



# ENTREPRENEURSHIP DEVELOPMENT IN FINANCE - MSME (17TH FEB 2025)

## MAJOR PROGRAMS AND INITIATIVES BY GOI UNDER PROGRESS

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### ABSTRACT

An important part of India's economic growth has come from the country's MSMEs, or micro, small, and medium-sized businesses. They add to the country's gross domestic product (GDP), new jobs, and innovation. Small and medium-sized enterprises (SMEs) are a powerful tool for making use of India's natural resources, and they're also adding uniform growth to society.

The micro, small, and medium enterprise (MSME) sector is strengthened by fostering entrepreneurialism.

In order to support the micro, small, and medium enterprise (MSME) sector, the Indian government has implemented many policies and programs aimed at encouraging aspiring entrepreneurs.

The purpose of this research piece is to look at the big government programs and see how they affected the expansion of micro, small, and medium-sized enterprises (MSME). This report sheds light on how these activities might spur company growth, provide employment opportunities, and fortify the economy.

**Keywords:** *Msmes, Entrepreneurship, Government Initiatives, Economic Growth, Employment, Innovation.*

### INTRODUCTION

A thriving and ever-changing part of India's economy is the micro, small, and medium enterprise (MSME) sector. It has been an important factor in the country's economic and social growth for the last half-century. Numerous job openings are being created, and it is encouraging people to start their own businesses.

The Ministry of Micro, Small, and Medium Enterprises (2023) reports that this industry includes:

- 30% of GDP (Gross Domestic Product)
- 45% of total exports
- 40% of the industrial output
- Over 110 million jobs





Small and medium-sized enterprises (SMEs) play a crucial role in India's economy. The micro, small, and medium-sized enterprises (MSMEs) confront several obstacles, including:

- Financial constraints
- Inadequate infrastructure
- Lack of technology adoption
- Regulatory hurdles

The Indian government has launched a number of programs to foster entrepreneurship in an effort to combat these problems. These projects are designed to achieve:

- Boosting innovation
- Facilitating access to credit
- Enhancing competitiveness

### **OBJECTIVES OF THE STUDY**

- To study and analyze key government schemes for entrepreneurship development.
- To assess the impact of these initiatives on MSME growth.
- To identify the challenges and suggest improvements.

## **FEW MAJOR INITIATIVES THAT HAVE ENABLED THE EXPONENTIAL GROWTH OF STARTUPS AND CONSEQUENTLY GENERATED HUGE EMPLOYMENT IN THE RURAL AREAS**

### **1. CREDIT AND FINANCIALS**

#### **1. PMGEP, Short for Prime Minister's Employment Generation Program**

- In the case of general category beneficiaries, the owner is required to pay 10% of the project cost; in the case of SC/ST/OBC/PH/Women/Ex-servicemen/Transgender/NER recipients, the owner is required to invest 5%.
- The sum might be sanctioned by banks ranging from 90% to 95% upon application approval.
- The sustainability of the units or projects may be ensured by the government's provision of workshops for EDP training and other related activities.
- The purpose of the online method is to ensure that applications are processed quickly and that funds are sent to the appropriate financial institutions.
- The application must be registered on the e-portal.
- Registration with UAM or UDYAM simplifies the process of MSME registration.

#### **2<sup>ND</sup> Loan for up-gradation of existing PMEGP / REGP / MUDRA units:**

- It provides financial assistance required for expansion or up - gradation of the unit (both manufacturing and service) from the year 2018 – 19.
- Maximum cost given for up-gradation is ₹1 crore for manufacturing units and ₹25 lakh for service units.
- Maximum subsidy will be 15% of the project cost.  
Cost subsidy: 15% for the non-NER and a 20% for NER and Hilly states.
- The benefits can only be availed when the first loan has been repaid in the given time period.
- The units which are making a profit for the last 3 years are eligible.



- Loan can be availed from the same bank which sanctioned the first loan or other banks which can guarantee credit facility for the second loan.
- The second loan should facilitate more employment generation.
- Registration in UAM / UDYAM portal is mandatory.

## **2. THE CGTMSE PROGRAM ENSURES CREDIT TO MICRO AND SMALL BUSINESSES:**

- Loans for Micro and Small Businesses, whether new or existing, up to ₹2 Crore, with no collateral or third-party guarantee required.
- Coverage is guaranteed up to 85% for microenterprises and 75% for others.
- Guarantee covers up to 50% for the retail activity

## **3. MSE-CDP SCHEME, WHICH STANDS FOR MICRO AND SMALL ENTERPRISES CLUSTER DEVELOPMENT PROGRAM:**

- Include the establishment of physical assets, such as Common Production or Processing Centers, Testing facilities, and Design Centers.
- Help up to 80% of the most expensive part of the project, up to ₹30 crores.
- This includes the creation of new or renovated industrial units, as well as their drainage systems, roadways, electricity, and other infrastructure.
- 70% of the maximum project cost up to ₹5 crores may be covered.

- By establishing new self-employment initiatives, projects, or micro-enterprises, the aforementioned plans seek to provide job possibilities in both urban and rural regions. The program's other objectives include helping craftsmen and young people without jobs find stable work, enhancing their ability to earn a living wage, and boosting employment opportunities in both urban and rural areas.
- Anyone over the age of 18 who is working on a manufacturing project worth more than Rs.10 lakh or a service project worth more than Rs.5 lakh must have finished education up to the eighth grade in order to be eligible to apply for this plan.

## **CAPITAL SUBSIDY PROGRAM WITH CREDIT LINKAGE**

- The goal of the Credit Linked Capital Subsidy Scheme (CLCSS) is to help micro, small, and medium-sized enterprises (MSEs) in India improve their technology. This would be done by offering a capital subsidy of 15% (up to a maximum of Rs. 15 lakh).
- Banks and other lending institutions may use the guarantees offered by this fund to lend MSEs up to Rs. 200 lakh per borrowing unit without requiring collateral.
- Providing a guarantee of up to Rs. 50 lakh (or 75% of the loan facility) is possible.

## **CGTMSE, OR THE CREDIT GUARANTEE TRUST FUND, IS IN PLACE TO SUPPORT SMALL AND MICRO BUSINESSES.**

- The Government of India (GoI) initiated the program to provide micro and small businesses financing without the need for collateral.
- The guarantee program will cover credit facilities, both fund-based and non-fund-based, up to a maximum of Rs. 200 lakh per qualified borrower, as long as they are issued based on the project's feasibility and do not need collateral or a third-party guarantee.
- Micro firms may get loans up to Rs. 5 lakh with a guarantee coverage of up to 85%. For retail trade activities involving MSE borrowers, the guarantee covers half of the sanctioned amount of the loan facility, which may range from Rs. 10-100 lakh.



- 80% of the credit facilities up to Rs. 50 lakh in the North East Region (NER) and all credits/loans run or controlled by women in Micro and Small Enterprises (MSEs) are covered by the guarantee. For loan facilities up to Rs. 200 lakh, the trust will cover claims up to 75% of the amount in default if the lending institution extends the credit.

### **MSMEs WILL HAVE MORE OPTIONS FOR FUNDRAISING IF NON-GOVERNMENT PROVIDENT FUNDS (PFS) INVEST IN AIFS.**

- This would increase the domestic pool of capital and broaden fundraising opportunities for micro, small, and medium-sized enterprises (MSMEs) since the Finance Ministry permitted private retirement funds to invest up to 5% in Category I and II AIFs regulated by SEBI.
  - Infrastructure, venture capital, angel, and social venture funds make up Category 1 AIFs.
  - Infrastructure, small and medium-sized enterprises (SMEs), venture capital, or social welfare companies may account for a minimum of 51% of the size in Category II AIFs.

## **2. SKILL DEVELOPMENT AND TRAINING**

### **1. THE ESDP SCHEME FOR ENTREPRENEURSHIP AND SKILL DEVELOPMENT:**

- One-day training program for women, ex-servicemen, differently-abled people, SC/ST/OBC, and BPL individuals on the possibilities of entrepreneurship as a career path is called the Entrepreneurship Awareness Program (EAP).
- The ESDP is a six-week training program that focuses on entrepreneurship and skill development.
- The Advanced ESDP is carried out by institutions of the Central and State Government, such as IIMs, IITs, ICAR, CSIR, BARC, ISRO, and NIT.
- We provide a one-week training program in HR, IE, EM, IM, QM, ST, DM, WCM, QC, RM, and SCM as part of our Management Development Program.
- Additionally, we offer an advanced MDP training program via state or central administrative training institutions.

### **2. COIR VIKAS YOJANA (UMBRELLA SCHEME):**

- **Science and Technology: Funds to be allotted for:**
  - a. Adjustments to manufacturing methods
  - b. Improvements to tools and machinery
  - c. Creating new products and expanding existing ones
  - d. The embryonic stage
  - e. Places for testing and servicing.
- **Skill Up-gradation and Mahila Coir Yojana**
  - Skill Upgradation
  - Putting together events like EDPs, seminars, awareness programs, workshops, exposure trips, and more.
  - The goal of the Mahila Coir Yojana is to help rural women start their own businesses by providing them with the necessary training and a monetary stipend.
- Export Market Promotion - Provide financial assistance to promote international exhibitions to boost exports.



- Domestic Market Promotion – Funding for organising local trade fairs and exhibitions through the state and central government assistance.

### 3. **INTERNATIONAL CO – OPERATION SCHEME**

- Assistance for the Development of MSMEs in the Market (MDP)
  - Delegations from MSME participating in international exhibits, trade fairs, and buyer-seller meetings abroad (in person and online).
- Coordinating virtual and in-person international conferences, summits, and seminars on topics pertinent to the micro, small, and medium enterprise (MSME) sector.
- Making MSMEs' first-time exporters more capable.
- Global Market Intelligence Distribution System (IMID).

### 4. **NATIONAL SC – ST HUB SCHEME**

- 25% subsidy on the purchase of plant/machinery.
- 100% subsidy on the airfare.
- 100% subsidy given to obtain the NSIC's registration.
- Reimbursement of ₹1 lakh or 80% whichever is applicable on loan processing fee.
- Reimburse 80% on testing fee.
- 80% or ₹20,000 may be refunded for membership in the export promotion council.
- Reimburse 90% or ₹1 lakh in short-term training programs.

## **A ASPIRE IS AN INITIATIVE THAT AIMS TO PROMOTE INNOVATION, RURAL INDUSTRY, AND ENTREPRENEURSHIP.**

- The goals of this program include, among other things, the generation of new employment opportunities, the encouragement of an entrepreneurial spirit across the nation, and the promotion of innovation within the micro, small, and medium enterprise system.
- Lifeskills and technology business incubators are part of the program's offerings.

### **(ESDP) programs for entrepreneurship and skill development**

- The Ministry of MSME has been running several programs under the Entrepreneurship and Skill Development Programs (ESDP) that aim to improve entrepreneurs' knowledge and skills and their ability to start, run, and manage their own businesses.
- The program's goal is to inspire young people to think about self-employment or starting their own business as a potential career path.
- Enterprise Development Centers (EDCs), Technology Centers, and MSME-Development Institutes work together to implement the program.

## 3. **INFRASTRUCTURE**

### 1. **ASPIRE is an initiative to foster innovation, rural industries, and entrepreneurship.**

- Loan upto 1 crore to be provided to purchase plant and machinery for government agencies and maximum of 75 lakhs in case of private agencies
- Loan upto 1 crore for operational costs as well such as manpower cost, running incubation, various development programs

### 2. **KHADIGRAM UDYOG VIKAS YOJANA**

- Khadi Udyog Vikas Yojana
  - i. Modified Market development assistance (NMDP)



1. Subsidy of 35% on cotton, muslin, wool and 20 % on silk khadi
- ii. Interest subsidy eligibility certificate scheme (FSEC)
  1. Interest rate 4 % which is also known as interest subsidy
- iii. Work Shed Scheme for Khadi Artisan
  1. Individual workspaces for the artisans: financing 75% of the total cost.
  2. Group workspaces: financing 75% of the total cost.
- iv. Strengthening the already existing khadi institutions which are weak
  1. Assistance up to ₹18 lakh.

### 3. GRAMODYOG VIKAS YOJANA

- Training programs and distribution of machinery and other accessories to the following industries:
  - i. Agarbatti
  - ii. Leather footwear
  - iii. Pottery
  - iv. Beekeeping activity
  - v. Waste wood/wooden toy/turn wood craft
  - vi. Handmade paper and fibre-related activities
  - vii. Agro-based food processing industries
  - viii. Service industries

### PROGRAM FOR THE REVITALIZATION OF AGE-OLD CRAFTS (SFURTI)

- This strategy aims to unite old industries and craftsmen into clusters so that they may be more competitive and sustainable in the long run. It also aims to develop technology, produce novel goods, and increase the marketability of these clusters' products.
- The three types of interventions covered by the scheme are as follows: soft intervention, the creation of common facility centers and raw material banks, and thematic intervention, which focuses on brand building, new media marketing, e-commerce initiatives, research and development, and so on. Hard intervention involves activities such as general awareness building, counseling, and skill development.
- The government has established a plan Steering Committee to oversee and coordinate the plan, while statutory entities like KVIC and Coir Board are entrusted with autonomous tasks to put it into action.

### THE MSE-CDP IS A PLAN FOR THE CLUSTER DEVELOPMENT OF MICRO AND SMALL ENTERPRISES.

- Micro and small enterprises (MSEs) in the nation may now benefit from increased productivity, competitiveness, and capacity building thanks to the cluster development model that the MSME Ministry has embraced.
- Some of the things that fall within this program's purview include providing financial backing for the establishment of "Common Facility Centres (CFC) and Infrastructure Development Projects (IDP)."

### 4. ADAPTING TO NEW TECHNOLOGIES AND STAYING COMPETITIVE ZED CERTIFICATION FINANCIAL ASSISTANCE FOR MSMES





- The program encourages micro, small, and medium-sized enterprises (MSMEs) to adopt Zero Defect and Zero Effect (ZED) production methods and to undergo ZED Assessment for certification. Its goal is to motivate MSMEs to continuously improve the quality of their products and processes, to encourage the adoption of quality tools and systems, and to drive manufacturing in an environmentally conscious manner
- The program is aimed for micro, small, and medium-sized enterprises (MSMEs) related to manufacturing.
- The scheme's implementation is the responsibility of the Quality Council of India.

#### **AIDING SMALL AND MANAGERAL BUSINESSES IN THEIR DEVELOPMENT THROUGH INCUBATORS**

- The scheme's goal is to assist and encourage creative small and medium-sized firms (SMEs) to embrace new technology in manufacturing and knowledge-based industries, while also fostering their creativity.
- This program offers grants of up to Rs. 1 crore to strengthen technology-related research and development activities, up to Rs. 15 lakh for idea development and nurturing, or up to Rs. 1 crore as a grant-in-aid for seed capital support to Host Institutes (HIs) / Business Incubators (BIs) to turn worthy ideas into start-ups.

#### **4. OTHER SERVICES**

##### **MASSIVE SMALL AND MEDIUM-SIZED ENTREPRENEURSHIP RIGHTS (IPR)**

- The purpose of launching the Building knowledge on Intellectual Property Rights (IPR) initiative is to raise knowledge of IPINR among micro, small, and medium-sized enterprises (MSMEs). The program aims to help these businesses modernize their technology, compete more effectively, and make good use of IP tools.
- Various initiatives are carried out to implement the plan, including awareness programs, seminar workshops, reimbursement for IP registration, international cooperation, and the establishment of IP facilitation centers nationwide.

##### **MASSIVE BUSINESS TRADE, IMPORT, AND EXPORT**

- Through a memorandum of understanding (MoU) with the Agricultural and Processed Food Products Export Development Authority (APEDA), the National Small Industries Corporation (NSIC), an organization that supports and develops micro, small, and medium-sized enterprises (MSME), will lend a hand to MSMEs in various sectors. Additionally, the NSIC will assist its MSME members in investigating the export possibilities of their agricultural and processed food products.
- In addition, APEDA members will have the opportunity to participate in NSIC schemes, which will assist them in dealing with concerns related to the adoption of technology, skills, product quality, and market access.
- Units will be able to transition to environmentally friendly production methods and products thanks to the partnership's backing of green and sustainable manufacturing technology promotion for MSME clusters.

#### **IMPACT OF GOVERNMENT INITIATIVES ON MSMES**

##### **1. Growth and Expansion**





- UDYAM registration: In 2023, over 1.3 crore MSMEs were registered following the government facilitation schemes.
- There was a 50% increase in the credit disbursement under CGTMSE and MUDRA.

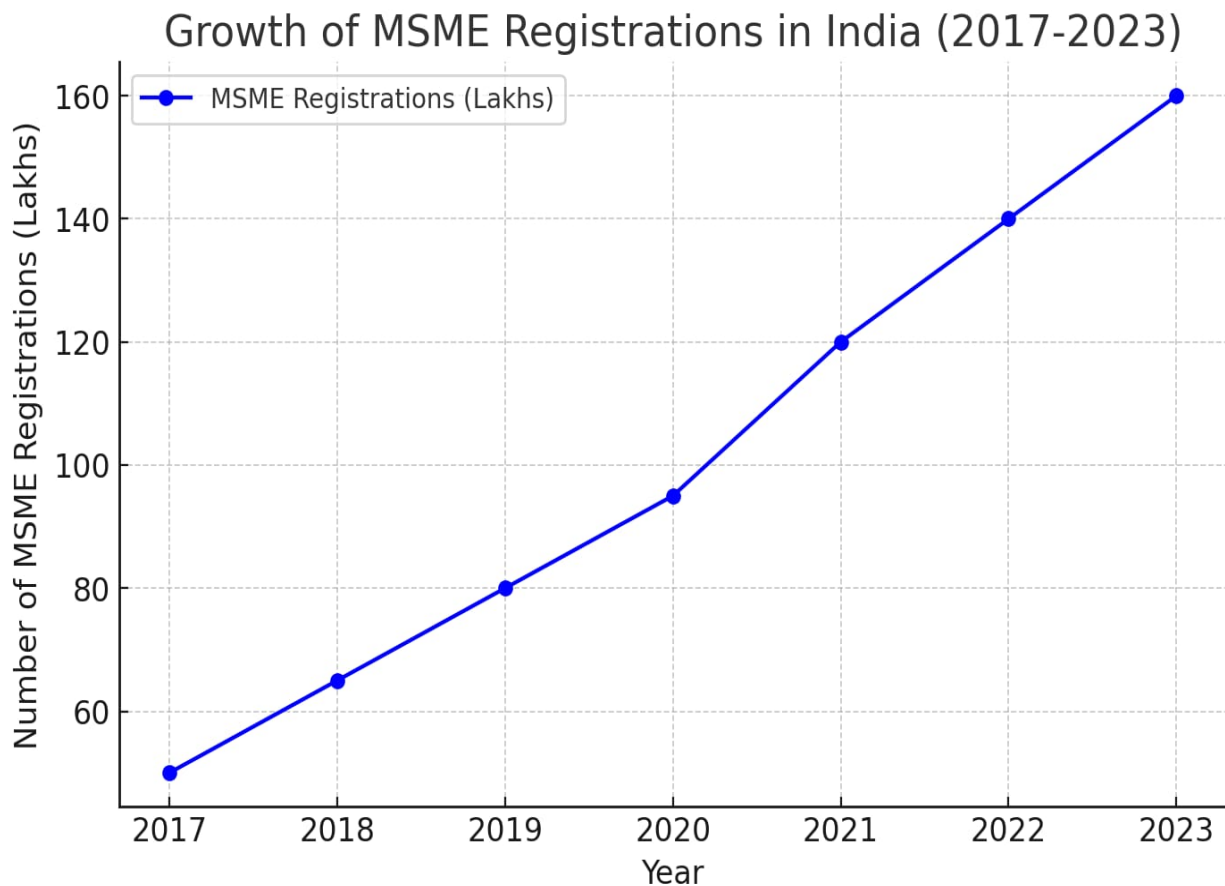
## 2. Employment Generation

- Creation of jobs in the rural and urban areas by PMEGP.
- 2.5 crore youth trained under the Skill India scheme, thereby increasing the employment rate.

## 3. Innovation and Competitiveness

- Startup initiatives showed a registration of 30,000+ startups.
- A boost in total exports was seen due to GEM and ODOP initiatives.

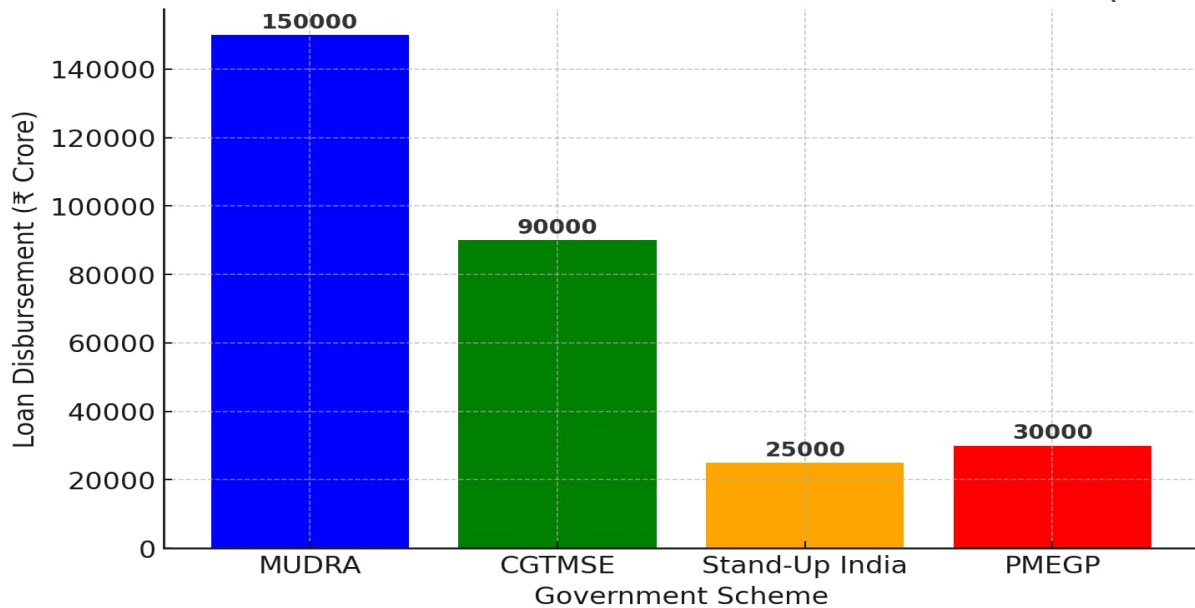
**Monitoring: Ensuring proper and fruitful allocation and utilization of funds.**



Here is a line graph showing the growth of MSME registrations in India from 2017 to 2023. The number of registered MSMEs has increased significantly, indicating the positive impact of government initiatives like Udyam Registration and Startup India.



## Loan Disbursement under MSME Financial Schemes (2023)



This bar chart illustrates the loan disbursement under major MSME financial schemes in 2023. The MUDRA scheme has the highest allocation, followed by CGTMSE, highlighting their importance in providing financial support to entrepreneurs.

Successful MSMEs areas for INDIA where benefits will be very very high making business viable provided above initiatives are utilized by that specific unit:

1. Organic Farming and Organic Products
2. Handicrafts and Traditional Art
3. Bakery Shop
4. Digital Marketing Services
5. E-Commerce Store for Specialized Products
6. Agricultural Equipment Lease
7. Health and Wellness Centers
8. Waste Management and Recycling
9. Wooden Products Manufacturing
10. Travel Agency

### CHALLENGES IN IMPLEMENTATION

A few challenges persist despite all these benefits:

Lack of awareness: Entrepreneurs are not aware of these policies and initiatives.

Bureaucratic delays: Due to faulty and lengthy procedures of fund disbursement.

Strict banking policies: Difficulty in accessing credit due to rigid banking processes.

### CONCLUSION AND RECOMMENDATIONS

#### *Conclusion*

It is evident that the government policies initiated for entrepreneurial development have benefited the



MSME sector by:

- ❖ Creating market opportunities
- ❖ Financial assistance
- ❖ Generating job opportunities
- ❖ Skill enhancement

If implemented properly, the MSME sector will see growth and contribute to the progress of the country.

### **Recommendations**

- 1) Awareness: Increase in awareness campaigns to educate entrepreneurs about available schemes.
- 2) Minimizing bureaucratic delays: Streamlining processes to avoid delays.
- 3) Research and Development (R&D): Proper R&D programs for MSMEs to enhance competitiveness.
- 4) Monitoring: Ensuring proper and fruitful allocation and utilization of funds.

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