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UPDATES



MSME Workshop on Packaging for Toy & Doll Artisans

The Ministry of Micro, Small and Medium Enterprises organized a workshop in Varanasi under the PM Vishwakarma Scheme, in collaboration with the Indian Institute of Packaging, to strengthen the dolls and toys sector. The initiative aimed to equip artisans with modern packaging knowledge to improve product appeal, ensure safe transportation, and expand access to domestic and international markets. Experts emphasized that better packaging can enhance the value and competitiveness of handmade products, while participants were also provided with quality packaging materials for immediate benefit. With over 200 artisans attending, the workshop marked an important step toward capacity building, market-oriented support, and promoting “Made in Varanasi” products globally.

Source: <https://www.pib.gov.in>

Empowering Artisans through AI under PM Vishwakarma

The Ministry of Micro, Small and Medium Enterprises launched a transformative initiative under the PM Vishwakarma Scheme to train over 2,500 traditional artisans in the use of Artificial Intelligence (AI) tools to enhance their livelihoods and business potential. The program provided hands-on training in simple, localised formats, introducing artisans to platforms like ChatGPT and Google Gemini for applications such as product design, branding, marketing, and customer engagement. By integrating AI with traditional craftsmanship, the initiative aims to bridge the digital divide, improve product value, expand market reach, and make India’s artisanal sector more globally competitive and digitally empowered.

Source: <https://www.pib.gov.in>

MSME Technology Centres Inaugurated in Bihar

The Ministry of Micro, Small and Medium Enterprises inaugurated a new MSME Technology Centre in Bihta, Patna, along with extension centres in Muzaffarpur, Rohtas, Darbhanga, and Munger, aimed at boosting industrial training and entrepreneurship in Bihar. The initiative, led by Union Minister Jitan Ram Manjhi and the Bihar Chief Minister, also included the launch of an Entrepreneur Awareness and Vendor Development Programme under the National SC/ST Hub. During the event, beneficiaries of schemes like PM Vishwakarma and PMEGP received toolkits, financial assistance, and recognition certificates, while exhibitions showcased products from various MSME schemes. The centres are expected to enhance skill development, create employment opportunities, and support overall economic growth in the state.

Source: <https://www.pib.gov.in>

CGTMSE Leads Global Dialogue on Credit Guarantees

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) organized a global symposium in Mumbai alongside the 38th ACSIC conference as part of its Silver Jubilee celebrations, highlighting its key role in promoting collateral-free credit for MSEs. The event saw participation from delegates across 19+ countries and major organizations, emphasizing global cooperation in strengthening credit guarantee systems. Government officials stressed the importance of such mechanisms in improving access to finance, especially for enterprises lacking collateral, while also supporting financial inclusion, ease of doing business, and digital transformation. Through discussions on innovation, risk management, and sustainability, the symposium reinforced India's leadership in building a resilient and inclusive credit ecosystem for MSMEs.

Source: <https://www.pib.gov.in>



Viksit Bihar 2031: Empowering the 'Silent Giants' through Strategic Financial Architecture and Policy Advocacy

Introduction: Strategic Landscape

For decades, Bihar had been viewed through a lens of migration and agrarian limitations. However, as we stand in 2026, the narrative has shifted. With the Bihar Industrial Investment Promotion Policy (BIIPP) extensions and the groundbreaking Semiconductor Policy 2026, the State is becoming a manufacturing floor. Such incentives, however, remain underutilised without professional guidance—this is where the Chartered Accountant becomes central. Bihar's MSME ecosystem is uniquely positioned by a massive consumption base and rapidly maturing infrastructure. Key priority sectors—Food Processing (Makhana, Maize, Litchi), Textiles, and IT/ Electronics—are witnessing an unprecedented surge. With 100% stamp duty waivers and state subsidies bridging the “viability gap,” the cost of industrial entry in Bihar has plummeted. However, infrastructure alone does not create enterprises; it requires the CA's hand to convert these policy incentives into bankable balance sheets.

The Silicon Frontier: Bihar's Semiconductor Ambition

Beyond traditional industries, the notification of the Bihar Semiconductor Policy 2026 marks a paradigm shift. Aiming to capture 5% of the national sector share by 2031 with a ₹25,000 crore investment target, the policy is a goldmine for professional advisory.

The Incentive Edge: For every ₹100 crore of project cost, the state offers one acre of land at a token amount of ₹1. This is complemented by a 20% state capital subsidy that acts as a “top-up” over the Central Government's existing incentives.

The Professional Pivot: For a CA, this isn't just about large-scale units. The “ancillary MSME ecosystem”—firms providing testing, packaging, and logistics for chips—will require complex Single Window Clearances and Customs/Foreign Trade policy advisory that only a financial expert can provide.

Makhana Section

Bihar's industrial growth is not confined to silicon wafers—it is equally rooted in indigenous strengths that dominate global supply. Bihar produces 90% of the world's makhana, but the real economic transformation lies in the transition from raw commodity to a protected global brand.

The IP Advantage (Mithila Makhana GI Tag): The conferment of the Geographical Indication (GI) Tag for Mithila Makhana is a crucial moment for the State's MSMEs. For a professional, this represents more than cultural pride; it is a strategic Intellectual Property (IP) asset. The GI tag ensures premium pricing in international markets, prevents branding infringement, and provides a distinct competitive edge under the 'Vocal for Local' framework.

Targeted Support: Under the Makhana Vikas Yojana and the PMFME (PM Formalisation of Micro food processing Enterprises) scheme, the state offers a 75% grant for processing equipment and a 35% credit-linked subsidy (up to ₹ 10 lakhs) for micro-units.



The Professional Pivot (CA as IP Strategist): Our role extends beyond facilitating these subsidies. CAs are now essential in helping MSMEs leverage the GI tag for Brand Valuation, securing Export Licences, and structuring Farmer Producer Organizations (FPOs). By formalizing these entities into Section 8 companies or cooperatives, we enable traditional clusters to access institutional credit and navigate high-value global markets like AAHAR 2026.

Paradigm Shift in the Role of Chartered Accountants

GST filings and tax compliance are now merely the entry point. The contemporary Chartered Accountant in Bihar must function as an advisor—guiding enterprises through BIIP incentives, startup funding pathways, and Section 8 structures for social ventures. With Bihar proceeding towards the Startup ecosystem, need to guide these early businesses and founders towards funding strategies and Section 8 conversions for social enterprises have become imperative. The role of CAs are redefined from compliance to advisory.

Bridging the Credit Gap

As a practical issue, the emerging businesses have suffered the biasness towards the creditworthiness in the funding ecosystem as an overall. The role of Chartered Accountants have become even more relevant in not just certifying the credibility of the enterprises but also ensuring the proper fund utilisation. Internal control system needs to be revamped. The roles confined to Auditors need to be expanded to Valuers, Due Diligence, etc.

Conclusion: A Call to Action

The MSMEs of Bihar are the “silent giants” of the Indian economy. As professionals, our 10-year milestones and qualification certificates are only as valuable as the prosperity we bring to our local ecosystems. Let us move from being “auditors of the past” to “consultants of the future,” ensuring that Bihar’s MSME story is not just about survival, but about global scale. If this decade is remembered as the one in which Bihar transformed from a labour-exporting economy to a value-creating hub, it will be because professionals chose to evolve alongside the State.

“The entrepreneur builds the factory; the CA builds the foundation. Let’s make the foundation of Bihar’s MSMEs unshakeable.”

-By CA Pallavi Jha

Pure Agent Challenges in Freight Forwarding & Custom Clearing industry: An MSME Perspective

Executive Summary:

The Freight Forwarding and Custom Clearing industry operates within a highly complex GST framework due to its hybrid role as principal, agent, and intermediary. A significant portion of its transactions involves reimbursements of third-party expenses such as freight, port charges, and customs duty, making the concept of “Pure Agent” under Rule 33 of the CGST Rules, 2017 critically relevant.

While Rule 33 permits exclusion of such expenditures from the value of supply, its strict procedural condition, particularly around invoicing, documentation, and recovery of actual amounts, have led to widespread litigation. Even minor deviations often result in denial of exclusion, thereby inflating taxable value and leading to substantial tax demands, interest, and penalties, especially impacting MSMEs.

Key challenges arise in practical scenarios such as third-party invoicing in the name of the agent, issuance of multiple invoices, foreign currency fluctuations, recovery of interest on delayed payments, and incorrect classification of pure agent recoveries as exempt turnover. These issues are further compounded by inconsistent interpretations by authorities and operational constraints within the industry.

This article examines these practical challenges, emphasizing that substance should prevail over form, and highlights the need for clearer guidance and pragmatic compliance approaches to avoid unnecessary disputes and ensure that pure agent provisions achieve their intended purpose

The Industry and its complexity:

Freight Forwarding and Custom Clearing Agents (CCAs) are commonly referred to as Customs House Agents (CHAs) or Customs Brokers. These are licensed intermediaries regulated under the Customs Broker Licensing Regulations (CBLR), 2018. Their business model involves the movement of goods across international borders on behalf of importers and exporters, often managing a complex web of services including documentation, port handling, freight booking, cargo insurance, warehousing, and customs duty payment.

The defining feature of this industry, and the root of its tax complexity, is that the freight forwarder rarely acts purely as a principal. At any given point, it may be acting as a principal service provider (for its own freight forwarding charges), an agent (disbursing port charges, THC, detention fees on behalf of clients), and a sub-contractor (engaging shipping lines, transporters, and stevedores).

This tripartite character creates significant ambiguity in GST treatment, particularly in determining the taxable value of supply and eligibility for Input Tax Credit.

The Pure Agent Dilemma:

Rule 33 of the CGST Rules, 2017 permits a supplier acting as a “Pure Agent” to exclude certain reimbursements received from the recipient from the taxable value of supply. This exclusion is critical for freight forwarders and CHAs who routinely pay third-party charges such as customs duty, port charges, Terminal Handling Charges (THC), Bill of Lading fees, Delivery Order (DO) charges, and Container Detention charges, on behalf of their clients.

Rule 33 provides that, such charges incurred as pure agent will be excluded from the value of supply if three conditions are satisfied:

1. The supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorization by such recipient;
2. The payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and
3. The supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Further the said rule also provides four conditions, upon fulfilment of which, a person qualifies as Pure Agent. The said four conditions are:

1. The said person should enter into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;
2. The said person should neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;
3. The said person should not use for his own interest such goods or services so procured; and
4. The said person receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

Now, it can be said that, fulfilment of seven conditions are necessary to exclude the expenditure incurred as pure agent from value of supply (or taxable value for ease of understanding).

In practice, the failure to satisfy even one of these conditions, for instance, not maintaining separate documentation for third-party payments or issuing a consolidated invoice without breakup, can result in the entire reimbursement becoming part of the taxable value, triggering GST on amounts which are essentially pass-through costs. This is a recurring pain point for MSMEs in this sector, many of whom lack the invoicing infrastructure to meet Rule 33 requirements rigorously.

And usually, if we look at the share of Agency Charges (own account services) and pure agent expenditure out of total amount, the pure agent's expenditure share is the larger part. If the amount of Custom Duty, etc. is denied from exclusion from Value of supply in assessment, adjudication etc., due to non-fulfilment of specified conditions, it will result in huge demands of tax, interest, penalty etc. in the hands of CHAs which will directly impact their business. So, it is very crucial to maintain documentation with respect to fulfilment of each of the conditions specified in Rule 33.

Invoicing:

The Ultimate Battleground in Pure Agent

Now the main and primary issue which arises is with respect to Invoicing.

1st Invoicing issue is related to Invoice received from Third Party when expenses are incurred by Pure Agent.

“Substance should prevail over form—mere invoicing in the name of a pure agent cannot, by itself, deny exclusion from the value of supply.”

Take a case, where A Ltd is paying transportation expenses on behalf of B Ltd as Pure Agent to C Ltd. Now, when C Ltd issued Invoice for transportation expenses, he issued it in the name of A Ltd (Pure

Agent). Assume for a while that other conditions of Pure Agent are fulfilled. This is a case where most of the adjudicating officers and appellate authorities are not treating this expenditure as Pure Agent's expenditure and disallowing exclusions from value of supply. Resultantly, demanding tax on this expenditure.

The author is of the view that, **substance should be given utmost priority, and only the issuance of invoice by third party in the name of Pure Agent does not substantiate that, the services are procured by pure agent on own account.** Many a times, the industry practice is that, in case of smaller consignments, many consignments are clubbed by pure agent and then they incur expenditure and later on recover from each of the recipient. In that case also, the author is of the view that the exclusion from the value of supply will be given provided other conditions are satisfied.

Another Invoicing issue is related to Invoice issued by Pure Agent to Third Party:

Rule 33 provides that the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service. Now, the rule does not provide for, whether a single Invoice should be issued for both services provided on own account and expenditure incurred as pure agent or multiple invoices may be issued. Many CHAs issue different Invoices, for services provided on own account and expenditure incurred as Pure Agent. They apply tax rates on services provided on own account as may be applicable and they do not charge any tax on expenditure incurred as Pure Agent. The said standard practice is usually followed in this industry.

Now, there are certain order or decisions, one of such from **Gujarat Authority for Advance Ruling in the case of M/s. Enpay Transformer Components India Private Limited** (*Advance ruling no. GUJ/GAAR/R/01/2021*), wherein it was held that, the supplier was required to indicate the aforementioned payment amount (made on behalf of the recipient of supply), separately in the invoice issued by him to the recipient of service/goods i.e. it should form a part of the invoice (related to the supply of goods) issued by the supplier and should be indicated separately, therein. **Meaning thereby, Services provided on own account and payment incurred by pure agent should be mentioned in single Invoice only.**

The author is of the view that, **only issuances of multiple invoices does not disqualify the said expenditure as pure agent.** The only thing, pure agent, needs to maintain is nexus between services provided on own account and payment incurred as pure agent. The industry has job number etc. which establishes the nexus.

Practical difficulty in recovering actual expenditure

Another important condition provided in rule, is that the pure agent should receive only the actual amount incurred from the recipient.

One of issue in this condition is where pure agent incurred expenditure in foreign currency on any date and recovers the actual amount of that foreign currency on any other date based on conversion rate prevalent on that date. In that case, it makes practically difficult to substantiate the transactions, that only the actual amount is recovered. In view of author, in this case, receiving actual amount which has been incurred by the pure agent is sufficient.

ABC Custom Agent paid 400 US\$ to XYZ Inc. as freight expenses on behalf of DEF Limited. Custom agent and DEF limited is located in India. The rate of exchange is Rs. 79 per US \$ when Invoice has been issued by custom agent to the recipient. Later on, when Custom agent receives payment from

DEF Limited, it is 80 per US \$. Now, the issue is if the invoice has been issued in foreign currency for 400 US\$, then there will be difference between amount paid and amount received. So, the author suggests to issue Invoice for the actual amount which has been incurred, the amount which has been paid by ABC Custom Agent in their currency.

Next issue is recovery of Interest on late payment of expenditure incurred as Pure Agent

If pure agent charges interest from recipient on delayed payment of expenditure incurred as pure agent, even now will this qualify to be as pure agent or will the interest be treated as separate supply or will interest be treated as part of composite supply and as markup.

In the view of author, charging of Interest by the pure agent does not makes the recovery at markup and Interest in this case may be treated as separate from recovery of cost incurred.

Whether Expenditure Incurred as Pure Agent will be included in exempt turnover?

Another issue is with respect to classification of Pure Agent expenditure as exempt supply. Rule 33 excludes this expenditure from value of supply and in actual, this recovery of expenditure is not classifiable as turnover in the hand of pure agent.

Ideally, this should not be recorded as turnover in the Books of accounts and therefore this expenditure is not classifiable as turnover for the purpose of GST.

Since, this expenditure itself fails to qualify as turnover, therefore, this should not be reported in GST Return (GSTR-1 and GSTR-3B) as exempt turnover. Reporting recovery of expenditure as exempt turnover in GST Returns will lead to unnecessary litigation (particularly ASMT-10 notices, etc.)

In case, gross recovery is recorded in books of accounts as Turnover and corresponding expenditures are recorded, in that case also, pure agent recoveries should be segregated and should not be reported as exempt supplies in GST Returns and appropriate adjustments should be made in GSTR-9C.

Furthermore, since pure agent's expenditure is specifically excluded and thus not forming part of turnover, no reversals under Rule 42/43 should be calculated or computed, by treating this as exempt turnover.

Conclusion:

The Freight Forwarding and Custom Clearing industry, a vital facilitator of India's trade and logistics ecosystem, carries a disproportionate tax compliance burden relative to its MSME scale. The Pure Agent framework under Rule 33, while conceptually sound, demands documentation rigour that many small operators struggle to sustain consistently. ITC reversals arising from the misclassification of zero-rated exports as exempt supplies, or from incorrectly including Pure Agent reimbursements in aggregate turnover, continue to silently erode already-thin margins.

CHAs, need transaction-level structuring (invoicing format, contract drafting for Pure Agent compliance). With the government's focused push on trade facilitation and logistics efficiency under PM Gati Shakti, making informed, sector-specific professional guidance not just valuable, but indispensable.

–CA Ameya Shrestha

MSMEs and Startups: The Twin Pillars of India's Grassroots Economic Growth

Introduction: The Silent Revolution Powering India


India's economic transformation is no longer defined solely by large conglomerates. A quiet yet powerful revolution is underway—led by millions of **micro-enterprises, small manufacturers, and startups** emerging from Tier-II and Tier-III cities. Together, **Micro, Small and Medium Enterprises (MSMEs)** and **startups** are not only igniting local economies but are also shaping a more **inclusive, sustainable, and self-reliant India**.


In a nation as diverse as India, MSMEs and startups aren't merely business entities—they are **engines of employment, champions of innovation, and pillars of social stability**.

MSMEs: The Unsung Backbone of Bharat

India is home to over **6.3 crore MSMEs**, contributing significantly to the national economy: (Source-PIB release)

 **28–30% of India's GDP**

 **45%–48% of the country's exports** (Source-PIB release)

 **11 crore+** jobs across sectors

From **textile hubs in Tirupur** to **foundries in Kolhapur**, **coir production in Kerala** to **bamboo artisans in the Northeast**—MSMEs are deeply embedded in regional strengths and traditional knowledge.

Challenges Faced by MSMEs

Despite their critical role, MSMEs face structural issues:

Working Capital Woes: Delayed payments, poor receivables, and high cost of credit

Digital Divide: Low adoption of digital tools despite expanding infrastructure


Compliance Burden: Complex GST, tax filing, and audit requirements


Lack of Unified Support: Disconnected advisory across finance, tech, HR, and law

The **COVID-19 pandemic** amplified these weaknesses but also brought MSMEs into the spotlight for economic revival.


Startups: The Vanguard of New India

India now ranks **3rd globally in startup ecosystems**, with over **1.25 lakh DPIIT-registered startups (as per 2023 data)**, disrupting sectors such as:

 Fintech and Healthtech

 Agritech and Food Processing

 SaaS, EdTech, and DeepTech





 Renewable Energy and Electric Vehicles

Startups are **venturing into rural and semi-urban areas**, offering **vernacular solutions**, collaborating with local artisans, and using **AI/IoT to solve real-world problems**.





The government's programmes—**Startup India, Stand-up India, Digital India, Atal Innovation Mission**, and **Fund of Funds for Startups**—have created a promising policy environment. The challenge now lies in **execution and outreach**.

Bridging the Ecosystem: MSMEs & Startups Need Convergence

MSMEs and startups often operate in **isolation**, with limited access to:

-  **Financial literacy and credit linkage**
-  **Compliance and regulatory support**
-  **Strategic advice and market access**
-  **Digital adoption and branding guidance**

This is where **Chartered Accountants, industry bodies, incubators**, and **government agencies** must **collaborate** to offer:

-  **Training on costing, financial planning, and credit ratings**
-  **Support for loan proposals via**
 - **Collateral Free Loans through schemes like CGTMSE**
 - **Increase in funding to new entrepreneurs via MUDRA scheme**
 - **Special schemes of SIDBI such as Green Finance Loans, Machinery Loans, Project Loans etc**
 - **For Startup Ecosystem important schemes of SIDBI like Funds of Funds**
-  **Implementation of accounting, ERP, and inventory systems**
-  **Assistance with GST, IT filing, Udyam registration, and exports**

We must move towards **cluster-based models, sector-specific mentorship**, and **digital upskilling** for long-term impact.

Four Key Enablers for Sustainable Growth

1 Financial Access

- Schemes like **CGTMSE, MUDRA**, and **Stand-Up India** are underutilised.
- Professionals can assist in **project reports, bank proposals**, and **restructuring loans**.

2 Technology & Digital Enablement

- MSMEs need to adopt **e-invoicing, cloud accounting, ERP tools, and e-commerce platforms**.
- Affordable **AI-based bookkeeping** and **POS systems** are game-changers.

3 Mentorship & Incubation

- India has **700+ incubators**, but their reach in **rural and industrial areas** remains limited.
- **CA-CS-lawyer-consultant teams** can set up **MSME HelpDesks or Clinics**.

4 Formalisation & Compliance

- Portals like **Udyam, GeM, GSTN, EPFO, TRACES** need grassroots promotion.
- Simplified SOPs, **vernacular toolkits**, and **local workshops** will increase compliance.

Role of ICAI and Regional Branches: Driving Change from Ground Up

● What's Already Happening

- Regular **CPE programs** on MSME finance, Udyam, and startup tax planning
- Launch of **MSME & Startup HelpDesks** offering 360° advisory
- Partnerships with **SIDBI, DICs, and state startup missions**
- **Investor awareness campaigns** in colleges and business clusters

● Recommendations to Deepen Impact

- Appoint **"MSME Champions"** in every branch to adopt 50 units/year
- Roll out **digital toolkits** on accounting, payroll, compliance
- Organise **district-level startup challenges** with mentorship
- Develop **cluster-wise compliance scorecards and sectoral studies**
- Collaborate with **co-operative banks, agri universities**, and local chambers
- Best **MSME & Startup Awards and Recognition** at District Levels

Beyond Survival: Time to Scale with Vision

India's aspirations of **Atmanirbharta (self-reliance)** and **global competitiveness** hinge on empowering its **smallest units with the biggest potential**.

MSMEs must shift from:

- **Subsidy-dependence** → **Self-sufficiency**
- **Survival thinking** → **Growth mindset**
- **Compliance panic** → **Compliance empowerment**

As **finance professionals, mentors, and ecosystem enablers**, our mission is to **educate, empower, and elevate entrepreneurs**—especially those from rural and under-served regions.

Let's make Bharat not just **vocal for local**, but **globally competitive through local strength**.

Conclusion: A Trillion-Dollar Opportunity in the Making

MSMEs and startups aren't just economic sectors—they are the **soul of India's socio-economic engine**. They drive innovation, empower youth, revive traditional skills, and bring balance to wealth distribution.

Whether you're a **CA, policymaker, educator, or mentor**—your role is crucial. Let's nurture every entrepreneur, however small, to **dream big and build boldly**.

With the right support, India's MSMEs and startups will not just create jobs—they will build the future of India.

–By Dr Rajendra Jha

MSMEs in India: A Comprehensive Post-Budget 2026 Analysis

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are a critical pillar of India's economy, contributing significantly to employment generation, industrial development, and exports. Over the years, the sector has evolved from being largely support-dependent to becoming a major driver of economic growth.

Union Budget 2026–27 signals a strategic shift in MSME policy—from protection-led support to growth-led competitiveness, scalability, and global integration. The focus is no longer limited to safeguarding small businesses, but on enabling them to expand, innovate, and compete in international markets.

2. MSME Sector: Scale and Economic Contribution

The scale of the MSME sector reflects its importance in India's economic structure. According to official estimates, India has over 7 crore MSMEs, spanning manufacturing, trade, and services. The sector is also one of the country's largest employment generators.

MSMEs contribute roughly one-third of India's economic output and account for a significant share of exports. They also remain an important contributor to India's manufacturing ecosystem.

MSME Snapshot

- 7+ crore enterprises across India
- One of the largest sources of employment after agriculture
- Roughly one-third contribution to economic output
- Nearly half of merchandise exports in recent years
- Strong presence across manufacturing, services, and trade

These figures underline the role of MSMEs as a key driver of India's resilience and long-term growth.

3. Policy Shift in Budget 2026: From Protection to Growth

The Union Budget 2026 introduces a structural change in MSME policy. Historically, the sector relied on subsidies, priority sector lending, and government support for stability. While these measures helped survival, they often did not adequately encourage scale or innovation.

The new policy direction emphasizes productivity, formalisation, competitiveness, and integration with global value chains. This reflects a broader vision of positioning MSMEs as active contributors to India's economic expansion rather than passive beneficiaries of support.

4. Equity Financing and the MSME Growth Fund

One of the most notable reforms in Budget 2026 is the announcement of a ₹10,000 crore MSME Growth Fund. This marks a shift from traditional debt-led financing toward equity-based capital support.

By providing risk capital, the government aims to reduce repayment pressure on businesses and encourage innovation, expansion, and long-term sustainability. This reform is especially important because growth capital allows businesses to scale without immediately increasing leverage. However, its success will depend on ease of access, transparent eligibility norms, and inclusion of smaller enterprises.

5. Liquidity Enhancement through TReDS Reforms

Delayed payments have long been a major challenge for MSMEs. Budget 2026 addresses this issue by strengthening the Trade Receivables Discounting System (TReDS), including wider onboarding and deeper integration with procurement systems.

This can improve cash flows by enabling businesses to convert receivables into working capital faster. The real impact, however, will depend on broader private sector participation and greater awareness among MSMEs.

6. Export Promotion and Global Competitiveness

The removal of the ₹10 lakh per consignment limit on courier exports is a significant step toward expanding global opportunities for MSMEs. This is particularly relevant for sectors such as handicrafts, textiles, specialty products, and small-scale manufacturing. It creates opportunities for smaller businesses to directly access international customers through e-commerce and digital trade platforms.

To fully benefit, MSMEs will need stronger capabilities in quality control, logistics, branding, and regulatory compliance.

7. Credit Expansion and RBI's Perspective

Formal credit availability to MSMEs has expanded significantly in recent years. However, access to finance remains uneven, especially for micro and informal businesses. Many enterprises still depend on informal borrowing due to limited documentation, weak financial records, or low credit history.

The Reserve Bank of India has consistently emphasized greater formalisation, better financial discipline, and stronger digital adoption. As bookkeeping, GST compliance, and digital payments improve, MSMEs are likely to build stronger credit profiles and access institutional finance more easily.

8. Digital Transformation and Technological Adoption

Digitalisation is emerging as a key driver of MSME growth. Budget 2026's continued emphasis on technology adoption—including cloud systems, ERP tools, and AI-led solutions—can improve efficiency, cost management, and decision-making.

While larger MSMEs are increasingly adopting such tools, micro enterprises continue to face barriers such as cost constraints and lack of technical expertise. Bridging this digital divide will be essential to ensure inclusive growth across the MSME ecosystem.

9. Compliance Simplification and Formal Economy Integration

Compliance burdens have historically been a challenge for smaller businesses, particularly in taxation and regulatory filings. Budget 2026 proposes simplification measures such as streamlined GST processes and faster refunds.

These reforms can reduce compliance costs, improve ease of doing business, and encourage informal enterprises to enter the formal economy. Their long-term success will depend on policy consistency, system stability, and ease of digital adoption.

10. Cluster Development and Infrastructure Support

The revival and development of industrial clusters remain an important strategy for improving MSME competitiveness. Cluster-based ecosystems can provide shared infrastructure, lower costs, access to skilled labour, and stronger market linkages.

This is particularly relevant for traditional industries such as textiles, handicrafts, engineering goods, and small manufacturing hubs. Well-designed clusters can improve productivity, innovation, and export readiness at scale.

11. Emerging Role of Professionals in the MSME Ecosystem

The increasing complexity of compliance, funding, and strategic decision-making is expanding the role of professionals in the MSME sector. Chartered Accountants, consultants, and advisors can play a crucial role in areas such as:

- Financial planning
- Tax compliance
- Funding readiness
- Business restructuring
- Strategic growth planning

As MSMEs formalise and scale, professional advisory support is likely to become increasingly valuable.

12. Key Risks and Challenges

While Budget 2026 reforms are promising, some structural challenges remain:

- Low awareness of schemes among smaller businesses
- Limited digital readiness in micro enterprises
- Delayed receivables and working capital stress
- Weak financial documentation in informal businesses
- Uneven access to growth capital and formal credit

Addressing these issues will be essential for inclusive and broad-based MSME growth.



13. Overall Evaluation of Budget 2026 Reforms

The reforms introduced in Budget 2026 reflect a long-term vision for strengthening the MSME sector. The focus on equity financing, liquidity enhancement, exports, technology, and compliance reform indicates a more strategic policy framework.

The intent is strong. The real test now lies in implementation, awareness, and last-mile accessibility. While larger enterprises may adopt reforms faster, micro businesses may require additional handholding and ecosystem support.

14. Conclusion

India's MSME sector stands at an important inflection point. With its strong contribution to employment, exports, and industrial output, it has the potential to drive the next phase of economic expansion. Budget 2026 has the potential to redefine the MSME landscape—from survival-focused support to growth-focused opportunity.

However, long-term success will depend on effective execution, institutional support, and the ability to include micro enterprises in this transformation journey. If implemented well, MSMEs can emerge as one of the strongest engines of India's journey toward a globally competitive economy.

–CA. Himanshu Agarwal

QUIZ

1. What does Digital Transformation primarily mean for MSMEs?

- A. Replacing all employees with machines
- B. Using digital technologies to improve business processes and outcomes
- C. Only creating a website
- D. Eliminating physical operations completely

2. The first step in digital transformation for most MSMEs is:

- A. Implementing AI immediately
- B. Digitizing existing business processes
- C. Hiring data scientists
- D. Buying expensive software

3. Which of the following is a key driver for MSMEs to adopt digital transformation?

- A. Increasing paperwork
- B. Competitive pressure and customer expectations
- C. Reducing customer interaction
- D. Avoiding technology

4. Digital transformation helps MSMEs to achieve:

- A. Higher operational inefficiency
- B. Faster decision-making and improved productivity
- C. Increased manual work
- D. Reduced customer engagement

Section 2 – AI in Digital Transformation

5. AI contributes to digital transformation by:

- A. Eliminating data usage
- B. Automating processes and enabling intelligent decision-making
- C. Increasing manual processes
- D. Reducing business insights



6. Which AI application is most relevant for MSME customer service?

- A. Chatbots and virtual assistants
- B. Manual call handling only
- C. Paper-based communication
- D. Offline advertising

7. AI-based analytics can help MSMEs to:

- A. Ignore customer preferences
- B. Predict future trends and demand
- C. Eliminate data collection
- D. Avoid planning

8. Which of the following is an example of AI-driven automation?

- A. Manual invoice processing
- B. Automated invoice recognition and entry
- C. Paper ledger accounting
- D. Handwritten billing

9. A manufacturing MSME using AI for predictive maintenance can:

- A. Increase machine breakdowns
- B. Reduce downtime and maintenance cost
- C. Avoid equipment usage
- D. Eliminate production

10. A retail MSME implementing AI-based recommendation systems can:

- A. Reduce sales
- B. Personalize customer experience and increase revenue
- C. Eliminate customers
- D. Avoid product promotion

Answers: 1. B 2. B 3. B 4. B 5. B 6. A 7. B 8. B 9. B 10. B



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