



An analysis of the government's MSME sector schemes and how they have aided India's development

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Abstract:

Reviewing government programs for the MSME sector and determining how to support our nation's development are the goals of this report. This study aims to identify the various challenges faced by MSME in India, as well as the government's plan for the MSME sector and how MSME and startups contribute to the growth of our nation. This study illustrates how the MSME sector and government plans contribute to his sophisticated society. Approximately 45% of India's manufacturing output and 40% of its total exports are employed by MSMEs, which account for nearly 8% of the nation's GDP. Accordingly, the main advantages include increased company potential and reduced capital expenditure.

Keywords:-MSME, Employmentopportunities,GDP, Government schemes.

Introduction:

In India, MSMEs account for around 40% of exports, 8% of GDP, and 45% of manufacturing output. They al so employ 11 crore people. It is currently referred to as the "Backbone of the country."

According to the Micro, Small, and Medium Enterprises Development (MSMEDS) Act of 2006, the Indian go vernment introduced MSMEs, or Micro, Small, and Medium Enterprises.

Any person who needs to launch his business or as of now possesses on ever that go is under Micro, Small, and Medium Enterprises (MSMEs an profit from the advantages of the credit offices. According to the most recent declaration in July 2020 concern in thinking the MSMEs, a Table is displayed that reclassifies the freshest meaning of Micro, Small, and Medium Enterprises.

These endeavors mostly involved the production, assembling, handling, or safeguarding of goods and commodities. MSMEs make up a sizeable portion of the Indian economy and have made a substantial contribution to the nation's economic recovery. Additionally, it creates commercial opportunities and collaborates to enhance the nation's rural and underdeveloped areas. India has over 6,20,41,245 MSMEs, according to the government's 2024-25 annual report.

The benefits of the credit offices are available to everyone who needs to start their own business or who already has one that operates under Micro, Small, and Medium-Sized Enterprises (MSMEs). In accordance with the most recent pronouncement in July 2020 regarding the rethinking of MSMEs, a table is presented that reclassifies the most recent definition of MSMEs.

Type of Enterprise	Investment in Plant and Machinery	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 Showing statics of MSMSE’s in 2024-25 in India

MSME Sector Statistics		
Characteristic	Value	Description
 Total Registered	6.05 to 6.2 crore (Udyam Portal)	Count of businesses on Udyam
 Employment Generated	23 to 24 crore persons	Number of jobs created by MSMEs
 GDP Contribution	29% to 33%	Percentage of GDP from MSMEs
 Export Contribution	40% of India's total exports	Share of exports from MSMEs
 Total Credit Exposure	₹35.2 lakh crore (13% YoY growth)	Overall lending to MSME sector
 Bank Credit	₹28.04 lakh crore (Priority sector)	Bank loans specifically to MSMEs
 Credit Guarantee (CGTMSE)	₹2.44 lakh crore approved (19.9 lakh guarantees in 2024)	Government backing for MSME loans
 Total Guarantees Approved	Over 1 crore guarantees; ₹5.2 lakh crore coverage	Cumulative guarantees for MSME loans
 New Schemes	PM Vishwakarma, MSME TEAM, Self-Reliant India Fund	Government initiatives for MSMEs
 Clusters Approved	23 clusters approved in Pune (FY 24-25)	Groupings of MSMEs for collaboration
 Delinquency Rates	1.79% (90+ days); GNPA at 4.5%	Loan repayment issues in MSME sector
 Closures (FY 24-25)	~35,567 (as of Feb 2025)	Number of MSMEs that ceased operations
 Challenges	Uneven growth, Formalization gap	Obstacles faced by MSME sector
 Formalization Push	Udyam, Udyam Assist, MSME-TEAM, PM Vishwakarma, GeM	Efforts to register informal MSMEs
 Women & Rural Support	PM Vishwakarma, Stand Up India, RAMP	Programs aiding women-owned, rural MSMEs

Review of Literature:

Shashikala S.R, 2024, The above research was presented by Shashikala S. and Dr. M. Amulya. The paper outlines the public authority plans for the advancement of new-age business vision in India. In the present India setting, work open doors in the open area and huge scope area are contracting and vast valuable open door emerging from globalization are standing by the exploited entrepreneurs can truly take more time to the statuses of turning into very financial power.

Kumar, 2020, The paper outlines the endeavors to comprehend the job of MSMEs in giving work open doors and pushing towards the comprehensive advancement of the country. The different issues looked at by these MSMEs in executing their activity have additionally been talked about in this paper.

(A. Sathish, 2019) The paper outlines the strategies that are offered by the MSMEs to advance entrepreneurship in India. In association with the MSMEs to deliver a number of assistances to advance entrepreneurship in MSMEs sectors which contain Khadi village and coir industries. This assistance will also facilitate skill development programs and also provide subsidy schemes.

(B. Sudha D.S., 2019) The paper outlines the endeavor and has been made to feature the business improvement (ED) process in India and the meaning of the business venture advancement program for the country's monetary development. The possibility of pioneering improvement includes engaging an individual with the fundamental data and information utilized for big business constructing and advancing his enterprising abilities.

(Zanjurne, 2018) MSMEs The paper outlines the execution of MSMEs and the development and open doors. The fact that it makes it a contemplated area essentially contributes to business, trades, and fabricating yield. The MSMEs area can help for accomplishing the objective of country manufacturing that assembling to contribute 25% of India's GDP by 2020. For that reason, the public authority of India has taken a decent drive of "Make in India".

Objectives:

- To determine how MSMEs and startups support the growth of our nations.
- To be aware of the government's plan for the MSMEs sector.
- To examine the various issues that MSMEs in India examine.

Research Methodology:

This study employed a qualitative research approach based on the analysis of secondary data to assess the contribution of Micro, Small, and Medium Enterprises (MSMEs) and startups to India's economic growth, the role of government policies, and the challenges faced by MSMEs in India. The research primarily relied on existing reports, government publications, and industry surveys to gather relevant data.

Research Design

The research followed a descriptive, analytical, and exploratory research design, which focused on understanding and analyzing the contribution of MSMEs and startups to India's economic development, the role of government policies, and the issues faced by MSMEs.

Descriptive: The research described the contributions of MSMEs and the impact of government schemes, such as PMEGP, MUDRA, and Startup India, by reviewing relevant data collected from secondary sources.

Analytical: The data from government reports and industry surveys were analyzed to examine the effectiveness of these schemes and their impact on MSME growth, employment, and exports.

Exploratory: The study explored the challenges faced by MSMEs using secondary data from multiple sources, including government reports, industry surveys, and data from international organizations like the World Bank and Asian Development Bank (ADB).

Data Collection

Data was collected from reports published by the Ministry of MSME, SIDBI, NITI Aayog, and the PMO. These provided detailed insights into government policies like PMEGP, MUDRA, Startup India, and Surveys conducted by industry bodies such as FICCI, CII, and ASSOCHAM provided information on MSMEs' challenges and contributions to the economy. The Annual Reports of the Ministry of MSME and SIDBI were reviewed to understand the economic impact of MSMEs on India's GDP, employment generation, and export activities.

Analysis:

1. To determine how start-ups and MSMEs aid in the growth of four nations.

- i. MSMEs contribute significantly to the GDP of India. MSMEs account for 50% of the nation's total exports and more than 29% of its GDP.
- ii. MSMEs have grown significantly over time, which will benefit the Indian economy. Economic growth is being propelled by these MSMEs. They are in charge of producing a significant increase in industrial production, exports, and employment. They have demonstrated tremendous inventiveness and effortless adaptability in surviving the ups and downs of the Indian economy because of their flexibility and liveliness.
- iii. Employment opportunities: The MSME sector of the country has generated a number of employment opportunities for the people. Here the basic investment of 1 lakh rupees in fixed assets on a small scale creates the employment of 4 people. They play a significant role in the industrialization of the rural and backward areas; hence it reduces the regional imbalances, and creates equitable distribution of national income, therefore they contribute to the socio-economic development of the country. The MSMEs is the only sector that provides maximum opportunities for both self-employment and wage employment, apart from the agriculture sector.

2. To Understand the government's plan for the MSME sector

To support startups and MSMEs in India, the Indian government has launched a number of initiatives. The two government programs for startups and MSMEs that can aid in accelerating their growth have been protected here. When it comes to MSMEs and startups, the Indian government is clear that they should be carefully safeguarded, promoted, and encouraged for the country's development.

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

Useful For: Setting up new manufacturing & service units

Applicable For: New entrepreneurs, self-help groups, cooperatives

Objective: To generate employment opportunities by supporting the establishment of micro-enterprises.

Key Benefits:

- Subsidy of 15% to 35% on the project cost.
- Maximum loan limit: ₹25 lakh for manufacturing; ₹10 lakh for services.

II. Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE)

Useful For: Getting collateral-free loans

Applicable For: Existing and new MSMEs

Objective: To facilitate collateral-free credit for MSMEs.

Key Benefits:

- Credit guarantee coverage up to ₹5 crore.
- Guarantee coverage of up to 85-90% depending on enterprise type.

III. MUDRA (Micro Units Development and Refinance Agency) Yojana

Useful For: Working capital and business expansion

Applicable For: Micro-enterprises, small traders

Objective: To provide accessible low-cost financing to micro-businesses.

Key Benefits:

- Three loan categories:
 - Shishu (up to ₹50,000)
 - Kishor (₹50,000 to ₹5 lakh)
 - Tarun (₹5 lakh to ₹10 lakh)

IV. Stand-Up India Scheme

Useful For: Establishing new ventures

Applicable For: SC/ST entrepreneurs and women

Objective: To promote entrepreneurship among women and SC/ST communities.

Key Benefits:

- Bank loans between ₹10 lakh to ₹1 crore for greenfield enterprises.

V. MSME Champions Scheme

Useful For: Business modernization and support

Applicable For: Existing MSMEs

Objective: To provide support in technology upgradation, market linkages, and financial assistance.

Key Benefits:

- Financial aid, expert consultancy, grievance redressal, and handholding support.

VI. Self-Reliant India (SRI) Fund

Useful For: Equity funding for MSME expansion

Applicable For: Growth-stage MSMEs

Objective: To strengthen MSMEs by enhancing their capital base.

Key Benefits:

- ₹50,000 crore fund-of-funds structure facilitating equity investments.

VII. RAMP (Raising and Accelerating MSME Performance)

Useful For: Capacity building and digitalization

Applicable For: Registered MSMEs

Objective: To improve productivity and competitiveness of MSMEs.

Key Benefits:

- ₹6,000 crore budget allocation.
- Focus on technology adoption and global market access.

VIII. MSME Innovative (Incubation, Design, IPR)

Useful For: Startups, innovators, and product developers

Applicable For: MSMEs, startups

Objective: To promote innovation, protect intellectual property rights (IPR), and prototype development.

Key Benefits:

- Grants up to ₹15 lakh for innovative ideas.
- Up to ₹1 crore for commercialization.
- 75% subsidy on IPR filing costs.

IX. Procurement and Marketing Support (PMS)

Useful For: Participation in trade fairs and exhibitions

Applicable For: All MSMEs

Objective: To help MSMEs market their products domestically and internationally.

Key Benefits:

- 80% to 100% financial assistance for exhibitions and marketing infrastructure.

X. MSME Competitive LEAN Scheme

Useful For: Process optimization and waste reduction

Applicable For: All MSMEs

Objective: To enhance efficiency and competitiveness by implementing lean manufacturing techniques.

Key Benefits:

- Up to 90% reimbursement for consultancy and lean implementation costs.

XII. MSME Sustainable (ZED Certification)

Useful For: Resource optimization and sustainable growth

Applicable For: Manufacturing MSMEs

Objective: To encourage sustainable practices among MSMEs.

Key Benefits:

- Subsidy up to ₹3 lakh for ZED Certification.
- Additional benefits for women, SC/ST-owned units.

XIII. Technology Upgradation Fund Scheme (TUFS)

Useful For: Modernization of technology

Applicable For: Manufacturing MSMEs

Objective: To promote technology upgradation for productivity improvement.

KEY BENEFITS:

- Capital subsidy of up to 15-25%, depending on the sector.

XIII. MSME Export Promotion Council (MSME EPC)

Useful For: Entry into export markets

Applicable For: MSMEs engaged in or planning exports

Objective: To support MSMEs in expanding into international markets.

Key Benefits:

- Export guidance.
- Support for participation in international trade shows and buyer-seller meets

3. The different issues faced by the MSMEs in India:

- Financial issues:

In the Indian economy, access to funds has generally been an issue for smaller firms and organizations. This is a significant block for organizations as well as the MSMEs area. In any case, the reality is that just 16% of SMEs gain admittance to convenient money, bringing about little and medium firms being compelled to depend on their assets. Little firms deal with this issue, however, bigger firms do too because even those greater players face huge hardships in getting less expensive credit from formal banks.

- Regulatory issues:

A few administrative issues have been distinguished over the long run, including issues like tax compliance and changes to work regulations which have wound up costing the MSMEs a lot. While trying to make this area more serious among others, certain work changes were attempted a few years back. In any case, they neglected to make any dent in further developing things for MSMEs making them more competitive than bigger firms. Subsequently, it has become truly challenging for MSMEs to follow these guidelines and register for charge consistency, which has brought about many working on low capital or in any event, closing shops.

- Infrastructure:

In India, the foundation area is critical because we are frequently referred to as the 'world's administrative center' on center that such countless works in this area are completed abroad. Applications, for example, e-commerce and BPO have made more positions in low-wage nations like India.

- Low efficiency:

MSMEs are not extremely productive, however, they play out a specific task that transmits more worth than they produce. Retailers of for customer products to end clients at generally lower costs. Truth be told, MSMEs might be extremely useful just with regards to being cost-productive and are equipped for making high volume at exceptionally low expenses. Yet, considering that their creation is on a limited scale with low edges, low efficiency can put them in a difficult situation, particularly when contrasted and bigger firms.

- **Lack of advancement:**
Indian MSMEs are not extremely creative, and most of the items that they produce depend on outdated innovations. There is an extreme absence of business people in this area, which has kept it from taking on new advancements and tools which have achieved huge changes in different areas like e-commerce and call focuses, and so on. Therefore, MSMEs have needed to battle outdated innovation as well as low degrees of efficiency, particularly when contrasted and bigger firms.
- **Technical changes:**
There has been no lack of specialized changes over the long run, and most businesses have gone through that type of progress to remain competitive. Subsequently, Indian MSMEs have needed to manage a few vital changes which have impacted their development potential.

From the outset, there was an adjustment of the possession right of land, which has made the area more prone to mismanagement and, with it, a fall in efficiency.

Findings:

- **Lack of Professionalism:**
In India most of the powers are decentralized what I mean by that is the power to influence the government in the entry of new players in the market. A greater part of Indian MSMEs need incredible skill in spite of being fundamental for bigger ventures' development. Thus, they are exceptionally inclined to be abused and maltreated by force, which tremendously affects the efficiency of their organizations.
- **No standardized policies:**
There are not very many MSME approaches in India. Accordingly, there is no consistency with regards to MSME advancement as well as business advancement programs. In any case, positive headway has been made in Delhi throughout the long term, however, this should be finished on a public level so Indian firms can turn out to be more serious across the world for worldwide organizations and financial backers.
- **Lack of innovation:**
Indian MSMEs are not exceptionally creative, and most of the items that they produce depend on obsolete advancements. There is an extreme absence of business visionaries in this area, which has kept it from embracing new advances and devices which have achieved massive changes in different areas like e-commerce and call focuses, and so on. Therefore, MSMEs have needed to battle with obsolete innovation as well as low degrees of efficiency, particularly when contrasted and bigger firms.

Suggestions:

- They can do a workshop to ensure that entrepreneurs are aware of the latest technology.
- They can also provide financial support for the smaller sectors
- The people are noted to access the funds of the MSMEs
- Our finding is that the SMEs are extremely essential for the advancement of any economy since it helps in the age of work and reshaping useful areas yet they endure issues due to non-accessibility of money and non-accessibility of skilled work at a reasonable expense.
- The MSMEs are a significant part in the Indian economy. It shapes a critical portion of the Indian Industrial sector. It likewise has made a huge commitment towards the export of the products.

- The business person has made different advancements in their interests with the assistance of the MSME. The prominent among them are modernization and mechanization.

Foundation and Competition are the following enormous issues followed by Macroeconomics Shakiness, administrative inadequacy, Research and Development, and absence of data. The absence of data is the main driver of numerous different issues like Technological up-gradation and R&D since for the most part, little MSMEs proprietors are not exceptionally educated, they do not have some familiarity with the most recent and most reasonable innovations and need more

Information to drive the R&D office in their organizations. They don't have data about the benefits given by the public authority. The larger part of the proprietors doesn't realize that there is a Service for Micro, Small, and Medium Enterprises. In this manner, even though the public authority understands the significance of MSMEs as development motors and has numerous approaches and plans set up to cover pretty much every part of issues looked at by the endeavors. Because of the low efficiency, debasement, and unfortunate working circumstances, MSMEs have been attempting to guarantee development. This has brought about the area having an exceptionally low degree of productivity and development, which isn't OK for the general economy. I around MSME area is available in India, it will make a critical number of occupations that will plainly help the nation and its kin. MSMEs face various difficulties, yet the public authority is giving a valiant effort to guarantee that the MSME area stays cutthroat.

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