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ICAI MSME ECOSYSTEM

ICAI STARTUP GATEWAY

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Startup Portal: startup.icai.org

MSME Portal: msme.icai.org

UPDATES

Government Mandates TReDS for Faster MSME Payments

The Ministry of MSME has mandated all Central Public Sector Enterprises (CPSEs) to settle invoices of MSME suppliers through RBI-authorised Trade Receivables Discounting System (TReDS) platforms, effective from 30 June 2026, fulfilling a key Union Budget 2026–27 announcement.

The initiative aims to address delayed payments by enabling MSMEs to convert approved invoices into collateral-free working capital through competitive financing by banks and NBFCs. CPSEs are also required to disclose TReDS compliance and obtain statutory auditor certification, promoting greater transparency and timely payments across the public sector.

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

Government Strengthens Credit Guarantee Scheme for MSEs

The Ministry of MSME has strengthened the Credit Guarantee Scheme (CGS) through CGTMSE to improve collateral-free credit access for Micro and Small Enterprises (MSEs). Key measures include increasing the guarantee limit from ₹5 crore to ₹10 crore, reducing Annual Guarantee Fees by up to 50%, enhancing guarantee coverage for women-led enterprises, offering additional incentives for credit-deficient districts, and conducting nationwide awareness programmes to promote greater adoption of the scheme.

Source: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2288366&reg=48&lang=1

Government Promotes AI and Digital Technology Adoption for MSMEs

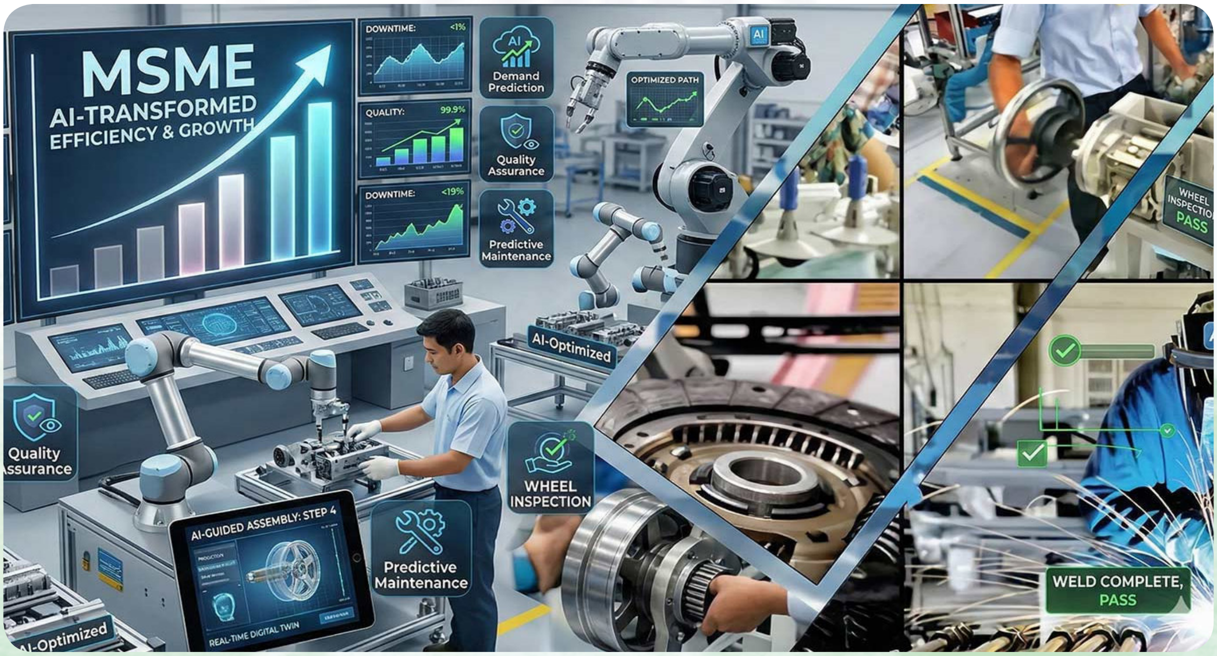
The Government of India is promoting the adoption of Artificial Intelligence (AI) and digital technologies among MSMEs through the ₹10,371.92 crore IndiaAI Mission, led by the Ministry of Electronics and Information Technology (MeitY). The Mission aims to democratise AI, strengthen innovation, and enhance the productivity and competitiveness of MSMEs through seven strategic pillars, including AI infrastructure, innovation, datasets, skill development, startup financing, and responsible AI. The Government also monitors MSME digital adoption through research studies and the NITI Aayog Output-Outcome Monitoring Framework (OOMF) to assess the impact of its digital initiatives.

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

Government Strengthens Rural Enterprises through PMEGP, PM Vishwakarma and ODOP

The Ministry of MSME is strengthening rural industries and traditional enterprises through initiatives such as PMEGP, PM Vishwakarma, and the One District One Product (ODOP) approach. The Government is enhancing market access through the Procurement and Marketing Support (PMS) Scheme, MSME Global Mart, ONDC onboarding, and KVIC sales outlets, while promoting local products through e-commerce platforms and exhibitions. Under PMEGP, project cost limits have been increased, rural entrepreneurs receive higher support, and collateral-free loans of up to ₹20 lakh are available for eligible projects. Additionally, the PM Vishwakarma Scheme provides artisans with credit, skill development, and toolkit support across 18 traditional trades, helping modernise village industries, generate sustainable rural employment, and reduce migration.

Source: http://pib.gov.in



GOA STATE INDUSTRIAL & MSME POLICY

Introduction

Goa, India's smallest state by area and one of its most prosperous — ranked second nationally in per-capita GDP after Sikkim as per the Reserve Bank of India's 2024-25 data — has in recent years emerged as a dynamic hub for sustainable industry, technology, and entrepreneurship. Historically reliant on iron ore mining and tourism, the state has strategically pivoted its economic vision in the wake of mining disruptions and the post-pandemic resurgence of its knowledge economy. This transition has been anchored by two landmark policy frameworks: the Goa Industrial Growth and Investment Promotion Policy 2022 (GIGIPP), which targets ₹20,000 crore in industrial investment and 30,000 new jobs over five years; and the Goa Startup Policy 2021, subsequently superseded by the more ambitious Goa Startup Policy 2025, which aims to build an ecosystem of 1,000 startups and 10,000 new jobs for Goans by 2028. Together, these frameworks represent a comprehensive blueprint for inclusive, technology-driven, and environmentally responsible economic growth — positioning Goa as a model for other small Indian states seeking to diversify beyond a single economic sector.

What distinguishes Goa's policy framework from conventional industrial promotion schemes is its deliberate integration of four foundational pillars: transparent and predictable governance, genuine ease of doing business, local employment generation, and responsible development. The introduction of a legally enforceable 60-day Single Window Clearance mechanism under the Goa Right of Citizens to Time-bound Delivery of Public Services Act 2013 has materially reduced regulatory friction for investors across all sectors. Simultaneously, mandatory local employment criteria — requiring at least 60% of jobs to be filled by Goans, with dedicated incentives for women (target: 30% in new units) and SC/ST communities (target: 15% in new units) — ensure that economic growth directly benefits resident communities. The Goa Startup Policy 2025, rolled out in October 2025 by the Department of Information Technology, Electronics and Communication (DITEC), deepens this vision through 12 structured schemes covering venture capital access, intellectual property reimbursement, AI skill enhancement, and a dedicated accelerator programme. As of July 2026, 734 DPIIT-recognised startups operate in Goa, approximately 50% of which are women-led — a clear testament to the ecosystem's inclusivity and momentum. This document brings both policies into a single reference, updated to July 2026 including the Goa AI Mission 2027 and Union Budget 2026-27 announcements.

STATE PROFILE AT A GLANCE

Indicator	Data	Indicator	Data
Area	3,702 sq. km.	Per Capita GDP Rank	2nd in India (after Sikkim, RBI 2024-25)
Population	~1.46 million	GSDP	₹53,959.86 Crore (per GIGIPP 2022)
HDI	0.779	Literacy Rate	88.70%
Coastline	140 km	GIDC Industrial Estates	24 notified estates across Goa

POLICY FRAMEWORK AT A GLANCE (Three Active Frameworks as of July 2026)

Parameter	GIGIPP 2022	Startup Policy 2021	Startup Policy 2025
Status	In Force (~Oct 2027)	Superseded (Oct 2025). Schemes still accessible for DPIIT-recognised startups.	Current. Supersedes Policy 2021.
Target	₹20,000 Cr investment; 30,000 jobs (5 yrs)	500+ startups; 6,000 jobs (3 yrs)	1,000 startups; 10,000 Goan jobs (by 2028)
Key Focus	6 priority sectors; singlewindow clearances	Funding, IP, local hiring, women entrepreneurs	VC for 100 startups; AI; women entrepreneurs
Nodal Agency	IPB | goaipb.goa.gov.in	Startup Promotion Cell | startup.goa.gov.in	DITEC (DITE&C) | dit.goa.gov.in
Notified	13 October 2022	11 November 2021	Cabinet: 10 Aug 2025; Rollout: Oct 2025

GOA STARTUP ECOSYSTEM — LIVE STATUS (JULY 2026)

734	~50%	12	Feb–Jun 2026
DPIIT-Registered Startups (Feb 2026)	**Are Women-Led — Minister Khaunte, Feb 2026**	**Schemes Under Startup Policy 2025**	**Goa Startup Accelerator Programme 2026**

Source: Minister Rohan Khaunte, SME Street 13 Feb 2026; DITEC official communication Oct 2025

Goa Industrial Growth & Investment Promotion Policy 2022 | Notified 13 October 2022 | In force through ~October 2027

KEY INCENTIVES FOR INDUSTRY & MSMEs

Incentive	Key Provision	Verified Figure
Production-Linked (PLI)	Percentage of incremental sales, paid annually for 5 years	2% – 5% of incremental sales
Water & Energy Audit	Reimbursement to encourage resource efficiency assessment	25% of audit cost
Conservation Equipment	Capital reimbursement for energy/water conservation equipment	25% of cost; cap ₹1 Lakh per unit
Electricity Duty — Renewable	Full duty waiver for rooftop solar or other renewable energy units	100% electricity duty reduction
Floor Area Ratio	Enhanced FAR for IT buildings; additional FAR for starred hotels	IT: >150% FAR | Hotels 4/5★: +20% FAR
Eco-Tourism Land Use	CLU / CIZ waiver for qualifying eco-tourism projects	Waived if ≤5% area used; min. 5,000 sq.m.
Revival of Sick Units	Structured financing & market assistance for closed / sick units	Zero-to-low interest financing
Mega Project — Special Tier	Highest facilitation tier with preferred land identification	≥ ₹100 Crore OR ≥ 1,000 Goan jobs

SIX FOCUS SECTORS (Fast-track clearances & enhanced incentives; no fixed % allocation between sectors)

Sector	Key Projects / Schemes	Central Scheme Linkage
IT & ITeS	100-company target; IT procurement outsourcing to Goan startups; enhanced FAR	Digital India; MeitY; Goa AI Mission 2027
High-End Hospitality	Oceanariums, convention centres, theme parks, heritage homestays, co-working	Ministry of Tourism
Niche Tourism	Eco-tourism, marinas, AYUSH wellness centres, plantation homestays, water sports	AYUSH Mission
Agro & Food Processing	ODOP, PMFME, MSE-CDP, SFURTI; cold-chain development; ~4,000 ha khazan lands	PMFME; ODOP; SFURTI
Green / White Industries	EV ecosystem; renewable energy projects; lowpollution manufacturing	Goa EV Policy 2021; Budget 202627
Pharmaceuticals	Cold-chain logistics; export facilitation; expansion of existing facilities	Biopharma Shakti ₹10,000 Cr (Budget 2026-27)

SINGLE WINDOW CLEARANCE PROCESS (60-Day Legally Guaranteed Timeline — Goa RTBDS Act 2013)

Step	Action	Timeline	Authority
1	Online application submitted at goaipb.goa.gov.in with project details	Day 0	Investor
2	Upload DPR, land proof, financials, environmental clearances	Days 1 – 7	Investor / IPB
3	IPB reviews for completeness; routes concurrently to all departments	Days 8 – 15	IPB
4	Concurrent clearances: GIDC, GPCB, Fire Services, TCP, Local Bodies	Days 16 – 45	Respective Depts.
5	Single Window Clearance Certificate (SWC) issued by IPB	Days 46 – 60	IPB

LAND & INFRASTRUCTURE | EXCLUDED AREAS

Land & Infrastructure Benefits	Excluded Areas & Sectors
24 GIDC notified industrial estates | Investment Promotion Area (IPA) for private land | Sanad conversion via PDCC | New PPP industrial parks with plug-and-play MSME cells | Micro Industrial **Zones (MIZs) for rural and handicraft units**	FDI prohibited sectors (as per Central Govt.) | Khazan lands, low-lying paddy fields, slopy lands | Coastal Regulatory Zone (CRZ) protected areas | Areas under Goa Environment Management Plan | Red-category (highly polluting) industries

STARTUP ECOSYSTEM — POLICY COMPARISON, KEY SCHEMES & EMPLOYMENT TARGETS

Startup Policy 2021 (superseded) | Startup Policy 2025 — Current (DITEC) | Updated July 2026

STARTUP POLICY 2021 vs 2025 — DETAILED COMPARISON

Parameter	Startup Policy 2021	Startup Policy 2025 (Current)
Status	Superseded Oct 2025. Schemes still accessible for DPIIT-recognised startups via Startup India login.	Active. Supersedes Policy 2021. 12 schemes notified by DITEC.
Vision & Targets	500+ startups; Top startup destination in India & Asia top 25 by 2025; 6,000 Goan jobs (3 yrs)	1,000 startups; India's 'Creative Capital' by 2028; 10,000 jobs for Goans
VC & IP Support	VC Fund of Funds: up to ₹1 Cr/ startup (equity); 100% patent fees (₹2L national / ₹5L intl.)	Enable 100 startups to access VC; IPR Scheme: 100% patent fees (₹2L / ₹5L)
Local Hiring & Women	50% salary subsidy for freshers (cap ₹15K/mo); ₹22,000/mo women allowance; ₹10L marketing support	Skill Enhancement: 50% AI training (₹1L cap); ~50% of 734 DPIIT startups are women-led (Feb 2026)
Lease & R&D	Lease subsidy ₹20/sq.ft for 2 yrs (cap ₹3L/yr); 50% R&D reimbursement (cap ₹5L/yr)	Reviewed under Policy 2025 schemes; AI skilling now central support mechanism
Dept. / Portal	Dept. of IT, GoG | startup.goa.gov.in	DITEC (DITE&C) | startup.goa.gov.in | dit.goa.gov.in

STARTUP POLICY 2025 — KEY SCHEMES (12 Total, DITEC)

Scheme Name	Key Benefit	Eligibility
IPR Reimbursement	100% patent fees reimbursed — ₹2L (national) / ₹5L (international)	All Goa-registered startups
Skill Enhancement	50% reimbursement of AI & emerging tech training; cap ₹1 Lakh	≤30 startups/year; ≥50% Goan equity
Campus Innovation	Grants for student entrepreneurial / R&D projects from Goa institutions	Students at Goa educational institutes
Goa Startup Accelerator	5-month mentorship, market access, investor connect, Demo Day (Feb–Jun 2026 cohort completed)	Selected startups via startup.goa.gov.in
VC Access & Govt. Collab. + Incubation	VC facilitation for 100 startups; Govt. collaboration for 50 startups; ₹10L capital + ₹3L/yr for incubators	Goa-registered startups; educational institutes

Source: startup.goa.gov.in; dit.goa.gov.in; DITEC Oct 2025; SME Street 13 Feb 2026

EMPLOYMENT GENERATION TARGETS — ALL POLICIES COMBINED

Category	GIGIPP 2022 (Industrial, 5 yrs)	Startup Policy 2021 (3 yrs)	Startup Policy 2025 (by 2028)
Total Jobs Target	30,000	6,000	10,000 for Goans
Local Employment	≥60% criterion (~18,000+ Goans)	≥60% for matching grant (~3,600)	All 10,000 targeted for Goans
Women & SC/ST	≥30% women KPI (~9,000); ≥15% SC/ST KPI (~4,500) in new units	₹22,000/mo women allowance; 40 startups/yr supported	~50% of 734 startups women-led (Feb 2026)
Salary / Training	≥₹25,000/month avg. salary target	50% salary subsidy for fresh graduates (cap ₹15K/mo)	AI & emerging tech upskilling; VC funding access

GIGIPP 2022 sub-category counts (women, SC/ST, local) are computed by applying policy KPI % to the 30,000 total target — these are KPI criteria, not separate direct targets.

KEY DEVELOPMENTS 2025–2026 | HOW TO APPLY

All facts verified from official sources | Current as of July 2026

KEY POLICY DEVELOPMENTS — JULY 2025 TO JULY 2026

Date	Development	Significance
Jul 2025	Goa AI Mission 2027 launched — CM Pramod Sawant & IT Minister Rohan Khaunte	Positions Goa as regional AI hub; aligns with India AI Mission
10 Aug 2025	Goa Startup Policy 2025 approved by State Cabinet	Supersedes 2021 Policy; targets 1,000 startups & 10,000 Goan jobs by 2028
Oct 2025	Startup Policy 2025 officially rolled out; 12 schemes notified by DITEC	696 DPIIT startups at launch baseline; DITEC as implementing dept.
13 Feb 2026	Goa Startup Accelerator Programme launched; 734 DPIIT startups confirmed	~50% women-led startups; 5-month mentorship & investor connect programme
8 Mar 2026	Draft AI Policy circulated by DITEC to stakeholders	Covers AI skilling, AI startups, governance; Konkani LLM via Bhashini
30 Apr 2026	Draft AI Policy opened for 15-day public consultation	'AI with a Human Touch'; AI labs in schools; AI Centre of Excellence planned
Jun 2026	Goa Startup Accelerator 2026 Demo Day completed	First cohort concluded; startups showcased to investors and government depts.
Jul 2026	GIGIPP 2022 active (Year 4 of 5); Single Window Clearance fully operational	All IPB incentives & GIDC estates operational; 60-day SWC guarantee in force

UNION BUDGET 2026-27 — KEY MSME & INDUSTRIAL UPDATES
(National; Applicable to Goa)

Announcement	Detail	Goa Relevance
MSME Classification Revised	Investment & turnover limits raised — more businesses now qualify	Expands GIGIPP 2022 incentive eligibility
Credit Guarantee Doubled	MSME credit guarantee cover raised from ₹5 Cr to ₹10 Crore	Easier bank financing for Goa's growing MSMEs
Biopharma Shakti	₹10,000 Crore over 5 years for biopharma manufacturing hub	Direct benefit for Goa's pharma focus sector
India–EU FTA Concluded	Expanded market access for exporters to European Union	Benefits Goa pharma, food, and IT/ITeS exports
Women & SC/ST Schemes	5 lakh first-time women & SC/ST entrepreneurs receive special schemes	Complements Goa's 30% women employment KPI

Source: KPMG Budget 2026-27 MSME Analysis; Union Budget 2026-27 Official Announcements

HOW TO APPLY — THREE TRACKS

Track	Portal / Authority	Key Steps	Timeline
Industrial Projects (GIGIPP 2022)	goaipb.goa.gov.in | Nodal: IPB	(1) Register on IPB portal. (2) Upload DPR, land docs, financials. (3) IPB routes concurrently to all depts. SWC issued.	60 days (legal guarantee)
MSME Incentive Claims	Directorate of Industries, Trade & Commerce, Goa | Udyam Registration mandatory	(1) Get Udyam Certificate. (2) Submit CA-certified claim. (3) Director approves ≤₹10L; Secretary ≤₹20L.	45 – 60 days
Startups (2021 & 2025)	startup.goa.gov.in | dit.goa.gov.in | DPIIT: Startup India login	(1) Register & select schemes. (2) Submit business plan & documents. (3) Startup Cell reviews & sanctions.	21 – 45 days

MASTER SUMMARY — ALL ACTIVE FRAMEWORKS (JULY 2026)

Parameter	GIGIPP 2022	Startup Policy 2025	Goa AI Mission 2027
Status (Jul 2026)	In force (~Oct 2027)	Active (→ 2028)	Draft AI Policy in public consultation (Apr 2026)
Key Target	₹20,000 Cr; 30,000 jobs	1,000 startups; 10,000 Goan jobs	AI ecosystem: skilling, startups, governance
Key Incentives	PLI 2–5%; Green 25%; 100% electricity duty waiver	IPR 100%; Skill 50%; VC for 100 startups	AI labs in schools; Konkani LLM; AI Centre of Excellence
Nodal / Portal	IPB | goaipb.goa.gov.in	DITEC | startup.goa.gov.in	DITEC | dit.goa.gov.in
Central Alignment	Make in India; Atmanirbhar Bharat; Budget 2026-27	Startup India; Digital India; India AI Mission	India AI Mission; Bhashini; NEP 2020

By: CA. Shubham Patel
Chartered Accountant

Beyond Bookkeeping: Building Enterprise Resilience for Manufacturing MSMEs – The Emerging Strategic Role of Chartered Accountants

Executive Summary

Manufacturing Micro, Small and Medium Enterprises (MSMEs) have long been recognised as the backbone of India's industrial economy. They contribute significantly to manufacturing output, exports, employment generation, regional development and innovation. However, the business environment in which these enterprises operate has undergone a profound transformation over the last decade. Global supply chain disruptions, geopolitical uncertainties, increasing customer expectations, digital transformation, sustainability requirements, cybersecurity risks, evolving regulatory frameworks and changing financing ecosystems have collectively altered the definition of business success.

In this changing landscape, financial statements alone no longer provide an adequate measure of an enterprise's preparedness for future challenges. While bookkeeping and statutory compliance remain indispensable, they represent only a part of a much larger governance ecosystem. Modern manufacturing MSMEs require structured financial discipline, operational resilience, strategic risk management and informed decision-making to sustain growth.

This evolving business environment has also transformed the role of Chartered Accountants. Increasingly, Chartered Accountants are expected to function not merely as compliance professionals but as trusted business advisors capable of integrating financial stewardship with governance, risk management, technology adoption and long-term value creation. This article examines the concept of enterprise resilience in manufacturing MSMEs and explores how Chartered Accountants can play a pivotal role in strengthening organisational preparedness for an increasingly uncertain business environment.

The Manufacturing MSME Landscape: A Story of Opportunity and Uncertainty

For decades, discussions relating to MSMEs have largely centred around access to finance, taxation, statutory compliance and government incentives. While these subjects continue to remain important, they no longer capture the full spectrum of challenges confronting manufacturing enterprises.

The manufacturing ecosystem today is considerably more interconnected than it was even a decade ago. A small precision engineering unit in Pune may be supplying components to a Tier-1 automotive vendor whose customers include manufacturers across Europe, North America and Southeast Asia. Likewise, a packaging manufacturer in Gujarat may depend upon imported raw materials whose prices fluctuate because of geopolitical developments occurring thousands of kilometres away.

Consequently, business risks have become multidimensional.

A delayed shipment caused by disruptions in international logistics may affect production schedules. An unexpected increase in commodity prices may erode already thin operating margins. A cyber incident may interrupt production systems. New sustainability expectations from multinational customers may influence vendor selection decisions. Financial institutions increasingly evaluate governance practices alongside financial performance while assessing creditworthiness. In many industries, customers expect suppliers to demonstrate quality systems, business continuity arrangements and responsible business practices as part of vendor onboarding.

These developments illustrate a fundamental shift in the operating environment. Manufacturing MSMEs are no longer competing solely on the basis of price or production capacity. Their ability to anticipate, withstand, adapt to and recover from disruptions has become equally important.

This broader organisational capability is increasingly described as **enterprise resilience**.

Why Traditional Bookkeeping Is No Longer Sufficient

The accounting profession has historically been associated with recording financial transactions, preparing financial statements and ensuring compliance with applicable laws. These functions continue to constitute the foundation of professional practice and remain indispensable to sound financial governance.

However, modern business realities require enterprises to answer questions that cannot be resolved merely by examining the trial balance or annual financial statements.

For example:

- Can the enterprise continue operations if its largest customer reduces procurement by 40 per cent?
- Is the working capital cycle capable of absorbing prolonged supply chain disruptions?
- Does management receive timely operational information for strategic decision-making?
- Are inventory controls sufficiently robust to minimise avoidable losses?
- Is the organisation adequately protected against cyber risks that may disrupt production or compromise financial information?
- Does the enterprise possess sufficient governance mechanisms to meet the expectations of lenders, investors and multinational customers?

These questions extend beyond conventional accounting. They relate to business continuity, operational capability, governance structures and organisational preparedness.

It is therefore increasingly evident that financial reporting, although essential, represents a historical account of business performance. Enterprise resilience, on the other hand, concerns the organisation's capacity to sustain future performance despite uncertainty.

For manufacturing MSMEs operating in an increasingly competitive environment, resilience has become as valuable as profitability.

Understanding Enterprise Resilience

Enterprise resilience may be understood as the organisational capability to anticipate emerging risks, respond effectively to disruptions, adapt to changing business conditions and continue creating value for stakeholders without compromising long-term sustainability.

Unlike crisis management, which generally focuses on responding to specific adverse events, enterprise resilience is proactive in nature. It seeks to institutionalise systems, processes and governance practices that enable the organisation to withstand uncertainty before significant disruptions occur.

From the perspective of manufacturing MSMEs, enterprise resilience may be viewed through six interrelated dimensions:

1. **Financial Resilience**

   Financial resilience extends beyond profitability. It encompasses liquidity management, prudent leverage, efficient working capital utilisation, diversified funding sources and disciplined cash flow management. Enterprises with strong balance sheets are generally better positioned to absorb temporary market disruptions.

2. **Operational Resilience**

   Operational resilience refers to the continuity and efficiency of manufacturing processes. It includes production planning, preventive maintenance, inventory optimisation, supplier diversification, quality management systems and business continuity arrangements.

3. **Governance Resilience**

   Transparent governance enhances organisational credibility. Clearly defined responsibilities, documented policies, effective internal controls, ethical business practices and periodic management reviews contribute significantly towards reducing operational and compliance risks.

4. **Technological Resilience**

   Digital technologies have become integral to manufacturing operations. Consequently, technological resilience includes cybersecurity, data integrity, ERP reliability, digital record management, automation readiness and information security practices.

5. **Regulatory Resilience**

   Manufacturing enterprises today operate within an increasingly complex regulatory framework encompassing taxation, labour laws, environmental regulations, product quality standards, corporate governance requirements and industry-specific compliances. Systematic compliance management significantly reduces legal and reputational risks.

6. **Strategic Resilience**

   Perhaps the most overlooked dimension, strategic resilience relates to management's ability to anticipate market shifts, diversify products, explore new customer segments, adopt innovation and respond proactively to evolving business opportunities.

Viewed collectively, these dimensions demonstrate that resilience cannot be developed through isolated initiatives. It requires coordinated financial, operational and governance leadership across the organisation.

The Changing Expectations from Chartered Accountants

The evolution of manufacturing businesses has inevitably altered the expectations placed upon Chartered Accountants.

Historically, professional engagement often concluded with the preparation of financial statements, completion of statutory audits and fulfilment of tax obligations. Today, however, management teams increasingly seek professional guidance on issues extending far beyond compliance.

Chartered Accountants are expected to interpret financial information in the context of business strategy, identify emerging risks before they crystallise into financial losses, strengthen internal control systems, improve working capital efficiency, evaluate investment decisions, support technology implementation and assist enterprises in establishing governance frameworks that inspire confidence among lenders, investors, customers and regulators.

This transition reflects a broader shift within the profession itself—from recording transactions to enabling informed decision-making.

In many manufacturing organisations, the Chartered Accountant is uniquely positioned to connect financial performance with operational realities. Access to accounting information, management reports, cost structures, inventory records, procurement data and compliance systems provides a holistic view of the enterprise that few other professionals possess.

Consequently, the Chartered Accountant's role increasingly extends beyond financial stewardship to becoming an architect of enterprise resilience.

The Enterprise Resilience Framework: A Strategic Roadmap for Manufacturing MSMEs

The ability of an enterprise to withstand disruptions cannot be achieved through isolated improvements in finance, production or compliance. Resilience is built when these functions operate in an integrated and mutually reinforcing manner.

Drawing upon the principles of enterprise risk management, sound corporate governance, financial discipline and operational excellence, manufacturing MSMEs may adopt the **RESILIENT Framework** as a practical roadmap for strengthening enterprise resilience. While the terminology has been developed for the purpose of this article, each component is rooted in established management and governance principles and reflects areas where Chartered Accountants can add measurable value.

The RESILIENT Framework

Component	Strategic Focus	Role of the Chartered Accountant
R	Risk Identification and Assessment	Establish enterprise risk registers, evaluate financial and operational risks, and recommend mitigation measures.
E	Efficient Financial Management	Strengthen cash flow planning, optimise working capital, improve budgeting and financial forecasting.
S	Systems and Internal Controls	Design robust internal financial controls, document processes, reduce fraud risk and improve operational efficiency.
I	Information and Data Analytics	Convert accounting and operational data into meaningful management information for timely decision-making.

Component	Strategic Focus	Role of the Chartered Accountant
L	Leadership and Governance	Promote accountability, ethical conduct, compliance oversight and structured decision-making.
I	Innovation and Digital Transformation	Support adoption of ERP systems, automation, digital accounting and emerging technologies while ensuring governance over digital processes.
E	Environmental and Regulatory Readiness	Integrate statutory compliance, sustainability expectations and responsible business practices into business strategy.
N	Network and Supply Chain Resilience	Evaluate customer concentration, supplier dependency and contractual risks to improve business continuity.
T	Transformation and Continuous Improvement	Establish performance review mechanisms and encourage continuous organisational learning and adaptation.

The framework recognises that resilience is not a one-time project but an ongoing management philosophy. Chartered Accountants are uniquely positioned to coordinate these dimensions because financial information intersects with virtually every functional area of the enterprise.

Risk Management Begins Before the Crisis

Manufacturing MSMEs frequently encounter operational disruptions that appear sudden but often have identifiable warning signs. A major customer may account for more than half of annual turnover, a critical supplier may remain the sole source of an essential component, or inventory levels may steadily increase without a corresponding rise in sales. Individually, these issues may seem manageable. Collectively, they can expose the enterprise to significant financial stress.

Chartered Accountants can assist management in recognising these vulnerabilities through structured risk assessment. Rather than viewing risk management as an exercise reserved for large corporations, MSMEs can adopt proportionate and practical mechanisms suited to their scale of operations.

A comprehensive risk assessment should encompass:

- Financial risks such as liquidity constraints, excessive leverage and foreign exchange exposure.
- Operational risks arising from production bottlenecks, equipment failures or inadequate maintenance.
- Supply chain risks resulting from dependence on limited suppliers or customers.
- Regulatory risks associated with changing statutory requirements.
- Technology risks including cybersecurity incidents, data loss and system failures.
- Strategic risks relating to changing customer preferences, technological disruption and competitive pressures.

Periodic review of these risks enables management to initiate corrective measures before adverse events significantly affect business performance.

Strengthening Financial Resilience Beyond the Balance Sheet

Many manufacturing MSMEs equate profitability with financial strength. While profitability remains an important indicator, it does not necessarily reflect an enterprise's capacity to absorb business shocks. Numerous businesses have reported accounting profits while simultaneously experiencing liquidity shortages that impaired their ability to meet operational commitments.

Accordingly, Chartered Accountants should encourage management to evaluate financial resilience using a broader set of indicators.

Particular attention should be given to:

- Operating cash flows rather than reported profits alone.
- Working capital adequacy.
- Inventory turnover.
- Debtor collection efficiency.
- Creditor management.
- Debt servicing capability.
- Capital expenditure planning.
- Availability of contingency funding.

Scenario-based financial planning can also strengthen resilience. Management should periodically evaluate the impact of plausible adverse situations such as delayed customer payments, sudden increases in raw material prices or temporary production disruptions. Such exercises facilitate informed decision-making and improve organisational preparedness.

Internal Controls as Enablers of Growth

Internal controls are often perceived as mechanisms designed primarily to prevent fraud. While fraud prevention is an important objective, effective internal controls deliver benefits that extend considerably beyond safeguarding assets.

Well-designed control systems improve operational efficiency, enhance reliability of financial information, reduce process variability and strengthen managerial accountability.

Within manufacturing MSMEs, particular emphasis should be placed upon controls relating to:

- Procurement and vendor management.
- Inventory receipt, storage and issue.
- Production planning and material consumption.
- Quality assurance.
- Fixed asset management.
- Payroll administration.
- Revenue recognition.
- Information technology access controls.

Chartered Accountants possess the technical expertise to evaluate these processes, identify control deficiencies and recommend practical improvements that are proportionate to the scale of the enterprise.

Data Is No Longer Merely an Accounting Output

Traditionally, accounting information has been viewed as an end product prepared for statutory reporting and taxation purposes. In contemporary business environments, however, financial and operational data constitute strategic organisational assets.

Manufacturing enterprises generate substantial volumes of information relating to production efficiency, inventory movement, procurement cycles, customer behaviour and operating costs. When analysed systematically, these datasets enable management to identify trends, improve forecasting accuracy and support evidence-based decision-making.

Accordingly, Chartered Accountants should increasingly function as interpreters of business information rather than custodians of accounting records alone.

For example, routine financial analysis may reveal:

- Declining gross margins despite stable sales volumes.
- Increasing inventory holding periods.
- Rising energy costs affecting production efficiency.
- Customer concentration risks.
- Variations in production yields.
- Escalating warranty expenses.
- Declining return on capital employed.

Such insights frequently provide early warning signals of emerging operational challenges long before they become evident in annual financial statements.

Governance: Building Confidence Beyond Compliance

Good governance is often associated with listed companies and large corporate groups. In reality, governance principles are equally relevant to manufacturing MSMEs, particularly as they seek institutional finance, strategic partnerships or participation in global supply chains.

Sound governance encompasses transparency, accountability, ethical conduct and disciplined decision-making. Even relatively small manufacturing enterprises benefit from documenting authority matrices, maintaining structured management meetings, reviewing key business risks and monitoring compliance obligations.

Chartered Accountants can assist enterprises in developing governance practices that are practical rather than excessively bureaucratic. This includes establishing reporting mechanisms, documenting significant decisions, reviewing financial performance periodically and strengthening oversight over statutory compliances.

Such measures not only reduce operational risk but also enhance the confidence of lenders, investors and customers.

Digital Transformation Requires Financial Governance

The manufacturing sector is increasingly embracing Enterprise Resource Planning (ERP) systems, cloud-based accounting platforms, industrial automation and data-driven production management. While these technologies improve efficiency, they also introduce new governance responsibilities.

Implementation of digital systems should therefore be accompanied by appropriate internal controls relating to user access, segregation of duties, data integrity, backup procedures and cybersecurity.

Chartered Accountants play an important role in ensuring that digital transformation is supported by financial governance. Their involvement should extend beyond software implementation to include validation of system controls, evaluation of process changes and assurance over the reliability of digitally generated financial information.

Sustainability and ESG: From Compliance Expectation to Business Opportunity

Environmental, Social and Governance (ESG) considerations have gradually become part of mainstream business decision-making. While formal ESG reporting requirements presently apply primarily to specified large listed entities, the influence of sustainability extends well beyond regulatory reporting.

Large manufacturers, multinational corporations, export-oriented businesses and institutional investors increasingly evaluate sustainability practices across their supply chains. Consequently, manufacturing MSMEs are progressively being asked to demonstrate responsible environmental practices, ethical labour standards, product quality, governance mechanisms and business continuity capabilities as part of vendor qualification processes.

For many MSMEs, this represents not merely an additional compliance expectation but an opportunity to strengthen competitiveness.

Simple initiatives such as reducing energy consumption, improving waste management, conserving water, ensuring statutory compliance, strengthening occupational health and safety practices, and documenting governance procedures can contribute simultaneously to operational efficiency and market credibility.

Chartered Accountants are well placed to assist enterprises in integrating sustainability into business planning by helping management identify measurable performance indicators, evaluate investment decisions, analyse cost-benefit implications and establish reliable reporting mechanisms. In doing so, the profession contributes not only to financial stewardship but also to long-term value creation.

Supply Chain Resilience: A New Business Imperative

Recent global events have demonstrated that supply chains are vulnerable to disruptions arising from geopolitical developments, transportation bottlenecks, natural disasters, commodity price volatility and public health emergencies. Manufacturing MSMEs, particularly those dependent on limited suppliers or concentrated customer bases, may experience disproportionate consequences when such disruptions occur.

Supply chain resilience therefore deserves focused management attention.

Practical measures include:

- Diversifying critical suppliers wherever commercially feasible.
- Periodically reviewing customer concentration risks.
- Evaluating contractual obligations and force majeure provisions.
- Monitoring inventory levels for critical materials.
- Developing contingency procurement arrangements.
- Strengthening communication with key customers and suppliers.

From a financial perspective, Chartered Accountants can evaluate the implications of supplier dependency, inventory policies, credit exposure and contractual commitments on business continuity. Such analysis enables management to balance operational efficiency with resilience.

Enterprise Resilience Scorecard for Manufacturing MSMEs

A structured diagnostic review enables management to assess organisational preparedness in a systematic manner. The following scorecard is intended as a practical self-assessment tool that Chartered Accountants may use during advisory engagements.

Table 1: Enterprise Resilience Scorecard

Area	Illustrative Questions
Financial Management	Are cash flow forecasts prepared and periodically reviewed? Is working capital monitored through defined performance indicators?
Risk Management	Has the enterprise identified its principal strategic, operational and financial risks? Are mitigation plans documented?
Internal Controls	Are key financial and operational processes documented with appropriate segregation of duties?
Governance	Does management periodically review business performance, compliance obligations and strategic risks?
Technology	Are ERP systems, accounting software and digital records supported by appropriate cybersecurity and access controls?
Compliance	Is there a structured compliance calendar covering applicable legal and regulatory requirements?
Supply Chain	Are customer and supplier concentration risks periodically evaluated?
Sustainability	Have resource efficiency, environmental compliance and responsible business practices been incorporated into business planning?
Business Continuity	Are contingency arrangements available for critical business disruptions?
Strategic Planning	Does management periodically review changing market conditions, technological developments and emerging business opportunities?

Although the scorecard is intentionally concise, it encourages management to evaluate resilience holistically rather than through isolated financial measures. Chartered Accountants may further customise the framework depending upon the size, complexity and industry characteristics of individual enterprises.

Practical Recommendations for Chartered Accountants

The expanding business environment presents an opportunity for Chartered Accountants to redefine their professional engagement with manufacturing MSMEs. Rather than limiting advisory services to periodic compliance assignments, professionals may adopt a more integrated approach that supports sustainable enterprise development.

Some practical initiatives include:

- Conducting annual enterprise resilience assessments alongside financial reviews.
- Assisting management in strengthening budgeting, forecasting and cash flow planning.
- Designing proportionate internal financial control frameworks.
- Supporting implementation of management information systems and business dashboards.
- Advising on risk registers and enterprise risk management processes.
- Facilitating digital transformation with appropriate governance controls.
- Encouraging periodic review of supply chain vulnerabilities and customer concentration risks.
- Assisting enterprises in preparing for sustainability expectations arising from customers, lenders and other stakeholders.
- Developing meaningful performance indicators that integrate financial and operational information.

By expanding the scope of professional engagement in this manner, Chartered Accountants reinforce their position as trusted business advisors while simultaneously enhancing the resilience of the enterprises they serve.

Looking Ahead: The Future of the Profession

The Chartered Accountancy profession has continually evolved in response to changing economic realities. From maintaining books of account to providing assurance services, from taxation to strategic advisory, each phase of economic development has expanded professional responsibilities.

Manufacturing MSMEs are presently experiencing a similar transformation. Business success is increasingly determined not solely by profitability, but by the capacity to anticipate change, manage uncertainty and sustain value creation under dynamic market conditions.

This evolution presents a significant opportunity for the profession.

Financial discipline remains indispensable; however, enterprises now seek professionals who can interpret financial information within the broader context of operational efficiency, governance quality, technological preparedness, regulatory compliance and strategic risk.

The Chartered Accountant is uniquely positioned to fulfil this expectation because of the profession's multidisciplinary expertise spanning finance, accounting, taxation, audit, governance, business law and strategic management.

Conclusion

Manufacturing MSMEs continue to play a pivotal role in India's industrial development, employment generation and export competitiveness. Their future growth, however, will increasingly depend upon organisational resilience rather than financial performance alone.

Bookkeeping, statutory compliance and financial reporting remain essential foundations of sound business management. Yet, they are no longer sufficient to address the complexities of an interconnected and rapidly changing business environment. Sustainable growth requires enterprises to strengthen governance structures, improve operational agility, embrace technology responsibly, manage risks proactively and cultivate the ability to adapt to emerging challenges.

In this evolving landscape, the Chartered Accountant's role extends well beyond the preparation of financial statements. By integrating financial insight with strategic thinking, governance principles and risk management, the profession can contribute meaningfully to building resilient manufacturing enterprises capable of sustaining long-term value creation.

Ultimately, resilience is not an alternative to profitability; it is the capability that enables profitability to endure.

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Chartered Accountant

India's MSMEs Are Going Digital
What's Changing, Why It Matters, and What Comes Next

How digital ID systems, easier loans, and open online marketplaces are transforming small businesses across India

Executive Summary

Micro, Small, and Medium Enterprises, commonly called MSMEs, are the backbone of India's economy. They contribute over 30% of the country's GDP and 45% of its exports, and they employ more than 310 million people across 72 million registered businesses. For years, these businesses struggled with the same three problems: it was hard to get a loan, their customers were limited to the local area, and most of their work was done manually on paper.

That is now changing quickly. New digital systems built by the government, together with new tools from private companies, are helping MSMEs move from old-style, paper-based operations to modern, technology-powered businesses. This article looks at what is driving this change, what is still holding businesses back, and what business leaders and policymakers can do to speed up progress.

A Growth Engine at a Crossroads

For decades, Indian MSMEs survived through sheer resilience, even though the sector was fragmented. Over 99% of these businesses are classified as "Micro," meaning they are often family-run workshops or neighbourhood shops. These businesses are quick and flexible, but their growth has always been limited by geography and by unequal access to formal loans.

7.22+ Crore Registered MSMEs	**30.1%** Share of India's GDP	**45.7%** Share of India's Exports
31.6+ Crore Jobs Created	**99%** Are "Micro" (very small) Units	**₹25–30 Lakh Crore** Estimated Credit Gap

Since 2020, this picture has started to shift. Going digital is no longer just a nice-to-have; for many businesses it is now the baseline for staying competitive. Recent surveys show that 53.8% of Indian MSMEs have adopted at least one digital tool, and businesses that digitize typically see a 21% to 30% increase in revenue as a direct result.

It is important to note that "going digital" is not a single, one-time milestone. It is a range that stretches from simply accepting digital payments all the way to running a fully connected, technology-driven operation.

Three Forces Driving the Digital Shift

India's MSME digitization story is unique in the world because it is powered by public digital infrastructure working alongside private innovation, rather than a handful of large tech companies controlling everything. Three main forces are driving this shift:

A. Easier Access to Credit

For years, the estimated ₹25–30 lakh crore credit gap facing MSMEs existed mainly because businesses had no collateral and no formal financial history that banks could check. A set of public digital tools, together known as the "India Stack," is now closing this gap:

- **UPI (Unified Payments Interface):** processes hundreds of millions of transactions every day, which means even the smallest merchants now build a clean, verifiable digital payment history.
- **Account Aggregator framework and OCEN:** the Open Credit Enablement Network (OCEN) lets lenders judge a small business by its actual day-to-day cash flow, instead of demanding physical collateral.
- **TReDS (Trade Receivables Discounting System):** lets MSMEs get paid faster for unpaid invoices owed by large companies and government bodies, making cash flow far more predictable.

> **Key Insight:** *Because digital transactions leave a trail, lenders can now judge a business by its cash flow rather than its collateral. This is opening up formal working-capital loans to millions of businesses that were previously locked out of the banking system.*

B. Selling Online Without Heavy Fees

In the past, small manufacturers were stuck selling only in their local area, or they had to pay steep commissions to sell on large e-commerce platforms. The Open Network for Digital Commerce (ONDC), backed by government support such as the MSME TEAM Scheme, is changing this by separating the buyer-facing app from the seller-facing app. In practice, this means a small manufacturer in a Tier-2 town can now list products for buyers across the whole country, without paying the high listing fees that used to lock them into one platform.

C. A Simple Digital Identity for Every Business

The Udyam Registration Portal is now linked directly to GST and PAN records, which means a micro-business can complete its formal registration within minutes. Once formally registered, a business becomes eligible for direct government benefit transfers, priority-sector lending, and government procurement opportunities — all through one digital identity that it can carry across different financial platforms.

How "Digitally Mature" Are MSMEs Today?

More than 90% of MSMEs that have gone digital use only basic tools, such as digital payments and email. Deeper, more transformative use of technology is still a work in progress. Businesses generally fall into one of three stages:

Stage	Tools Typically Used	What It Means for the Business	Share of MSMEs
Stage 1 Basic Adopters	UPI, WhatsApp Business, simple bookkeeping	Can accept digital payments and talk to customers online, but most work is still manual.	**~50–55%**
Stage 2 E-Commerce & Growth	Online marketplaces (ONDC, Amazon), CRM software, social media ads	Sells beyond the local area and starts tracking customer information.	**~25–30%**
Stage 3 Digitally Mature	Cloud-based ERP, automated supply chain, data analytics	Runs an optimized, largely automated business with real-time visibility into cash and inventory.	**~12–15%**

Businesses that reach Stage 3 enjoy a clear competitive edge: on average, roughly double the revenue growth of offline competitors, a lower cost of acquiring each new customer, and much greater resilience when supply chains are disrupted.

What's Still Holding Businesses Back?

Despite this progress, a few structural challenges are stopping many MSMEs from reaching their full potential:

1. Hard to Find the Right Tools – More than half of MSME owners find it confusing to choose software. – Very few know about government schemes that offer help or subsidies.	**2. Weak Cybersecurity** – As MSMEs go digital, they become easy targets for scams and ransomware. – Most have no IT team or basic security rules in place.
3. Software Feels Too Expensive – Most business software is built and priced for large companies. – Small firms need cheaper, "pay-as-you-grow" options.	**4. Rural and Language Gaps** – Businesses in Tier-3 towns and villages lag far behind cities. – Most tools are not available in local Indian languages.

A Roadmap for What Comes Next

Turning India's MSMEs from basic digital users into globally competitive businesses will need coordinated effort from industry, fintech companies, and policymakers alike.

For Business Leaders and Technology Providers

- Build for Indian languages first: design software with simple voice and chat interfaces, powered by AI, in local languages, so non-technical business owners can use them without a steep learning curve.
- **Build financing directly into everyday tools:** embed instant working-capital loans right inside billing and inventory software, so business owners don't need to fill out separate loan applications.

For Policymakers and Industry Bodies

- Set up cluster-specific training hubs: focus digital-skills training on major manufacturing clusters — such as auto parts in Rajkot, textiles in Tirupur, and brassware in Moradabad — with toolkits designed for each trade's specific workflow.
- **Reward investment in cloud and security:** offer tax credits or vouchers to small businesses that invest in licensed cloud computing, data security, and other enterprise software.

Conclusion

The digitization of India's MSMEs is no longer just a technology story — it is a key part of the country's economic strategy. By closing the gap between basic digital payments and truly modern, technology-driven operations, India can unlock enormous untapped productivity. As public digital infrastructure keeps maturing and open online marketplaces keep expanding, India's MSMEs are well-placed to become agile, technology-driven global competitors, helping power the country toward its goal of a $5 trillion economy and beyond.

By: *Prof. Kapil Suri*

QUIZ

Q1. Royalty-based financing links repayment to:

A) Inventory valuation

B) Future sales or revenue

C) Collateral value

D) Asset depreciation

Q2. "VCFO services" for MSMEs aim to:

A) File GST returns

B) Offer strategic financial insights and decision intelligence

C) Replace statutory auditors

D) Manage HR functions

Q3. Tokenized debt and asset-backed microbonds use which technology?

A) Blockchain

B) IoT

C) ERP

D) Cloud telephony

Q4. Venture debt is best described as:

A) Long-term bank overdraft

B) Equity-linked financing for profitable firms

C) Short-term working capital for startups with equity backing

D) Non-repayable government grant

Q5. Which platform enables MSMEs to discount invoices digitally and improve liquidity?

A) ONDC

B) TReDS

C) GeM

D) Udyam Portal

Q6. Revenue-Based Financing (RBF) is typically suitable for businesses with:

A) Unpredictable revenues

B) Fixed-asset heavy operations

C) Recurring or subscription-based cash flows

D) No revenue model

Q7. Which authority defines MSME classification in India?

A. RBI

B. SEBI

C. Ministry of MSME

D. NITI Aayog

Q.8 MSME classification is primarily based on which two parameters?

A. Turnover and Profit

B. Investment and Number of Employees

C. Investment in Plant & Machinery and Turnover

D. Capital and Market Share

Q.9 Which portal is used for MSME registration in India?

A. Startup India Portal

B. MCA Portal

C. Udyam Registration Portal

D. GST Portal

Q.10 What is a "Startup" as per Startup India definition?

A. Any new business

B. Business less than 10 years old

C. Entity working towards innovation, development or improvement of products or services

D. Only technology-based companies

Answers:

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

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