

# A Study of Government Initiatives to Promote Micro, Small and Medium Enterprises Sector in India

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## ABSTRACT

According to Hon'ble Prime Minister, Narendra Modi, "Skill Development of the new generation is a national need and is the foundation of Aatmnirbhar Bharat."

MSMEs are known as the backbone of the Indian economy; which employs nearly 11 Cr. of people and contributes over 30% of the nation's GDP and industrial output. To guarantee that MSMEs receive all of the benefits of these MSME schemes on proper time, the Indian government has taken the initiative. Micro, Small, and Medium Enterprises (MSMEs) are essential to India's economic development and expansion. This sector makes a specific contribution to exports, industrial output, employment creation, driving innovation, and inclusive socioeconomic development. To encourage the expansion and sustainability of MSMEs throughout the nation, the Indian government has put in place several policies and initiatives. Nonetheless, MSMEs have numerous obstacles concerning official credit, creating jobs, selling directly to the government, high-quality manufacturing, obtaining microcredit, ignorance, and other issues. To help new firms get off the ground, the government has already established several programs to address these difficulties. But, due to a lack of knowledge regarding various appropriate schemes, many units are not getting proper advantages. MSMEs have still several challenges and barriers when attempting to obtain financing from banks and other financial establishments. Even though the government has already taken great steps to facilitate credit flow to this industry, much more work needs to be done to fulfil the MSME sector's actual financing needs. The MSME sector in India has a bright future since it creates more job possibilities, and aids in the government's efforts to reduce other macroeconomic issues including inflation, massive budget deficits, poverty, and imbalance of payments.

The present study confers the government initiatives for the MSME sector & the implementation & progress of important schemes in the present scenario.

**Keywords:** msme, government, schemes, economy, digital, promote

## I. INTRODUCTION

The Indian government has implemented several measures aimed at addressing the issues faced by MSMEs to realize the objective of building the nation's \$5 trillion economy. The Indian economy consists heavily of the 63.4 million MSMEs that account for 30% of the country's GDP and 45% of its exports. Approximately 120 million people are employed by it, making it the second-largest employer in the nation. When it comes to Udyam registrations, Maharashtra is the most popular state, followed by Tamil Nadu, Uttar Pradesh, Gujarat, and Rajasthan. MSMEs can adjust quickly to changing market environments due to their nature and flexible organisation. This adjustability enhances their resilience in the face of economic uncertainties.

The MSME sector is a vital contributor to holistic economic growth and development in terms of employment, value chain creation, foreign exchange earnings, supplier of large industries, promotion of regional balance and inclusive development. This sector sector has been a primary focus of policymakers at the central and state levels. The Indian government has been promoting the MSME sector with several national initiatives. These programs were beneficial to numerous MSMEs. Every attempt is being made by the government to keep the MSME sector more competitive. MSMEs are currently being greatly impacted by the trend of digitization. MSMEs are critical to the growth of the Indian digital economy and their performance on the digital edge can have a favourable impact on overall economic development. Consequently, for MSMEs to reap the true benefits of digital technology, it is essential to provide them with the support and resources they require. Still, the MSME sector requires access to rapid finance-related services, improvement of the knowledge and abilities of MSME entrepreneurs, enhancement of social security programme for workers, lack of adaptation environmentally friendly technologies, need of green finance, etc.

The present paper is an effort to focus on the schemes available for the MSME sector, the impact of digitalisation on the MSME sector, and highlight the major challenges for the evolution of MSMEs in India.

## II. LITERATURE REVIEW

There is abundant literature available related to the MSME sector of India. Over the years, many studies have sought the MSME sector to mention various aspects of this sector like- necessity, role, digitalization, performance, the role of government, growth strategy, challenges & opportunities, etc. The understand how organizations might successfully utilize CRM in their own business for the effectiveness of relationship strategies.

**Buteau, S** described that India's MSMEs market might be completely changed by generating a digital ecosystem for them. One important recognition to facilitate small firms' digital transformation is that a deeper comprehension of this market segment is necessary. Digital resolutions must take into account the group's heterogeneity, as micro-enterprises make up the majority of its members. This would infer that flexible and innovative design should be allowed into digital solutions for MSMEs. Programs for digital awareness implemented by the government must take this into account.

**Pooja Khatri** highlighted that despite several initiatives taken by the government, MSME units nevertheless confront a lot of difficulties. Among the obstacles associated with finance include the inability to obtain cash in a timely manner for working capital requirements, needs connected to expansion and internationalization, lack of consulting help, protracted procedures, intricate documentation, unavailability of collateral, etc. This industry is technologically backward for a number of reasons, including a lack of access to the most recent technology capabilities, need-based research initiatives, a shortage of skilled labor, low ICT literacy, etc. Human resources are not adequately trained in modern and professional production, finance, accounting, marketing, etc. abilities.

**Srirang K Jha and Ashish Kumar** highlighted that because, there are significant unpaid invoices accumulated in the various agencies of the Indian government, state governments, public sector enterprises, and sizable private businesses, the MSME sector is fighting for its life. For all parties involved, the MSME sector's situation is probably going to have disastrous consequences.

**Dr. P. Mari Selvam** described that although the government has taken steps to promote productivity, the MSME's share of the GDP has not improved to a level that is acceptable over the past years.

**Dr. Sanjeeb Kumar Dey** analysed that small and Medium Enterprises (SMEs) play a vital role in economic development by generating jobs for both urban and rural populations, bringing goods and services to market at competitive prices, and fostering sustainable growth in the economy as a whole. Small and medium-sized enterprises (SMEs) in India have several challenges, including inadequate and delayed bank financing, unavailability of appropriate technology, inefficient marketing due to resource constraints, and a shortage of competent labour.

**Thakkar Himanshu & Kushwaha Manisha** described that The MSME sector is a boon to the economy but it also faces problems and challenges. The government should support SMEs by solving problems with the help of bringing new- new schemes. they can create more jobs and increase their share in the economic development of the country. 65-70 per cent of jobs are created in small and medium enterprises like China and Japan and India's employment rate is around 50 per cent, and progress is possible by providing policy incentives.

**Kommu Raju & Dr.Pinakapani Peri** highlighted that to assist in reviving the nation's manufacturing sector, the government has announced plans "Aatma Nirbhar Bharat Abhiyan" program. Without focusing towards the MSME sector, which employs around one in every 14 Indians and contributes roughly 46% of India's exports, the "Aatma Nirbhar Bharat Abhiyan" plan will not be successful.

## III. RELEVANCE OF STUDY

This study is relevant for the knowledge of the recent government initiatives related to MSMEs in the present scenario. In the digitalization era, many MSMEs are striving to save their existence; the government of India brought many schemes to protect them. Thus, it is necessary to check the impact of digitalization in the MSME sector for their sustainability.

## IV. OBJECTIVES OF STUDY

- 1- To study the schemes /online portals available for the MSME sector,
- 2- To examine the impact of digitalisation on the MSME sector.
- 3- To provide recommendations and appropriate solutions for the development of the MSME sector.

## V. DATA COLLECTION

The present study is completely based on secondary sources of data collection such as policy documents, newspapers, books, journals, articles, magazines, annual reports, thesis and web resources, etc.

## VI. INDIAN MSMEs SECTOR- AN INTRODUCTION

The central government of India expresses the definition of MSMEs based on their investment in plant and machinery or equipment for manufacturing enterprises and investment in equipment for service enterprises. By altering the definition of MSMEs, India's Finance Minister made another contribution to the improvement of the country's economic situation. It will undoubtedly give more chances for jobs and investment through MSME schemes. After 14 years since the MSME Development Act came into existence in 2006, a revision in the MSME definition was announced in the Atmnirbhar Bharat package on 13th May 2020. As per the latest revision on 1<sup>st</sup> July 2020, the classification is under.

Units	Investment & Turnover
Micro	Less than 1 crore & up to 5 crores
Small	Less than 10 crores & up to 50 crores
Medium	Less than 50 crores & up to 250 crores

Worldwide, MSMEs play a significant role in each country. The United Nations declared June 27<sup>th</sup> in the year 2017 to be Micro, Small, and Medium-sized Enterprises (MSME) Day in recognition of MSMEs' important contributions to the global economy and to their role in realizing the Sustainable Development Goals (SDGs). They support originality, ingenuity, and fair labour for everybody. According to the results of the 73<sup>rd</sup> National Sample Survey (NSS), which was carried out between 2015 and 2016 by the Ministry of Statistics & Programme Implementation, there were 633.88 lakh unincorporated non-agricultural households. MSMEs in the nation were involved in a variety of economic activities, including manufacturing 196.65 lakhs, non-captive electricity generation and transmission 0.03 lakhs, trade 230.35 lakhs, and other services 206.85 lakhs. Those MSMEs are registered under the following regulations.

- Sections 2 m (i) and 2 m (ii) of the 1948 Factories Act,
- The 1956 Companies Act, and
- Construction activities falling under Section F of National Industrial Classification (NIC) 2008

As per MSME annual report 2022-23, In India, there are 633.88 lakh MSMEs in existence. Nearly, 99.47% of MSMEs in India are micro-enterprises in nature, including 630.52 lakh enterprises. 3.31 lakh businesses, or 0.5% of all MSMEs, are classified as small businesses. Just 0.05 lakh companies, or 0.01% of all MSMEs, qualify as medium-sized enterprises. A total of 324.88 lakhs (51%) of enterprises are functioning in rural areas compared to 309 lakhs (49%) in Urban areas. The MSME sector generates 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 Services). Thus, it generates 45% employment in rural areas and 55% in urban areas. When it comes to Udyam registrations, Maharashtra is the most popular state, followed by Tamil Nadu, Uttar Pradesh, Gujarat, and Rajasthan. MSMEs can adjust quickly to changing market environments due to their nature and flexible organisation. This adjustability enhances their resilience in the face of economic uncertainties.

MSMEs in India (in Lakhs)				Percentage
Category	Rural	Urban	Total	
Manufacturing	114.14	82.5	196.64	31.02
Electricity	0.03	0.01	0.04	0.01
Trade	108.71	121.64	230.35	36.34
Other Services	102	104.85	206.85	32.63
<b>Total</b>	<b>324.88</b>	<b>309</b>	<b>633.88</b>	<b>100</b>

Nature of Enterprises (in Lakhs)	Rural	Urban	Total	Percentage
Micro	324.09	306.43	630.52	99.47
Small	0.78	2.53	3.31	0.52
Medium	0.01	0.04	0.05	0.01
<b>Total</b>	<b>324.88</b>	<b>309</b>	<b>633.88</b>	<b>100</b>

## VII. MAIN SCHEMES FOR THE MSME SECTOR

The Indian government and other financial institutions have taken major actions to make sure these enterprises can obtain sufficient MSME loans to guarantee their ability to continue growing. The following is a summary of such schemes, and programmes that could be beneficial to the MSMEs sector.

**I- Prime Minister's Employment Generation Programme (PMEGP)-** The Prime Minister's Employment Generation Programme (PMEGP) 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 goal of both programs is to create jobs through the establishment of micro-enterprises in the non-farm sector in both urban and rural areas. The scheme was launched on 15<sup>th</sup> August 2008. The key features of this scheme are as under.

- 1- This is a central sector scheme.
- 2- The Ministry of Micro, Small and Medium Enterprises (MSME) controls the programme.
- 3- The programme is being executed by the Khadi and Village Industries Commission (KVIC) at the national level. It is the single nodal agency for the execution of the programme
- 4- This Scheme is being implemented through various banks, District Industries Centres (DICs), State KVIC Directorates and State Khadi and Village Industries Boards (KVIBs) at the state level.
- 5- Individuals more the age of 18 years, self-help groups (SHGs), and Cooperative Societies elaborate in the production, and institutions that are registered under the Societies Registration Act of 1860 are eligible for benefits under this programme.
- 6- There is no income ceiling while setting up the project.
- 6- Assistance is provided under the scheme only to the new units, units that have availed government subsidies under either the state or the central government schemes; existing units are not eligible for subsidy under PMEGP.
- 7- To achieve inclusive growth across the country, a minimum of 75 projects will be awarded to each district.
- 8- Physically disabled, OBC, SC/STs, women, and northeastern region (NER) candidates in rural areas are eligible for a higher rate of subsidy.

**II- Loan for Up-Gradation of the Existing PMEGP/REGP/ MUDRA Units-** The program is to give financial support to well-established, high-performing units while upgrading and expanding current units. Additionally, 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 (UAM)/UDYAM) registration is compulsory.

- 1- Additional financial support scheme for expansion/ upgrade the existing PMEGP/REGP/MUDRA units for manufacturing and Service/ Trading units from the year 2018-19.
- 2- 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.
- 3- 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.
- 4- 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
- 5- The units should have been making a profit for the last three years.
- 6- Beneficiary can apply to the same financing bank, which sanctioned the loan for their unit, or to any other financing bank, which is willing to extend credit facility for 2<sup>nd</sup> loan.
- 7- The beneficiary can choose any implementing agency and that may be different from the agency chosen for 1st loan.
- 8- The 2nd loan should lead to additional employment generation.
- 9-To apply for the 2<sup>nd</sup> loan for up-gradation, the beneficiaries have to apply by filling application form on the PMEGP e-Portal.

**III- Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)-** The main aim of this scheme is 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 (MSEs), especially in the absence of collateral. Present Entrepreneurs and Aspiring Entrepreneurs can avail the benefits of this scheme. The government of India and SIDBI established the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). The main highlights of this scheme are as under.

- 1- Credit guarantee for loans up to Rs. 5 crores, without collateral and third-party guarantee.
- 2- Guarantee coverage ranges from 85% (Micro Enterprise up to Rs 5 lakhs) to 75% (others).
- 3- 50% coverage is for retail activity.
- 4- Guarantee fee reduced to diminish the overall cost of borrowings to MSEs
- 5- Micro Finance Institutions as Member Lending Institutions (MLIs) are now eligible
- 6- Concessions related to fees and increased coverage to SC/STs
- 7- Reduced Guarantee fee by 10% and coverage extent increased to 85% to Women, ZED Certified Units and Units in Aspirational Districts
- 8- Annual Guarantee Fee structure revised and fee reduced to as low as 0.37%/.

**IV- Micro & Small Enterprises Cluster Development Programme (MSE-CDP)-** The main objective of this scheme is to support MSEs in becoming more sustainable and expanding by tackling shared problems including technological advancement, talent and quality enhancement, market accessibility, etc. This scheme will help to improve the productivity and competitiveness of MSEs through the adoption of a cluster strategy, promoting their holistic development. The main features of this scheme are as under.

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

**V- Scheme of Fund for Regeneration of Traditional Industries (SFURTI)-** The objective of the SFURTI scheme is to shape traditional industries and artisans into enclaves by increasing production and value addition to make products competitive & promote traditional sectors and increase the income of artists by providing sustainable employment. A maximum of Rs 8 (eight) crore will be allocated for financial support of Hard, Soft, and Thematic interventions for any given project. With an initial investment of Rs. 149.44 crore, the Revamped SFURTI project began operations on August 1, 2014, intending to create 71 clusters (including coir) that would serve about 44500 artisans. On June 30, 2015, additional revisions were made to the rules to alleviate bottlenecks and streamline the fund flow and approval procedure. The Nodal Agencies consist of all MSME DIs, all DICs of the State Government, KVIC, Coir Board, IIE Guwahati, NIMSME Hyderabad, and NIESBUD Noida. Using funding totalling Rs. 65.87 crore, of which Rs. 30.30 crore has been released, the Scheme Steering Committee (SSC) has approved 71 clusters in concept and 32 DPRs in final form. 30438 craftspeople have benefited as of right now.

**VI- Entrepreneurship and Skill Development Programme (ESDP)-** This scheme focuses on the Promotion and growth of entrepreneurship Regular programs are held to develop young talent by educating them about the several facets of business and industrial activities necessary to establish MSEs. These programs are offered to young people and anybody else who wants to start their own business or become self-employed. These kinds of events are also planned in ITIs, Polytechnics, and other technical schools and business schools where students can be inspired to pursue self-employment through skill and talent. The program seeks to inspire and raise knowledge about self-employment and entrepreneurship across a variety of social groups, including women, ex-service members, people with disabilities, SC, ST, and BPL individuals. Entrepreneurship and skill development in the areas of agro-based products, hosiery, food and fruit processing, carpet weaving, mechanical engineering workshops and machine shop, heat treatment, electroplating, basic to advanced welding, fabrication, sheet metal work, basic to advanced carpentry, glass and ceramics, etc., would be offered under the scheme.

Additionally, the program would train current business owners and their supervisory staff in areas such as information technology, digital marketing, documentation and procedures, materials management, financial or working capital management, information technology, industrial management, human resource management, marketing management, export management, and documentation and procedures.

The following activities are conducted under the ESDP scheme.

- 1- Industrial motivational campaign- two days
- 2- Entrepreneurship awareness programme (EAP) – two weeks
3. Entrepreneurship-cum-skill development programme (E-SDP) – six weeks
4. Management development programme (MDP) – one-week scheme

**VII- Assistance to Training Institutions (ATI) Scheme-** The support is given to national training facilities 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. Assistance will not be provided more than what is needed to expand or reinforce the infrastructure that this Ministry's training facilities require. The maximum amount of support that can be given to EDIs at the State level will be limited to Rs. 3.00 crore per instance. Support for skill-development initiatives will be given at the specified rates.

**VIII- Coir Vikas Yojana-** The programme is to assist in the creation of new 'State of the Art' Coir Processing Units, giving production units access to contemporary infrastructure facilities that will boost productivity and quality and provide employment opportunities, particularly for women living in rural regions. funding for the purchase of qualifying equipment and plant to build a new unit, upgrade an existing one, or both. 25% of the price of eligible plant and machinery purchases made by the Coir units will be covered by the financial support. Per coir unit or project, the maximum amount of financial assistance will be 2.50 Crore. The program would empower women, offer skill development and training, and support the growth of both home and export markets. Applications for financial support for modernization under this plan are open to all coir production and processing units that are registered with the Coir Board by the Coir Industry (Registration) Rules,

2008, and have Udyog Aadhar card. Before applying for support under modernization, a new unit that has applied for or received aid under this program must successfully operate for five years. Owners, who have not received any Central Government subsidy under PMEGP, CUY, DPI, TUF, etc. for the same purpose are eligible to apply for financial support under this component.

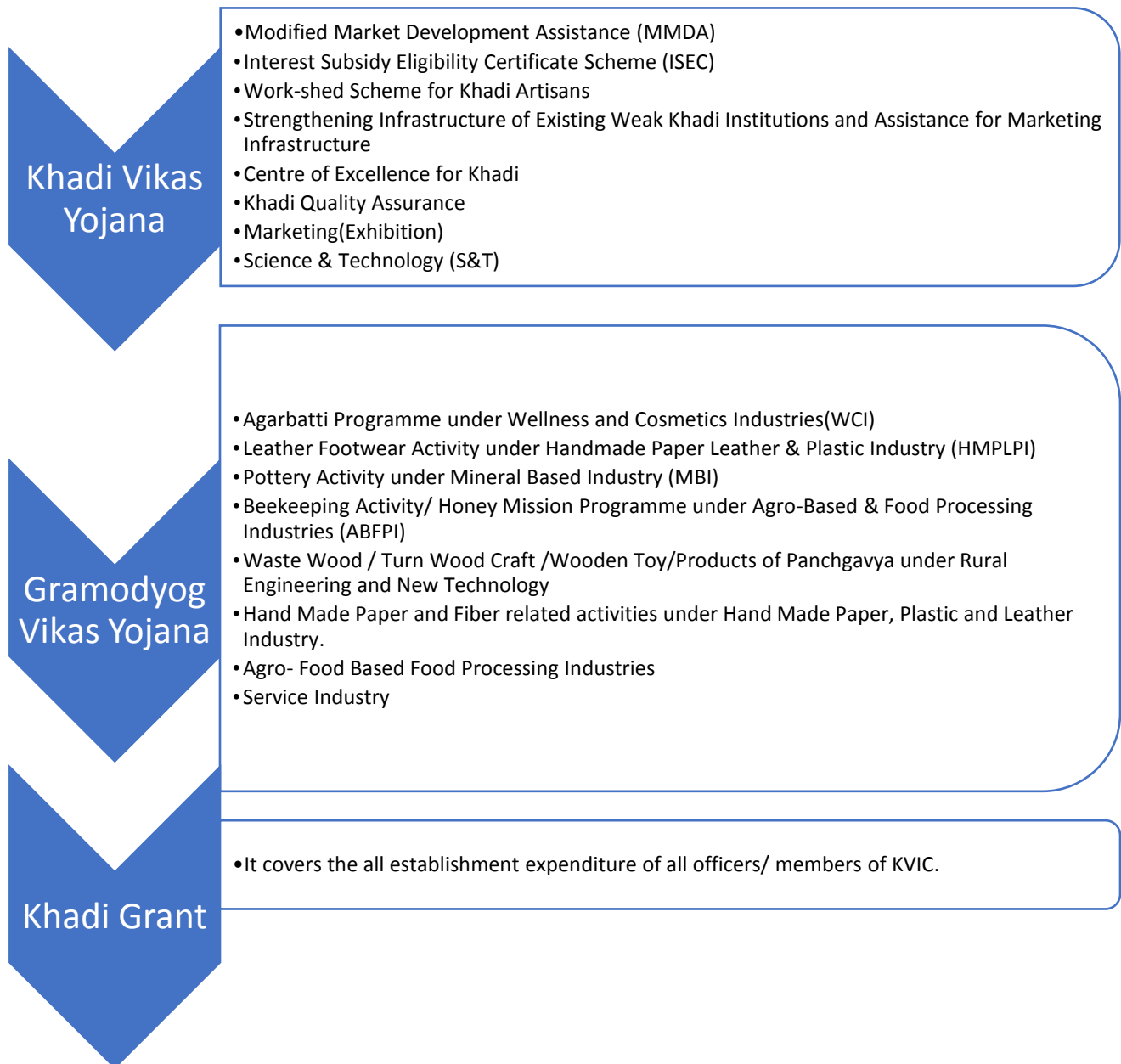
**IX- Procurement and Marketing Support (PMS)-** Under this scheme, encouraging the creation of new market access projects such as MSME Expos, exhibitions, national and international trade fairs, etc. will be promoted & bringing MSMEs up to date on the latest packaging technologies, GeM Portal, MSME conclave, import-export policies and procedures, and the significance, methods, and processes of packaging in marketing. raising knowledge of public procurement policy, trade shows, bar codes, digital advertising, e-marketing, GST, GeM portal, and other relevant subjects, etc. This scheme looks into the area of Infrastructure development of Retail Outlets for promoting (Geographical Indication) GI Products, Vendor Development Programme, Capacity Building, and Development of Retail Outlet.

**X- International Cooperation (IC) Scheme-** The main aim of this scheme is to help MSMEs participate in international exhibitions, fairs, conferences, seminars, and buyer-seller meetings overseas, as well as by giving them access to actionable market intelligence and covering a range of export-related expenses, the program seeks to increase MSMEs' capacity for entering the export market. The Scheme gives MSMEs the chance to adapt to changing demands, new markets, technological advancements, and other problems by giving them the chance to update themselves regularly. The following activities are covered by the scheme:

- 1- MSME business delegations travel to other nations to attend international exhibits, trade fairs, and other events to investigate new avenues for technology infusion or upgrade, facilitate joint ventures, expand the market for MSMEs' products, and collaborate internationally, among other objectives.
- 2- Indian MSMEs' attendance at and involvement in global trade shows, exhibitions, and buyer-seller events held abroad.
- 3- Indian MSMEs' participation in international trade shows and exhibitions that are hosted in India and attract visitors from other countries.
- 4- Organizing international seminars and conferences with subjects and topics relevant to MSMEs in India.
- 5- The Ministry of MSME or its organizations holding or planning international conferences, seminars, or workshops in India.

The IC Scheme offers reimbursement-based financial support for space rental and airfare.

**XI- Khadi Gramodyog Vikas Yojana (Umbrella Scheme)-** In previous plan eras, the Khadi and Village Industries sectors have several separate projects designed to address the needs of the KVI sector. All of the current Khadi and Gramodyog Vikas Yojana (KGVY) schemes, sub-schemes, and components were combined and placed under one umbrella program in November 2019. KGVY is a Central Sector Program; the State is not participating in any way. This scheme has the following three elements.



**XII- Udyog Aadhar Memorandum (UAM)-** Due to the extensive paperwork required for registration of a unit, many businesses in India were unable to take advantage of the government incentives that are available to them. The one-page Udyog Aadhaar Memorandum (UAM) is used by Micro, Small, and Medium-Sized Enterprises (MSME) to register as an entity. Aadhaar registration through Udyog has replaced the old procedure that required a lot of paperwork. It is essentially a self-declaration format in which the MSME will attest to its existence and other necessary basic data. This scheme was notified in September 2015 to improve ease of doing business.

**XIII- A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)-** The Ministry of Micro, Small, and Medium Enterprises promoted the ASPIRE Scheme. This scheme focuses on the promotion of innovation, entrepreneurship, and agro-industry through the technology business incubator, fund of funds for start-up creation in the agro-based industry, and rural livelihood business incubator (LBI). This scheme aims to reduce unemployment and create new jobs, encourage an entrepreneurial culture in India, support district-level economic growth, help creative businesses find answers to unmet societal demands, and encourage innovation to boost the MSME sector's competitiveness. There is a Rs. 200 crore corpus in the ASPIRE Scheme fund.

**XIV- Employment Exchange for Industries-** Minister of Micro, Small, and Medium Enterprises, launched the Employment Exchange for Industries digitally in 2015. The employment exchange for industries programme is designed in keeping with the Prime Minister's vision of Digital India's mission in which job seekers may connect with companies and vice versa. This programme helps to foster an atmosphere of growth and wealth and facilitates match-making between prospective job seekers & employers on digital platforms.

**XV- Pradhan Mantri Mudra Yojana-** An important initiative of the Indian government for micro-enterprises is the Pradhan Mantri Mudra Yojana (PMMY). It was launched on 8<sup>th</sup> April 2015, which aims to "fund the unfunded" by integrating these businesses into the formal banking system and providing them with credit at reasonable interest rates. Under this scheme, a small borrower can obtain loans up to Rs 10 lakhs for non-farm income-generating activities from all Public Sector Banks, including PSU Banks, Regional Rural Banks, Cooperative Banks, Private Sector Banks, Foreign Banks, Micro Finance Institutions (MFI), and Non-Banking Finance Companies (NBFC). The following are the three categories of loans under the Pradhan Mantri MUDRA Yojana.

**Shishu:** offering loans up to fifty thousand.

**Kishor:** providing loans up to and including Rs. 5 lakh.

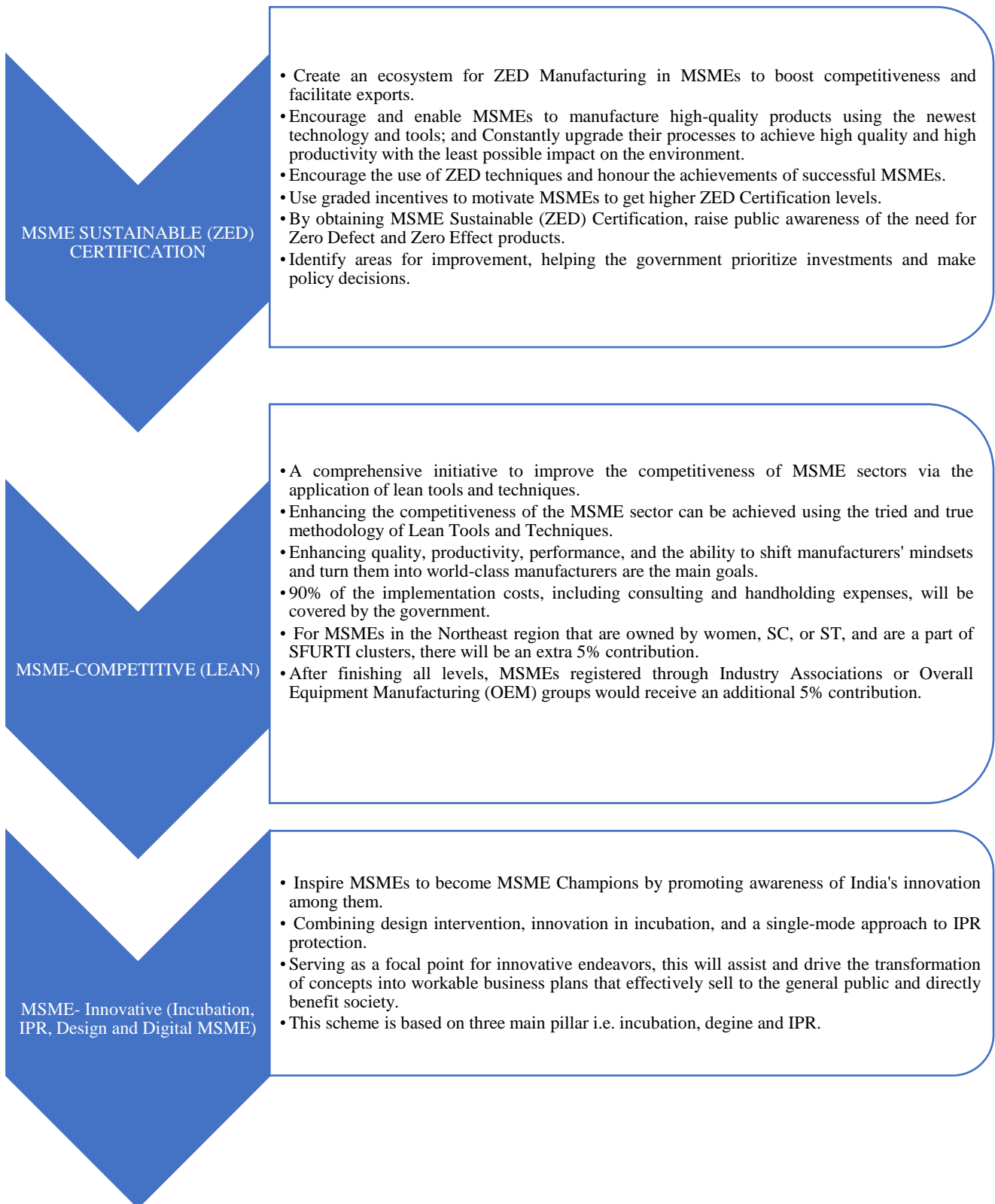
**Tarun:** providing financing up to 10 lakh and over 5 lakh

**XVI- Stand Up India scheme-** The Ministry of Finance introduced the Stand Up India Scheme on April 5, 2016, to foster entrepreneurship at the local level with an emphasis on job creation and economic empowerment. This program has been extended to 2025. This scheme encourages women who belong to the Scheduled Caste (SC) and Scheduled Tribe (ST) categories to pursue business. Lending should be extended to newly established businesses engaged in trading, manufacturing, services, and agriculture-related industries. Allow at least one SC/ST borrower and one women borrower in each Scheduled Commercial Bank branch to receive bank loans between Rs. 10 lakh and Rs. 100 lakh. In non-individual businesses, women or SC/ST entrepreneurs should own at least 51% of the controlling and shareholding stake. The interest rate would be the bank's lowest applicable rate for that category (rating category), not to exceed (MCLR + 3% + tenor premium). A maximum moratorium duration of 18 months is combined with a maximum payback period of 7 years. The Stand Up India Scheme has undergone modifications in response to a declaration made by the Union Finance Minister during the FY 2021–2022 Budget Speech in the term of the borrower's required margin contribution has been lowered from "up to 25%" to "up to 15%" of the project's total cost. However, the borrower will remain to make a personal contribution of at least 10% of the project's cost and loans to businesses engaged in "agriculture-related activities."

**XVII- Trade Receivables Discounting System (TReDS) Online Platform-** Micro, Small, and Medium-Sized Enterprises (MSMEs) can finance or discount their trade receivables through different financiers with the help of TReDS, an electronic platform. The PSS Act-2007 authorizes the TReDS payment mechanism. It is a platform that allows invoices and bills from MSMEs to be uploaded, accepted, discounted, traded, and settled. It also facilitates factoring of payables and receivables (reverse factoring). The TReDS involves direct participation from MSME sellers, corporate and other purchasers, government departments and PSUs, and financiers (banks, NBFC-Factors, and other financial institutions, where approved). All transactions handled through this system are "without recourse" to MSMEs. Receivables may be owed by corporations, public sector undertakings (PSUs), government departments, and other buyers. The primary goal of the TReDS is to enable the financiers to discount MSME vendor bills that are submitted to large corporations and other entities, such as government departments and Public Sector Undertakings (PSUs), to simplify its financing. In this approach, the parties cooperate to facilitate, approve, reduce, and pay the bills. Assistance in managing working capital requirements is the main goal of TReDS for MSMEs.

**XVIII- MSME Champions Scheme-** This scheme was unveiled on the MSME Champions platform on 1<sup>st</sup> June 2020. CHAMPIONS is an acronym that stands for "Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength." Champions.gov.in is the URL where users can visit the portal. It is a one-stop shop for handling new setups during these trying times and complaints from MSME's. The Standing Finance Committee (SFC) created the MSME Champions program by combining all six elements of the former Technology Upgradation Scheme (TUS) for a five-year term, from 2021–2022 to 2025–2026. It is a holistic approach to bringing different plans and interventions together for a common goal. The ultimate goal is to choose business clusters and companies and assist their national and international reach and excellence while modernizing their processes, cutting waste, and enhancing business competitiveness. The new MSME Champions program consists of three parts, the specifics of which are listed below:





**XIX- Atma Nirbhar Bharat Abhiyan** -Atma Nirbhar Bharat Abhiyan is also known as Self-Reliant India Scheme. Atmanirbhar Bharat Abhiyaan Scheme was formally announced by the Indian Prime Minister to aid the nation in recovering from the economic shock caused by the COVID-19 outbreak. This campaign aims to turn a crisis into an opportunity, aims, to make India self-sufficient by decreasing dependency on imports and increasing the use of high-quality native products. Atmanirbhar Bharat Abhiyan Scheme was unveiled on May 12, 2020. The program aims to make

India self-sufficient by decreasing dependency on imports and increasing the use of high-quality native products. The government's stated Atma Nirbhar Package offers the economy a range of support, especially for MSME sector entities. The government unveiled a special economic and comprehensive package worth Rs. 20 lakh crore; which is equivalent to 10% of India's GDP under Atmanirbhar Bharat for all segments of society, including MSMEs and the industrial sector. Addressing the financial difficulties faced by MSMEs, the government introduced multiple initiatives and revamped some previous ones.

The principal objective of the Atmanirbhar Bharat Abhiyan is to help the government realize the audacious aim of making India's economy a US\$5 trillion economy by making it self-sufficient. Below is a list of the main elements of the Atmanirbhar Bharat stimulus package related to the MSME sector.

- 1- MSMEs: Subordinate Debt of Rs 20,000 crore.
- 2- Automatic loans for businesses, including MSMEs, at no cost and without collateral, up to Rs 3 lakh crore.
- 3- The MSME Fund of Funds would infuse Rs. 50,000 crore in equity.
- 4- Newly updated standards for MSMEs' classification.
- 5- The New "Udyam Registration" MSME Registration Process.
- 6- All international tenders for purchases up to Rs. 200 crores would be prohibited, benefiting MSMEs.

**XX- Emergency Credit Guarantee Scheme-** As a component of the Central government's self-reliance package amid the COVID-19 crisis, ECLGS was introduced in 2020. Its goal was to assist small companies that were finding it difficult to pay their operational expenses as a result of the countrywide shutdown. The National Credit Guarantee Trustee Corporation (NCGTC) offers Member Lending Institutions (MLIs), which include banks, financial institutions, and non-banking financial corporations (NBFCs), a 100% guarantee. The Guaranteed Emergency Loan Line (GECL) is the loan product for which a guarantee will be given under the plan. The following

ECLGS 1- To offer MSMEs, business enterprises, Mudra borrowers, and personal loans for business reasons extra credit that is totally guaranteed and collateral-free up to twenty percent of their outstanding credit as of February 29, 2020. MSMEs qualify if they had a turnover of Rs 100 crore and outstandings up to Rs 25 crore. But after ECLGS 2.0 was amended in November 2020, the turnover limit was eliminated.

ECLGS 2- The updated version concentrates on the healthcare industry as well as organizations in 26 high-risk industries that the Kamath Committee identified and that, as of February 29, 2020, have outstanding loans totalling more than Rs 50 crore and as much as Rs 500 crore. According to the plan, borrower accounts must have fewer than or equal to 30 days remaining on February 29, 2020; otherwise, no lender may classify them as SMA-1, SMA-2, or NPA. SMAs show the starting point for debt repayment default. Payments on SMA-0 accounts are either fully or partially past due for a period of one to thirty days; on the other hand, payments on SMA-1 and SMA-2 accounts are past due for periods of thirty-one to sixty days and sixty-one to ninety days, respectively. In the revised scheme, a facility for a repayment window of four years to five years was also made in ECLGS 1.

ECLGS 3- This involves extending credit by up to forty percent of the total amount owed to all lenders as of February 29, 2020. Loans granted under ECLGS 3.0 will have a 6-year term, with a 2-year moratorium. It encompasses businesses operating from February 29, 2020, to February 29, 2020, in the hospitality, travel & tourist, leisure, and sports sectors. If there was any overdue, it was for no more than sixty days, and the total amount owing did not surpass Rs 500 crore.

ECLGS 4- A 100% guarantee is provided for loans up to Rs 2 crore, with an interest rate of 5%, to medical institutes, hospitals, nursing homes, and clinics so they can establish on-site oxygen production plants.

**XXI- Digital MSME Scheme-** The key goal of This scheme is to give MSMEs digital capabilities and encourage them to integrate ICT tools and applications into their business and production processes to increase their competitiveness in both domestic and foreign markets. Many MSMEs will benefit from this scheme in terms of standardizing their business processes, increasing customer satisfaction, reducing carrying costs associated with inventory, improving delivery times, improving productivity, and improving the quality of their output. The main components of this scheme were the Awareness Programme and Workshop, Development of an e-platform, Development of software Apps for MSME, Digital Literacy and e-marketing, Training to MSME officials, MSMEs, Professionals etc, Digital Empowerment through Enterprise Development Centre (EDC), Assistance for IT infrastructure to various Implementing Agencies (IA) and Impact Assessment and Survey including Data Analytics.

## VIII. ONLINE SUPPORT PLATFORMS FOR MSMEs

**I- Udyami Mitra Portal-** Micro, Small, and Medium-Sized Enterprises (MSMEs) can apply for financing more easily thanks to the Udyami Mitra Portal, which is governed by the Small Industries Development Bank of India (SIDBI). The Udyami Mitra portal was launched on 27 December 2017. It offers immediate financial support and professional advice to anyone who desires to launch their own business but is terrified of the associated expenses. Scheduled commercial banks guarantee that the 7.5% of adjusted net bank credit objective is met for micro-enterprises. Access to a collateral-free loan of up to Rs 10 lakh is one of the most attractive advantages for borrowers; for Micro and Small Businesses (MSEs), the loan facility can be initiated with just operating cash. With the help of application tracking, handholding support, and

different interfaces with stakeholders, Udyami Mitra Portal is an enabling platform that seeks to provide "End to End" solutions for a variety of credit plus services in addition to credit delivery (i.e. lenders, service providers, applicants). 1.25 lakh lender branches and more than 17,000 non-financial services (17,000+ handholding agencies) are accessible through this portal. It offers lenders, handholding agencies, and MSME loan applicants a distinctive platform for matching. Various MSME loan applications can be accepted by the portal due to its design. You can currently access loans up to 10 crore.

**II- Udyam Sakhi** - The Ministry of Micro, Small, and Medium Enterprises (MSME) launched the Udyam Sakhi Portal in 09 March 2018 to enlighten current and potential women entrepreneurs on the financial schemes, policies, and programs of the MSME. Women can launch, expand, and improve their enterprises with the aid of this portal. Women entrepreneurs can learn from this UDYAM SAKHI platform i.e. learning Resources for Entrepreneurship, creating a company strategy, Suitability of seminars, workshops, and training programmes, Details on programs and policies, Information for marketing, Support for Cluster Development Programs and Intellectual Property Rights (IPR) Assistance, building connections and hosting events to promote foreign business, business mentors and numerous other resources.

**III- PsB59 Platform-** Micro, small, and medium-sized enterprises (MSME), which are vital to India's socioeconomic growth, frequently encounter enormous obstacles while trying to get capital on time. Psb59 facilitates the lives of MSMEs by streamlining the credit managers' decision-making process and assisting in the prompt raising of capital for a range of business needs. With just one easy application and 59 minutes, you may receive digital approvals for MSME loans ranging from ₹10 lac to ₹5 crores from psb59, the leader in MSME financing. The 59 Minutes MSME Loan initiative has proven to be a significant one for small businesses in India. Through the provision of collateral-free loans, streamlined loan approval procedures, and competitive interest rates, the initiative has expedited the growth of MSMEs. With more loans available to them, these companies are prepared to flourish and contribute to the development of a robust and resilient national economy.

**IV- Samadhan Portal-** Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 addressed the problem of delayed payments to MSMEs. MSMEs can submit their online applications for delayed payments using the MSME Samadhaan portal. The concerned Micro & Small Enterprises Facilitation Council (MSEFC) of the buyer's state or union territory may receive an application from the supplier MSE unit against the buyer of goods or services. It is a platform launched by the Ministry of MSME on 30<sup>th</sup> October 2017. On the applications submitted through the MSME Samadhaan site, however, it does not directly act. Only the relevant MSEFC receives these applications from it. The MSEFC is the organization that acts appropriately in this regard. A site is merely one option; the MSEFC will also take into account submissions that are submitted physically. A Udyog Aadhar Memorandum is required for the firm to submit it on the MSME Samadhaan portal.

**V- Udyam Assist Platform-** To bring Informal Micro Enterprises (IMEs) inside the formal ambit for receiving benefits under Priority Sector Lending, the government launched UAP on January 11, 2023, as part of the MSME formalization effort. The Small Industries Development Bank of India (SIDBI) created the platform. According to the Government of India, an IME is an entity that cannot register on the Udyam Registration Portal (URP) because it does not have the necessary documentation, such as a Permanent Account Number (PAN) or Goods and Services Tax Identification Number (GSTIN). A significant portion of IMEs are not GST-registered. To make it easier for these IMEs to get a registration certificate through the Designated Agencies' (Das) Assist mode. The certificate obtained through the Udyam Assist Platform (UAP) will be treated on an equal footing with the Udyam Registration Certificate for IMEs.

**VI- Linkage of Various Govt. Portals-** Udyam, e-Shram, National Career Service (NCS) and Aatmnirbhar Skilled Employee Employer Mapping (ASEEM) portals are interlinked. They will now assist as portals with live, organic databases, delivering G2C, B2C, and B2B services involving credit facilitation, skilling, recruitment, and cost-effectiveness.

## IX. IMPACT OF DIGITALIZATION ON MSMEs

MSMEs are the growth engine of the economy. They are catalysts to social & economic development in the country to remove inequalities. The wave of digitalization is highly influencing MSMEs in the present scenario. The success of MSMEs on the digital edge can positively affect general economic development, and they are essential to the expansion of the Indian digital economy. Therefore, for MSMEs to effectively benefit from digital technology, it is imperative to equip them with the infrastructure and assistance they need. According to IBEF report, "MSMEs, Micro, Small, and Medium-Sized Enterprises (MSMEs) in India are quickly switching from cash to digital payments; currently, 72% of payments are made digitally, compared to 28% through cash. Increased digital use offers opportunities for the industry to grow even more. 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).

The digital empowerment of MSMEs contributes to the development of an ecosystem that makes firms more aware of issues and capable of overcoming uncertainty by assisting them in understanding problems and visualizing solutions. MSMEs can differentiate themselves from other businesses by going digital. It is highly critical to develop entrepreneurs' digital skills in rural areas. Still, in rural areas, many MSMEs don't come under the digitalization wave due to a lack of financial literacy, technological issues, electricity issues, adaptational issues, etc. Many of them are not willing to touch digitalisation due to these reasons. Rural areas MSMEs' growth and resilience may be further improved by their digitalization. It is affordable, straightforward, and understated. To achieve the target of digitalization in rural areas, MSME-oriented services & products are essential i.e. developed technological support, resilience building, government measures, and data protection. As digitalization has grown in India, so too have the tasks that MSMEs must accomplish. There will be better opportunities to expand the business worldwide. Digitalization helps to reach a larger clientele in a global context, in contrast to offline setups, which are limited to a small audience. Now, it is not a matter of only growth, it is a matter of survival of Indian MSMEs. Digitalization provides growth in revenue, access to the worldwide market, operational efficiencies, enriched customer engagement, etc. Emerging technologies like ERP, E-commerce, and fin-tech platforms offer MSMEs special opportunities to grow their own business at world-level platforms at a low cost. Rural area MSMEs have to grab this offer as early as possible & other stakeholders should also think about making them empowered.

## **X. CHALLENGES BEFORE THE MSME SECTOR**

The government of India is taking numerous steps nationwide to promote the MSMEs sector in overcoming obstacles in the country since independence. Many MSMEs benefited from these initiatives. The government is making every effort to maintain the MSME sector's competitiveness. Still, MSMEs are facing inadequate digital infrastructure & technical support in the rural areas. Digital technology has been highly influenced in the past few years but MSMEs have a digital knowledge gap in rural areas. Many MSME units are in the basics of these digital procedures and will need to be assumed to ensure that this system can be approved by everyone. Particularly in their early and growing stages, MSMEs need to be able to be quickly and adequately infused with cash through term loans and working capital loans.

However, this sector still has many challenges in India. Many units are facing several challenges across the country in various forms i.e. access to finance, technological upgradation, marketing promotion, inflation rate, cost-effectiveness, upskilling, stiff competitive environment, coping with scams, working from underground places, having inadequate working conditions, low production. Addressing these challenges can unlock even greater potential for MSMEs and further contribute to economic development. This sector is highly diverse, with some high-tech businesses operating in isolated areas and the bulk having a low technological foundation that lowers productivity and lowers product quality. Due to their tiny size, the units have limited access to financing and equity.

Rather than coming from banking institutions, the majority of equity comes from personal savings and loans from friends and family. Frequently, domestic savings or operations provide the credit instead of well-established networks of low-cost bank loans for working capital. The village industries and the lower echelons of micro-enterprises are severely affected by this issue.

Furthermore, the majority of MSMEs only carry out routine jobs that they may have purchased or borrowed from other businesses, and they are not very productive or valuable. The majority of MSMEs lack access to thoroughly researched databases, whether they are related to technology or market intelligence. Proactive and frequent dissemination of this information is required.

The MSME sector in India has been significantly impacted by the COVID-19 pandemic in the past few years. Mainly, this pandemic presented hitherto unheard-of difficulties, upsetting supply chains, lowering consumer demand, and causing operations to stop. While fixed costs remained constant, many MSMEs experienced severe cash shortages as a result of their sharp decline in revenues. Other side, many geopolitical concerns like- Russia-Ukraine, Gaza-Israel, Indo-Pak, etc conflicts hinder the development of MSMEs in the country. The list of challenges of MSMEs is highly dynamic and influenced by domestic & global economic trends, and government policies. As MSMEs continue to grow and adapt to changing circumstances, their role in economic development is expected to expand further; if they can cope with these challenges.

## **XI. RECOMMENDATIONS FOR THE DEVELOPMENT OF MSME SECTOR**

There is a well-known sentence that is "A thousand-mile journey starts with a single step." Government has implemented many schemes to promote the MSME sector & new schemes also according to their needs to achieve the target of 5 trillion-dollar economy. From the perspective of the MSME sector, this sector has a strong chain with the weakest link of financial strength. Apart from finance, they have everything better i.e. ownership, type of work, availability of resources, business transactions. MSMEs in India faced numerous obstacles, including a lack of formal financial resources, challenging regulatory processes, and access to timely technology. Their backbone was shattered by a string of events that included demonetization in 2016, the implementation of the GST in 2017, and the COVID-19 impact.

Even though the Indian government has taken several actions to boost lending to this industry, the MSME still faces this as its most challenging issue. A recently launched report by Blinc Invest on the MSME sector's outlook reveals

that the share of MSMEs in developing countries with unmet financial needs is about 40%. The total debt demanded by MSMEs in India is Rs 69.3 trillion, expanding at an 11.5% CAGR, compared to the entire credit deficit of Rs 25 trillion in the MSME sector. To address the funding challenges, the government has launched a number of MSME finance programs and loans in recent years. In the last few years, the government has introduced several MSME loans and MSME funding schemes to resolve the financing issues. The following recommendations can be given to accelerate and support the expansion & long-term viability of the MSME sector in India.

1- Provide MSMEs with easier access to financing by streamlining the loan application procedure, offering loans without collateral, and charging low-interest rates & requiring more budget to be devoted to MSMEs' assistance schemes by central & state governments.

2- Improve the knowledge and abilities of MSME entrepreneurs, and offer mandatory training and capacity-building initiatives in subjects including marketing, technology adoption, and financial management after a certain time gap.

3- Enhancement of social security programme for workers in formal & informal MSME sector.

4- Encourage MSMEs to participate in research and development & innovation hubs-related programmes & offer monetary rewards to MSMEs that engage in creative endeavours and partnerships with academic institutions.

5- Boost MSMEs to adopt environmentally friendly technologies and procedures by offering incentives and promoting sustainable business practices by offering green funding alternatives to assist MSMEs in implementing sustainable practices at low-interest rates.

6- Create opportunities for MSMEs to access markets by putting them in touch with large size of businesses, export markets, and government procurement opportunities & assist in meeting certification requirements and quality standards to improve competitiveness in local and global markets.

## XII. CONCLUSION

MSMEs are the backbone of the Indian economy, making a substantial contribution to industrial production, employment, and the expansion of exports. Recognizing the significance of MSMEs, the government has put in place several programs and policies to aid in their growth. But to fully realize the potential of MSMEs, issues including restricted financing availability, infrastructure impediments, technology constraints, and the difficulty of regulatory compliance must be settled. MSMEs may prosper and continue to contribute to India's economic advancement and inclusive development by concentrating on overcoming these obstacles and establishing a favourable environment. The public and private sectors are striving to create better products that can be competitive in terms of both quality and price, and funding costs are gradually going down. Perhaps MSMEs can outperform larger companies if we eliminate corruption and prioritise quality. Indian governments are concentrating on many initiatives to support MSMEs and raise their level of production. Additionally, they have implemented several cost-cutting measures, like giving MSMEs subsidies for land and utilities and facilitating smaller businesses' access to financing. To seize these challenges, MSMEs need to be proactive in embracing technological advancements, exploring new markets, and continuously innovating. Collaboration, adaptability, and strategic planning are key elements for MSMEs to thrive in the dynamic business environment.

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