



**The Institute of  
Chartered Accountants of India**  
(Set up by an Act of Parliament)



**Committee on MSME & Startup, ICAI**



# Micro, Small & Medium Enterprises: National Advantages and Tamil Nadu's Incentive Framework



Phone 011-30110569 • Email: [msme@icai.in](mailto:msme@icai.in) / [startup@icai.in](mailto:startup@icai.in)

MSME Website <https://msme.icai.org/> • Startup Website: <https://startup.icai.org/>

# Micro, Small & Medium Enterprises: National Advantages and Tamil Nadu's Incentive Framework

## Introduction

Micro, Small and Medium Enterprises (MSMEs) are the foundation of the Indian economy. They share nearly 30% of national GDP, create nearly half of India's gross export, and provide employment to over 25 crores people across manufacturing, commerce, and services. MSMEs nurture entrepreneurship at the grassroots level, drive balanced development of areas, and advocate inclusive growth by mainstreaming women, youth, and marginalized sections of society. MSMEs also act as chief supply-chain partners of large companies, particularly those engaged in textiles, automotive manufacturing, IT-enabled services, and pharmaceuticals. Besides their economic contribution, MSMEs advocate innovation, local skill development, and sustainable employment. In a country employment generation and equitable growth are of paramount concern, the strength of MSMEs have a direct impact on India's overall economic direction.

The Government of India, through the Ministry of MSME, offers support in areas including credit, technology, skill development, timely payments from entities dealing with MSMEs, product support, and a range of incentives designed to assist and nurture MSME entities. According to the UDYAM Registration portal, a platform for MSME registration, there are 5.8 crore registered MSMEs across India as per UDHYAM registration, encompassing all major sectors of the country.

## MSME's in Tamil Nadu

Tamil Nadu has built one of India's most robust MSME ecosystems by aligning national reforms with state-driven incentives. Being an industrialized state, it accounts for highest number of factories. Tamil Nadu has recorded more than 33 lakhs registrations on the UDYAM Portal, placing it third among Indian states in MSME registrations.

Beyond the 2025 reclassification of MSMEs, the state offers a strong package—25% capital subsidy, 3% interest subvention, LT power tariff concessions, and reimbursements for quality, IP and energy efficiency. Targeted schemes such as NEEDS for first-generation entrepreneurs, UYEGP for youth, and AABCS for SC/ST and women directly link credit with subsidies and training. Infrastructure parks, cluster programmes, and plug-and-play sheds reduce entry barriers, while market linkages and trade fairs widen reach. The results are measurable: 66,018 entrepreneurs supported, ₹5,490 crore in loans and ₹2,133 crore in subsidies disbursed between 2019 and 2025. Together, these measures strengthen bankability, encourage inclusive entrepreneurship, and cement Tamil Nadu's role as a national leader in MSME growth.

## Who qualifies as an MSME?

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which establishes definitions and encourages the growth of MSMEs, has been amended on several occasions. The latest notification, effective from 1st April 2025, redefines MSMEs based on a composite criterion of **investment in plant & machinery/equipment** and **annual turnover**.

Classification	Investment in Plant & Machinery / Equipment	Annual Turnover
Micro	Not more than ₹2.5 crore	Not more than ₹10 crore
Small	Not more than ₹25 crore	Not more than ₹100 crore
Medium	Not more than ₹125 crore	Not more than ₹500 crore

This classification harmonises manufacturing and service enterprises under a single framework. It also substantially raises the limits, thereby expanding eligibility for government benefits and credit schemes to a wider set of enterprises.



## General (Pan-India) benefits & supports available to MSMEs

### a. Ease of Registration & Recognition

- Udyam registration is now the single, paperless national portal for MSME recognition. Registered MSMEs gain a single identity and thereby easier access to all schemes, credit, subsidies, and government tenders — reducing fragmentation.

### b. Access to Finance & Credit Support

- MSMEs are classified under priority sector lending, so banks must allocate a portion of their lending to them.
- PSB quick-loan portals and dedicated MSME loan windows enable faster sanctioning for eligible enterprises.
- Credit Guarantee Trust / CGTMSE offers collateral-free or low-collateral loans (now guarantee coverage up to ₹10 crore) to MSMEs via member lending institutions, reducing the need for personal or third-party security.
- Also, the Mutual Credit Guarantee Scheme provides up to 60% guarantee cover for equipment financing to eligible MSMEs.

### c. Subsidies & Fiscal Incentives

- Central scheme subsidies are offered for technology upgradation, capital investment, energy efficiency, etc., via MSME scheme booklet.
- MSMEs get concessional interest or subsidised loan support under select schemes to lower effective borrowing cost.
- Additional benefits include At the Union level, MSMEs and DPIIT-recognised startups get statutory fee reductions on IP filings (e.g., ~50% lower TM fees and reduced Patent fees for small entities/startups under the Patents Rules). Certification reimbursements (ISO/HACCP etc.) are supported in Tamil Nadu via Q-CERT and via ZED incentives; not a blanket central 50% cash subsidy

### d. Marketing, Exports & Procurement

- A mandatory government procurement preference is reserved for MSMEs under Public Procurement Policy; registered units get benefits in tenders.
- MSMEs get support to participate in trade fairs / exhibitions / expos (national & international) under schemes like Procurement & Marketing Support.
- Export promotion assistance (including market linkage, subsidy for export costs) helps MSMEs tap global markets.

### e. Technology, Skill & Capacity Building

- Technology Centres / Tool Rooms (18 centres pan-India) provide MSMEs design, prototyping, tooling, testing and training support.
- Design Clinics, incubators, training programmes help MSMEs adopt modern methods, improve product design, and scale capabilities.
- Incubation support (often via nodal bodies, technical institutions) helps start-ups and small units access mentorship, labs, and networks.

### f. Regulatory & Compliance Relief

- Simplified GST / filing rules and compliance support ease burden for small units.
- Certification assistance (for quality, environment, standards) is subsidised or aided under MSME schemes.
- Under MSMED Act, buyers must pay within 15 days (no agreement) or ≤45 days (written agreement) or pay interest @ 3× RBI bank rate (compounded monthly). Separately, 43B(h) disallows deduction of unpaid dues to Micro/Small enterprises if not paid within the MSMED timelines.

## Tamil Nadu — overview of state MSME framework

Tamil Nadu has a dedicated MSME Department that implements a structured package of incentives and concessions. The MSME Policy

focuses on transparency, simplified procedures, and single-window clearance under the Tamil Nadu Business Facilitation Act, 2018. It offers capital and employment-linked subsidies, along with special support for first-generation entrepreneurs. Flagship schemes such as the Unemployed Youth Employment Generation Programme (UYEGP) and the New Entrepreneur-cum-Enterprise Development Scheme (NEEDS) provide training, credit support, and subsidies to promote self-employment and small business creation. In addition, the state facilitates MSME growth through industrial parks, cluster development programmes, and targeted infrastructure support, reinforcing Tamil Nadu's position as an attractive and competitive hub for micro, small, and medium enterprises.

The State focus MSME growth by providing various subsidy and benefits through following broader categories

1. Subsidy Schemes for New & Existing Enterprises
2. Self-Employment & Entrepreneurship Schemes
3. Cluster & Special Programmes

## State-Specific Benefits & Schemes in Tamil Nadu

### A. Subsidy Schemes for New & Existing Enterprises

#### a. Capital / investment subsidies

Tamil Nadu offers a 25% capital subsidy on eligible plant & machinery with notified ceilings as stated below,

- Micro Manufacturing: 25% Capital subsidy (max ₹25 lakh)
- Small/Medium (in backward blocks/ agro-food): 25% Capital Subsidy (max ₹150 lakh)
- Additional subsidies:
  - 10% for micro (max ₹5 lakh)
  - 5% extra for Women/SC/ST/ Differently abled / Transgender entrepreneurs (max ₹5 lakh)
  - 25% for eco-friendly tech (max ₹10 lakh)

- 5% extra for scaling up category (max ₹25 lakh)
- 25% for thrust sector enterprises (max ₹150 lakh)

Claims require online filing, CA certification and departmental inspection.

#### b. Payroll Subsidy:

The scheme offers reimbursement of the employer's EPF contribution up to Rs. 24,000 per employee if the unit must employ more than 20 persons. annually for three years for following entities:

- New Micro manufacturing enterprises in the State
- New Small and Medium Manufacturing Enterprises in industrially backward blocks and estates
- Small and Medium Agro-based and Food Processing Enterprises in any of the State's 388 blocks

Additionally, MSMEs employing over 25% differently abled staff are eligible for EPF reimbursement up to Rs. 24,000 per person annually for three years from the start of commercial production.

#### c. Low Tension Power Tariff Subsidy:

For the first 36 months after production begins, new and substantially expanding or diversifying Micro manufacturing enterprises under Tariff IIIB - LT will receive a reimbursement of 20% of their power charges as an LTPT subsidy, subject to conditions.

#### d. Back-Ended Interest Subsidy (BEIS):

New and existing MSEs can receive a 5% back-ended interest subsidy on term loans: up to Rs. 20 lakhs for loans of Rs. 200 lakhs (under CGTMSE, for 5 years), or up to Rs. 25 lakhs for loans of Rs. 500 lakhs for technology upgrades for 5 years.

#### e. Promotion for Energy Audit & Conservation of Energy (PEACE):

Under this scheme, 75% subsidy on energy audit cost are provided subject to cap of INR 1 Lakh. Further, for implementing the recommendations of the energy audit, a

subsidy of 50% of the cost of acquiring technology for energy saving and / or modification/ alteration in the existing machinery is provided, subject to a maximum of Rs.10 lakh

**f. Subsidy for acquiring Quality Certification (Q-CERT):**

Under the Scheme following benefits are provided,

- 100% reimbursement of certification & consulting charges, subject to cap INR 2 lakh for National certificates, INR 10 lakh for international certificates
- Renewal support: Reimbursement of 25% of renewal fee subject to max INR 1 lakh, provided for renewal of existing certifications

**g. Reimbursement of Stamp Duty and Registration charges:**

To promote setting up new manufacturing Micro and Small enterprises in backward blocks, 50% of Stamp Duty and Registration charges is reimbursed as subsidy.

**h. Intellectual Property Support:**

MSMEs can receive at least Rs. 1 lakh for submitting proof of patent registration without any other supporting documents, or a 75% subsidy on patent filing costs up to Rs. 3 lakh per patent. For trademark or geographical indication registration, they are eligible for a 50% subsidy on application fees, capped at Rs. 25,000 per registration.

**i. Scheme for Fund Raising from Capital Markets:**

To encourage MSME participation on the SME Exchange, a subsidy covering 75% of listing expenditures up to a maximum of Rs. 30 lakh is offered for companies seeking to list on the SME Exchange.

**B. Self-Employment & Entrepreneurship Schemes:**

**a. Kalaigarn Kaivinai Thittam (KKT):**

The Scheme provides financial assistance and upskilling required for development of artisans.

**Eligibility:**

- Age: 35+ years
- No minimum education, but 5 years' experience in chosen trade
- 25 artisan categories (e.g., carpentry, pottery, weaving, leather, handicrafts, etc.)

**Benefits:**

- 25% subsidy up to ₹50,000
- Interest subvention: 2% (TAICO Bank) or 5% (other banks)

**b. Annal Ambedkar Business Champions Scheme (AABCS):**

To promote entrepreneurship amongst the SC/ ST communities, scheme has been introduced with following features,

**Eligibility:**

- Age: Up to 55 years
- Target group: SC/ST entrepreneurs (new & existing)
- Activities: Manufacturing, Service, Trade

**Benefits:**

- No ceiling on project cost
- 35% capital subsidy with maximum amount of ₹100 lakh
- 6% interest subvention

**c. New Entrepreneur-cum-Enterprise Development Scheme (NEEDS)**

Scheme has been introduced with the objective of assisting first generation entrepreneurs.

**Eligibility:**

- Age: 21–45 years (General), 21–55 (Special category)
- Min. qualification: Higher Secondary pass
- First-generation entrepreneurs
- Manufacturing & Service activities only

**Benefits:**

- 25% capital subsidy (max ₹75 lakh) + 3% interest subvention with following



features

- Project cost: ₹10 lakh – ₹500 lakh
- Promoter's contribution: 5% (Special), 10% (General)
- Reservation: 50% women, 19% SC/ST
- EDII-TN training & TANSIDCO land/shed support

#### **d. Unemployed Youth Employment Generation Programme (UYEGP)**

The scheme has been designed to promote self-employment activities by educated youth for manufacturing, service, or business (trade) units; not limited to trading.

##### **Eligibility:**

- Age: 18–45 (General), 18–55 (Special category)
- Min. 8th std. pass
- Only Trading/Business Projects

##### **Benefits:**

- 25% subsidy with maximum amount of INR 3.75 lakh with following conditions
  - Project cost: up to ₹15 lakh
  - Promoter's contribution: 5–10%

#### **5. Prime Minister's Employment Generation Programme (PMEGP)**

PMEGP is a self-employment scheme of the Union Government and is being implemented through the DICs, since 2008 with following features.

##### **Eligibility:**

- Age: 18+
- No qualification required for small projects up to ₹5–10 lakh; else min. 8th std.
- Manufacturing & Service only

##### **Benefits:**

- Subsidy:
  - General: 15% (Urban), 25% (Rural)
  - SC/ST/OBC/Minorities/Women/Ex-servicemen/Differently abled: 25%

(Urban), 35% (Rural)

- Project Cost limit: Service activities - Rs. 20 lakh Manufacturing activities - Maximum Rs.50 lakh

#### **6. Pradhan Mantri Formalization of Micro Food Processing Enterprises (PMFME)**

Pradhan Mantri Formalization of Micro Food Processing Enterprises scheme is a Centrally Sponsored Scheme with a fund sharing pattern of 60:40 between the Union Government and the State Government.

##### **Eligibility:**

- Individuals, Proprietorships, Partnerships, SHGs, FPOs, NGOs, Cooperatives, Pvt. Ltd. Cos.

##### **Benefits:**

- Individual units: 35% subsidy with a max limit of INR10 lakh
- Common infra: 35% subsidy with max ₹3 crore, project cost up to ₹10 crore
- Marketing/branding: 50% subsidy
- SHG seed capital: ₹40,000/member
- Capacity building & training
- Tribal mini-food clusters: ₹10 lakh per 2 VDVK units

#### **7. Special Initiative – Rehabilitation of Sanitary Workers**

In order to ensure dignified employment, this scheme envisages eliminating manual scavenging by transforming sanitary workers into entrepreneurs through maintenance of septic tanks and sewer lines through mechanized systems under Annal Ambedkar Business Champion Scheme (AABCS)

##### **Eligibility:**

Manual scavengers, legal heirs, SC/ST sanitary workers

##### **Benefits:**

- Higher subsidy (up to 50% under AABCS, 40% under NEEDS)
- Assistance to buy mechanized septic tank cleaning vehicles

## C. Cluster & Special Programmes

### a. Micro Cluster Development Programme (MCDP)

- Launched 2022–23 to support micro & small entrepreneurs
- Supports: common facilities, R&D, skilling, marketing infrastructure
- Grants up to ~80% of project cost (varies by cluster)
- 45 projects sanctioned: clusters in coir, jewellery, printing, toys, cashew, etc.

### How to avail benefits — process & contact points

1. Udyam registration (central): obtain your Udyam number — this is a pre-requisite for most central and state benefits.
2. State registration: create a unit profile at [msmeonline.tn.gov.in](https://msmeonline.tn.gov.in) and select the specific scheme you wish to apply for.
3. Documentation & application: prepare and upload Udyam, PAN, GST, CA-certified project report, bank sanction, chartered-engineer valuation, EDP certificate and beneficiary proof (SC/ST/woman/differently abled); submit online as per the policy annexures.
4. Verification & support: coordinate with the District Industries Centre/DTFC for verification and sanction; for land/infrastructure approach SIPCOT/TANSIDCO/TIDCO for plots or plug-and-play sheds/CFCs.

Adhere to portal timelines and document checklists; seek DIC support for follow-up and retain sanction G.O.s/orders for audit and compliance.

### Recent Implementation Snapshot

As of August 2025, Tamil Nadu's MSME Department has significantly advanced its support for entrepreneurs. Over the past four and a half years, the department has facilitated the creation of 66,018 new entrepreneurs, disbursed ₹5,490 crore in loans, and provided ₹2,133 crore in subsidies. Notable initiatives include the Annal Ambedkar Business Champions Scheme (AABCS), which allocated ₹581 crore in loans and ₹324 crore in subsidies to 2,970 entrepreneurs

(FY 2023–24), and the Kalaigarnar Handicrafts Development Scheme, which supported 3,452 artisans with ₹64.24 crore in loans and ₹13.45 crore in subsidies. Additionally, the state has actively mentored entrepreneurs through various programs, demonstrating a strong commitment to fostering MSME growth.

## Conclusion

Tamil Nadu's MSMEs continue to be a backbone of regional economic growth, supported by a proactive incentive and subsidy framework that fosters entrepreneurship and innovation. Accurate Udyam classification and timely documentation remain essential to fully leverage these benefits and ensure seamless access to finance, mentoring, and government schemes.

**By - CA Sivasangari Chinnappa  
and Rajat Kumar Begani**

## Key sources

- Ministry of Micro, Small & Medium Enterprises (MoMSME) 2025, *What's MSME: Revised classification applicable w.e.f. 1 April 2025*, Government of India.
- Government of India, Ministry of MSME 2025, *Gazette Notification S.O. 1364(E): Amendment to MSME classification*, 21 March.
- Ministry of MSME 2024, *Annual Report 2024–25*, Government of India.
- Press Information Bureau 2025, *Government enhances MSME support with credit-guarantee reforms*, 7 August.
- Government of Tamil Nadu, MSME Department 2025, *Policy Note 2025–26*, Government of Tamil Nadu.
- MSME Department, Government of Tamil Nadu 2025, *UYEGP Scheme Overview (FY 2025–26)*, MSME Online Portal.
- Government of India (MyScheme) n.d., *Annal Ambedkar Business Champions Scheme (AABCS)*.
- The Times of India 2025, *MSME dept mentored 66k entrepreneurs: Min*, The Times of India, 27 Aug.
- KNN India 2025, *Over 66,000 entrepreneurs supported by Tamil Nadu MSME Department in 4½ years: Minister Anbarasan*, KNN India, 27 Aug.
- MSME Department, Government of Tamil Nadu n.d., *About UYEGP*, MSME Online Portal.

*All claims above are drawn from the cited government notifications, official reports, or reputable news coverage dated up to 27 Sept 2025.*

**Disclaimer** - This document is compiled from official sources for informational purposes only. While due care has been taken, ICAI and its Committee on MSME & Startup are not responsible for any errors or subsequent policy changes. Users should verify details from official State or Government notifications.

# COMMITTEE COMPOSITION



**CA. Charanjot Singh Nanda**  
President  
ICAI



**CA. Prasanna Kumar D**  
Vice-President  
ICAI



**CA. Gyan Chandra Misra**  
Chairman, Committee on  
MSME & Startup, ICAI



**CA. Arpit Kabra**  
Vice-Chairman, Committee on  
MSME & Startup, ICAI

## Members

CA. Vishnu Kumar Agarwal  
CA. Jay Chhaira  
CA. Piyush Sohanraji Chhajed  
CA. Chandrashekhar Vasant Chitale  
CA. Vishal Doshi  
CA. Durgesh Kumar Kabra  
CA. Umesh Ramnarayan Sharma  
CA. Dayaniwas Sharma  
CA. Madhukar Narayan Hiregange  
CA. Sridhar Muppala  
CA. Sripriya Kumar

CA. Ravi Kumar Patwa  
CA. Abhay Chhajed  
CA. Satish Kumar Gupta  
CA. Pankaj Shah  
CA. Hans Raj Chugh  
CA. Pramod Jain  
CA. (Dr.) Sanjeev Kumar Singhal  
Joint Secretary (dealing with Professional Institutes),  
MCA, Government Nominee  
Shri Sanjay Sharan, Government Nominee

## Co-opted Members

CA. Deepinder Preet Singh  
CA. Jatwani Neeraj Kumar  
CA. Mukul Garg

CA. Anand Saklecha  
CA. Chayank Malhotra  
CA. Amit Kumar Mundra

CA. Ishu Bansal  
CA. Manoj Lamba

## Special Invitee

CA. Nischal Mittal  
CA. Sumit Nigam  
CA. Panjwani Naushad Alimohmed  
CA. Gupta Meenakshi  
CA. Abhinay Kumar Singh  
CA. Gaurav Kumar Gupta  
CA. Samarth Doneriya  
CA. Dhawal Shah  
CA. Anuruddh Kumar Tiwari

CA. Jatin Narendrabhai Jajal  
CA. Sahil Jain  
CA. Niraj Agrawal  
CA. Dhiraj Kumar Jain  
CA. Aashish Gupta  
CA. Srinivas Rao K  
CA. Nagaraju Munagapati H S  
CA. Deepak Goyal  
CA. Mukesh Mohan

CA. (Dr.) Raj Chawla  
CA. Shiv Shanker Gupta  
CA. Hitesh Khurana  
CA. Mohit Bansal  
CA. Tushar Arya  
CA. Garima Maheshwari  
CA. Goyal Manish



**Startup Portal:**  
[startup.icai.org](http://startup.icai.org)

## Committee on MSME & Startup, ICAI

ICAI Bhawan, P.B. No.7100, Indraprastha Marg,  
New Delhi- 110 002, India  
Phone 011-30110569  
Email: [msme@icai.in](mailto:msme@icai.in)/ [startup@icai.in](mailto:startup@icai.in)



**MSME Portal:**  
[msme.icai.org](http://msme.icai.org)