10.48047/jocaaa.2024.32.01.79

IMPACT OF GOVERNMENT SCHEMES ON MSME DEVELOPMENT

[1] **Dr. Ankita Nihlani**

[1] Assistant Professor, Management Department, Kalinga University, Raipur, C.G.
ankita.nihlani@kalingauniversity.ac.in

[2] **Dr. Jainish Rai**

[2] Associate Professor, Management Department, Kalinga University, Raipur, C.G.
ku.jainishroy@kalingauniversity.ac.in
Correspondence author -ankita.nihlani@kalingauniversity.ac.in

Abstract Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of developing and emerging economies, playing a pivotal role in employment generation, industrial output, export promotion, and inclusive economic growth. In India and many other developing nations, MSMEs contribute significantly to GDP while acting as engines of entrepreneurship and regional development. Recognizing their strategic importance, governments have introduced a wide range of policy interventions and targeted schemes aimed at enhancing access to finance, improving technological capability, strengthening market linkages, promoting formalization, and increasing resilience against economic shocks. This paper examines the impact of government schemes on MSME development, with a particular focus on recent initiatives implemented or strengthened during the post-pandemic period. Using a qualitative-analytical approach supported by secondary data, policy documents, and contemporary empirical studies published in 2023, the paper analyzes how financial, infrastructural, technological, and institutional interventions have influenced MSME performance, sustainability, and competitiveness. The study also identifies persistent challenges such as uneven scheme awareness, credit absorption constraints, digital divides, and regional disparities. The findings indicate that while government schemes have significantly improved MSME access to credit, formalization, and market participation, their effectiveness depends heavily on implementation quality, inter-agency coordination, and the capacity of enterprises to adapt. The paper concludes by emphasizing the need for integrated policy frameworks, outcome-based monitoring, and MSME-centric capacity building to maximize the developmental impact of public interventions.

Keywords: MSMEs, government schemes, economic development, credit access, entrepreneurship, industrial policy

10.48047/jocaaa.2024.32.01.79

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) occupy a central position in national development strategies due to their capacity to generate employment at relatively low capital cost, promote entrepreneurship, foster innovation, and ensure balanced regional growth. In India, MSMEs account for nearly one-third of GDP and employ over 110 million people across manufacturing, services, and trade sectors (Ministry of MSME, 2023). Similar patterns are observed globally, where MSMEs represent over 90% of enterprises and more than 50% of total employment in most economies (World Bank, 2023). Despite their importance, MSMEs face structural constraints including limited access to finance, outdated technology, inadequate infrastructure, skill shortages, and vulnerability to market fluctuations. These challenges were further exacerbated by the COVID-19 pandemic, which disrupted supply chains, reduced demand, and exposed the fragility of small businesses.

To address these issues, governments have historically intervened through targeted schemes, subsidies, credit guarantees, capacity-building programs, and regulatory reforms. In recent years, particularly after 2020, the scope and scale of MSME-focused interventions have expanded significantly, reflecting a renewed policy emphasis on self-reliance, resilience, and inclusive growth. Schemes related to emergency credit, digital onboarding, technology upgradation, export facilitation, and cluster development have reshaped the MSME ecosystem. This paper aims to critically examine the impact of such government schemes on MSME development, focusing on their effectiveness, outcomes, and limitations based on contemporary evidence from 2023 literature. The analysis is framed within a broader development economics and public policy perspective, recognizing MSMEs not merely as economic units but as socio-economic institutions embedded within local and national contexts.

2. Overview of Government Schemes for MSME Development

Government support for MSMEs typically spans multiple dimensions, including finance, technology, infrastructure, skill development, market access, and regulatory facilitation. In India, recent policy interventions have been designed to address both long-standing structural bottlenecks and emerging challenges associated with globalization and digitalization. Financial support schemes form the cornerstone of MSME policy, with a focus on easing credit constraints through collateral-free loans, interest subvention, and credit guarantee mechanisms. The Emergency Credit Line Guarantee Scheme (ECLGS), extended multiple times post-

10.48047/jocaaa.2024.32.01.79
pandemic, played a crucial role in ensuring liquidity support to millions of MSMEs during periods of economic uncertainty (RBI, 2023).

Alongside financial interventions, the government has emphasized formalization and digital integration of MSMEs through initiatives such as Udyam Registration, which simplifies enterprise registration and enables access to institutional benefits. Technology upgradation schemes, including those promoting Industry 4.0 adoption, quality certification, and lean manufacturing, aim to enhance productivity and competitiveness. Market access initiatives, particularly those linked to public procurement policies and e-marketplace platforms, have created new demand opportunities for MSMEs. Export promotion schemes have further supported MSMEs in integrating into global value chains by providing financial incentives, capacity building, and trade facilitation support.

Table 1 summarizes major categories of government schemes and their primary objectives, illustrating the multi-dimensional nature of MSME policy intervention.

Table 1: Major Government Scheme Categories and Objectives for MSME Development

Scheme Category	**Primary Objective**	**Key Developmental Impact**
Credit & Finance Support	Improve access to affordable finance	Liquidity, expansion, survival
Formalization & Registration	Bring MSMEs into formal economy	Transparency, policy access
Technology Upgradation	Enhance productivity and quality	Competitiveness, innovation
Market Access & Procurement	Expand domestic and global markets	Revenue growth, stability
Skill & Capacity Development	Improve managerial and technical skills	Efficiency, sustainability

3. Impact of Government Schemes on MSME Growth and Performance

Empirical evidence from 2023 studies indicates that government schemes have had a measurable impact on MSME growth, particularly in terms of survival rates, employment generation, and output expansion. Financial support schemes have been instrumental in preventing large-scale enterprise closures during economic downturns, enabling MSMEs to

10.48047/jocaaa.2024.32.01.79

maintain operations and retain workers. Studies by NITI Aayog (2023) and the World Bank (2023) suggest that MSMEs receiving guaranteed credit support exhibited higher recovery rates and faster return to pre-pandemic production levels compared to non-beneficiary firms.

Formalization initiatives have contributed to improved access to institutional finance, government procurement opportunities, and digital platforms. Udyam-registered MSMEs have shown higher levels of tax compliance and credit absorption, indicating a positive relationship between formal status and enterprise growth (OECD, 2023). Technology-focused schemes have supported productivity enhancement by facilitating the adoption of automation, digital tools, and quality standards. Although uptake remains uneven, beneficiary firms report improvements in operational efficiency, defect reduction, and customer satisfaction.

Market access interventions, particularly those linking MSMEs to government procurement portals and e-commerce platforms, have expanded revenue opportunities and reduced dependence on local markets. Export-oriented schemes have enabled MSMEs to diversify markets and mitigate domestic demand fluctuations. Table 2 presents selected performance indicators comparing MSMEs before and after accessing government scheme support, highlighting observable improvements across multiple dimensions.

Table 2: Selected MSME Performance Indicators Before and After Scheme Participation

Indicator	Pre-Scheme Status	Post-Scheme Outcome
Credit Access	Informal, limited	Institutional, improved
Employment Stability	High volatility	Improved retention
Technology Usage	Low to moderate	Moderate to high
Market Reach	Local/regional	National/global
Business Resilience	Vulnerable	Enhanced adaptability

4. Role of Government Schemes in Employment, Innovation, and Inclusion

Beyond economic output, government schemes have played a significant role in promoting inclusive development through MSMEs. Employment generation remains one of the most critical contributions of MSMEs, particularly for semi-skilled and unskilled workers in rural and semi-urban areas. Skill development and entrepreneurship promotion schemes have enhanced workforce employability while supporting the entry of women, youth, and marginalized groups into business activities. Recent evidence highlights that women-owned

10.48047/jocaaa.2024.32.01.79

and first-generation enterprises have benefited disproportionately from targeted financial inclusion and capacity-building programs (UNDP, 2023).

Innovation support schemes, including incubation programs, startup-MSME linkages, and technology transfer initiatives, have encouraged product diversification and process improvement. Although MSMEs traditionally exhibit lower R&D intensity than large firms, policy support has helped bridge innovation gaps through collaborative platforms and shared infrastructure. Inclusive procurement policies mandating MSME participation in government tenders have further contributed to equitable growth by reducing entry barriers and ensuring stable demand. These interventions collectively position MSMEs as instruments of social mobility and regional equity, reinforcing their role in sustainable development.

5. Challenges and Limitations in Scheme Implementation

Despite their positive impact, government schemes for MSME development face several implementation challenges that limit their effectiveness. Awareness gaps remain a major concern, as many eligible enterprises lack adequate information about available schemes or find application procedures complex. Administrative capacity constraints at the local level often lead to delays, inconsistencies, and uneven coverage across regions. Credit-based schemes, while widely utilized, sometimes suffer from issues of over-leveraging and limited productive use of funds, particularly among micro enterprises with weak financial literacy (IMF, 2023).

Digital initiatives, although transformative, risk excluding enterprises with limited digital access or skills, thereby reinforcing existing inequalities. Moreover, the absence of robust outcome-based monitoring frameworks makes it difficult to assess long-term developmental impacts beyond short-term disbursements. Coordination challenges among multiple implementing agencies further complicate scheme delivery and reduce synergies. These limitations highlight the need for continuous policy refinement, stakeholder engagement, and evidence-based evaluation.

6. Conclusion and Policy Implications

The analysis demonstrates that government schemes have played a vital role in strengthening the MSME sector by improving access to finance, enhancing formalization, supporting technology adoption, and expanding market opportunities. The positive impacts observed in enterprise survival, employment stability, and competitiveness underscore the importance of sustained public intervention in addressing market failures and structural constraints faced by

10.48047/jocaaa.2024.32.01.79

MSMEs. However, the effectiveness of these schemes depends critically on implementation quality, enterprise capacity, and contextual adaptability.

From a policy perspective, there is a need to move beyond scheme proliferation toward integrated and outcome-oriented frameworks that align financial support with capacity building and market development. Strengthening digital and financial literacy, enhancing local institutional capacity, and adopting data-driven monitoring systems can significantly improve scheme outcomes. Future MSME policies should emphasize resilience, innovation, and sustainability while ensuring inclusivity and regional balance. By doing so, government schemes can continue to act as powerful catalysts for MSME-led economic transformation in an increasingly complex global environment.

References

1. Ministry of MSME. (2023). Annual report 2022–23. Government of India.
2. Reserve Bank of India (RBI). (2023). Report on trend and progress of banking in India 2022–23. RBI.
3. NITI Aayog. (2023). MSME competitiveness and growth study. Government of India.
4. World Bank. (2023). MSME finance and development report. World Bank Publications.
5. Organisation for Economic Co-operation and Development (OECD). (2023). SME and entrepreneurship outlook 2023. OECD Publishing.
6. International Monetary Fund (IMF). (2023). Small business resilience and policy support. IMF Working Paper Series.
7. United Nations Development Programme (UNDP). (2023). Inclusive entrepreneurship and MSMEs: Policy pathways for sustainable growth. UNDP.
8. Asian Development Bank (ADB). (2023). MSME policy effectiveness in emerging economies. ADB Economics Working Paper.
9. International Labour Organization (ILO). (2023). Employment impact of MSME policies in developing countries. ILO.
10. Kumar, R., & Singh, A. (2023). Government credit schemes and MSME growth: Evidence from India. Journal of Development Economics, 162, 103041.
11. Sharma, P. (2023). Formalization and productivity outcomes in Indian MSMEs. Economic & Political Weekly, 58(14), 42–49.
12. Gupta, S., Mehta, R., & Joshi, V. (2023). Digitalization and MSME resilience in post-pandemic economies. Technological Forecasting and Social Change, 189, 122341.

10.48047/jocaaa.2024.32.01.79

13. Bhattacharya, M. (2023). Public procurement policies and MSME inclusion: A policy review. Public Policy Review, 19(2), 113–130.
14. Chaudhary, V. (2023). Credit guarantee mechanisms and enterprise survival rates. Indian Economic Review, 58(1), 87–105.
15. Das, K. (2023). MSMEs in global value chains: Challenges and opportunities. The World Economy, 46(7), 2145–2168.
16. Ghosh, D., & Pal, S. (2023). Financial inclusion initiatives and MSME performance in India. Journal of Asian Economics, 86, 101613.
17. Bose, N. (2023). MSME reforms and industrial growth trajectories. Cambridge Journal of Economics, 47(3), 615–634.
18. Rao, M., & Iyer, S. (2023). Evaluating the impact of ECLGS on MSME liquidity. Economic Modelling, 118, 106102.
19. Patel, K. (2023). Digital public infrastructure and MSME formalization. Information Economics and Policy, 64, 101029.
20. Sen, A., & Dutta, P. (2023). Skill development schemes and MSME workforce productivity. International Journal of Training and Development, 27(2), 221–238.
21. Mukherjee, A. (2023). Cluster-based development strategies for MSMEs. Regional Studies, 57(8), 1354–1368.
22. Chatterjee, S., & Banerjee, R. (2023). Technology adoption among MSMEs in emerging markets. Small Business Economics, 61(1), 189–208.
23. Kapoor, R. (2023). Government intervention and MSME competitiveness. Journal of Public Affairs, 23(4), e2845.
24. Verma, S., & Mishra, R. (2023). MSME access to public e-procurement platforms. Government Information Quarterly, 40(3), 101787.
25. OECD & World Bank. (2023). Financing SMEs for sustainable development. OECD–World Bank Joint Report.
26. UNESCAP. (2023). MSMEs and inclusive industrialization in Asia-Pacific. United Nations.
27. ILO & UNDP. (2023). MSMEs, employment generation, and social inclusion. Joint Policy Report.