

## MSMEs – BUDGETARY PROVISIONS 2026-27

### INTRODUCTION

Global uncertainty is the new normal. Budgetary provisions 2026-27 focus on building resilient MSMEs. Booster doses have been provided through the MSME Ministry as well as through few other ministries. The need to scale up size of MSMEs in India has been given powerful wings through upward revisions in upper limits in recent past.

The upper limits to decide category of an enterprise is dependent upon two criterias:

- **Criteria 1:** Investment in Plant and Machinery (investment in land and building is excluded);
- **Criteria 2:** Turnover (Revenue from Operations) in the financial year (export turnover is excluded from this turnover)

The Budgetary provisions for 2026-27 are well balanced with focus on resilient economy which is fool-proof from global jerks. As shared by the Hon'ble Minister of Finance and Corporate Affairs, Ms. Nirmala Sitharaman, the budget talks about three Kartavyas (Duties). First Kartavya (duty) is defined as 'To Accelerate and Sustain Economic Growth'. Under this kartavya, interventions are proposed in six areas and third intervention is mentioned as **Creating "Champion MSMEs"**. This indicator is sufficient to portray the sensitized and proactive approach of the Union Government towards the MSME Sector and its development.

### MSME CENTRIC ANNOUNCEMENTS AND THEIR IMPACT

For the purpose of clear understanding, MSME centric announcements made on 1<sup>st</sup> February, 2026 in the Union Budget can be understood by sub-dividing them into two:

#### DIRECT SCHEMES

- 1) **SME GROWTH FUND**: A dedicated ₹10,000 crore fund to help high-potential MSMEs scale up and become National Champions.

*This is a welcome announcement. Although the modalities and disbursement from this fund may take some time but it will surely help in growth journey of MSMEs through infusion of equity capital. The objective of this initiative is clearly to support long term capacity expansion and providing equity cushion.*

- 2) **SELF-RELIANT INDIA (SRI) FUND**: An additional ₹2,000 crore has been infused with the object that even the smallest micro-units have access to the risk capital needed for expansion.

*This booster dose to 10,000 crore SRI Fund is again a welcome move. However, maximum benefits of the same can be reaped only when daughter funds associated with SRI Fund (managed by NSIC Venture Capital Fund*

*Limited) focus towards disbursing funds to both tech-driven startups and healthy but traditional MSMEs equitably.*

- 3) **EXPANSION OF TReDS PLATFORMS**: All Central Public Sector Enterprises (CPSEs) to mandatorily onboard TReDS platform and to treat them as transaction settlement platform between CPSEs and MSME.

*GeM like popularity can be expected with this announcement. Average payment cycle by CPSEs to MSMEs is more than six months. Unwanted and avoidable litigations before release of payment against supplies comes as a major challenge for MSMEs. Presently, RBI has licensed five TReDS platforms. This move will definitely improve working capital liquidity.*

- 4) **CGTMSE SUPPORT FOR INVOICE DISCOUNTING**: Introduction of credit guarantee support mechanism for invoice discounting on TReDS platforms.

*Although the initiative is commendable and supportive of MSMEs, more clarity will be needed in the future since bill discounting on TReDS is unable to provide recourse to MSMEs in case of failure of payment on due date by the customer.*

- 5) **INVOICE TRADING ON TReDS PLATFORMS**: Trading in unpaid invoices would be allowed to be traded on TReDS platform.

*The initiative has the potential to improve liquidity by inviting participation from wide range of lenders as well as bringing down cost of working capital. However, issue may arise in case unpaid invoices are traded at heavy discounts resulting into eventual losses for MSMEs.*

- 6) **LINKING GEM PORTAL WITH TReDS PLATFORMS**: The object is to facilitate cheaper and quicker financing.

*This will surely ease funding pressure as the lenders would be enticed to extend credit as soon as order is finalised on GEM Platform. A Welcome move.*

- 7) **CORPORATE MITRAS - NEW PROFESSIONAL CADRE**: Onus to develop the cadre has been put on top professional institutes like ICAI, ICSI, ICMAI with an eye on Tier II and Tier III cities.

*The initiative is aimed at creating a brigade of para professionals to support both MSMEs and other professionals. Going forward, this cadre of professionals may support in the compliance for unincorporated bodies, like proprietorship, partnerships and HUF organizations.*

- 8) **REMOVAL OF UPPER CAP ON COURIER-BASED EXPORTS**: There is budgetary proposal to remove upper cap on courier-based export. Presently this cap is INR 10 Lakhs per consignment. The proposal goes beyond removal of upper cap and talks about streamlining other procedural hurdles.

*This is a significant proposal. Many youngsters have adopted this as full-time career and are into B2C exports through tech platforms (like amazon, eBay, etc.). However, they face multiple hurdles in long run, such as (i) billing in foreign currency and receipt in INR as they receive money through tech intermediaries and they make deduction of their charges while making payment; (ii) dispatch issues for high value orders (with worth of more than 10 Lakh); (iii) knock off issues as ADs fail to understand the difference between receipt and billing amount and receipt of payment in INR; (iv) issues related to return and rejections (v) GST related issues and many more. This initiative has potential to fuel more demand MSMEs engaged in home décor and furnishing items, handicrafts, fashion accessories, auto parts, healthcare products, alternative medicines, ayurveda products, non-perishable food items, handloom item and many more.*

## SUPPORT SCHEMES

- A) INFRASTRUCTURE UPGRADE OF LEGACY INDUSTRIAL CLUSTERS:** Scheme to upgrade infrastructure of 200 legacy industrial clusters. The announced objective is to bring them at par with modern industrial parks by creating better roads, reliable utilities and shared tech support centers, etc.

*The challenges like narrow roads, frequently interrupted electricity, shrinking water resources, absence of CETPs for units located in older industrial clusters will be addressed with this Scheme. The scheme, if implemented in true letter and spirit, has the potential to rejuvenate these old industrial clusters.*

- B) SHE - MARTS:** There is budgetary provision to establish chain of physical retail hubs **Self-Help Entrepreneur (SHE) Marts**. Such outlets are proposed to be set up in rural and semi-urban clusters with special focus to support products being manufactured by women entrepreneurs.

*Empowering women-led businesses is a core focus of this budget. Along with this it is suggested that the government may also consider extending support by subsidising women driven SHGs, AOPs or Co-operatives to set up and manage these outlets. As an idea this is laudable as it will provide ready market for women entrepreneurs involved in tiny businesses.*

- C) RENEWED EMPHASIS ON SERVICE SECTOR:** Budget has provided for focus on emerging areas in Service Sector. Special emphasis has been put on developing cadre of Allied Health Professional (AHP) and Care Givers; Focus on Medical Tourism; Nurturing of Orange Economy (AVGC – Animation, Visual effects, Gaming and Content Creation)

*Again a welcome decision – one that will relay better emphasis on the service side of the MSME Industry.*

## THE PROFESSIONAL OPPORTUNITY

New schemes and outlays will bring forth new type of professional opportunities. Company Secretaries, in particular 'Practising Company Secretaries'. This brigade

of professionals can easily upgrade themselves to connect with MSMEs and vibrant MSME associations in their respective cities:

- **Creating Awareness:**

Sensitization of MSMEs through forums will help in getting connected with them in professional handholding for SME Growth Fund or SRI Fund. Company Secretaries in Practice (PCS) can easily create awareness and handhold MSMEs for new schemes proposed in Budget 2026-27.

- **Handholding for Equity Funding from SME Growth Fund and SRI Fund:**

This is the time to keep an eye on development and data mine the basket and identify MSMEs eligible and receptive towards the idea of equity infusion through Daughter Funds (also known as AIFs). PCS can align their readiness with readiness of downstream AIFs to accept the proposal. Otherwise also, equity funding is the forte of Company Secretaries, be it private equity or listing on Stock Exchange (including SME Exchange).

## CONCLUSION

Times have changed. GST is out of the purview of Annual Budget. Separate budget for Railways has been done away with. Making of schemes has been primarily left to ministries. Therefore, as a professional, instead of focusing on wherefrom Government is going to raise resources, one shall focus on expenditure allocation by government. Professionally, there is need to track announcement of Schemes by Ministry of MSMEs and other industry-specific ministries and then align the MSMEs with various schemes. For example, for a MSME engaged in printing and dyeing work on fabric, the scheme of textile industry may be more lucrative. Similarly for MSME engaged in food processing, the suitable scheme may be by Ministry of Food Processing Industries (MOFPI). It is imperative to remember that every change brings new opportunities. MSMEs need services of professionals not only for compliance but also for aligning with Government Schemes and availing benefits being extended by the Centre and State governments. Every new scheme is a golden opportunity for PCS to enter into domain of MSMEs.

PCS need to focus on four equally crucial steps while going through budgetary proposals:

- Careful reading of each new scheme and change
- Sensitize MSMEs on individual and collective level
- Keep track of further development and delivery models

And most importantly, remember that -

- MSMEs need complete handholding (so treat MSME entrepreneur as valuable friend not as a client)...!

*Contributed by Dr. (CS) Ajay Garg, Social Entrepreneur*