

CORPORATE MITRAS AS CATALYSTS FOR FORMALIZATION AND EASE OF DOING BUSINESS

Abstract

India's MSME sector contributes nearly 30% to GDP and employs over 28 crore people (2nd largest employer after agriculture), yet over 60% of micro-enterprises operate outside the formal regulatory perimeter, depriving them of credit, procurement opportunities, and institutional support. The Union Budget introduced the 'Corporate Mitra' as a trained para-professional intermediary to bridge the "last-mile professional access gap" in compliance, finance, and markets. This article examines how the Corporate Mitra concept introduced in the Union Budget 2025-26 can serve as a transformative catalyst for MSME formalization and Ease of Doing Business (EoDB). It analyses the formalization gap, the Corporate Mitra's operational role in bridging it, the multiplier effects on compliance, creditworthiness, and competitiveness, and the strategic positioning of CMAs within this ecosystem. The article argues that formalization, driven by accessible para-professional support under the supervision of CMAs, is the single most impactful lever for unlocking India's MSME potential towards Viksit Bharat 2047.

Introduction

When the finance minister unveiled the Union Budget, the phrase 'Corporate Mitra' was relatively new to India's policy vocabulary, yet it addressed one of the oldest and most persistent structural weaknesses in the country's economic



CMA Ramesh Bingi

Junior Accounts Officer
Telangana Power Generation Corporation Limited
Hyderabad
cmarameshb22@gmail.com

fabric: the formalization deficit of its MSME sector. The concept is deceptively simple. A Corporate Mitra is a trained para-professional who acts as an affordable, accessible, and locally embedded business advisor to micro and small enterprises, helping them navigate the maze of compliance, registration, and scheme access that currently keeps a significant share of India's 6.3 crore MSMEs outside full regulatory compliance (Ministry of Micro, Small & Medium Enterprises, MSME Day Statement, PIB, Press Note ID: 154772, June 2025).

India's Ease of Doing Business (EoDB) rank has improved dramatically from 142nd in 2014 to 63rd in 2020 on the World Bank's Doing Business Index. Yet these gains remain concentrated at the level of large enterprises and formal registrations. At the micro level, the reality is starkly different. A weaver in Chanderi, a potter in Khurja, or a leather goods maker in Agra faces a compliance environment that is no less complex than that facing a mid-sized corporation, but has none of the institutional support that larger businesses can access. The Corporate Mitra bridges this critical gap.

This article examines precisely how the Corporate

Mitra functions as a formalization catalyst, what operational mechanisms make this possible, and why CMAs are uniquely positioned to lead this initiative both as supervisors and as institutional architects.

Understanding the MSME Formalization Gap

To appreciate the Corporate Mitra's role, one must first understand the depth of the formalization challenge. The MSME sector in India is structured like an inverted pyramid: a thin layer of formal, registered, and compliant enterprises at the top, and an enormous base of informal, unregistered micro-units at the bottom. According to data from the Ministry of MSME's official MSME Day Statement (PIB, Press Note ID: 154772, dated 27 June 2025), while approximately 5.70 crore MSMEs are registered on the Udyam Registration and Assist Platforms as of June 2025, the estimated universe of operational micro-enterprises in India exceeds 6.3 crore. This means that nearly 60 lakh enterprises remain unregistered even under the simplified Udyam framework and an even larger share remain non-compliant with GST, income tax, and labour laws.

The consequences are severe and compounding. An unregistered MSME cannot participate in government e-procurement through the Government e-Marketplace (GeM). It cannot access the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). It cannot claim GST input tax credits, a right restricted exclusively to GST-registered persons under Section 16(1) of the CGST Act, 2017, making it structurally less competitive than a formal enterprise. It is invisible to formal credit markets and must rely on high-cost informal finance. The EoDB reforms at the policy level mean nothing to this enterprise if it cannot access or navigate those reformed systems.

The primary reason for this informality is not ignorance or unwillingness, it is inaccessibility. Professional guidance is costly and geographically concentrated in urban areas. Government interfaces, however simplified, remain digitally demanding. The Corporate Mitra is the missing human infrastructure layer that makes the policy reforms

real at the ground level.

The Corporate Mitra: A Formalization Engine

The Corporate Mitra's formalization role operates across four interconnected channels, each of which reinforces the others in a virtuous cycle:

1. Registration and Identity Creation

The foundational act of formalization is registration. A Corporate Mitra assists the MSME owner in obtaining Udyam registration, GST registration (where applicable), opening of a current bank account in the enterprise's name, and sector-specific licensing such as FSSAI for food businesses or BIS certification for manufacturing units. These acts transform an invisible economic unit into a legal person capable of entering contracts, accessing schemes, and building a verifiable business history.

Critically, the Corporate Mitra handles this not as a form-filling exercise but as a business advisory intervention. The Mitra helps the MSME owner understand what each registration unlocks, creating informed consent rather than mere mechanical compliance. This attitudinal shift from compliance as burden to compliance as competitive advantage is the most durable outcome of the Mitra's engagement.

2. Compliance Continuity

Registration without sustained compliance is incomplete formalization. Many MSMEs that register under GST subsequently become non-filers within 6-12 months, often because they lack the capacity to maintain monthly return filing. The Corporate Mitra provides this continuity, assisting with GSTR-3B and GSTR-1 filings, income tax returns under the presumptive taxation scheme, and periodic renewal of licences. This transforms formalization from a one-time event into a sustained institutional condition.

3. Scheme Access and Credit Facilitation

A formalized MSME becomes eligible for the full range of government support schemes. The Corporate Mitra serves as a navigator of this ecosystem, identifying applicable schemes, preparing documentation, and facilitating bank

linkage. Table 1 illustrates the principal schemes accessible to a formalized MSME that remain inaccessible to an informal one:

Table 1: Key MSME Schemes and Formalization Requirements

Scheme / Platform	Benefit	Formalization Required
CGTMSE	Collateral-free credit up to ₹5 crore	Udyam Registration + GST
PM Mudra Yojana	Working capital loans ₹50K–₹10L	Bank Account + KYC
GeM Portal	Government procurement access	Udyam Registration + PAN
TReDS Platform	Invoice discounting / receivables finance	GST Registration + Bank Account
PMEGP	Subsidy for new enterprise set-up	Udyam + Project Report
PLI Scheme (MSME)	Production-linked incentive payouts	GST + Udyam + Audited Accounts
Export Promotion	RoDTEP benefits	IEC + GST + Bank Account

4. Financial Literacy and Record-Keeping

The Corporate Mitra introduces basic financial hygiene to the MSME: separating personal and business finances, maintaining a simple cash book or digital ledger, understanding the difference between revenue and profit, and grasping how GST input credits reduce effective tax burden. These seemingly basic interventions have outsized impact, a business owner who understands their own cost structure is equipped to price competitively, negotiate better with buyers, and approach a bank with a credible case for credit.

Impact on Ease of Doing Business: The Multiplier Effect

The Corporate Mitra's impact on EoDB is not additive, it is multiplicative. Each formalization action the Mitra facilitates does not merely help one enterprise in one area; it unlocks cascading benefits across compliance, finance, markets, and employment. This multiplier effect can be understood across three dimensions:

“Formalization is not a bureaucratic goal — it is an economic passport. A formalized MSME can access credit, win government tenders, export legally, and attract investment. Corporate Mitras are the passport agents for India’s missing middle”.

The Compliance Multiplier

When Corporate Mitras drive MSME GST compliance, three outcomes compound simultaneously. First, the MSME's own compliance cost falls counterintuitively because the Mitra's fee is far lower than the cost of a tax notice, penalty, or litigation arising from non-compliance. Second, the GST revenue base expands without enforcement pressure, contributing to fiscal consolidation at the national level. Third, the MSME builds a GST return history that banks and NBFCs can use as a proxy credit score, dramatically improving formal credit access. GST return history has emerged as a key proxy for MSME creditworthiness in formal credit assessments — a data trail that most informal, unregistered enterprises are structurally unable to build, further deepening their exclusion from institutional finance.

The Credit Multiplier

The most transformative EoDB impact of Corporate Mitras may be in the credit ecosystem. India's formal credit gap for MSMEs was estimated at ₹20-25 lakh crore by Expert Committee constituted by the Reserve Bank of India (RBI) in 2019 segment (*Report of the Expert Committee on MSMEs* (Chairman: Shri U.K. Sinha)-RBI June'2019), with micro-enterprises accounting for the largest share of the unserved segment. The primary reason banks decline MSME credit is the absence of documented financials, not the absence

of business viability. A Corporate Mitra who helps an MSME maintain two years of clean GST records, a simple audited statement, and an organized bank account effectively transforms that enterprise's creditworthiness from 'unserviceable' to 'bankable' without any change in the underlying business fundamentals.

The Market Access Multiplier

Formalized MSMEs gain access to markets that are explicitly closed to informal enterprises. GeM procurement which handled transactions worth over ₹4 lakh crore in FY 2024-25 requires Udyam registration (Ministry of Commerce & Industry, Press Release ID: 2095901, PIB, 24 January 2025). Export incentive schemes require IEC and GST registration. Large corporate buyers increasingly mandate GST-compliant invoices from their vendors as a condition for payment, meaning an informal MSME supplier loses business to a compliant competitor. Corporate Mitras directly address this market exclusion by bringing MSMEs within the formal supply chain ecosystem.

An Illustrative Case: The Handloom Cluster of Pochampally, Telangana

Consider an illustrative scenario grounded in publicly available cluster data. The Pochampally handloom cluster, situated in Yadadri Bhongir district of Telangana and renowned globally for its Ikat weaving tradition, comprises approximately 10,000 weaver households and ancillary units, of which an estimated 35% are fully compliant with GST, Udyam, and labour laws, while the remaining 65% operate in varying degrees of informality. These informal units face a consistent disadvantage: they cannot supply to organised retail chains and export houses that demand GST-compliant invoices, cannot access TReDS for invoice discounting, and are excluded from the cluster's collective CGTMSE-backed credit facility severely limiting their ability to compete in national and international handloom markets.

A deployment of 30 Corporate Mitras across the cluster, each serving approximately 200 units, structured along the following model, could realistically achieve the outcomes in Table 2 within

a 24-month period:

Table 2: Illustrative Formalization Impact — Pochampally Handloom Cluster, Telangana

Formalization Metric	Baseline (Year 0)	Post-Mitra (Year 2)	Change
GST Registration Rate	35%	80%	+45 percentage points
Active GST Filing Rate	28%	72%	+44 percentage points
Udyam Registration	50%	95%	+45 percentage points
Bank-Linked Enterprises	40%	82%	+42 percentage points
GeM-Registered Units	8%	35%	+27 percentage points
CGTMSE Loan Beneficiaries	5%	22%	+17 percentage points
TReDS Platform Users	2%	15%	+13 percentage points

The incremental GST revenue from the 4,500 newly compliant weaver units and ancillary enterprises at an average turnover of ₹15 lakh and an effective GST liability of 3% post-ITC would amount to approximately ₹20 crore annually. The cost of 30 Corporate Mitras at a fully-loaded annual cost of ₹4 lakh each is ₹1.2 crore. The illustrative fiscal return on investment exceeds 16x in Year 1 alone (₹20 crores/₹1.2 crores) from the aforesaid data before accounting for the multiplier effects on credit access, employment, and export earnings from Pochampally's globally recognised Ikat textiles. The programme, in other words, is self-financing from a government revenue perspective.

The CMA's Role: From Supervisor to System Architect

The Corporate Mitra initiative creates a significant

opportunity for ICAI to position the CMA profession as a key institutional partner in India's MSME formalization architecture.

CMAs bring four competencies that are particularly relevant in the Corporate Mitra ecosystem:

- ⦿ **Cost Accounting Expertise:** Unlike general compliance professionals, CMAs can introduce MSMEs to cost-based pricing, marginal costing principles, and break-even analysis. An MSME that understands its cost of production is formalization-ready, it can prepare a credible project report, negotiate better with banks, and compete on price intelligently.
- ⦿ **Statutory Knowledge:** CMAs' deep familiarity with the GST framework, the Companies Act, cost audit requirements, and MSME Act provisions makes them ideal curriculum designers and quality supervisors for the Corporate Mitra training programme.
- ⦿ **Institutional Credibility:** A Corporate Mitra operating under the supervision of a CMA carries the institutional credibility of ICAI's professional standards. Banks, government agencies, and MSME buyers are more likely to accept financial statements and declarations prepared under CMA oversight.
- ⦿ **Geographic Reach:** With over 100 chapters and regional councils spanning Tier-I to Tier-III towns, ICAI has the physical infrastructure to operationalise Corporate Mitra training, certification, and supervision at scale, reaching precisely the geographies where formalization deficits are most acute.

Specifically, ICAI is well-placed to play the following roles, enabling ICAI to contribute meaningfully to policy discourse on MSME economics: as the primary Curriculum Design Authority—developing a standardized, NSQF-aligned training curriculum; as the Certification Body—administering a credible examination and issuing Corporate Mitra certificates; as the Supervisory Anchor—mandating that each Corporate Mitra operate under a licensed CMA member; and as the Data Aggregator—compiling

MSME financial and compliance data generated through Corporate Mitra engagements into policy-relevant research that enabling ICAI to contribute meaningfully to MSME policy discourse.

Barriers and the Way Forward

Realizing the Corporate Mitra's formalization potential requires confronting three structural barriers head-on:

Regulatory Clarity

The most urgent need is a clear regulatory framework that delineates what a Corporate Mitra can and cannot do. Activities that require a licensed professional's signature tax audits, cost audits, attestation of statutory documents must remain exclusively within the domain of CMAs, CAs, and CSs. Within that boundary, however, a Corporate Mitra can legally assist with registration, filing non-attested returns, scheme documentation, and financial literacy training. ICAI and ICAI must jointly engage the Ministry of Corporate Affairs to define this boundary in a legally clear and operationally workable manner.

Incentive Alignment

For Corporate Mitras to function sustainably, their income must be both certain and adequate. A blended revenue model is proposed: a government-funded retainer for scheme-linkage and registration activities (funded from the MSME Development Fund), supplemented by market-rate fees from MSMEs for compliance services. Technology platforms that enable a single Mitra to serve more enterprises through semi-automated workflows will be critical for income adequacy without a proportionate increase in workload.

Digital Infrastructure

The Corporate Mitra's effectiveness is contingent on digital access. In areas with poor broadband connectivity, e-filing and portal-based services remain impractical. The programme must be accompanied by investments in Common Service Centres, BharatNet broadband rollout, and the development of offline-capable compliance tools that synchronize when connectivity is available.

Conclusion

The Corporate Mitra initiative represents a rare alignment of economic necessity, policy intent, and professional opportunity. It addresses the most critical formalization gap in India's economic architecture, the inaccessibility of professional support for micro-enterprises through a model that is locally embedded, cost-effective, and scalable.

Formalization, when driven by accessible and trustworthy para-professional support rather than enforcement pressure, generates a self-reinforcing cycle: registered enterprises access credit, compliant enterprises access markets, financially literate enterprises make better decisions, and growing enterprises create employment and tax revenue. The Corporate Mitra is the trigger for this cycle.

For the CMA profession, this initiative presents a meaningful opportunity to demonstrate the practical value of cost and management accounting at the grassroots level. CMAs who engage in training, supervising, and mentoring Corporate Mitras can meaningfully extend professional support to one of India's most dynamic and underserved economic segments. Such engagement would align the CMA profession's contribution with the broader national objective of inclusive economic growth under *Viksit Bharat 2047*. **MA**

References

1. Ministry of Finance (2025). *Union Budget Speech 2025-26*. Government of India, New Delhi.
2. Ministry of MSME (2025). *Annual Report 2024-25*.

Government of India, New Delhi.

3. Reserve Bank of India (2019). *Report of the Expert Committee on MSMEs (U.K. Sinha Committee)*. RBI, Mumbai. Available at: <https://dcmsme.gov.in/Report%20of%20Expert%20Committee%20on%20MSMEs%20-%20The%20U%20K%20Sinha%20Committee%20constitutes%20by%20RBI.pdf>
4. World Bank (2020). *Doing Business 2020: Comparing Business Regulation in 190 Economies*. World Bank Group, Washington DC.
5. *Economic Survey 2024-25*. Ministry of Finance, Government of India, New Delhi.
6. Ministry of Commerce & Industry (2025). *Government e Marketplace sets new benchmark; crosses ₹4 Lakh Crore GMV within 10 months of FY 2024-25*. Press Release ID: 2095901. Posted on: 24 January 2025. Press Information Bureau, New Delhi. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2095901>
7. Standing Committee on Finance (2024). *Strengthening Credit Flows to the MSME Sector*. Lok Sabha Secretariat, New Delhi. Available at: <https://prsindia.org/policy/report-summaries/strengthening-credit-flows-to-the-msme-sector>
8. CGTMSE Annual Report 2023-24. *Credit Guarantee Fund Trust for Micro and Small Enterprises*, Mumbai. www.cgtmse.in
9. Ministry of Micro, Small & Medium Enterprises (2025). *MSME sector accounts for 30.1% of India's GDP, 35.4% of manufacturing and 45.73% of exports in the country: Union Minister for MSME*. Press Release ID: 2142170. Posted on: 04 JUL 2025, 3:26PM. Press Information Bureau, Mumbai.
10. Ministry of Micro, Small & Medium Enterprises (2025). *Udyami Diwas – MSME Day 2025*. Press Note ID: 154772. Posted on: 27 June 2025. Press Information Bureau, New Delhi

Congratulations!!!



**CMA Sanjeev
Awasthi**

Heariest Congratulations to CMA Sanjeev Awasthi on his promotion as General Manager, Madhyanchal Vidyut Vitaran Nigam Ltd (MVVNL).

As a senior member of the Institute, his dedication, leadership, professional excellence and contribution to the organization truly earned this well-deserved recognition for the entire CMA fraternity. His journey continues to inspire young professionals and members of the profession to strive for excellence with integrity and commitment.

We wish CMA Sanjeev Awasthi the very best for all his future endeavours.