference proceedings, and reviews published within the past decade, were selected for relevance. Inclusion criteria focused on studies explicitly addressing MSMEs and their role in achieving SDGs, published in English, and based on empirical research, theoretical frameworks, or case studies. Exclusion criteria eliminated studies centered on large enterprises, unrelated sectors, or lacking a clear connection to MSMEs and SDGs, as well as duplicate and non-peer-reviewed publications.

The selected documents were systematically reviewed to extract key data on objectives, methodologies, findings, and implications, categorized into three thematic areas: economic contributions, social

inclusion, and environmental sustainability. Qualitative content analysis was applied to identify recurring patterns, themes, and gaps in the literature, providing a comprehensive understanding of MSMEs' role in achieving the SDGs. Additionally, a bibliometric analysis examined trends in publication frequency, research focus, and geographical distribution, further enriching the study's insights.

4. RESULTS AND DISCUSSION

4.1 *Economic Contributions of MSMEs*

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in job creation and poverty alleviation, particularly in rural and underserved regions, thereby supporting Sustainable Development Goals (SDG) 1 and 8. They account for a significant portion of global businesses and employment, contributing to economic inclusion and growth. However, MSMEs face persistent barriers that hinder their growth potential. The reviewed literature confirms that MSMEs are pivotal drivers of economic development. Key findings include:

4.1.1 *Job Creation and Poverty Alleviation*

- a. MSMEs are pivotal in job creation, especially in rural areas, which directly contributes to poverty alleviation. In Kazakhstan, SMEs significantly enhance household incomes and economic well-being, particularly through individual entrepreneurship and agricultural employment [2].
- b. In Nigeria, small-scale enterprises have been shown to significantly reduce poverty by creating employment opportunities for low-skilled workers.
- c. In India, MSMEs are engines of job creation, fostering socio-economic progress and bridging urban-rural disparities [11].

4.1.2 *Innovation and Economic Dynamism*

- a. MSMEs enhance market diversity and competitiveness by introducing innovative products and services. In

India, they foster innovation and entrepreneurship, contributing to inclusive growth [11].

- b. Resource management within MSMEs is crucial for financial performance, which supports sustainable economic growth as outlined in SDG 8 [3].

4.1.3 Barriers to Growth

- a. Despite their contributions, MSMEs face challenges such as limited access to finance, technology, and regulatory complexities. These barriers restrict their ability to scale and maximize economic contributions [11].
- b. Inadequate infrastructure and insufficient policy support further hinder MSME growth, necessitating coordinated efforts from policymakers and stakeholders [11].

4.2 Social Inclusion and Equity

Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in empowering marginalized groups, particularly women and youth, and promoting equitable development. Women-owned MSMEs contribute significantly to gender equality by providing opportunities for financial independence and leadership roles, especially in rural and informal sectors. These enterprises foster local community engagement by prioritizing localized value chains, addressing regional disparities, and supporting reduced inequalities. Women entrepreneurs drive socio-economic development through job creation and community upliftment [12], [13] while also promoting innovation, social responsibility, and sustainable economic growth [14]. MSMEs led by women enhance financial independence and leadership roles, providing sustainable livelihoods for marginalized segments [10]. By prioritizing localized value chains, MSMEs contribute to community-based economic development, with rural women entrepreneurs fostering diversified economies and social progress through ventures in agriculture and handicrafts [7], [12]. Social entrepreneurship further integrates economic goals with social impact,

promoting inclusive development and long-term resilience [7]. However, challenges such as limited access to finance, skill gaps, and socio-cultural constraints persist, hindering MSME growth and necessitating targeted interventions [13]. Systemic discrimination and resource inequities further emphasize the need for mentorship programs, dedicated funding initiatives, and policy support to enhance inclusivity [7], [14].

4.3 Environmental Sustainability

Micro, Small, and Medium Enterprises (MSMEs) are increasingly adopting sustainable practices, contributing to environmental goals through green processes and circular economy models that align with SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action). These efforts include energy-efficient production, waste reduction, and green supply chain initiatives such as green procurement and optimized logistics, leading to cost savings, improved brand reputation, and regulatory compliance [15]. The adoption of circular economy principles further enhances sustainability by minimizing waste and optimizing resource use through reduce, reuse, recycle, and regenerate strategies, ensuring long-term profitability and regulatory alignment [16], [17]. Despite these benefits, MSMEs face challenges such as high initial costs, technological barriers, and complex regulations, which limit the broader adoption of sustainable practices [16]. Limited awareness and financial constraints further hinder small enterprises from implementing green initiatives [15]. To overcome these obstacles, policy support, technological innovation, and industry collaboration are essential in accelerating the transition toward sustainability [17].

DISCUSSION

The findings highlight the dual role of MSMEs as economic drivers and enablers of sustainable practices. However, balancing growth and sustainability requires a supportive ecosystem that addresses key challenges such as access to finance, technology, and capacity-building programs. Policymakers and stakeholders must

integrate sustainability into MSME frameworks by leveraging incentives and fostering public-private partnerships to drive green innovation. Additionally, MSMEs play a crucial role in empowering marginalized groups, yet systemic barriers persist, necessitating more inclusive strategies. Governments and development organizations should implement policies that ensure equitable access to resources, including training programs, microfinance, and market opportunities for underserved populations. Collaboration among MSMEs, civil society, and community-based organizations can further enhance social impact and help bridge inequalities.

While MSMEs are increasingly adopting sustainable practices, their impact is limited by structural and operational constraints. To overcome these barriers, stakeholders must focus on capacity building by providing training and resources to enhance awareness and technical expertise in sustainability. Financial support, including subsidies, tax incentives, and low-interest loans, is essential for MSMEs investing in green technologies. Furthermore, fostering collaborative networks between MSMEs, large corporations, and environmental organizations can facilitate knowledge sharing and resource optimization, strengthening their contribution to sustainable development.

Addressing Research Gaps and Future Directions

The review highlights a fragmented understanding of MSMEs' role across the economic, social, and environmental dimensions of the SDGs, emphasizing the need for future research to develop integrated frameworks that holistically analyze their contributions. Additionally, exploring the impacts of digitalization and globalization on MSMEs' sustainability efforts is crucial for understanding their evolving role in sustainable development. Conducting

longitudinal studies can further provide insights into the long-term outcomes of MSME interventions, ensuring more effective policies and strategies to enhance their impact.

5. CONCLUSION

The findings of this study reinforce the critical role of MSMEs in advancing the Sustainable Development Goals. As vital engines of economic growth, MSMEs contribute significantly to job creation and innovation while also fostering social inclusion by empowering marginalized groups and supporting community-based development. Their increasing adoption of sustainable practices further highlights their potential in addressing environmental challenges and promoting long-term sustainability. However, persistent barriers such as limited financial resources, inadequate policy support, and a lack of awareness of green technologies continue to hinder their full potential in driving sustainable development.

Addressing these challenges requires targeted interventions, including financial incentives, capacity-building initiatives, and supportive regulatory frameworks. Collaborative efforts among governments, development organizations, and private stakeholders are essential in creating an enabling environment for MSMEs to thrive. By fostering innovation, inclusivity, and sustainability, MSMEs can play a transformative role in achieving the SDGs. Future research should focus on developing integrated frameworks, exploring the impact of digitalization, and conducting longitudinal studies to gain deeper insights into their long-term contributions. With coordinated efforts, MSMEs can emerge as key catalysts in the global pursuit of sustainability and economic prosperity.

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