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MSME: Importance and schemes

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Abstract

Micro, Small and Medium Enterprises (MSMEs) have come out as a very important and dynamic sector in India and even has and is playing a very crucial role in the country's development as well as in providing large employment opportunities. These MSMEs has not only works at lower capital investment in comparison to others but has even helped in industrialization of rural and even backward areas. MSMEs are playing crucial role on promoting rural development. Even government keeps on promoting this sector by running new schemes on time to time but many doesn't even get to know about the policies and schemes of the government due to lack of awareness and active participation.

Keywords: MSME, importance, schemes, India, employment, rural development

Introduction

In India, Micro, Small and Medium Enterprises are the foundation of both social and economic development. MSMEs have demonstrated a high degree of inventiveness and adaptability in surviving various downturns and there are numerous prospects for future production. Additionally, it maintains a strong rate of growth and creates chances for employment.

India's MSMEs are incredibly diverse in terms of their sizes, range of goods and services, and technological sophistication. By meeting the demands of small business owners with less funding, this sector provides invaluable services to the underprivileged and rural communities, enabling them to make significant contributions to the progress of the country as a whole.

MSMEs have been a significant part of the nation's industrial economy in recent years and have continuously shown faster growth rates than the industrial sector as a whole.

Objectives

1. To study the growth of Micro, Small and Medium Enterprises in India.
2. To examine the opportunities and challenges in MSMEs
3. To study the various schemes of Government and there relevance.

Research methodology

The paper involves an analysis on working of MSMEs in India. The data collected mostly is from secondary sources by way of studying various government schemes and policies available on websites, published journals, books and articles.

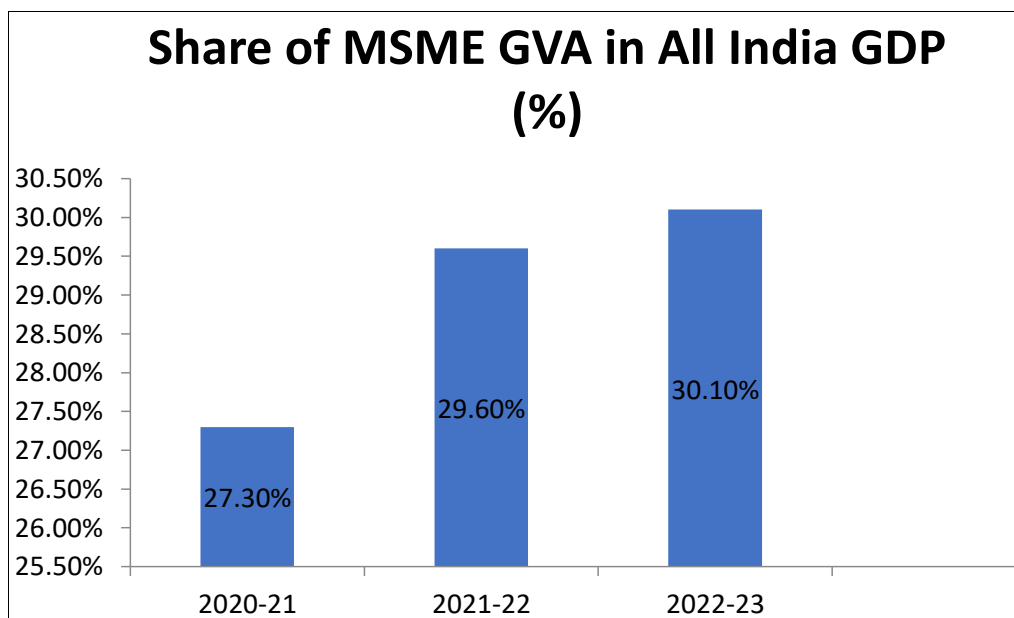
Growth of MSME sector in India

Exports from Micro, Small, and Medium-Sized Enterprises (MSMEs) have increased dramatically, from ₹3.95 lakh crore in 2020–21 to ₹12.39 lakh crore in 2024–25, highlighting their vital role in advancing international trade and India's economy ^[1].

Year wise MSMEs scaled up under Udyam since 01/july/2020 to 24/july/2024		
FY	Micro to Medium	Small to Medium
2020-21 to 2021-22	714	3701
2021-22 to 2022-23	1221	6476
2022-23 to 2023-24	1835	15918
2023-24 to 2024-25	2372	17745

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From July 1, 2020, to July 24, 2024, a considerable number of businesses changed to medium-sized businesses. In the fiscal year 2020–21–2022, 3,701 small businesses were promoted to medium-sized businesses, while 714 microbusinesses scaled up to medium-sized businesses.

This figure rose

steadily, with 2,372 microbusinesses and 17,745 small businesses scaling up to medium size between the fiscal years 2023–2024 and 2024–2025^[2].

This development illustrates the MSME sector's strong expansion and vibrancy in India.

Opportunities for MSMEs

The expansion of MSMEs in India offers the economy and entrepreneurs a number of options. As MSMEs have expanded and grown in India, the industry has emerged as a key force behind industrialization, innovation, and job creation, especially in rural and semi-urban areas. In order to promote equitable growth and lessen regional inequities, MSMEs are essential.

The potential within MSMEs is vast, encompassing areas such as manufacturing, services, and agriculture, as well as emerging sectors like IT and e-commerce. The advancement of digital technologies, coupled with favorable government policies, has significantly accelerated the growth of MSMEs in India, facilitating small businesses in broadening their market presence and improving operational efficiency.

Government initiatives like the Atmanirbhar Bharat Abhiyan, along with those promoting digitalization, have created new platforms for MSMEs to access credit, expand into global markets, and as India aimed for self-reliance, the growth of these enterprises remains vital for a diverse and thriving economy.

Challenges for MSMEs

Access to Finance

For MSMEs, limited access to formal credit continues to be a significant obstacle. Financial institutions are discouraged from lending to them due to high interest rates, complicated loan procedures, and insufficient collateral.

Skill Development

Finding talented workers is a common problem for MSMEs, especially in specialized fields and developing technologies. This may result in issues including inadequate financial management, ineffective manufacturing procedures, and a deficiency in marketing abilities.

Infrastructure Deficiencies

MSMEs have challenges because to inadequate infrastructure, such as electricity supplies, digital connectivity, and transportation.

Tax Compliance

MSMEs frequently struggle to adhere to India's intricate tax regulations. Their finances may be strained as a result of penalties and fines.

Schemes to promote MSMEs^[3]

The Ministry of MSME runs numerous schemes targeted at:

- Providing credit and financial assistances,
- Skill Development Training
- Infrastructure Development
- Market Assistance
- Technological and Quality Upgradation

Prime Minister's Employment Generation Programme (PMEGP)

By establishing new self-employment endeavors, projects

and microbusinesses, the program seeks to create job opportunities in both rural and urban sections of the nation. In order to assist stop the movement of young people from rural to urban regions, the program also aims to offer steady and sustainable work to all sectors of the nation's traditional and aspiring craftsmen as well as unemployed youngsters in both rural and urban locations. Programs also seek to boost craftsmen's ability to earn wages and accelerate growth.

Loan for up-gradation of the existing PMEGP, REGP and MUDRA Units

From 2018 to 2019, the Ministry of MSME has also launched a new financial aid program to expand or improve the current PMEGP, REGP, and MUDRA manufacturing, service, and trading units. Upgrading a manufacturing project can cost up to Rs. 1 crore, while a service or trading operation can cost up to Rs. 25 lakh.

Credit Guarantee Fund Trust for MSE-Provision of Collateral Free Credit for MSME

Guarantees are offered for banks and other financial institutions (including NBFCs) to offer micro and small businesses loans without collateral. The Scheme covers up to Rs. 5 crore (w.e.f. 01.04.2023) per borrowing unit in collateral-free credit facilities (term loans and/or working capital) provided to micro and small businesses by qualified lending institutions.

The guarantee coverage offered by this program can reach 85%, contingent on the loan amount and beneficiary type. A little sum is applied to the outstanding loan balance as an Annual Guarantee Fee for the approved credit facility.

A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE)

This scheme came into action to create jobs and reduce unemployment as well as to promote entrepreneurship culture in India

Entrepreneurship and Skill Development Programmes (ESDP)

The program's goal is to encourage young people from various societal groups, such as women, people with disabilities, SC/ST individuals, former service members, and BPL individuals, to think about pursuing careers in self-employment or entrepreneurship. Promoting new businesses, enhancing the capabilities of current MSME, and fostering an entrepreneurial culture throughout the nation are the ultimate goals.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The plan's goals are to group traditional industries and craftspeople into clusters to increase their competitiveness, support their long-term viability, and create long-term jobs; improve the marketability of the products produced by these clusters; give traditional craftspeople in the related clusters better skills; provide shared facilities and better tools and equipment for craftspeople; and fortify the cluster.

PM Vishwakarma^[4]

By incorporating artists and craftspeople into both domestic and international value chains, the Government of India's 'PM Vishwakarma' program seeks to improve the caliber and accessibility of their goods and services. This program,

which was introduced on September 17, 2023, and was announced in the 2023–24 Budget, aims to give Vishwakarmas all-encompassing assistance, enhancing their socioeconomic standing and standard of living.

Udyam Registration Portal^[5]

The Udyam Registration Portal, which was launched on July 1, 2020, is a crucial tool for making it easier for businesses all throughout India to register. Businesses that were previously registered under the Entrepreneurship Memorandum-II and Udyog Aadhaar Memorandum are encouraged to switch to this new method by the portal. It simplifies the formalization of enterprises by providing a free, paperless, self-declaration-based registration process that does not require document uploads.

Revised Classification Criteria^[6]

The Union Budget 2025-26 introduces a series of measures aimed at strengthening the MSME sector by enhancing credit access, supporting first-time entrepreneurs, and promoting labour-intensive industries

Rs. in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

Conclusion

A number of initiatives to support the Micro, Small, and Medium Enterprises (MSME) sector, acknowledging its significance as one of the main drivers of India's development, along with exports, investment, and agriculture. The MSME classification's investment and turnover restrictions have been increased to support company growth and efficiency. An expansion in the credit guarantee coverage for startups, export-focused MSMEs, and micro and small businesses is expected to boost access to financing. First-time business owners will receive financial assistance through a new program.

Together with improved credit guarantees and tailored financial products like micro-enterprise credit cards, the substantial changes to the classification standards are expected to spur innovation and expansion. Additionally, the government's continuous efforts to integrate and develop MSMEs are demonstrated by programs like the Public Procurement Policy, PM Vishwakarma, PMEGP, SFURTI, and Udyam Registration.

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