

# MSMEs IN INDIA: ROLE OF CORPORATE MITRAS TOWARDS FORMALIZATION AND BUSINESS EASE

## Abstract

The paper presents the progress made by MSMEs in India during the last decade through the major initiatives launched by the Government classified into four different categories of support towards: infrastructure availability, technology and digitization, accessing institutional credit, and reforms and interventions with a target to achieve its missions. Then, it explores further prospects of MSMEs in Tier-II and Tier-III cities as another sustainable growth chapter with the support of Corporate Mitras.

## Introduction

**T**he Micro, Small and Medium Enterprises (MSMEs) form the backbone of global industrialization that account for 90% of global businesses and 50% of global GDP (IFC, 2025). India's MSME sector has also been developing fast. MSMEs in India have increased from million 63 in FY2014-15 to over 74 now to become the world's largest MSME sector (SIDBI, 2025). It provides employment to 62% of India's total workforce (McKinsey Report, 2024), and contributes 30% of its GDP (MSME, 2024-25). It is the world's third largest startup ecosystem of India (PIB, 2025). India's MSME sector accounts for 46% of the country's total exports (Table-1), showcasing their capability to adhere to international standards. India's Ease of Doing Business (EoDB) has improved from 142 in 2014 to 63 in 2021). However, 90% of India's MSMEs remain informal (NITI Aayog, 2025). High compliance costs and regulatory burdens deter them from formalization. Lack of formalization limits access to institutional



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credit, benefits of availing various govt. schemes, and connection with global value chains. In fact, only 19% of total MSME credit demand is met by formal institutional channel (NITI Aayog, 2025). They mostly rely on informal credit at high costs. To encourage MSMEs to go in for formalization and improve the EoDB, the government introduced a new scheme in its Union Budget 2026-27, "Corporate Mitra", a brand of accredited paraprofessionals who will work as support persons for MSMEs. This is similar to "Bank Mitra" introduced as part of the Jan Dhan Yojana, 2014, providing banking services to unbanked areas. These Corporate Mitras would be given necessary training by three professional Institutes (The Institute of Chartered Accountants of India, The Institute of Company Secretaries of India and The Institute of cost Accountants of India). Corporate Mitras are expected to prove themselves as catalysts towards formalization of MSMEs and improving the EoDB. Focus for this scheme will be on MSMEs located in Tier-II and Tier-III cities which account for 51% of the country's total MSMEs (Protium, 2025). The present paper first examines the various government of India initiatives that facilitate MSMEs growth and development as a reflection of its present scenario. Then it analyses the relevance and importance of engaging Corporate Mitras for the

benefits of the MSME sector. That will be towards meeting the target of formalisation of MSMEs and increasing the EoDB. The engagement of corporate Mitras will be in particular reference to Tier-II and III cities as another growth chapter of MSMEs in India.

**Table- 1: Current comparative view of MSMEs in India versus Global**  
(based on MSME and IFC Reports)

MSME parameters	India	Global
1. No. of MSMEs (million)	74	400
2. MSMEs as percent of all businesses	95	90
3. Percent of MICROS in MSMEs	97	80
4. Country's workforce percent employed	62	77@
5. Percent contribution to country's GDP	30	50
6. Percent contribution to exports	46	35
7. MSMEs productivity as percent that of large businesses	26	50
8. Percent of scaled up companies	11	17
9. Credit gap-percent of MSMEs	83	40
10. Digitalization percent of MSMEs	63	91-95

@ refers to emerging economies

### Present Indian MSME scenario: A Reflection

#### Visionary target settings:

India's phenomenal growth of the MSME sector in the last decade has started off with the visionary targets set by its great leaders. The "Make in India", Sept 2014 plans to transform India into a global manufacturing hub. The "Startup India", Jan 2016 plans to build still more centres of innovation. "Vikshit Bharat", Aug 15, 2025 envisions India as a fully developed nation by 2047. To augment the manufacturing sector, the "National Manufacturing Mission" was approved in the Union Budget 2025-26. Here the objective is to improve EoDB and facilitate the growth of the MSME sector. To move forward in the "Amrit Kaal" (as declared on Aug 15, 2021) towards Vikshit Bharat, India has launched

various schemes for MSMEs. These schemes broadly pertain to four areas:

- i. Development and maintenance of industrial infrastructure,
- ii. Technology development and digitization,
- iii. Availability of institutional credit facilities, and
- iv. Reforms and interventions action plan.

#### Industrial infrastructure:

To achieve the growth of the MSMEs, various infrastructure projects have been taken up. It starts from availability of basic services for rural and urban development and developing non-metro cities. Building up common facility centres and industrial parks have been taken up to facilitate startups. National Logistics Policy was initiated to facilitate movement of goods and reduce cost. A snapshot of these initiatives along with their outcomes is presented in Table-2.

**Table-2: Major initiatives towards infrastructure availability supporting MSMEs**

Schemes	Outcomes
1. Smart Cities Mission- June 2015: Improving 100 non-metro cities	18 improved in public transportation, waste management and governance as on Mar 2025
2. Atal Mission Rejuvenation & Urban Transform (AMRUT)- June 2015: Improve 500 cities	During last ten years 14828 projects completed on water security, green areas, sewage system
3. Common Facility Centres (CFCs) and infrastructure development- May 2022	As on 31-3-2026, 606 projects approved; 364 projects completed
4. National Logistics Policy- Sept 2022: Upgrading infrastructure to reduce logistics cost	Unified Logistics Interface Platform in place securing API integration across 30 digital systems
5. Urban Infrastructure Development for Tier II & III Cities- Union Budget 2026-27	Rs. 5000 crores per City Economic Region over 5 years approved

6. Bharat Audyogik Vikas Yojna (BHAVYA)- Mar 2026: 100 plug-and-play industrial parks	Rs. 33660 crores have since been approved
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**Technology and digitization:**

On this front many technology centres and business incubators have been set up. Digital India program resulted in the introduction of Unified Payments Interface as the largest real-time payment system in the world. Udyam Portal takes the full credit for increased registration of MSMEs and formalization. The introduction of National Single Window System comes up as one-stop window for approvals and clearances. These major initiatives along with their outcomes towards is presented. in the Table-3.

**Table-3: Major initiatives towards Technology and Digitization supporting MSMEs**

Schemes	Outcomes
1. Technology Centre Systems Program including advanced manufacturing, Jan 2015	9 completed out 15 targeted as of Dec 2025
2. A Scheme for Prom. of Innov., Rural Industries and Entrepreneurship (ASPIRE)- Mar 2015	109 Business Incubators since approved, 1,16,726 beneficiaries have been trained
3. Digital India Program -July 2015: Provision of high-speed internet in rural & urban areas	1.017 billion internet users, leads the world with 49% of global real-time digital payments
4. Unified Payments Interface (UPI) -April 2016: providing instant interoperable payments	Largest real-time payment system in the world, integrated with GST Network since July 2023
5. MSME Champions Scheme on tech upgrade, June 2020: innovation, sustainability (Zero Defect Zero Effect-ZED), Lean	ZED: 527139, Lean: 18609, Incubation ideas: 1418 for all states & UTs together (MSME Report on Mar 12, 2026)

6. Udyam Portal incl. Udyam Assist Portal (UAP) integrated with CDBT and GSTN -July 2020	Total MSMEs registered in Udyam and UAP crossed 4 crores on March 15, 2024
7. National Single Window System- Sept 2021	32 central departments and 29 States have since been integrated

**Institutional credit facilities:**

On this front, total bank credit to MSMEs crossed Rs.35.2 lakh crore by March 2025 as per SIDBI. The increased credit availability has been due to increased digital integration through Udyam platform and receivables discounting system. Jan Dhan Yojana for the unbanked paves the way for financial inclusion. The Self- Reliant India Fund operates through NSIC for equity infusion to MSMEs. 300 incubators have since been approved with the Startup Fund as per latest report (SISFS, 2026). The GIFT scheme under the RAMP was launched promoting green technology and sustainable business practices in MSMEs. A snapshot of major initiatives towards institutional credit access is presented in the Table-4.

**Table-4: Major initiatives towards institutional credit access for MSMEs**

Schemes	Pathways
1. Pradhan Mantri Jan Dhan Yojana (PMJDY)- Aug 2014: Banking for the unbanked	Over 56.16 crore bank accounts opened with deposits of Rs.2.67 crore as of mid-Aug 2025
2. PM Mudra Yojana for non-service area of regular banks, since April, 2015	Collateral free loan to non-corporate, non-farm MSEs, doubled up to Rs. 20 lakhs since 2025
3. Production Linked Incentive (PLI) Scheme -April, 2020	As of mid-2025, total sales of PLI beneficiaries crossed Rs. 16.5 lakh crores in 14 key sectors
4. Self-Reliant India (SRI) Fund since May 2020 for equity infusion in MSMEs	Rs. 10979 crores invested till now, Rs.50000 crores in MSMEs for expansion

5. Startup India Seed Fund Scheme (SISFS)- April 2021: Grant Rs5 crores per Incubator	Initial corpus fund Rs crores 945 increased to 10000 in April 2026
6. Raising and Accelerating MSME Performance (RAMP) since June 2022	Focus on: Green Investment and Sustainability for Export Development

### Reforms and Interventions:

With introduction of e-filing, compliance burden has been eased out. Single-window clearances, and AI-assisted documentation have reduced considerable administrative load. Introduction of labour codes rationalized the labour laws. Over 42000 compliances have been removed, and 3700 provisions decriminalised since 2014 (Economic Times, 2025). MSME's revised classification and enhancing threshold limits encouraged MSMEs to move from local to global. Major initiatives towards reforms and interventions presented in the Table-5.

**Table-5: Major initiatives towards reforms & interventions supporting MSMEs**

Schemes	Pathways
1. Ministry of Corporate Affairs (MCA) introduced e-governance plan in the 21 <sup>st</sup> century (MCA21) in Feb 2006	Version-1: Introduced e-filing; Version-2: Aligning with Companies Act, 2013; Version-3 (2023)- using predictive compliance
2. Business Reform Action, Dec 2014; critical sectors, Oct 2024; Dist. Indust. Centres Oct 2025	Streamlined regulations, compliance burden reduced, EoDB improved
3. Unified Goods and Services Tax (GST) introduced in July 2017	Eliminating need for multiple taxes by both central and state govts
4. Champions, real-time grievance redressal platform -May 2020: integrated with earlier	One-stop platform connecting MSMEs with all concerned officials

5. MSME classification revised since July 1, 2020, from single to two criteria	Investment & Turnover (Rs. crore): Micro- 1 & 5; Small- 10 & 50; Medium- 50 & 250
6. MSME threshold limits extended- April 2025: Enabling tech up-gradation/expansion	Max. limits increased for investment by 150% and turnover by 100%
7. Modernize labour laws in Nov 2025 by introducing four new labour codes	Labour codes replaced 29 previous laws, streamlining over 40 central & 100 state laws

### Exploring growth of MSMEs in Tier-II & III cities with support from Corporate Mitras

India's MSME sector is the world's largest with 97% micros, compared to global average of 80% micros. Many initiatives like RAMP, PLI, SRI have been taken, even MSME threshold limits extended to encourage enterprises to expand. But still the percent of scaled up enterprises stands at 11% compared to global average of 17%. MSMEs, Micros in particular, are dependent on informal sources of finance in spite of various institutional credit facilities available (Table-4). In fact, only 16% of total credit has been disbursed to 97% micros during FY2024-25 (MSME Pulse Report 2025). There is a huge credit gap for MSMEs, 83% compared with the global average of 40% (Table-1). The question arises what makes MSMEs to continue to remain informal in spite of Udyam and even with Udyam Assist Platform (Table-3) and resort to informal source of financing at higher costs. Possibly, some at least need to be updated on the benefits of data-based decision making, taking the support of Corporate Mitras.

Though the pandemic accelerated the digital uptake, the majority of MSMEs still lack robust digital infrastructure (MSME Report 2024-25). They mostly operate in silos, managing customers in one tool, billing in another, communication elsewhere, leads to lower productivity compared with large companies, 26% as against global average of 50% (Table-1). The extent of digitalization of MSMEs in India is 63% in spite of many digitalization programs (Table-3) compared to global average of 90%. When the government is actively pursuing the Digital India

Program and the prowess of India's digital power is well known, possibly many entrepreneurs (who are not in IT area) would need skill-update or digital area.

It is good to note that the percent contribution of MSMEs to exports is 46% compared to global average of 35%. However, as per NITI Aayog (2024), only 0.3% of medium enterprises contribute to the extent of 40%. Logistics and global supply chains could be a constraint, but may also reflect a lack of exposure to international compliance standards, at least for some entrepreneurs.

Many legal and regulatory reforms have been initiated by the government (Table-5) but still a significant percentage of MSMEs find it difficult to navigate licensing, taxation, and statutory filings, often leading to non-compliance or stagnation (MSME EoDB Survey, 2023). Here also, the proposed Corporate Mitras would be a good support for those MSME entrepreneurs.

India's MSME sector contributes 30% to its GDP compared to global average 50%. In such a context, when India targets to reach US\$30 trillion mark for Viksit Bharat by 2047, country's entrepreneurs need to focus on Tier-II and III cities (having 1 to 5 and 0.1 to 1 million population respectively) as the next growth chapter (Protium Feb 12, 2025). These cities with lower operating costs, cheaper real estate, healthier life style, expanding consumer demand and government support-enhancing infrastructures (as in the Table-2) are likely to attract both entrepreneurs and investors. The Digital India Program now connects rural areas with broadband networks, so also MUDRA banks and various government schemes on credit access front. Even Non-Banking Financial Companies are now on the scene in Indian towns and villages. Silk hub of Mysore, textile hub of Coimbatore, AI data centre campus of Visakhapatnam (with \$15 billion reported investments) are becoming attractive for global capability centres in Tier-II and Tier-III cities. That reflects a great promise for another growth chapter of India's MSMEs and proves country's business-friendly environment in Tier II & III cities. The effectiveness of engaging Corporate Mitras with MSMEs in these cities is reflected in the positive feedback loop of future growth cycle (Figure-1).



## Conclusions

The focus of the government has rightly shifted from high-level rankings to granular reforms such as reducing compliance burdens through modification and unification of statutory and legal provisions. This will boost the extent of formalization of MSMEs and also reduce the hidden cost of entrepreneurs' time using Corporate Mitras as support persons. This will also open up new job opportunities for the paraprofessionals, particularly for new MSMEs growth areas of Tier-II and Tier-III cities. In addition to support areas like finance, accounting and legal front, MSMEs may also be supported on the strategic decision areas of infrastructure planning and digitization issues. That will be a great help to entrepreneurs to enable them to think anew in their own domain areas and innovate. That will enhance the role of the MSME entrepreneurs as drivers of sustainable growth in line with the UN's MSME Day theme. **MA**

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