

Impact Of Government Incentives On MSME Sector Growth In India

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I. Executive Summary

Micro, Small, and Medium-Sized Enterprises (MSMEs) are considered as the backbone of the Indian economy, employing more than 11 crore people and also account for 30% in the nation's GDP and industrial output.¹ The Indian government has implemented a number of laws and programs to support the growth and viability of MSMEs across the country as the growth and development of India's economy depend heavily on MSMEs. Exports, industrial output, job generation, innovation, and inclusive socio economic development are all specifically impacted by this industry. Irrespective of the government incentives, the MSMEs still face resource constraints and lack competencies to sustain in regional and global markets (**Abe & Proksch, 2017**).² The **Institute of Small Enterprises and Development (Kochi, India)** reported in the India MSME Report 2018 that MSMEs need revolutionary reforms to solve their critical issues and utilise their full potential.³ Hence, problems including limited financial availability, infrastructure barriers, technological limitations, limited knowledge of marketing tactics and the challenge of regulatory compliance need to be resolved if MSMEs are to reach their full potential. The current study provides detailed information on various government incentives for the MSME sector and also evaluates the impact assessment of important schemes in the present scenario.

Keywords: MSMEs, schemes, government, economy

II. Introduction

According to the **United Nations**, MSMEs account for 90% of all enterprises, create 60–70% of jobs, and contribute 50% of the world's GDP.⁴ In addition to being economic organizations, these businesses serve as the foundation of societies, creating jobs and promoting inclusive growth, particularly for working poor people, women, young people, and vulnerable populations. One of the most important policy concerns in the nation is the promotion of MSMEs since their contribution to the economic growth of highly developed industrialized countries (like Germany and Japan) cannot be understated. From the past five decades, the MSME sector has emerged as one of the dynamic and vibrant sectors of the Indian economy. MSMEs are the economy's main driver of growth. They act as catalysts for the nation's social and economic advancement, eradicating inequality. By taking Gandhian philosophy as a traditional ideology, MSMEs have remained high on the development agenda of governments, policymakers and scholars all the time (**Abe & Proksch, 2017; Baporikar & Deshpande, 2015**).⁵ In this regard, the Indian government has taken a number of steps to solve the

¹ pib.gov.in

² researchgate.net

³ researchgate.net

⁴ static.pib.gov.in

⁵ researchgate.net

problems MSMEs confront in order to achieve the goal of creating a \$5 trillion economy for the country.

III. Definition of MSMEs in India

The MSME Scheme, came into existence on October 2, 2006, plays a crucial role in fostering the growth of small businesses and global economies. Although MSMEs are small, they have a significant impact on economic growth, innovation, and employment. They are highly distinguished by their adaptable structure, small size, and spirit of entrepreneurship. A modification to the definition of an MSME was announced after 14 years since the inception of the **MSME Development Act in 2006**. The **Atma Nirbhar Bharat package** announced the change on May 13, 2020. A number of proposals for an upward adjustment of the MSME definition were made following the package's announcement. This has been done in order to enable ease of doing business, provide an objective classification system, and be realistic with time. Therefore, the new definition and specifications of the MSME were announced by the Ministry of Micro, Small, and Medium Enterprises in a notification dated June 1, 2020. Definition of MSMEs as per revised classification is based on a composite criteria that is, Investment in Plant & Machinery/equipment and Annual Turnover. This configuration divides the Manufacturing Enterprises and Enterprises rendering Services into three units as described below.

Revised Classification of MSMEs		
Types of Enterprises	Investment in Plant and Machinery or Equipment	Annual Turnover
Micro	Not more than Rs.1 crore	Not more than Rs. 5 crore
Small	Not more than Rs.10 crore	Not more than Rs. 50 crore
Medium	Not more than Rs.50 crore	Not more than Rs. 250 crore

Table 1: Classification of MSMEs⁶

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Oce, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88

⁶prindia.org

lakh unincorporated non-agriculture MSME in the country engaged in different economic activities. Out of which, more than 99% of the total estimated number of MSMEs are in the micro sector with 6.3 crore enterprises. About 0.52% and 0.01% of the anticipated number of businesses, respectively, were in the small and medium-sized sectors. Plus, a total of 324.88 lakhs (51%) of enterprises are functioning in rural areas compared to 309 lakhs (49%) in Urban areas.

Total number of MSMEs in India (in lakhs)					
	Micro	Small	Medium	Total	% Share
Rural	324.09	0.78	0.01	324.88	51%
Urban	306.43	2.53	0.04	309.00	49%
All	630.52	3.31	0.05	633.88	

Table 2: Number of MSMEs in the country⁷

Upon analysing the Indian states, Maharashtra, Tamil Nadu, and Uttar Pradesh together account for almost 40% of all registered micro, small, and medium-sized businesses (MSMEs) in India according to a CBRE-CREDAI report. With a 9% share of the national MSME landscape, Uttar Pradesh has established a noteworthy place among the top three States.⁸

IV. Significance of MSME sector in Economic Development

MSMEs are fundamental to India's socio-economic fabric, contributing to employment generation, industrialization, exporting goods and the overall economic scene. MSMEs are expanding into new economic areas and creating a wide range of goods and services to satisfy both domestic and international consumer demands. In India, SMEs are vital because they offer a lot of job opportunities at a lower capital cost than large industries, industrialize rural and underdeveloped areas, and, among other things, lessen regional disparities and ensure a more equitable distribution of wealth and national income. As per the **National Sample Survey (NSS) 73rd round** conducted during the period 2015-16, MSME sector created 11.10 crore jobs (360.41 lakh in Manufacturing, 0.07 lakh in Non-Captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.82 lakh in Other

⁷ msme.gov.in

⁸ thehindubusinessline.com

Services) in the rural and the urban areas across the country.⁹ According to a more recent figure, as per Udyam Registration Portal, the total number of persons employed in MSMEs which were registered from 01.07.2020 to 01.08.2023 in India was 12,36,15,681.¹⁰ At present, MSMEs contribute around 30% to India's GDP playing a crucial role in driving economic growth. MSMEs occupy a significant part in the nation's manufacturing output, especially in industries like chemicals, engineering, and food processing. As per the latest information received from Ministry of Statistics & Programme Implementation, the share of MSME Gross Value Added (GVA) in all India's GDP are as follows:

Share of MSME GVA in All India GDP	
Year	Share in %
2017-2018	29.69%
2018-2019	30.50%
2019-2020	30.48%
2020-2021	27.24%
2021-2022	29.15%

Table 3: Share of MSME GVA in India's total GDP¹¹

Presently, output of MSME enterprises contribute to almost half of the country's total exports with a percentage of 45%. As per the information received from Directorate General of Commercial Intelligence and Statistics (DGCIS), the share of export of MSME specified products in all India exports during the last five years are as follows:

Share of MSME related Product exports in All India Exports (%)	
Year	Share in %
2019-20	49.77%
2020-21	49.35%

⁹ nabard.org

¹⁰ pib.gov.in

¹¹ pib.gov.in

Share of MSME related Product exports in All India Exports (%)	
2021-22	45.03%
2022-23	43.59%
2023-24 (Up to November, 2023)	45.83%

Table 4: Share of MSME output in exports¹²

MSME shares a profound influence on the nation's economic growth. Nonetheless, a number of obstacles continue to impede the expansion of MSME. The Indian government launched a number of initiatives to overcome these challenges and guarantee steady growth, which will eventually contribute to make India self-reliant.

V. Key Government Incentive Schemes for MSMEs

For achieving the 'Viksit Bharat' objective, the Ministry of Micro, Small and Medium Enterprises implements various schemes for the growth and development of the MSME sector in the country in areas of credit support, new enterprise development, formalization, technological assistance, infrastructure development, skill development and training and market assistance to MSMEs. The schemes/programmes inter alia include the following:

A. Providing credit and financial assistances

1. Prime Minister's Employment Generation Programme (PMEGP)

The Prime Minister's Employment Generation Programme (PMEGP) is a central sector scheme launched on 15th August 2008. It is a significant credit-linked subsidy initiative that was created by combining the **Prime Minister's Rojgar Yojana (PMRY)** and the **Rural Employment Generation Programme (REGP)**. The Ministry of MSME controls the programme. The programme is being implemented by the Khadi and Village Industries Commission (KVIC) at the national level. The objective of both programs is to generate employment opportunities through the establishment of micro-enterprises in the non-farm sector in both urban and rural areas. The scheme focuses to increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment. The maximum project cost allowed for the establishment of a new project has been raised from Rs. 25 lakhs to Rs. 50 lakhs in the manufacturing sector and from Rs. 10 lakhs to Rs. 20 lakhs in

¹² pib.gov.in

service sector units in the aspirational districts. Prior to the physical verification of the unit and the adjustment of the margin money in the PMEGP beneficiary loan account, all newly established units under the PMEGP program must be registered on the Udyam Portal.¹³

2. Loan for Up-Gradation of the Existing PMEGP/REGP/ MUDRA Units

For manufacturing and service or trading units, the Ministry of MSME has also launched a new financial aid program to expand or enhance the current **PMEGP, REGP, and MUDRA** units between 2018 and 2019. The plan would help entrepreneurs modernize the current unit with new technologies and automation. To avail of the benefits of this scheme, Registration of Udyog Aadhar Memorandum, registration is compulsory. The maximum cost of the project under the manufacturing sector for up-gradation is Rs.1 crore and Rs. 25 lakhs under the Service/ Trading sector. The determined subsidy would be 15% of the project cost (20%) for NER and Hill States i.e. Rs. 15.00 lakhs in Non-NER and Rs. 20.00 Lakh for NER and Hill States. The balance amount of the total project cost shall be provided by Banks as a term loan. All existing units financed under the PMEGP/MUDRA Scheme whose margin money claim has been adjusted and the first loan availed has been repaid in the stipulated time are eligible to avail of the benefits. Beneficiaries can also apply to any financing bank that is prepared to extend the credit facility for the second loan, or they may apply to the same financing bank that approved the loan for their unit. The 2nd loan should lead to additional employment generation.¹⁴

3. Credit Guarantee Fund Trust For MSE (CGTMSE)

The government of India and SIDBI established the Credit Guarantee Fund Trust for Micro and Small Enterprises. The main provision of this scheme is to provide collateral free credit for MSME through banks and financial institutions (including NBFCs). It is designed to encourage first-generation entrepreneurs to venture into self-employment opportunities by facilitating credit guarantee support for **collateral-free/third-party guarantee-free loans** to the Micro and Small enterprises, especially in the absence of collateral. Present Entrepreneurs and Aspiring Entrepreneurs can avail the benefits of this scheme. It provides credit guarantee for loans up to Rs. 5 crores, without collateral and third-party guarantee. The guarantee cover provided under this scheme is upto 85 % depending upon the quantum of loan and type of beneficiary. A nominal amount towards an Annual Guarantee Fee for the credit facility sanctioned is charged on the outstanding loan amount.¹⁵

¹³ msme.gov.in

¹⁴ msme.gov.in

¹⁵ cgtmse.in

4. Pradhan Mantri Mudra Yojana (PMMY)

Pradhan Mantri MUDRA Yojana is a scheme launched by the Honorable Prime Minister on April 8, 2015 for providing loans up to 10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, MFIs and NBFCs. To strengthen support for aspiring entrepreneurs, the finance minister announced an increase in the loan limit to ₹20 lakh during the Union Budget 2024-25 on July 23, 2024. This new limit took effect on October 24, 2024. With this announcement, a new loan category called Tarun Plus is also introduced. It is intended exclusively for people who have already taken out and successfully repaid loans under the Tarun category, giving them access to funds ranging from ₹10 lakh to ₹20 lakh. Thus, MUDRA loans now will be offered in four categories namely, 'Shishu', 'Kishore' and 'Tarun' and newly added category '**Tarun Plus**' which signifies the stage of growth or development and funding needs of the borrowers:-

- a) Shishu: covering loans up to Rs. 50,000/-
- b) Kishore: covering loans above Rs. 50,000/- and up to Rs. 5 lakhs
- c) Tarun: covering loans above Rs. 5 lakh and up to Rs. 10 lakhs
- d) Tarun Plus: Rs. 10 lakh and up to Rs. 20 lakhs¹⁶

5. Stand Up India Scheme

The Ministry of Finance introduced the Stand Up India Scheme on April 5, 2016. Its goal is to encourage women and members of Scheduled Castes (SCs) and Scheduled Tribes (STs) to become entrepreneurs. This program has been extended to the year 2025. Eligible borrowers can obtain loans between 10 lakh and Rs. 1 crore through the initiative without the need for collateral. A maximum payback period of seven years is coupled with a maximum moratorium period of eighteen months. Establishing new companies in the manufacturing, services, and agri-allied industries can take benefit of the scheme. The program's objective is to encourage women, SCs, and STs to become entrepreneurs by offering bank loans for the establishment of greenfield businesses, which will lead to inclusive economic growth and employment creation. Furthermore, the project guarantees that each bank branch helps at least one female borrower start a new company in the commerce, manufacturing, or service industries.¹⁷

¹⁶ pib.gov.in

¹⁷ pib.gov.in

6. Emergency Credit Line Guarantee Scheme (ECLGS)

In light of the economic hardship brought on by the COVID-19 epidemic, this program was introduced in May 2020 to support the Micro, Small, and Medium Enterprises sector. The Ministry of Finance's Department of Financial Services (DFS) is in charge of the program's operations. The Union Ministry of Finance established the **National Credit Guarantee Trustee Company Ltd (NCGTC)** as a business to oversee and guarantee these loans. The Finance Ministry displayed the Emergency Credit Line Guarantee Scheme as a component of the Atma Nirbhar Bharat comprehensive package that permitted additional funding of upto Rs. 3 lakh crores for various sectors, particularly MUDRA borrowers and Micro, Small, and Medium-Sized Enterprises. This scheme was introduced in multiple stages, including **ECLGS 1.0, 2.0, 3.0, and 4.0**. The goal of the ECLGS is to give banks, non-banking financial institutions (NBFCs), and other lending organizations 100% guaranteed coverage. The ECLGS will grant extra credit to all loans approved under the Guaranteed Emergency Credit Line (GECL) program. The main purpose of the scheme was to make it possible for these lending organizations to provide emergency loans to companies who have been negatively impacted by the COVID-19 outbreak and are having difficulty meeting their working capital needs.¹⁸

7. Atma Nirbhar Bharat Abhiyan

In May 2020, Union Finance Minister Nirmala Sitharaman unveiled the Atmanirbhar Bharat Abhiyan, or self-reliant India initiative, in four installments. The government's announced economic stimulus assistance package worth Rs. 20 lakh crores which represents over 10% of the nation's GDP. This includes the **Pradhan Mantri Garib Kalyan Package (PMGKY)**, a relief package of Rs 1.70 lakh crore that has already been announced to help the impoverished overcome the challenges brought on by the coronavirus outbreak. The Atma Nirbhar Bharat Abhiyan's main goal is to assist the government in achieving the bold goal of achieving self-sufficiency and transforming India's economy into one worth US\$5 trillion. By reducing reliance on imports and promoting the use of higher domestic products, this effort seeks to transform a crisis into an opportunity and achieve India's goal of being self-sufficient. The Prime Minister defined the five pillars of Atma Nirbhar Bharat are infrastructure, demand, vibrant demography, 21st-century technology-driven structures and systems, and economy.¹⁹

¹⁸ pib.gov.in

¹⁹ prsindia.org

B. Skill development and Training

1. A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE)

The Ministry of MSME promoted the ASPIRE Scheme. The ASPIRE program was given approval to run from 2021–2022 to 2025–2026 with a budget of Rs. 194.87 cr. The program's primary goals are to lower unemployment and generate jobs, encourage entrepreneurship, and foster innovation to boost the MSME sector's competitiveness. Two important component under the scheme:

- a) Livelihood Business Incubator (LBI)** is an entity setup for imparting skill development and incubation programs for promoting entrepreneurship and employment generation in the agro-rural sector with special focus on rural and underserved areas.
- b) ASPIRE FOF managed by SIDBI** was created with a focus to invest through Alternate Investment Funds (AIF), in early-stage start-ups in need of support and nurturing to succeed in developing technology & business enterprise in the areas of innovation, entrepreneurship, developing forward and backward linkages with multiple value chain of manufacturing & service delivery in the agro-based sector.²⁰

2. Assistance to Training Institutions (ATI) Scheme

Under the ATI Scheme, the support is given to **National level training institutions** run by the Ministry of MSME, specifically NI-MSME, KVIC, Coir Board, Tool Rooms, NSIC, and MGIRI in the kind of capital grant with the intention of building and bolstering the infrastructure and providing assistance for training programs aimed at developing skills and entrepreneurship. Additionally, support is given to State-level EDIs that are already in place, meaning they are owned and operated by a State Government or UT, to build, enhance, or expand their training infrastructure. The maximum amount of support that can be given to EDIs (Entrepreneurship Development Institutes) at the State level will be limited to Rs. 3.00 crore per instance. Assistance for skill development programmes will be provided as per the prescribed rates.²¹

3. Coir Vikas Yojana

The initiative promotes the growth of domestic as well as global markets, women's empowerment, skill and training development, the creation and growth of jobs and entrepreneurship, improved use of raw materials, trade-related services, welfare initiatives for coir workers, etc. The highest financial aid amount per coir unit or project will be 2.50 crore.

²⁰ msme.gov.in

²¹ msme.gov.in

The financial assistance will cover 25% of the cost of qualified plant and machinery purchases made by the Coir plants. All coir production and processing facilities that are registered with the Coir Board in accordance with the **Coir Industry (Registration) Rules, 2008**, and possess an Udyog Aadhar card are eligible to apply for financial help for modernization under this initiative.²²

4. Entrepreneurship and Skill Development Programmes (ESDP)

The objective of the program is to inspire young people from various societal groups, such as women, SC/ST, people with disabilities, former service members, and BPL individuals, to think about entrepreneurship or self-employment as a possible career path. Promoting new businesses, enhancing the capabilities of already-existing MSME, and fostering an entrepreneurial culture throughout the nation are the ultimate goals. The program would provide opportunities for entrepreneurship and skill development in a variety of fields, including agro-based products, hosiery, food and fruit processing, mechanical engineering workshops and machine shops, electroplating, fabrication, sheet metal work, basic to advanced carpentry, etc. The ESDP program is administered throughout the entire nation. The five elements of the revised ESDP guideline, which was accepted on March 25, 2022, are as follows:

- a) Entrepreneurship Awareness Programme (EAP)** – Duration- One Day, 50-100 participants, costing Rs. 20000/- per programme
- b) Entrepreneurship cum Skill Development Programme (E-SDP)**- Minimum 6 Weeks Programme, 25 participants, Cost- Rs. 1,25,000/- per programme.
- c) Advance E-SDP**- This component is newly added , which costs Rs. 10.00 Lakhs (max.) per programmes to be conducted by premier Institutes like IIT, IIM, ICAR, BARC, Agricultural Universities of State or Central Governments
- d) Management Development Programme (MDP)** – Minimum One Week, 20-25 participants, cost-Rs. 50,000/- per programme.
- e) Advance MDP**- It is also newly added in the new guidelines approved for the 15th FC which costs Rs. 10.00 lakhs per programme to be conducted by premier institutes like Advance E-SDP components.²³

5. Khadi Gramodyog Vikas Yojana

This umbrella scheme was created by combining all of the previous Khadi and Village Industries (KVI) programs, subschemes, and components. KGVY is a Central Sector Program; the State does not participate in this program. The growth of the Khadi and Village Industries

²² nimsme.gov.in

²³ msme.gov.in

program is facilitated by two main components of the "Khadi Gramodyog Vikas Yojana" scheme.

- a) **Khadi Vikas Yojana (KVY)** "scheme is for promotion and development of Khadi sector and the existing schemes like Modified Market Development Assistance (MMDA), Interest Subsidy Eligibility Certificate (ISEC), Khadi Reforms Development Programme (KRDP), Workshed Scheme for Khadi Artisans, assistance for Marketing Infrastructure, Khadi (S&T) and Centre of Excellence (CoE) for Khadi.
- b) **Gramodyog Vikas Yojana (GVY)** "scheme is for promotion and development of village industries through common facilities, technological modernization, training etc. & other support and services for promotion of village Industries."²⁴

6. Pradhan Mantri Vishwakarma Scheme

On September 17, 2023, the Prime Minister introduced PM Vishwakarma, a Central Sector Scheme designed to offer comprehensive assistance to craftsmen and craftspeople who use their hands and tools. Carpenters, boat builders, armorers, blacksmiths, hammers, tool kit makers, locksmiths, goldsmiths and many more among the 18 trades included by the scheme. The following benefits are intended to be provided to craftsmen and craftspeople under the scheme:

- a) Artists and crafters are recognized with an ID card and PM Vishwakarma certificate.
- b) 5-7 days of basic training and 15 days or longer of advanced training, with a daily stipend of Rs. 500.
- c) An e-voucher toolkit reward of up to Rs. 15,000 is given at the start of Basic Skill Training.
- d) Collateral-free 'Enterprise Development Loans' up to Rs. 3 lakh in two tranches of Rs. 1 lakh and Rs. 2 lakh, with terms of 18 and 30 months, respectively, at a concessional interest rate of 5%, with an additional 8% reimbursement from the Government of India.
- e) The craftsmen and craftspeople will receive marketing assistance in the form of branding, quality certification, onboarding on e-commerce sites like GeM, advertising, PR, and other marketing initiatives to strengthen their connection to the value chain."²⁵

7. Honey Mission Programme

It was introduced in 2017 as part of the "**Sweet Revolution**". The Ministry of Micro, Small, and Medium Enterprises' KVIC, as part of the mission, offers farmers and beekeepers practical training about the examination of honeybee colonies and identification and management of bee enemies and diseases along with the management of bee colonies in all seasons. The mission aims to achieve the following objectives:

²⁴ kvionline.gov.in

²⁵ india.gov.in

- a) It seeks to increase the output of high-quality honey and other apiculture products, including pollens, royal jelly, and beeswax, which are also widely used in a variety of industries, including food, beverage, pharmaceuticals, and cosmetics.
- b) To encourage apiculture and offer farmers, Adivasies, and jobless young in rural India, particularly in economically disadvantaged and isolated places, self-sustaining work alternatives.
- c) This mission's technological intervention will guarantee bee conservation and stop infections or colony loss.
- d) In addition to creating jobs and ensuring food security and bee protection, expanding beekeeping will quadruple farmers' incomes and boost agricultural output.²⁶

8. National Scheduled Caste and Scheduled Tribe Hub

The Indian government launched the National SC-ST Hub Scheme in October 2016 with the goal of creating an environment that assists the country's SC/ST business owners. The National SC-ST Hub Scheme is one of the Ministry of MSME' flagship programs, and run by the **National Small Industries Corporation Ltd. (NSIC)**. It is backed by 15 NSSH Offices nationwide that were established specifically for this purpose, as well as a Special Cell at the Corporate Office, New Delhi. These offices provide handholding support to the SC-ST MSEs by facilitating tender participation, credit facilitation, Udyam Registration, GeM enrolment, organizing Awareness Programs, Special Vendor Development Programs, Conclaves etc. In addition to the above NSSH Offices, NSIC's field officers are also providing on-ground handholding support to the SC/ST MSEs.²⁷

C. Infrastructure development, support through Cluster Approach

1. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The objective of SFURTI Scheme aims to strengthen the cluster governance systems with the active participation of stakeholders, build up innovative products, improved technologies, advanced processes, market intelligence, and new models of public-private partnerships, and organize traditional industries and artisans into clusters to make them competitive and support their long-term sustainability and sustained employment. It also aims to improve the marketability of the products of these clusters and equip traditional artisans of the associated clusters with improved skills. Under the scheme, SFURTI clusters are of two types i.e., **Regular Cluster** (500 artisans) with Government assistance of up to Rs. 2.5 crore and **Major Cluster** (more than 500 artisans) with Government assistance up to Rs. 5 crore. The financial

²⁶ nbb.gov.in

²⁷ msme.gov.in

assistance provided for any specific project shall be subject to a maximum of Rs. 5 (five) crore to support Soft, Hard and Thematic interventions.²⁸

2. Micro and Small enterprises Cluster Development Programme (MSE-CDP)

The Micro and Small Enterprises-Cluster Development Program (MSE-CDP), implemented by the Ministry of MSME, aims at developing clusters. By providing financial assistance in the form of a Government of India (GoI) grant for the establishment of **Common Facility Centers** (CFC) in the existing clusters and for the establishment of new or upgraded Industrial Areas, Estates, and Flatted Factory Complexes, the scheme seeks to increase the productivity and competitiveness of Micro and Small Enterprises.

MSE-CDP is a central sector program that is driven by demand. This scheme's primary goal is to assist MSEs in growing and becoming more sustainable by addressing common issues such as market accessibility, talent and quality enhancement, and technical innovation, thus developing holistically. The following are this scheme's primary characteristics.

- a) Build or modernize infrastructure in MSE clusters and new or existing industrial areas.
- b) Launch the common Facility Centres (to support production processes, test, train, store raw materials, treat wastewater, etc.).
- c) Encouraging the clusters to use sustainable and green manufacturing technologies.²⁹

3. Mission Solar Charkha

In June 2018, the Ministry of MSME announced the Solar Charkha Mission. It seeks to promote sustainable development through solar charkha clusters in rural areas and inclusive growth through the creation of jobs, particularly for women and young people. The enterprise-driven Solar Charkha Mission plans to establish "Solar Charkha Clusters," which will benefit 200–2042 people (spinners, weavers, stitchers, and other skilled artisans). It emphasized using innovative, low-cost technologies and procedures to sustain oneself. In 2016, a Solar Charkha pilot project was carried out in Khanwa village in Bihar's Nawada District. The Government of India approved the establishment of 50 similar clusters with a budget of Rs. 550 Crore for 2018–19 and 2019–20 based on the pilot project's success. It is anticipated that the program will directly employ close to one lakh people in the clusters that have been approved. Solar power, a renewable energy source, will be used to run these solar charkhas. Being an environmentally friendly program, it will aid in the growth of the green economy. Additionally, it will create long-term jobs for the craftspeople.³⁰

²⁸ msme.gov.in

²⁹ msme.gov.in

³⁰ myscheme.gov.in

D. Marketing assistance

1. Modified Market Development Assistance (MMDA)

The MMDA Scheme under the Khadi Vikas Yojana represents a significant step forward in supporting the traditional Khadi industry in India. In order to promote Khadi production and sales, the **Khadi and Village Industries Commission** launched the Marketing Development Assistance (MDA) program in 2010–11. From 2016 to 2017, the Marketing Development Assistance was renamed as Modified Marketing Development Assistance (MMDA), and it is now computed at 30% of the prime cost of producing Khadi.

Assistance is given to Khadi institutions at various phases of manufacturing, sales, and distribution under the MMDA. Increasing the market competitiveness of Khadi products, making Khadi manufacturing more sustainable over the long run, and guaranteeing that Khadi craftsmen receive just recompense for their labor are the main goals of the program. However, with effect from April 2021, the government replaced the rebate with the Market Development Assistance (MDA) plan for Khadi production. This was done to help Khadi institutions boost the incomes of their craftsmen and guarantee the quality of Khadi for consumers.³¹

2. Procurement and Marketing Support Scheme (P&MS)

The program's objectives include promoting new market access initiatives, such as organizing or participating in national or international trade fairs, exhibitions, MSME Expos, etc., that are held throughout the nation, and educating and raising awareness among MSMEs about the latest packaging technology, import-export policy and procedure, MSME Conclave, GeM portal, the importance of packaging in marketing, advancements in international and domestic trade, and other subjects and topics pertinent to market access developments. This program also examines the areas of vendor growth, capacity building, retail outlet development, and infrastructure development for the promotion of geographically indicated (GI) products.

Following are the new initiatives under the Scheme:

- a) Adoption of Bar Code by Micro Enterprises.
- b) Adoption of e-Commerce by Micro Enterprises.
- c) Adoption of Modern Packaging Techniques.³²

³¹ msme.gov.in

³² msme.gov.in

E. Technological and quality upgradation

1. MSME Champions Scheme

The MSME Champions platform launched this program on June 1, 2020. The phrase "Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength" is expressed by the abbreviation CHAMPIONS. It was formerly called as Credit Linked Capital Subsidy and Technology Upgradation Scheme (CLCS-TUS). The MSME Champions program, which extends from 2021–2022 to 2025–2026 for five years, was created by combining all six elements of the previous Technology Upgradation Scheme (TUS) by the Standing Finance Committee (SFC). It is an all-encompassing strategy to combine, coordinate, and bring together different plans and interventions for the same goal. Picking up clusters and businesses and modernizing their operations, cutting waste, increasing company competitiveness, and facilitating their national and international reach and excellence are the ultimate goals. The MSME Champions program consists of three parts, the specifics of which are listed below:

- a) **MSME Sustainable (ZED) Certification Scheme** - It is a comprehensive initiative to raise MSME awareness of Zero Defect Zero Effect (ZED) practices, encourage and incentivize them to become MSME Champions, and motivate and incentive them for ZED Certification.
- b) **MSME-Competitive (Lean)** - It aims to increase the competitiveness of MSME sectors by implementing Lean Tools and Techniques. Improving performance, productivity, quality, and the capacity to change manufacturers' perspectives and transform them into top-tier producers are the primary objectives.
- c) **MSME-Innovative** - It is a novel idea for MSME that combines design intervention, innovation in incubation, and IPR protection in a single mode to educate MSME about India's innovation and inspire them to become MSME Champions. This will serve as a center for innovation activities, assisting and directing the transformation of concepts into workable business plans that have the potential to directly benefit society.³³

2. Trade Receivables Discounting System (TReDS) Online Platform

TReDS is an electronic platform for facilitating the financing / discounting of trade receivables of Micro, Small and Medium Enterprises through multiple financiers. These receivables can be due from corporates and other buyers, including Government Departments and Public Sector Undertakings (PSUs). The TReDS's main objective is to make it easier for financiers to simplify the financing of MSME vendor invoices that are sent to big businesses and other

³³ msme.gov.in

organizations, including government agencies and Public Sector Undertakings (PSUs). With this strategy, the parties work together to facilitate, authorize, lower, and settle the bills. The main focus of TReDS for MSMEs is to help with working capital requirements management. It is a platform that makes it possible to **submit, accept, discount, trade, and settle bills and invoices** from MSMEs. Additionally, it makes reverse factoring—the factoring of payables and receivables—easier. This mechanism handles all transactions "without recourse" to MSMEs.³⁴

3. Digital MSME Scheme

The phrase "digital MSME" refers to a micro, small, or medium-sized business that has adopted digital technology (**using ICT tools and applications**) and integrated them into its operations and business procedures. Using digital technologies like e-commerce platforms, digital marketing, mobile applications, and websites is part of this. Through the provision of financial aid, training courses, and other resources, the Digital MSME Scheme seeks to facilitate the digitalization of MSMEs in India. Helping MSMEs embrace digital technology, boost their online visibility, and become more competitive in the market are the objectives of the program. This scheme's main components were the awareness workshop and program, the creation of an e-platform, the creation of software applications for SMEs, digital literacy, and e-marketing.³⁵

4. Technology Centre Systems Programme (TCSP)

In India, the Ministry of MSME has set up 18 Technology Centers (TCs), formerly known as Tool Rooms (10 Nos.) and Technology Development Centers (8 Nos.), all over the nation. The World Bank Board and the Indian government have both authorized the program. The completion date of the design phase was January 15, 2015. Since then, the six-year implementation phase has begun. The World Bank has contributed INR 2200 crore towards the expected cost of TCSP. The main goal of the Technology Centers is to assist the nation's industries, especially MSMEs, by providing them with access to cutting-edge manufacturing technologies and manpower training opportunities for young people of all skill levels, from school dropouts to graduate engineers. TCSP has been conceptualized to create an innovative eco-system with four distinct components which will engage with each other to create value:

- a) Establishment of **15 New Technology Centers** and upgrading/modernizing existing Technology Centers.

³⁴ rbi.org.in

³⁵ msme.gov.in

- b) Engaging the services of world class **Manufacturing Technology Partner(s) (MTPs)** who will strengthen the technical capabilities of sector specific TCs and thereby help in supporting MSMEs better.
- c) Engaging the services of a reputed **Technology Cluster Manager (TCM)** who will facilitate economic development cooperation of clusters and improve the capability and service offerings of TCs.
- d) Develop a Portal and implement a **centralized Technology Center ERP solution** for creating a vibrant technology platform.³⁶

F. Other Schemes for the MSME across the country

1. Raising and Accelerating MSME Performance (RAMP) Scheme

On June 30, 2022, the Honorable Prime Minister launched the World Bank-backed Central Sector Program "Raising and Accelerating MSME Performance". The Ministry of MSME is implementing RAMP for five years, from 2022–2023 to 2026–2027. By promoting innovation, encouraging ideation, improving practices and processes, expanding market access, supporting green initiatives, increasing guarantees to women-owned micro and small businesses, and more, the program seeks to increase the implementation capacity and coverage of MSMEs with an impact enhancement of current MSME schemes.

States and UTs can undertake specific Strategic Investment Plans (SIPs) projects with the help of grants from RAMP. The World Bank provides RAMP with funding based on results. Since its inception, the Ministry of MSME has requested payback for 46% of the USD 500 million in World Bank funding. Around 5.5 lakh MSMEs are expected to gain from RAMP throughout the course of its five-year implementation. So far, almost four lakh MSMEs have been affected. Under the aegis of RAMP programme, the Ministry has launched three sub-schemes:

- a) **MSE Green Investments and Financing for Transformation (MSE-GIFT)** which provides interest subvention and guarantee for selected green technologies.
- b) **MSE Scheme for Promotion Investment in Circular Economy (MSE-SPICE)** which provides capital subsidy to existing MSE for implementing CE solutions, and
- c) **MSE (ODR)** which aims at developing a digital platform for Online Dispute Resolution for delayed payments to MSE, and for support for legal services.³⁷

2. International Cooperation (IC) Scheme

The scheme, which has been in effect since 1996, was initiated during the Ninth Five Year Plan. It is a demand-driven program that offers qualifying State and Central Government

³⁶ sansad.in

³⁷ msme.gov.in

Organizations, Registered Industry Associations, organizations, and trusts involved in the growth and promotion of the MSME sector financial aid on a reimbursement basis. The following activities are covered by the scheme:

- a) MSME business delegations travel to other nations to attend international trade shows, exhibits, and other events in order to investigate new avenues for technological infusion and advancement, facilitate joint ventures, expand the market for MSMEs' products, and form international partnerships, among other things.
- b) Indian MSMEs' involvement in international trade shows and exhibitions that are hosted in India and attract participation from other countries.
- c) Organizing international conferences and seminars on subjects and issues that Indian MSMEs find interesting.
- d) The Ministry of MSME or its affiliates holding or planning international conferences, seminars, or workshops in India.
- e) The IC Scheme offers reimbursement-based financial support for space rent and flights.
- f) The Ministry of MSME has also signed long-term agreements, memorandums of understanding, or joint action plans with 19 nations to give Indian MSME access to the global market, the newest technology, experience sharing, and best management practices in the global arena.³⁸

3. Promotion of MSMEs in North Eastern Region and Sikkim

The program was introduced in 2016 and extended for the following five years (2021–2026) with a financial investment of Rs. 295.00 crore. In order to support manufacturing, testing, packaging, R&D, product & process innovations, and training for natural resources like fruits, spices, agri, forestry, sericulture, and bamboo, among others, the program offers financial assistance to MSME in the NER to build or renovate infrastructure and common facilities. The main components of the scheme:

- a) Setting up of new and modernization of existing **Mini Technology Centres** - The Central Government will provide 90% of the funding. The maximum amount of support will be Rs. 13.50 crore, however projects with a total cost above Rs. 15.00 crore will also be taken into consideration.
- b) Development of **Industrial Estates & Flatted Factory Complexes** - The government will provide 90% of the funding. For the development of a new industrial estate, the maximum project cost for calculating aid is Rs. 15.00 crore, whereas for the development of an existing industrial estate, it is Rs. 10.00 crore.

³⁸ msme.gov.in

- c) **Common facilities for MSME engaged in the tourism sector-** The financial assistance of the Central Government will be 90% for projects with maximum assistance limited to Rs. 4.50 crore.³⁹

VI. Impact Assessment of Government Incentives on MSME Growth

A. Growth in Credit Accessibility and Financial Inclusion

Over the past many years, the Government of India has tried to solve the problem of timely credit reach to the MSME contours by launching several credit based schemes. One popular scheme is **Credit Guarantee Fund Trust for Micro and Small Enterprises** which have benefited over 87 lakh people from the past 23 years. After receiving CGTMSE assistance, many recipients have seen an increase in both employment creation and turnover levels. Additionally, the Scheme's benefits have extended to over 100 industrial areas where MSE operates. The recipients aren't only found in significant industrial centers, but they are also dispersed across tier 3 towns, helping the small entrepreneurs. Under the **Stand-Up India Scheme**, around 180,636 accounts have received clearances of the total amount of Rs. 40,710 crore since its inception in 2016. One most significant impact of the scheme is that over 80% of the loans made under this program have gone to women.

To make the emergency credit availability easy, the government has set the interest rate under the **Emergency Credit Line Guarantee Scheme (ECLGS)** plan at 9.25 percent for banks and financial institutions and 14 percent for non-banking financial institutions, even to guarantee simple and flexible payback terms on the credit given to the MSME sector. A one-year freeze on principal component payments is another benefit of this plan. The scheme ECLGS operates under the Department of Financial Services (DFS) of the Ministry of Finance. According to DFS, as of 2.07.2021, Rs. 2.73 lakh crore had been approved under the plan, of which Rs. 2.14 lakh crore had been paid out. Under the plan, a total of 1.14 crore borrowers have received guarantees. Similarly, in order to advance the **Atmanirbhar Bharat Abhiyan** (self-reliant India) program and establish India as a global leader in manufacturing, the government implemented a Production-linked incentive scheme (PLI) across 13 sectors in the Union Budget 2021–2022, at approximately Rs. 1.97 lakh crore (US\$ 27.02 billion) for the following five years.⁴⁰

In August 2024, NITI Aayog and KPMG released a report on the **Pradhan Mantri Mudra Yojana's** (PMMY) Impact Analysis. The report noted that since 2015, the program has extended credit support of around ₹18.39 lakh crore to approximately 35 crore Micro and Small Entrepreneur Accounts. Since the majority of loan accounts (around 80%) fall into the Shishu

³⁹ msme.gov.in

⁴⁰ pib.gov.in

category (FY 2021), followed by Kishore at 18.70%, the schemes support small enterprises. The scheme was also evaluated to have contributed to financial inclusion, according to the research. With over 71.4% of all accounts (FY 2022), women entrepreneurs account for the majority of PMMY loans. Concurrently, as of March 2024, a total of 1,27,407 existing and aspiring SC-ST entrepreneurs have been benefited under various sub-schemes or components of **National SC-ST Hub Scheme**. The Honourable Prime Minister had lauded the efforts of the NSSH scheme on reaching the milestone of 1 lakh SC-ST beneficiaries through a social media tweet on 01.05.2023. Continuing the trend of incorporating entrepreneurs within the scope of financial inclusion, differently-abled persons are treated as Special Category and are entitled for higher rate of subsidy and lower personal contribution under the **Prime Minister Employment Generation Programme** (PMEGP). Since inception (i.e. 2008-09 to 31.03.2024), a total of 5593 projects of differently-abled persons have been assisted under PMEGP.

B. Skill Development and Capacity Building

The Ministry of Micro, Small, and Medium Enterprises offers a variety of skilling and upskilling training programs for youth and industry workers through the following organizations in order to meet the industry's skill requirements, especially for MSMEs, for a skilled workforce: Technology Centres and their Extension Centres, National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), Coir Board, National Institute for Micro Small and Medium Enterprises (NIMSME), Mahatma Gandhi Institute for Rural Industrialization (MGIRI) etc.

On similar lines, the **ASPIRE scheme** aims to support the establishment of Livelihoods Business Incubation (LBI) centers. These centers are intended to foster entrepreneurship and promote startups in the agro-industry. Till 31.03.2024, 109 Livelihood Business Incubators (LBI) and 22 Technology Business Incubators (TBI) have been approved. A total of 1,01,012 beneficiaries have been trained in the 77 functional LBI, of which 18044 trainees got self-employed and 12,381 trainees got employed in the agro rural sector. Additionally, 451 micro enterprises have been supported or established till date. Also, the ministry of MSME has approved three LBIs during the FY (2023-24) : Gauhati University, Guwahati (Assam) focusing on aquaculture, North East Handicrafts and Handloom Development Corporation, Guwahati (Assam) focusing on Jewellery and lastly Ghani Khan Choudhury Institute of Engineering and Technology, Malda (West Bengal) focusing on food processing.

According to the PM Vishwakarma portal, 22,13,976 applications have been submitted so far in order to profit from the **PM Vishwakarma Scheme**. By December 2023, 133 candidates had been evaluated and certified, and 177 candidates had finished basic training, according to the Ministry of Skill Development and Entrepreneurship. On September 20, 2024, Prime Minister Mr. Narendra

Modi spoke at the National PM Vishwakarma Program in Wardha, Maharashtra, marking the program's first year of empowering Indian craftsmen. Over 20 lakh craftsmen with a variety of traditional skills have been linked to the initiative, he said, underscoring its success in maintaining traditional skills and promoting economic growth. He emphasized that over 6 lakh recipients were given assistance with modern equipment and loans to enhance their productivity, while over 8 lakh artisans received skill training. Likewise, the **Honey Mission programme** was launched by Khadi & Village Industries Commission (KVIC), under the Ministry of MSME, till date, a total number of 15445 beneficiaries have been assisted under the programme. Under the Ministry of Agriculture's National Beekeeping & Honey Mission (NBHM) program, scientific beekeeping training is encouraged for the sector's overall expansion, which will help both farm and non-farm people' livelihoods and provide income and jobs.

The Ministry of Skill Development and Entrepreneurship (MSDE), under the **Skill India Mission (SIM)**, provides skill training through a vast network of skill development centers/institutes, etc., under a number of schemes, including the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Jan Shikshan Sansthan (JSS), National Apprenticeship Promotion Scheme (NAPS), and Craftsman Training Scheme (CTS) through Industrial Training Institutes (ITIs) throughout national territory. The progress of Skill development programmes conducted by various organizations of the Ministry of MSME since 2019-20 to 2023-24 is provided in the bar chart as below:

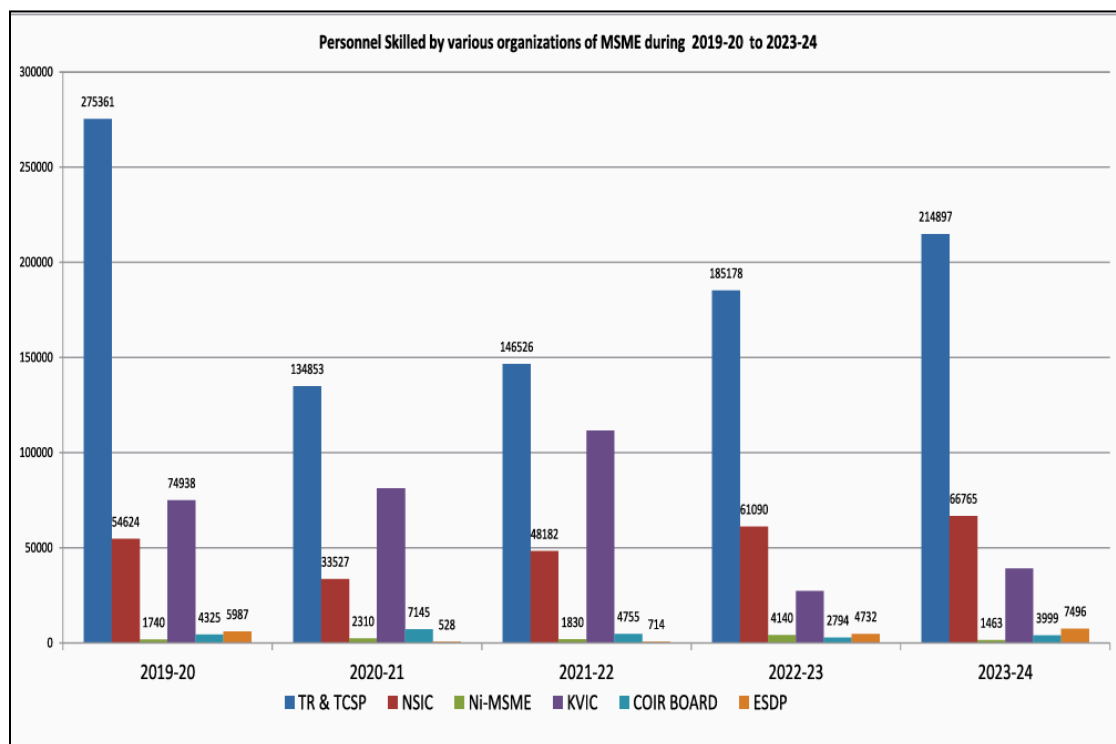


Image 1: Personnel Skilled by various organizations of MSME⁴¹

C. Technological Innovation and Upgradation

According to recent evaluation studies, **Technology Centers (TCs)** have been successful in helping MSMEs. As a result, there is a pressing need to expand these centers nationwide so that MSMEs in the other states can also take advantage of them. As a result, the Indian government has given its approval for the expansion and modernization of the MSME Technology Center network throughout the country. Under the **Technology Center Systems Programme (TCSP)**, the Ministry of MSME and Government of India, is currently building 15 Technology Centers (TCs) and renovating and upgrading the current TCs in order to accomplish this goal.

In India, the digitalization wave has also impacted the MSMEs significantly. Increased digital use offers opportunities for the industry to grow even more. According to an **IBEF report**, MSMEs in India are quickly switching from cash to digital payments; currently, 72% of payments are made digitally, compared to 28% through cash. Between December 31, 2022, and December 19, 2023, there were 9,192 crore digital transactions valued at Rs. 2,050 trillion (US\$ 24.73 trillion).⁴²

In addition to this, there are a number of online support platforms for MSMEs that have made running their businesses easier. The Micro, Small, and Medium Enterprise Development (MSMED) Act of 2006 tackled the issue of MSMEs' delayed payments. MSMEs can apply online through the **MSME Samadhaan portal** for delayed payments. To bring Informal Micro Enterprises (IMEs) inside the formal ambit for receiving benefits under Priority Sector Lending, the government launched **Udyam Assist Platform** on January 11, 2023, as part of the MSME formalization effort. The Small Industries Development Bank of India (SIDBI) created the platform. The **Udyami Mitra Portal**, led by SIDBI, makes it easier for Micro and Medium-Sized Enterprises (MSMEs) to apply for easy financing. The gateway for Udyami Mitra was made available on December 27, 2017. In order to inform present and prospective female entrepreneurs on the financial plans, regulations, and initiatives of the MSME, the Ministry of MSME inaugurated the **Udyam Sakhi Portal** on March 9, 2018. Through this site, women can start, grow, and enhance their businesses. Other digital platforms at the disposal for MSMEs are MSME SAMBANDH Portal, PsB59 Platform and linkage of various government portals (Udyam, e-Shram, National Career Service (NCS) and Atma Nirbhar Skilled Employee Employer Mapping (ASEEM) etc helping the MSMEs in creating an easy digital presence.⁴³

⁴¹ msme.gov.in

⁴² ibef.org

⁴³ researchgate.net

D. Impact on Employment Generation

The MSME in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

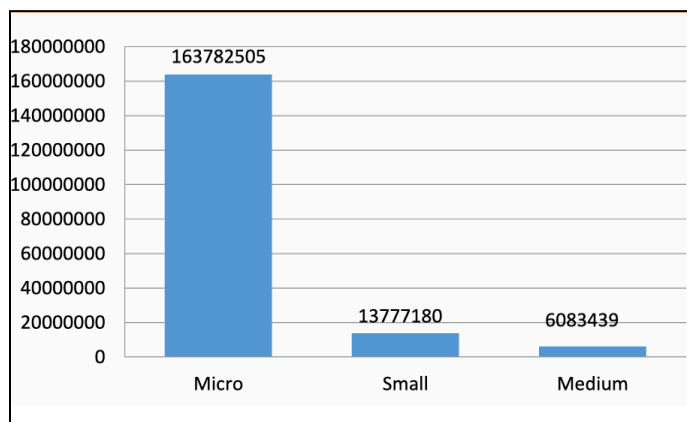


Image 2: Distribution of employment provided by MSMEs⁴⁴

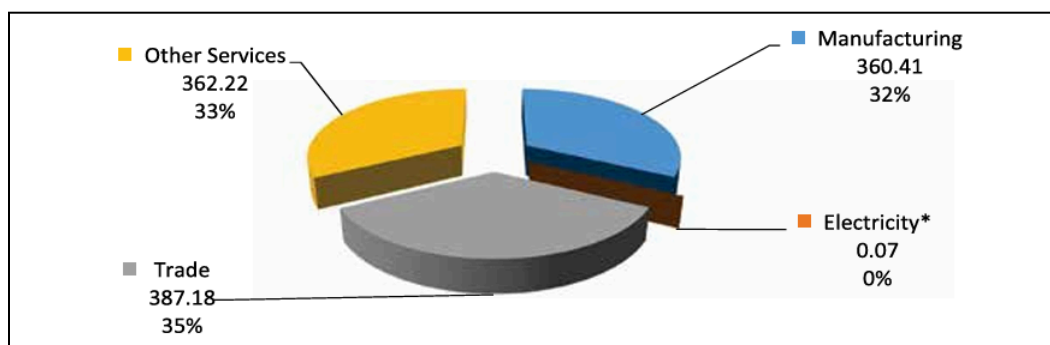


Image 3: Distribution of employment in the MSME sector category wise⁴⁵

Since the inception of the **Prime Minister Employment Generation Programme (PMEGP)** in 2008-09 and up to 31.03.2024, a total of about 9.58 lakh micro enterprises have been assisted with a margin money subsidy of Rs. 24,964 Crore and provided estimated employment to about 78.24 Lakh persons.

⁴⁴ msme.gov.in

⁴⁵ msme.gov.in

PMEGP Performance in Employment Generation	
Year	Estimated Employment Generated (Number)
2020-21	5,95,320
2021-22	8,25,752
2022-23	6,81,336
2023-24	7,12,944

Table 4: PMEGP Performance during last three years and current year⁴⁶

Similarly, a digital platform designed as **MSME Sampark** allows recruiters and job seekers to register in order to discover the proper kind of workforce or look for suitable employment. The recruiters are a variety of reputable national and international businesses, and the jobseekers are former trainees and students from 18 MSME Technology Centers.⁴⁷

E. Integrated Infrastructure Solutions for MSME Empowerment

Under the SFURTI and MSE-CDP programs, the integrated infrastructure solutions shall form a very robust framework of empowerment of MSMEs in India. They focus on cluster-based development issues, modernizing, sustainability, and competitiveness with market factors along with preservation of cultural heritage. The North Eastern Region, where targeted interventions were made, also demonstrates regional reinvigoration through adaptive policies and investments in infrastructure. Under the **Fund for Regeneration of Traditional Industries (SFURTI) scheme**, 513 clusters will benefit about 3.03 lakh craftsmen between 2015 to 10th December 2023 with a GoI grant of Rs. 1335 crore. Along with that, the traditional beekeepers are provided with sustainable employment by organizing them into clusters, and supporting them with new machineries and training. About 29 Honey clusters have been approved under the scheme which will benefit 13388 beekeepers with Government of India financial assistance of Rs.68.65 crore.

Identically, under the authority of the Development Commissioner-MSME, the Indian Institute of Entrepreneurship, Guwahati, has been carrying out a number of cluster development initiatives throughout the North East Region (NER). Nearly six clusters are now being implemented by IIE in NER under the **Micro Small Enterprises-Cluster Development Program (MSE-CDP)**

⁴⁶ msme.gov.in

⁴⁷ indiafilings.com

scheme to achieve the objective of regional development as a whole. However, three of these clusters have finished building the Common Facility Center (CFC), and the remaining clusters are still in the construction phase.

F. Fostering Global Partnerships for MSME Growth and Competitiveness

Globally, MSME expansion is recognized as the key to fostering equitable development. Similar to this, MSME have been crucial to India's economic development and export promotion. The government's implementation of the **Production-linked incentive scheme (PLI)** under the Self-reliant India (Aatmnirbhar Bharat Abhiyan) has drawn foreign investors to India. For instance, Apple began building the iPhone 12 in India in March 2021.⁴⁸ In an effort to help MSMEs that have been negatively impacted by the COVID-19 pandemic, the World Bank and the Indian government inked a \$750 million deal for the **MSME Emergency Response Program**. About 1.5 million viable MSMEs will have their urgent loan and liquidity requirements met by the World Bank's MSME Emergency Response Programme.⁴⁹

The **International Cooperation (IC) Scheme**, which is being implemented by the Ministry of MSME to increase exports from the MSME sector, provides financial assistance to qualifying Central and State Government agencies and Industry Associations on a reimbursement basis. These IC Scheme measures help the MSME sector's exporters expand their reach into foreign markets. Similarly, in order to give MSEs the necessary guidance and support, the Ministry of MSME has set up 60 Export Facilitation Centers (EFCs) throughout the nation. Another major initiative to boost international cooperation is the **Raising and Accelerating MSME Performance (RAMP)**. It is estimated that around 1.5 million MSMEs can benefit from the initiation of RAMP. Additionally, RAMP can improve skills, production, and employment in the MSME sector. The funding assistance might also assist MSMEs in focusing on important areas such as employing, introducing high-quality, modern products, and sustainable business practices.

VII. Challenges faced by MSMEs

Since independence, the Indian government has taken a number of actions to support the MSMEs sector and help them overcome the challenges facing the nation. Many MSMEs even benefit with these initiatives of the government. However, many MSMEs are still not well integrated with digital technologies. The industry is still in the early stages of integrating technologies like artificial intelligence (AI), big data, and virtual reality (Industry 4.0) into production processes. The primary issue is that creating a fully integrated application to support the activities of the business comes at a significant

⁴⁸ economictimes.indiatimes.com

⁴⁹ worldbank.org

initial cost. It was also shown that the majority of small businesses believe they don't need to shift to ICT tools because their traditional approaches are still effective. However, the survey findings show that the majority of MSMEs (51.8%) feel that cost is a significant barrier for adopting better technologies.⁵⁰ It is further compounded by MSMEs' inability to access credit. Although bank credit to the sector has significantly increased, MSMEs share of credit has actually declined. A significant credit gap exists in the MSME sector, mostly as a result of MSMEs' ignorance about lending options and credit eligibility. According to a study commissioned by the **International Finance Corporation (IFC)**, over 80% of MSMEs do not receive any formal financing, making this gap a staggering INR 16.66 lakh crore.⁵¹ According to research, 75–80% of MSMEs still rely on traditional, antiquated methods, while only 20–25% of them are able to embrace global practices and align with global business.⁵² For instance, a new clause in the Income-Tax (IT) Act was added in the Union Budget 2023–2024 with the goal of ensuring that micro, small, and medium-sized businesses (MSMEs) receive payments within 45 days of the delivery of goods or services.⁵³ However, it resulted in large corporations canceling orders to registered MSMEs and placing them with unregistered MSMEs. In India, 99.7% of the enterprises are operating in the unorganized sector informally, of which two-thirds do not even have registration anywhere.⁵⁴ A sizable portion of these unstructured businesses are owner-managed businesses that come within the MSME sector's "micro" category; the majority of these businesses employ less than five people.

Skilled, trained and qualified personnel continued to be a barrier for the MSME sector to grow. Various studies have identified the labour related issues—non-availability of skilled workers, high cost of skilled labour, missing workforce planning, the complexity of labour laws, and poor coordination (**Aruna, 2015; Soni, 2017; Yadav & Tripathi, 2018**).⁵⁵ In the hope to earn high wages, skilled workers are unwilling to work in rural regions, thus MSMEs are located in rural demography operating with unskilled and semiskilled workers. Also, the government offers a number of initiatives aimed at fostering skill development and entrepreneurship, such as PMKVY. However, at different points during their deployment, the use of such skill-development programs is deemed scandalous. The majority of persons between the ages of 15 and 29 are unemployed or looking for work, and only a tiny percentage of them acquire any training (**Jaffrelot & Jumle, 2019; Money control, 2019**).⁵⁶ The growing consumerism is forcing organisations to take care of consumer preferences or ruin

⁵⁰ ftcci.in

⁵¹ uncitral.un.org

⁵² ftcci.in

⁵³ indianexpress.com

⁵⁴ economictimes.indiatimes.com

⁵⁵ reserachgate.net

⁵⁶ researchgate.net

profitability. Thus marketing becomes significant to the success of any business. The primary role of marketing in business is to target right and cater right. MSMEs face different marketing-related problems due to their sizes and scales of operation (Aruna, 2015; Malakar, 2017; Senapati, 2014).⁵⁷ Indian MSMEs have limited access to marketing opportunities and the latest information on market dynamics, including competition, consumer preference, and product trends. It has also been recognised that most of the MSMEs have mistreated the concept of marketing in India. They consider marketing as means of advertisements and sales through personal contacts (Senapati, 2014).⁵⁸ Apart from the above mentioned challenges, the curse of dwarfism cripples the Indian MSME sector. The limited growth of these MSEs impedes efficiency and employment generation. These companies have been around for over a decade, but they have continued to develop slowly. The **Creating Udyog Sahayak Enterprises Network report** was produced in 2021 by TISS and FICCI. The report claims that over the next five years, the micro and small company sector alone might create one crore new jobs.⁵⁹ On the other hand, the MSE industry is beset with small, antiquated companies that create few or no jobs.

VIII. Recommendations: Future Outlook for MSME Sector Growth

To reach the goal of a \$5 trillion economy, the government has put in place a number of programs to support the MSME sector as well as new ones based on their need. Among the many challenges faced by MSMEs in India were a lack of official financial resources, difficult regulatory procedures, and delayed access to technology. Their spine was broken by a series of events such as the impact of COVID-19, the introduction of the GST in 2017, and the demonetization in 2016.⁶⁰ However, the following recommendations can be adopted to accelerate and support the expansion & long-term viability of the MSME sector in India:

- A. The report on "**Strengthening Credit Flows to the MSME Sector**" delivered by the Standing Committee on Finance on April 2022, with Mr. Jayant Sinha serving as its chair. The Committee observed that an estimated Rs 20–25 lakh crore is needed to close the credit gap in the MSME sector. In order to lend to MSMEs, it suggested establishing a **digital ecosystem**. Physical collateral requirements, drawn-out verification procedures, and paper-based loan applications should all be resolved by this. The Committee observed that in order to provide prompt financing, lenders can use the Udyam site as a central data store.⁶¹

⁵⁷ [researchgate.net](https://www.researchgate.net)

⁵⁸ [researchgate.net](https://www.researchgate.net)

⁵⁹ [thehindu.com](https://www.thehindu.com)

⁶⁰ [researchgate.net](https://www.researchgate.net)

⁶¹ prindia.org

- B. Implementation of a dedicated **MSME Credit Scorecard system** which can utilise the data of GST returns, utility payments, UPI payment histories. This can be integrated with the **Account Aggregator framework**, a RBI regulated framework launched in 2021 to help MSMEs and individuals share financial data securely with the lenders. Thereby the idea of targeted credit enablement using the available digital public infrastructure can be proved as a vital strategy to facilitate easy credit access. The idea was already encapsulated in the Union Budget 2024-25 with the task of developing a new credit assessment model mounted on the PSBs.⁶²
- C. Encourage MSMEs to take part in programs connected to innovation hubs and research and development by establishing **sector-specific innovation hubs** modeled after the Department of Science and Technology's (DST) **Technology Business Incubators (TBIs)** can foster technology adoption and commercialization of new products.⁶³
- D. MSMEs should be incentivized to adopt sustainable practices via green credit lines at subsidized rates. An India Green MSME Financing Facility, modeled after the World Bank's **Energy Efficiency Scale-Up Program**⁶⁴, could be created to support eco-friendly investments.
- E. The current marketing support organizations would also be reexamined in order to improve the MSME sector's **marketing infrastructure** and mainstream it to the main consumption regions and trends. It can be thought of as developing an **Integrated MSME Marketing Grid** to enhance branding, client servicing, product differentiation, and customized services. **Public-Private Partnership (PPP) models** can help connect MSMEs to large consumption markets.⁶⁵
- F. **The Cluster Development Scheme** of the Ministry of MSME addresses all the sectors of MSE clusters across the country. The awareness about the scheme would be increased among various stakeholders including State Governments. For both hard and soft interventions, such as infrastructure construction, diagnostic studies, and Common Facility Center projects, more clusters will be implemented.⁶⁶
- G. It appears that the current administrative frameworks are more than capable of handling the difficulties. However, **pipeline blockages** can occasionally cause delivery systems to malfunction. In order to promote and expand the MSME sector, the Ministry will conduct a thorough diagnostic investigation/study to create a more integrated institutional structure and identify bottlenecks in MSME service delivery. The Standing Committee report noted that while frameworks exist, systemic "pipeline blockages" and fragmented institutional mechanisms hinder effective credit flow and service delivery.⁶⁷

⁶² pib.gov.in

⁶³ <https://www.indiascienceandtechnology.gov.in/>

⁶⁴ <https://www.worldbank.org/>

⁶⁵ <https://eparlib.nic.in/>

⁶⁶ msme.gov.in

⁶⁷ <https://eparlib.nic.in/>

- H. Report on "Boosting exports from Micro, Small and Medium Enterprises (MSMEs)" released by Niti Aayog emphasized the necessity of establishing a **National Trade Network (NTN)** as a Comprehensive Trade Portal. To obtain the required approvals, an exporter must currently visit several portals. This challenge may be overcome by developing an end-to-end NTN that will offer exporters a smooth experience.⁶⁸
- I. The MSME sector frequently loses valuable financial resources as a result of the **National Company Law Tribunal's (NCLT)** procedures. The NCLT framework must be strengthened with the introduction of alternative debt settlement techniques, like e-courts, in order to promote quicker case resolution.⁶⁹
- J. Given how crucial MSMEs are to India's economy, finding a solution cannot take an eternity. Stakeholders including the government, lenders, credit bureaus, fintech companies, and other nonprofit organizations must work together. Establish an **MSME Credit and Growth Council**⁷⁰ comprising Government, RBI, SIDBI, PSBs, fintechs, and nonprofits to ensure coordinated efforts towards MSME credit facilitation and policy implementation

IX. Conclusion

MSMEs are the cornerstone of the Indian economy, contributing significantly to employment, industrial production, and export growth. The government has implemented a number of policies and initiatives to support the expansion of MSMEs since it recognizes their importance. In honor of the critical role that Micro, Small, and Medium-Sized Enterprises (MSMEs) play in influencing economies around the world, National Small Industry Day is celebrated on August 30 every year. It envisions a time to acknowledge and honor these businesses' ongoing contributions to the advancement of the country. According to the **World Bank's "Ease of Doing Business 2023"** study, India has a favorable business climate, ranking 63rd out of 190 nations.⁷¹ Recent government reforms, like permitting private companies to operate in important industries, enacting labor and agriculture reforms, and permitting commercial coal mining, are solid foundations for India's economic growth and offer enormous potential for the nation to achieve self-reliance. Strong budgetary support for MSMEs and the manufacturing sector, combined with pro-MLI reforms, will also help the country's manufacturing sector and draw in foreign investment, advancing India's journey toward independence.

⁶⁸ economictimes.indiatimes.com

⁶⁹ livemint.com

⁷⁰ <https://eparlib.nic.in/>

⁷¹ pib.gov.in

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