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OFFICIAL MAGAZINE OF INDIA SME FORUM

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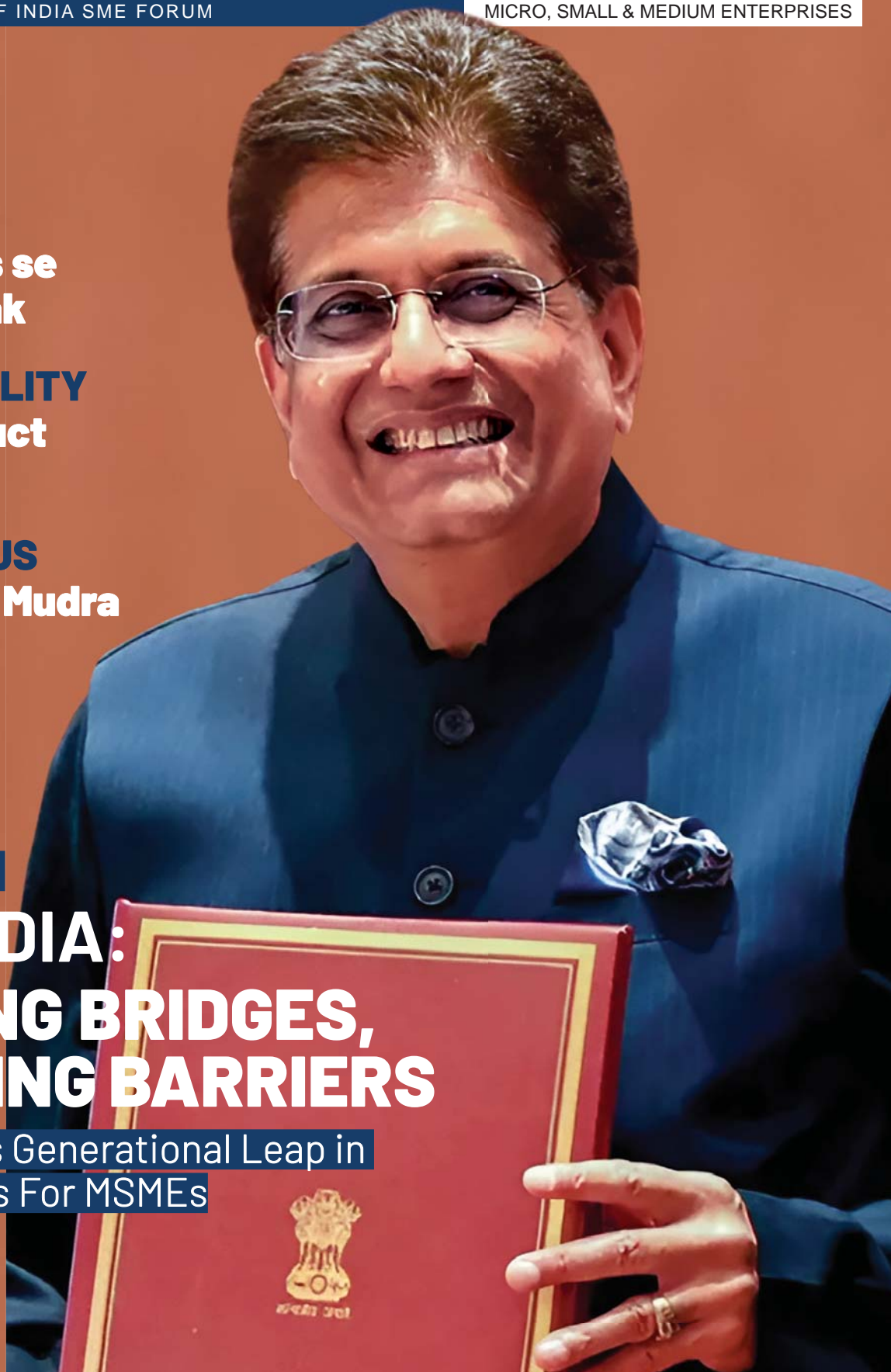
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Cover Story

NEW INDIA: BUILDING BRIDGES, BREAKING BARRIERS

Tracing India's Generational Leap in
Market Access For MSMEs



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From The Editor

A new generation of Indian exporters is emerging, not through a single policy announcement or a landmark trade agreement, but through a quieter and more fundamental shift in what India's small and medium enterprises are being expected and increasingly enabled to achieve.

This is the next generation of market access, and it is redefining the MSME story.

For decades, progress in the sector was measured through inclusion: how many enterprises entered the formal economy, gained access to credit, adopted digital tools, or became part of organised markets. Those gains remain significant. Expanded financing, government procurement access, and improved receivables mechanisms helped bring millions of enterprises into the formal ecosystem. But inclusion was never the destination; it was the foundation.

Today, global markets demand something more. Sustainability standards, traceability requirements, quality certifications, testing protocols, and compliance documentation increasingly determine who participates in international trade. For MSMEs targeting exports, meeting these expectations is becoming as important as competing on price. Capability is becoming the new currency of market access.

India already possesses the productive capacity. What has historically separated ambition from participation is preparedness: market intelligence, certification pathways, logistics connectivity, export-oriented working capital, and the institutional capability to meet international buyer expectations. Bridging this gap at scale is now one of India's defining economic challenges.

India's evolving trade architecture reflects this transition. Under Prime Minister Narendra Modi's government, trade policy has increasingly moved beyond the assumption that wider market access automatically creates domestic gains. The decision to stay out of the Regional Comprehensive Economic Partnership (RCEP) marked an important strategic shift, prioritising enterprise competitiveness, manufacturing capability, and calibrated integration over market opening for its own sake.

At the same time, the government has taken a more proactive approach to opening international opportunities for Indian enterprises, particularly MSMEs. Trade engagement is increasingly being directed toward markets that align with India's export ambitions, manufacturing strengths, and long-term strategic interests. The objective is no longer simply to sign more agreements, but to secure access where Indian businesses can compete, scale, and build durable commercial relationships. Market access is being linked more deliberately with investment, supply-chain integration, and enterprise readiness.

The supporting ecosystem is beginning to take shape. Yet one critical task remains: building the next pipeline of exporters. This generational leap in market access will not be measured by agreements announced or schemes launched, but by how many Indian MSMEs move from serving local markets to becoming trusted global suppliers and how many sustain and scale that transition over time.



A handwritten signature in black ink, appearing to be 'Sushma'.

Sushma Morthania

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NEW INDIA: BUILDING BRIDGES, BREAKING BARRIERS

Tracing India's Generational Leap in Market Access For MSMEs

This article traces India's generational shift in trade thinking, from an era where opening markets was often treated as an objective in itself to a more calibrated strategy centred on competitiveness, capability, and outcomes. It explores how earlier agreements expanded trade but also exposed structural gaps for Indian industry and MSMEs, and how India's newer approach is increasingly focused on choosing markets that strengthen domestic value creation, deepen manufacturing, and create export opportunities rather than widening import dependence.

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LETTERS TO THE EDITOR



I wanted to write and appreciate your editorial team for bringing out such a useful MSME magazine. As a small business owner, I could relate to many of the points discussed. The articles were easy to understand and gave useful ideas on how MSMEs should prepare for the future and think beyond day-to-day challenges.

I would also like to thank India SME Forum for continuously working for MSMEs and creating platforms that bring useful information and discussions closer to entrepreneurs.

Please continue publishing such meaningful content that helps businesses learn, grow, and stay informed.

– Anil Sharma, Ludhiana, Punjab

I really enjoyed reading your February cover story. What stood out to me was the way the article explained that MSME growth is not only about short-term support but also about becoming stronger and more competitive over time. The discussion around exports, better market opportunities, and helping businesses become part of larger value chains was especially useful.

As a first-generation entrepreneur, I often look for practical insights rather than just policy discussions. This article explained things in a simple way and gave me confidence that businesses like ours can prepare better for future opportunities.

Thank you to your editorial team and India SME Forum for bringing such thoughtful and useful content for entrepreneurs.

– Neha Verma, Jaipur, Rajasthan

I really enjoyed reading the feature in your March issue about the journey of traditional businesses reaching larger markets.

What I liked most was that the article showed that growth and innovation do not always mean adopting new technology. Sometimes, creating opportunities also means preserving traditional skills and presenting them in a way that reaches more customers.

The stories shared in the article were inspiring because they showed how branding, better market access, and the right support can help local products gain recognition beyond their own regions. As a reader, I found the article encouraging and a reminder that traditional businesses also have the potential to grow and build a strong identity.

Thank you for helping small businesses understand important global developments in such a simple manner.

– Aditi Verma, Lucknow, Uttar Pradesh

You can also write to the editor at dg@indiasmeforum.org with your comments, feedback and suggestions on the stories.

Steering India's MSME Future: Shri Bharat Khera Takes Charge as Secretary, Ministry of MSME



The India SME Forum warmly welcomed Shri Bharat Khera on assuming charge as Secretary, Ministry of Micro, Small and Medium Enterprises (MSME). Soon after his appointment, an ISF delegation met Shri Khera to extend its best wishes and discuss key priorities for strengthening India's MSME ecosystem.

A 1995-batch IAS officer of the Himachal Pradesh cadre, Shri Bharat Khera brings over three decades of administrative experience. Before assuming charge as Secretary, Ministry of MSME, he served as Additional Secretary in the Department of Consumer Affairs and has held key positions in the Ministry of Defence, Cabinet Secretariat, and the Government of Himachal Pradesh, earning recognition for his contributions to policy implementation, governance reforms, and institutional development.

Known for his strong focus on policy execution and administrative efficiency, Shri Khera has been associated with initiatives aimed at improving transparency, enhancing stakeholder

engagement, and streamlining government processes. His extensive experience across diverse sectors is expected to bring valuable insights to the Ministry of MSME as it works towards improving competitiveness, fostering innovation, expanding market access, and strengthening support mechanisms for small businesses.

During the meeting, ISF highlighted key issues impacting MSMEs, including access to affordable finance, digital adoption, export promotion, delayed payments, and regulatory simplification. The Forum expressed confidence that under Shri Khera's leadership, the Ministry will continue to drive impactful reforms and strengthen industry-government collaboration.

ISF looks forward to working closely with Shri Bharat Khera and the Ministry of MSME in advancing policies and initiatives that empower entrepreneurs, accelerate MSME growth, and contribute to India's vision of becoming a developed economy under Viksit Bharat 2047.



Medical & Wellness Tourism Growth Driving MSME Opportunities

India is rapidly emerging as a global hub for Medical Value Travel (MVT), supported by strong government policies, digital facilitation, and integration of modern healthcare with AYUSH systems. Initiatives like the AYUSH Visa, upgraded MVT portal, and proposed Regional Medical Hubs are enhancing accessibility and infrastructure. With over 5 lakh medical tourists in 2025 and rising global demand for affordable, high-quality care, this sector is creating significant opportunities for MSMEs. Small businesses in hospitality, wellness services, medical support, logistics, and local supply chains can benefit from increased demand, job creation, and participation in a growing, sustainability-linked healthcare ecosystem.

Sugar Exports Banned till September 30 to Control Domestic Prices

The Government of India has banned sugar exports till September 30, 2026 to maintain domestic availability and prevent a rise in local prices amid concerns of lower production. The restriction applies to raw, white, and refined sugar. However, shipments already in the export pipeline where shipping bills are filed and cargo is handed over to customs will still be cleared. India's sugar output is expected to remain below earlier estimates due to adverse weather conditions and possible El Niño impact. For MSMEs in food processing, confectionery, and beverage segments, this decision is expected to ensure stable sugar supply and protect input costs in the domestic market.



India and Norway Sign Key Science and Innovation Agreements



India and Norway have strengthened their science and technology partnership with the signing of several agreements between the Ministry of Science & Technology's CSIR and leading Norwegian research institutions during Prime Minister Narendra Modi's visit to Norway.

The agreements include collaborations with the Research Council of Norway, SINTEF, the Norwegian University of Science and Technology (NTNU), and Emerald Geomodelling. The partnerships will focus on areas such as clean energy, offshore wind, ocean technologies, climate research, circular economy, healthcare, sustainability, and geoscience solutions.

The initiatives aim to promote joint research, technology development, academic exchanges, innovation, and industry collaboration, further advancing India-Norway cooperation in science, technology, and sustainable development.

India and South Korea Review CEPA Upgrade Talks, Focus on Digital Trade and Supply Chain Cooperation



India and the Republic of Korea have reviewed the progress of negotiations to upgrade the India-Korea Comprehensive Economic Partnership Agreement (IK CEPA), reaffirming their commitment to building a balanced, mutually beneficial, and future-oriented trade partnership.

During the discussions, both sides agreed to establish dedicated sub-groups to broaden negotiations in emerging areas such as digital trade, resilient supply chains, and strategic industrial cooperation. The move is aimed at enhancing bilateral trade, investment, technology collaboration, and economic integration between the two countries.

The review reflects the shared commitment of India and South Korea to modernize the CEPA framework and unlock new opportunities for businesses in sectors critical to future economic growth.

Piyush Goyal Engages with Global Industry Leaders in New York to Strengthen India-U.S. Economic Ties

Union Commerce and Industry Minister Piyush Goyal held a series of high-level meetings in New York with leading global business and investment executives to deepen India-U.S. economic cooperation.

The discussions centered on expanding bilateral investment flows and identifying new areas of collaboration in emerging and strategic sectors. Key focus areas included advanced manufacturing, technology, clean energy, and critical industries, reflecting the growing alignment between Indian economic priorities and global investor interests. The engagements underscored India's positioning as a preferred destination for international capital, while also highlighting opportunities for U.S. businesses to participate in India's expanding industrial and innovation ecosystem. The meetings form part of ongoing efforts to strengthen trade partnerships and attract long-term global investment into India's growth sectors.



Banking for a Better Tomorrow: ₹105 Crore Reaches Tripura's People

In a major push for financial inclusion, the Department of Financial Services held a Credit Outreach Programme at Udaipur, District Gomati, Tripura, in May 2026. Banks handed out loans worth ₹105.40 crore to 4,577 people, while NABARD and SIDBI sanctioned over ₹2 crore for various projects. A new SIDBI branch was opened to support small businesses, and schools and Anganwadis received help under CSR. Shri M. Nagaraju, Secretary, DFS, reminded everyone that real inclusion means changing lives, urging beneficiaries to use loans wisely, build steady livelihoods, and keep their accounts healthy rather than letting them slip into bad debt.



Khadi Hits a Historic ₹1.87 Lakh Crore

India's Khadi and Village Industries sector has scripted a record year. In FY 2025-26, sales touched an all-time high of ₹1,87,105 crore, which is nearly six times the FY 2013-14 figure. Shri Manoj Kumar, Chairman, KVIC, credited Prime Minister Narendra Modi's "Vocal for Local" and "Aatmanirbhar Bharat" push for energising the rural economy. Production and jobs have grown sharply too, with the sector now employing over 2 crore people. For ordinary artisans, this means more work, better pay (₹4 to ₹15 per hank) and a stronger market for handmade, homegrown goods. The numbers below show just how far the sector has travelled in twelve years.

Indicator	FY 2013-14	FY 2025-26	Growth
Sales	₹31,154 cr	₹1,87,105 cr	501%
Production	₹26,109 cr	₹1,25,296 cr	380%
Employment	1.30 cr	2.04 cr	56%

Bengal's Artisans Get a Skilling Boost

The PM Vishwakarma Scheme is set for full roll-out in West Bengal, with the state notifying its monitoring and district committees. Senior MSME official Dr. Rajneesh met top state officers this month, to speed up implementation - better artisan identification, skill training, modern tools and easier access to credit and markets. Already, 7.79 lakh artisans and craftspeople are enrolled in the state. Dr. Rajneesh also inaugurated a new Transformer Testing Facility at the MSME Testing Centre, Kolkata, offering affordable, reliable testing under one roof. This will help small transformer makers cut costs, save time and avoid sending products to faraway labs.



ODOP Honey from Assam's Baksa Makes Its Global Debut

In a first, 20 metric tonnes of honey from Baksa - an Aspirational District in Assam- has been exported to the USA, flagged off later this month by APEDA. Baksa honey, grown in pesticide-free forests and prized for its purity and floral richness, is recognised under the One District One Product (ODOP) scheme. Assam has a centuries-old beekeeping tradition among tribes like the Bodo, Karbi and Mishing, and produces around 1,650 tonnes of honey a year. The big gain is for local beekeepers, who earn nearly 43% more than local farm-gate prices, turning a traditional craft into a global, income-boosting opportunity.



FM Sitharaman Launches New Initiatives to Boost MSMEs and Rural Enterprises

Union Finance Minister Smt. Nirmala Sitharaman launched several new initiatives to support India's MSME sector, which contributes 35% of the country's manufacturing output, 48% of exports and 31% of GDP, while providing jobs to over 32 crore people. To strengthen MSME financing, the government approved an additional ₹5,000 crore support to SIDBI, which is expected to benefit 25 lakh more MSMEs by 2028. The newly launched SIDBI MachFin Mart will help small businesses easily access machinery and modern technology through a digital platform. The RRB Co-Lending Portal aims to improve credit access in rural and underserved areas through partnerships between SIDBI and Regional Rural Banks. Another initiative, MoRE (Modernisation of Rural Enterprises), will support 10,000 rural micro and artisanal units over the next three years through cluster-based development programmes.

Ayush Anudan Portal Launched to Strengthen Transparent Digital Grant Management

Union Minister Shri Prataprao Jadhav recently launched the Ayush Anudan Portal under the Ayush Grid Initiative, marking a significant step toward building a more transparent and digitally empowered Ayush ecosystem. The portal has been introduced to streamline grant management processes by improving transparency, efficiency, and accountability in the allocation and monitoring of grants.

The platform is expected to simplify application, approval, tracking, and reporting mechanisms, reducing delays and enhancing ease of access for stakeholders within the Ayush sector. The initiative reflects the government's broader push toward digital governance and technology-driven administration, aimed at strengthening institutional efficiency and improving service delivery across the healthcare and traditional medicine ecosystem.



Government Notifies Two New SEZs in Puducherry to Boost Investment, Manufacturing and Employment

The Government of India has notified two new Special Economic Zones (SEZs) in Puducherry following approval by the Board of Approval under the Department of Commerce. The projects are expected to strengthen industrial growth, attract investments, expand exports, and generate significant employment opportunities in the Union Territory. One of the approved projects is an IT/ITES SEZ at Thattanchavady in Oulgaret



Taluk, to be developed by Oulgaret Municipality, making it the first SEZ in India to be developed by an Urban Local Body. The second is a Multi-Sector SEZ at Karasur in Villianur Taluk, to be developed by the Pondicherry Industrial Promotion Development and Investment Corporation (PIPDIC). Together, the two projects involve a proposed investment of nearly ₹1,975 crore and are expected to create around 8,500 direct and indirect jobs. The new SEZs are expected to accelerate manufacturing, technology-led development, and regional economic growth in the Tamil Nadu, Andaman & Puducherry (TAP) region while supporting India's broader strategy of export-led industrial expansion and investment promotion.

Government Launches Unified Portal to Help Citizens Trace Unclaimed Financial Assets

The Department of Financial Services (DFS), Ministry of Finance, has launched a Common Landing Portal for Unclaimed Financial Assets, providing citizens with a single online platform to search and trace unclaimed bank deposits, insurance claims, shares, dividends, and mutual funds across the financial ecosystem. The portal has been developed in collaboration with the PSB Alliance and is part of the government's "Your Money, Your Right" campaign.



The platform aims to improve citizen convenience by bringing together multiple search facilities under one roof, making it easier for individuals and legal heirs to locate

and reclaim forgotten financial assets. The initiative is expected to enhance financial inclusion, transparency, and public awareness while strengthening trust in the financial system.

India and Canada Push Forward CEPA Talks, Launch Trade and Investment Forum

India and Canada have reaffirmed their commitment to conclude negotiations for a Comprehensive Economic Partnership Agreement (CEPA) by the end of 2026. The two countries also launched the Canada-India Trade and Investment Forum to strengthen business engagement and commercial partnerships. Discussions focused on



expanding cooperation in clean energy, critical minerals, advanced manufacturing, digital technologies, agri-food, and skills development. Canada also announced

a Team Canada Trade Mission to India later this year, signalling growing interest in deeper trade and investment ties between the two nations.

India Pushes Reform-Led Growth and Global Competitiveness at Business Reform Summit

At the India Business Reform Summit 2026, Union Commerce and Industry Minister Piyush Goyal called for deeper industry-government collaboration to accelerate structural reforms and enhance India's global economic competitiveness.

In his address, the Minister emphasized improving ease of doing business, reducing regulatory inefficiencies, and building more resilient supply chains. He highlighted the need for India's



businesses to adapt to global uncertainty by increasing productivity and embracing reform-driven growth.

The address also pointed to emerging domestic opportunities in areas such as artificial intelligence,

cybersecurity, Global Capability Centres (GCCs), and the data centre ecosystem. The focus remained on strengthening India's internal economic foundations to support long-term, innovation-led growth.

India Leads BRICS Efforts to Improve MSME Access to Finance

As BRICS Chair in 2026, India has launched a renewed MSME cooperation agenda under the BRICS Partnership on the New Industrial Revolution (PartNIR). The first SME Working Group Meeting, held last month, focused on enhancing access to finance for MSMEs through financial inclusion, credit readiness, and fintech-enabled solutions.

The discussions brought together BRICS member countries to

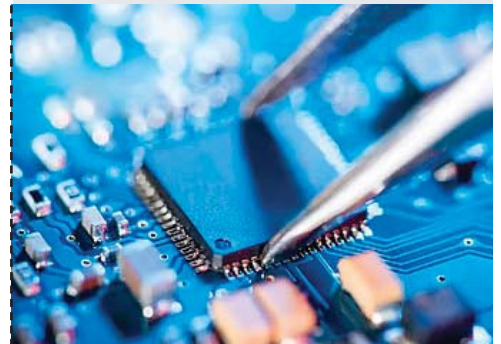


share best practices, address MSME financing challenges, and explore innovative mechanisms to bridge the credit gap. The meeting reaffirmed the

commitment of BRICS nations to strengthening collaboration and building resilient, inclusive, and globally competitive MSME ecosystems.

Chip Revolution Begins: India Brings Advanced Substrate Manufacturing Technology Home

India has taken a major step in strengthening its semiconductor ecosystem with the signing of a tripartite MoU between the Government of Odisha, Intel and 3D Glass Solutions to establish an Advanced Packaging Glass Core Substrate Manufacturing Facility in Odisha. The project, proposed in the Bhubaneswar-Khurda region, is among the largest high-technology manufacturing investments in the



country and is being developed under the India Semiconductor Mission.

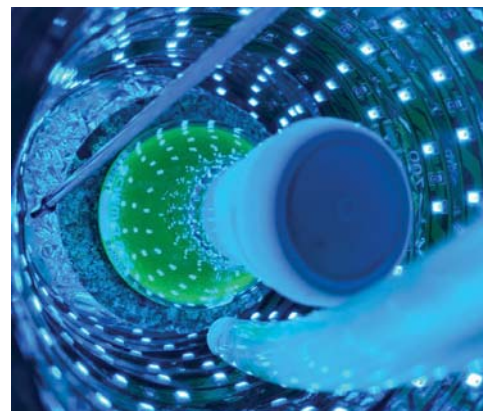
Union Minister Shri Ashwini Vaishnaw said the investment reflects growing global confidence in India's semiconductor ambitions and the government's efforts to build a complete chip manufacturing ecosystem. The facility will focus on advanced packaging glass core substrates, high-density interconnect substrates, and related semiconductor technologies, with Intel providing technology expertise and process know-how.

The project, estimated at around \$3.3 billion, will be implemented in phases over five to six years and is expected to generate significant high-skilled employment while positioning Odisha as an emerging global hub for semiconductor manufacturing and advanced electronics.

Light-Powered Nano Catalyst Offers Sustainable Route for Manufacturing Medicines and Chemicals

Researchers have developed a light-powered nano catalyst that provides a cleaner, more sustainable, and cost-effective approach to manufacturing medicines and specialty chemicals. By harnessing light energy to drive chemical reactions, the innovation can reduce energy consumption, lower production costs, and minimize environmental impact.

The breakthrough has the potential to support greener industrial processes while improving efficiency in the production of pharmaceuticals and high-value chemicals, contributing to more sustainable manufacturing practices.



Cotton Duty Suspended: Short-Term Relief for Textile MSMEs

The government has removed the 11% import duty on cotton from June 1 to October 31, 2026. This short-term relief will lower raw material costs for textile and apparel MSMEs, help fill the gap caused by falling local cotton supply, and let small exporters compete with countries that import cotton duty-free. It also makes it easier for exporters to use new trade deals like the India-UK pact as India aims for USD 100 billion in textile exports by 2030. Trade groups thanked the Prime Minister and ministries and asked for a cotton policy that supports both farmers and makers. Textile exports fell 2.2% to USD 35.79 billion in FY26, so this relief comes at a critical time.

Government's Corporate Mitra Initiative to Simplify Compliance and Accounting for MSMEs

The government is launching the Corporate Mitra programme in July to help MSMEs get affordable professional support from trained graduates. This Budget 2026-27 initiative will let small businesses access help with basic accounting, documentation, compliance, and digital record-keeping without hiring full-time CAs. Graduates and final-year students up to age 30 can join the 12-month programme, which includes 6 months virtual training on SWAYAM Plus (150 hours) plus 6 months practical training under practicing professionals. The course is jointly run by ICAI, ICSI, and ICoAI, covering accounting, taxation, costing, legal compliance, and corporate governance. Successful candidates receive Corporate Mitra certification and will function as authorised MSME facilitators, especially in tier-II, tier-III cities and the Northeast. The pilot will train around 2,000 students before national expansion, transforming "just graduates" into "employable graduates" with practical workplace skills.



NEW INDIA:

Building Bridges, Breaking Barriers

Tracing India's Generational Leap in Market Access For MSMEs

India's trade story is no longer about opening more doors, it is about opening the right ones. This cover story traces India's shift from broad liberalisation to strategic market access, and how a new trade architecture is equipping MSMEs not just to enter global markets, but to compete, grow, and endure within them.



The air inside the meeting rooms of Bangkok in November 2019 carried the particular weight of foregone conclusions. For seven years, across twenty-eight exhausting rounds of negotiations, the Regional Comprehensive Economic Partnership had been spoken of in the language reserved for inevitable things, like monsoons and election cycles. Sixteen nations. Nearly one-third of global GDP and trade. The world's largest proposed trade bloc. India, most observers assumed, would sign. The diplomatic circuit had already written the announcement in its head.

But inside the Indian delegation's strategy room, the atmosphere belonged to a different story entirely. The papers spread across the table were not ceremonial documents. They were numbers. Trade balances. Sector exposure. Manufacturing capacity. Import penetration trends. Enterprise readiness assessments. Cold, hard, unyielding arithmetic and that arithmetic told a story that optimism alone could not rewrite.

To understand why that room mattered so profoundly, and why its outcome may be the most consequential economic decision for India's 86 million micro and small enterprises in a generation, you have to go back further. Much further.

The Paradox Of Decontrol: When The Solution Became The Problem

In 1991, India made one of the most consequential economic decisions in its modern history. Facing a balance-of-payments crisis so severe that the government quietly airlifted 67 tonnes of gold to the Bank of England as collateral for an emergency loan, the administration of P.V. Narasimha Rao initiated a sweeping programme of economic liberalisation. Industrial licensing was dismantled. Import barriers gradually reduced. Private capital welcomed. The economy that had spent four decades behind the protective walls of the License Raj, a system so dense with quotas, approvals,

and state controls that getting permission to expand a factory could take longer than building it, was finally opened.

It was the right decision. And the early results were, by several measures, encouraging. Trade volumes climbed. Consumer choice expanded. India's GDP growth accelerated. But opening

doors works both ways. India liberalised before large parts of its industrial base had fully matured. Competition arrived faster than competitiveness. The architecture of decontrol opened India's markets before India's manufacturers were ready to defend them, or, more importantly, to conquer foreign ones in return.

THE FTA DECADE: EXPANSION WITHOUT COMPETITIVENESS			
Agreement	Year	Trade Value (FY24)	Strategic Objective
India-Sri Lanka FTA	1998	US\$5.5 Billion	Regional integration
India-Singapore CECA	2005	US\$35.6 Billion	Trade, investment & services
India-Thailand Early Harvest	2004	US\$16.5 Billion	Strengthen regional trade
SAFTA	2004	US\$10.8 Billion	South Asian economic cooperation
India-ASEAN FTA	2009	US\$120+ Billion	Integrate into Asian value chains
India-South Korea CEPA	2010	US\$27+ Billion	Manufacturing & investment
India-Japan CEPA	2011	US\$22+ Billion	Technology and industrial cooperation

Combined trade flows across major early FTA partners crossed approximately US\$230 billion in FY24.



Beginning with the India-Sri Lanka agreement in 1998 and accelerating through partnerships with ASEAN, South Korea, Japan, and Singapore, India assembled what it believed would be a powerful architecture of regional integration. The economic logic was elegant: lower tariffs would increase trade; trade would attract investment; investment would build industry; stronger industry would create jobs and expand exports. For a period, the model appeared to work. But beneath those headline figures, a different story was emerging, one that showed up in the accounts of enterprises in Moradabad’s brass cluster, in the auto-component workshops of Pune’s MIDC belt, in the handloom cooperatives of Pochampally that suddenly found Vietnamese synthetic fabrics undercutting their margins at every price point.

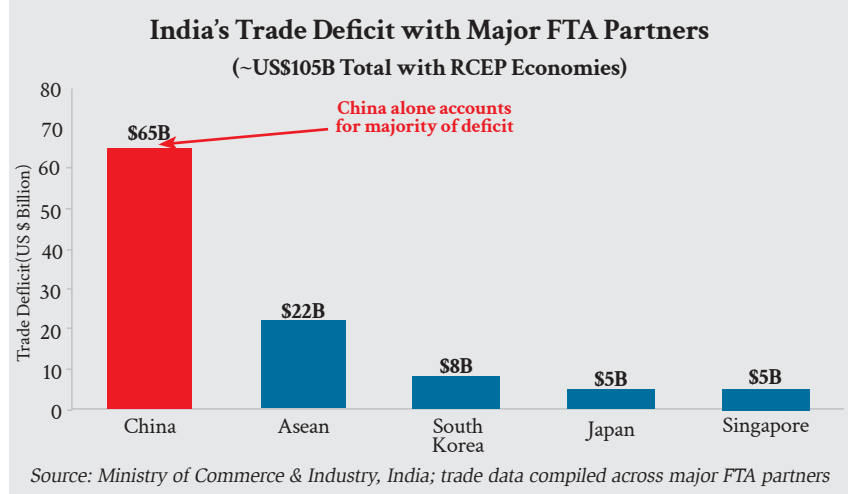
India expanded trade. But trade expanded faster than domestic capability. The imbalance became impossible to ignore.

On November 4, 2019, in Bangkok, Prime Minister Narendra Modi addressed the 3rd RCEP Summit with uncommon directness: “When I measure the RCEP Agreement with respect to the interests of all Indians, I do not get a positive answer.”



The pattern was not coincidental. In sectors where India’s manufacturing depth remained shallow, electronics, industrial machinery, intermediate chemicals, light engineering goods, the removal of tariff protection accelerated import penetration faster than domestic producers could respond. India went from being a modest net importer in electronics to a position of

deep structural dependence. A sector that could have been a manufacturing launchpad became a consumption corridor. And the question that had been quietly gathering force finally became impossible to answer comfortably: was India integrating into global value chains, or was it simply becoming a larger, more accessible destination market within them?



The Missing Centre: MSMEs Were Never Really At The Table

India’s first-generation FTAs were negotiated with a macroeconomic lens. The priorities were aggregate trade volumes, investment flows, large-sector access, diplomatic relationships. What received comparatively little attention was whether India’s millions of smaller enterprises, contributing around 31.1% of GDP and close to half of all exports, were prepared to participate in the world these agreements were opening.

They were not. And the reasons were structural, not motivational. For MSMEs, barriers were often not tariff-related but capability-related:

- Limited awareness of FTA provisions
- Complex Rules of Origin documentation
- Quality and certification gaps

Before and After: The Real Scorecard of the First FTA Wave

Agreement	Pre-FTA Trade Balance	Post-FTA Trade Balance
ASEAN (goods, post-2010)	Deficit ~\$7–8B	Deficit ~\$44–45B
South Korea CEPA (post-2010)	Deficit ~\$4B	Deficit ~\$14B+
Japan CEPA (post-2011)	Near-balanced	Deficit ~\$8–10B

- Restricted access to export finance
- Weak logistics and fulfilment capacity
- Limited global market intelligence
- Inadequate digital and compliance readiness

As a result, market access expanded faster than enterprise capability.

Consider what a small brass hardware manufacturer in Moradabad faced when ASEAN tariffs dropped. On one side: the negotiated opportunity of access to 650 million consumers across Southeast Asia. On the other: the immediate reality of competing against integrated supply chains backed by government export financing, consistent quality ecosystems, sophisticated logistics networks, and decades of export experience. The asymmetry was not marginal. It was foundational. Three gaps defined the MSME exposure.

The knowledge gap was perhaps the most quietly devastating. Rules of Origin, the provisions that determine which goods qualify for preferential tariff treatment, remained poorly understood at the enterprise level. Many small business owners did not know they could claim preferential benefits in export markets. The quality gap compounded this. Export markets do not just require products, they require certifications, compliance documentation, traceability systems, and buyer-verifiable quality processes. An auto-component MSME in Pune's industrial belt might produce at globally competitive costs, but without internationally recognised quality certifications, the negotiated market access was theoretically available and practically unreachable. The door was open. The key was simply never made. The financing gap completed the cycle. Export-oriented production requires working capital at a different scale and timing than domestic sales and India's financial infrastructure in the 2000s was not reliably delivering this to smaller firms.

2019: The Refusal That Rewrote The Strategy

By the late 2010s, the cumulative weight of these lessons had reached a critical mass. India already recorded a trade deficit exceeding US\$105 billion with RCEP economies, with China alone accounting for the majority of that staggering gap. The proposed RCEP framework would have required eliminating tariffs on up to 90% of goods, effectively removing the remaining buffer against import surges before domestic capability had strengthened.

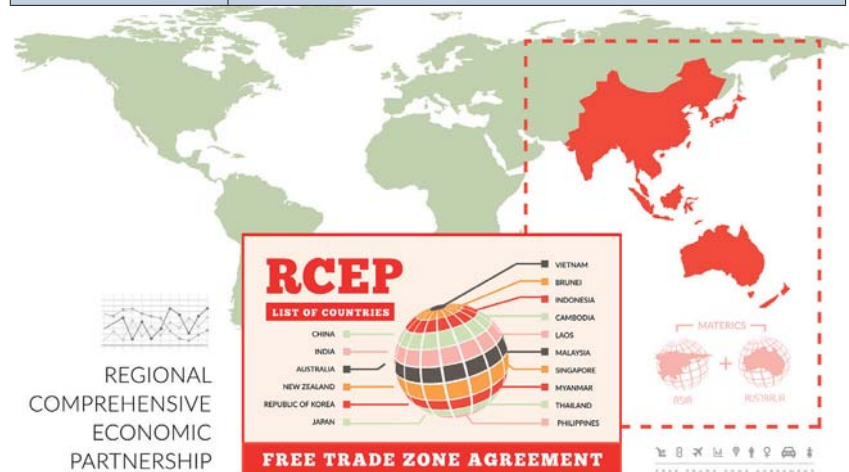
The RCEP negotiating team arrived in Bangkok with a precise and uncompromising mandate. Where was the auto-trigger mechanism to arrest sudden import surges? Where was

credible Rules of Origin enforcement to prevent third-country routing of Chinese goods through intermediary FTA partners? Why were India's world-class services professionals, in IT, finance, healthcare, engineering, being offered nothing in exchange for the manufacturing concessions being demanded? When the answers from the other fifteen nations came back hollow, India drew a line.

India walked away. The global press was stunned. Some called it protectionism. Inside the Ministry of Commerce, it was recognised as something else entirely, the moment India stopped confusing market access with economic development, and began building a trade strategy around the difference.

Why India Stayed Out of RCEP

Concern	Why It Mattered
Existing trade deficits with RCEP economies	India already recorded significant trade imbalances with several participating countries, raising concerns that additional liberalisation could deepen existing gaps.
Risk of import concentration	Sectors such as electronics, industrial goods, machinery, and manufacturing inputs feared stronger import competition before domestic capacity had matured.
Rules of Origin concerns	Industry stakeholders worried that flexible origin provisions could enable indirect entry of products through intermediary economies.
Limited enterprise readiness	Many Indian businesses, particularly MSMEs, continued to face challenges in scale, quality compliance, logistics, financing, and export preparedness.
Uneven market access conditions	Lower tariffs did not automatically remove non-tariff barriers faced by Indian exporters abroad.





The New Architecture: Trading Smarter, Not Just More

What followed 2019 is often mischaracterised as a pause. It was not a pause. It was a redesign, backed by institutional will, driven by a new philosophy, and executed through a sustained effort under Commerce and Industry Minister Piyush Goyal to rebuild India's negotiating apparatus from the foundation. The culture shifted from defensive to assertive. The mandate changed from protecting sensitive sectors to winning market access. No agreement would advance unless the quantitative benefit to Indian industries demonstrably outweighed the concessions being made. And crucially, for perhaps the first time in India's trade history, MSME participation became an object of institutional design rather than an assumed downstream benefit.

Market access expanded faster than enterprise readiness. India had negotiated on behalf of businesses that, in many cases, could not yet use what had been negotiated for them.

The old model had a simple equation: lower tariffs leads to more trade. The new model carried a more demanding ambition: market access, combined with investment and capability building, equals sustainable competitiveness. The agreements that emerged from this philosophy reveal how fundamentally the architecture has changed.

The UAE Comprehensive Economic Partnership Agreement, signed in 2022 and operationalised within months, at a pace that would have been unimaginable under the previous negotiating culture, delivered preferential access across more than 97% of UAE tariff lines, covering 99% of Indian exports by value. The sectors that immediately benefited were not large conglomerates. They were heavily MSME-driven: gems and jewellery, textiles, leather, footwear, furniture, agri-products, engineering goods, pharmaceuticals.

UAE CEPA Key Outcomes (FY2022-25)

97%

UAE tariff lines with preferential access

99%

Indian exports by value covered

~6 months

from signing to operationalisation

1st ever

Joint SME Committee in any India FTA



“India’s expanding network of FTAs offers significant opportunities, but tariff preferences alone cannot guarantee export success. The real determinant of outcomes is competitiveness, strong domestic manufacturing ecosystems, efficient supply chains, and the ability of firms to meet international standards. As India negotiates deeper trade agreements, policymakers and industry must work together to address structural challenges such as low FTA utilization, inverted duty structures, and non-tariff barriers. Greater focus on monitoring FTA outcomes, improving compliance capabilities, and strengthening industrial competitiveness will be essential to ensure that trade agreements support domestic manufacturing, enhance export performance, and create sustainable long-term economic gains.”

- Mr Ajay Srivastava,
 Founder, Global Trade Research Initiative(GTRI)

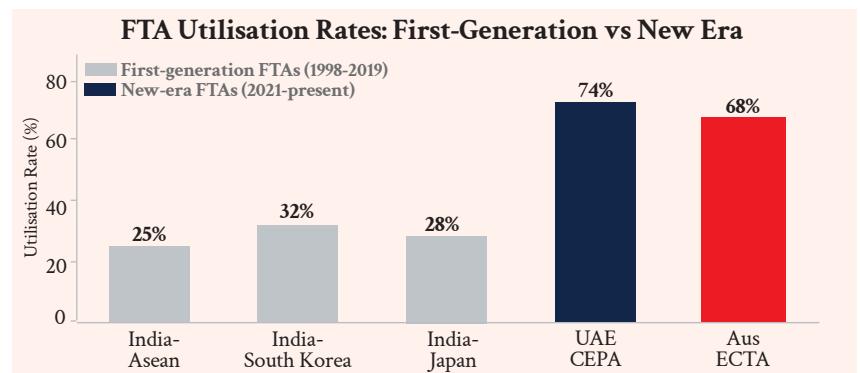
But the most significant institutional innovation in the UAE CEPA received comparatively little attention. For the first time in any Indian trade agreement, a Joint SME Committee was formally established, a dedicated mechanism through which MSME concerns, compliance bottlenecks, and market access obstacles could enter the diplomatic architecture itself. Smaller businesses were no longer expected to benefit indirectly and hope the value would eventually reach them. They were, for the first time, built into the design.

The Australia Economic Cooperation and Trade Agreement delivered access to a high-value developed market with 98.3% of tariff lines immediately duty-free. For MSME-intensive sectors including engineering goods, textiles, leather, and agriculture, this opened a premium market that had historically remained difficult to penetrate. But the more

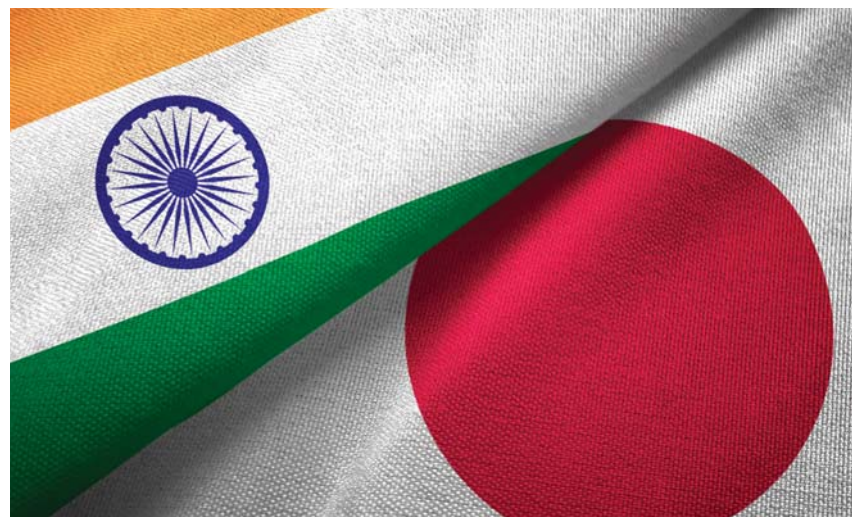
significant metric came not from the agreement itself, it came from utilisation data.

That gap in utilisation is not trivial. It represents thousands of small exporters who are now actually claiming the concessions their government negotiated on their behalf, rather than leaving them on the table because compliance seemed too complex or too costly.

The India-EFTA Trade and Economic Partnership Agreement with Switzerland, Norway, Iceland and Liechtenstein introduced a dimension that would have been unthinkable in earlier trade negotiations: a legally binding investment commitment of US\$100 billion over fifteen years. Trade agreements were no longer being asked only to expand exports. They were being designed to create productive industrial capacity inside



Utilisation rate = share of eligible exporters actually claiming preferential tariff benefits





“India’s FTAs are increasingly evolving beyond tariff reduction into frameworks for regulatory cooperation, sustainability standards, and deeper market integration. However, agreements with major markets such as the UK and EU do not automatically guarantee investment flows or export gains for MSMEs. To fully leverage these opportunities, MSME associations must adopt an evidence-based approach by generating sector-specific data, identifying key market barriers, and engaging policymakers through structured dialogue. At the enterprise level, MSMEs need to understand import-country regulations and prioritise compliance with requirements related to certification, traceability, labour standards, and ESG expectations. The success of India’s trade strategy will ultimately depend on stronger collaboration between government, industry associations, and MSMEs to translate trade agreements into tangible business outcomes.”

- Dr. Arpita Mukherjee,
 Professor, Indian Council for Research on International Economic Relations (ICRIER)

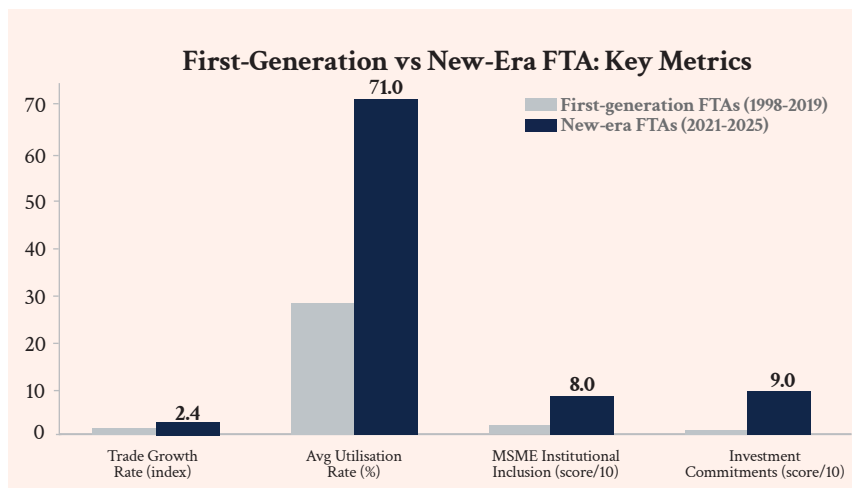


India, factories, supplier ecosystems, technology transfer, manufacturing depth.

The Infrastructure That Changes Everything

The most consequential difference between India’s first trade era and the current one may not ultimately be the quality of the agreements. It may be the

domestic ecosystem that now exists alongside them. Earlier agreements opened markets into a landscape where MSME support infrastructure was fragmented, export readiness programmes were limited, digital compliance was non-existent, and the institutional architecture to connect small firms with international market opportunities was largely absent.





The agreements created theoretical opportunities. The infrastructure to convert that opportunity into actual business was missing.

That landscape has changed in ways that are tangible and measurable. Production Linked Incentive schemes are building manufacturing depth

The shift from entry to outcomes, from volume to value, from participation to purpose, this is what the walkout in Bangkok made possible.

across fourteen sectors. The National Logistics Policy is systematically targeting the cost disadvantage that for decades made Indian exports uncompetitive on landed price. Electronic Certificates of Origin and digital customs integration are reducing the documentation friction that historically excluded smaller firms from fully utilising trade concessions. Quality certification support, MSME technology centres, and active export promotion councils are extending, for the first time at meaningful scale, the capability infrastructure that should always have accompanied negotiated access.

Trade under India's newer agreements is growing nearly 2.4 times faster than the earlier wave. Most of the new agreements are still young, the UK deal is under active negotiation; the EU agreement, if concluded, would open India's exports to the world's second-largest market with historic zero-duty access. The architecture is still being built. But something fundamental has changed in the foundation.

The Test That Matters

Signing agreements has always been the easier part. Summits are held, documents are signed, communiqués are issued, and photographs are taken. What follows, the harder, slower, less celebrated work of turning negotiated access into actual factory output, actual export invoices, actual jobs, is where the real reckoning happens.

The first trade era often asked businesses to compete before they were prepared. The new era is increasingly asking businesses whether they are prepared to use what now exists and it is providing, in ways that earlier generations of policy did not, meaningful support for the answer to be yes. India spent three decades asking: how many markets can we enter? Today, the question driving every negotiation is of an entirely different order: how much value can India create once that access is secured?

The answer to that question will be found not in the agreement documents or the ceremonial signing photographs ;

It will be found in the export invoice raised by a first-generation entrepreneur who never expected global trade to be something available to her, In the Moradabad brass cluster that upgraded its quality systems and found a buyer in Stuttgart.

In the MSME that survived not because it was protected, but because it was prepared,

India has learned, the hard way and over a long time, that opening a door is not the same as building a business. The doors, finally, are the right ones. The keys are, finally, being made. What happens next is up to the people who walk through. **bwise**





THE EXPORT PROCEEDS GAP: Solving the Compliance Burden on Small Shipments

Why system integration gaps and unauthorized bank charges are stalling working capital for MSMEs, and the policy reforms needed to fix them.

For most global digital entrepreneurs, a transaction is considered complete once the customer receives their package and the return window closes. However, for an Indian Micro, Small, and Medium Enterprise (MSME), physical delivery is merely the halfway point of a complex regulatory marathon. Under India's financial architecture, an export is not legally realized simply because the goods have

crossed the border. It is only considered final once the foreign exchange enters a designated bank account and is formally matched against a specific shipping bill within the central tracking database. This process culminates in the issuance of an Electronic Bank Realization Certificate (e-BRC). While intended to track foreign exchange, this architecture has evolved into a compliance bottleneck where minor system mismatches freeze vital tax refunds for months.

The Technical Friction: Data Integration Gaps

At the heart of this challenge is the Export Data Processing and Monitoring System (EDPMS). This platform acts as a digital ledger where every shipping bill must pair perfectly with an Inward Remittance Message (IRM) sent by the bank. In an ideal scenario, the value on the shipping bill and the value of the remittance are identical.

However, for e-commerce exporters who deal in high-volume, low-value shipments, this handshake between data and cash is incredibly fragile. Structural challenges arise from historical system integration gaps in the EDPMS, particularly for courier shipping bills (CSB-V) and Foreign Post Office shipments. In previous operational cycles, shipping bill data was either processed manually or failed to transmit to the central database entirely.

Consequently, while the bank records the incoming payment, the corresponding shipping bill remains missing in the system. This results in a technical mismatch where legitimate remittances appear as outstanding. Furthermore, the digital storefront model dictates that a single inbound remittance often covers multiple small shipments. Because the automated system struggles to map one lumped payment to dozens of tiny individual shipments, manual reconciliation becomes operationally impractical for small teams.

The Financial Toll: Unilateral Banking Levies

The operational strain is compounded by significant financial penalties imposed by Authorised Dealer (AD) banks without clear regulatory authorization. Exporters have reported a sudden emergence of legacy outstanding entries that

were never previously flagged as pending. Many small businesses had treated these older transactions as fully settled in their internal records.

The financial impact of these legacy files is severe. Banks have begun communicating that follow-up charges will be levied at the rate of ₹500 per overdue shipping bill and ₹1,000 per overdue inward remittance. These penalties are applied on a recurring, half-yearly basis for documents remaining open beyond 270 days from the date of shipment. For an enterprise processing hundreds of low-value shipments every month, these recurring fees quickly obliterate the profit margins of the actual products sold.

Simultaneously, small exporters face an arbitrary and unilateral increase in standard processing fees. In several documented cases, per-shipment charges have been revised from approximately ₹25 or ₹30 to ₹100 plus GST. This steep increase targets shipments valued below ₹1 lakh, meaning the highest financial penalty falls directly on the smallest cross-border sellers. Because these changes are implemented without prior notice, formal circulars, or transparent justification, exporters are stripped of their ability to plan operational costs accurately.

Systemic Threats to Formal Trade

The unresolved data gaps carry severe operational risks, the most critical being the threat of Caution Listing. If entries remain outstanding, banks can recommend the exporter to the central regulator for blacklisting. Caution listing strips an MSME of its operational freedom, restricting future transactions strictly to Letters of Credit or 100% advance payments, while freezing foreign currency bank guarantees. Initiating these extreme measures due to system integration errors, without giving the business a fair chance



“The biggest challenge for MSME e-commerce exporters lies in reconciling the value declared on shipping bills with the actual amount realized in their bank accounts. In cross-border e-commerce, payment gateways, marketplaces, intermediary banks, and currency conversion costs often result in deductions before funds reach India, creating a mismatch between the invoiced and realized value. Unfortunately, existing banking compliance systems are largely designed for traditional export models, where payments closely match invoice values. This often leads to repeated queries and reconciliation requirements from Authorized Dealer banks. For MSMEs handling hundreds or even thousands of low-value shipments each month, these discrepancies create a significant administrative burden. Time and resources that should be invested in expanding markets, improving products, and serving customers are instead spent on managing documentation and resolving compliance issues, ultimately impacting business growth and competitiveness.”

- Mr. Naveen Sharma,
E-Commerce Exporter, Noida



The platform acts as a digital ledger where every shipping bill must pair perfectly with an Inward Remittance Message (IRM) sent by the bank. In an ideal scenario, the value on the shipping bill and the value of the remittance are identical.

to reconcile the data, violates basic principles of due process.

This excessive friction is creating an unintended, dangerous shift in the export ecosystem. Due to rising compliance costs and unpredictable banking fees, some small exporters are being compelled to explore alternative or informal trade channels outside the standard banking framework. This regression undermines formal export monitoring systems, reduces transaction traceability, and runs entirely counter to the national goal of formalization and digitization.

Actionable Steps for MSME Exporters

While policy adjustments are being debated, small exporters must take immediate steps to safeguard their working capital:

- **Establish Separate Export Accounts:** Avoid mixing domestic business with international trade. Utilizing a dedicated bank account for inward remittances makes it easier for automated banking systems to map incoming funds to the correct Importer Exporter Code.
- **Conduct Monthly Internal Audits:** Exporters must not wait for an official overdue notice. Reviewing the bank’s data ledger every thirty days allows a firm to spot and resolve a minor value mismatch before it becomes a multi-year legacy issue.

Policy Recommendations

To sustain the growth of cross-border retail trade, regulatory and governmental authorities may consider the following structural interventions:

1. **Clarify the Legal Basis for Banking Charges:** The central regulatory authorities could investigate whether commercial banks possess any explicit statutory mandate under the Foreign Exchange Management Act or standing master directions to levy financial penalties for documentation pendency. Any charge applied without a clear regulatory mandate may be reviewed and, where appropriate, discontinued.
2. **Implement a Mandatory Grace Period:** Banks could be directed to provide a structured, time-bound reconciliation window of at least 90 days. During this period, exporters may be allowed to submit supporting documents, such as electronic foreign inward



“To fully unlock the potential of India’s MSME and D2C export ecosystem, we need to move away from a documentation-intensive compliance framework and towards an automated, data-driven reconciliation system. One of the most impactful reforms would be the automatic regularisation of low-value export shipments within the EDPMS framework. Small-value e-commerce exports, which are typically supported by transparent digital transaction records, should not be subjected to the same manual verification processes designed for traditional bulk exports. Greater integration between e-commerce marketplaces, payment gateways, banks, and customs systems can enable real-time data sharing and significantly reduce reconciliation delays. By leveraging technology to validate transactions at the source, policymakers can minimize administrative burdens, reduce unnecessary compliance costs, and create a more predictable and business-friendly environment for small exporters. Such reforms would strengthen India’s competitiveness in the rapidly growing global e-commerce marketplace.”

- Virpal Singh,

E-Commerce Exporter, Patiala, Punjab

remittance certificates, to clear legacy files without the threat of immediate financial penalties or caution listing.

3. **Establish Multi-Bank Coordination Protocols:** Since an exporter’s records are often fragmented across multiple financial institutions, banks could avoid taking unilateral punitive action. A coordinated verification framework may be established to ensure data integrity before attributing compliance gaps to the exporter.
4. **Expediting the HPPOB GST Framework:** Beyond banking, the

platform stores their inventory. Operationalizing the HPPOB framework could allow small businesses to operate under a single home-state registration while utilizing distributed warehouses across the country, thereby improving logistics efficiency.

Towards a More Efficient Export Ecosystem

The payment reconciliation gap highlights a critical misalignment between legacy trade regulations designed for bulk cargo and the modern realities of digital retail commerce. India’s path to becoming a global export powerhouse cannot be paved with blocked refunds, unauthorized



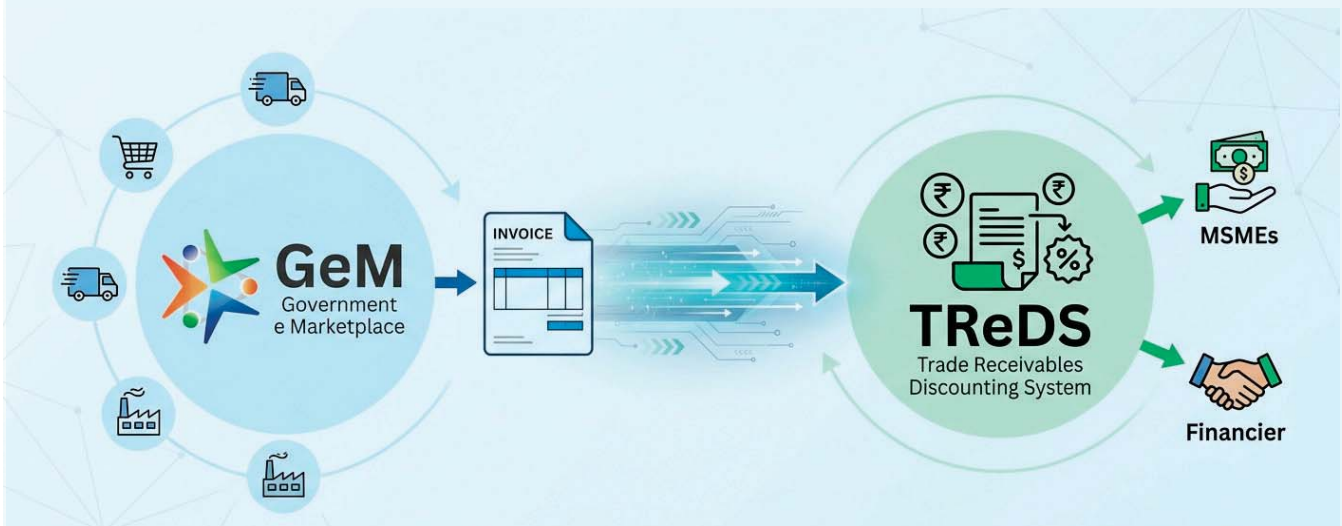
government could consider fast-tracking the Home State Principal Place of Business (HPPOB) framework approved by the GST Council. Currently, e-commerce sellers face a significant administrative burden because they are required to maintain separate GST registrations in every state where an e-commerce

banking fees, and administrative redundancies. By enforcing transparent banking practices, introducing automated tolerance limits for minor value mismatches, and simplifying tax structures across state borders, the regulatory ecosystem can transform compliance from an expensive anchor into a powerful catalyst for economic growth. **bwise**

FROM ORDERS TO CASH:

How GeM-TReDS Is Transforming MSME Working Capital

Budget 2026-27's decision to link the Government e-Marketplace with the Trade Receivables Discounting System marks a significant shift in how India plans to address delayed payments to MSMEs, moving from complaint portals and legal mandates to a system where procurement, payment, and financing work as one continuous chain.



For most MSMEs, growth is not limited by orders. It is limited by cash.

A small manufacturer may successfully secure a government contract, deliver products on time, and fulfil every requirement of the purchase order. Yet the biggest challenge often begins after delivery. Payment may take months to arrive, forcing the entrepreneur to bridge the gap through personal savings, supplier credit, or expensive short-term borrowing. In India's economy, trade credit acts as the invisible fuel that keeps business moving. But for

small enterprises, it can also become a slow bleed. Every delayed payment effectively turns the MSME into an unwilling lender, extending interest-free credit to a much larger buyer while struggling to pay salaries, purchase raw materials, and meet operational expenses.

For many business owners, delayed payments are not accounting entries. They are cancelled purchase orders, postponed expansion plans, mounting borrowing costs, and sleepless nights spent managing

cash flow. A delayed payment can mean a salary that cannot be paid at the end of the month, a raw material order that must be postponed, or a high-interest loan taken simply to keep operations running.

This is precisely the problem that Budget 2026-27 seeks to address through a series of reforms centred on integrating the Government e-Marketplace (GeM) with the Trade Receivables Discounting System (TReDS). The objective is simple but transformative: convert confirmed government orders into immediate working capital.

The Breaking Point: Why Cash Remained Locked

India has never lacked regulations intended to protect MSMEs.

The MSMED Act mandates payment within 45 days. Section 43B(h) of the Income Tax Act discourages delayed payments by restricting tax deductions for overdue dues. The Samadhaan portal was launched in 2017 to provide a formal mechanism for payment dispute resolution. Central Public Sector Enterprises (CPSEs) were directed to register on TReDS.

Yet delayed payments continued to affect thousands of businesses across the country.

The challenge was not the absence of rules but the absence of an integrated system. Government procurement and invoice financing operated on separate tracks.

A supplier could successfully deliver goods through GeM and receive confirmation from the buyer. However, that verified information remained locked within the procurement platform. Banks and financiers that could provide working capital had no automatic visibility into these transactions.

As a result, MSMEs frequently found themselves waiting

months for payment despite having already completed their obligations.

The numbers highlight the scale of the challenge. Since its launch, the Samadhaan portal has received more than 2.56 lakh applications related to delayed payments. A significant number remain unresolved, under review, or rejected. As recently as February 2026, CPSEs alone reported more than ₹2,400 crore in pending dues to MSMEs. Across state government entities and large private buyers, the overall figure is substantially larger.

For small businesses, the issue was never simply delayed payment. It was delayed liquidity.

The Solution: Converting Orders into Working Capital

Budget 2026-27 attempts to solve the problem at its source by connecting procurement, payment, and financing into a single ecosystem.

The centrepiece of the reform is the integration of GeM and TReDS.

The TReDS platform has already unlocked more than ₹7 lakh crore in financing for MSMEs, compared to just ₹6,700 crore when it was first launched. The model has demonstrated



“India’s MSME sector contributes significantly to economic growth, exports, and employment, yet one of its most persistent constraints continues to be access to timely working capital. For many enterprises, the challenge is not the absence of orders but the delay between delivering goods and receiving payments. A business may successfully execute a government contract and still struggle to purchase raw materials, pay suppliers, or manage payroll because cash remains locked in receivables.



The integration of GeM and TReDS has the potential to address this structural gap by transforming approved receivables into immediate liquidity. More importantly, it signals a larger shift in India’s financing architecture, from collateral-based lending towards transaction-based and cash-flow-based financing. Instead of evaluating MSMEs primarily on asset ownership or historical banking relationships, financing can increasingly be anchored on verified economic activity.

However, technology integration alone will not determine success. The real impact will depend on whether the smallest enterprises across tier-2 and tier-3 cities can access these benefits with ease. Greater awareness, seamless digital onboarding, faster invoice validation, and broader participation from financial institutions will be essential. If implemented effectively, the GeM-TReDS convergence can become a foundational step towards building an ecosystem where every MSME with a genuine order gains timely access to capital and can pursue growth with greater confidence. ”

- Ms. Nikita Bose,
National Head- Governance Coverage,
Invoicemart, TReDS

its ability to provide working capital efficiently. However, its reach remained limited because procurement data and financing systems were disconnected.

Under the new framework, information verified on GeM can flow directly into TReDS, allowing financiers to view government-backed purchase transactions in real time.

The Budget also mandates TReDS as the settlement platform for all CPSE purchases from MSMEs. Earlier rules required CPSEs to register on TReDS. The new requirement goes a step further by requiring actual settlement through the platform. This shifts TReDS from being a voluntary financing option to becoming an integral part of the payment ecosystem.

The goal is not merely faster payments. The goal is faster access to cash.

How It Works: From Delivery to Cash

The reform simplifies what was previously a fragmented process.

- **Step 1 - Deliver Goods**
An MSME supplies products or services to a government department, CPSE, or public institution through GeM.
- **Step 2 - Delivery Confirmation**
The buyer verifies receipt and acceptance of the goods on GeM.

- **Step 3 - Information Flows to TReDS**
The confirmed transaction becomes visible to participating financiers through the integrated system.
- **Step 4 - Banks Compete to Finance the Invoice**
Multiple banks and financial institutions can bid to discount the invoice.
- **Step 5 - MSME Receives Early Payment**
Instead of waiting several months for settlement, the supplier can receive funds within 24 to 48 hours of invoice acceptance. In practical terms, an unpaid invoice becomes immediate working capital. What was previously a fragmented process spread across disconnected

Ultimately, success will not be measured by the number of portals created or notifications issued. It will be measured by whether a small entrepreneur can deliver an order.

systems now becomes a continuous flow from procurement to financing and payment.

Why Financing Could Become Cheaper

Budget 2026-27 introduces another important reform by extending CGTMSE-backed credit guarantee support for invoice discounting on TReDS.

In simple terms, the government is sharing part of the financing risk. When lenders know that a portion of the exposure is backed by a government guarantee, they become more willing to finance smaller enterprises that may otherwise struggle to access affordable credit.

This creates two major benefits.

First, more banks and financial institutions can participate in invoice financing.

Second, increased competition among lenders can bring down financing costs for MSMEs.

The Budget also proposes securitisation of TReDS receivables. This allows discounted invoices to be bundled together and sold to institutional investors such as mutual funds and insurance companies. By expanding the pool of capital available for invoice financing, the reform has the potential to significantly increase liquidity available to MSMEs.

Together, these measures aim to create a deeper and more competitive financing ecosystem around MSME receivables.

One Size Does Not Fit All: The Micro-Enterprise Challenge

The reforms represent a major structural improvement, but their success will not be measured by adoption among large manufacturers alone.

A medium-sized enterprise with dedicated finance teams can easily navigate digital platforms and banking



procedures. A micro-enterprise operating in a tier-2 or tier-3 town often faces a very different reality.

The challenges are practical rather than technological.

Many small entrepreneurs remain unaware of invoice discounting and TReDS. Others may find digital platforms difficult to navigate. Documentation requirements, onboarding procedures, and interactions with financial institutions can create additional barriers.

There is also the issue of the power imbalance between a small supplier and a large government buyer. An MSME that depends on future contracts may hesitate to raise concerns regarding delayed payments or financing arrangements.

This is why the CPSE mandate is particularly important. By requiring government enterprises to settle MSME transactions through TReDS, the responsibility for compliance shifts more heavily towards the buyer rather than resting entirely on the supplier.

technical challenges involved in onboarding defence procurement to the platform. The ministry is coordinating with GeM, the Ministries of Commerce, MSME and Finance, as well as the Army, Navy, Air Force, and defence public sector undertakings.

This development is particularly important because the Ministry of Defence is among the largest purchasers on GeM. Procurement worth more than ₹71,000 crore was sourced through the platform during the last financial year.

Practical Guide: How MSMEs Can Prepare

MSMEs do not need to wait for a payment crisis before preparing for the new system.



Several practical steps can help businesses take advantage of the reforms.

<p>1</p> <p>Verify Udyam Registration</p> <p>UDYAM</p> <p>Ensure that all business details are updated and active under the Udyam registration system.</p>	<p>2</p> <p>Register on GeM</p> <p>GeM</p> <p>For enterprises supplying to government departments, CPSEs, or defence organisations, GeM registration is increasingly becoming essential.</p>	<p>3</p> <p>Choose a TReDS Platform</p> <p>TReDS PLATFORM</p> <p>RXIL M1xchange INVOICEMART</p> <p>MSMEs can register with one of the existing TReDS platforms such as RXIL, M1xchange, or Invoicemart.</p>
<p>4</p> <p>Understand Invoice Discounting</p> <p>INVOICE</p> <p>Business owners should familiarise themselves with the process through which approved invoices can be converted into immediate cash.</p>	<p>5</p> <p>Check Buyer Participation</p> <p>Confirm whether major customers, particularly CPSEs and large corporates, are active participants on TReDS.</p>	<p>6</p> <p>Compare Financing Offers</p> <p>OFFERS</p> <p>When multiple financiers bid on an invoice, MSMEs should compare rates carefully and select the most competitive option.</p>

For the reform to truly succeed, it must work not only for large industrial clusters but also for the smallest enterprise operating in the most remote district.

Defence Procurement Opens a New Opportunity

One of the most significant developments is the planned expansion of TReDS into defence procurement.

Running a small business that supplies to the defence sector comes with

unique challenges. Contracts are often large, timelines are long, upfront investments can be substantial, and delayed payments can place considerable pressure on working capital.

The Ministry of Defence is now actively moving towards integrating TReDS into its procurement ecosystem.

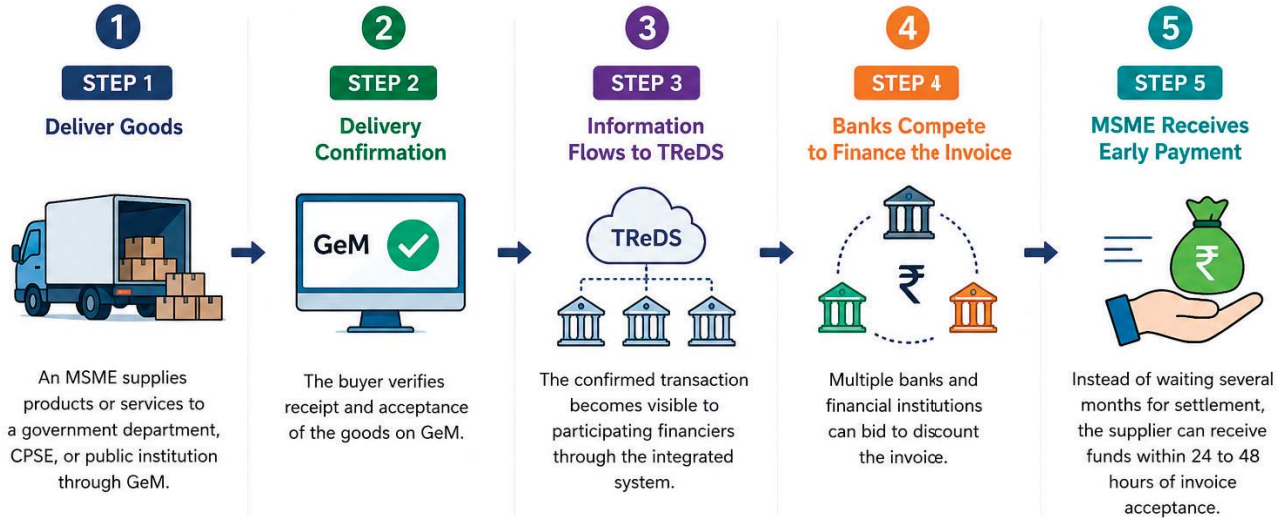
Shri R. K. Singh, Secretary, Defence, recently convened discussions to resolve the remaining operational and

For defence MSMEs and start-ups, access to faster invoice financing could significantly improve cash flow and reduce dependence on costly short-term borrowing.

As India seeks to strengthen its domestic defence manufacturing ecosystem, smoother payment infrastructure may prove just as important as production incentives and procurement opportunities.

How It Works: From Delivery to Cash

The reform simplifies what was previously a fragmented process.



 In practical terms, **an unpaid invoice becomes immediate working capital.** 



From Payment Promises to Payment Reality

For years, discussions around delayed MSME payments focused on grievance mechanisms, legal provisions, and compliance requirements. While these measures were important, they did little to solve the underlying challenge of working-capital shortages.

The GeM-TReDS integration takes a different approach. Rather than relying solely on faster payment enforcement, it enables businesses to access cash immediately after verified delivery.

The infrastructure is finally beginning to connect procurement, financing, and payment into a single ecosystem. If implemented effectively and supported through widespread awareness, onboarding assistance, and rigorous compliance monitoring, the reform could fundamentally improve cash-flow management for millions of MSMEs.

Ultimately, success will not be measured by the number of portals created or notifications issued. It

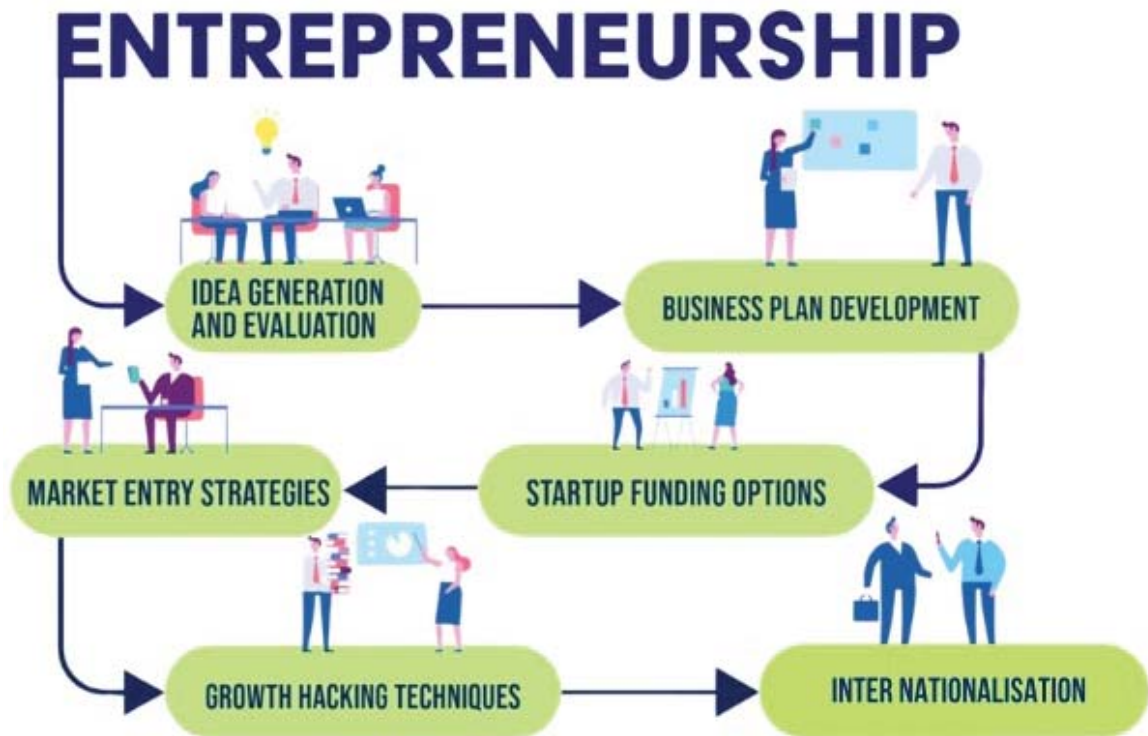
Every delayed payment effectively turns the MSME into an unwilling lender, extending interest-free credit to a much larger buyer while struggling to pay salaries, purchase raw materials, and meet operational expenses.

will be measured by whether a small entrepreneur can deliver an order on Monday and have the money needed to pay workers, purchase materials, and accept the next order by Wednesday.

That is when government orders truly become working capital. **bwise**

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- Leverage Government Schemes & Subsidies
- Get Recognised
- 1 - 1 Mentorship
- Support for IP Registration
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for Micro, Small and Medium Enterprises

One Family-One Entrepreneur MSME Growth Summit 2026



THE MSME RESET: Andhra Pradesh's Blueprint for Digital, Global and Inclusive Growth

The recently held MSME Growth Summit in Vijayawada marked a decisive shift from policy intent to on-ground transformation, underscoring how digital adoption, global partnerships, and cluster-led development are actively reshaping and strengthening the MSME ecosystem.



There is a significant shift happening in how Andhra Pradesh views its MSMEs. For years, government support for small businesses across India has felt fragmented, a subsidy here, a training seminar there. However, the recent MSME Growth Summit 2026, held at the newly opened Dr. B. R. Ambedkar Kala Vedika Convention Centre in Vijayawada, signaled that the state is ready to move past piecemeal policies toward a highly integrated ecosystem.

Led by Chief Minister Shri Nara Chandrababu Naidu, the summit brought tech giants, financial institutions, and policymakers under one roof. The core message of the event was clear: if small businesses want to survive the next decade, they need to stop thinking local and start thinking digital and global.

Grounding Policy in Reality
The Summit brought a strong grassroots perspective into the centre of the conversation. Moving beyond broad policy discourse, the





“MSMEs have the power to transform a small idea into a large industry and create opportunities at scale. Our government is committed to building an ecosystem where youth and women can turn innovation into enterprise. Through dedicated MSME and industrial park policies, incentive support of ₹558 crore, and the launch of the AP Cluster Development Programme with an outlay of ₹200 crore, we are making Andhra Pradesh a strong destination for entrepreneurship, employment generation, and inclusive industrial growth.”

- Shri Nara Chandrababu Naidu,
Chief Minister, Andhra Pradesh



sessions focused on the operational realities that define everyday business for MSMEs, including delayed payments, compliance pressures, capability constraints, and the ongoing challenge of digital adoption. The discussions remained practical and implementation-oriented, with a clear emphasis on solutions that could deliver impact at the enterprise level.

The format of the event reflected the same approach. Designed to go beyond

conventional conference sessions, the summit created opportunities for direct engagement through dedicated MSME Experience Zones and the Ratan Tata Innovation Hub (RTIH). These spaces allowed participants to explore innovations, interact with support institutions, and engage with emerging tools, services, and opportunities relevant to enterprise growth and transformation.

The state also tied these industrial goals to a broader social vision it

calls “One Family, One Entrepreneur,” aiming to make business ownership a mainstream pathway to household wealth across Andhra Pradesh.

From the Factory Floor to Global Markets

The second half of the summit moved from ideas to implementation. Discussions were anchored in practical strategies rather than broad conversations on globalization, with speakers outlining tangible

opportunities for MSMEs to scale beyond domestic markets. Contributions from Amazon Global Selling highlighted how local enterprises can use e-commerce channels to build an export presence and reach international customers. The summit placed equal emphasis on solving operational challenges alongside growth opportunities. Financial experts demonstrated how MSMEs can strengthen liquidity and reduce payment-cycle pressures through Trade Receivables Discounting System (TReDS) platforms, while representatives from UNIDO discussed pathways for manufacturing clusters to align with evolving international quality and compliance requirements.

Beyond the speaker sessions, informational booths translated discussions into direct support. Designed as live, single-window facilitation centres, these spaces enabled entrepreneurs to access real-time guidance on credit linkages, digital onboarding, certifications, incubation support, and other business-enablement services - bringing solutions closer to enterprises instead of leaving them at the policy level.

Industrial Parks, Seed Funds, Digital Transformation and More: Eight Initiatives Shaping MSME Growth

One of the most significant outcomes of the summit was the announcement of eight flagship initiatives designed to strengthen Andhra Pradesh's MSME ecosystem across infrastructure, innovation, finance, sustainability, digital readiness, and inclusion.

At the infrastructure level, the state announced the rollout of 38 MSME parks under its broader industrial development programme led by APIIC and the Industries & Commerce Department, aimed at expanding industrial capacity and creating enabling ecosystems for enterprise growth. Innovation also emerged as a major priority with the launch of RTIH Outpost and the inauguration



The broader objective is not merely to accelerate industrial growth, but to build an environment where MSMEs can scale, compete, and participate more meaningfully in the state's economic transformation.

of the Advanced Prototyping & Innovation Center (APIC), intended to improve access to technology, product development capabilities, and innovation infrastructure for MSMEs.

To address financing gaps for emerging enterprises, the SIDBI-RTIH Seed Fund was introduced to support early-stage ventures and strengthen entrepreneurial activity. Complementing this, the digital transformation agenda received a major push through the launch of large-scale

MSME Digital Maturity Assessments by DxEdge, aimed at evaluating digital readiness and helping enterprises across the state strengthen their adoption of technology and improve competitiveness.

The summit also highlighted sustainability and long-term competitiveness as key priorities. Energy and water audits were announced to encourage resource-efficient manufacturing practices, while the AP Cluster Development Programme (AP CDP) was introduced to accelerate sector-focused industrial growth through stronger cluster ecosystems. Reinforcing the commitment to inclusive development, entrepreneurship training programmes for PwBD youth were launched to widen access to business opportunities and enterprise creation.

Collectively, these initiatives reflect a broader shift from isolated interventions to ecosystem creation supporting MSMEs through infrastructure, innovation, financing, digital capability, sustainability, and inclusive entrepreneurship.



The core message of the event was clear: if small businesses want to survive the next decade, they need to stop thinking local and start thinking digital and global.



Eight Strategic MoUs: Turning Vision into Implementation

Complementing the policy announcements, the summit also witnessed the signing of eight strategic Memoranda of Understanding aimed at translating intent into measurable outcomes through partnerships with national and global institutions.

Among the most notable collaborations was the three-year partnership between India SME Forum and AP MSME Development Corporation to implement the UNIDO Cluster Development Methodology across selected MSME

clusters in Andhra Pradesh. The initiative is expected to support diagnostic assessments and structured cluster development roadmaps aligned with international best practices.

Digital enablement emerged as another strong focus area. Meta committed to supporting micro enterprises through the adoption of digital business platforms and tools, while Vodafone Idea introduced its ReadyForNext framework to strengthen enterprise digital readiness and accelerate technology adoption across the MSME ecosystem.

International market access and export competitiveness also featured prominently. Amazon Global announced an e-commerce exports programme focused on enabling enterprises through awareness initiatives, market insights, and export preparedness, while Aramex India committed to strengthening export logistics and trade facilitation through onboarding support, capacity-building, and access to global distribution networks.

Additional partnerships with Zoho Corporation, Quality Council of India, and National Small Industries



“The vision of Hon’ble Chief Minister of Andhra Pradesh to economically empower every family through entrepreneurship is one of the most transformative development agendas in India today. The ‘One Family, One Entrepreneur’ mission recognises that sustainable prosperity is created not merely through welfare, but by enabling families to become creators of wealth, jobs and opportunities.

India SME Forum is proud to partner with the Government of Andhra Pradesh in advancing this vision through initiatives focused on entrepreneurship development, formalisation, skilling, digital enablement, market access, financing and exports. By identifying, nurturing and scaling entrepreneurs across urban and rural Andhra Pradesh, we have the opportunity to create millions of higher-order enterprises that can transform household incomes and strengthen the state’s economic foundation.

Under the leadership of the Chief Minister, Andhra Pradesh has the potential to become a national model for inclusive entrepreneurship-led development, demonstrating how every family can participate in and benefit from India’s growth story. We are honoured to contribute to this mission and remain committed to supporting the Government in building a vibrant, globally competitive and future-ready MSME ecosystem. ”

- Mr. Vinod Kumar,
President, India SME Forum



What distinguishes Andhra Pradesh’s approach is its attempt to move beyond standalone schemes and create an interconnected industrial ecosystem that links cluster development with innovation, digital readiness, global market integration, and stronger enterprise support systems.

Corporation further expanded the ecosystem across digital transformation, quality standards, compliance support, and industrial enablement.

Together, these MoUs represent an execution framework that connects government priorities with private-sector expertise and institutional support, creating pathways for MSMEs to scale, compete, and participate more effectively in domestic and global markets.

The Bottom Line

What distinguishes Andhra Pradesh’s approach is its attempt to move beyond standalone schemes and create an interconnected industrial ecosystem that links cluster development with innovation, digital readiness, global market integration, and stronger enterprise support systems. The broader objective is not merely to accelerate industrial growth, but to build an environment where MSMEs

can scale, compete, and participate more meaningfully in the state’s economic transformation.

Reinforcing this ambition, the Chief Minister reiterated the vision of ‘One Family, One Entrepreneur’, positioning entrepreneurship as a vehicle for inclusive and broad-based economic development. The vision reflects an effort to deepen enterprise creation at the grassroots level and expand opportunities for households across Andhra Pradesh to become active participants in the state’s growth story.

The direction is ambitious and the building blocks are being put in place. The real measure of success, however, will lie in execution by translating commitments into outcomes and ensuring that the goals of Swarna Andhra Vision 2047 are reflected in stronger enterprises, greater competitiveness, and sustained economic impact on the ground. **bwise**

(The India SME Forum was the Knowledge Partner for the Summit).

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THE MACHINE THAT NEVER BLINKS:

Why the Future of MSME Intelligence is Local, Not Cloud



Machine AI, the new approach is bringing intelligence directly to the point of production. For Indian MSMEs, it is emerging as a powerful tool for improving quality, protecting intellectual property, and building trust in increasingly demanding global markets.

For decades, manufacturing excellence was measured by the quality of machines on the factory floor. Today, a new factor is becoming equally important: the intelligence inside those machines.

Across the global technology landscape, discussions about Artificial Intelligence often revolve around massive cloud servers, data centers, and complex digital ecosystems. Yet for an Indian MSME, manufacturing remains a fundamentally physical business. Products are made on factory floors, not in virtual environments. Machines operate in real time. Quality failures occur in milliseconds. And a single defect can cost an exporter a valuable international customer.

This is why one of the most important technological shifts of 2026 is not taking place in the cloud. It is taking place inside the RAM, processors, sensors, and motherboards of manufacturing equipment itself.

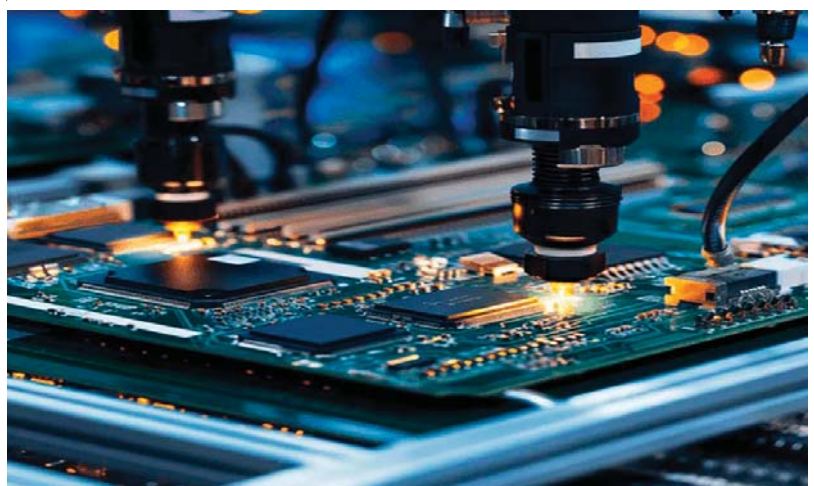
Machine AI or Local AI, the new approach is bringing intelligence directly to the point of production. For Indian MSMEs, it is emerging as a powerful tool for improving quality, protecting intellectual property, and building trust in increasingly demanding global markets.

The Cost of a Missed Defect

For a small manufacturer supplying products to international buyers, the most expensive sound inside a factory is often not the hum of machinery. It is the notification of a rejected shipment.

A single overlooked defect can trigger a series of consequences: returned consignments, delayed payments, cancelled orders, damaged reputation, and strained working capital. In an era where global buyers demand near-perfect consistency, reliability has become the true currency of manufacturing competitiveness.

Traditionally, quality control has depended heavily on human inspection. Workers visually examine products for scratches, dimensional inaccuracies, assembly errors, packaging issues, and other defects. While human expertise remains invaluable, manual inspection is naturally limited by fatigue, repetition, and the possibility of oversight.



“The future of AI adoption among MSMEs will depend less on the sophistication of the technology and more on its ability to deliver tangible business outcomes. Small businesses invest when they see clear value whether through improved product quality, reduced costs, higher productivity, faster innovation cycles, or better market access. AI has the potential to become a strategic partner across the entire business lifecycle, helping enterprises design better products, identify defects earlier, optimize operations, and make faster, data-driven decisions. Equally important is ensuring accessibility through multilingual and voice-enabled interfaces, allowing entrepreneurs and workers to engage with AI in their preferred language. As adoption grows, trust, data security, and intellectual property protection must remain central. Ultimately, AI's true success will be measured by its ability to empower MSMEs to innovate, compete globally, and participate more fully in India's digital economy.”



- **Shri Amitabh Nag**, CEO, Digital India BHASHINI Division

Manufacturers have therefore begun searching for systems that never get distracted, never become tired, and never blink.

Physical Reality Versus Virtual Clouds

Most AI conversations today focus on Cloud AI, where data is continuously transmitted to remote servers for analysis and decision-making.

For manufacturing MSMEs, however, this model presents practical limitations.

Factories operate in environments where every second matters. Production lines cannot afford delays caused by connectivity interruptions or network latency. Many industrial zones continue to experience inconsistent internet infrastructure, making constant cloud dependence impractical.

Machine AI addresses this challenge by processing information directly where it is generated.



Smart cameras, industrial sensors, and compact AI-enabled devices analyse production data locally on the factory floor. The intelligence sits inside the machine rather than in a distant server.

This means decisions are made instantly. A defect can be identified within milliseconds. A machine anomaly can be detected before it becomes a breakdown. Production continues even if internet connectivity is disrupted.

In manufacturing, local intelligence often proves more valuable than distant intelligence.

The Privacy Shield: Keeping Data Within Four Walls

For MSMEs, technology adoption is not only about productivity. It is also about protecting valuable business knowledge.

Manufacturing processes, customer specifications, production techniques, tooling configurations, and design information represent years of investment and competitive advantage. For many exporters, these assets are among the most valuable resources they possess.

Cloud-based systems often require continuous movement of operational data to external servers. While cloud platforms provide many advantages, they also create concerns regarding data exposure, cybersecurity, and intellectual property protection.

Machine AI offers a different model.

Because processing occurs locally, production data remains inside the factory premises. Sensitive information does not need to travel constantly across external networks. The result is a stronger layer of privacy and control.



For MSME owners, this creates what can be described as an intellectual shield, ensuring that the information used to manufacture products remains where those products are actually made.

In an increasingly digital industrial environment, local processing is becoming synonymous with local protection.

Moving from Reactive Correction to Preventive Intelligence

Perhaps the greatest advantage of Machine AI lies in its ability to prevent problems rather than merely identify them.

Traditional quality systems often detect issues after production has already been completed. In some cases, defects are discovered only after products have been shipped to customers.

Machine AI changes this approach entirely.

By integrating intelligence directly into production equipment, factories gain the ability to identify abnormalities as they occur. Instead of reacting to quality failures, manufacturers can intervene before defects escalate into costly business problems.

The technology effectively transforms inspection from a post-production activity into a continuous real-time process.

How Machine AI is Helping Different Industries

Across India's manufacturing ecosystem, on-device AI is increasingly being deployed to address some of the most common causes of quality failures and operational inefficiencies.

1. Surface Defect Detection

Machine vision systems can identify scratches, dents, cracks, stains, and colour inconsistencies instantly, reducing the likelihood of defective products reaching customers.

Today, many MSMEs can begin their AI journey without making massive infrastructure investments. Instead of building large digital ecosystems, they can start with a smart camera, a sensor, or a compact processing device attached directly to existing machinery.

2. Precision and Assembly Verification

AI-enabled inspection systems can detect incorrect dimensions, alignment issues, missing components, or assembly errors during production rather than after completion.

3. Equipment Health Monitoring

Sensors embedded within machinery continuously monitor vibration patterns, temperature variations, and operational behaviour. Early warnings help prevent costly breakdowns and unplanned downtime.

4. Packaging and Compliance Checks

Export markets often impose strict packaging and labelling requirements. Machine AI can verify compliance before products leave the factory, reducing the risk of shipment rejection.

Across sectors ranging from engineering and automotive components to textiles, packaging, electronics, pharmaceuticals, and precision manufacturing, the technology is rapidly becoming the new factory supervisor.

Affordable Intelligence for Small Businesses

Until recently, advanced AI systems were often viewed as technologies reserved for large corporations with substantial budgets.

That perception is changing quickly.

Advances in semiconductor technology, lower-cost AI chips, compact industrial cameras, and plug-and-play deployment models have significantly reduced adoption costs.

Today, many MSMEs can begin their AI journey without making massive infrastructure investments. Instead of building large digital ecosystems, they can start with a smart camera, a sensor, or a compact processing device attached directly to existing machinery.

This shift is democratizing industrial intelligence and making advanced manufacturing tools accessible to businesses of every size.

India's Opportunity to Lead

Much of the global conversation around artificial intelligence is being shaped by technology giants and massive computing infrastructure. India has an opportunity to contribute a different story.



A story where AI is not confined to data centres, but embedded inside machines. Where innovation is measured not by the size of a server farm, but by the number of small businesses empowered to compete globally.

For a country with millions of MSMEs, the real promise of Machine AI lies in democratizing industrial intelligence. Affordable sensors, smart cameras, and compact AI chips can place capabilities once available only to large corporations directly into the hands of small manufacturers.

If scaled effectively, India could emerge as a global blueprint for how developing economies adopt industrial AI, not through expensive technological overhauls, but through practical solutions that strengthen quality, protect intellectual property, and build trust in global markets.

By integrating intelligence directly into production equipment, factories gain the ability to identify abnormalities as they occur.



The next chapter of manufacturing competitiveness may not be written in the cloud. It may be written on the factory floor.

Bringing Intelligence to the Motherboard

The future of MSME competitiveness will not be defined solely by automation. It will be defined by intelligent automation.

The conversation is no longer simply about digitisation. It is about embedding intelligence directly into the physical manufacturing environment.

A smart camera.

A sensor.

A compact AI chip.

Together, they create a machine that never blinks.

For Indian MSMEs operating in unforgiving global supply chains, Machine AI is becoming far more than a technology upgrade. It is a quality assurance system, a privacy safeguard, an intellectual property protector, and a financial shield.

In a world where buyers increasingly reward consistency and trust, the future of manufacturing intelligence is proving to be remarkably local.

The cloud may power the digital economy. But on the factory floor, the motherboard is becoming the new frontier of competitiveness. **bwise**

JAN VISHWAS SE JAN VIKAS TAK

For decades, a missed form or a wrong date could land an Indian small business owner in jail, not because of fraud, but because of paperwork. Jan Vishwas 2026 has finally changed that, and this is why every MSME owner needs to understand what just happened.



Somewhere in India right now, a pharmacist is sleeping a little better than she did two years ago.

Not because business is suddenly easier. Not because a loan came through. But because a law that once said she could go to jail for a paperwork mistake no longer says that. It was changed quietly, efficiently, without fanfare, by a reform most people have not heard of, but one that may turn out to be among the most consequential policy shifts of this decade for India's small businesses.

This is the story of Jan Vishwas. And it deserves to be told from the beginning.

A Country That Criminalised the Calendar

Here is a question worth sitting with: when did India decide that missing a compliance deadline was a crime?

The honest answer is that we inherited it. Much of India's regulatory architecture was built during the colonial era, designed by an administration that viewed Indian citizens as subjects to be controlled, not partners to be trusted. A missed form, a wrong date, a failure to display a licence on a wall- these were treated not as administrative oversights, but as offences. The punishment, in many cases, was imprisonment. The British left in 1947. Many of their laws did not.

For many years, several laws in India treated even small procedural mistakes as criminal offences. A missed filing

deadline, a wrongly filled form, or a minor paperwork error could sometimes expose citizens and businesses to criminal penalties, including the possibility of imprisonment. A study from 2022 found that among the 69,233 unique compliances that regulate business in India, 26,134 have imprisonment clauses as a penalty for non-compliance.

Let that number sink in. Over 26,000 ways to go to prison in India, not for corruption, not for fraud, not for harming anyone, but for the kind of procedural lapses that in most modern economies would attract, at most, a small fine and a note from a regulator. The small business owner was not a criminal. But the law often treated her like one.

The Chilling Effect Nobody Measured

The real damage of a bad law is rarely the law itself. It is the shadow it casts.

When a textile manufacturer in Tiruppur knows that a wrongly filled export return could theoretically mean a court notice, she does not just worry about that one form. She starts worrying about every form. She hires a compliance consultant she cannot really afford. She avoids expanding into new product categories because new products mean new registrations, new rules, new risks. She plays it safe, which, in a competitive market, is another way of saying she falls behind.

This is what economists call the “chilling effect.” The law does not always need to be enforced to do its damage. The mere possibility of enforcement changes behaviour, makes risk-takers timid, makes innovators cautious, makes the ambitious pull back.

Excessive criminalisation of technical and procedural lapses had created compliance anxiety, discouraged entrepreneurship, and diverted administrative and judicial resources from more serious violations. India was, in effect, spending its enforcement energy on people who filled forms incorrectly, while real economic crime found ways around an overwhelmed system.

There is an old saying, “if you make peaceful change impossible, you make violent change inevitable.” In business terms, if you make honest compliance impossible, you make dishonest survival inevitable. Some businesses simply stopped registering. Others paid their way out of trouble. The law, ironically, was creating the very informality it claimed to punish.

If you make honest compliance impossible, you make dishonest survival inevitable.

The Turn: Jan Vishwas Arrives

In April 2026, Parliament passed the Jan Vishwas (Amendment of Provisions) Bill, 2026 and something important shifted.

As per the provisions of the Bill, 784 provisions across 80 Central Acts administered by 23 Ministries have been amended. Of these, 717 provisions have been decriminalised to promote Ease of Doing Business, while 67 provisions have been amended to facilitate Ease of Living. Overall, the Bill seeks to rationalise more than 1,000 offences by removing minor offences, thereby improving the regulatory environment.

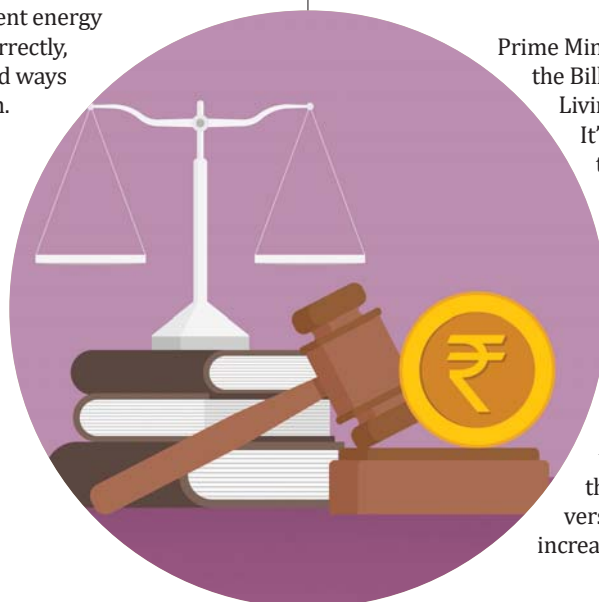
This did not happen in isolation. It was built on the foundation of the Jan Vishwas Act of 2023, which had started the conversation, decriminalising 183 provisions across 42 laws. But 2026 is where the conversation became a commitment. The legal term is “decriminalisation.” The human term is: we stopped treating honest mistakes like crimes.

The government sought to remove the fear of criminal liability for technical or non-serious violations, introducing a framework that distinguishes between serious offences and minor compliance gaps, ensuring that punitive measures are proportionate to the nature of the violation.

This distinction, between serious offence and minor gap, sounds obvious. It is not. For decades, India’s law books made no such distinction. A fraud and a form error lived in the same penal neighbourhood. Jan Vishwas 2026 finally drew the line between them.

Prime Minister Modi, on the passage of the Bill, wrote: “A big boost to ‘Ease of Living’ and ‘Ease of Doing Business’... It’s a matter of immense delight that Parliament has passed the Jan Vishwas (Amendment of Provisions) Bill 2026.”

Union Minister Piyush Goyal, addressing the Rajya Sabha, was more specific: the Bill would particularly benefit common citizens, MSMEs, and sectors like animal husbandry. He added that the government has corrected the shortcomings of the previous version by making penalties fairer and increasing them where necessary.





The law does not always need to be enforced to do its damage. The mere possibility of enforcement changes behaviour, makes risk-takers timid, makes innovators cautious.

This was not, crucially, the work of a quiet afternoon in a government office. The reforms are based on a comprehensive consultative process involving Inter-Ministerial Committee meetings, High-Level Committee meetings under NITI Aayog, interactions with industry associations, and civil society organisations. The Select Committee undertook a comprehensive consultation process of 49 sittings with participating ministries, external stakeholders, and subject-matter experts.

Forty-nine sittings. That is a government listening, not just legislating.

What Actually Changed?

The best way to understand Jan Vishwas 2026 is not to read it as a law. Read it as a message, from the government to every small business owner in the country: we know you are not a criminal.

Think about a small silk weaver in Karnataka. She runs a sericulture unit, rearing silkworms, producing raw silk, selling to traders. Her world is seasonal, cash-driven, and built on relationships, not paperwork. Under the old Central Silk Board Act, if she filled a record incorrectly or could not produce a document on demand, she could face imprisonment. Not a fine. Not a warning. Jail. The law has now been changed to introduce a warning for the first mistake and a monetary penalty only if the mistake is repeated. She now gets a chance to correct herself before she is penalised. That is a profound shift for someone

running a unit with two workers and a monthly income that depends on the weather.

Or consider the owner of a small Ayurvedic products unit, the kind that makes herbal oils, balms, or cosmetic creams using traditional recipes. Under the Drugs and Cosmetics Act, even a minor paperwork gap, a missing entry in a register, a document not submitted on time, could lead to a court case and up to one year in prison. That same lapse will now be handled through a civil penalty process, without any court involvement at all. No magistrate. No criminal record. Just a penalty, paid and moved on from.

For small importers and traders who deal with weights and measurements, covered under the Legal Metrology Act, the change is just as meaningful. Instead of facing immediate penalties for record-keeping failures, they will now first receive an improvement notice, giving them time to fix the problem before any penalty is applied. In other words, the law now gives a small importer the same basic courtesy that any reasonable person would give, telling them what is wrong before punishing them for it.

These are not big companies with legal teams and compliance departments. These are people who are the owner, the accountant, the salesperson, and the delivery person, all at once. For them, a court notice is not just a legal inconvenience. It is a business shutdown. It is called loans. It is workers sent home.

Jan Vishwas 2026 does not remove accountability. Serious violations still attract serious penalties, the reform is careful to maintain that line. But it stops treating a missed form the same way it treats a fraud. And for India's small businesses, that difference is everything.

A Graduated World: Warnings Before Punishment

One of the most elegant features of Jan Vishwas 2.0 is what it does for first-time offenders. Under the Apprentices Act, a first-time violation now triggers an advisory. A second offence gets a warning. Only repeated violations attract a financial penalty.

This is how reasonable systems work. A school does not expel a student for being late once. A doctor does not amputate for a minor infection. The response must match reality. India's regulatory system is now beginning to operate on the same logic.

There is also a built-in acknowledgment of time and inflation: fines and penalties will increase by 10 percent of the minimum amount every three years, ensuring that deterrence remains relevant over time. The law is being designed to stay current, not to fossilise like the colonial statutes it is replacing.

The Larger Meaning: From Minimum Government to Maximum Governance

According to the Statement of Objects and Reasons, the reforms align with the government's principle of "Minimum Government, Maximum Governance." That phrase gets used a lot. Jan Vishwas is what it actually looks like in practice.

It is the difference between a state that stations an inspector at your factory gate and a state that sets clear rules, trusts you to follow them, and intervenes only when you do not. The first model breeds corruption, paperwork, and fear. The second breeds investment, growth, and, crucially, voluntary compliance.

By reducing the burden of criminal liability and simplifying regulatory processes, the Bill is expected to enhance compliance, promote investment, and strengthen economic growth. When people are not afraid of the system, they are more willing to engage with it honestly.

The Ministry of Commerce and Industry has described this trajectory as a "major step towards aligning India's regulatory framework with global business standards, promoting investor confidence, and facilitating smoother business operations." India is not doing this in isolation, it is doing it because the world is watching, and the world is choosing where to put its money and its factories based on exactly this kind of signal.

The Question That Remains

Every honest story has a question at its end. The question here is: Will implementation follow intent?

Laws change on paper before they change on the ground. The inspector who once had discretionary power to threaten a small business with a criminal case will not automatically become a facilitator overnight. The culture of enforcement takes longer to shift than the statute book.

But here is what gives reason for measured optimism: this reform was not rushed. The Select Committee, chaired by Tejasvi Surya, recommended further expansion of decriminalisation, examining additional provisions within the same Acts and recommending decriminalisation across 62 additional Central Acts. The Committee pushed the government to go further than it originally intended. That is a legislature doing its job, and doing it well.

For many years, several laws in India treated even small procedural mistakes as criminal offences. A missed filing deadline, a wrongly filled form, or a minor paperwork error could sometimes expose citizens and businesses to criminal penalties.

The pharmacist is sleeping better tonight. The silk weaver who no longer fears a court summons for a clerical error. The young food startup founder in Nagpur who registers her business properly because she knows the system will give her a chance to correct mistakes, not punish her out of existence.

These are not headline numbers. They do not show up in a GDP chart. But they are the real measure of whether a reform has worked, whether the person at the bottom of the system feels its benefits, not just the person at the top.

As the saying goes: "A society grows great when old men plant trees in whose shade they know they will never sit." Jan Vishwas is that kind of reform, not an overnight miracle, but a structural shift whose deepest benefits will be felt by entrepreneurs not yet born, in businesses not yet imagined.

India is planting the tree. Now comes the harder work of making sure it grows. **bwise**

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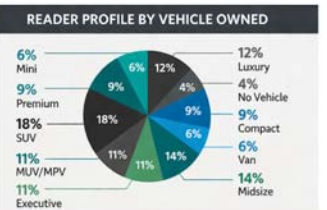
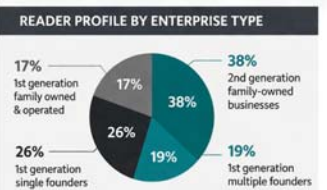


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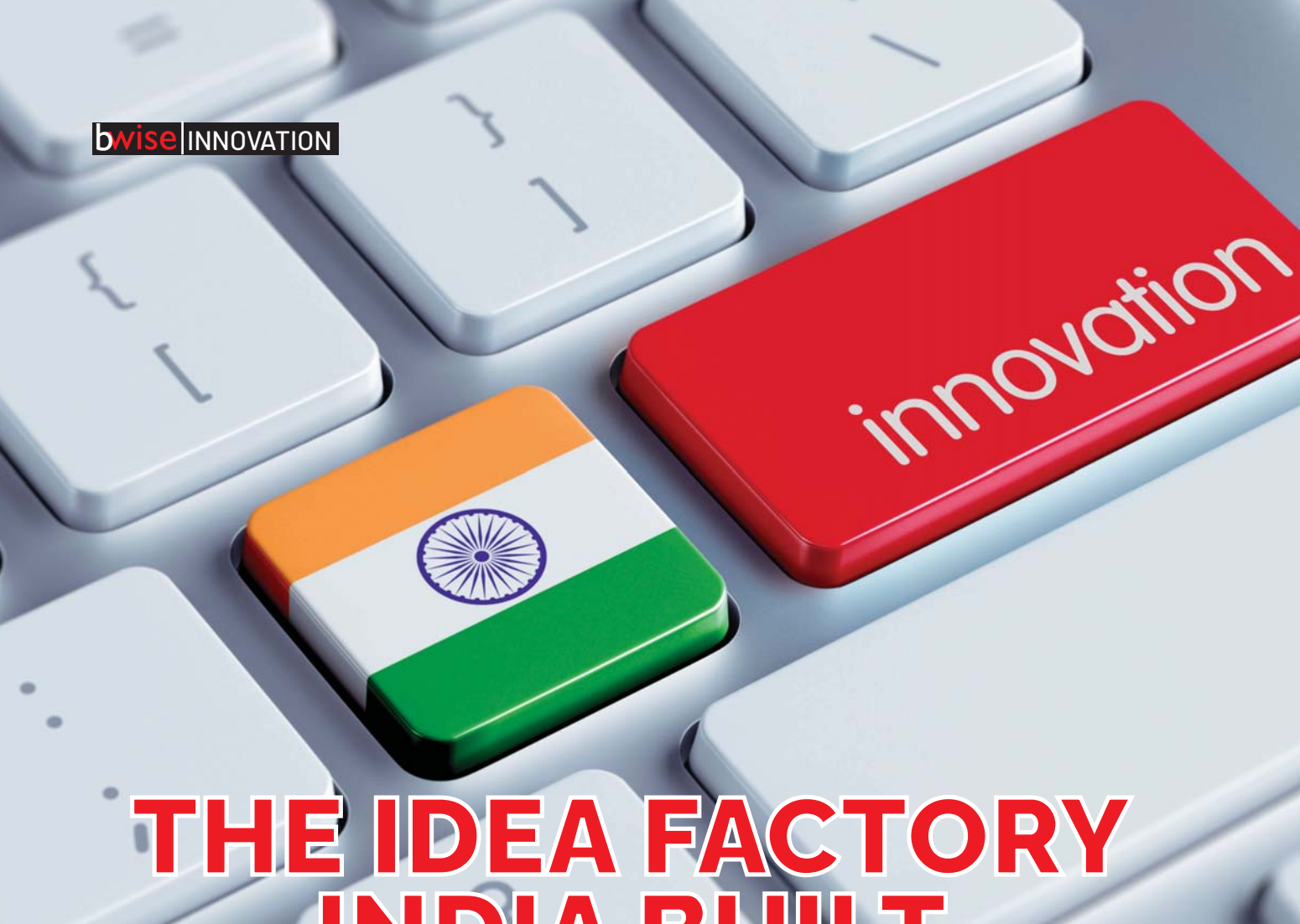
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THE IDEA FACTORY INDIA BUILT

Inside the MSME Innovative Scheme and Its Missing Millions

Launched in 2022 by the Ministry of Micro, Small and Medium Enterprises, the MSME Innovative Scheme quietly set out to build a nation where innovation doesn't belong only to big corporations or Silicon Valley wannabes, but to anyone with a problem worth solving. The scheme arrived with a bold promise: to democratise innovation across India's 7.9 crore MSMEs. Three years and five hackathons later, the numbers tell a story of remarkable ambition. But they also raise an uncomfortable question that policymakers have yet to fully answer. Where are the actual MSMEs?

The Blueprint: Big Ideas, Small Budgets

The scheme's incubation arm is



elegantly simple in design. An innovator submits an idea. A panel reviews it. If selected, the idea gets placed with one of over 770 host institutions, universities, IITs, tech incubators and receives hands-on mentoring, lab access and financial support of up to ₹15 lakh to build a working prototype. No equity is surrendered. No loans to repay. Just

funding, guidance and a shot at turning a sketch into a solution.

The MSME Idea Hackathon, now in its fifth edition by 2025, acts as the entry gate. Each iteration has evolved: the first was open to all; the second introduced sector-focused themes; the third targeted women innovators; the fourth championed young entrepreneurs, the fifth one focusing on smart and sustainable MSMEs. Every round, the doors have opened a little wider.

And people have walked through them in droves.

The Numbers Speak but Who's Listening?

From 257 ideas in 2022 to 488 in 2024-

25, participation has grown nearly 90% in just three years. Over ₹111 crore has flowed out of the government's coffers and into the hands of innovators. More than 1,418 ideas have been approved each representing a person, a prototype and the possibility of a new enterprise.

The sectors being tackled read like a national priority list: smart agriculture, affordable healthcare, clean energy, digital platforms, logistics and advanced manufacturing. Prototypes have ranged from IoT-enabled soil sensors and portable diagnostic kits to AI-powered supply chain tools and biodegradable packaging solutions.

Some of these ideas have already left the lab. At Hackathon 5.0 held at IIT Indore, startups like Homease and Bluerock Robotics secured grants and subsequently raised private equity proof that the pipeline from idea to investable business is real. Prospecta Technologies, an MSME itself, won a related digital hackathon with an AI chatbot for the government's MSME ONE portal, now being scaled nationally to help small businesses navigate compliance requirements.



The scheme's incubation structure is built around the academic world's logic: experiment, prototype, iterate. But the traditional MSME sector runs on a different logic: produce, sell, survive.

Year	Hackathon	Focus	Approved Incubatees	Key Participant Groups	Key Sector	Host Institutions	Funds Released
2022	MSME Idea Hackathon 1.0	Open innovation	257	Students, startups, individual innovators, MSMEs	Manufacturing, healthcare, agriculture, IT	~632	₹20.57 crore
2023	MSME Idea Hackathon 2.0	Theme-based innovation	276	Students, innovators, MSMEs	Agriculture technology, health tech, digital services, power systems	~643	~₹25 crore (approx approvals)
2024	MSME Idea Hackathon 3.0	Women innovators	397	Women entrepreneurs, startups, researchers	Healthcare, sustainability, digital technologies	~700+	~₹30 crore estimated
2024-25	MSME Idea Hackathon 4.0	Young innovators	488	Students, youth entrepreneurs	AI, robotics, manufacturing tech, agri-tech	~773	~₹35 crore estimated
Total	2022-2025	-	≈1,418 incubated ideas	Students, startups, innovators, MSMEs	Multi-sector innovation	~ 2748	~110.57 crore estimated

Source: Ministry of MSME, Government of India

At IIMT University, two student teams walked away with ₹24.6 lakh in Hackathon 4.0 and are now preparing MVPs, filing patents and pitching to investors. These aren't just competition wins; they're the early chapters of what may become tomorrow's businesses.

The Gap Nobody Talks About

Here's the paradox at the heart of this scheme: it was designed for

MSMEs, but its greatest champions are students, researchers and early-stage innovators, most of them operating out of university campuses, far from the factory floor.

Take a typical MSME in India. It might be a textile unit in Surat, a metal parts workshop in Ludhiana or a food processing facility in Nashik. The owner is worried about power costs, raw material prices, machinery breakdowns and GST compliance.

The idea of submitting a proposal to a hackathon, competing with engineering students for a prototype grant feel, at best, irrelevant. At worst, it feels mocking.

The scheme's incubation structure is built around the academic world's logic: experiment, prototype, iterate. But the traditional MSME sector runs on a different logic: produce, sell, survive. The language of

Sector-wise Incubation Support and Prototyping			
Sector	Key Innovation Areas	Typical Prototypes Developed	Examples of Applications
Agriculture & Rural Technologies	Precision agriculture, agri-waste utilisation, smart irrigation	IoT-based soil sensors, automated irrigation controllers	Smart farming tools, composting systems
Healthcare & Medical Devices	Low-cost medical devices, telemedicine, diagnostic equipment	Portable diagnostic kits, IoT-enabled health monitors	Remote healthcare systems
Digital Technologies & IT	AI/ML solutions, cloud computing, digital platforms	AI-based software tools, MSME digital service platforms	Enterprise software and digital marketplaces
Manufacturing & Industry 4.0	Automation, robotics, smart manufacturing	Robotics prototypes, industrial sensors	Factory automation and quality monitoring
Clean Energy & Climate Technologies	Renewable energy devices, energy efficiency	Solar-powered devices, smart energy systems	Green energy solutions for MSMEs
Waste Management & Circular Economy	Plastic alternatives, recycling technologies	Biodegradable materials, waste-processing machines	Sustainable packaging solutions
Logistics & Supply Chain	Smart logistics, transport safety, tracking systems	Digital supply-chain platforms, tracking devices	Logistics optimisation tools
Advanced Materials & Engineering	New materials, advanced engineering solutions	Prototype components, engineered materials	Defence, aerospace and industrial applications

Source: Ministry of MSME, Government of India



Rather than transforming existing MSMEs directly, the incubation scheme is quietly building a pipeline of future enterprises.



The MSME Innovative Scheme has built an idea factory. Now India needs to make sure those ideas don't just sit on shelves.

'proof-of-concept' and 'minimum viable product' doesn't naturally translate to a 20-year-old machine shop in an industrial cluster.

The funding design compounds this. Grants are structured for prototype development, which is transformative for a first-generation innovator but less useful for an established small business that needs help upgrading its machinery, getting quality certification or breaking into export markets.

Building for Tomorrow

So, is the scheme failing? Not quite. It may simply be doing something different and equally important from what its name implies.

Rather than transforming existing MSMEs directly, the incubation scheme is quietly building a pipeline of future enterprises. Hundreds of innovators who go through this process may eventually become the next



generation of small business owners launching startups, commercialising technologies and creating jobs in exactly the sectors where India needs them most.

The clean energy prototype built by a 23-year-old in an IIT incubator

today may become the affordable solar solution sold to energy-intensive MSME clusters tomorrow. The AI logistics tool developed by a researcher in Pune might streamline supply chains for hundreds of small manufacturers within five years. The journey from prototype to product is long, but it has a beginning.

Indirectly, the scheme is already working its way into the MSME ecosystem creating a library of adoptable technologies that established businesses can eventually absorb. With IPR support built into the scheme, innovators are also learning to protect their ideas, slowly instilling a culture of intellectual property consciousness in a sector that has historically undervalued it.

What Comes Next

The scheme has proved it can generate ideas at scale. The harder challenge and the one that will define its legacy is ensuring those ideas generate enterprises, jobs and real economic value for India's millions of small businesses.

Policymakers have a clear opportunity here. Cluster-specific hackathons, designed in partnership with MSME associations in textile hubs, auto-parts belts and food processing zones, could bring innovation directly to the factory floor. Stronger post-prototype support scaling funds, market linkages, investor introductions could turn promising experiments into sustainable businesses. And tying grant eligibility or follow-on funding to demonstrated adoption by existing MSMEs could create a virtuous cycle: innovators solving real problems, businesses gaining real solutions.

The MSME Innovative Scheme has built an idea factory. Now India needs to make sure those ideas don't just sit on shelves. The scheme has sparked 1,418 ideas. The next challenge is ensuring they become 1,418 enterprises and eventually, 1,418 MSMEs. **bwise**

DIGITAL PRODUCT PASSPORTS

The New Export Rule That Could Decide Your Next Export Order



Soon, a small QR code could decide whether your next export order gets approved. European buyers now want clear information about where products come from and how they are made, and even small businesses will have to follow these rules. Simple steps like keeping supplier records, tracking energy use, and working with industry groups can help businesses keep their orders, reduce audits, and find new opportunities. Read on to understand what businesses should do next.

The Two Faces of Export: A Tale of Two Generations

If you were to ask an AI to generate an image representing the soul of the Indian exporter, it would probably create two very different pictures side by side.

On the left sits a father in 1995. He runs a small garment unit in Tiruppur.

His office is filled with fabric samples, handwritten ledgers, and stacks of export documents tied together with string. One morning, he opens a letter from a German buyer.

The message is simple:

"We love your craftsmanship. Send us 5,000 units."

Trust, in those days, was built differently. A factory visit mattered. A good sample mattered. Personal relationships mattered. If the product met expectations, the order followed. The passport for the product was little more than a shipping label attached to a carton.

On the right sits his son in 2026, running the same factory but in a very different world.

The piles of paper have disappeared. In their place is a tablet displaying a Digital Product Passport, a digital twin of the garment his father once exported.

An email arrives from the same European retailer.

“We still love your craftsmanship. But before the shipment enters Europe, we need to scan a QR code and verify the story behind every thread.”

The retailer wants to know where the cotton came from. How much water was consumed during production. What chemicals were used. How the factory was powered. Whether the garment can be repaired, reused, or recycled at the end of its life. Same factory. Same buyer. Same product. Completely different rules.

The Shift: From Handshakes to Data

This is the new reality confronting exporters across India’s manufacturing clusters.

From the knitwear units of Tiruppur and textile manufacturers of Surat to the leather workshops of Agra and handicraft exporters of Moradabad, global trade is entering a new era where transparency is becoming as important as quality.

For one generation, products were primarily physical objects.

For the next generation, products are increasingly becoming data.

International buyers no longer want to know only what was manufactured. They want to understand how it was made, where materials originated, what environmental impact was created, and what happens to the product after its useful life ends.

A QR code on a product will soon carry its full story - where the cotton came from, how the factory was powered, and how the garment can be recycled. This is the Digital Product Passport, and it is becoming a requirement to sell in Europe.



At the centre of this transformation is a concept that many MSMEs are only beginning to encounter: the Digital Product Passport.

What Is a Digital Product Passport?

A Digital Product Passport (DPP) is essentially a product’s digital identity card.

Attached through a QR code or embedded digital tag, it stores verified information about a product throughout its lifecycle. A buyer, regulator, distributor, or even a consumer can scan the code and instantly access information that previously remained hidden within supply chains.

The passport may include details such as:

- Origin of raw materials
- Manufacturing processes
- Energy and water consumption
- Carbon footprint
- Chemical usage
- Repairability information
- Recycling instructions
- Supply chain traceability records

In simple terms, the Digital Product Passport tells the complete story of a product from its origin to its end of life.

And unlike voluntary sustainability labels of the past, this is not merely a marketing exercise.

The European Union has already incorporated DPPs into its Ecodesign for Sustainable Products Regulation (ESPR), which came into force in July 2024. The first product-specific rules are expected to focus on sectors such as textiles and apparel and are likely to be finalised around 2027, with compliance timelines expected to begin closer to 2028.

Importantly, these requirements will not apply only to European manufacturers.

They apply to any company anywhere in the world that wishes to sell products in the European market.

Why This Matters at the Beginning of Your Export Journey

Many MSMEs assume that such regulations are relevant only for large multinational corporations.

That assumption can be costly.

For businesses that are just beginning their export journey, understanding Digital Product Passports today may prove far more valuable than learning about them a few years later.

India's MSME sector contributes nearly one-third of the country's GDP and accounts for approximately 46 percent of total exports. A significant share of these exports enters markets that are increasingly prioritising sustainability, transparency, and traceability.

The European Union remains one of India's largest trading partners. Textile and apparel exports to the EU alone crossed \$7.6 billion in 2024-25, while total India-EU merchandise trade reached approximately \$136.5 billion.

Many of the sectors expected to be directly affected by DPP requirements such as textiles, garments, leather goods, footwear, handicrafts, furniture, and engineering products are dominated by MSME supply chains.

This makes Digital Product Passports not just a compliance issue but a strategic business issue.

The Myth of the Small Business Loophole

Whenever new regulations emerge, small businesses naturally look for exemptions.

On paper, the European framework does provide certain exemptions for very small businesses, including relief from some reporting requirements and restrictions relating to unsold products.

However, for most Indian exporters, these exemptions provide limited practical benefit.

The reason is simple.

“*The Digital Product Passport (DPP) is not merely another compliance requirement, it is rapidly becoming the new currency of trust in global trade, where transparency increasingly matters as much as product quality itself. For Indian MSMEs, the challenge extends beyond regulation; it demands leadership commitment, investment in digital capabilities, and a complete rethink of how supply chains are managed and documented. The era of trade built on handshakes is giving way to one built on data. Products will no longer compete only on price or performance, they will compete on the credibility of the digital information that travels with them. From tracing raw materials to validating sustainability claims and ensuring data integrity across the value chain, digital traceability is becoming a strategic business capability. For MSMEs connected to the \$136.5 billion EU-India trade corridor, the message is clear: in the next generation of global commerce, producing a good product will not be enough. Every product will need a trusted digital identity. Those who begin building that capability today will not simply meet compliance requirements, they will strengthen competitiveness and secure their place in the emerging circular economy.*”



- Mr Sunil Thawani,

Board Member & CEO, Quality Indeed Consulting Ltd

Most MSMEs do not sell directly to European consumers. Instead, they supply products to large retailers, fashion brands, importers, and buying houses.

Those large companies must comply with DPP requirements.

As a result, they will require data from every supplier in their value chain.

If a German retailer needs a Digital Product Passport to place a product on its shelves, the Indian factory manufacturing that product must provide the information, regardless of whether it employs 20 workers or 2,000.

In practice, compliance requirements travel down the supply chain.

For exporters, transparency is no longer optional. It is increasingly becoming a condition for market access.

The Competitive Advantage Hidden Inside Compliance

While many MSMEs may initially view Digital Product Passports as yet another compliance burden, experience from previous shifts in global trade suggests there is often a larger opportunity hidden behind new regulations. Throughout the past three decades, exporters have repeatedly faced evolving standards and requirements from international markets. Whether it was the introduction of quality certifications, environmental audits, product testing norms, or social compliance standards, each new requirement was initially

met with concern over additional costs, paperwork, and operational challenges.

However, businesses that adapted early often found themselves at an advantage. By embracing new standards before they became mandatory, they were able to strengthen relationships with global buyers, build greater credibility, and differentiate themselves from competitors. In many cases, compliance evolved from being a market-entry requirement into a valuable business asset that opened doors to larger customers and new export opportunities.

Digital Product Passports may follow a similar trajectory. While the transition will undoubtedly require effort, exporters who begin preparing today may be better positioned to meet future buyer expectations, secure long-term contracts, and establish themselves as trusted partners in increasingly transparent global supply chains. What appears to be a compliance challenge today could ultimately become a competitive advantage tomorrow.

Digital Product Passports may follow a similar pattern.

1. Early Entry Advantage

Many manufacturers across Asia are still at an early stage of preparation. Exporters who begin building traceability systems now may become preferred suppliers for international buyers searching for compliant partners. When buyers evaluate multiple sourcing destinations, readiness can become a competitive differentiator.

2. Building Instant Trust

Trust has always been central to exports. The difference is that trust is increasingly being verified digitally. Instead of lengthy email exchanges, repeated audits, and



Getting started is simple. Businesses can begin by keeping records of their suppliers, where raw materials come from, and how much energy and water they use.

multiple rounds of documentation requests, buyers may increasingly rely on standardised digital verification systems.

A scan of a QR code could provide confidence that previously required weeks of verification.

3. Future-Proofing Export Growth

Europe is unlikely to remain the only market moving in this direction. Around the world, governments and regulators are exploring stronger frameworks for sustainability reporting, traceability, and circular economy practices. Businesses that begin developing digital traceability capabilities today may find themselves better prepared for future requirements across multiple markets.

Three Simple Steps MSMEs Can Start Today

The good news is that preparing for Digital Product Passports does not require expensive software or advanced artificial intelligence systems on day one.

Most MSMEs can begin with a few practical steps.

1. Map Your Sources

Start maintaining a clear digital record of suppliers, raw material origins, and product composition. Understanding where inputs come from is the foundation of any future Digital Product Passport.

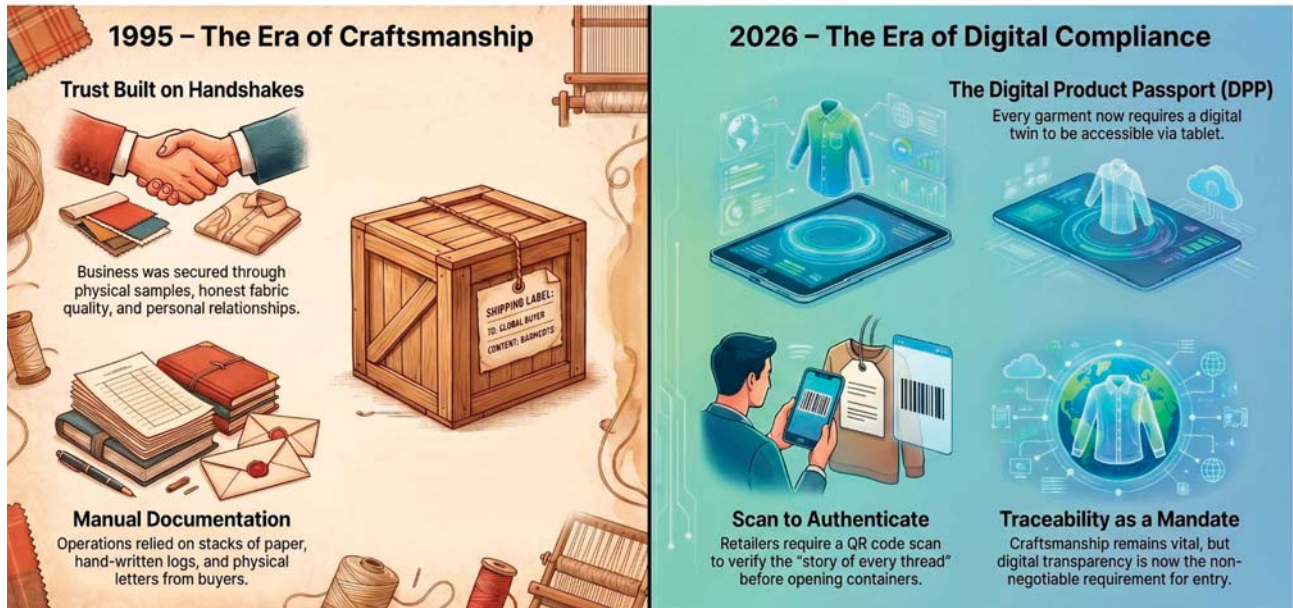
2. Track Your Resources

Begin recording electricity consumption, fuel usage, water consumption, and other resource inputs on a monthly basis. Carbon footprint data is expected to become one of the most important components of future product passports. Even basic tracking today can significantly reduce compliance challenges tomorrow.

3. Think Digital First

Treat product data with the same importance as product quality. The story behind the product is becoming part of the product itself. Businesses that develop a culture of documentation, traceability, and digital record-keeping today will find it easier to adapt as regulations evolve.

The Evolution of Export: From Handshakes to Digital Passports



A Good Product Is No Longer Enough

The generation that built India’s export success did so through hard work, craftsmanship, reliability, and relationships. For decades, these qualities helped countless MSMEs transform from small family-run enterprises into globally respected suppliers. Trust was earned through consistent quality, timely deliveries, and years of personal engagement with buyers. A strong product and a good reputation were often enough to open doors to international markets.

Those fundamentals have not changed. Buyers still value quality, dependability, and competitive pricing. What has changed is the way trust is established and verified. In an increasingly digital and sustainability-conscious global marketplace, buyers are no longer satisfied with assurances alone. They want evidence. They want visibility into supply chains. They want to understand not only what is being produced, but also where materials originate, how products are manufactured, what resources are consumed, and what environmental impact is created along the way.

India’s textile exports to the EU crossed \$7.6 billion in 2024-25. Garments, leather goods, footwear, and handicrafts - all heavily produced by MSMEs - are among the first product categories coming under DPP rules.

This is where Digital Product Passports represent a fundamental shift. The QR code attached to a product may appear insignificant, but it serves as a gateway to an entirely new form of transparency. With a simple scan, a buyer can access a verified record of a product’s journey from raw material to finished goods. In many ways, the Digital Product Passport is becoming a new language of trust in global trade, one that complements craftsmanship with credible data.

For Indian MSMEs, this transition should not be viewed solely as another compliance requirement imposed by overseas markets. It is also an opportunity to strengthen credibility, differentiate from competitors, and build deeper relationships with international buyers. Businesses that begin preparing early will be better positioned to meet future expectations, access premium markets, and respond confidently to evolving global standards.

In the father’s era, a good product was often enough to secure an export order. In the son’s era, a good product increasingly needs a digital story to travel alongside it. The future of exports will not be defined only by what MSMEs manufacture, but also by how effectively they can demonstrate the journey behind every product they make.

For India’s exporters, Digital Product Passports are therefore much more than a regulatory obligation. They are rapidly becoming a passport to participation in the next generation of global trade, where transparency, traceability, and trust will be as valuable as the products themselves. **bwise**



A DECADE OF MUDRA

Evolution, Inclusion, and the Changing Landscape of Micro Entrepreneurship in India

A decade after its launch, MUDRA has rewritten India's credit story for millions who were never part of it. Here's what the numbers, and the gaps, reveal.

The Debt That Was Never Offered

India has always had entrepreneurs. Long before the word entered policy vocabulary, the country ran on them, the village weaver, the roadside blacksmith, the neighbourhood grain trader, the woman who turned her kitchen into a pickle-making unit. These were not

hobbyists. They were the economic spine of communities that no corporation ever reached.

But for most of independent India's history, the formal financial system looked the other way. Credit flowed upward, to large industries, to well-connected borrowers, to those

with land titles and balance sheets. The micro entrepreneur, who had none of these things but often ran a more community-rooted, more resilient business than any large borrower, was turned away at the bank door and sent, instead, to the moneylender. The consequences were generational. A business that could not grow kept a family in the same place for decades.

This is the historical context in which MUDRA was born. The Union Budget of FY 2015-16, presented by Finance Minister Arun Jaitley, announced the formation of MUDRA Bank. MUDRA-Micro Units Development & Refinance

by partnering with banks, MFIs, and regional lending institutions to extend micro finance, covering credit, financial literacy, and allied support services to manufacturing, trading, and service entities at the bottom of the pyramid.

As Prime Minister Modi described it at launch: “Millions of common men and women of this country, who run small businesses, have almost remained outside the net of formal institutional finance, in spite of their large contribution to the economy. MUDRA is our innovation of funding the unfunded.”

stage of growth and funding needs of the beneficiary micro unit, and to provide a reference point for the next phase of graduation. Shishu covers loans up to ₹50,000; Kishor from ₹50,000 to ₹5 lakh; Tarun from ₹5 lakh to ₹10 lakh; and Tarun Plus from ₹10 lakh to ₹20 lakh, available to entrepreneurs who have already availed and successfully repaid a Tarun loan.

This tiered architecture was deliberate and meaningful. Earlier government credit schemes had often operated as one-size-fits-all instruments. MUDRA recognised that the financial needs of a first-time borrower starting with ₹30,000 and a small manufacturer seeking ₹8 lakh to buy machinery were categorically different, and designed accordingly.

MUDRA's funding support operates through two channels: a Micro Credit Scheme for loans up to ₹1 lakh through MFIs, and a Refinance Scheme for commercial banks, RRBs, small finance banks, and NBFCs. Over time, the scheme integrated with Jan Dhan accounts to simplify disbursement, and the Udyamimitra portal was built as a digital front door for loan applications, a meaningful step toward formalising an otherwise informal borrower base.

Critically, as per recommendations of the Working Group constituted by RBI for reviewing credit guarantee schemes, banks have been mandated not to insist on collateral security for loans up to ₹20 lakh extended to units in the micro and small enterprises sector. This removal of the collateral requirement was not a minor procedural change. For a population that had historically been excluded precisely because it had no collateral to offer, it was the single most consequential design decision in the scheme.

The Honest Reckoning

A scheme of this scale deserves scrutiny, not celebration alone.

India's micro enterprises did not remain small because their founders lacked ambition. They remained small because the systems around them were never built for them.



Agency Ltd, was registered as a company in March 2015 under the Companies Act, 2013, and as a Non-Banking Finance Institution with the RBI on 7th April 2015, before being launched by Prime Minister Narendra Modi on 8th April 2015 at Vigyan Bhawan, New Delhi. It was established as a wholly owned subsidiary of SIDBI, with an authorised capital of ₹5,000 crore and a paid-up capital of ₹1,675.92 crore, fully subscribed by SIDBI, created to develop and refinance the micro-enterprise sector

Building a Ladder, Not Just a Loan

MUDRA did not begin as a glamorous programme. It started as a refinancing body, channeling funds through banks, NBFCs, microfinance institutions, and regional rural banks, which would in turn lend to the end borrower. The idea was structural: fix the pipeline, and credit would reach those it never had before.

Under the aegis of PMMY, MUDRA created four products, Shishu, Kishor, Tarun, and Tarun Plus, to signify the

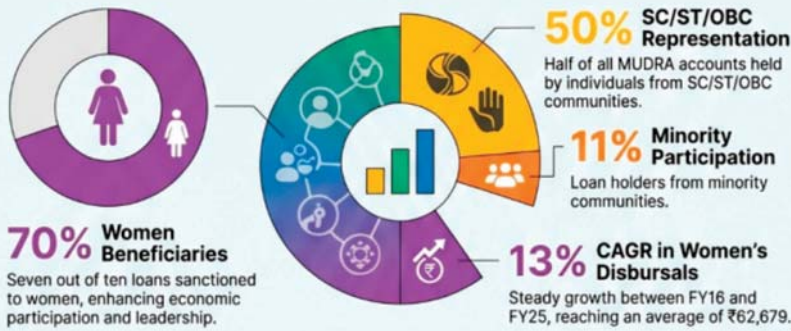
A Decade of MUDRA: India's Financial Inclusion Breakthrough



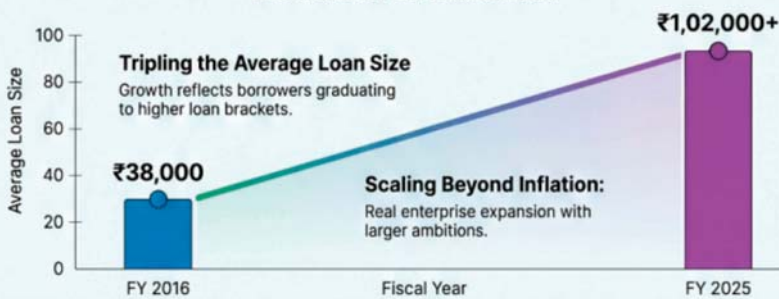
Breaking Credit Barriers

First time formal borrowing for communities with no prior institutional finance history.

Socio-Economic Equity



Evolution of Ambition



Geographic Leaders

Diverse Regional Spread

High performance across South, North, and East confirms nationwide impact.

- ₹3,23,647 Crore** Cumulative Disbursals (Tamil Nadu)
- ₹3,14,360 Crore** Cumulative Disbursals (Uttar Pradesh)
- ₹3,02,146 Crore** Cumulative Disbursals (Karnataka)

The most persistent concern has been loan quality. The NPA rate against outstanding amounts under PMMY for scheduled commercial banks rose from 5.47% at end-March 2018 to 9.81% as of March 2025, Parliament was informed in August 2025. The government's own explanation is candid: the NPA rate under PMMY is higher than the average MSME NPA rate because the loans are collateral-free and are often provided to new business entrepreneurs who may lack business experience and expertise.

This is a structural tension without an easy resolution. The very population MUDRA was designed to serve is also the population with the least financial cushion when things go wrong, and a first-generation entrepreneur navigating a sudden demand shock or delayed payment has fewer options than a larger borrower. Blaming the borrower misses the point; the system around the loan, mentorship, market linkage, recovery support, has not kept pace with the volume of lending.

The NITI Aayog's impact assessment of PMMY, conducted in 2023, surfaced a deeper structural challenge: most loan rejections happen at the CIBIL check level and due to failure to submit required documents, and borrowers lack knowledge of basic documentation requirements. This exposes a persistent gap between the scheme's intent and its delivery, a programme designed for the informal sector that still demands a level of documentation literacy that many in the informal sector simply do not have.

Regional disparities remain real. Northeastern and low-income regions show low participation and sanctioned amounts, indicating uneven credit outreach despite the scheme's national footprint.



The broader question, whether MUDRA has created new enterprises or primarily sustained existing informal ones, remains open. Approximately 20% of MUDRA loans go to new entrepreneurs or first-time accounts, which is a meaningful number but also a reminder that the scheme's dominant function, at least by volume, has been working capital support for existing micro businesses rather than the creation of new ones.

The Loan Was Just the Beginning

MUDRA turns ten at a moment when India is rethinking what enterprise support must look like. The first decade demonstrated that collateral-free credit at scale is operationally possible and socially transformative. The second decade must answer a harder question: can that credit become a genuine ladder to scalable enterprise, or will it remain, for most borrowers, a recurring lifeline rather than a one-time launch pad?

The Union Budget 2025-26 announced a new scheme for 5 lakh women, Scheduled Caste, and Scheduled Tribe first-time entrepreneurs, providing term loans up to ₹2 crore over five years, incorporating lessons

The very population MUDRA was designed to serve is also the population with the least financial cushion when things go wrong.

from the Stand-Up India scheme, with online capacity building for entrepreneurship and managerial skills. This signals a policy acknowledgement that credit must now travel with capability.

The integration of MUDRA lending with data from GST, UPI, and bank transactions opens the genuine possibility of cash-flow-based underwriting, where a borrower's transaction behaviour replaces collateral as the basis for credit assessment. For a country where crores of micro entrepreneurs now transact digitally but remain outside the formal credit scoring system, this shift could be as significant as the original launch of PMMY.

The IMF, in its 2024 assessment, reaffirmed that India's enabling policy environment for entrepreneurship through programmes such as PMMY is actively contributing to increased self-employment and formalisation through credit access.

MUDRA's stated vision remains "to be an integrated financial and support services provider par excellence, benchmarked with global best practices and standards for the bottom-of-the-pyramid universe for their comprehensive economic and social development." That is a large ambition. Meeting it will require the second decade to go further than the first, past credit access, into the harder terrain of enterprise survival, market linkage, skill development, and the building of businesses that outlast their first loan.

India's micro enterprises did not remain small because their founders lacked ambition. They remained small because the systems around them were never built for them. MUDRA addressed one of those systems. The decade ahead must address the rest. **bwise**

Sources: MUDRA Official Data and 10-Year Report (mudra.org.in); PIB- Press Information Bureau, Ministry of Finance; NITI Aayog Impact Assessment of PMMY, KPMG 2023 (niti.gov.in); Union Budget 2024-25 and 2025-26; IMF 2024 Assessment; Rajya Sabha Written Reply, Finance Minister Nirmala Sitharaman, August 2025; IBEF Government Schemes Data.

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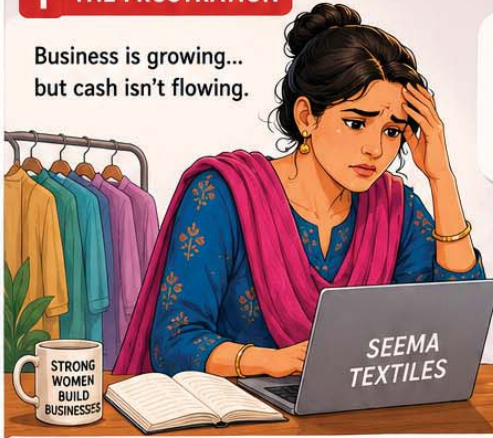
Form received by _____

Date _____ Place _____

mentor 4 ENTREPRENEUR

1 THE FRUSTRATION

Business is growing...
but cash isn't flowing.



We manufacture for B2B buyers, but payments take **120-180 days**. Salaries, fabric costs, electricity bills and GST can't wait that long... so **why does my money have to?**



COSTS THAT CAN'T WAIT

 WORKERS' WAGES	 RAW MATERIALS	 RENT	 UTILITIES (Electricity, Water)	 GST & TAXES	 BANK EMI / LOANS
---	--	---	--	---	---

2 ENTER THE MSME GURU

What does that even mean?

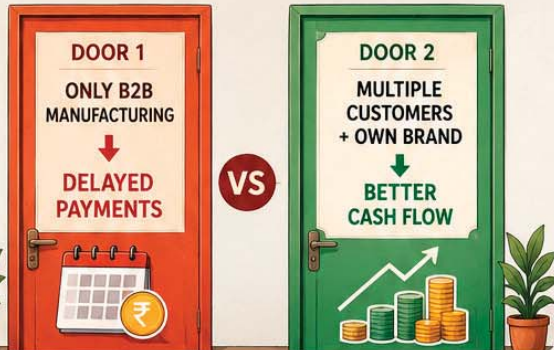


You don't have a design problem.
You have a **business model** problem.



3 THE REALISATION

If one payment cycle controls your business, growth becomes difficult. It's time to **diversify**.



NEXT: HOW SEEMA TRANSFORMED FROM MANUFACTURER TO BRAND OWNER. 



From Waiting for Payments to Building A Brand!

The Story of Seema's Textile Revolution

1 Register on GeM

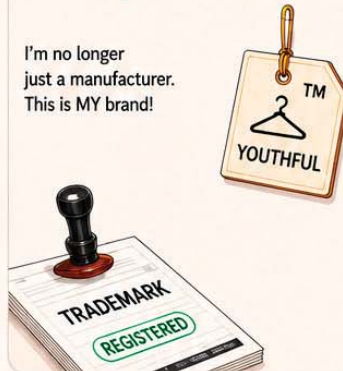
Sell uniforms to hospitals, schools, armed forces, police, navy through GeM.



Public procurement = More orders + Reliable payments

2 Protect Your Identity - Register Trademark

I'm no longer just a manufacturer. This is MY brand!



3 Create for One Focused Audience

Stop trying to please everyone. Create something unique for a specific audience.



4 List on Marketplaces

Get discovered by more customers.



5 Build Your Digital Presence

Be visible. Be active. Build trust.



6 WhatsApp Business = Your Secret Weapon

Customers in your pocket. Stay connected. Keep them updated!



ONE YEAR LATER...



Our Journey: 0 to 12,000

- GeM Orders
- Trusted Brand
- Happy Customers Across India
- Strong Online Presence
- Repeat Customers
- Flourishing Business

Ideas + Guidance + Digital + Consistency = Growth!



♥ A real success story of a woman from Delhi who turned advice into action and transformed her textile business.

Get expert mentorship to overcome your business challenges and accelerate growth. Send an email to president@indiasmeforum.org



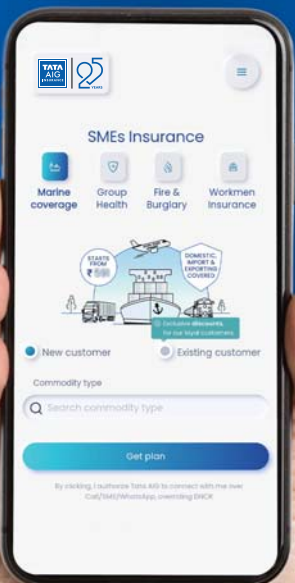
25 YEARS

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