

Designing a **POLICY FOR MEDIUM ENTERPRISES**





NITI Aayog

DESIGNING A POLICY FOR MEDIUM ENTERPRISES

DISCLAIMER:

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CONTENTS

<i>Acknowledgement</i>	<i>vii</i>
<i>Message, Vice Chairman, NITI Aayog</i>	<i>ix</i>
<i>Message, Member, NITI Aayog</i>	<i>xi</i>
<i>Message, Chief Executive Officer, NITI Aayog</i>	<i>xiii</i>
<i>Message, Programme Director, NITI Aayog</i>	<i>xv</i>
<i>List of Abbreviations</i>	<i>xvii</i>
<i>Preface</i>	<i>xxi</i>
<i>Executive Summary</i>	<i>xxiii</i>
1. India's MSME Landscape: An Overview	1
2. Role and Economic Impact of Medium Enterprises in India	11
2.1. Export.....	13
2.2. R&D Investment.....	14
2.3. Employment Generation.....	16
2.4. Profitability.....	17
2.5. Scenario Analysis.....	19
2.6. Potential loss/gain for the economy.....	20
3. Challenges and Current State of Affairs - A Deep Dive into Medium Enterprises	23
3.1. Challenges and Current State of Affairs.....	25
<i>Awareness of Schemes</i>	26
<i>Technological Upgradation</i>	27
<i>Skilled Manpower</i>	29
<i>Compliance</i>	32
<i>Innovation Barrier</i>	34
<i>Funding</i>	36
<i>Land & Infrastructure</i>	38
4. MSME Policy Landscape	41
4.1 Ministry of Micro, Small and Medium Enterprises (MoMSME).....	42
4.2 State Government Initiatives.....	60
4.3 Gaps in the Policy ecosystem.....	63
5. International Best Practices	65
6. Recommendations	75
6.1 Facilitating Financial Access and working capital Support.....	76

6.2	Technology Integration and Industry 4.0 adoption.....	78
6.3	Strengthening R&D and innovation ecosystem.....	81
6.4	Enhance support for cluster-based testing and quality certification.....	82
6.5	Customized skill development for Medium Enterprises.....	86
6.6	Need for a Centralized Digital Portal for Medium Enterprises.....	91
7.	Annexures.....	95
	Annexures-1: MoMSME Schemes.....	96
	Annexures-2: State Schemes:.....	98
	<i>Telangana</i>	98
	<i>Maharashtra</i>	99
	<i>West Bengal</i>	99
	<i>Uttar Pradesh</i>	100
	<i>Gujarat</i>	101
	<i>Tamil Nadu</i>	102

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Furthermore, we would like to extend our heartfelt gratitude to Shri Ishtiyaque Ahmed, Program Director, Industry and Foreign Investment Division. His support and incisive feedback were pivotal in shaping the report's direction and depth ensuring a robust policy framework tailored to the unique needs of medium enterprises. Finally, we would also like to acknowledge Ms. Neha Nautiyal, Deputy Secretary, NITI Aayog; Shri Upendra Kumar Gupta, Deputy Advisor, NITI Aayog; Shahid Qayoom, Consultant, NITI Aayog; and Karun Gupta, Young Professional, NITI Aayog, for their valuable insights and continuous support throughout the study. Their expertise and strategic direction have significantly contributed to the depth and relevance of this report. This study reflects the collective efforts of all involved in strengthening the ecosystem for medium enterprises in India.



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MESSAGE

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India's Micro, Small, and Medium Enterprise (MSME) sector is a key driver of the country's economic growth, contributing around 29% to the GDP and accounting for 40% of the export value as of December 2024. While every segment of the MSME ecosystem plays a vital role, medium enterprises—despite making up only 0.3% of the sector—serve as a crucial bridge between small businesses and large corporations. They drive industrial expansion, strengthen supply chains, and foster innovation, boosting India's manufacturing capabilities and global competitiveness. Recognising their importance, government initiatives such as the **Prime Minister's Employment Generation Programme (PMEGP)** and the **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)** have been instrumental in expanding financial access, empowering entrepreneurs, and promoting manufacturing excellence. By facilitating access to credit, supporting technological upgrades, and encouraging skill development, these programs have helped unlock the sector's full potential, enabling MSMEs to remain a cornerstone of India's economic transformation and self-reliance.

While small enterprises often spark innovation at the grass roots level, medium enterprises have the scale and capacity to drive large-scale employment, boost exports, and significantly contribute to GDP growth. At this juncture, addressing the unique needs of medium enterprises is essential for their continued success. The recent study, "**Designing a Policy for Medium Enterprises**", highlights the need for targeted interventions to further empower this segment. It recommends expanding access to working capital, streamlining financing mechanisms, and promoting the adoption of advanced technologies to enhance productivity. Strengthening research and development (R&D) capabilities, building a skilled workforce through vocational training, and raising awareness of government schemes via a centralised digital portal are also critical. These measures offer a strategic roadmap to enhance the competitiveness of medium enterprises, driving sustainable growth and positioning them as global economic powerhouses.

Looking ahead, medium enterprises hold immense potential to shape India's economic future. By equipping them with the right resources, policies, and support systems, India can unlock a new wave of innovation, industrial growth, and economic dynamism. As these enterprises flourish, they will not only accelerate the country's development but also inspire a stronger culture of entrepreneurship and self-reliance, benefiting generations to come.

(Suman Bery)

Dated : March 28, 2025





MESSAGE

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MESSAGE

The Micro, Small, and Medium Enterprise (MSME) sector is a cornerstone of India's economy, contributing around 29% to the nation's GDP and 40% to its exports. While all segments of the MSME sector play a vital role, medium enterprises that constitute a mere 0.3% of the sector, are particularly instrumental in bridging the gap between small businesses and large corporations. These enterprises are key drivers of employment, exports, innovation and ultimately GDP, and their capacity for innovation and growth is immense.

With numerous initiatives already supporting the MSME sector, this study, "Designing a Policy for Medium Enterprises", highlights the exciting opportunity to introduce tailored interventions that further empower medium enterprises to reach their full potential.

The recommendations outlined in this study which include ensuring access to adequate working capital, improve efficiency by integrating technology in the business, fostering an R&D innovation ecosystem, ensuring the availability of skilled manpower, and enhancing awareness of government schemes through the creation of a common portal highlight a strategic roadmap for empowering medium enterprises to chart their way to become globally recognized economic powerhouse.

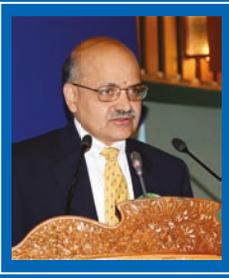
India's journey toward becoming a self-reliant nation begins by unlocking the vast potential of MSMEs. By fostering an environment where medium enterprises can thrive, we can empower them to lead the charge in driving economic growth and positioning India as a global leader in innovation and competitiveness. Strengthening medium enterprises will not only enhance their contribution to the economy but also ensure India remains at the forefront of global progress.

New Delhi
24.02.2025


(Dr. V.K. Saraswat)



एक कदम स्वच्छता की ओर



MESSAGE

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MESSAGE

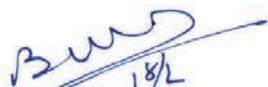
The MSME sector is the backbone of India's economy, contributing significantly to GDP, innovation, exports and employment. Recognizing the importance of this sector, the Government has launched several initiatives to nurture its growth and resilience. Key programs such as PMEGP (Prime Minister's Employment Generation Programme) and CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) have played a pivotal role in providing financial support and facilitating access to credit for MSMEs and spurred manufacturing innovation. The Udyam Registration Portal has streamlined business registration processes, while initiatives like ZED Certification and the RAMP program are enhancing technological upgradation and competitiveness.

Medium Enterprises, the smallest subset of MSMEs accounting for less than 1% of MSMEs, have unique requirements that differ from those of micro and small enterprises, from tailored financing to specialized infrastructure and marketing opportunities to scale their operations globally. These enterprises are the future large enterprises and possess the potential to significantly boost India's economic growth further by generating quality jobs and driving exports. This study is a crucial step towards unlocking that immense potential.

Looking ahead, medium enterprises hold the key to India's future growth and global competitiveness. By empowering these businesses with the right resources and policies if needed, we can unlock a new wave of innovation and economic dynamism. As medium enterprises thrive, they will not only accelerate India's already growing economic trajectory but also inspire a culture of entrepreneurship and self-reliance that will benefit generations to come.

I compliment the Industry & Foreign Investment Division team, led by Shri Ishtiyaque Ahmed, and ASCI for bringing out this excellent contribution to government policy-making for medium enterprises.

Dated: 18th February, 2025


[B.V.R. Subrahmanyam]





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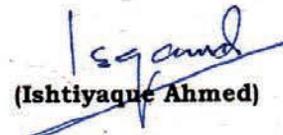
In the landscape of India's economic evolution, medium enterprises stand as pivotal engines of transformation. While small enterprises spark innovation and act as the foundation, medium enterprises possess the unique capacity to generate large-scale employment, substantially increase exports, and significantly bolster the GDP of the country.

At this critical juncture, understanding the distinct needs of medium enterprises is not just important, but also imperative for ensuring their continued success and sustained growth. These enterprises, often transitioning from small-scale operations, face a unique set of challenges and opportunities that require targeted support and attention. Recognizing and addressing these specific needs is key to unlocking their full potential and propelling India towards its economic goals.

This study emerges as both timely and critical, laying the groundwork for a more supportive policy environment tailored to medium enterprises. To ensure accuracy and relevance, this research adopts a mixed-method approach. Primary data is gathered through extensive consultations with key stakeholders, including visionary entrepreneurs, seasoned industry leaders, proactive government agencies, and strategic policymakers. This direct engagement provides invaluable insights into the real-world challenges and opportunities faced by medium enterprises. Complementing this primary research is a thorough secondary data analysis, examining the existing policy landscape, global best practices, current state of affairs, and potential avenues for medium enterprise advancement. This blend of primary and secondary data ensures that the resulting recommendations are not only grounded in practical experience but also informed by proven strategies.

I extend my heartfelt gratitude to Hon'ble Vice Chairman NITI Aayog Shri Suman Bery, Hon'ble Member NITI Aayog Dr. V. K. Saraswat and CEO NITI Aayog Shri B.V.R. Subrahmanyam for their continuous guidance provided during the course this study. I also complement Administrative Staff College of India and their dedicated team undertaking and completing this important work.

I am confident that through the collective efforts of all stakeholders Government, Industry and Entrepreneurs – medium enterprises will not only thrive but will also become powerful catalysts in India's journey toward becoming a global economic powerhouse.


(Ishtiyaque Ahmed)



एक कदम स्वच्छता की ओर

LIST OF ABBREVIATIONS

ASPIRE	A Scheme for Promotion of Innovation, Rural Industries & Entrepreneurship
ATI	Assistance to Training Institutions
CVY	Coir Vikas Yojana
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
ESDP	Entrepreneurship and Skill Development Programme
EU	European Union
GDP	Gross Domestic Product
GoI	Government of India
IC	International Cooperation Scheme
IoT	Internet of Things
KGVI	Khadi Gramoday Vikas Yojana
ME	Medium Enterprises
MSE	Micro and Small Enterprises
MSE-CDP	Micro and Small Enterprises-Cluster Development Programme
MSME	Micro, Small and Medium Enterprises
MoMSME	Ministry of MSME
PMEGP	Prime Minister's Employment Generation Programme
PMS	Procurement and Marketing Support
RAMP	Raising and Accelerating MSME Performance
R&D	Research & Development
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SME	Small and Medium Enterprise
SRI Fund	Self-Reliant India (SRI) Fund
TCs	Technology Centres

LIST OF TABLES

Table 1.1:	Classification of the MSME Units.....	2
Table 1.2:	Funds Allocated during 2022-23 to Schemes for Medium Enterprises.....	8
Table 2.1:	Classification of MSMEs Based on Turnover.....	12
Table 2.2:	R&D Expenditure Per Unit by MSME Categories (INR crore).....	15
Table 3.1:	Priority sectors at 6 FGD locations.....	25
Table 4.1:	Snapshot of support not provided to Medium Enterprises.....	59
Table 5.1:	International Best Practices for Technology Adoption.....	68
Table 5.2:	International Best Practices for Addressing Skill Gap.....	71
Table 5.3:	International Best Practices for Promoting Innovation.....	72
Table 5.4:	International Best Practices for Access to Working Capital.....	73
Table 6.1:	Sector-Specific Concentration of MSMEs in Six States.....	84
Table 6.2:	The comparison between proposed portal and existing portal of MSMEs ..	92

LIST OF FIGURES

Figure 1.1:	Percentage Share of MSME Unit.....	3
Figure 1.2:	Activity Wise MSME Registrations.....	3
Figure 1.3:	Contribution of MSMEs in GDP for the Last Three Years.....	3
Figure 1.4:	Employment per Unit of MSME.....	4
Figure 1.5:	Percentage share of Export by MSMEs in All India Export.....	4
Figure 1.6:	Exports by Registered MSMEs.....	5
Figure 2.1:	Classification of Enterprises as per the analysis.....	13
Figure 2.2:	MSMEs Export Contribution (USD million).....	13
Figure 2.3:	Average Ratio of (ForEx Income/Entity).....	14
Figure 2.4:	Category-wise R&D Expenditure Per Unit.....	15
Figure 2.5:	Employment Distribution in MSMEs.....	16
Figure 2.6:	Profit to Capital Investment Ratios by Sectors.....	18
Figure 3.1:	Awareness of portals.....	26
Figure 3.2:	Access to technology.....	28
Figure 3.3:	Technology Adoption Rate.....	28
Figure 3.4:	Access to training program and their relevance.....	30
Figure 3.5:	Availability of skilled labour (%).....	30

Figure 3.6:	Inputs from stakeholders - on - improving ease of doing business.....	32
Figure 3.7:	Innovation Index.....	36
Figure 3.8:	Funding Pattern of Medium Enterprises.....	37
Figure 3.9:	Credit Demand Vs Supply in Medium Enterprises.....	38
Figure 3.10:	Stakeholders input on land related issues.....	39
Figure 4.1:	Percentage Distribution of Funds Allocated Under Each Scheme.....	42

PREFACE

The Micro, Small, and Medium Enterprises (MSME) sector is a cornerstone of India's economy, significantly contributing to GDP, exports, and employment generation. Among these, medium enterprises play a critical role, in the manufacturing and service sector, where they drive industrial growth, innovation, and global competitiveness. Despite their immense potential, medium enterprises face challenges such as limited access to finance, inadequate technological integration, and a lack of tailored policy support. While various government schemes exist for the MSME sector, only a few specifically address the unique needs of medium enterprises. Bridging this gap through targeted policy interventions can enhance their scalability, sustainability, and competitiveness in the global market. Recognizing their importance, this report, *Designing a Policy for Medium Enterprises*, seeks to explore the challenges and opportunities within this sector while proposing a comprehensive policy framework to support its growth.

The study aims to address gaps in the current policy landscape and identify measures to enhance the competitiveness, sustainability, and scalability of medium enterprises in India. Through extensive research, stakeholder consultations, and data analysis, this report presents recommendations to foster a conducive business environment for medium enterprises. The report brings together insights from government agencies, industry bodies, and financial institutions to ensure that the proposed policy framework is well-grounded in the realities of the sector. It examines existing policies while integrating global best practices to provide a comprehensive roadmap for strengthening the medium enterprise ecosystem in India.

As part of the consultation process, discussions were held with officials from the Ministry of Micro, Small & Medium Enterprises (MoMSME) to gain insights into existing policies and regulatory frameworks. Shri S.C.L. Das, Secretary of MoMSME, provided invaluable support and insightful feedback on this report. Other key officials of MoMSME who contributed include Dr. Rajneesh (AS & DC); Shri Vipul Goel (JS-ARI); Ms. Mercy Epao (JS-SME); Ms. Sudha Keshari (ADC); Dr. Ishita Ganguli Tripathy (ADC); Shri Bharat Prakash (JDC); Ms. Rukmani Attri (JDC); Shri Arun G. (Director); Shri Sunil Kumar Newar (Joint Director); Shri Amit Kumar Tamaria (Joint Director); and Shri O P Singh (Deputy Director). Their perspectives on policy implementation, sectoral challenges, and potential reforms were instrumental in shaping the recommendations.

In addition to government consultations, discussions were also held with key industry stakeholders to incorporate their perspectives on the needs and challenges faced by medium enterprises. Inputs were gathered from senior officials and experts from the Federation of Telangana Chambers of Commerce and Industry (FTCCI), Indian Industries Association (IIA), World Trade Centre (WTC), Association of Lady Entrepreneurs of India (ALEAP), Industry Development Council (IDC), Industry, Commerce & Export Promotion Department of the Government of Telangana, Maharashtra Small Scale Industries Development Corporation (MSSIDC), Department of MSME & Export Promotion of the Government of Uttar Pradesh, Small Industries Development Bank of India (SIDBI), and other banking institutions. Additionally, the team engaged with the management, CEOs,

and representatives of various MSMEs to ensure that first hand industry insights were incorporated into the policy framework.

Drawing upon the findings of extensive research and stakeholder consultations, this report identifies the critical challenges facing medium enterprises in India and explores opportunities to enhance their growth and competitiveness. It highlights key intervention areas, including access to finance, technology adoption, and market linkages. Furthermore, the report provides detailed policy recommendations with action points across multiple domains, such as financial initiatives, skill development, infrastructure development, technology upgradation, and institutional support for R&D initiatives. It is expected to serve as a comprehensive guiding document for policymakers, industry leaders, and other stakeholders, fostering a robust ecosystem that enables medium enterprises to thrive and contribute significantly to India's economic progress. With the right policy interventions, this sector can significantly contribute to economic growth, job creation, and technological innovation. With this report, we aspire to initiate a meaningful dialogue on the future of medium enterprises and pave the way for their sustained growth and success.

EXECUTIVE SUMMARY

The Micro, Small, and Medium Enterprises (MSME) sector in India plays a crucial role in the country's economic landscape, contributing approximately **29%** to the nation's **GDP**, **40%** to total **exports**, and employing over **60%** of the **workforce**. MSMEs cater to the demand for a wide variety of products, with the sector producing 6,000 distinct items. The sector remains largely dominated by micro enterprises, which constitute 97% of the registered MSMEs, followed by Small Enterprises (2.7%) and medium enterprises (0.3%).

Medium enterprises are vital contributors to India's GDP, particularly within the manufacturing sector. In addition, they contribute **40% of MSME export income**, and **are more innovation driven than small and micro enterprises**.

Despite immense potential and strengths, medium enterprises need certain interventions to unlock their full potential. These include **improved access to working capital, technology integration in business operations, availability of a conducive R&D innovation ecosystem, availability of skilled manpower, and better awareness of schemes**. To address these needs, the Government of India has been implementing a wide array of schemes aimed at supporting MSMEs. However, only a small proportion of these initiatives are tailored specifically for medium enterprises. If targeted interventions are made in this direction, it will augment the ability of Medium Enterprises to scale and compete in the global market.

Through this report, we aim to design a policy framework that addresses the specific needs of medium enterprises by analysing existing opportunities and reviewing international best practices. Each recommendation focuses on areas identified for improvement, ensuring a targeted and effective approach.

1. TAILORED FINANCIAL INITIATIVES FOR MEDIUM ENTERPRISES

Medium enterprises typically have significantly higher capital requirements than micro and small enterprises. There is currently no dedicated scheme for addressing the working capital needs of medium enterprises. A dedicated financing scheme under the Ministry of MSME is proposed allowing Medium Enterprises to apply for loan at concessional rates at their local retail banks and receive fast track decisions. Loan up to a certain percentage of revenue, depending upon the sector of the unit (i.e. manufacturing or service), capped at Rs. 25 crores, with a maximum of Rs. 5 crores per request, can be availed. Introduce a credit card with a pre-approved limit of up to ₹5 crore for medium enterprises, aligned with market rate of interest. The implementation can be handled by MoMSME in collaboration with other ministries.

2. TECHNOLOGY INTEGRATION IN BUSINESS OPERATIONS

Medium enterprises have enormous scope of incorporating advanced technologies into their operations. It is proposed to leverage the existing Technology Centres (TCs) under the Ministry of MSME and revamp them into "India SME 4.0 Competence Centres".

New TCs can be designed to act as competence centres that will cater to various industries, including General Engineering, Fragrance and Flavour, Electronics Systems Design and Manufacturing (ESDM), Sports, and other sectors based on regional and industry-specific demands. The integration will ensure these centres become innovation hubs for MSMEs, equipping them with the tools and knowledge needed to adopt Industry 4.0 technologies.

3. R&D PROMOTION FOR MEDIUM ENTERPRISES

Being more export orientated and having larger presence in manufacturing sector, investment in R&D is a compulsion rather than a choice for the medium enterprises. A dedicated cell focused on promoting technology development and R&D activities within the MSME sector may be created for fostering coordinated efforts. Identify cluster specific R&D projects of National Importance, adopt EU type funding mechanism in which the government after due process will identify a set of major R&D gaps and invite proposal from the Medium Enterprises to bridge those gaps. and create a three-tier mechanism of managing the funding process. At the apex level there could be an “Expert Committee” consisting of expert bodies that will chalk out the research agenda for the near future and for the long-term future. Below this can be a “Research Funding Management Committee” that will call for R&D proposals from medium enterprises based on identified gaps. And finally the “Project Review and Monitoring Committee” will monitor the performance and progress of these R&D initiatives. The existing financing under Self-Reliant India Fund may be utilized by reserving a certain portion for focusing exclusively on financing Medium Enterprise projects in this regard. This intervention may be supported by ministries/Agencies decided by Ministry of MSME.

4. ENHANCING MSE-CDP: INTEGRATING CLUSTER-WISE TESTING FACILITIES FOR MEDIUM ENTERPRISES

Cluster-wise testing facilities are crucial for medium enterprises in India because they enable easier access to quality assurance, product certification, and regulatory compliance, especially in sectors like manufacturing, pharmaceuticals, and textiles. Currently, the MSE-CDP focuses on micro and small enterprises only. Extending the scheme to include medium enterprises through the establishment of cluster-based testing facilities aligns with the scheme’s core objective of fostering collective growth. First step should be identifying the predominant sectors in each state and then investigate to determine the concentration of Medium Enterprises within those sectors. Once the sectoral concentrations are identified, the next logical step is to establish cluster wise testing facilities as a core component of MSE-CDP.

5. CUSTOMIZED SKILL DEVELOPMENT INITIATIVES FOR MEDIUM ENTERPRISES

Medium Enterprises require continuous upskilling to remain competitive, especially in sectors like manufacturing, IT, and services. It is proposed to map the skill requirements of Medium Enterprises, focus on specific skills and regional clusters to identify unique requirements of Medium Enterprises, and provide customized skill development courses. The three components of the ESDP Scheme—Entrepreneurship cum Skill Development Programme (E-SDP), a six-week training programme; the One Week Advanced ESDP programmes; and the One Week Advanced MDP Training Programmes can be

expanded to incorporate skill development initiatives tailored for medium enterprises. Ministry of Skill Development and Entrepreneurship may play a pivotal role in implementing the changes. Design export-oriented curriculum for Medium Enterprises including sustainable products and lifecycle-specific programs to address different growth stages of medium enterprises.

6. CENTRALIZED PORTAL FOR MEDIUM ENTERPRISES

Medium Enterprises need timely access to relevant information about government programs, compliance requirements, and financial assistance. The creation of a centralized, user-friendly, and credible platform as a sub-portal of the Udyam Portal specifically designed for Medium Enterprises, will help them in accessing information, applications, and support schemes tailored specifically for them. The sub-portal should have three modules: Basic information module, Process module, and Market research module. Overall, the potential of Medium Enterprises to drive India's economic growth, innovation, and employment generation is largely underutilized. The focus of our recommendations has been to optimize the existing policy framework and initiatives, ensuring they better cater to the unique needs of Medium Enterprises instead of proposing additional schemes, which could lead to redundancy and fragmentation. With a strategic and coordinated approach, the growth trajectory of Medium Enterprises can be accelerated, enabling them to emerge as a pillar of India's industrial ecosystem and a key driver of the nation's long-term economic resilience.



1



INDIA'S MSME LANDSCAPE: AN OVERVIEW

CHAPTER I

INDIA'S MSME LANDSCAPE: AN OVERVIEW

The Micro, Small, and Medium Enterprises (MSME) sector in India is characterized by diverse range of businesses that vary in size, technological capability, and employment generation. The sector's significance is underscored by its contribution of nearly 29%¹ to the country's GDP, 40%² to total exports and employing more than 60%³ of the nation's workforce. With the capacity to produce 6,000 distinct products, MSMEs play a pivotal role in catering to the demand for mass consumption goods. Given its strategic importance, the MSME sector has the potential to serve as an engine of economic growth, provided it is supported by a conducive policy environment and targeted developmental initiatives.

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 of Government of India, a classification came into effect on 1st July, 2020, based on investment in plant and machinery and turnover. A revised classification has come into effect from April 1, 2025, as per the Ministry of MSME's Notification S.O. No. 1364(E) dated March 21, 2025.

Table 1.1. Classification of the MSME Units

Enterprise	Earlier classification (July 2020)		Revised Classification (April 2025)	
	Investment in plant and machinery	Turnover	Investment in plant and machinery	Turnover
Micro	Not exceeding Rs. 1 crore.	Not exceeding Rs. 5 crores.	Not exceeding Rs. 2.5 crore.	Not exceeding Rs. 10 crore.
Small	Not exceeding Rs. 10 crores.	Not exceeding Rs. 50 crores.	Not exceeding Rs. 25 crores.	Not exceeding Rs. 100 crores.
Medium	Not exceeding Rs 50 crores.	Not exceeding Rs. 250 crores.	Not exceeding Rs 125 crores.	Not exceeding Rs 500 crores.

This report is based on the earlier classification of Micro, Small and Medium Enterprises (MSMEs) as applicable at the time of data collection and analysis.

There are approximately 6 crore⁴ unincorporated non-agricultural MSMEs (excluding construction) in the country engaged in different economic activities. Only 3.35 crore of these MSMEs are registered on the Udyam Registration Portal. Another 2.55 crore micro

1 Source: Press Information Bureau (11 December 2023)

2 Source: Data Dissemination Portal of Directorate General of Commercial Intelligence and Statistics (DGCIS)

3 Source: Report by McKinsey Global Institute (MGI)

4 As per the latest National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation

and tiny enterprises are registered on the Udyam Assist Platform. **97% of registered MSMEs are micro enterprises**⁵.

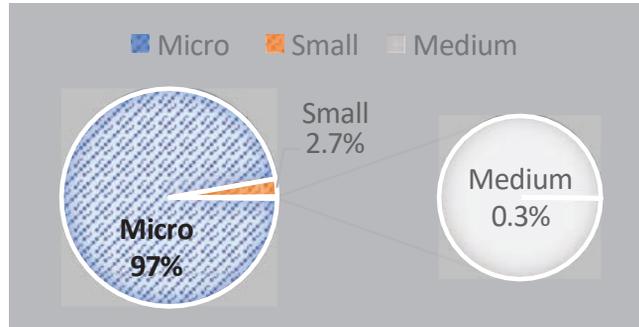


Figure 1.1: Percentage Share of MSME Unit

Out of 2.95 crore registered MSMEs, 72% are engaged in the service sector and remaining 28% in manufacturing sector⁶.

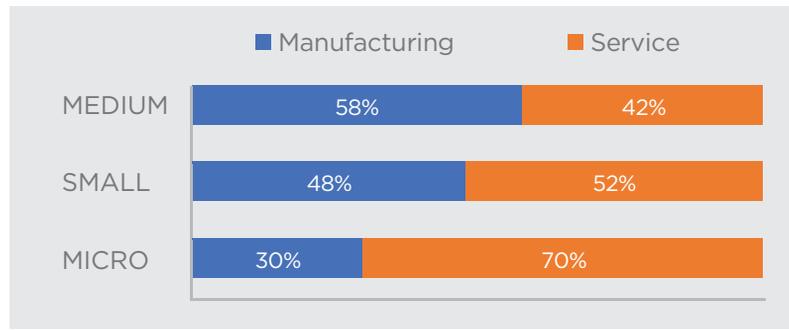


Figure 1.2: Activity Wise MSME Registrations

MSMEs, contribute approx. 29%⁷ to India’s Gross Domestic Product (GDP), playing a crucial role in driving economic growth.

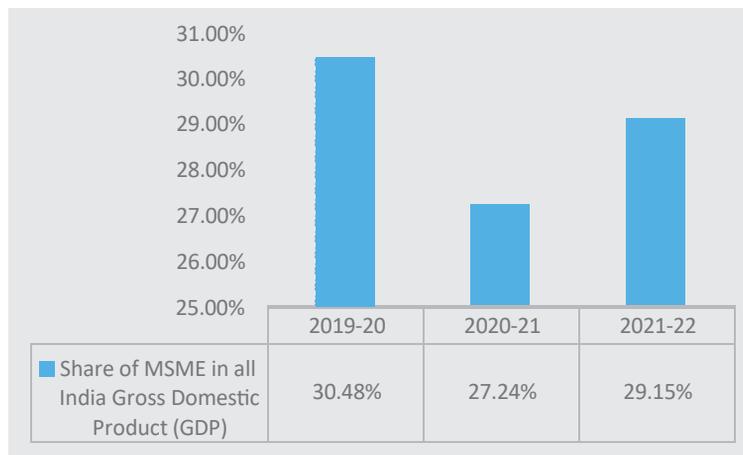


Figure 1.3: Contribution of MSMEs in GDP for the Last Three Years

5 Source: Udyam Registration Portal

6 MSME Annual Report 2023-24

7 This represents the total value added by MSMEs (Gross Value Added) in the production of goods and services. It measures the contribution of MSMEs to the economy after accounting for the costs of inputs and raw materials. Source: Press Information Bureau (11 December 2023)

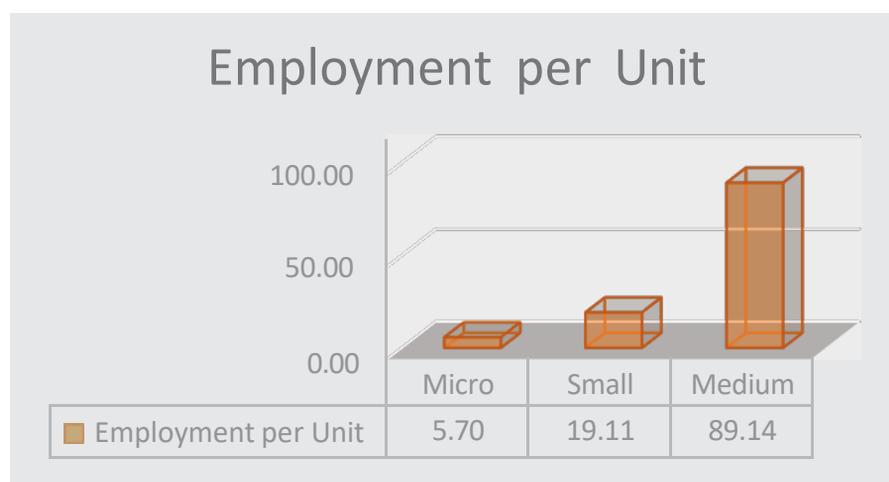


Figure 1.4: Employment per Unit of MSME

MSME sector employs 62%⁸ of the country's workforce. The sector generates employment for 18.36 crore⁹ people including approximately 5 crore women. The Micro Enterprises comprise about 89% of total MSME employment in 2024. Medium Enterprises contributed 3% to the total MSME employment in 2023-24. **However, per unit employment generated by Medium Enterprise is 89.14.**

MSMEs' share in the country's export is about 40%¹⁰. However, only 1.36% of registered MSMEs export¹¹—out of which 64% units have export turnover less than Rs. 1 crore. While micro & small enterprises make up most exporting units (91%), their contribution to the total export value is 60% of total MSME exports. **While Medium Enterprises comprise 9% of exporting units that contribute to 40% of MSME exports.**

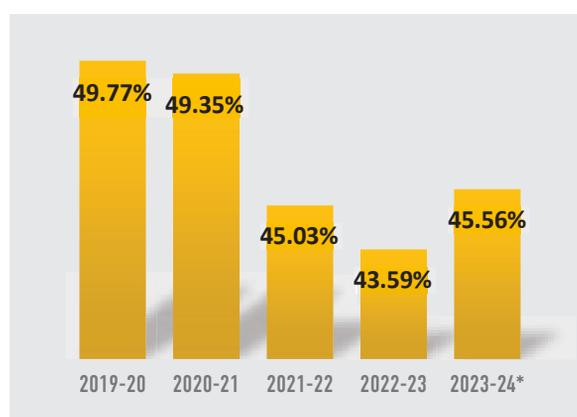


Figure 1.5: Percentage share of Export by MSMEs in All India Export

8 Report by McKinsey Global Institute (MGI)

9 Source: Udyam Registration Portal

10 Source: Data Dissemination Portal of Directorate General of Commercial Intelligence and Statistics (DGCIS)

11 EXIM Report 2023



Figure 1.6: Exports by Registered MSMEs

The MSME sector has long been recognized as the backbone of the economy. In view of this, the Government of India has implemented a robust array of initiatives aimed at bolstering the sector, recognizing its pivotal role in the economy. **These efforts range from financial support, skill development and training programmes, quality upgradation and procurement policies to capacity building and market integration.**

BOX 1.1: BUDGET 2023-24 INSIGHTS

Budget 2023-24 announced to revamp the credit guarantee scheme for MSMEs, adding Rs. 9,000 crores to the corpus, enabling Rs. 2 lakh crores in collateral-free credit and reducing borrowing costs by 1%. Additionally, Government support for the sector has significantly increased, with the MoMSME’s spending rising to Rs. 23,583.90 crore in FY23, a 260% increase from FY19. The Interim Budget 2024-25 introduced a Rs. 1 lakh crore corpus for 50-year interest-free loans to boost R&D in emerging sectors. These measures, along with a Rs. 22,137.95 crore allocation in the Interim Budget 2024 for new clusters and technology centers, underscore the government’s focus on strengthening the MSME sector.

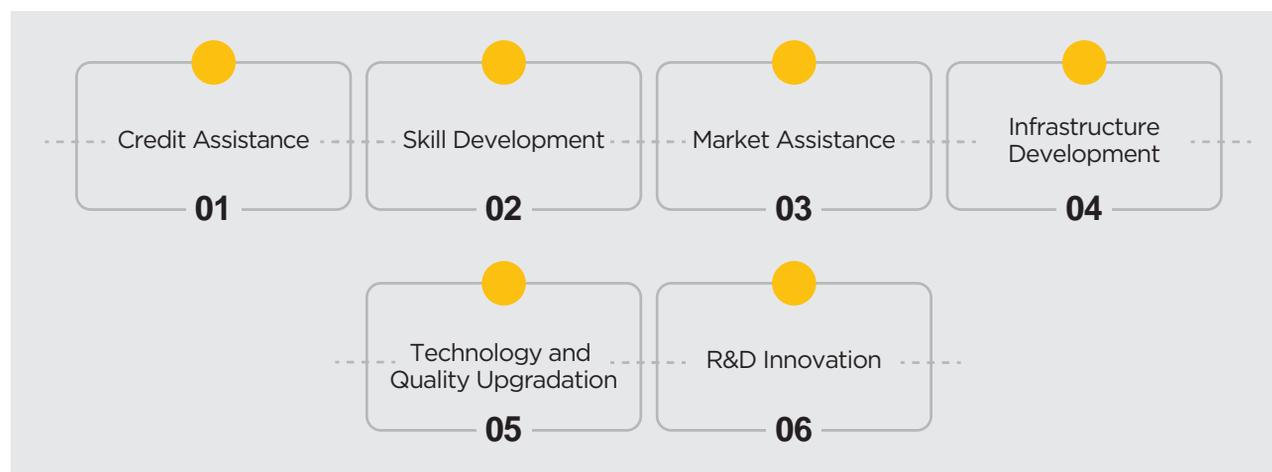
The Ministry of MSME alone has announced 18 schemes¹² for MSMEs, while several other ministries also offer schemes tailored to support MSMEs. In addition to these Central schemes, State governments have introduced their own programs to further support MSMEs. Maharashtra has the highest number of MSMEs in the country¹³, accounting for 16.5% of the total, followed by Tamil Nadu (9.8%), Uttar Pradesh (9.5%), Rajasthan (7.1%), and Gujarat (7.1%). Each of these states have their own MSME programs ranging from 8

12 Source: MSME Booklet 2024

13 As per Udyam Registration Dashboard (https://dashboard.msme.gov.in/Udyam_Statewise.aspx)

to 15 schemes across each state. **Across various ministries and states, there are over 250 schemes available for MSMEs. (For the list of schemes, refer to Annexure II).**

These schemes cater to one or more key areas, including:



Snapshot of Ministry of MSME Schemes:

Scheme Name	Funds Allocated (2022-23) Rs. (Crores)
Self-Reliant India (SRI) Fund is a Fund of Funds (FoF) scheme that involves investing in daughter funds managed by professional investment firms, which in turn, provide growth capital to promising MSMEs. <i>This scheme is available to Medium Enterprises.</i>	392.78
International Cooperation Scheme provides international marketing opportunities to MSMEs by providing financial assistance on reimbursement basis for airfare, space rent, freight charges, etc. <i>This scheme is available to Medium Enterprises.</i>	11.28
Entrepreneurship and Skill Development Programme (ESDP) provides training and development to youth of the country in order to motivate them to consider self-employment or entrepreneurship as one of the career options. <i>This scheme is available to Medium Enterprises.</i>	80 (Budget Estimate)
Assistance to Training Institutions (ATI) Scheme strengthens the capacity of training institutions. <i>This scheme is available to Medium Enterprises.</i>	21.99
Technology Centres (TCs) focus on supporting industries to train and support first-generation entrepreneurs. <i>This scheme is available to Medium Enterprises.</i>	100 (Budget Estimate)
Promotion of MSME in NER provides financial support for enhancing the productivity and competitiveness as well as capacity building of MSMEs in the NER and Sikkim. <i>This scheme is available to Medium Enterprises.</i>	50 (Budget Estimate)

Scheme Name	Funds Allocated (2022-23) Rs. (Crores)
<p>Raising and Accelerating MSME Performance (RAMP) scheme backed by the World Bank, boosts MSME performance through state-prepared Strategic Investment Plans (SIPs). Grants support projects to enhance innovation, market access, and infrastructure.</p> <p><i>This scheme is available to Medium Enterprises.</i></p>	269.38
<p>MSME Champions objective is to modernize the processes, reduce wastages, sharpen business competitiveness consists of MSMEs through three sub-components-MSME- Sustainable (ZED), MSME-Competitive (Lean) and MSME-Innovative.</p> <p><i>This scheme is available to Medium Enterprises.</i></p>	44.05
<p><i>Prime Minister's Employment Generation Programme (PMEGP) is a unique scheme that focuses on employment generation of unemployed youth. Under the scheme, Margin Money (Subsidy) is provided to individuals availing loan from banks for setting up new enterprises.</i></p> <p><i>This scheme is not available to Medium Enterprises.</i></p>	2733.21
<p>Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) provides collateral-free credit support to Micro and Small Enterprises (MSEs) through a credit guarantee for loans extended by Member Lending Institutions.</p> <p><i>This Fund Trust is not available to Medium Enterprises.</i></p>	<i>This scheme is being revamped</i>
<p>Procurement and Marketing Support (PMS) Scheme supports the marketing activities of MSEs, helping them explore and access new markets.</p> <p><i>This scheme is not available to Medium Enterprises.</i></p>	27.49
<p>Coir Vikas Yojana (CVY) is an Umbrella Scheme being implemented by Coir Board for the Development of Coir Industry all over the Country.</p> <p><i>This scheme is not available to Medium Enterprises.</i></p>	87.14
<p>Khadi Gramoday Vikas Yojana (KGVY) was set up to revive khadi institutions by providing training and skill development, subsidy on raw material procurement and interest subsidy.</p> <p><i>This scheme is not available to Medium Enterprises.</i></p>	344.17
<p>A Scheme for Promotion of Innovation, Rural Industries & Entrepreneurship (ASPIRE)'s main objective is promoting entrepreneurship and employment generation in agro-rural sector with special focus on rural and underserved areas.</p> <p><i>This scheme is not available to Medium Enterprises.</i></p>	4
<p>Scheme of Fund for Regeneration of Traditional Industries (SFURTI) organizes artisans into clusters to provide support for their long-term sustainability.</p> <p><i>This scheme is not available to Medium Enterprises.</i></p>	1.95

Scheme Name	Funds Allocated (2022-23) Rs. (Crores)
Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) was launched for the development of clusters across country for creation of Common Facility Centres (CFCs). <i>This scheme is not available to Medium Enterprises.</i>	150 (Budget Estimate)
National SC-ST Hub is an umbrella scheme set up to provide advisory and business support to SC/ST Entrepreneurs. <i>This scheme is not available to Medium Enterprises.</i>	135
PM Vishwakarma Scheme provides holistic support to artisans and craftspeople including credit support, digitization, and marketing assistance. <i>This scheme is not available to Medium Enterprises.</i>	989.52 (Revised Estimate)

As understood from scheme guidelines, **there are only 8 schemes specifically targeted at Medium Enterprises** and only one of which provides credit support. Most of the schemes are designed to support micro and small enterprises. **Details of each scheme and the components applicable to Medium Enterprises is discussed in depth in Chapter 4.**

This inference of distorted incentive structure is based on data that is available in the public domain. As per the Expenditure Budget published by MoF, the total funds allocated to the MSME sector in the year 2022-23 is approximately Rs. 5,442 Crores out of which 68% of the funds are allocated to only two schemes – PMEGP (50%) and PM Vishwakarma (18%), both of which are not meant for Medium Enterprises. Interestingly, the percentage share of the total funds allocated to schemes that are available for Medium Enterprises is only 17.81%.

Table 1.2. Funds Allocated during 2022-23 to Schemes for Medium Enterprises

Schemes available for Medium Enterprises	Funds Allocated (Rs. in Crores)
MSME Champions	44.05
Raising and Accelerating MSME Performance (RAMP)	269.38
International Cooperation (IC) Scheme	11.28
Entrepreneurship and Skill Development Programme	80
Assistance to Training Institutions (ATI) Scheme	21.99
Technology Centres Scheme	100
Promotion of MSME in NER and SIKKIM	50
Self-Reliant India (SRI) Fund	392.78
<i>Total</i>	969.48
Percentage of Total	17.81%

The rationale behind the heavy focus on micro and small enterprises may be multi-fold:

- **Large chunk of MSME population:** MSEs constitute 99% of the MSME population.
- **Resource Constraints:** MSEs often lack resources and access to formal credit channels, making them more vulnerable compared to medium enterprises.
- **Employment Generation:** MSEs are labor-intensive, providing a significant share of employment in sectors like manufacturing, agriculture, and services.
- **Sustainable Development Goals:** Many international organizations, such as the International Labour Organization (ILO) and World Bank, have long emphasized the role of small businesses in poverty reduction and sustainable development. The Sustainable Development Goals (SDGs) also highlight the importance of supporting micro and small enterprises, aligning government schemes with broader global commitments.
- **Perceived Inclusivity:** Supporting micro and small enterprises is viewed as **pro-poor and inclusive**. Many of these enterprises are owned by marginalized communities, women, or socially disadvantaged groups. Therefore, policies targeting MSEs align with broader goals of **social equity** and **inclusive growth**.

Owing to this rationale, majority of the schemes emphasize training for unemployed youth, credit assistance for setting up micro enterprises, support for domestic marketing and infrastructure, quality certification, international marketing, and sustained credit flow.

While the preferential treatment of MSEs can spur growth and reduce unemployment, the current structure of MSME schemes may lead to distorted incentives. The Economic Survey 2023-24 implications published through Press Information Bureau testifies the same by mentioning that the “**threshold effect**” (i.e., a reluctance to grow beyond certain financial limits) leads to an underutilization of growth potential in India’s industrial ecosystem¹⁴.

The disproportionate support for smaller enterprises might encourage businesses to remain small to continue benefiting from these schemes, thus avoiding natural growth to the medium enterprise category. **This can result in several adverse outcomes:**

1. **Missed Opportunities for Job Creation:** By maintaining micro or small status, enterprises miss out on opportunities to scale up operations, potentially stunting larger employment generation.
2. **Reduced Innovation and Productivity:** Economies of scale often allow for greater innovation and improved operational efficiencies. The existing incentive structure may deter businesses from expanding to achieve such economies, limiting competitiveness and productivity gains.
3. **Weak Global Competitiveness:** Medium enterprises typically possess the potential to scale up and compete internationally, but the lack of targeted support for medium firms may hinder their ability to take advantage of global market opportunities. In contrast, MSEs may remain domestic players, limiting the sector’s contribution to export-driven growth.

14 Economic Survey 2023-24 <https://pib.gov.in/PressReleaseDetail.aspx?PRID=2034922®=3&lang=1>

The current focus of MSME schemes on Micro and Small Enterprises, while important for fostering inclusive growth, may unintentionally hold back the expansion of Medium Enterprises. With less schemes and less funds to support Medium Enterprises, there may be an imbalance that needs to be addressed. A more balanced approach that recognizes the distinct needs of medium enterprises could create a more robust and diversified MSME ecosystem, supporting the overall growth trajectory of the sector and the Indian economy. **This report aims to explore whether a policy intervention to address the challenges faced by the Medium Enterprises is the need of the hour. The next chapter decodes the role of Medium Enterprises in the economy and paves the way to answer this question.**

2



ROLE AND ECONOMIC IMPACT OF MEDIUM ENTERPRISES IN INDIA

CHAPTER 2

ROLE AND ECONOMIC IMPACT OF MEDIUM ENTERPRISES IN INDIA

In this chapter, we have tried to identify the role and economic impact of Medium enterprises in India. The economic impact refers to the influence that the Medium Enterprises have on the economy, particularly through its contribution to, employment generation, export activity and Investment in Research & Development (R&D). By analyzing this parameter, we have tried to understand the overall significance of MEs shaping economic health and sustainability.

Medium Enterprises accounts for only 0.3% of the total MSMEs with a total of 67,923 entities. Out of these, 39,395 (58%) Medium Enterprises are engaged into manufacturing activities, while remaining 42% Medium Enterprises are in service sector¹⁵.

The contribution of MSMEs to India's GDP is substantial, as MSMEs account for about 31.8% of India's Gross Value Added (GVA)¹⁶, translating to approximately \$1.18 trillion USD of India's overall GDP of \$3.7 trillion¹⁷. Specifically, the manufacturing sector accounts for around 13-14% of India's total GDP, amounting to approximately \$481 billion to \$518 billion USD in 2023.

We utilized a sample of **8,686 medium-sized enterprises** (data collected from the ProwessIQ¹⁸) and analysed the contribution of Medium Enterprises in terms of export, R&D investment, employment and profitability.

15 MSME Annual Report 2023-24

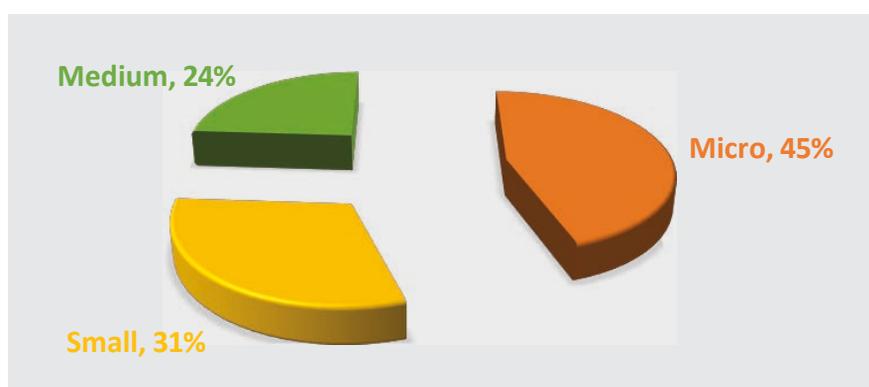
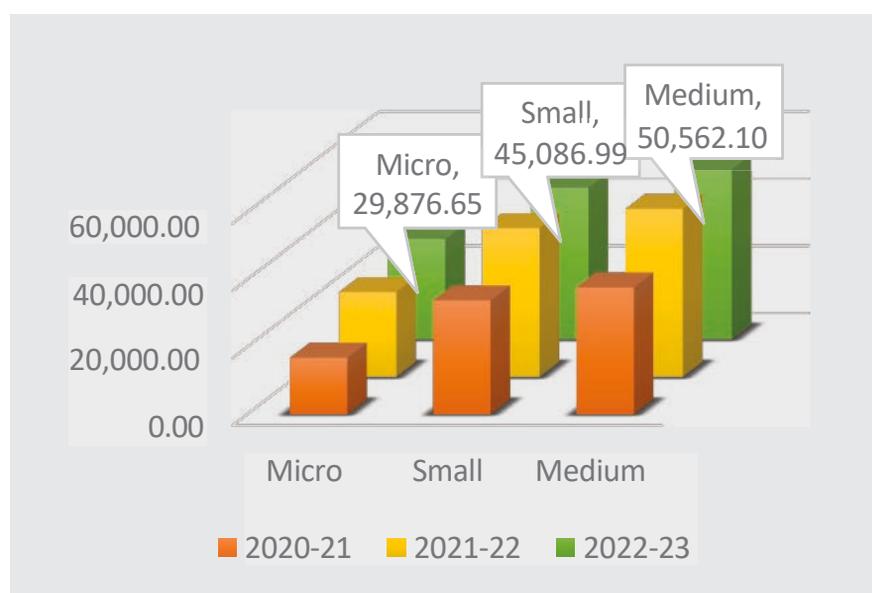
16 Press Information Bureau
<https://www.pib.gov.in/Pressreleaseshare.aspx?PRID=1579757>

17 <https://tradingeconomics.com/india/gdp>

18 The CMIE database developed by the Centre for Monitoring Indian Economy provides financial and operational information on over 55,000 companies across various sectors, including both listed and unlisted firms. This database includes detailed financial statements, stock market data, and insights into company ownership, products, and services, making it a valuable tool for research and analysis. The companies can be classified based on their turnover and capital investment. The companies having turnover between Rs. 50 to 250 crores are considered as medium enterprises.

Table 2.1: Classification of MSMEs Based on Turnover

Classification	Turnover Range (INR Crore)	Investment Range (INR Crore)	No. of Entities
Micro	0 > to ≤ 5	0 > to ≤ 1	16,477
Small	5 > to ≤ 50	1 > to ≤ 10	11,166
Medium	50 > to ≤ 250	10 > to ≤ 50	8,686

**Figure 2.1:** Classification of Enterprises as per the analysis**Figure 2.2:** MSMEs Export Contribution (USD million)

2.1. EXPORT

In FY 2022-23, **Medium Enterprises contributed USD 50,562.1 million to India's forex earnings, accounting for nearly 40% of the total MSME export income**¹⁹ Medium Enterprises are particularly dominant in sectors such as textiles, pharmaceuticals, and auto components, where their export contributions far exceed those of smaller enterprises. For

¹⁹ Source: EXIM Analysis Report 2023

example, in the automotive components sector, Medium Enterprises have pioneered the export of green technologies, contributing significantly to India's growing reputation as a hub for automotive innovation²⁰.

Participation in global supply chains allows Medium Enterprises to increase foreign exchange earnings while contributing to India's overall economic stability²¹. While innovation barriers remain a challenge, the efficiency and export orientation of Medium Enterprises continue to drive their foreign exchange performance²².

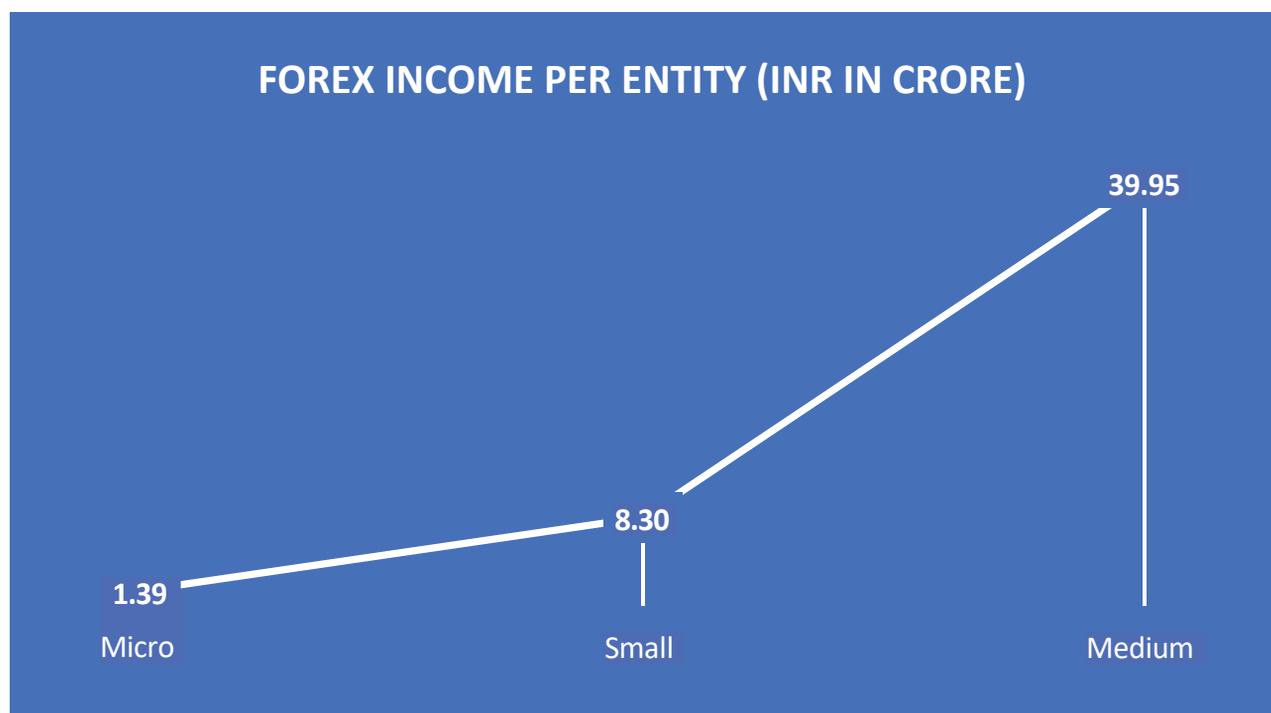


Figure 2.3: Average Ratio of (ForEx Income/Entity)

The analysis shows that on an average **Medium Enterprises generated INR 39.95 crore per entity** in terms of foreign exchange income, compared to INR 1.39 crore for Micro Enterprises and INR 8.30 crore for Small Enterprises²³.

2.2. R&D INVESTMENT

The analysis reveals that **Medium Enterprises contribute 81% of the total R&D investment made by MSMEs**. This enables them to innovate and expand their market share both

20 Venkateswarlu, M. (2011). Role of Micro, Small and Medium Enterprises in Indian Economic Development. *Asian Pacific Journal of Research*, 2(3), 210-223. <https://dx.doi.org/10.15373/2249555X/APR2014/20>

21 Sharma, N. (2014). Barriers to Innovation in Small and Medium Enterprises in India. *SSRN Electronic Journal*. <https://dx.doi.org/10.2139/ssrn.2397991>

22 Uma, R., & Anbuselvi, R. (2023). Role of Micro Small and Medium Enterprises (MSME) in Employment Generation in India. *Shanlax International Journal of Economics*, 11(2), 1-14. <https://dx.doi.org/10.34293/economics.v11i2.5809>

23 Uma, R., & Anbuselvi, R. (2023). Role of Micro Small and Medium Enterprises (MSME) in Employment Generation in India. *Shanlax International Journal of Economics*, 11(2), 1-14. <https://dx.doi.org/10.34293/economics.v11i2.5809>

domestically and globally. Medium Enterprises are more likely to invest in new technologies and processes compared to small and micro enterprises, giving them a competitive advantage²⁴.

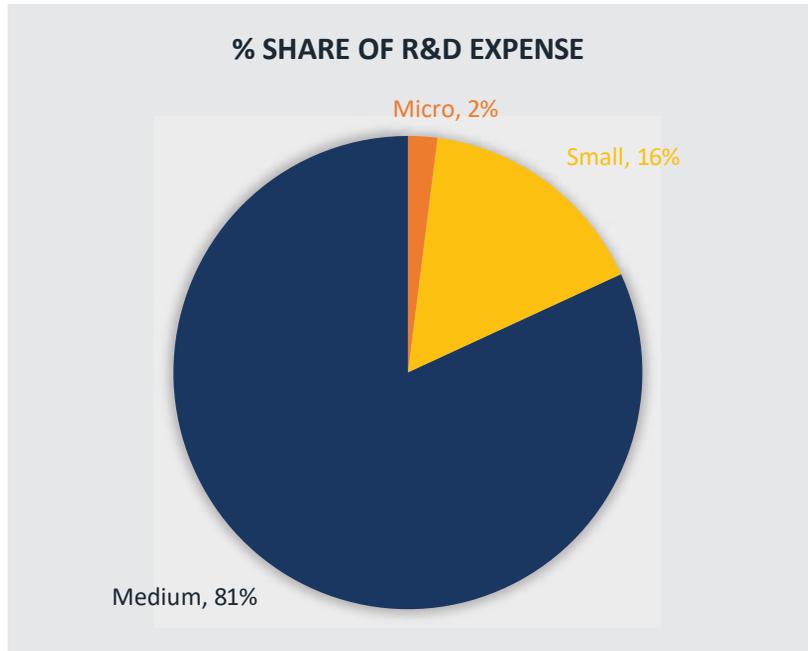


Figure 2.4: Category-wise R&D Expenditure Per Unit

Medium Enterprises play a larger role in fostering technological advancements in sectors such as pharmaceuticals, IT services, and automotive components. R&D focus helps the Medium Enterprises to drive innovation, which in turn enhances their profitability and long-term sustainability^{25, 26}.

The analysis reveals that on average Medium Enterprises spent INR 2.07 crore per entity on R&D, significantly more than Small Enterprises (INR 0.84 crore) and Micro Enterprises (INR 0.73 crore).

Table 2.2: R&D Expenditure Per Unit by MSME Categories (INR crore)

Classification	Per Unit R&D Expense
Micro	0.73
Small	0.84
Medium	2.07

24 Singh, A. K. (2022). A study on the growth and role of SMEs in the Indian economy. *International Journal of Finance, Management & Economics*, 5(2), 114-117. <https://dx.doi.org/10.34293/economics.v1i12.5809>

25 Chandramouli, V. V., & Mahanty, B. (2016). Subcontracting dimensions in the small and medium enterprises: Study of auto components’ manufacturing industry in India. *Proceedings of the Institution of Mechanical Engineers, Part B: Journal of Engineering Manufacture*, 230(2), 345-355. <https://dx.doi.org/10.1177/0954405414565137>

26 Dinesha, P. T., Jayasheela, & Hans, V. (2008). Micro, Small and Medium Enterprises in India: Trends and Challenges. *Indian Journal of Industrial Relations*, 44(2), 123-134. <https://dx.doi.org/10.1177/0970846420080204>

BOX 2.1: CASE – MEDIUM ENTERPRISES ARE LEADERS IN R&D-DRIVEN INNOVATION

In the IT services and automotive sectors, Medium Enterprises like KPIT Technologies have emerged as leaders in R&D-driven innovation. These firms have developed cutting-edge solutions, such as green vehicle technologies, which have enhanced their competitive position globally.

2.3. EMPLOYMENT GENERATION

Medium Enterprises are significant contributors to employment generation in India, particularly in tier-2 and tier-3 cities. These enterprises employ more people per entity compared to Micro and Small Enterprises, thus playing a crucial role in addressing unemployment and fostering regional development.

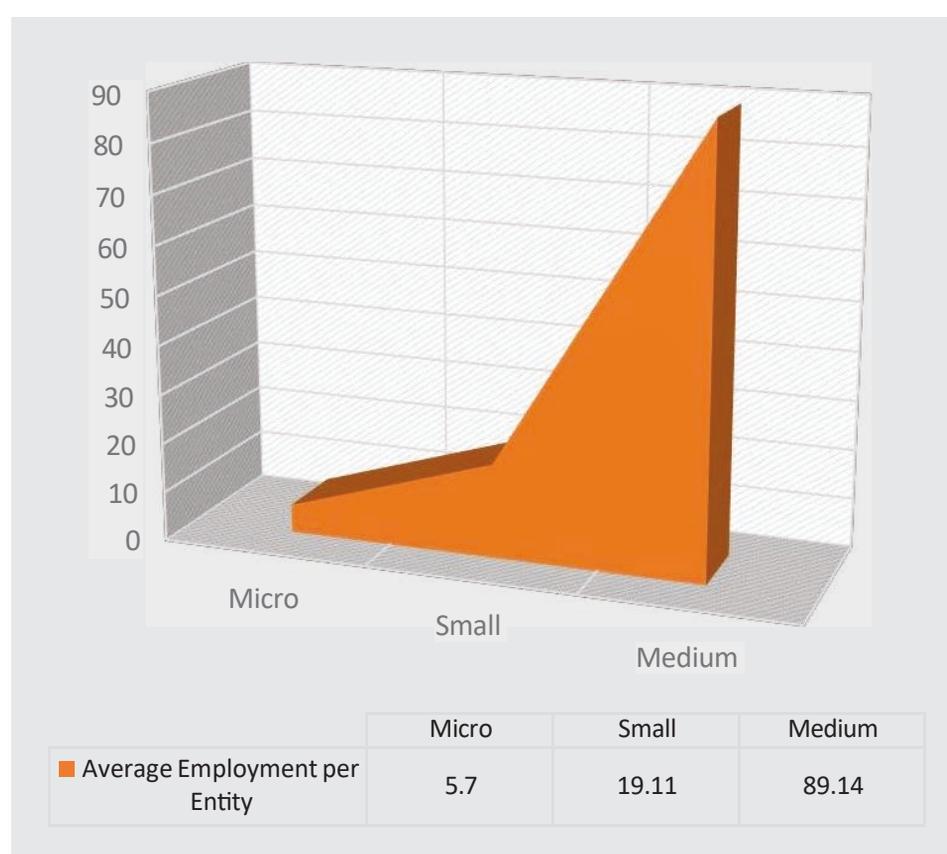


Figure 2.5: Employment Distribution in MSMEs

Medium Enterprises have a higher employment-to-capital ratio. Their presence in both the manufacturing and services sectors provides widespread employment opportunities across less industrialized regions of India²⁷.

Medium Enterprises employ an average of 89.14 people per entity, compared to 19.11 in Small Enterprises and 5.70 in Micro Enterprises. This demonstrates the critical role of Medium Enterprises in reducing unemployment, particularly in rural and semi-urban areas.

BOX 2.2: CASE - MEDIUM ENTERPRISES ARE LEADING JOB CREATORS

In manufacturing sectors such as food processing, textiles, and automotive components, Medium Enterprises are leading job creators. These industries have helped to generate employment in regions that previously lacked industrial infrastructure, contributing significantly to inclusive and balanced economic development²⁸.

2.4. PROFITABILITY

Medium Enterprises have consistently demonstrated **higher profitability ratios** compared to smaller businesses. This is largely due to their ability to make larger capital investments and leverage economies of scale. Medium Enterprises benefit from their capacity to invest in infrastructure, technology, and human resources, leading to improved returns on investment²⁹. The profitability of Medium Enterprises is reflected in higher returns on capital compared to micro and small firms. Their strategic investments in sectors such as manufacturing and technology have not only increased profitability but also enhanced their global competitiveness^{30, 31}.

27 Garima, C., & Singh, G. (2023). A Study on Marketing Aspect of Medium and Small Enterprises. Shanlax International Journal of Economics, 11(2), 1-12. <https://dx.doi.org/10.34293/economics.v11i2.5809>

28 Nayak, S. S., & Mahapatra, P. (2016). FDI in Retail Sector and its impact on MSMEs in India. Journal of Business Management Studies, 5(3), 111-118. <https://dx.doi.org/>

29 <https://financialexpress.com/business/sme-msme-tech-one-third-of-indian-smbms-will-invest-more-in-automation-by-2026-to-tackle-manpower-issues-idc-report-2997664/>

30 Sharma, N. (2014). Distinguishing Sectoral Innovation Behaviour: A Study of SMEs in India. SSRN Electronic Journal. <https://dx.doi.org/10.2139/ssrn.2391928>

31 https://www.business-standard.com/article/sme/return-on-capital-non-corporates-have-an-edge-over-corporates-in-msme-sector-113120901025_1.html

<https://www.emerald.com/insight/content/doi/10.1108/ejmbe-03-2021-0077/full/html>

<https://manufacturing.economictimes.indiatimes.com/news/industry/indian-manufacturers-to-allocate-11-15-pc-of-investments-on-smart-tech-in-2-years-cii/116762184>

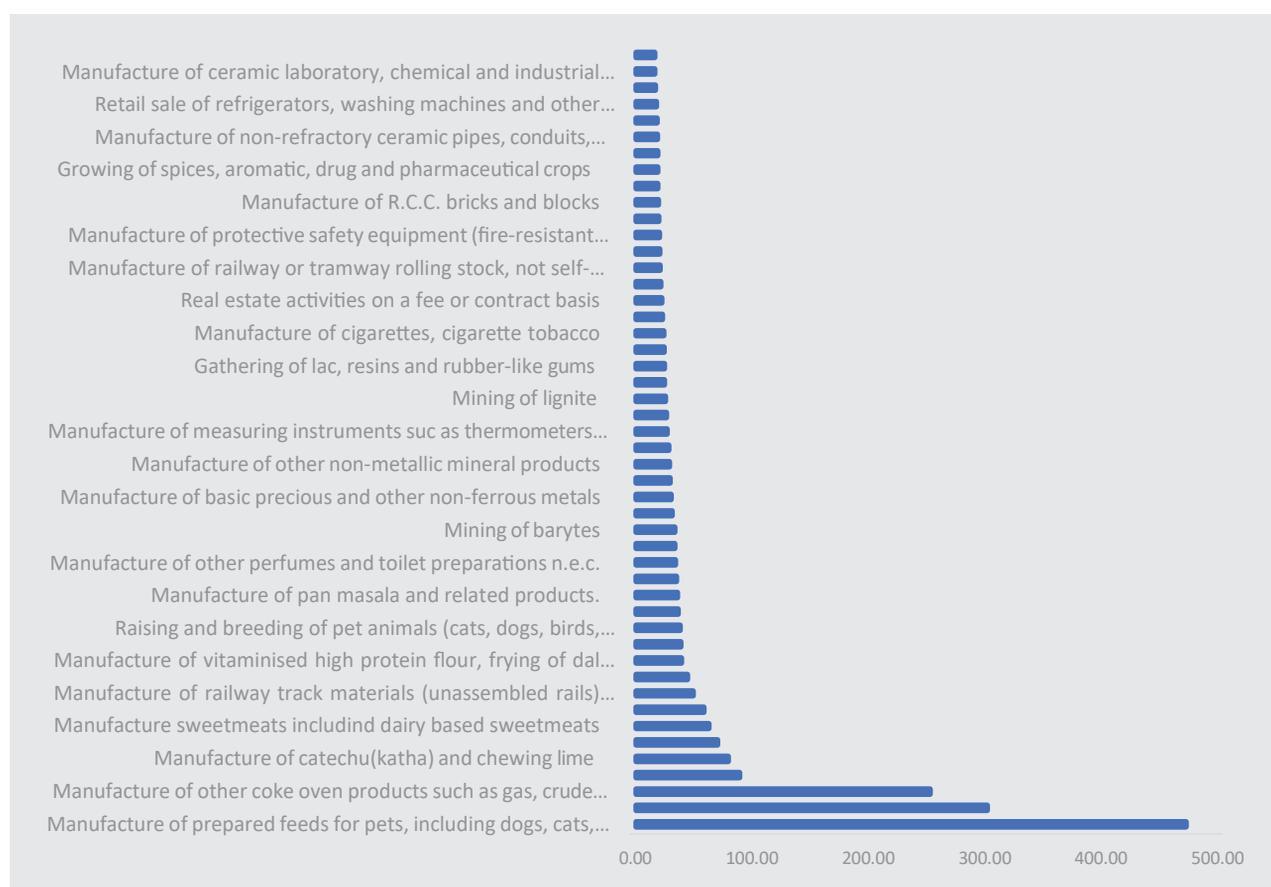


Figure 2.6: Profit to Capital Investment Ratios by Sectors.

Medium Enterprises in sectors such as automotive components, IT services, and pharmaceuticals have consistently outperformed smaller enterprises in terms of profitability. Their capacity to make targeted capital investments in high-growth areas ensures sustained financial performance and long-term competitiveness³². This data analysis and review of previous research reports underscores that Medium Enterprises are key drivers of innovation, employment generation, and export orientation, with a significant focus on manufacturing.

32 Venkateswarlu, M. (2011). Role of Micro, Small and Medium Enterprises in Indian Economic Development. Asian Pacific Journal of Research, 2(3), 210-223. <https://dx.doi.org/10.15373/2249555X/APR2014/20>
<https://www.ceoinsightsindia.com/news/midcap-erd-firms-thrive-in-automotive-sector-nwid-18541.html>

2.5. SCENARIO ANALYSIS

Presently, there are 67,923 MEs registered in Udyam Portal in India. We have analysed, how incremental increases in the number of MEs impact three key parameters: **employment generation, R&D investment, and foreign exchange (forex) income.**

For this analysis, the **Multiplier Effect Methodology (Swaroop, 2021)** is used which assumes that MEs have a direct impact, employment, R&D, and foreign exchange (forex) income. By scaling the contributions per entity based on the new Medium Enterprises count, we can estimate the overall effect.

Contribution of Medium Enterprises (As per our analysis in section 2.1, 2.2 and 2.3)

1. Forex Income per Unit: ₹39.94 crore
2. R&D Investment per Unit: ₹2.07 crore
3. Employment per Unit: 89.14 persons

SCENARIO - 1

10% Increase:

Parameter	Per Unit Value	Current (67,923)	10% Increase (74,715)	Percentage Increase
Forex Income (₹ Crore)	39.94	2712844.62	2984117.1	10.0%
R&D Investment (₹Crore)	2.07	140600.61	154660.05	10.0%
Employment (Persons)	89.14	6054656.22	6660095.1	10.0%

SCENARIO - 2

15% Increase:

Parameter	Per Unit Value	Current (67,923)	15% Increase (78,111)	Percentage Increase
Forex Income (₹ Crore)	39.94	2712844.62	3119753.34	15.0%
R&D Investment (₹Crore)	2.07	140600.61	161689.77	15.0%
Employment (Persons)	89.14	6054656.22	6962814.54	15.0%

SCENARIO - 3

20% Increase:

Parameter	Per Unit Value	Current (67,923)	20% Increase (81,507)	Percentage Increase
Forex Income (₹ Crore)	39.94	27,12,844.62	32,55,389.58	20.0%
R&D Investment (₹Crore)	2.07	1,40,600.61	1,68,719.49	20.0%
Employment (Persons)	89.14	60,54,656.22	72,65,533.98	20.0%

2.6. POTENTIAL LOSS/GAIN FOR THE ECONOMY

1. **Underutilization of Employment Potential:** Under the **20% growth scenario**, approximately **12 Lakh additional jobs** could be created, which are not being realized under the current count of Medium Enterprises. The missed opportunity of providing millions of jobs is critical, especially in areas with higher unemployment rates.
2. **Suboptimal R&D Investment:** The shortfall in the number of Medium Enterprises leads to a significant loss in R&D investment. For example, with the 20% increase in Medium Enterprises, an additional ₹28,118.88 crore could be directed towards R&D, boosting innovation in critical sectors like pharmaceuticals and automotive technology. This would also increase India's Gross Expenditure on R&D (GERD), helping to meet the 2% target set by the Science, Technology, and Innovation (STI) Policy, 2013.
3. **Lower Forex Income:** The gap in forex earnings due to fewer Medium Enterprises severely impacts India's foreign exchange reserves. Under the 20% increase scenario, the country could generate an additional ₹5,42,544.96 crore in forex earnings.

Despite their significant contribution to India's economy, Medium Enterprises face substantial challenges. **Access to finance** remains a key issue, with many Medium Enterprises relying on personal savings due to limited funding options³³. **Inadequate infrastructure**, particularly in rural areas, further constrains their growth, affecting productivity and market access³⁴. Additionally, **regulatory barriers**, including complex compliance requirements, create further

33 Eniola, A. A., & Entebang, H. (2015). Small and Medium Business Management-Financial Sources and Difficulties. *International Journal of Finance Management*.

DOI:10.18052/www.scipress.com/ILSHS.58.49

34 Shinozaki, S. (2014). A new regime of SME finance in emerging Asia: Enhancing access to growth capital and policy implications. *Journal of International Commerce*.

<https://doi.org/10.1142/S1793993314400109>

obstacles for Medium Enterprises, hindering their ability to scale³⁵. The existing regulatory landscape often places an undue burden on Medium Enterprises, limiting their ability to expand and compete with larger firms³⁶. These challenges are compounded by the evolving needs of the global market, where Medium Enterprises **must adapt to new technologies and business models** but often struggle due to insufficient resources³⁷. **Chapter 3 will examine these challenges in detail.**

35 MSME Financing-Key Issues and Solutions. (2016). Resurgent India.

<https://www.resurgentindia.com/pdf/1868771320Innovative%20Financial%20Solutions%20for%20MSMEs.pdf>

36 Roy, A., Sekhar, C. & Vyas, V. Barriers to internationalization: A study of small and medium enterprises in India. *J Int Entrep* 14, 513-538 (2016). <https://doi.org/10.1007/s10843-016-0187-7>

37 i. Alwabel, Rakan & Chaudhary, Arslan & Lazab, Lahcene. (2024). Digital Transformation in Small and Medium Enterprises (SMEs): Challenges, Opportunities, and Future Directions. https://www.researchgate.net/publication/386375382_Digital_Transformation_in_Small_and_Medium_Enterprises_SMEs_Challenges_Opportunities_and_Future_Directions

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3



**CHALLENGES AND CURRENT
STATE OF AFFAIRS -
A DEEP DIVE INTO MEDIUM
ENTERPRISES**

CHAPTER 3

CHALLENGES AND CURRENT STATE OF AFFAIRS - A DEEP DIVE INTO MEDIUM ENTERPRISES

Having established the role and importance of medium enterprises, this chapter delves into the various challenges they face in sustaining growth and competitiveness. It examines obstacles such as limited access to finance, outdated technology, and a shortage of skilled manpower. Additionally, the chapter explores regulatory complexities and constraints that hinder innovation and expansion. The study identifies the challenges and current state of affairs of Medium Enterprises using a two-fold approach:

1. **Inferences were derived after analysing the questionnaire responses received from entrepreneurs (MSMEs):** The respondents were selected using cluster sampling from six states, namely **Maharashtra, Gujarat, Uttar Pradesh, Tamil Nadu, West Bengal, and Telangana**. The rationale for choosing these states is:
 - ◆ **High concentration of medium enterprises:** The selected states collectively represent a large share of India's medium enterprise population (**54% of total Medium Enterprises in India**).
 - ◆ **Geographical and economic significance:** The six states cover different regions of India (north, south, west, and east), ensuring that the study captures region-specific challenges and opportunities.

A total of 207³⁸ responses were received from beneficiaries for the survey.

2. **Insights were gathered from Stakeholder Consultation Workshops:** In addition to the survey, qualitative insights were gathered through a series of six stakeholder consultation workshops and two FGDs with bankers and key persons from the Ministry of MSME. The participants included representatives from industry associations, government officials, financial institutions, and enterprises. A stratified sampling method was used to select participants, ensuring that all key strata, including industry sectors and regions, were adequately represented.

38 To calculate the sample size, the following standard formula was used: $n = z^2 \times p \times (1-p) / E^2$

Where, n = required sample size, Z = Z-score for the desired confidence level (1.98 for a 95% confidence level), p = assumed population proportion (0.5 for maximum variability), E = margin of error (set to 0.05).

Using this, we arrived at a sample size of 388, which is proportionally distributed among the six states based on their share of the total population. This approach allows the study to be both statistically reliable and representative. However, 207 responses were received for the survey.

Six FGDs conducted between June to September 2024:

Table 3.1: Priority sectors at 6 FGD locations

Workshop Location	Sectors					
	1	2	3	4	5	6
Mumbai, Maharashtra	Textiles	Pharma	Chemicals	Automobile	Engineering	Leather
Lucknow, UP	Food Products	Hosiery and Garments	Metal Products	Cotton textiles	Ceramics	Wool, Silk, Synthetic Fibre Textiles
Chennai, TN	Coir	Automobile	Food Processing	Textiles	Leather & Footwear	Precision Engineering
Tiruppur, TN	Coir	Automobile	Food Processing	Textiles	Leather & Footwear	Precision Engineering
Guntur, AP	Pharma & Life Science	Defence and Precision Engineering	Electronics	Food Products	IT Services	—
Hyderabad, TS	Pharma & Life Science	Defence and Precision Engineering	Electronics	Food Products	IT Services	—

In addition, secondary sources such as the World Bank Report on Ease of Doing Business (2023), various committee reports on MSMEs, and research articles on MSMEs are used to arrive at the challenges.

3.1. CHALLENGES AND CURRENT STATE OF AFFAIRS

The main challenges faced by Medium Enterprises are:



Awareness of Schemes

The lack of awareness about government schemes significantly limits the ability of medium enterprises to take advantage of available support. Only 10% of Medium Enterprises³⁹ reported having availed of any of the 18 schemes by MoMSME Scheme. Some of the most recognized schemes include PMEGP, PM Vishwakarma, CGT-MSE, and RAMP. While there is some awareness of the schemes, detailed knowledge on how to effectively utilize them is lacking. This highlights a disconnect between policy design and practical implementation. In a poll of 39 associations at Hyderabad workshop, **only one had used the Procurement and Marketing Scheme (PMS)**, despite many being eligible. Even when MSMEs are aware of schemes such as ZED, MSME Champions, and RAMP, they **lack knowledge on how to apply** or navigate the process, rendering these schemes ineffective in practice. Out of 18 schemes listed, **the awareness regarding the schemes is only about 25%, i.e. 4-5 schemes**. While government efforts are commendable, such as the introduction of the **RAMP** scheme, there are still disconnects in policy implementation.



The key players of the MSME ecosystem are largely unaware of online portals for accessing information on government schemes, with 90% of Medium Enterprises reporting they had not utilized any such platforms. Only 10% indicated they use resources like NIVESH MITRA, NCD India, and GeM. Reports suggest that while more than **70% of MSMEs⁴⁰ are aware** that a variety of government schemes exist, information about eligibility, application, type of support under the schemes and their **usage remains significantly low**.

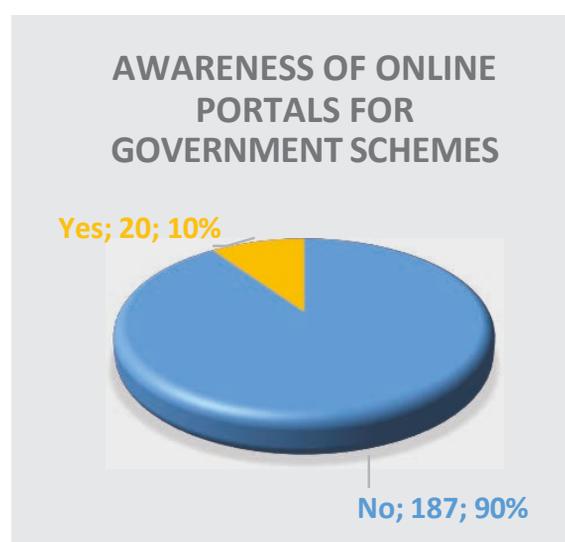


Figure 3.1: Awareness of portals

MSMEs in general face the challenge of gathering information⁴¹ about all the schemes, policies, and programmes. Medium Enterprises are often unaware of support available, which limits their ability to take advantage of them. Reportedly, **only 13%⁴²** of Medium Enterprises utilize the available marketing schemes which indicates that even when support is available, it remains underutilized due to a lack of awareness. Furthermore, enterprises are **not aware of credit schemes⁴³** and special financial privileges given by banks.

The **gap analysis of RAMP scheme** reveals a notable disparity between the allocated budget and its utilization. As per a report by Impact and Policy Research Institute, despite

³⁹ Sample size is 388 MEs, responses received from 207 entrepreneurs

⁴⁰ FTCCI Report: CURRENT PRACTICES AND CHALLENGES OF MSMEs

⁴¹ Press Information Bureau 20 Jul 2023

⁴² FTCCI Report: CURRENT PRACTICES AND CHALLENGES OF MSMEs

⁴³ A Report on Issues and Challenges in Financing MSME in Pune, Maharashtra

a substantial total outlay of ₹6,062.45 crore, less than 40% of the allocated funds have been utilized⁴⁴, indicating potential inefficiencies in scheme implementation. The under-utilization highlights that the beneficiaries are unaware of the support available to them and the potential benefit that they can get from availing it. These issues hinder the scheme's effectiveness in achieving its goals of improving credit access, strengthening governance, and promoting sustainable practices.

Barrier to Competitiveness

The lack of awareness not only restricts access to financial resources but also hinders the adoption of best practices, technological advancements, and market expansion opportunities that these schemes are designed to promote. This adversely impacts the competitiveness and sustainability of medium enterprises.

Ineffective Implementation

Another key issue is ineffective implementation, as medium enterprises struggle with awareness and navigating application processes for schemes like ZED, MSME Champions, and RAMP, reflecting systemic shortcomings in government communication and execution.

Potential for Centralized Solutions

Additionally, medium enterprises face challenges in accessing information from a single source. A centralized platform could bridge this gap, providing a consolidated source of information and empowering these enterprises to leverage available support more effectively.

Technological Upgradation

Technological advancement is crucial for Medium Enterprises to remain competitive in today's rapidly evolving market. As market demands evolve and new technologies emerge, MEs must adapt to survive and thrive. However, many enterprises face significant barriers in accessing modern technologies, often resulting in the continued use of outdated systems and practices. The major challenges associated with technological upgradation that are essential for enabling medium enterprises to harness the full benefits of innovation and improve their overall performance in the marketplace are as follows:

Outdated Technology: Majority of **Medium Enterprises use outdated technology** that prevents them from keeping up with the modern world. 82% of Medium Enterprises in our survey reported that they do not have advanced technologies integrated into their business operations (Industry 4.0 – AI, IoT, etc.), which hampers competitiveness. Moreover, 60% of these enterprises still rely on outdated machinery, affecting their productivity and product quality.

High Costs of Implementation: Adoption of new technology and training employees is difficult and expensive, especially in manufacturing where both physical equipment and software are involved. Lack of access to IT education contributes to the technological gap. Unlike larger industries, Medium Enterprises struggle to keep pace with technological

⁴⁴ Impact and Policy Research Institute <https://www.impriindia.com/insights/msme-ramp-performance-scheme-2022/>

advancements because they lack access to the latest tools and systems essential for improving productivity and competitiveness. The time and **high costs associated with acquiring**, implementing, and maintaining new technologies are often prohibitive, especially in the absence of adequate financial support or incentives for acquiring latest technology.

Ineffective Outreach of Schemes: It has been highlighted that the outreach of the Technology Centres Scheme remains limited, leaving many medium enterprises without access to the scheme. Further, schemes designed for micro and small enterprises, such as **CGTMSE, do not address the capital needs of medium enterprises for technology upgradation.**

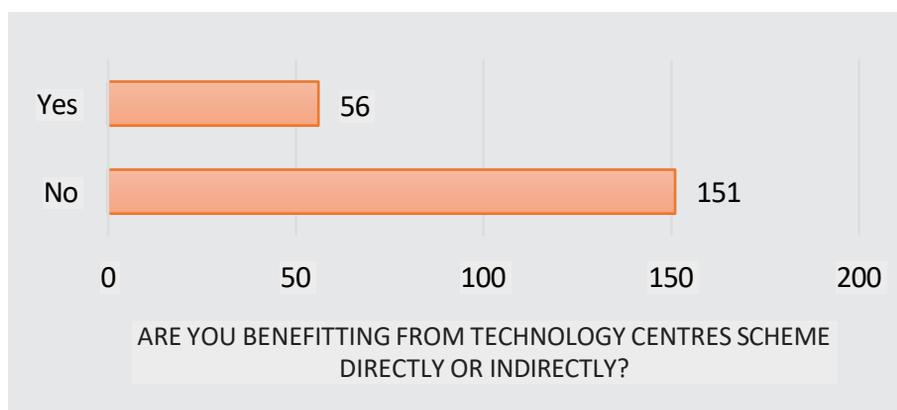


Figure 3.2: Access to technology

Although Medium Enterprises are aware of information technology tools such as Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), and Human Resource Management Systems (HRMS), their usage remains critically low at just 14%⁴⁵. Another factor is the lack of awareness, which reduces willingness to invest in advanced technology solutions⁴⁶. According to the **World Bank’s Ease of Doing Business Report (2023)**, India’s overall technology adoption rate is only 42%⁴⁷, significantly lagging behind high-income countries where 70% of enterprises have embraced automation. India ranks 63rd⁴⁸ globally in “Automation and Innovation,” highlighting a substantial gap in technological progress. **McKinsey’s** research reports that



Figure 3.3: Technology Adoption Rate

45 CURRENT PRACTICES AND CHALLENGES OF MSMEs

46 Data.worldbank.org/indicator/GB.XPD.RSDV.GD.Z and forumias.com/blog/msmes-significance-challenges-and-solutions-explained- pointwise/

47 Source: <https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS>)

48 Source: World Bank’s Ease of Doing Business Report (2023)

Medium Enterprises often lag in technology adoption compared to larger firms, which affects their productivity and competitiveness⁴⁹.

Competitiveness at Risk

The lack of technology adoption among medium enterprises can be attributed to a combination of high costs, outdated infrastructure, and insufficient access to necessary skills and resources. The low adoption of technology among Medium Enterprises significantly jeopardizes their competitiveness in a rapidly evolving marketplace. Without advanced tools and systems, Medium Enterprises are less equipped to enhance productivity, 4.0 technologies, such as automation, IoT, and AI. A key takeaway is the need for a structured support ecosystem to facilitate technology upgradation. This includes government initiatives to attract private investment and create a conducive environment for innovation. For example, programs that provide access to capital, technology transfers, and skill development can help medium enterprises leverage new technologies effectively. **Targeted support and handholding may be essential for Medium Enterprises, helping them integrate advanced technologies like AI, IoT, and automation into their business operations. This support can include regional hubs or specialized facilities offering consultancy, hands-on training, and access to digital tools.**

Skilled Manpower

Skilled manpower is essential for any enterprise as it enhances productivity, ensuring efficient use of resources and minimizing operational errors. It drives innovation and adapts to technological advancements, improving the quality of products and services. However, medium enterprises face the following challenges concerning manpower:

Low Utilization of Skill Development Schemes: Survey data reveals that a staggering 88% of Medium Enterprises are not availing themselves of any government skill development or training schemes. The reasons for this low uptake may include:

Perceived irrelevance: 31% of Medium Enterprises find the available training programs irrelevant to their business needs, while another 59% consider them only moderately relevant. Many feel that these programs are geared more toward micro and small enterprises, rather than addressing the advanced skills needed for medium enterprises.

Lack of awareness: Stakeholder consultations revealed that 40% of participants could not name a single government scheme focused on skill development. Of the remaining 60%, most cited schemes like:

- Pradhan Mantri Kaushal Vikas Yojana (PMKVY) (Ministry of Skill Development and Entrepreneurship)
- Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) (Ministry of Rural Development)
- Entrepreneurship and Skill Development Programme (ESDP) (Ministry of MSME)

49 McKinsey Digital: How medium-size manufacturers can boost their digital capabilities innovate, and maintain product quality. This situation leaves them vulnerable to being outpaced by larger firms or international competitors who have already integrated Industry

However, these schemes, particularly the ESDP, focus on basic entrepreneurial skills for micro and small enterprises and lack the advanced, specialized training that medium enterprises require, especially in technological fields.

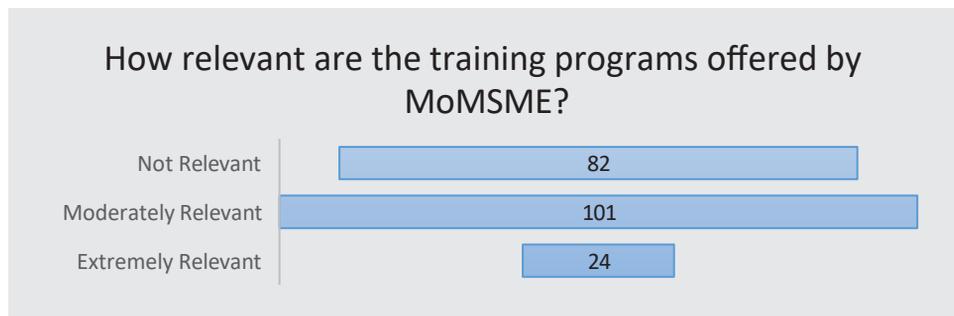


Figure 3.4: Access to training program and their relevance

Need for Industry-Relevant, Specialized Skill Development: There is a gap between the skills required by Medium Industries and the workforce available in the country. It is reasoned that medium enterprises require specialized training programs to enhance the capabilities of their workforce, particularly in areas like technology adoption and advanced manufacturing processes. Majority of the workforce is unskilled or low-skilled with little to no knowledge of factory operations. Medium enterprises are increasingly reliant on advanced manufacturing processes and technologies such as Industry 4.0 tools (e.g., automation, AI, IoT), but the workforce is largely unprepared to meet these demands. Several key issues have been identified in this context:

Limited specialized training: Current training programs do not sufficiently address the advanced technical skills required by Medium Enterprises. There is a significant gap in training for cutting-edge technologies that could boost productivity and innovation.

Brain drain: Many skilled young workers are migrating overseas in search of better job opportunities and higher wages, contributing to a “brain drain”. This loss of talent is particularly harmful to Medium Enterprises, which struggle to compete with large enterprises or multinational corporations in offering attractive compensation packages.

High attrition rates: Medium Enterprises also face difficulty retaining skilled employees, who often leave for better-paying opportunities in larger organizations. This adds pressure on Medium Enterprises to offer competitive wages, which they are often financially unable to do. In sectors like automation, AI, and IoT, the lack of appropriately skilled workers further exacerbates the



Figure 3.5: Availability of skilled labour (%)

challenges Medium Enterprises face in implementing technology-driven solutions, thereby reducing their productivity and global competitiveness.

Medium Enterprises face critical challenges in accessing skilled labour due to a lack of awareness⁵⁰ about the benefits of technological advancement and skill development. While training and skill development programs could bridge this gap, a coordinated approach is missing, leaving Medium Enterprises unable to fully leverage their potential⁵¹. World Bank Reports suggest that **65% of India's fast-growing population many lack skills needed by a modern economy**⁵².

Key obstacles include:

Absenteeism and high wage rates: Medium Enterprises report difficulties in retaining employees due to frequent absenteeism and the need to offer competitive wages that are often beyond their financial capabilities.

Unionization and work stoppages: Industrial relations challenges, such as union demands and work stoppages, continue to disrupt smooth operations, further complicating labour management.

Training costs and relevance: The cost of upskilling employees is high, with many employers viewing existing training programs as irrelevant to their specific needs. The unavailability of industry-aligned training exacerbates the issue.

Despite the growing need for technologically proficient employees, the availability of work-ready, skilled manpower remains alarmingly low, with only 55% of the workforce having adequate skills. This shortage is particularly pronounced in technical fields such as **automation, artificial intelligence (AI), machine learning (ML), and advanced manufacturing**. Notably, the **NSDC Annual Report 2019-20** emphasizes the need for enhancing skill development initiatives to meet industry requirements for medium enterprises that often struggle to find adequately skilled labour.

Bridging the Skill Gap: Industries face a significant gap in **technically skilled labour**, with only **51% employability**⁵³ suggesting a gap between what is produced by educational institutions and what is required by industries. This gap severely limits Medium Enterprises' ability to adopt advanced technologies, impeding productivity improvements and competitiveness. Medium Enterprises are facing challenges due to a significant gap between the skills needed in the industry and those available in the workforce. To mitigate this, a thorough **skill gaps analysis** may be conducted to identify the precise areas where skills are deficient.

Focus on Specialized Training: Further, the emphasis on specialized training in technology adoption and advanced manufacturing processes is vital. Medium Enterprises should be

50 Naveen Negi, Arvind Mohan, Musliadi Bin Usman, Almighty C. Tabuena. (2023). Challenges of Skill Development of Workers in MSME Sector: An Empirical Study of Training Organisations. *European Economic Letters (EEL)*, 13(3), 89-94. <https://doi.org/10.52783/eel.v13i3.214>

51 ADBI Working Paper Series-Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating Them

52 Helping India Build a Skilled, Inclusive Workforce for the Future <https://www.worldbank.org/en/results/2023/11/03/helping-india-build-skilled-inclusive-workforce>

53 India Skill Report 2024 https://wheebox.com/assets/pdf/ISR_Report_2024.pdf

supported in developing partnerships with training providers that offer industry-relevant, specialized programs, thereby enhancing their workforce's capabilities and competitiveness.

Compliance

Compliance poses a significant challenge for medium enterprises, often creating barriers that hinder their operational efficiency and growth potential. While regulations are designed to ensure accountability and standardization, Medium Enterprises frequently find themselves navigating a complex web of compliance requirements that can be disproportionately burdensome compared to their micro and small counterparts. The demands of adhering to various regulatory frameworks can lead to increased administrative costs and divert valuable resources away from core business activities. The major challenges related to compliance are:

Ease of Doing Business: Medium Enterprises strongly opine that there is scope of improvement in ease of doing business which includes ease in fund disbursement, ease of application, process of availing the scheme, processing speed, etc. The burden of compliance increases significantly for Medium Enterprises compared to Micro and Small Enterprises, leading to a perception of overwhelming administrative demands without corresponding benefits. Entrepreneurs express that compliance requirements for Medium Enterprises are more than MSEs. Medium Enterprises who have recently migrated from small to medium because of a slight increase in turnover feel that compliance is a burden

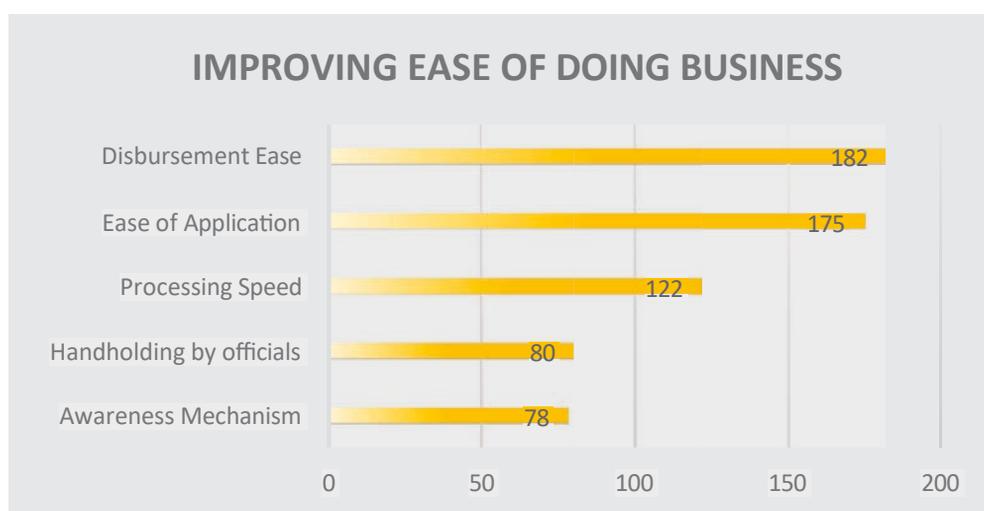


Figure 3.6: Inputs from stakeholders - on - improving ease of doing business

Inspector Visits and Compliance Burden

Medium Enterprises face a significant compliance burden due to the numerous inspections from various authorities, including **labour inspectors, health inspectors, safety and environmental inspectors**, often leading to overlapping and frequent visits that disrupt business operations. They are subjected to extensive auditing processes, such as internal, statutory, and secretarial audits, with requirements often mirroring those for large corporations, adding to the administrative load. Compliance with multiple regulations, including company laws, tax laws (such as income tax and GST), environmental standards, and workplace safety, demands meticulous record-keeping and documentation. Medium

Enterprises also encounter challenges with reconciliation issues and receive notices from different tax authorities, complicating their tax compliance. Sector-specific regulations and the complexity of compliance procedures necessitate significant resources for legal and compliance support.

Multiplicity of Notices

Entrepreneurs often receive multiple notices from different GST sectors—CGST, GST, IGST—which adds to the administrative burden. The process becomes even more cumbersome when audit notices are issued separately, requiring additional responses from enterprises. Further, there are **variations in compliance across states** that add another layer of complexity for companies operating in multiple locations. The experts identified that GST filing for MSMEs should not be necessary since all the purchase and sales transactions are recorded in GST server. This issue could potentially be addressed through automation and digitalization of GST filing. According to the FGD at FTCCI, 78% of Medium Enterprises face challenges in complying with GST regulations and 65% report delays due to cumbersome audit requirements.

Lack of Centralized Information and Guidance

There is a significant gap in accessible information regarding statutory compliance, especially for Medium Enterprises transitioning from small to medium enterprises, leading to confusion and potential non-compliance. A large proportion of Medium Enterprises (75%) emphasize the need for a centralized source of information on statutory compliance to ease the burden associated with transitioning.

Complexity and Volume of Compliance Requirements for Medium Enterprises

Research reports have highlighted that even understanding the compliance needs is difficult for most MSMEs. Lack of training and skilled manpower makes it more challenging for the units to comply. It has been established in the **Economic Survey Report** that for growth of India's Mittelsand, a German term referring to small and medium-sized enterprises (SMEs) and family-owned businesses, “deregulation” is a vital contributor⁵⁴. However, the present situation of Indian MSMEs is marred with regulatory compliances. For instance, each unit in the chemical sector must adhere to approximately 635 compliance requirements⁵⁵ per month across various areas, including factory operations, health, explosives, hazardous materials, and food safety regulations. While larger companies can utilize dedicated in-house teams, Medium Enterprises face immense difficulty staying compliant.

The **World Bank's report**⁵⁶ on Ease of Doing Business discusses the regulatory environment for businesses in India, with a focus on the challenges faced by small and medium enterprises. It identifies specific compliance burdens, including labour laws, tax regulations,

54 Anil Bhardwaj, secretary general, Federation of Indian Micro and Small & Medium Enterprises (FISME) for Economic Survey Report

55 Compliance Burden Hampers India's \$220 Billion Chemical Industry <https://www.businesswise.in/compliance/details/2386/Compliance-Burden-Hampers-Indias-Billion-Chemical-Industry>

56 <https://documents1.worldbank.org/curated/fr/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>

and environmental regulations, which are particularly challenging for medium enterprises. The report emphasizes that simplifying these regulations is crucial for improving the ease of doing business in India.

Disincentives for Upgrading

The fact that transitioning from micro or small to medium status brings more regulatory burdens without significant benefits can discourage enterprises from scaling up. This creates a stagnation in growth and limits the broader economic contributions of Medium Enterprises.

Knowledge Gap

The lack of centralized information and guidance contributes to a knowledge gap regarding compliance obligations. This can lead to unintentional non-compliance, further resulting in penalties or additional scrutiny.

Innovation Barrier

Innovation is vital for the growth and competitiveness of medium enterprises, yet many face significant barriers that impede their ability to innovate effectively. The main challenges are:

Inadequate Support for Innovation: For Medium Enterprises, innovation is key to sustaining growth and competitiveness and their ability to innovate is hindered by a lack of adequate policies that foster innovation. Innovation not only means product innovation, it includes method, and process. **Without innovation, it becomes extremely difficult for Medium Enterprises to scale up to large enterprises.** Therefore, it is essential for the government to actively encourage and support R&D efforts in Medium Enterprises. They need government support for Innovation in more ways than the present. In our study, 78% of respondents feel that existing support is inadequate, and there is a pressing need for additional measures to promote innovation. These measures should either strengthen innovation where it is already present or cultivate an innovative mindset where it is lacking. Further, 76% of Medium Enterprises expressed that they would benefit from cluster-based testing facilities, which would help them improve their products and processes. A dedicated fund for R&D is also seen as a potential game-changer for fostering innovation in Medium Enterprises.

Financial Risk of Innovation: Innovation carries a **significant financial risk for Medium Enterprises.** If an innovation effort fails, Medium Enterprises often lack the financial cushion that large firms have, making such risks particularly daunting. This poses a fundamental question: **what incentive do Medium Enterprises have to be competitive if innovation puts them at financial risk?** To encourage innovation, there should be some kind of de-risking mechanism. One possible approach could be lowering corporate taxes for Medium Enterprises that invest in R&D or product and process innovations. This would act as a direct incentive, signalling that the government is sharing the risk and supporting Medium Enterprises in their pursuit of innovation. Additionally, creating government-backed innovation funds or grants, offering low-interest innovation loans, and simplifying access to public-private partnerships could further mitigate risks and stimulate innovation among firms.

An economy's **R&D is generally concentrated in a limited number of large firms**. In some economies, however, small and medium-sized firms account for a significant share of the total business R&D effort. **ADB Working Paper Series** have highlighted that Medium Enterprises cannot compete against larger firms in terms of R&D expenditure and innovation (product, process, and organization)⁵⁷. It is argued that Medium Enterprises are more Innovative as compared to Small Enterprises and they spend more on R&D as well⁵⁸. While it is feasible for Medium Enterprises to make limited investments towards innovation, concerted efforts are also necessary at a policy level to create institutional support⁵⁹. The Organisation for Economic Co-operation and Development (OECD) also supports these findings, noting that Medium Enterprises are critical drivers of innovation but often struggle with inadequate access to financing and infrastructure⁶⁰.

Only **22% of Medium Enterprises engage in R&D activities**⁶¹, which is much higher than MSEs. In contrast, 60% of large enterprises invest in R&D⁶². **India's Innovation Index or spending on R&D is on the lower side at 0.68%**⁶³ against the target of **2% highlighted in the Science and Technology Innovation Policy 2013**. A **NITI Aayog report** points out that India's innovation ecosystem is growing but remains underdeveloped compared to other large economies⁶⁴. They struggle particularly due to the lack of accessible financing for R&D, limited collaboration opportunities with research institutions, and insufficient government incentives. While India has launched various initiatives such as the 'Startup India' and 'Make in India' campaigns, these efforts primarily target start-ups and large industries, leaving a significant gap in support for Medium Enterprises.

Global Best Practices could serve as models

Countries such as South Korea, Israel, and Sweden, where R&D spending exceeds 4% of GDP, provide examples of how effective government intervention and policy support can enhance innovation. By providing incentives for private sector participation and ensuring continuous public investment in R&D, these countries have successfully boosted their competitiveness globally. India's R&D expenditure requires focused efforts to reach the 2% target.

57 ADB Working Paper Series-Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating Them

58 Barriers to Innovation in Indian Small and Medium-Sized Enterprises

59 CURRENT PRACTICES AND CHALLENGES OF MSMEs

60 OECD (2008), Enhancing the Role of SMEs in Global Value Chains, OECD Publishing, Paris, <https://doi.org/10.1787/9789264051034-en>.

61 Source: OECD R&D Tax Incentives database <https://data-explorer.oecd.org/>, World Bank's Ease of Doing Business Report (2023)

62 Source: OECD R&D Tax Incentives database <https://data-explorer.oecd.org/>, World Bank's Ease of Doing Business Report (2023)

63 Source: <https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS>

64 Source: India Innovation Index <https://www.niti.gov.in/sites/default/files/2021-01/IndiaInnovationReport2020Book.pdf>

Structured Mechanism for R&D

The absence of adequate support for innovation, financial risks associated with R&D, and limited testing facilities are key barriers for Medium Enterprises. By establishing a structured mechanism, the government can mitigate financial risks for these firms, offer de-risking incentives such as tax benefits, and ultimately drive innovation and competitiveness within the medium enterprise sector.

Funding

Despite their importance in the economy, many Medium Enterprises struggle to secure the necessary financial resources due to a variety of challenges, including stringent lending criteria, limited access to capital markets, and a lack of collateral. These funding gaps can hinder their ability to scale and compete effectively against larger firms that have more established financial networks. Some of the main funding challenges faced by medium enterprises are:

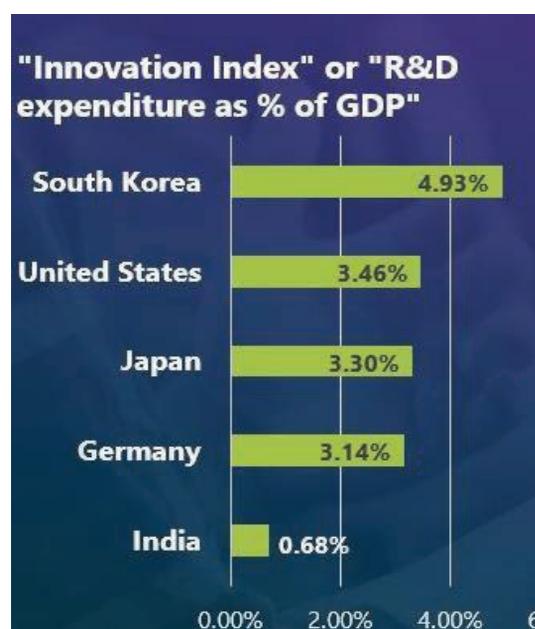


Figure 3.7: Innovation Index

Banks' Hesitance to Fund Medium Enterprises:

- Collateral Requirements:** Banks often require collateral for loans, which is a significant barrier for Medium Enterprises. Many banks do not offer collateral-free loans to Medium Enterprises, citing higher turnover compared to micro and small enterprises as a reason for their hesitance compounded by high-interest rates averaging around 10%, which are not competitive when compared to the lower rates offered to micro and small enterprises.
- Limited availability of Working Capital Loans:** There is a notable scarcity of schemes aimed at helping Medium Enterprises secure working capital loans. This lack of financial support limits their operational flexibility and growth potential. 72% of the respondents believe that medium enterprises need more support in terms of Working Capital.

Shift Towards Alternative Financing: As traditional banking loans become harder to access, there is a gradual shift towards digital lending platforms and alternative finance methods such as factoring and supply chain finance. However, most Medium Enterprises still primarily rely on bank loans. The reluctance of banks to fund medium enterprises means that even as they look for alternatives, these may not always be sufficient or as accessible as traditional loans.

Interest Rates and Loan Amounts: FGDs with bankers indicate that the interest rates for Medium Enterprises are often **4% higher** than those for larger firms, making financing considerably more expensive.

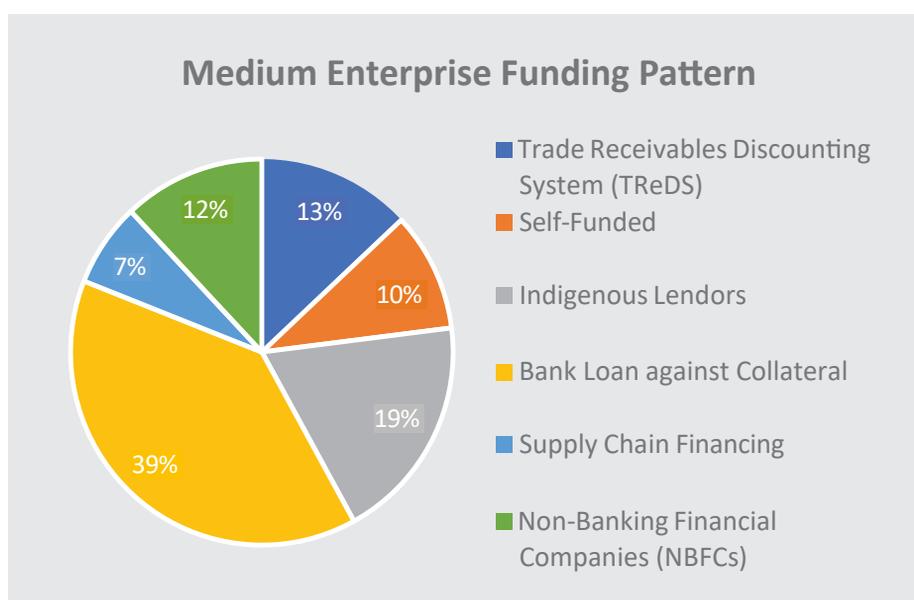


Figure 3.8: Funding Pattern of Medium Enterprises

Limited access to affordable finance has been cited as one of the most cited challenges faced by Medium Enterprises world-wide. **Medium Enterprises receive much lesser priority sector loans**, compared to micro enterprises⁶⁵. Additionally, the interest rates for Medium Enterprises are on average 4% higher than for larger firms, making capital more expensive⁶⁶.

World Bank Indian MSME Financing Report indicates that, In India, only **37% of Medium Enterprises**⁶⁷ are able to secure these loans, which can be attributed to the lack of specialized MSME branches within public sector banks across various districts⁶⁸. A study report by **NABARD** confirms the same. Interestingly, in 2023, the amount of loans given to small and medium businesses increased by 20% compared to last year. 7% YoY growth is seen in borrowers who availed sub-INR 1 Crore loans (Micro segment) but growth of borrowers seeking greater than INR 10 Crores (Medium) decreased by value. From the banker's perspective, the **poor financial health** of many Medium Enterprises is a significant barrier to securing loans⁶⁹.

Banks often require extensive financial documentation and may view insufficient credit histories as risky. To ensure sufficient liquidity for operations, Medium Enterprises require substantial financial support from government initiatives and financial institutions in the form of favourable working capital loans. The **India Digital SME Credit Report 2023** underscores the critical gap between the demand for and supply of credit for Medium Enterprises, emphasizing the urgent need for tailored financing solutions⁷⁰.

65 Source: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9688&Mode=0>

66 Source: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9688&Mode=0>

67 Source: World Bank Indian MSME Financing Report

68 Source: <https://www.nabard.org/auth/writereaddata/careernotices/0905220212msme.pdf>

69 Source: Issues in SME Financing <https://www.iibf.org.in/documents/research-report/report-30.pdf>

70 Source: India Digital SME Credit Report 2023 https://www.iamai.in/sites/default/files/research/India%20SME%20Credit%20Report%202023_%20Getvantage-Redseer_compressed.pdf

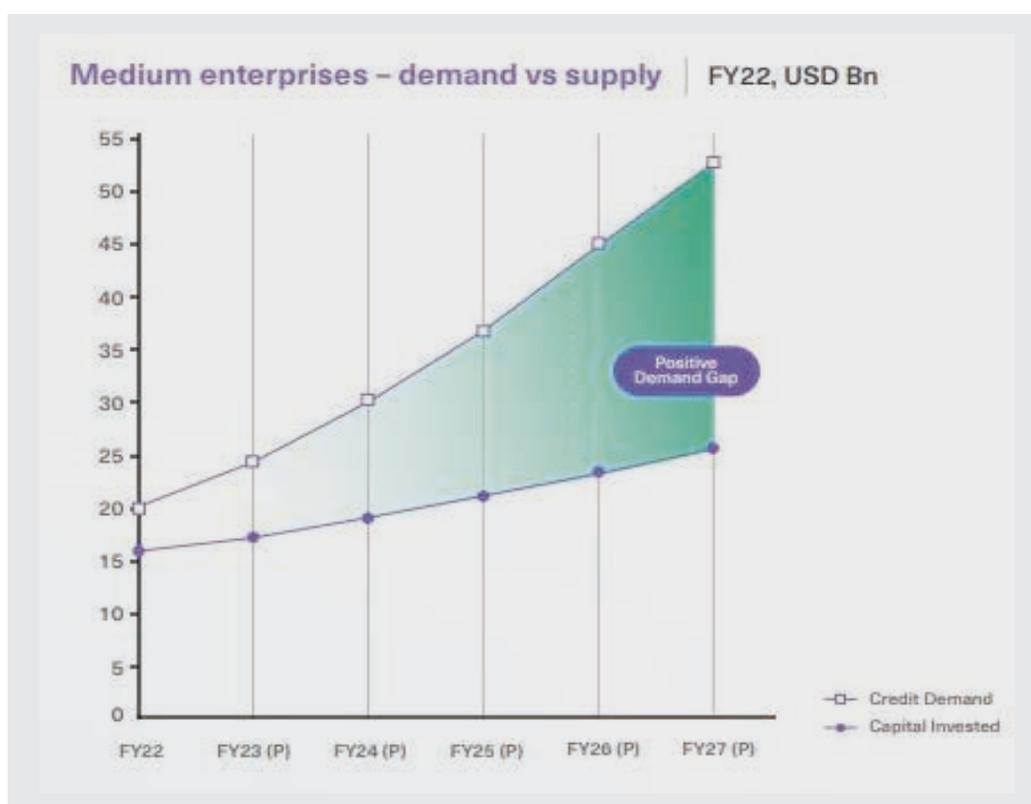


Figure 3.9: Credit Demand Vs Supply in Medium Enterprises

Necessity for Financial Literacy

Many Medium Enterprises lack the financial acumen necessary to navigate the complexities of loan applications and funding options. Initiatives aimed at enhancing financial literacy could empower these enterprises to better present their cases to banks and access the necessary funding.

Access to Working Capital Loans

A notable scarcity of schemes aimed at helping Medium Enterprises secure working capital loans limits their operational flexibility and growth potential. Banks and financial institutions may introduce simplified application processes, reduced collateral requirements, and favourable interest rates. Government-backed initiatives that incentivize banks to provide working capital loans can also enhance availability.

Land & Infrastructure

Access to adequate land and infrastructure is a fundamental requirement for the growth and operational efficiency of medium enterprises. These businesses often face challenges related to securing suitable locations that offer the necessary facilities and resources for their operations. In many regions, the availability of affordable land is limited, and the regulatory hurdles associated with land acquisition can further complicate the process. Additionally, insufficient infrastructure—such as reliable transportation, power supply, and communication networks—can hinder productivity and increase operational costs. The main land-related challenges faced by Medium Enterprises are:

1. **High Land Costs:** The escalating cost of industrial land restricts the ability of Medium Enterprises to establish and expand operations. This issue is compounded by the lack of adequate financing options specifically tailored for real estate purchases by Medium Enterprises. Our survey found that high land costs are the primary barrier to expansion, particularly in urban areas.
2. **Bureaucratic Delays:** Lengthy and complex processes involved in obtaining construction permits hinder timely project execution. According to the **Doing Business Report**, the average time taken to secure all necessary permits can stretch into several months, deterring potential investments in infrastructure.
3. **Infrastructure Development:** Many regions, especially rural areas, still lack basic infrastructure such as reliable roads, power supply, and water facilities. This lack of essential services makes it challenging for Medium Enterprises to operate efficiently and competitively.
4. Additionally, **inadequate support from District Industries Centres (DIC)** for acquiring industrial land and facilities. Medium Enterprises stress the need for targeted investments in industrial parks and export hubs that address the specific requirements of these enterprises.

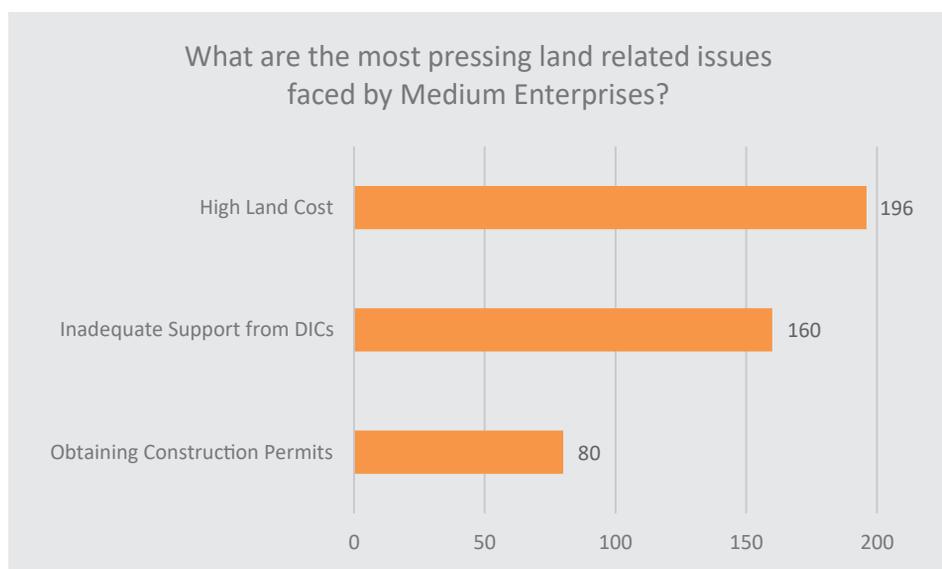


Figure 3.10: Stakeholders input on land related issues

Access to affordable land and infrastructure is a critical issue for Medium Enterprises in India. Over the past decade, industrial land costs have surged by approximately **150%** in Maharashtra alone⁷¹, significantly impacting the viability of new and expanding businesses. This sharp increase in land prices can be attributed to various factors, including urbanization, regulatory constraints, and increasing demand for industrial spaces.

Global data from the **World Bank** highlights that India's performance in dealing with

⁷¹ Source: MIDC Annual Report 2022

construction permits remains subpar. India is currently ranked **27th** in the world⁷², which, although an improvement, still places it behind several other countries in the ease of obtaining construction permits. This bureaucratic lag results in delays and increased costs for Medium Enterprises, further complicating their ability to secure necessary facilities for operations.

State Subject Implications

Since land is a state subject in India, the varied approaches and policies adopted by different states can significantly impact the availability and affordability of industrial land for Medium Enterprises. This necessitates a coordinated effort between central and state governments to create a unified strategy that ensures access to affordable land and streamlined processes across all regions.

Need for Streamlined Regulatory Processes

The bureaucratic delays in obtaining construction permits reveal an urgent need for reform in state-level regulatory processes. Lengthy timelines for approval can stall projects, leading to increased costs and deterring potential investments. Simplifying these regulations and expediting permit issuance would facilitate quicker project initiation, aligning with insights from the Doing Business Report.



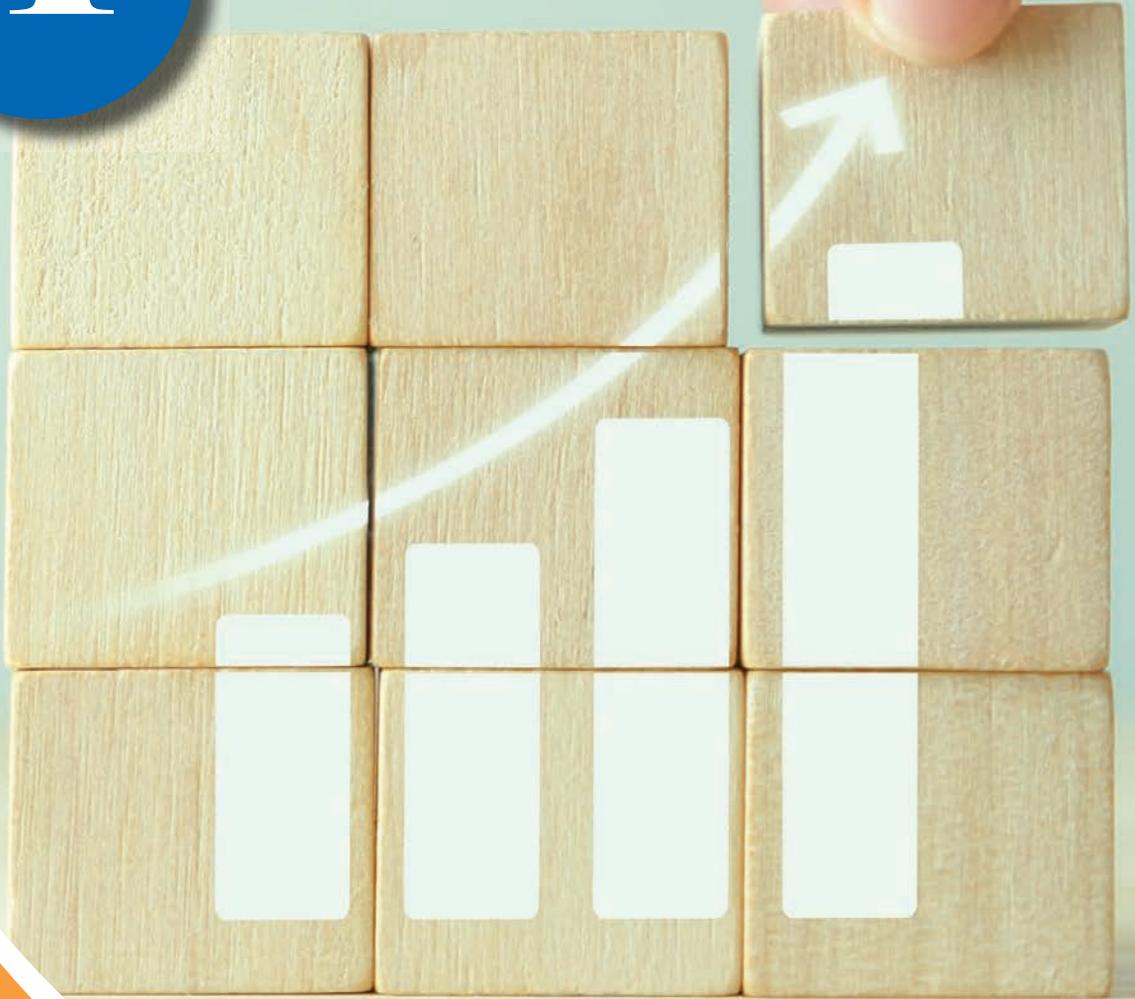
What does the government need to do to? Should it restrict some items for Medium Enterprises? The answer is No. Any forward-looking government will not take such a step, they will rather create a culture of competition and growth. The government needs to connect Medium Enterprises with the ecosystem of R&D, Export, Skill, Technology, Infrastructure, and Finance. Once this is done, they shall figure out the rest.”



While various support mechanisms exist for these identified challenges, they are either underutilized or poorly aligned with the specific needs of medium enterprises. This disconnect not only hinders their current operations but also stifles their future growth potential. As we move into the next chapter, we will analyse existing government initiatives to identify gaps for medium enterprises and present a set of focused recommendations to address these gaps, offering practical solutions to encourage competitiveness and facilitate the integration of medium enterprises into the broader value chain.

⁷² Source: World Bank's Ease of Doing Business Report (2023) and MIDC

4



MSME POLICY LANDSCAPE

CHAPTER 4

MSME POLICY LANDSCAPE

4.1 MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES (MOMSME)

A. EXISTING GOVERNMENT INITIATIVES

The primary responsibility of promotion and development of MSMEs is of the State Governments⁷³. However, the Government of India, supplements efforts of the State Governments through various initiatives. As outlined in Chapter 1, eight (8) schemes specifically target the needs of Medium Enterprises, offering financial support, technology upgrades, skill development, and marketing assistance. Key initiatives of the MoMSME include PMEGP, PM Vishwakarma scheme, RAMP, CGTMSE all aimed at fostering entrepreneurship, enhancing employment, and integrating informal sectors into the formal economy. PMEGP and PM Vishwakarma are two schemes that alone account for 68%⁷⁴ of the funds allocated by MoMSME for various schemes, however they are not meant for Medium Enterprises.

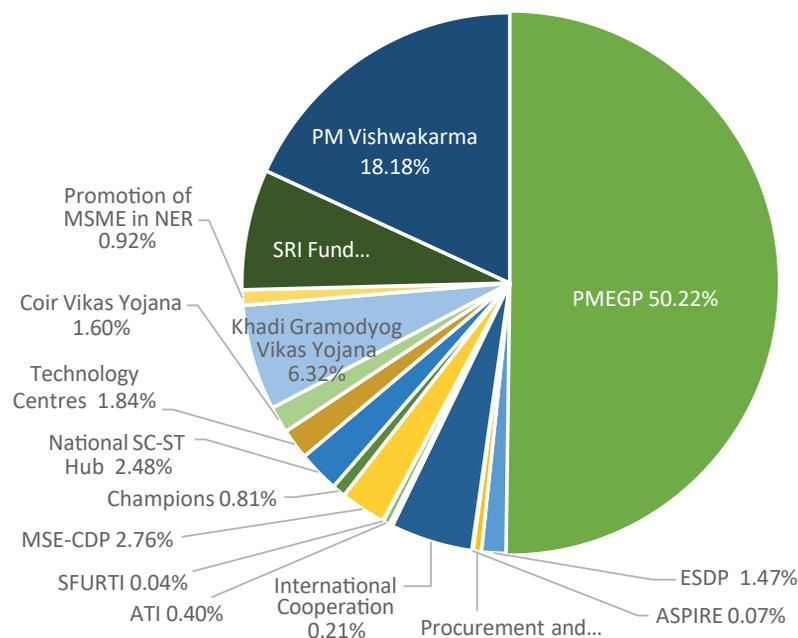


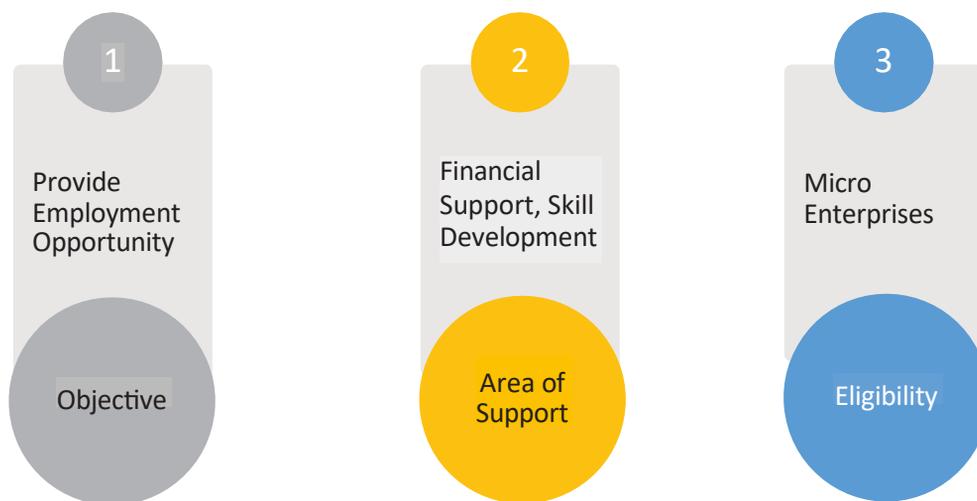
Figure 4.1: Percentage Distribution of Funds Allocated Under Each Scheme

73 Draft MSME Policy 2024

74 Source: Ministry of Finance Expenditure Budget 2024. Data for the year 2022-23 is used for this analysis. Approved corpus of Rs. 7,500 crores has been achieved for CGMTSE so it has not been included in the chart. Budget Estimates used for ESDP, MSE-CDP, Technology Centre, Promotion of MSME in NER and PM Vishwakarma.

A detailed analysis of all the MoMSME schemes and their sub-components – including where support is not being provided to Medium Enterprises is illustrated below:

Prime Minister's Employment Generation Programme (PMEGP) is a credit-linked subsidy scheme for providing employment opportunities through establishment of micro-enterprises in the non-farm sector. Under the Scheme, Margin Money (Subsidy) is provided to beneficiaries availing loans from banks for setting up new enterprises. The Government subsidy under the scheme is routed by KVIC through the identified Banks for eventual distribution to the beneficiaries/entrepreneurs in their Bank accounts. Beneficiaries are required to contribute 5-10% of the project cost, based on their category. For General Category: 15% (Urban), 25% (Rural). For Special Category: 25% (Urban), 35% (Rural). Financial support is provided as a combination of beneficiary contribution, bank credit, and government subsidy. Reputed NGOs, SHGs, and institutions provide entrepreneurship development training to beneficiaries.



PMEGP is applicable to all new viable micro enterprises, including Village Industries projects except activities indicated in the negative list of Village Industries. Existing/old units are not eligible. The scheme's primary focus is on creation of micro-enterprises, with specific categories like Self-Help Groups (SHGs), Production Cooperative Societies, and Charitable Trusts being eligible. The scheme provides margin money (subsidy) for setting up new micro-enterprises in the non-farm sector. The incentives are heavily skewed towards micro-level operations

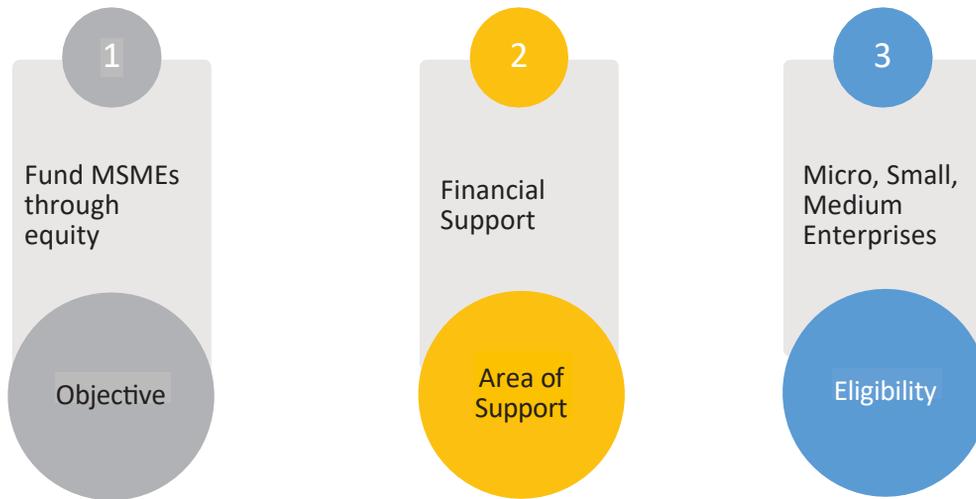
Credit Guarantee Trust Fund for MSEs (CGTMSE) is managed by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), a joint venture between the Government of India and SIDBI. The scheme aims to provide collateral-free credit support to Micro and Small Enterprises (MSEs) through a **credit guarantee for loans** extended by Member Lending Institutions like banks, financial institutions, and Non-Banking Financial Companies (NBFCs). The Scheme covers collateral free credit facility (term loan and/ or working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to Rs. 200 lakh per borrowing unit. The cap of ₹200 lakh is the maximum guarantee coverage limit (irrespective of the unit activity including Trading) per borrower

based on the outstanding credit facilities. The initial corpus fund of ₹2,500 crore of the Trust was contributed by the Government of India (GoI) and Small Industries Development Bank of India (SIDBI) in the ratio of 4:1. The Corpus of the Trust was gradually enhanced to ₹9,000 crore (share of MoMSME, GoI-₹8,500 crore and share of SIDBI-₹500 crore). Additional corpus of ₹8,000 crore was received from GoI out of its share of ₹8,500 crore in the month of March 2023. The balance of ₹1,000 crore (₹500 crore each from GoI and SIDBI) was expected to be received during FY 2024.



Micro and Small Enterprises benefit greatly from the scheme as it offers collateral-free credit for loans up to ₹200 lakh. However, once an enterprise crosses the threshold and becomes a medium enterprise, it is no longer eligible for this credit guarantee support. The scheme is applicable to new and existing MSEs only.

Self-Reliant India (SRI) Fund is a key initiative under the Atmanirbhar Bharat package, designed to support MSMEs through equity funding rather than loans. Managed by NSIC Venture Capital Fund Ltd. (NVCFL), a subsidiary of the National Small Industries Corporation (NSIC), this Fund of Funds (FoF) structure operates with a “Mother Fund” and “Daughter Funds” setup. The SRI Fund, which has a total corpus of Rs. 50,000 crores, aims to inject equity into MSMEs to foster growth, innovation, and competitiveness. The Government of India contributes Rs. 10,000 crores, while the remaining Rs. 40,000 crores is sourced from private equity and venture capital funds. The daughter funds, managed by professional investment firms, **identify high-potential MSMEs and provide them with the necessary capital** for expansion and transformation into larger enterprises.



This scheme is designed to address the capital needs of all MSMEs, without a stated skewness towards micro or small enterprises.

National SC-ST Hub provides **financial assistance, capacity building, and support to SC/ST entrepreneurs** in collaboration with industry associations. It is open to SC/ST MSMEs with at least 51% ownership. Under NSSH, various components/interventions have been introduced to cater the needs of SC-ST MSEs in the areas of finance, technology, market linkages, capacity building etc. with a view to provide a conducive ecosystem. These components are

- a. Special Credit Linked Capital Subsidy for technology enablement
- b. Capacity building of existing & aspiring SC/ST entrepreneurs
- c. Support for enhancing competitiveness through various reimbursement sub-schemes/interventions
- d. Special Marketing Assistance Scheme (SMAS) for SC/ST entrepreneurs



Several key benefits are not available to medium enterprises unless they have recently transitioned from small to medium scale. These include - Capital Subsidy for technology enablement, Reimbursement of Bank Loan Processing Fee, Reimbursement of Bank charges for Performance Bank Guarantee, Testing Fee Reimbursement, Reimbursement of membership /subscription/entry fee of Export Promotion Council, Reimbursement of Course Fees to Top 50 NIRF Rated Management Institutions for short term training of SC/ST entrepreneurs, Reimbursement of membership in Government promoted E-Commerce Portals, Reimbursement of Single Point Registration Scheme is available for micro and small units only.

Procurement and Marketing Support (PMS) Scheme provides **domestic & international market access for MSEs**. The scheme objective is to create awareness and educate the MSMEs about importance / methods/ process of packaging in marketing, latest packaging technology, import-export policy and procedure, GeM portal, MSME Conclave, latest developments in international / national trade and other subjects / topics relevant for market access developments. Support provided includes reimbursement of expenses for participation in international and domestic trade fairs and supports organizing vendor development programs (VDP) and buyer-seller meets to connect MSMEs with government departments and large enterprises. The quantum of assistance for market access initiative is 80% of space rent charges for general category MSEs and 100% for Special Category. Capacity Building: 80% reimbursement for adoption of bar code, Adoption of Modern Packaging Techniques, Financial assistance on annual membership fee for adoption of E-Commerce Platform. Development of Retail Outlet: Rs. 30 lakh max per outlet in Metro & A class cities and Rs. 20 lakh max per outlets for other cities.



Medium enterprises face several limitations in accessing critical support under the Procurement and Marketing Support (PMS) Scheme, which is primarily designed for micro and small enterprises. Subsidies for built-up space rent are exclusively available to micro and small entities. Financial support for barcode registration and annual membership fees for e-commerce platforms is similarly restricted. Training programs aimed at enhancing e-commerce capabilities are also limited to micro enterprises.

The **International Cooperation Scheme** aims to **build capacity of MSMEs for entering the export market** by facilitating their participation in international exhibitions/ fairs/ conferences/ seminars/ buyer-seller meets abroad as well as providing them with actionable market intelligence and reimbursement of various costs involved in the export of goods and services. The Scheme provides opportunities to MSMEs to continuously update themselves to meet the challenges emerging out of changes in technology, changes in demand, the emergence of new markets, etc. Thus, in totality, all components of the scheme aim at various aspects required to advance MSMEs' position as an emerging export player.

The Scheme covers the following sub-components:

- Market Development Assistance of MSMEs (MDA)
- Capacity Building of First Time MSE Exporters (CBFTE)
- Framework for International Market Intelligence Dissemination (IMID)



Although the eligibility criteria mention that all MSMEs are eligible for the scheme, some sub-components such as - Capacity Building of First Time MSE Exporters (CBFTE) which includes Registration-cum-Membership Certificate (RCMC) paid by the first-time exporters, Export insurance premium paid by MSEs and Fee paid on Testing & Quality Certification is exclusively available for micro and small enterprises only.

Newly launched **PM Vishwakarma scheme** launched on September 17, 2023, aims to provide comprehensive support for artisans and craftspeople working with their hands and tools. This scheme, with a budget outlay of ₹13,000 crore for 2023-2024 to 2027-2028, includes various components designed to enhance the skills and business opportunities of these individuals.

Support offered under the scheme:

Recognition: Beneficiaries receive a PM Vishwakarma Certificate and ID Card.

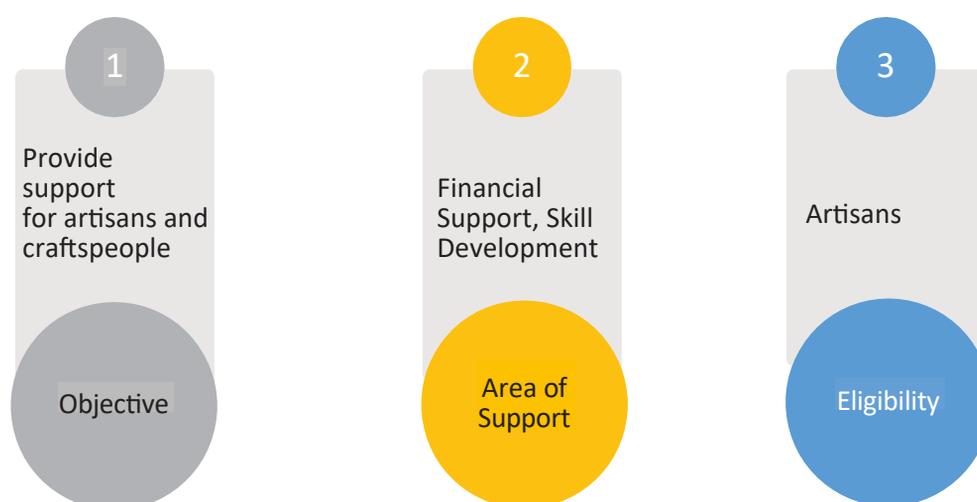
Skill Upgradation: The scheme facilitates skill development programs tailored to artisans.

Toolkit Incentive: Financial support is provided for purchasing tools and equipment.

Credit Support: Access to loans and financial assistance to help artisans grow their businesses.

Incentives for Digital Transactions: Encouragement for using digital payment methods.

Marketing Support: Assistance in promoting and marketing their products effectively



The scheme is primarily targeted at artisans and craftspeople rather than being limited to micro or small enterprises; however, it significantly focuses on micro-level support for individuals involved in traditional crafts and trades. Therefore, while it aligns with the goals of MSMEs, its specific support structure primarily benefits artisans rather than encompassing all types of MSME.

MSME Champions has been formulated by merging all 6 components of erstwhile Technology Upgradation Scheme (TUS) for a period of 5 years i.e. 2021-22 to 2025-26. It is a holistic approach to pick up clusters and enterprises and **modernize their processes, reduce wastages, sharpen business competitiveness**. There are 3 components under the new MSME Champions scheme:

1. MSME-Sustainable (ZED)
2. MSME-Competitive (Lean)

3. MSME-Innovative (for Incubation, IPR, Design)

The 4th component MSME Digital MSME will be interlinked with all the other components. Financial Support is provided to MSMEs in **Zero Defect Zero Effect (ZED)** Certification Scheme to create awareness about ZED manufacturing and motivate them for assessment of their enterprise for ZED. The **MSME (Competitive) Lean** aims to optimize production processes in MSMEs by minimizing waste and enhancing operational efficiency. Under this initiative,

MSMEs receive consultancy services to analyze their current operations and identify technological improvements that can streamline processes. Financial assistance is available for acquiring tools and technologies that support lean practices, such as automation systems and process optimization software. **MSME Innovative** is a new concept for MSMEs with a combination of innovation in incubation, design intervention and by protecting IPR in a single mode approach to create awareness amongst MSMEs about India’s innovation and motivate them to become MSME Champions. This will act as a hub for innovation activities facilitating and guiding development of ideas into viable business proposition that can benefit society directly and can be marketed successfully. The scheme has 4 sub-components: Incubation, Design, IPR and Digital. **MSME Digital** initiative encourages MSMEs to embrace digital technologies to enhance their operational capabilities and market reach. It provides funding for the procurement of essential digital tools, including enterprise resource planning (ERP) systems, customer relationship management (CRM) software, and e-commerce platforms.



Under ZED, the subsidy on the cost of certification for Micro Enterprises is 80%, for Small Enterprises is 60% and for Medium Enterprises is 50%. By and large, all MSME units can avail the benefits under each component of the MSME Champions.

MoMSME with World Bank’s loan assistance is implementing **Technology Centre** Systems Programme (TCSP) to establish 15 new Tool Rooms and Technology Development Centres (TCs) and upgrading the existing 18 TCs across the country. Its aim is to provide high

end skilling and **technical support to MSMEs**. It focuses on establishing a network of Technology Centres that provide essential support services such as advanced training, technology transfer, and R&D.

The key components of the scheme involve:

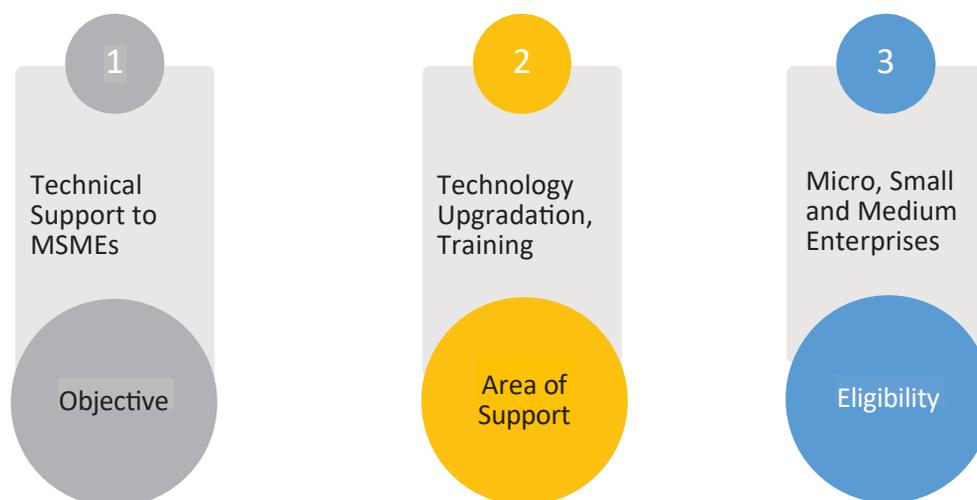
Setting Up Technology Centres: The scheme involves the establishment of technology centers in various regions to cater to the needs of MSMEs, particularly in technology upgradation, skill development, and research.

Support Services: These centers offer a wide range of services, including training programs, access to state-of-the-art equipment, and consultancy services to help MSMEs adopt modern technologies and improve their processes.

Focus on Clusters: The TCS particularly emphasizes the development of technology clusters, which aim to bring together MSMEs in specific industries or regions to foster collaboration and share resources.

Funding and Subsidies: The scheme provides financial assistance in the form of grants and subsidies to help MSMEs invest in new technologies and improve their operational capabilities.

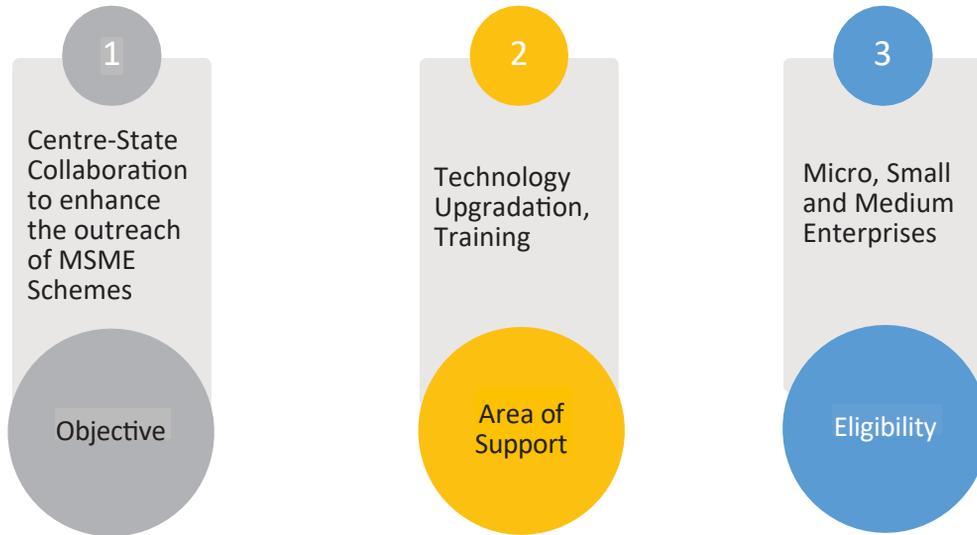
Monitoring and Evaluation: Continuous monitoring and evaluation processes are implemented to assess the effectiveness of the services provided and to ensure that the centres meet the evolving needs of MSMEs



The Technology Centre Scheme aims to support all categories of MSMEs.

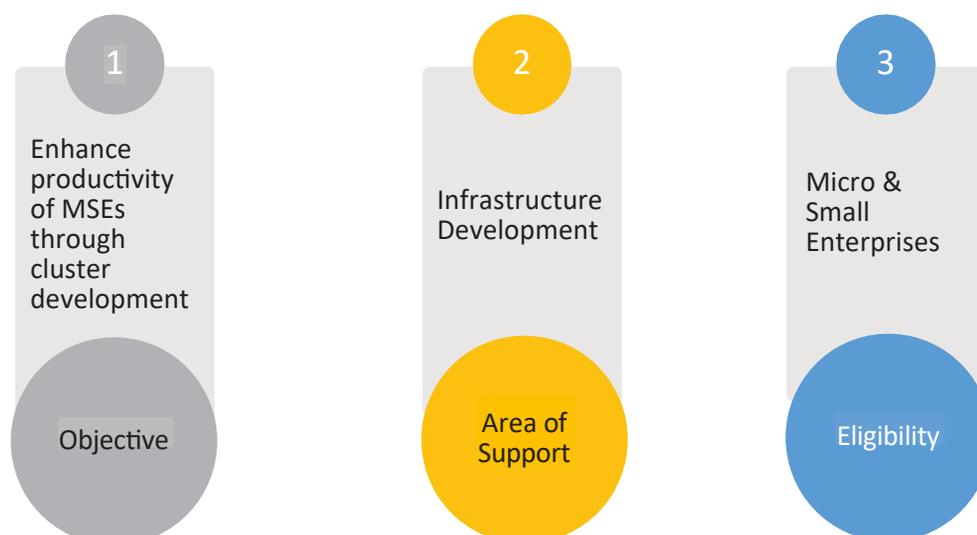
RAMP (Raising and Accelerating MSME Performance) is a **World Bank supported** Central Sector Scheme aimed at improving access of MSMEs to market, finance and technology upgradation by enhancing the outreach of existing MoMSME schemes. The programme also aims at **strengthening institutions at the Central and State level**, and enhancing Centre-State collaboration offers financial assistance to MSMEs for investing in new technologies, modern machinery, and equipment, which enhances productivity and efficiency. The scheme includes subsidies on the costs associated with upgrading technology. It encourages the adoption of innovative solutions that improve product quality and operational efficiency.

This initiative is backed by a significant investment of ₹6,062.45 crore (approximately USD 808 million), comprising a loan of ₹3,750 crore from the World Bank and the remaining ₹2,312.45 crore funded by the Government of India. The scheme will be implemented over five years and aims to address various challenges faced by MSMEs.



The scheme aims to benefit over 5.5 lakh MSMEs from FY 2022-23 to FY 2026-27. It specifically targets MSMEs that are already operational and looking to upgrade their technology, innovate, or improve their market access. Both small and medium enterprises are eligible to apply for the benefits provided by the scheme.

Micro & Small Enterprises Cluster Development Programme (MSE-CDP) is launched to enhance the productivity and competitiveness of micro and small enterprises through a **cluster development approach**. This program provides financial assistance for establishing Common Facility Centres (CFCs) and upgrading essential infrastructure in industrial areas. For preparation of Diagnostic Study Report (DSR) GoI grant is limited to Rs. 2.50 lakhs and for field organisation of Ministry of MSME its upto Rs. 1.00 lakh. For Soft Intervention, GoI will grant 75% of sanctioned amount, with maximum project cost of Rs. 25 lakh per cluster and for NE / Hill states / 50% of micro, village, women owned, SC, ST units, the GOI grants will be 90%. Hard Interventions include creation or upgrading of Common Facility Centres (CFCs), which provide shared services such as testing, training centers, raw material depots, and other support critical to improving competitiveness. MSE-CDP also encourages the formation of self-help groups, consortia, and associations to build collective capacity among MSEs.



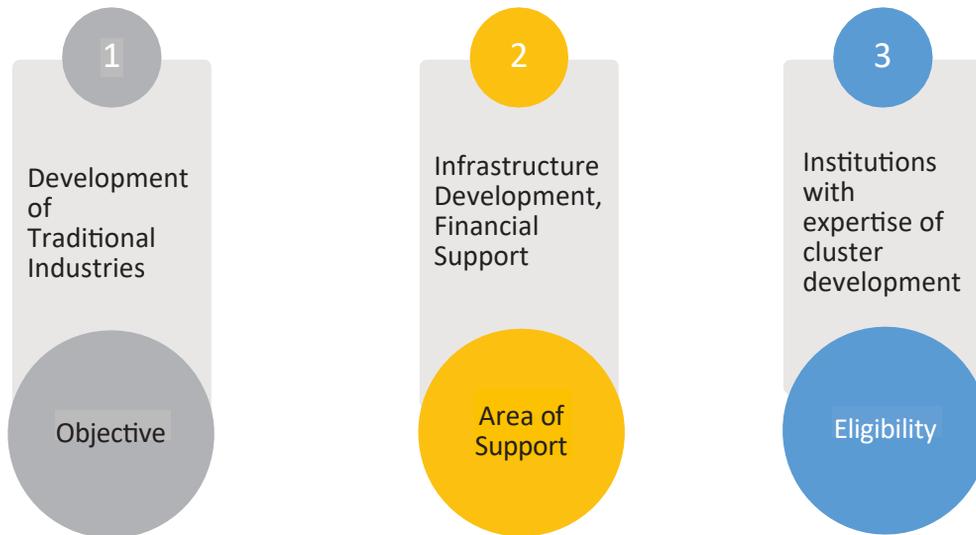
The scheme is primarily targeted at Micro and Small Enterprises only aiming to support their sustainability, growth, and ability to overcome common challenges, such as technology improvement, skills, market access, and capital availability. It is applicable to Existing Entrepreneurs in form of a Special Purpose Vehicles (SPVs).

SFURTI (Scheme of Fund for Regeneration of Traditional Industries) focuses on the **development of traditional industries**, promoting both financial assistance and capacity building. Both MSE-CDP and SFURTI involve tangible investments in infrastructure, such as setting up CFCs and upgrading industrial estates. Traditional industries include Khadi Industries, Village Industries, and Coir Industries.

The scheme covers three types of interventions

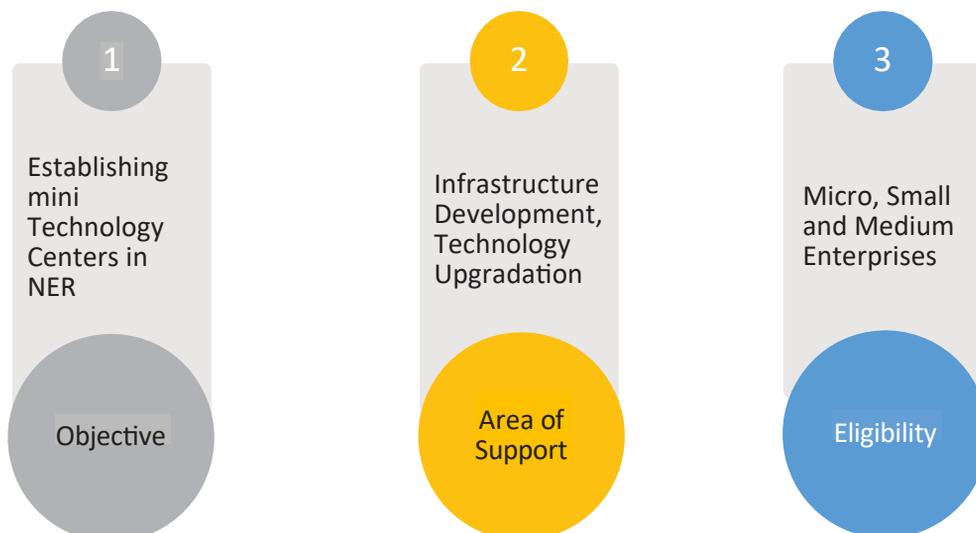
1. **Soft interventions:** Activities to build general awareness, counseling, skill development and capacity building, exposure visits, market development initiatives, design and product development, etc.
2. **Hard interventions:** Creation of common facility centres, raw material banks, upgradation of production infrastructure, warehousing facility, tools and technological upgradation, etc.
3. **Thematic interventions:** Interventions on a cross-cutting basis for brand building, new media marketing, e-commerce initiatives, research and development, etc.

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



Since the scheme is specifically designed for regeneration of traditional industries, it is not available for Medium Enterprises. Eligibility criteria includes Non-Government organizations (NGOs), institutions of the Central and State Governments and semi-Government institutions, field functionaries of State and Central Govt., Panchayati Raj institutions (PRIs), Private sector by forming cluster specific SPVs, Corporates and Corporate Social Responsibility (CSR) foundations with expertise to undertake cluster development.

Promotion of MSMEs in North Eastern Region and Sikkim provides **financial assistance for the establishment and modernization of Mini Technology Centres**, which offer vital facilities for manufacturing, testing, R&D, and training on local natural resources. Additionally, the scheme supports the development of new and existing industrial estates, and enhance the tourism sector by funding the creation of common services such as kitchens, cold storage, and cultural activity centres in tourism clusters. The government contributes up to 90% of the project costs, making it a significant support mechanism for MSMEs in the region.



Micro, Small, and Medium Enterprises (MSMEs) located in any of the eight North Eastern states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura) can apply for the benefits under this scheme. The sub-components of the scheme, such as technology upgradation, the development of industrial estates, and support for the tourism sector, all apply to all MSMEs.

The **Assistance to Training Institutions (ATI) Scheme** is designed to **enhance the capabilities of national-level training institutions** under the Ministry of MSME. Its primary goal is to provide support for the creation, strengthening, and expansion of infrastructure, including establishing new branches or centers. Financial assistance is available for infrastructure development and capacity building for training programs focused on skill development and entrepreneurship.

Assistance to Training Institutions of the Ministry of MSME: This assistance focuses on creating or strengthening the infrastructure of training institutions, including new branches or centers. It also provides support for covering any revenue deficits, specifically for institutions like the National Institute for Micro, Small, and Medium Enterprises (ni-msme).

Assistance to State-Level Entrepreneurship Development Institutes (EDIs): Maximum assistance of up to ₹250 lakh can be provided to State-level EDIs for developing infrastructure, equipment, and faculty training. The grant is limited to building infrastructure related to training but excludes staff quarters or land costs.

Assistance for Training Programs: Financial support for **skill development training** is given based on the type of program (aligned with the National Skills Qualifications Framework-NSQF).



Financial support is available for existing institutions under the Ministry of MSME, including ni-msme, National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), Coir Board, and others. Assistance is limited to State Government or Union Territory-controlled EDIs. All MSME units can avail the training through training institutions.

Entrepreneurship and Skill Development Programme (ESDP) aims to **promote entrepreneurship** among youth by conducting various training sessions that cover essential aspects of starting and managing small businesses. Activities include workshops, awareness programs, and skill development sessions, primarily targeting youth interested in self-employment. The scheme provides basic entrepreneurship training aimed at helping entrepreneurs to put their ideas into action, bring an attitudinal & behavioral change in the target group and build their personal entrepreneurial skills and advance entrepreneurship and advance management training aimed at helping entrepreneurs by providing high end I advance training in the domain of e- commerce, BPO, Soft Ware, Biotech, Modern Agricultural & Animal Husbandry and processing, etc.

The programme includes the following modules:

- Entrepreneurship Awareness Programme (EAP)
- Entrepreneurship-cum-Skill Development Programme (E-SDP): Existing E-SDP and Advanced E-SDP
- Management Development Programme (MDP): Existing MDP and Advanced MOP



Although the scheme guidelines mention that the scheme is applicable to all MSMEs, the sub- components such as one day entrepreneurship awareness programme is only meant for setting up MSEs and MDPs are not also available for Medium Enterprises.

ASPIRE (A Scheme for Promotion of Innovation, Rural Industries, and Entrepreneurship) scheme, aims to foster innovation and **entrepreneurship primarily in rural areas**. ASPIRE has several key components, including the establishment of Livelihood Business Incubators (LBI) and Technology Business Incubators (TBI). LBIs aim to provide entrepreneurship training and support to help individuals launch their businesses, while TBIs focus on commercializing innovative technologies developed in academic or research institutions. Two main components of the scheme:

Livelihood Business Incubator (LBI): These incubators focus on imparting skill development and running incubation programs to promote entrepreneurship in the agro-rural sector, with special attention to rural and underserved regions. LBIs aim to create employment and livelihood opportunities by encouraging the setup of small businesses.

ASPIRE Fund of Funds (FoF) Managed by SIDBI: This Fund of Funds (FoF) was created to invest in early-stage startups through Alternate Investment Funds (AIFs), specifically in the agro-based sector. The focus is on nurturing innovation and business development, creating forward and backward linkages with the value chain of manufacturing and service delivery.



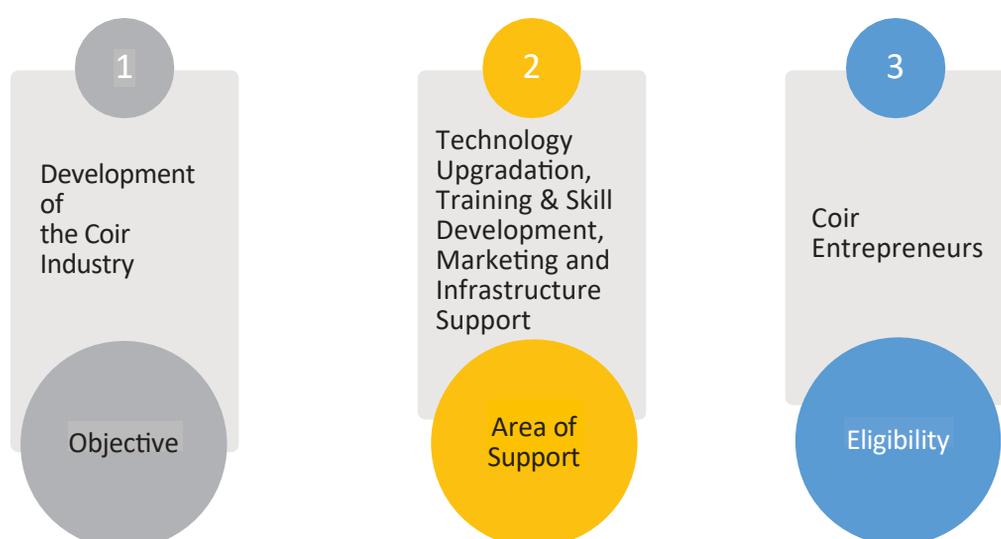
The scheme is primarily designed to support micro and small enterprises and promote entrepreneurship in rural areas. Mentor Institutes focus on Micro Enterprise creation. Role of Mentor Institutes is to create and engage an ecosystem for the LBIs enabling Micro-Enterprise creation and creating a platform for converging with various GoI/State Government schemes to facilitate the creation of micro-enterprises and employment generation, among other functions.

Coir Vikas Yojana (CVY) aims to promote the growth and **development of the coir industry** in India, focusing on various aspects such as technology, skill development, market promotion, and welfare measures for workers in the sector. This scheme aims to enhance the socio-economic conditions of those involved in the coir industry by improving their skills, providing financial assistance, and promoting coir products in both domestic and international markets.

Components of Coir Vikas Yojana

1. **Coir Industry Technology Upgradation Scheme (CITUS):** Focuses on technology and quality upgradation as well as infrastructure development for the coir industry.
2. **Science and Technology (S&T):** Aims at upgrading technology and quality for coir entrepreneurs and exporters.

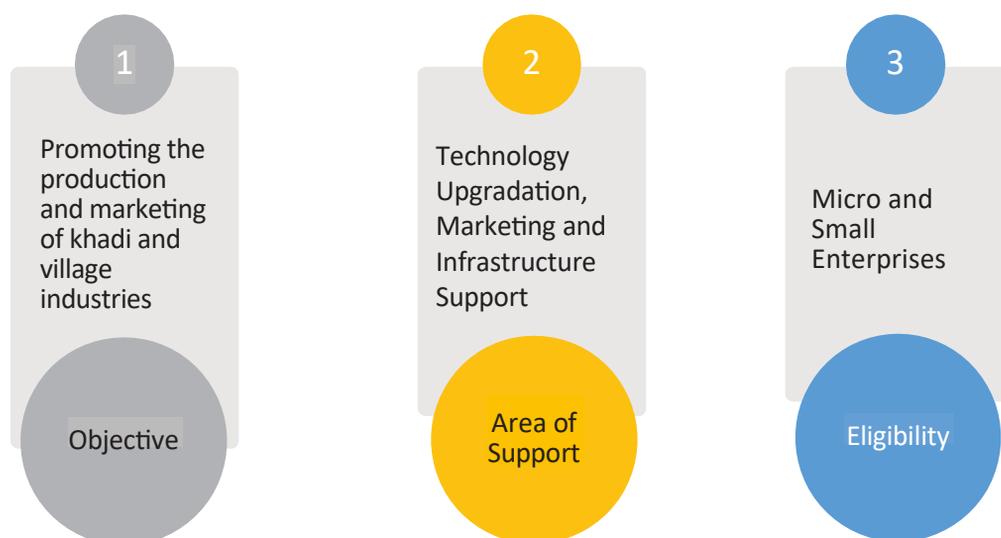
3. **Skill Upgradation and Mahila Coir Yojana:** Focuses on training and skill development, particularly targeting women artisans.
4. **Export Market Promotion (EMP):** Provides marketing assistance to coir entrepreneurs and exporters.
5. **Domestic Market Promotion (DMP):** Offers marketing assistance specifically to small- scale coir entrepreneurs.
6. **Trade and Industry Related Functional Support Services (TIRFSS):** Encompasses training and skill development, as well as infrastructure development for the coir industry.
7. **Welfare Measures:** Includes insurance and other welfare measures aimed at coir workers.



Medium enterprises can primarily benefit from the Technology Upgradation component of the Coir Vikas Yojana, while the other components cater mostly to individuals, small enterprises, or women artisans. For instance, the Domestic Market Promotion (DMP) is only available for small-scale coir workers. Similarly, the other sub-components are applicable to individual coir workers or entrepreneurs or women artisans.

Khadi Gramoday Vikas Yojana (KGVY) is an initiative by the Government of India aimed at promoting the production and **marketing of khadi and village industries**. It has two major components: (i) Khadi Vikas Yojana and (ii) Gramoday Vikas Yojana. It seeks to provide comprehensive support to artisans and entrepreneurs involved in the khadi sector and other traditional crafts, fostering rural development and self-sufficiency. The main objective of the scheme includes Promotion of Khadi Production, Skill Development, Market Development, and Sustainability. Under this scheme, financial assistance can cover up to 50% of the project cost for establishing new production units or upgrading existing ones. For specific projects, support can reach up to Rs. 25 lakhs per unit, depending on the

nature of the intervention. Marketing Assistance provides subsidy on cost of raw material. Interest subsidy is also given to Khadi Institutions (4%).



The scheme primarily targets micro and small enterprises, specifically those engaged in khadi production and related activities. The scheme is designed to support artisans and small-scale producers, including self-help groups (SHGs) and cooperatives involved in the khadi sector.

B. COMMENTARY ON MoMSME INITIATIVES

The current documentation of schemes⁷⁵ implemented by the Ministry of MSME presents an opportunity for greater standardization and transparency. A unified approach to naming conventions and scheme listings across sources would enhance clarity and accessibility. Creating a comprehensive document that consolidates all schemes, along with details on fund allocation and disbursement, could help address existing discrepancies. Additionally, ensuring timely updates on the operational status of schemes and making all relevant documents publicly available would further strengthen transparency and support informed decision-making.

75 Such as the MSME Booklet published by MoMSME, the Annual Reports, Invest India Portal, MSME Website.

Table 4.1: Snapshot of support not provided to Medium Enterprises

Type of Support	Micro	Small	Medium
MSME SAMADHAAN- Delayed Payments	✓	✓	✗
Management Development Programs ⁷⁶	✓	✓	✗
Training on Modern Packaging Techniques ⁷⁷	✓	✓	✗
Training on Adoption of Bar Code ⁷⁸	✓	✓	✗
Adoption of e-Commerce Platform	✓	✓	✗
Participation of Individual Enterprises in Trade Fairs / Exhibition ⁷⁹	80% subsidy on built-up space rent paid	80% subsidy on built-up space rent paid	✗
Subsidy on Technology Upgradation for ZED Effect Solutions	80% subsidy	60% subsidy	50% subsidy
Facilitation Council	✓	✓	✗
Capacity Building of First Time MSE Exporters ⁸⁰	✓	✓	✗
Special Credit Linked Capital Subsidy for technology enablement ⁸¹	✓	✓	✗

In conclusion, the analysis of the 18 MoMSME schemes outlined above, reveals a significant disparity in support for medium enterprises, with only 8 schemes accessible to them. Furthermore, within these schemes, several sub-components are restricted for Micro and Small Enterprises, limiting the benefits that medium enterprises can derive. It should be noted that the provision for credit is alarmingly sparse, with only a single scheme catering to this crucial need. This skewed distribution of resources highlights the inadequacy of support mechanisms for medium enterprises, ultimately hindering their growth potential and competitiveness in the market.

If these issues are addressed, medium enterprises can significantly enhance their growth potential and competitiveness in the market. By gaining better access to financial resources, they will be able to invest in expanding operations, upgrading technology, and enhancing productivity. Improved access to government schemes and incentives will allow medium enterprises to innovate, enter new markets, and scale up more effectively.

76 Sub-Component of Entrepreneurship and Skill Development Programme (ESDP) Scheme

77 Sub-Component of Procurement and Marketing (PMS) Scheme

78 Sub-Component of Procurement and Marketing (PMS) Scheme

79 Sub-Component of Procurement and Marketing (PMS) Scheme

80 Sub-Component of International Cooperation (IC) Scheme

81 Sub-Component of National SC-ST Hub Scheme

4.2 STATE GOVERNMENT INITIATIVES

A. Overview of Existing State Government Initiatives

The proposed 6 states (Maharashtra, Tamil Nadu, Uttar Pradesh, Gujarat, West Bengal and Telangana) account for 54% of the total MSMEs in India. Each state has distinct sectors of concentration, and these sectors vary from one state to another. For example, Maharashtra's most concentrated sectors include textiles, pharmaceuticals, chemicals, automobiles, engineering, and leather, reflecting the state's diverse industrial base. Similarly, West Bengal's

prominent sectors include textiles and engineering (mainly leather), Foundry and Forging industry, Food and agro processing, Gems and Jewellery, textiles and engineering.

B. Commentary on Existing State Government Initiatives

Maharashtra has 8 MSME-related schemes, all of which are extended to medium enterprises, offering a variety of incentives like Capital subsidy, Investment Subsidy, Assistance in Marketing, Reimbursement for stamp duty, Subsidy on power tariffs, etc. Some of the flagship schemes Intellectual Property Rights (IPR) scheme, Industrial Promotion Subsidy (IPS), Interest subsidy, etc.

For instance, IPR Scheme provides financial assistance up to Rs. 2 lacks will for domestic patent applications, and up to Rs. 10 lacs for international patent applications.

BOX 4.1: STAKEHOLDERS STATEMENT

Maharashtra's Women Policy 2024 is a unique initiative focused on promoting entrepreneurship and innovation among women, especially marginalized groups. It emphasizes skill development, access to financial services, and rebranding Self-Help Groups (SHGs) as engines of economic growth. The policy offers institutional and funding support for women-led producer associations, promotes SHGs in government schemes, and provides training in branding and marketing, empowering women entrepreneurs and strengthening their economic role.

- **Director Maharashtra Chamber of Commerce, Industries and Agriculture**

Major challenge for the MSMEs is the availability of skilled labor, mainly due to a mismatch between the skills needed and those possessed by the workforce. Many companies struggle to find the right talent that aligns with their requirements.

- **Survey by the Federation of Indian Chambers of Commerce and Industry (FICCI), 2023**

Medium enterprises face several key challenges, including limited access to credit due to collateral issues, low adoption of technology, inadequate infrastructure etc.

- **Maharashtra Economic Advisory Council 2023**

Tamil Nadu has 15 MSME-related schemes, but only 46% cater specifically to medium enterprises, providing a variety of incentives such as reimbursements for quality certification costs and infrastructure development support etc. Some of the flagship schemes include the Back-ended Interest Subsidy for MSMEs, offering 3% interest subvention on term loans for technology up-gradation and modernization, as well as the Credit Guarantee Fund Trust Scheme and 25% of the cost under generator subsidy scheme.

BOX 4.2: BEST PRACTICES - TAMIL NADU - SAP 2016

Tamil Nadu Plots/ Sheds Allotment Policy, 2016

Developed plots/shed in the Industrial Estates are being allotted on outright sale basis / lease / rental basis to MSMEs by advertising the details of vacant plots / sheds in the official website of TANSIDCO. On receipt of application requesting allotment of plots / sheds, Screening Committee meeting is convened to select eligible applicants after an interview. In case of a greater number of eligible applicants are found in places where the number of plots is limited, then the allotment is done through drawing of lot in the presence of applicants.

Uttar Pradesh has 19 schemes related to MSMEs and about 84% of these schemes are applicable to medium enterprises, offering a wide range of incentives such as Interest subsidy, Land Use Conversion Fee Waiver, Reimbursements for industrial parks, Subsidy for Standard Quality Compliance etc. Some of the flagship schemes are One District One Product (ODOP), Marketing Development Assistance Scheme, Promoting Leadership and Enterprise for Development of Growth Engines (PLEDGE) etc.

For example, ODOP scheme provides different trainings across the value chain of ODOP product for that respective district and it targets skilled and unskilled artisans for training under different modules and certification and provides for a free advanced toolkit free to trained artisans.

BOX 4.3: BEST PRACTICES - UTTAR PRADESH - PLEDGE SCHEME

Promoting Leadership and Enterprise for Development of Growth Engines (PLEDGE), scheme by Uttar Pradesh government aims to promote the development of private industrial parks across the state. Under this scheme, private developers can establish parks on 10-50 acres of land, with 75% of the area reserved for MSMEs. Developers are responsible for land allocation, infrastructure development, and maintenance. The scheme offers 100% stamp duty exemption for private developers and women entrepreneurs acquiring industrial land in these parks. SIDBI will provide financial assistance to address funding gaps for setting up these parks.

Gujarat has 16 MSME related schemes and all these are applicable to medium enterprises. These schemes offer a wide range of incentives like Interest subsidy on Term Loan, Subsidy on technology up-gradation, Subsidy on patent registration, Subsidy on consumption of Energy and Water, Assistance for sick enterprises etc. Some of the flagships schemes are Rehabilitation of sick enterprises, Gujarat MSME Export Promotion Scheme, Assistance for Technology Acquisition etc.

For instance, Assistance for Common Environment Infrastructure scheme offers 75% assistance maximum amount of 80 lakhs for infrastructural development.

BOX 4.4: BEST PRACTICES - GUJARAT - REHABILITATION OF SICK ENTERPRISES

Rehabilitation of sick enterprises is one of the unique schemes by government of Gujarat and it is applicable to all categories. Reimbursement of rent is again for all categories adding to motivate the industries to move from micro to small to medium.

West Bengal has around 11 schemes related to MSMEs and only 50% of these schemes are applicable to medium enterprises, offering a range of incentives such as Capital Investment Subsidy, Interest subsidy on Term Loan, Subsidy for Energy Efficiency, Subsidy on Stamp Duty and Registration Fee, Subsidy for Water Conservation/ Environment Compliance etc. Some of the flagship schemes are Banglashree, Incentive scheme for Industrial parks etc.

For instance, Banglashree scheme offers various incentives to medium enterprises such as interest subsidy of 25% on term loans, 100% waiver of electricity duty, 75% subsidy on stamp duty, 30% subsidy on SGST, welfare workforce assistance, 50% subsidy for patent registration.

Telangana has implemented 10 MSME related schemes, with 80% of them designed for medium enterprises. These schemes provide incentives such as land conversion subsidy, seed capital assistance, subsidy on quality certification etc. Some of the flagship initiatives are T- Pride, T-Idea.

For instance, T-Pride for SC/ST entrepreneurs provides a variety of incentives for medium enterprises, including 100% reimbursement of stamp duty and transfer duty on land purchases, among others. In contrast, T-Idea provides a reimbursement of interest subsidy of 4% for spinning activity and 6% for industries involved in composite activities i.e., spinning, and weaving/knitting, specifically for technology up-gradation.

BOX 4.5: BEST PRACTICES - TELANGANA - STATE SCHEMES

TG-iPASS (Telangana State Industrial Project Approval and Self-Certification System) is a single window clearance system that reduces the complexity for businesses. The portal enables self-certification of compliance with statutory requirements, minimizing the need for frequent inspections and manual checks. It also guarantees clearances within a specified timeframe, typically 15 days, ensuring that businesses can start their operations or expand their ventures without unnecessary delays.

Revenue-based financing for MSMEs: The Government of Telangana will run a pilot program for revenue-based financing for MSMEs. As per the model, MSMEs can access credit based on future sales, reducing upfront burdens and making funding more accessible, especially for women-led ventures. The pilot project will help the Government assess if MSMEs in the state are interested in such routes for finance. The pilot will also help the Government identify interventions that the Government can make to encourage more revenue-based financing.

The government will offer technical support and guidance to help MSMEs enhance their financial planning and adopt standard book-keeping practices. To achieve this, state will engage third party experts to provide practical and accessible assistance to MSMEs across the state. It will also produce training videos in Telugu to teach basic-book keeping skills, helping MSMEs better manage working capital and access formal credit.

Creation of raw materials directory: government plans to develop a comprehensive directory of raw materials needed across the state, along with a list of verified suppliers who meet quality control standards.

Details of all the schemes, as stated above are given in the Annexure II.

4.3 GAPS IN THE POLICY ECOSYSTEM

1. **Limited support for Medium Enterprises:** Most of these schemes and other support mechanisms are geared more towards micro and small categories. There are very few schemes that are applicable to ME. Even where the support and incentives are applicable for all the categories - micro, small and medium there is no focus specific to medium enterprises.
2. **Concerns of Small Enterprises Regarding Transition to Medium Enterprises:** Mature and larger small enterprises often perceive that transitioning to medium enterprise status will result in increased taxes, higher electricity costs, and greater complexities in GST and other compliance requirements. To navigate these challenges, some entrepreneurs opt to establish additional units, potentially registered under the names of family members.
3. **Lack of Interest subsidy scheme for medium enterprises:** Most schemes related to interest subvention primarily target micro and small enterprises, with few

providing similar support for medium enterprises. Currently, there are no policies or government initiatives in place that offer interest subsidies specifically for medium enterprises across the country. For instance, Telangana's Pavala Vaddi, a sub-component of the T-IDEA scheme, is designed for MSMEs but it applies only to micro and small but not medium enterprises.

4. **Lack of Facilitation Councils (FCs) to medium enterprises:** The scope of FCs is limited to micro and small enterprises, leaving medium enterprises aside. And most states have only one FC which is insufficient to handle the high volume of cases, leading to delays and backlogs.

As has been enumerated in Chapter 3, there are a few factors inhibiting the growth of MEs. This chapter further identifies gaps in current policy initiatives. It can also be deduced that very few schemes exist that specifically cater to the needs of Medium Enterprises. With a targeted push, Medium Enterprises can increase their already significant contribution to Innovation, Export, and Employment. **In the following chapter we identify some International Best Practices, that can be aligned with the Indian perspective to strengthen the role of Medium Enterprises in the country's economic landscape.**

5



INTERNATIONAL BEST PRACTICES

CHAPTER 5

INTERNATIONAL BEST PRACTICES

In this chapter, we explored international best practices and examples from countries such as Canada, Singapore, Germany, and Japan. We highlighted how these nations support Medium Enterprises (MEs) in areas like innovation, access to skilled labour, access to technology, awareness of various schemes, and access to working capital.

Example 1: Awareness of Schemes/Compliance: Canada's BizPaL and Singapore's GoBusiness Licensing Portal

Canada's BizPaL centralized the permit application process across all government levels, significantly reducing time spent on regulatory tasks. Singapore's GoBusiness Licensing Portal integrated over 20 government agencies, offering AI-driven recommendations for licenses and compliance requirements⁸².

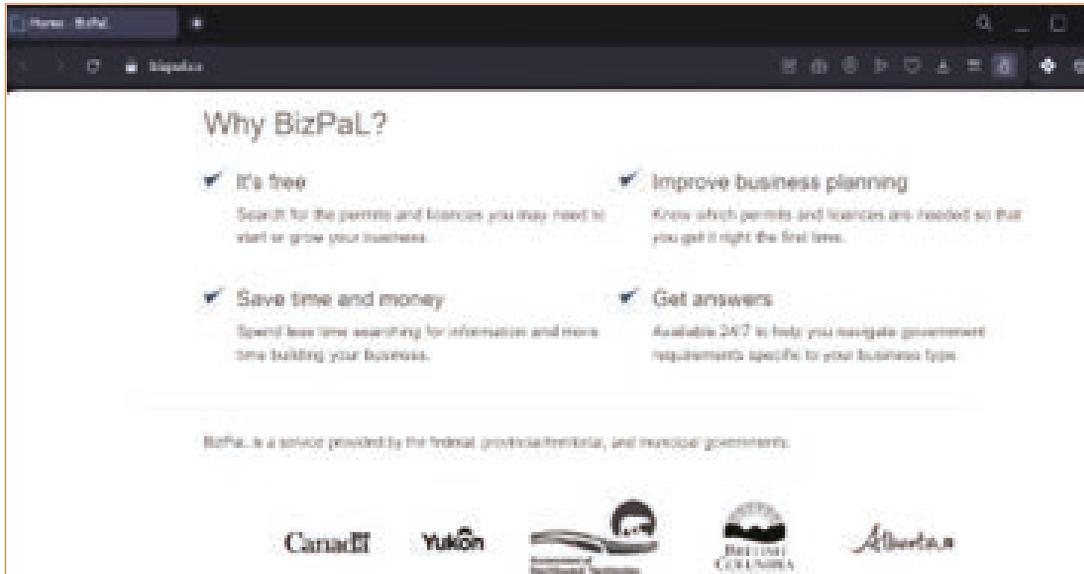
1. **Canada's Innovation, Science, and Economic Development (ISED) - BizPaL:**

URL: <https://www.bizpal.ca>

USPs:

- ◆ **Cross-Government Integration:** Centralized access to permits and licenses from federal, provincial, and municipal levels.
- ◆ **Personalized Application:** Tailored recommendations based on business type, location, and needs.
- ◆ **Simplified Navigation:** A step-by-step guide for businesses to ensure they apply for the relevant permits and licenses.

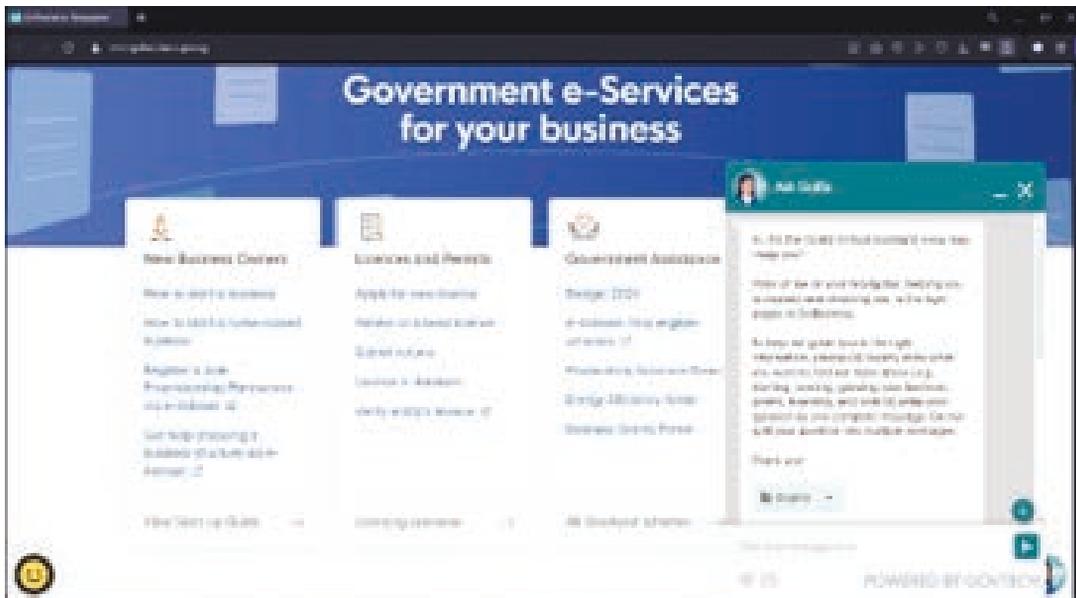
⁸² <https://licence1.business.gov.sg/feportal/web/frontier/home>



2. Singapore’s GoBusiness Licensing Portal URL: <https://www.gobusiness.gov.sg>

USPs:

- ◆ **Integration of 20+ Government Agencies:** A single platform for applying to multiple agencies for licenses and government schemes.
- ◆ **AI-Driven Recommendations:** Personalized recommendations for schemes, licenses, and compliance based on business details.
- ◆ **Compliance Reminders:** Automated reminders for license renewals and regulatory updates, ensuring businesses remain compliant.



Example 2: Access to Advance Technologies: Germany’s Industry 4.0, Japan’s Connected Industries, South Korea’s Manufacturing Innovation 3.0, and China’s Made in China 2025

Germany's Industry 4.0 initiative launched SME 4.0 Competence Centers, offering small and medium-sized enterprises (SMEs) access to resources and expertise. This support led to a 40% increase in the adoption of digital tools⁸³. Japan's Connected Industries promoted collaboration through the IoT Acceleration Consortium, resulting in wider use of IoT. China's initiatives promoted the adoption of robotics and AI by offering tax incentives, thereby enhancing industrial competitiveness.

Some more country-specific example:

Table 5.1: International Best Practices for Technology Adoption

Country	Name of the Scheme	Key Features/Support Provided to Medium Enterprises
Germany	Industry 4.0 Initiative	<p>SME 4.0 Competence Centers: These centers provide medium enterprises with access to experts, resources, and best practices for adopting digital tools and smart manufacturing. They offer training, workshops, and consulting services on implementing Industry 4.0 technologies.</p> <p>Innovation Grants: Financial assistance to medium enterprises for R&D, technology integration, and process digitization.</p> <p>Public-Private Partnerships: Government encourages collaboration between academia, industry, and government institutions for sharing knowledge and fostering innovation.</p>
European Union	Horizon Europe & Digital Europe	<p>Innovation and R&D Funding: Under Horizon Europe, medium enterprises can receive grants to fund digital transformation projects, including integrating Industry 4.0 technologies like AI, big data, and automation.</p> <p>Skills Development Programs: Training programs for workers in medium enterprises to enhance their understanding of AI, IoT, and big data usage in manufacturing.</p> <p>Digital Innovation Hubs (DIHs): DIHs act as local support networks to help medium enterprises with innovation testing, access to advanced technology infrastructure, and expert consultancy.</p>

83 i. <https://www.aws-institut.de/en/research/mittelstand-4-0-kompetenzzentrum/>

ii. <https://www.imw.fraunhofer.de/en/press/press-releases/press-release--medium-sized-businesses-4-0---competence-center-e.html>

Country	Name of the Scheme	Key Features/Support Provided to Medium Enterprises
United States	<p align="center">Advanced Manufacturing Partnership (AMP) & Manufacturing USA</p>	<p>- Manufacturing USA Institutes: Medium enterprises gain access to 14 specialized institutes that focus on different cutting-edge technologies like additive manufacturing, robotics, and smart materials. These institutes provide shared R&D facilities, knowledge transfer, and workforce training opportunities. Small Business Innovation Research (SBIR): This program offers funding specifically for medium and small enterprises to develop and commercialize innovative technologies. It provides financial support for research, prototyping, and market readiness of smart manufacturing tools. Workforce Training: Programs that offer skills training for employees on advanced manufacturing and digitalization to better prepare for Industry 4.0 environments.</p>
Japan	<p align="center">Connected Industries</p>	<p>SME-Specific Support: The government provides funding, consultation services, and resources tailored to help medium enterprises integrate advanced technologies such as IoT, AI, and cloud computing into their manufacturing processes.</p> <p>IoT Acceleration Consortium: A public-private initiative to promote shared IoT infrastructure and R&D to benefit SMEs in their digital transformation. Medium enterprises can collaborate with large corporations to accelerate tech adoption.</p> <p>Public-Private Collaboration: Collaboration between SMEs, universities, and large corporations is encouraged for fostering innovative industrial applications and improving smart manufacturing solutions.</p>
China	<p align="center">Made in China 2025</p>	<p>- Tax Incentives and Subsidies: The Chinese government provides tax reductions and subsidies to medium enterprises that adopt Industry 4.0 technologies, including robotics, IoT, and smart manufacturing systems.</p> <p>Robust R&D Funding: The strategy includes significant investments in research and development for advanced technologies such as AI, automation, and industrial robotics, helping medium enterprises upgrade their manufacturing capabilities.</p> <p>Specialized Industrial Zones: The creation of specific industrial zones that provide infrastructure, technical support, and tax benefits for medium enterprises aiming to implement smart manufacturing and digital solutions.</p>

Country	Name of the Scheme	Key Features/Support Provided to Medium Enterprises
Singapore	Smart Industry Readiness Index (SIRI)	<p>SIRI Tool: A free assessment tool that helps medium enterprises evaluate their Industry 4.0 readiness. The tool offers an analysis of current processes and provides recommendations for improving digital integration and operational efficiency.</p> <p>Industry Transformation Maps (ITMs): These sector-specific blueprints outline strategies for integrating Industry 4.0 technologies in key industries, providing medium enterprises with a roadmap for digital transformation.</p> <p>Government Grants: Several grant schemes are available to medium enterprises to support technology adoption, including the Enterprise Development Grant (EDG) and Productivity Solutions Grant (PSG). These grants help businesses invest in digital solutions and smart manufacturing systems.</p>
South Korea	Manufacturing Innovation 3.0	<p>Subsidies for SMEs: The South Korean government offers financial support to medium enterprises that adopt smart manufacturing systems, particularly in integrating robotics, AI, and IoT.</p> <p>Workforce Training Programs: Government-backed programs offer training to employees in medium enterprises to upgrade their skills in using advanced technologies like robotics, AI, and data analytics for smart manufacturing.</p> <p>Public-Private Partnerships: Encouragement of collaboration between the government, private industries, and academic institutions to foster innovation in manufacturing processes and to promote smart manufacturing technology adoption across the sector.</p>

Example 3: Access to Skilled Manpower: Australia's Industry Skills Fund, Singapore's SkillsFuture, and Canada's Job Grant (CJG)

Australia's Industry Skills Fund provided \$476 million to support upskilling, leading to an improvement in worker retention⁸⁴. Singapore's SkillsFuture program enabled continuous 91 International entrepreneurial capabilities: The role of networks in the small multinational enterprise, <http://shura.shu.ac.uk/24195/learning>, while Canada's Job Grant covered 50-

84 [https://opea.net.au/industry-skills-fund-isf/#:~:text=The%20Government%20will%20provide%20\\$476.0,Australian%20Apprenticeships%20Mentoring%20Programme](https://opea.net.au/industry-skills-fund-isf/#:~:text=The%20Government%20will%20provide%20$476.0,Australian%20Apprenticeships%20Mentoring%20Programme;);

https://www.aph.gov.au/-/media/Committees/eet_ctte/estimates/add_1617/Education/Answers/SQ17-000196-Att-1.pdf

100% of training costs, leading to greater engagement in training programs⁸⁵.

Key features of the program

Table 5.2: International Best Practices for Addressing Skill Gap

Country	Scheme/ Programme	Funding	Key Features
Australia	Industry Skills Fund (ISF)	The Government will provide \$476.0mn over four years to establish the Industry Skills Fund (ISF) to support the training needs of small to medium enterprises which the national training system cannot readily meet.	Industries targeted include health and biomedical products; mining, oil and gas equipment technology and services; and advanced manufacturing, including defence and aerospace. Delivered through a co-contribution model.
Singapore	SkillsFuture	The government provides SkillsFuture Credit (new and top-up) to all Singaporeans that does not expire. Course fee funding and absentee payroll for employers who sponsor employee training.	For Individuals (Early-Career) For Individuals (Mid-Career) For Students For Employers For Training Providers
Canada	Canada Job Grant (CJG)	Canadian government funding program -Receive up to 50-100% in Grants for Employee Training.	Designed to reduce the costs of providing third-party skills training to new and existing employees. Launched in 2014, the CJG allocates upwards of \$194M annually to support the upskilling of new and existing employees so that they can perform learn new skills and become more valuable to their organization.CJG maintains a provincial stream for each province and territory,
E-Academy	Turkey	—	KOSGEB provides distance training on entrepreneurship; an effective, easy and flexible entrepreneurship training without time and space constraints by E-Akademi Programme. Entrepreneurship Support Programme, with preferential treatment for women, youth and handicapped entrepreneurs

85 <https://www.bmeaningful.com/blog/2019/02/use-the-canada-job-grant-to-cover-50-100-of-employee-training-costs/>

Example 4: Support for R&D/Innovation: Israel’s Magnet Program, South Korea’s SME Technology Innovation Program, and China’s Spark Program

Israel’s Magnet Program provided grants covering up to 66% of R&D costs, driving a 50% increase in innovation projects⁸⁶. South Korea’s SME Technology Innovation Program covered a significant portion of R&D costs, leading to a substantial increase in patent filings, while China’s Spark Program supported rural innovation by providing customized funding for enterprises.

Key features of some country-specific programs:

Table 5.3: International Best Practices for Promoting Innovation

Key Features	Scheme/Programme	Funding	Key Features
South Korea	SME Technology Innovation Program	The central government funds 50% of the program, and local governments fund 25%.	If the program is successful, the government receives 30% of its contribution back as a technology fee over five years.
UK	Future Fund	High-growth UK-based companies with between GBP 125 000 and GBP 5 million and matching funding from private investors	Targeted support is channelled to the most R&D-intensive SMEs in the form of grants and loans.
Malaysia	InnoCERT	SMEs that demonstrate strong innovation practices receive the InnoCERT certification, which enhances their credibility and visibility in both domestic and international markets.	The program motivates Malaysian SMEs to innovate continuously and leverage new technologies
China	Spark	Supports R&D efforts by providing financial assistance to companies engaged in developing new technologies, patents, and innovative products.	Various technical projects were supported depending on criteria like small investment, use of rural resources, quick benefits and appropriateness of the technology for the rural areas etc.

86 https://innovationisrael.org.il/en/programs/magnet-consortiums/#about_route Government Support for Commercial R&D: Lessons from the Israeli Experience
<https://www.nber.org/system/files/chapters/c10786/c10786.pdf>

Key Features	Scheme/Programme	Funding	Key Features
Magnet	Israel	Grants covering up to 66% of the total R&D costs for approved projects	The program encourages the formation of R&D consortia, where companies from various sectors, along with research institutions and universities, collaborate to develop cutting-edge technologies.

Example 5: Access to Working Capital: Brazil's BNDES Giro and France's Mid-Term Financing Scheme

Brazil's BNDES Giro provided emergency working capital loans, helping businesses remain operational, while France also supported companies with asset-based loans, contributing to lower bankruptcy rates.

Key features of some country-specific programs:

Table 5.4: International *Best Practices* for Access to Working Capital

Funding	Key Features	Mode of Support
Emergency Working	Brazil	BNDES Giro: Temporary financing scheme for emergency working capital: Under this finance is offered through the national development bank. It allows them to apply at their own retail bank's local branch in person and receive an immediate decision, that if positive will arrange for a wire transfer within 24 hours. Maximum loan amount of 20% of gross revenue, up to R\$ 70 million (~€ 16 million) a year, and R\$ 20 million (€ 4,5 million) per request.
	France	Mid Term Financing: Provision of asset loans intended for VSEs, MSMEs and mid-cap companies with at least 12 months of balance sheets. Allows financing a cash requirement related to cyclical difficulty, a temporary fragile situation or a working capital requirement that does not allow normal operating condition. Financing ceiling: €10,000 to 300,000. Term: 7 years, including 2 years of deferred capital amortization.

Funding	Key Features	Mode of Support
Fiscal Support for Transitioning Enterprises	Germany	<p><i>KfW Bank</i> offers “<i>KfW Entrepreneur Loan</i>”, which provides funding for companies in their growth phase, allowing them to access capital even as they transition between categories such as small to medium. Tax incentives related to R&D and investment in technology are not tied to the size classification but are available to all enterprises that meet certain criteria. Thus, transitioning from small to medium does not automatically disqualify a business from these benefits.</p>
	Australia	<p>“<i>Small Business Investment Company (SBIC)</i>” program is designed to assist small businesses in transitioning to medium-sized enterprises. It provides access to capital, tax incentives, and co-investment opportunities that are not lost when a business grows.</p> <p>Example: After transitioning from small to medium, Australian businesses can continue to access the “<i>Instant Asset Write-Off</i> program”, which allows them to immediately deduct the cost of eligible assets.</p>

Insights gained from the above global best practices can provide a roadmap for enhancing support for MEs in India.

6



RECOMMENDATIONS

CHAPTER 6

RECOMMENDATIONS

UNLOCKING THE POTENTIAL OF MEDIUM ENTERPRISES FOR ECONOMIC GROWTH

Medium enterprises play a pivotal role in driving economic growth, contributing significantly to employment generation, industrial output, and exports. However, several structural and operational challenges hinder their full potential. To address these gaps, a targeted and well-structured policy approach is essential. **The recommendations in this chapter draws on identified challenges, stakeholder consultations, and gaps in the current policy ecosystem, supported by a comprehensive review of best practices from both developing and developed countries. The focus is on financial access, technological integration, R&D promotion, skill development, and policy facilitation to create an enabling ecosystem for medium enterprises in India.**

The recommendations outlined below are based on identified challenges, stakeholder consultations, and global best practices. The focus is on financial access, technological integration, R&D promotion, skill development, and policy facilitation to create an enabling ecosystem for medium enterprises in India.

Our findings indicate that MSME's require support in:⁹⁰

1. Facilitating Financial Access and working capital support
2. Supporting Technology Integration and industry 4.0 adoption in Business Operations.
3. Strengthening R&D and Innovation Ecosystem
4. Enhancing support for cluster-based testing and quality certification
5. Need for a Centralized Digital Portal for Medium Enterprises

6.1 FACILITATING FINANCIAL ACCESS AND WORKING CAPITAL SUPPORT

Medium enterprises require higher working capital than micro and small enterprises, yet they lack dedicated financing mechanisms to support their liquidity needs. While initiatives like the Self-Reliant India (SRI) Fund aim to provide equity-based support, there is no specific intervention for addressing the working capital financing needs of medium enterprises as various existing programs such as Mudra Loan, PMEGP, CGMSE primarily focus on micro and small enterprises.

⁹⁰ Land Issue has not been taken up for the purpose of providing recommendations because land is a state subject. However, some of the best practices of states have been included in Chapter 4.

Since at present Micro and Small Enterprises are allowed to get all non-tax incentives for up to 3 years after upgradation to higher category, it is proposed that these benefits mentioned below be given to those that have consistently remained in the medium category for **at least three continuous years**. This ensures that the support is targeted at stable and genuinely growing medium enterprises.

Intervention for Working Capital

Medium enterprises typically have significantly higher capital requirements than micro and small enterprises. While the Government of India has established initiatives such as the Self-Reliant India (SRI)⁹¹ Fund to bridge this gap, there is currently no dedicated scheme for addressing the working capital needs of medium enterprises.

The 2017 Prabhat Kumar Committee report also highlighted the need for revising the classification of NPA for banks lending to MSMEs by extending the 90-day limit set by RBI for classifying overdue payments as NPAs to 180 days. This shall be instrumental in alleviating the pressure being faced by medium enterprises, thereby allowing them to prioritise operational activities over servicing loan instruments.

Another important critical issue is regarding the support for small enterprises transitioning to medium enterprises. Many small businesses face credit shortages during this critical growth phase, which often discourages them from making the transition. Although there is a mechanism that allows micro and small enterprises that transition to medium enterprise status to continue availing the benefits previously received for a period of three years.⁹²

Global Best Practices

Singapore has topped direct government spending for MSMEs at 8.9%⁹³ of GDP during the pandemic, including wage subsidies, working capital loans and specific grants for sectors most impacted. Canada spends nearly 6.6% of GDP on MSMEs. In contrast, India spends 0.08% of its GDP⁹⁴ on the MSME sector that generates 29% of the country's GDP. Canada offers structured MSME financing, with sector-specific loan caps and subsidized interest rates.

Recommendations

A. Working Capital Financing Scheme for Medium Enterprises

Introduce a dedicated financing scheme under the Ministry of MSME, allowing medium enterprises to avail loans at concessional rates. This scheme should provide loans of up

91 SRI Fund essentially functions as 'Fund of Funds' channeling capital through private equity firms to eligible MSMEs with high growth potential. Through a combination of government contribution and private equity investments, it consists of a total corpus of Rs. 50,000 crores.

92 Source: PIB 20th July 2023 - Delay in projects

93 HYPERLINK "<http://theglobaleconomy.com/>"TheGlobalEconomy.com HYPERLINK "http://www.theglobaleconomy.com/Singapore/Government_size/"(www.theglobaleconomy.com/Singapore/Government_size/

94 Nominal GDP or GDP at current prices for the year 2022-23 is estimated at Rs. 269.50 lakh crore. MSME Budget 2022-23 is 22137.95 crore, which is 0.08% of GDP.

to a certain percentage of gross revenue, depending upon the sector of the unit (i.e. manufacturing or service), capped at ₹25 crore, with a maximum of ₹5 crore per request.

In line with India's vision of becoming 'Atmanirbhar' and boosting its manufacturing capabilities and exports, it is advisable to promote medium enterprises in manufacturing by easing their access to working capital. This is because medium enterprises contribute significantly to the MSME sector's GDP and export. By providing easier access to working capital, these enterprises can scale up operations, improve productivity, and contribute even more to India's manufacturing growth, which is expected to reach \$1 trillion by 2025-26.

B. Emergency Credit Line (Medium Enterprise Credit Card)

For emergency needs, a **credit card** with a pre-approved limit of up to **₹5 crore**, may be introduced. This facility will allow enterprises to manage urgent expenses, such as payroll, inventory procurement, and equipment repairs, in case the loan disbursement longer than usual. The credit card's interest rates should align with the market rate of interest. Another benefit of these kind of initiatives is that it provides collateral-free credit for smaller amounts to meet operational requirements. Ensure that credit card interest rates align with market rates while allowing a grace period for repayment.

Loan at subsidized interest rate up to a certain percentage of gross revenue, capped at ₹25 crore

Credit Card with pre-approved limit of ₹5 crores

Expected Impact

- Ensures immediate access to capital, reducing financial distress and improving liquidity management.
- Strengthens business continuity, allowing enterprises to scale without funding bottlenecks.

6.2 TECHNOLOGY INTEGRATION AND INDUSTRY 4.0 ADOPTION.

While large corporations have the required resources to invest in cutting-edge technologies, and small enterprises often benefit from targeted Government schemes, medium enterprises fall into a policy gap, where they do not qualify for small enterprise benefits but also lack the resources and expertise to adopt advanced AI, IoT, automation, and smart manufacturing solutions independently. The absence of structured support has made technology adoption slow and fragmented. Additionally, global supply chains are evolving rapidly, with an increasing focus on automation, digital integration, and smart manufacturing. Medium enterprises must upgrade their capabilities to meet international

standards and participate in global value chains. Failure to do so could result in reduced market access, lower productivity, and an inability to scale.

While initiatives like MSME Champions and Udyog Bharat are in place to support technology upgrades 82% of medium enterprises have yet to incorporate advanced technologies into their operations.

Tool Rooms and Technology Centres established by the Government of India provide a strong foundation for technological development and skill enhancement which can be built upon using their infrastructure for adoption of Industry 4.0 technologies among medium enterprises.

Government of India's initiative to establish **20 new Technology Centres (TCs)** and **100 Extension Centres (ECs)** under the scheme "Establishment of New Technology Centres / Extension Centres" marks a significant stride towards empowering the **MSME sector** and **skill seekers** across the nation. The scheme was approved by the Cabinet Committee on Economic Affairs (CCEA) on November 1, 2018. These TCs and ECs will provide critical services such as **technology support, skilling, incubation, and consultancy to MSMEs and skill seekers.**

GLOBAL BEST PRACTICES

- Germany's SME 4.0 Competence Centers provide targeted technological support to medium enterprises. They offer digital transformation training to help businesses adopt automation and IoT. Financial incentives encourage investment in smart manufacturing solutions. This approach strengthens SMEs, making them globally competitive.
- China's Smart Factory Initiative helps medium enterprises adopt AI-driven manufacturing for efficiency. It promotes AI, data analytics, and automation to optimize production processes. Government support includes policy incentives and technology partnerships. This initiative enhances innovation and boosts China's global manufacturing leadership.

Recommendations

A. India SME 4.0 Competence Centres

Leverage the existing Technology Centres (TCs) under the Ministry of MSME and revamp them into "India SME 4.0 Competence Centres." These Competence Centres ensures cost-effective implementation, maximized resource utilization, and streamlined support for medium enterprises.

These new **TCs** can be designed to act as competence centres that will cater to various industries, including General Engineering, Fragrance and Flavour, Electronics Systems Design and Manufacturing (ESDM), Sports, and other sectors based on regional and industry-specific demands. This targeted approach will ensure alignment with industry

needs, making the services offered by these centres highly relevant and impactful. By equipping MSMEs with cutting-edge tools and fostering a culture of innovation, the centre will aim to create future-ready enterprises capable of competing in global markets. The integration will ensure these centres become innovation hubs for MSMEs, equipping them with the tools and knowledge needed to adopt Industry 4.0 technologies and drive growth.

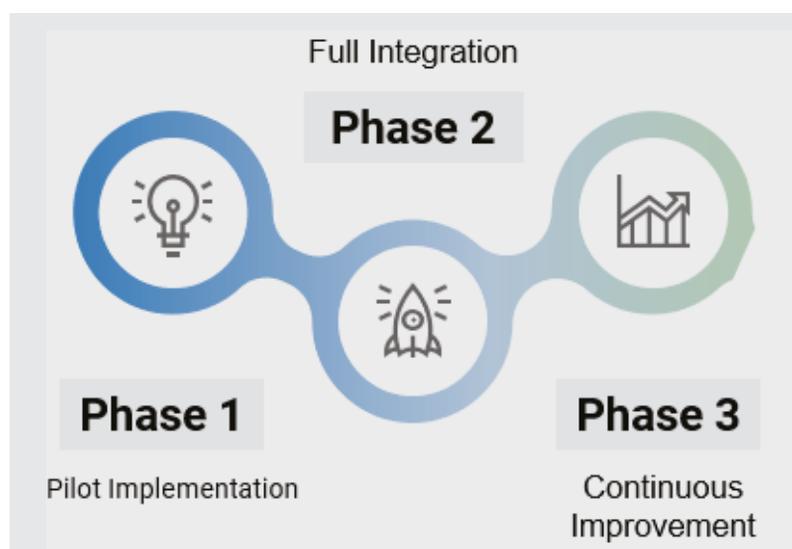
These centres should provide:

- AI & IoT labs, AR/VR workstations for training including innovation ecosystems.
- Rapid prototyping facilities, including 3D printing and smart manufacturing hubs.
- Capacity building and Training.
- Consultancy services, Incubation and Start-Up support for digital transformation.

B. Hub-and-Spoke Model for Outreach

TCs and ECs may operate in a Hub-and-Spoke Model. Each TC (Hub) should act as a centralized node for cutting-edge facilities. Extension Centres (Spokes) ensure outreach in underserved areas. The SME Competence Centres' resources can flow seamlessly. Collaboration with IITs, NITs, and other technical institutes will help to foster R&D projects and internships.

C. Phased Implementation Strategy



- **Pilot Phase:** Test SME Competence Centre components in select Technology Centres (TCs) and assess MSME readiness.
- **Full Integration:** Expand to all 20 TCs, leveraging the Hub-and-Spoke model via 100 Extension Centres (ECs).
- **Continuous Improvement:** Monitor adoption rates, MSME growth, and training participation, updating programs with emerging technologies.

Expected Impact

The initiative is expected to significantly accelerate the adoption of Industry 4.0 technologies among medium enterprises, fostering a more digital and data-driven manufacturing ecosystem. Through targeted interventions such as skill development, technology demonstrations, and access to smart manufacturing solutions, these enterprises will be better equipped to integrate advanced automation, IoT, AI-driven analytics, and digital twin technologies into their operations. This will lead to increased efficiency, reduced downtime, and enhanced production quality, ensuring that medium enterprises remain agile and resilient in an evolving industrial landscape.

Furthermore, by enabling participation in digital supply chains, the initiative will enhance the global competitiveness of medium enterprises. With improved data integration, real-time monitoring, and seamless connectivity with international buyers and suppliers, Indian manufacturers will be able to meet stringent global quality standards and compliance requirements. This transformation will not only open new export opportunities but also position India as a preferred manufacturing hub, aligning with the broader vision of 'Make in India' and 'Atmanirbhar Bharat' for a self-reliant and technologically advanced industrial sector.

6.3 STRENGTHENING R&D AND INNOVATION ECOSYSTEM

Being more export orientated and having larger presence in manufacturing sector, investment on R&D is a compulsion rather than a choice for the medium enterprises. India has established a set of schemes to provide R&D support to MSMEs. As for example The Technology Centre Scheme (TCS) provides services such as product development, prototyping, and consultancy in the areas like Aerospace, Automotive, electronics, IT and General Engineering. However, a very few Medium Enterprises take the benefit of the scheme. The untapped potential of Medium Enterprises to innovate can be realized by creating a research promotion cell.

Global Best Practices

- The EU's Horizon 2020 Program provides competitive grants to SMEs for industry-led R&D. It encourages innovation by funding projects in advanced manufacturing and digital transformation. These grants help SMEs develop cutting-edge technologies and enhance market competitiveness. The program strengthens collaboration between businesses, researchers, and technology providers.
- South Korea's SME Innovation Fund connects universities and MSMEs for joint research initiatives. It fosters innovation by facilitating knowledge exchange and technology development. Government-backed funding supports collaborative projects in smart manufacturing and Industry 4.0. This approach enhances SMEs' capabilities, driving industrial growth and global competitiveness.

Recommendations

A. Establishment of an MSME Research & Innovation Fund

The Self-Reliant India (SRI) Fund has an allocation of Rs. 10,000 crores from the Government of India and Rs. 40,000 crores from Private Equity/Venture Capital Funds, totaling Rs. 50,000 crores in equity support for MSMEs with high growth potential. Since the launch of the Fund in 2021, a total of Rs. 4,885 crores has been invested in MSMEs, including the Government of India's share of Rs. 529.40 crore.

For this intervention, funds from the SRI Fund may be utilized by reserving 25-30% of the Gol's share (i.e. Rs. 2500-2800 crores) for focusing exclusively on financing Medium Enterprise projects in this regard.

Adopt EU type funding mechanism in which the government after due process will identify a set of major R&D gaps and invite proposal from the Medium Enterprises to bridge those gaps. A competition amongst the Medium Enterprises will improve the quality of proposals and the government will through this mechanism ensure that the R&D is aligned to national priorities.

B. Three-Tier Governance Mechanism

Create a three-tier mechanism of managing the funding process and monitoring and reviewing the progress of projects is required. At the apex level there should be a "Expert Committee" consisting of expert bodies that will chalk out the research agenda for the near future and for the long-term future. This council will identify areas of research that will enable the entire country to become globally competitive. This council may have members of industry, industrial research organization, research institutions, academic institutions (technical as well as management) and officials from various Ministries. Below this will be the Research Funding Management Committee that will call for R&D proposals from medium enterprises based on identified gaps and national priorities. And finally the Project Review and Monitoring Committee will monitor the performance and progress of these R&D initiatives.

Expected Impact

- The initiative will boost domestic R&D investment, reducing dependence on foreign technologies. By encouraging industry-led research, it will drive the development of indigenous solutions. This will enhance technological self-reliance and foster a robust innovation ecosystem. Strengthening local capabilities will position India as a leader in advanced manufacturing.
- Creating high-value innovations will significantly improve global competitiveness. Cutting-edge developments in automation, AI, and smart manufacturing will enhance product quality and efficiency. These advancements will open new export opportunities for Indian industries. A strong innovation culture will ensure sustained growth in the global market.

6.4 ENHANCE SUPPORT FOR CLUSTER-BASED TESTING AND QUALITY CERTIFICATION

Cluster-wise testing facilities are crucial for medium enterprises in India because they enable easier access to quality assurance, product certification, and regulatory compliance,

especially in sectors like manufacturing, pharmaceuticals, and textiles. Medium Enterprises often produce at a larger scale than small enterprises, making it vital to maintain consistent quality standards to compete in both domestic and international markets. Establishing testing facilities within industry clusters helps reduce logistical costs, accelerates time-to-market, and ensures that Medium Enterprises can meet stringent export standards, enhancing their global competitiveness. This intervention will present an opportunity to implement targeted support. Establishing these cluster-wise testing facilities could serve as an effective starting point to enhance the capabilities and competitiveness of Medium Enterprises.

Medium enterprises face significant challenges in quality assurance, product certification, and regulatory compliance, particularly for export markets. Limited access to affordable, sector-specific testing facilities forces them to rely on distant or private testing centres, increasing operational costs, certification delays, and barriers to global market entry. The absence of cluster-based testing infrastructure further hampers competitiveness, slows innovation, and limits adherence to international quality standards.

Currently, the MSE-CDP focuses on micro and small enterprises only, offering shared facilities and infrastructure to enhance their productivity and competitiveness. Medium enterprises often operate on a larger production scale, making it imperative for them to maintain stringent quality standards.

The establishment of testing facilities under the MSE-CDP also aligns with the government's broader objectives of promoting Make in India and boosting exports. Medium enterprises, being the bridge between small-scale industries and large corporations, hold the potential to drive innovation and contribute to a robust supply chain. Including them in the MSE-CDP ensures a more inclusive approach, addressing a significant gap in the policy landscape while maximizing the impact of existing resources.

Global Best Practices

- **Japan's JIS Standards & Testing Network** ensures product quality through government-backed certification. It helps industries meet global standards, boosting market acceptance
- **Singapore's Enterprise SG Testing Hubs** provide sector-specific labs for MSME compliance. They accelerate product certification, enhancing global trade readiness..

Recommendations

A. Expand MSE-CDP to Include Medium Enterprises

Modify MSE-CDP guidelines to extend support to medium enterprises, ensuring inclusivity. Medium enterprises, being the bridge between small-scale industries and large corporations, hold the potential to drive innovation and contribute to a robust supply chain. Including them in the MSE-CDP ensures a more inclusive approach, addressing a significant gap in the policy landscape while maximizing the impact of existing resources.

B. Establish Sector-Specific Cluster-Based Testing Facilities

To ensure the effective and sustainable operation of these testing facilities, the following operational framework should be integrated into the MSE-CDP. These facilities will provide essential services such as quality testing, product certification, and regulatory compliance, all of which are vital for the growth and competitiveness of medium enterprises. Design the testing facilities based on the specific requirements of the identified sectors. For instance, testing facilities in a textile cluster will focus on fabric durability, dyeing processes, and quality standards, while those in a pharmaceutical cluster will provide support for drug formulations, stability testing, and compliance with regulatory standards. Utilize MSE-CDP's existing infrastructure for cluster development to create these testing centers, reducing implementation time and ensuring synergies with ongoing cluster-related activities.

C. Identification of predominant sectors in each State which has potential for high medium enterprise concentration.

We can begin by **identifying the predominant sectors in each state and then investigate to determine the concentration of Medium Enterprises within those sectors.** Focus on identifying the strongest sectors in each state that have the potential for high medium enterprise concentration. For example, Maharashtra leads in textiles, pharmaceuticals, chemicals, and automobile engineering, while Gujarat excels in textiles, dairy products, and auto components.

Table 6.1: Sector-Specific Concentration of MSMEs in Six States

States	Sectors					
	1	2	3	4	5	6
Maharashtra	Textiles	Pharma	Chemicals	Automobile	Engineering	Leather
UP	Food Products	Hosiery and Garments	Metal Products	Cotton textiles	Ceramics	Wool, Silk, Synthetic Fibre
Tamil Nadu	Coir	Automobile	Food Processing	Textiles	Leather	Precision Engineering
Gujarat	Textile	Dairy Products	Chemicals	Agro-based Industries	Auto Component	Engineering
West Bengal	Jute	Leather	Textile	Handicraft	Food Processing	Printing and Publishing
Telangana	Pharma & Life Science	Defense and Precision	Electronics	Food Products	IT Services	-

- Establish **cluster wise testing facilities** as a core component of MSE-CDP. These facilities will provide essential services such as quality testing, product certification, and regulatory compliance, all of which are vital for the growth and competitiveness of medium enterprises.

- ◉ Develop **sector-focused testing labs** offering quality certification, regulatory compliance, and R&D support.
- ◉ Design the testing facilities based on the specific requirements of the identified sectors. For instance, testing facilities in a textile cluster will focus on fabric durability, dyeing processes, and quality standards, while those in a pharmaceutical cluster will provide support for drug formulations, stability testing, and compliance with regulatory standards.
- ◉ Utilize MSE-CDP's existing infrastructure for cluster development to create these testing centers, reducing implementation time and ensuring synergies with ongoing cluster-related activities.

Good Practice: CIPET Chennai

The CIPET (Central Institute of Petrochemicals Engineering & Technology) in Chennai provides a range of testing services primarily focused on the plastics and petrochemicals sectors. The Institute has established several best practices for cluster testing facilities, which can be beneficial for Medium Enterprises.



A. Adopt Public-Private Partnerships (PPPs) for Co-Funding

The co-financing model leverages both government funding and industry contributions to drive innovation. By sharing financial responsibility, it ensures sustainable investment in advanced manufacturing and R&D. This approach encourages industries to actively participate in technology adoption and upskilling. It also enhances accountability, ensuring efficient utilization of resources for long-term growth.

Engaging the private sector and industry bodies strengthens infrastructure, technology, and expertise. Collaboration with businesses accelerates the deployment of cutting-

edge solutions in manufacturing. Industry partnerships facilitate knowledge-sharing, skill development, and access to global best practices. This synergy fosters a competitive ecosystem, driving sustained industrial advancement.

B. Enhance Certification & Compliance Support

- ⦿ Offer subsidized testing services for MSMEs, particularly export-oriented enterprises. It is also suggested to implement fast-track certification with digital tracking and automated compliance tools.
- ⦿ Provide tailored equipment for each cluster based on the industries present. For example, textile testing labs should be equipped with fabric durability testers, and pharmaceutical clusters may require stability chambers for drug testing. Ensure that testing facilities are equipped with digital tools for easier certification processes, including real-time tracking, reporting, and automation to reduce manual work and improve efficiency.

C. Capacity Building and Skill Development

Create training modules to educate medium enterprises on how to effectively use these testing facilities. This should include how to prepare products for testing, understand certification requirements, and interpret results. Train the staff responsible for operating the testing facilities, including laboratory technicians and quality assurance officers. This will help maintain high standards of testing and customer service.

Expected Impact

- ⦿ Faster certification processes will minimize delays, ensuring quicker market entry for exporters. This will strengthen export readiness by helping industries meet global regulatory requirements efficiently. Streamlined approvals will enhance India's reputation as a reliable manufacturing hub.
- ⦿ Lower operational costs will make local testing more accessible to industries. Reducing dependence on distant facilities will cut logistics expenses and speed up compliance. This will encourage more businesses to adopt quality certification without financial strain.
- ⦿ Stronger global competitiveness will come from improved adherence to international quality standards. Enhanced certification frameworks will build trust in Indian products worldwide. This will open new market opportunities and drive industrial growth.

6.5 CUSTOMIZED SKILL DEVELOPMENT FOR MEDIUM ENTERPRISES

Medium enterprises in India play a critical role in driving innovation and economic growth, especially in sectors like manufacturing, IT, and services. However, the fast-evolving landscape and technological demands require these enterprises to continually upskill their workforce to maintain competitiveness. While the Indian government has launched initiatives like the Skill India Mission and the Entrepreneurship & Skill Development Programme (ESDP) to support skill development, there are several challenges that limit their effectiveness for medium enterprises.

The **availability of skill development courses tailored specifically for medium enterprises is limited**, contributing to a significant mismatch between the skills required and the courses offered. There is also limited availability of subsidized and customized programs specifically designed for Medium Enterprises.

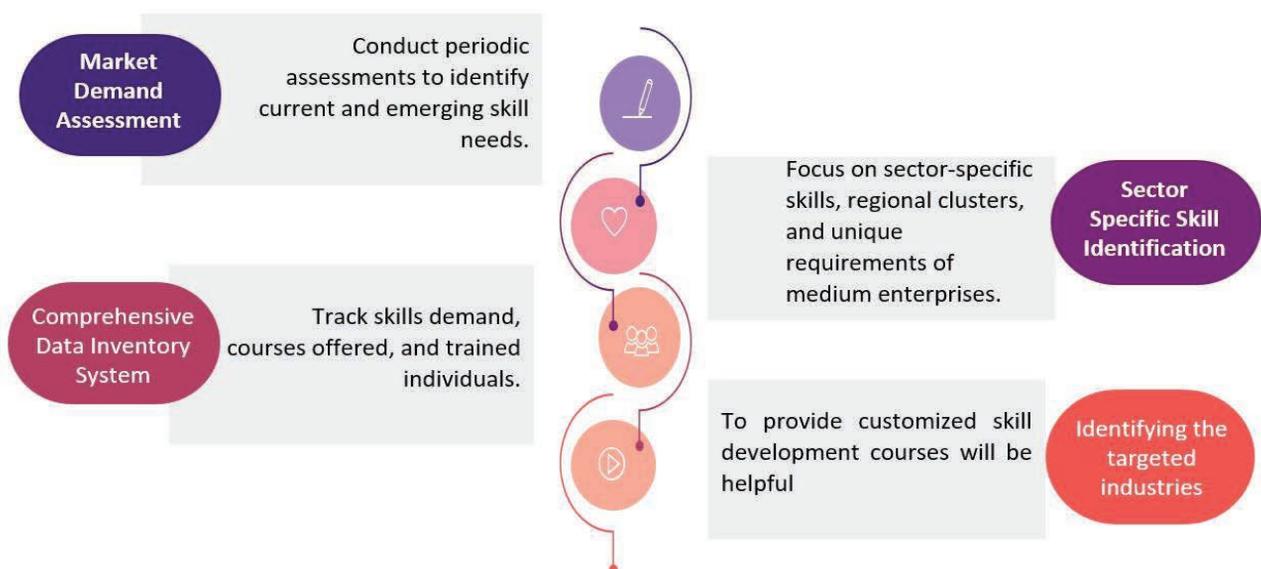
The absence of structured online learning opportunities and effective coordination between central, state, and local agencies adds to the complexity, resulting in delayed and inefficient implementation of skill development initiatives. For medium enterprises to succeed in a globalized market, there is a clear need for a tailored, data-driven approach to skill development that can align with industry needs and ensure a competitive, skilled workforce.

Global Best Practices

- ✦ **Canada's Canada Job Grant (CJG):** Offers tailored provincial-level training programs aligned with industry needs, providing co-funding for skills development.
- ✦ **Singapore's Skills Future Initiative:** Provides a comprehensive framework that categorizes courses by career stage (early-career, mid-career, employer-focused), ensuring continuous skill development.
- ✦ **Turkey's e-Academy:** An online training platform providing subsidized courses, enhancing accessibility for SMEs across regions.
- ✦ **Australia's Industry Skills Fund (ISF):** A co-contribution model for training, shared between government, industry, and employers, facilitating skills development.

Recommendations

A. Skill Mapping for Medium Enterprises in India



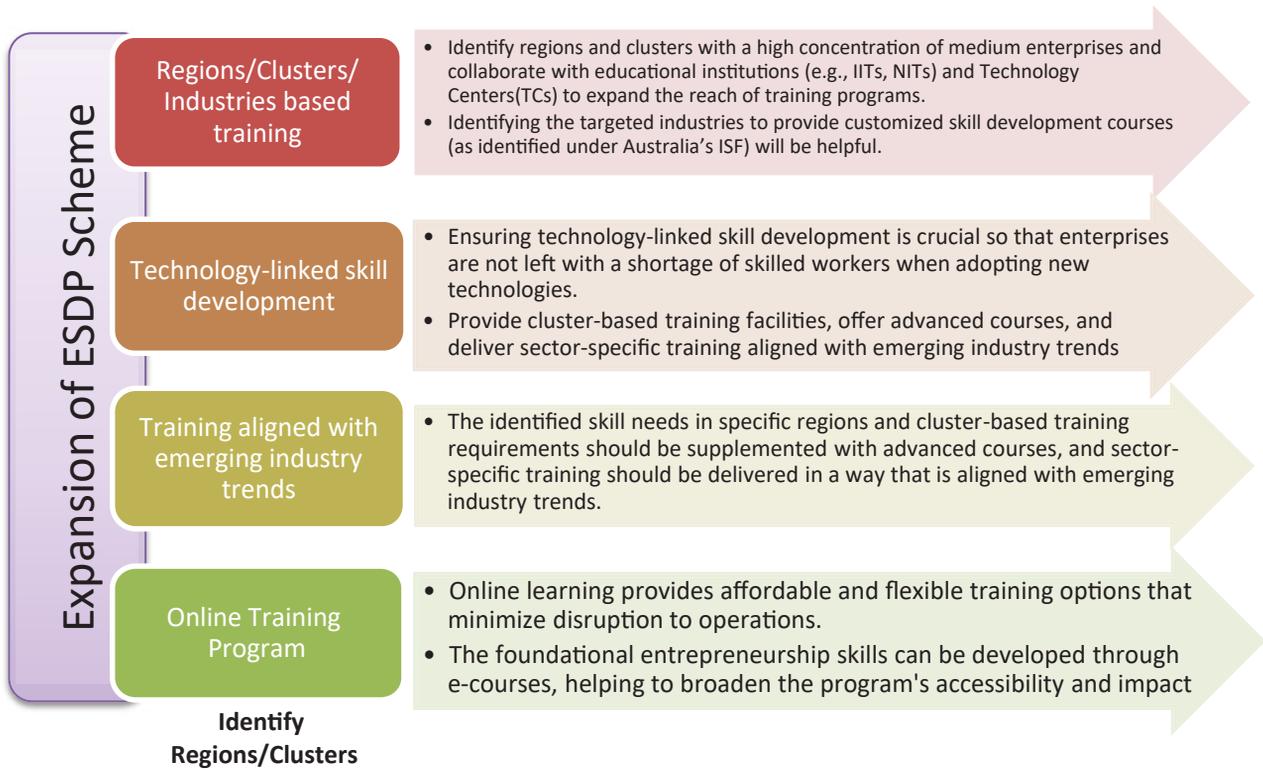
Enhancing the **MSME Sampark Portal** with real-time data will help medium enterprises address skill gaps efficiently. By providing live updates on industry-specific training needs, it will enable businesses to upskill their workforce strategically. This will ensure a stronger alignment between industry demands and employee capabilities, improving productivity.

Offering detailed insights into training providers and relevant courses will enhance accessibility for medium enterprises. With a streamlined platform, businesses can identify and enroll in specialized programs with ease. Greater transparency will drive higher participation in skill development, strengthening competitiveness in global markets

B. Expansion of the ESDP Scheme

The expansion of the **Entrepreneurship and Skill Development Programme (ESDP) Scheme** can play a crucial role in strengthening the capabilities of medium enterprises by addressing their specific skill development needs. Currently, the scheme **comprises three key components:** the Entrepreneurship cum Skill Development Programme (E-SDP), a six-week intensive training program; the One Week Advanced ESDP programmes that provide specialized knowledge in key industry areas; and the One Week Advanced Management Development Programmes (MDP), which focus on managerial and leadership skills. To make the ESDP scheme more impactful for medium enterprises, its scope can be broadened to incorporate targeted skill development initiatives that align with emerging industrial trends and technological advancements.

The proposed **expansion** should focus on customized training modules for medium enterprises, addressing their unique challenges in adopting Industry 4.0, automation, and digital manufacturing. The scheme should integrate sector-specific upskilling programs covering areas such as smart manufacturing, supply chain digitization, quality control, and export readiness. Additionally, partnerships with technology hubs, research institutions, and industry associations can be established to offer hands-on training and real-world exposure. A dedicated online learning platform can be introduced to provide flexible, on-demand training solutions for enterprises looking to enhance workforce capabilities without disrupting daily operations. By expanding the ESDP scheme in this direction, medium enterprises will be better equipped to compete in both domestic and global markets, fostering innovation and sustainable growth. The proposed expansion of the ESDP scheme should include the following:



C. Curriculum Development and Customisation

Develop and diversify curricula for sector-specific and advanced skill courses, including technology adoption, product design, and marketing. CJG of Canada maintains a provincial stream for each province and territory, which should be followed in India because different states have different sectors of medium enterprises, requiring different skill sets.

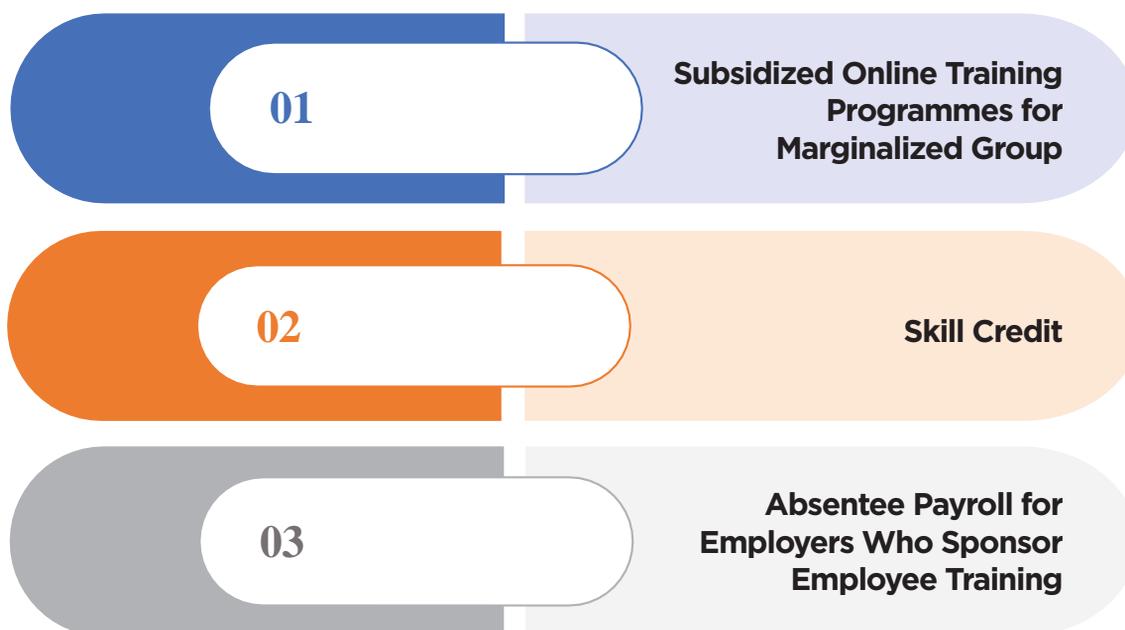
Since Medium Enterprises are more export-oriented, design export-oriented, sustainable products and lifecycle-specific programs to address different growth stages of medium enterprises.

Like **Singapore’s SkillsFuture initiative**, categorize courses based on target audiences, such as individuals (early-career, mid-career), students, and employers, offering a wide range of relevant courses. For Medium Enterprises, categorizing courses based on target audiences is essential due to their larger and more diverse workforce, which demands specialized training at different career stages. Unlike MSEs, which have limited personnel and simpler organizational structures, Medium Enterprises require tailored skill development to enhance role-specific competencies and leadership development across various levels of the organization.

<p>Curricula for Sector-Specific</p> <ul style="list-style-type: none"> Technology Adoption, Product Design, and Marketing Best Practice: CJG of Canada 	<p>Categorize courses based on target audiences</p> <ul style="list-style-type: none"> Categorize courses based on target audiences, such as individuals (early-career, mid-career), students, and employers Best Practice: Singapore’s Skills Future initiative 	<p>Curricula for Online Training Program</p> <ul style="list-style-type: none"> Lecture videos, interactive course content, entrepreneurship e-books Best Practice: Turkey’s e-Academy program
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D. Introduce Subsidized & Incentive-Based Training Programs

Subsidized training programs can still be beneficial for medium enterprises, although they may not be as critical as for MSEs. Medium enterprises often have more financial resources, but subsidies can encourage them to invest more heavily in continuous skill development for their workforce, especially in specialized or advanced areas. Subsidies can also make training more accessible for employees at all levels, fostering a culture of upskilling and ensuring competitiveness in the market.



Introduce training vouchers, skill credit (as provided **by SkillsFuture in Singapore**), and incentives and grants (similar to CJG of Canada) to increase participation in skill development initiatives. Options such as providing grants, course fee funding, and absentee payroll for employers who sponsor employee training on a co-contribution basis (co-contribution model of ISF Australia, Singapore's **SkillsFuture**, **Canada's CJG**) between center, state, and industry can be explored.

Additionally, online training programs can be offered at a subsidized rate, and free of cost for marginalized groups (as provided in **Turkey's e-Academy**).

Expected Impact

- ⦿ **Enhanced workforce capabilities:** Addressing skill gaps will improve efficiency, productivity, and innovation within medium enterprises.
- ⦿ **Increased global competitiveness:** Provides essential skills for export-readiness and compliance with international standards.
- ⦿ **Improved adoption of technology:** Promotes digital skills and advanced manufacturing capabilities, leading to a more modernized workforce.
- ⦿ **Wider participation in skill development:** Financial incentives and subsidies will make training more accessible and foster a culture of upskilling across organizations.

6.6 NEED FOR A CENTRALIZED DIGITAL PORTAL FOR MEDIUM ENTERPRISES

Medium Enterprises in India face significant barriers in accessing timely and relevant information related to government programs, compliance requirements, and financial assistance. Currently, there is no centralized platform that consolidates this vital information, leading to confusion, inefficiency, and missed opportunities. As a result, these enterprises often struggle to navigate the complex ecosystem of resources available to them. They may face delays in accessing government schemes, compliance requirements, and financial support, impeding their growth and competitiveness.

A lack of a streamlined system also complicates application processes and prevents medium enterprises from making full use of available resources, further limiting their potential to expand, innovate, and become more export ready.

By creating a centralized portal that integrates essential information on scheme availability, compliance guidelines, and financial support, the proposed platform aims to empower Medium Enterprises with the knowledge and tools they need to navigate the complex ecosystem. Features such as AI-enabled assistance, real-time updates, and a user-friendly interface will enhance accessibility and facilitate a smoother application process.

Medium Enterprises will benefit from accessing information, applications, and support schemes tailored specifically for them through a single, centralized platform embedded within a system they already recognize and use.

Global Best Practices

- ✦ **Singapore's Business Grants Portal:** The portal integrates government grant opportunities, compliance requirements, and financial assistance in a unified platform. It also features AI-powered tools that help businesses identify relevant grants and track application statuses.
- ✦ **Australia's Business.gov.au:** This portal serves as a one-stop-shop for Australian businesses, offering resources on regulations, funding, and advice. It also integrates real-time compliance updates and application status tracking.

Recommendations

A. Creation of a Centralized Sub-Portal for Medium Enterprises

It is recommended related to creation of a centralized, user-friendly, and credible platform as a sub-portal of the Udyam Portal specifically designed for Medium Enterprises, consolidating key information across multiple areas. Such a platform is necessary to provide streamlined access to vital resources, including details on available schemes, compliance requirements, financial assistance options, regulatory updates, and market opportunities. The MSME portal should serve all enterprises, with a distinct link catering to the unique needs of Medium Enterprises. By adding it to the Udyam's database infrastructure, the sub-portal can efficiently access existing data, minimizing redundancy and improving ease of access for enterprises. Creating a sub-portal ensures smoother interoperability with

Udyam's database, avoiding technical complexities and offering a unified interface for stakeholders.

The centralized platform should:

Be regularly updated with real-time information.	Provide easy access to all central, state, and ministry-level schemes.	GPT assistance with Generative AI for eligible schemes.	Offer tools for MEs to track applications and compliance status.
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Key Features:

- ⦿ **Single Source of Information:** A unified platform offering detailed information on government schemes, financial options, and compliance guidelines for Medium Enterprises.
- ⦿ **AI-enabled Assistance:** A Generative AI chatbot will be integrated into the portal to provide personalized assistance, scheme filtering assistance and answer queries in real time.
- ⦿ **Real-time Updates:** The portal will be updated regularly with the application status, latest schemes, amendments, and industry insights to ensure businesses are equipped with current information.
- ⦿ **User-Friendly Interface:** A simplified, intuitive interface that guides Medium Enterprises through various processes, including scheme applications, compliance tracking, and market analysis

Table 6.2: The comparison between proposed portal and existing portal of MSMEs are given in below table:

Particulars	Proposed Portal	NSWS	My Scheme	Udyam Registration Portal
Schemes availability (Central, State & Other Ministry)	Yes	Yes	Yes	Yes
Online forms for direct filing and applying of schemes	Yes	Partially	No	No
e-filing–DSC or Aadhar OTP	Yes	Yes	No	Yes
Pre-filled Tax Returns	Yes	No	No	No
Online Tracking Mechanism	Yes	Yes	No	No
Approving authority access	Yes	Yes	No	Yes
Helpline 24x7	Yes	Yes	No	No
Artificial Intelligence Enabled	Yes	No	No	No
Chat-Bot	Yes	No	No	No
Mobile Application	Yes	Yes	No	No
Connected to Udyam Server for pre-filled data	Yes	No	No	Yes

B. Proposed Key Modules of the Portal

B.1. Basic Information Module:

- ◉ Scheme Information: Detailed information on central and state government schemes, including eligibility criteria and benefits.
- ◉ Compliance Requirements: Pre-filled data on Income Tax and GST compliance, along with guidance on other regulatory requirements.
- ◉ Financial Assistance: Information on loans, grants, and subsidies from various government and private institutions.
- ◉ Generative AI Model: Large Language Model (LLM) for enterprises to probe and seek guidance on available schemes and their eligibility.

B.2. Process Module:

- ◉ Regulatory Compliance Tracking: Pre-filled forms for regulatory compliance (licenses, clearances) and real-time notifications for filing deadlines.
- ◉ Automated Compliance Updates: Regular updates on changes in tax laws, environmental regulations, and labor laws.
- ◉ Integrated Document Management: Digital repository for managing compliance-related documents such as tax returns, certifications, and licenses.
- ◉ Compliance Support via AI-Chatbot: Real-time AI support for navigating compliance processes and sector-specific regulations.

B.3. Market Research Module:

- ◉ Identify Growth Opportunities: Market analysis and competitor insights using GenAI to help businesses identify growth areas.
- ◉ Access Financial Resources: Information on financing options such as bank loans, venture capital, and government grants.
- ◉ Explore Export Potential: Guidance on entering new markets, including sector-specific regulations and logistics.

C. Technological Integration

AI-Driven Personalization: The portal will use AI algorithms to analyse the business profile of each ME and provide tailored scheme recommendations.

Chatbot for Real-Time Assistance: An AI chatbot will offer step-by-step guidance on navigating compliance procedures, applying for schemes, and availing financial support.

Mobile App Integration: The platform will include a mobile application to provide Medium Enterprises with seamless access to information and real-time notifications.

Expected Impact

- ◉ **Improved Access to Information:** A single, centralized source for all relevant data will help Medium Enterprises easily access government schemes, financial support, compliance guidelines, and market opportunities.

- ⦿ **Increased Participation in Government Programs:** Simplified application processes and clear guidelines will encourage more Medium Enterprises to participate in government schemes and utilize available resources.
- ⦿ **Enhanced Export-Readiness:** By providing access to market insights and export resources, the portal will support Medium Enterprises in expanding to international markets.
- ⦿ **Reduced Compliance Burden:** Pre-filled compliance forms and automated tracking will simplify the regulatory process and ensure timely adherence to legal obligations.
- ⦿ **Efficiency in Operations:** Streamlining the process for applying to schemes and tracking compliance will save time and reduce the operational burden for Medium Enterprises.
- ⦿ **Fostering Innovation and Growth:** Providing access to resources like R&D hubs, financial support, and export tools will empower Medium Enterprises to innovate and grow in a competitive global market.



ANNEXURES

ANNEXURE I

MOMSME SCHEMES

S.No.	Schemes	Guidelines
1	MSME Champions	https://dcmsme.gov.in/CLCS_TUS_Scheme/MSME%20Innovative%20Scheme%20Guidelines.pdf https://www.dcmsme.gov.in/schemes/clcs-tus/LEAN-Operational-Guidlelines.pdf https://zed.msme.gov.in/uploads/Subsidy_Women.pdf
2	Raising and Accelerating MSME Performance (RAMP)	https://www.nimsme.org/news-article/raising-accelerating-msme-performance-ramp-scheme
3	International Cooperation (IC) Scheme	https://ic.msme.gov.in/IC_APP/WriteReadData/GuideLine/Final%20and%20approved%20IC%20Scheme%20Guidelines-2021.pdf
4	Assistance to Training Institutions (ATI) Scheme	https://msme.gov.in/sites/default/files/PDF%20REVISED%20ATI%20GUIDELINES%20English%201.9.2016%20%281%29.pdf
5	Technology Centres Scheme	https://dcmsme.gov.in/CLCS_TUS_Scheme/new-Technology-Centers/Scheme_Guidelines.aspx#:~:text=by%20these%20Centres-,Guidelines,the%20vacant%20built%20up%20spaces.
6	Marketing Assistance Scheme	https://msme.gov.in/sites/default/files/MAScheme-New-18112014.pdf
7	Promotion of MSME in NER and SIKKIM	https://www.dcmsme.gov.in/schemes/Revised_Guidelines_on_31May2022.pdf
8	Self-Reliant India (SRI) Fund	https://dcmsme.gov.in/Final%20SRI%20Operating%20Guidelines%20%20approved%20by%20Minister%20%2017%2008%202021.pdf
9	Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)	https://www.cgtmse.in/Default/ViewFile/?id=1673390907997_CGTMSE%20-%20Scheme%20Document%20CGS%20I_updated%20as%20on%20Jan%2010,%202023.pdf&path=Page
10	Procurement and Marketing Support (PMS) Scheme	https://dcmsme.gov.in/OM%20&%20PMS%20Scheme%20Guidelines.pdf

S.No.	Schemes	Guidelines
11	Prime Minister's Employment Generation Programme (PMEGP)	https://www.kviconline.gov.in/pmegp/pmegpweb/docs/pdf/PMEGPscheme.pdf
12	Entrepreneurship Skill Development Programme (ESDP) Scheme	https://msmedi.dcmsme.gov.in/Manuals/Approved%20ESDP%20Guidelines_new.pdf
13	A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)	https://aspire.msme.gov.in/WriteReadData/Document File/ASPIRE_NEW.pdf
14	Scheme of fund for regeneration of traditional industries (SFURTI)	https://sfurti.msme.gov.in/WriteReadData/Circular/SFURTI_NEW.pdf
15	Micro & Small Enterprises Cluster Development Programme (MSE-CDP) Scheme	https://www.dcmsme.gov.in/schemes/New-Guidelines.pdf
16	National SC-ST Hub Scheme	https://www.scsthub.in/sites/default/files/NSSH_Guidelines_o.pdf
17	Coir Vikas Yojana	https://msme.gov.in/sites/default/files/Revised_Operation_Guidelines_of_CVY.pdf
18	Khadi Gramodyog Vikas Yojana	https://msme.gov.in/sites/default/files/RevisedoperationalGuidelinesofGVY.pdf
19	PM Vishwakarma-Enabling Artisans and Craftspeople to Build Enterprises	https://jrjbank.in/tenders/PM%20VISHWAKARMA-SCHEME%20GUIDELINES.pdf

ANNEXURE II

STATE SCHEMES:

Telangana

S. No	Scheme Name	Guidelines
1	T-IDEA (Telangana State Industrial Development and Entrepreneur Advancement) Incentive Scheme, 2014	https://industries.telangana.gov.in/Library/2015INDS_MS77.pdf
2	T -PRIDE(Telangana State Programme for Rapid Incubation of Dalit Entrepreneurs Incentive Scheme)	https://industries.telangana.gov.in/Library/2015INDS_MS78.pdf
3	Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS)	https://ipass.telangana.gov.in/viewpdf.aspx?enc=olSBrXl6rl1gh1Zl/gAtClkxOo/1mEK3ZEGdedYO3dbgHlf+VSWFL6LVs+mm8Rg6nTRHe7ixLA1Uzvt6vtEOd7yNOIXTsEGt9qK4Uv6FedkHCt/kkWVR29+JYNYHIZscBFbJdq58wnda+4yAdpgLI0kO7S3yIF5rB2c2iHYP+7tg9EjvNHByfVEvNylEWGg+UoSdX02 uK/fnSHrc+5C7QINOmV0Fbs9y8MefluZR0L8=
4	Scheme for economic development of ST entrepreneurs	https://startup.telangana.gov.in/wp-content/uploads/2021/06/cmstei_scheme_details.pdf
5	Self Employment Scheme	https://industries.telangana.gov.in/selfemployment.aspx
6	Bank linked schemes	https://tsmfc.in/schemeinfo.php?id=5
7	Suvidha Incubation	https://www.msmekipathshala.com/webkype/assets/pdf/SCHEMES%20OF%20DIFFERENT%20STATE%20GOVERNMENTS%20/SCHEMES%20DETAIL%20OF%20TELANGANA%20STATE.pdf
8	T-Fund (Telangana Innovation Fund)	https://www.startupindia.gov.in/content/dam/invest-india/Templates/public/state_startup_policies/Telangana-Innovation-Policy-Issued-GO.pdf

S. No	Scheme Name	Guidelines
9	The Telangana Handloom Weavers Thrift Fund Saving and Security Scheme (THWTFSSS) “Nethannaku Cheyutha”.	https://www.msmekipathshala.com/webkype/assets/pdf/SCHEMES%20OF%20DIFFERENT%20STATE%20GOVERNMENTS%20/SCHEMES%20DETAIL%20OF%20TELANGANA%20STATE.pdf
10	Common fiscal incentives for all companies	https://www.msmekipathshala.com/webkype/assets/pdf/SCHEMES%20OF%20DIFFERENT%20STATE%20GOVERNMENTS%20/SCHEMES%20DETAIL%20OF%20TELANGANA%20STATE.pdf

Maharashtra

S.No	Scheme Name	Guidelines
1	Industrial Promotion Subsidy (IPS)	https://maitri.mahaonline.gov.in/PDF/Industrial%20Promotion%20Subsidy%20(IPS)%20under%20Industrial%20Policy%20modification%20under%20Goods%20and%20Services%20Tax%20(GST)%20regime.pdf
2	Interest Subsidy Incentive	https://maitri.mahaonline.gov.in/PDF/Package%20Scheme%20of%20Incentives%20-%202019.pdf
3	Exemption from Electricity Duty	https://maitri.mahaonline.gov.in/PDF/Package%20Scheme%20of%20Incentives%20-%202019.pdf
4	Waiver of Stamp Duty	https://maitri.mahaonline.gov.in/PDF/Package%20Scheme%20of%20Incentives%20-%202019.pdf
5	Power tariff Subsidy	https://maitri.mahaonline.gov.in/PDF/Package%20Scheme%20of%20Incentives%20-%202019.pdf
6	Additional Incentives for Strengthening MSMEs	http://di.maharashtra.gov.in/_layouts/15/doistaticsite/English/investors_guide_psi.html

West Bengal

S.No	Scheme Name	Guidelines
1	Bhabisyat Credit Card Scheme	https://wbmsme.gov.in/sites/default/files/cms/circularpdf/bhabisyat_credit_card.pdf
2	Karma Sathi Prkalpa	https://wbxpress.com/files/2021/01/1825-MSMET.pdf
3	Banglashree Scheme	https://www.wbsidcl.in/assets/content/s/incentive_scheme_4420_msmet-09112023.pdf
4	Interest Subsidy on Term Loan (IS)	https://msme.ica.org/wp-content/uploads/2022/12/West-Bengal-1.pdf

S.No	Scheme Name	Guidelines
5	Textile Incentive Scheme	https://msme.icaai.org/wp-content/uploads/2022/12/West-Bengal-1.pdf
6	Finance Clinic	https://wbmsmet.gov.in/ki_ies_finclncs
7	Incentive Scheme 2020 for approved Industrial Park	https://wbmsme.gov.in/sites/all/themes/anonymous/pdf/SAIP%202020_Notification.pdf
8	Rural Entrepreneurship Hub	https://wbmsme.gov.in/sites/all/themes/anonymous/pdf/reh_for_website.pdf
9	Silpa Disha	https://msme.icaai.org/wp-content/uploads/2022/12/West-Bengal-1.pdf
10	Silpa Sathi	https://silpasathi.wb.gov.in/msme_Incentives
11	State Capital Investment Subsidy	https://wbmsme.gov.in/sites/all/themes/anonymous/pdf/SAR_642_MSMA_T_Department_Revenuey_31.07.2020_pdf

Uttar Pradesh

S.No	Scheme Name	Guidelines
1	ODOP Scheme	https://abhinavpahal.nic.in/uploads/Od7X2fcBcYODOP.pdf
2	Common Facility Centre (CFC) Scheme	https://odopup.in/site/writereaddata/siteContent/201904171130237521cfc_scheme.pdf
3	Marketing Development Assistance Scheme	https://epbupindia.in/Home/MDA
4	Skill Development and Toolkit Distribution Scheme	https://odopup.in/site/writereaddata/siteContent/201905081050489239odop-sceam.pdf
5	Uttar Pradesh Chief Minister Youth Self Employment Scheme	https://up.nic.in/news/launch-of-mysy-mukhyamantri-yuvaswarojgar-yojana-portal-for-directorate-of-industries-and-enterprise-promotion-government-of-uttar-pradesh/
6	Scheme for Promoting Establishment of Private Industrial Parks 2017	https://invest.up.gov.in/wp-content/themes/investup/pdf/Private-Industrial-Park_Scheme.pdf
7	Land Incentives	https://msme.icaai.org/wp-content/uploads/2021/06/UP-MSME-Policy.pdf
8	Land Use Conversion	https://msme.icaai.org/wp-content/uploads/2021/06/UP-MSME-Policy.pdf

S.No	Scheme Name	Guidelines
9	Special Purpose Vehicles (SPV) Formation	https://msme.icaai.org/wp-content/uploads/2021/06/UP-MSME-Policy.pdf
10	Stamp Duty Exemption	https://invest.up.gov.in/uttar-pradesh-micro-small-medium-enterprises-promotion-policy-2022/
11	Employee Provident Fund (EPF) Reimbursement	https://invest.up.gov.in/uttar-pradesh-micro-small-medium-enterprises-promotion-policy-2022/
12	Capital Interest subsidy	https://invest.up.gov.in/uttar-pradesh-micro-small-medium-enterprises-promotion-policy-2022/
13	Infrastructure interest subsidy	https://invest.up.gov.in/uttar-pradesh-micro-small-medium-enterprises-promotion-policy-2022/
14	Industrial quality development subsidy	https://invest.up.gov.in/uttar-pradesh-micro-small-medium-enterprises-promotion-policy-2022/
15	Land conversion waiver	https://invest.up.gov.in/uttar-pradesh-micro-small-medium-enterprises-promotion-policy-2022/
16	Electricity charges reimbursement	https://invest.up.gov.in/uttar-pradesh-micro-small-medium-enterprises-promotion-policy-2022/
17	A Small, Medium Enterprise Venture Capital Fund (SMEVCF)	https://invest.up.gov.in/wp-content/themes/investup/pdf/Medium-Small-Micro-Enterprise-brochure.pdf
18	Vishwakarma Shram Samman Yojna	https://upid.ac.in/vishwakarma-shram-samman-yojana-vssy/

Gujarat

S.No	Scheme/Policy Name	Guidelines
1	Gujarat Industrial Policy 2020	https://ic.gujarat.gov.in/documents/commondoc/2020/Industrial-Policy2020.pdf
2	Gujarat MSME Export Promotion Scheme	https://slbcgujarat.in/wp-content/uploads/2021/04/Compendium-of-schemes-and-guidelines-for-MSME-sector-Final.pdf
3	Assistance of Capital Investment Subsidy	https://slbcgujarat.in/wp-content/uploads/2021/04/Compendium-of-schemes-and-guidelines-for-MSME-sector-Final.pdf
4	Assistance for Interest Subsidy for Manufacturing & Service Sector	https://slbcgujarat.in/wp-content/uploads/2021/04/Compendium-of-schemes-and-guidelines-for-MSME-sector-Final.pdf

S.No	Scheme/Policy Name	Guidelines
5	Assistance for Quality Certification (ERP Assistance)	https://slbcgujarat.in/wp-content/uploads/2021/04/Compendium-of-schemes-and-guidelines-for-MSME-sector-Final.pdf
6	Net SGSTR reimbursement	https://msme.icaai.org/wp-content/uploads/2022/12/Gujarat.pdf
7	Assistance for Quality Certification (Quality certification)	https://msme.icaai.org/wp-content/uploads/2022/12/Gujarat.pdf
8	Financial Support to MSMEs in ZED Certification	https://ic.gujarat.gov.in/documents/commondoc/2023/Draft%20ZED%20Guideline.pdf
9	EPFR reimbursement	https://msme.icaai.org/wp-content/uploads/2022/12/Gujarat.pdf
10	Assistance in implementation of Information and Communication Technology	https://ic.gujarat.gov.in/documents/commondoc/2023/Draft%20ICT%20Guideline.pdf
11	Assistance for Technology Acquisition	https://ic.gujarat.gov.in/assistance-for-technology-acquisition.aspx
12	Assistance for Patent Registration	https://msme.icaai.org/wp-content/uploads/2022/12/Gujarat.pdf
13	Assistance for saving in consumption of Energy and Water	https://msme.icaai.org/wp-content/uploads/2022/12/Gujarat.pdf
14	Rehabilitation of Sick Enterprises	https://imd.gujarat.gov.in/Document/2016-7-29_650.pdf
15	power connection charges	https://msme.icaai.org/wp-content/uploads/2022/12/Gujarat.pdf
16	reimbursement of rent	
17	Assistance for raising Capital through SME Exchange	https://ic.gujarat.gov.in/documents/pagecontent/Sme%20Final%20Guideline_24-10-2017-gen.pdf

Tamil Nadu

S.No	Scheme Name	Guidelines
1	Grant of Quality Certification Reimbursement of Charges (Qcert)	https://www.msmetamilnadu.tn.gov.in/pdf/msme_e_35_2019.pdf
2	Promotion of Energy Audit and Conservation of Energy (PEACE)	https://msmeonline.tn.gov.in/incentives/pdf/peace_ea_cye.pdf

S.No	Scheme Name	Guidelines
3	New Entrepreneur Cum Enterprise Development Scheme (NEEDS)	https://www.dictiruchi.in/needs.pdf
4	Unemployed Youth Employment Generation Programme (UYEGP)	https://msmeonline.tn.gov.in/uyegp/pdf/uyegp_go_66.pdf
5	Annal Ambedkar Business Champions Scheme (AABCS)	https://msmeonline.tn.gov.in/uyegp/pdf/uyegp_go_66.pdf
6	MSME Skill Training and EmploymentScheme	https://msmeonline.tn.gov.in/uyegp/pdf/uyegp_go_66.pdf
7	Subsidy for Fund Raising from SMEEExchange	https://www.msmeonline.tn.gov.in/incentives/html_cye_sme.php
8	Incentive for Patent Registration/ Trade Mark Registration / GeographicalIndications	https://www.msmeonline.tn.gov.in/incentives/html_cye_ipr.php
9	Reimbursement of Stamp Duty &Registration Charges	https://www.msmeonline.tn.gov.in/incentives/html_cye_stamp.php
10	Pay Roll Subsidy	https://www.msmeonline.tn.gov.in/incentives/html_cye_pay.php
11	Power Subsidy-LTPT	https://www.msmetamilnadu.tn.gov.in/new-schemes.php
12	Generator Subsidy	https://www.msmetamilnadu.tn.gov.in/new-schemes.php
14	Subsidy for FundRaising	https://www.msmetamilnadu.tn.gov.in/new-schemes.php
15	BACK-ENDED INTEREST SUBSIDY	https://www.msmetamilnadu.tn.gov.in/beis.php#:~:text=Back%2Dended%20interest%20subsidy%20of,Fund%20Trust%20Scheme%20(CGTMSE).



सत्यमेव जयते

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