

Budget On Msmes Fy2019-fy2026

Dhruv - [Notebook Link](#)

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Questions

1. Summarize MSME emphasis in Union Budget speeches FY2019-FY2026 and exposed companies

MSMEs in Union Budget Speeches (FY2019-FY2026) - Consolidated Summary

FISCAL YEAR	KEY POLICY EMPHASIS	MAJOR FINANCIAL ALLOCATION/SCHEME	STRATEGIC POSITIONING
FY2019	Formalization & Digital Credit Access	₹3,794 crore	Major engine of growth and employment
FY2020	Digital Transformation & Social Security	₹350 crore (Interest Subvention)	Critical for \$5 trillion economy vision
FY2021	COVID-19 Relief & Debt Restructuring	₹29.87 lakh crore (Atmanirbhar Package)	Backbone of pandemic recovery
FY2022	Defence Integration & Export Competitiveness	₹5 lakh crore (ECLGS Extended)	Growth accelerators for \$5 trillion economy
FY2023	Digital Integration & RAMP Programme	₹6,000 crore (RAMP over 5 years)	Growth engines for economic formalization
FY2024	Green Transformation & Technology Upgradation	₹2.03 lakh crore (CGTMSE guarantees in FY24)	Backbone for Amrit Kaal development
FY2025	Collateral-Free Lending & Stress Support	₹7 lakh crore (MCGS-MSME target)	One of four central budget themes
FY2026	Scale-Up & Manufacturing Hub	₹1.5 lakh crore (Additional credit next 5 years)	"2nd Engine" of economic growth

Key Insights

Evolution of MSME Policy Framework (FY2019-FY2026)

The Union Budget speeches from FY2019 to FY2026 reveal a systematic evolution in the government's approach to MSMEs, progressing from basic formalization and credit access to comprehensive ecosystem development focused on scaling, manufacturing competitiveness, and global integration. The sector's strategic importance has been progressively elevated, culminating in FY2026 with MSMEs designated as the "2nd engine" of India's economic growth strategy.

Phase 1: Foundation and Formalization (FY2019-FY2020)

The initial phase emphasized formalization through GST integration and digital credit infrastructure. FY2019 positioned MSMEs as a **major engine of growth and employment** with allocation of **₹3,794 crore** for credit support and innovation. Key initiatives included:

- Introduction of **Trade Electronic Receivable Discounting System (TReDS)** platform linked with GSTN
- MUDRA Yojana expansion with target of **₹3 lakh crore for lending** in 2018-19
- Tax relief through reduced corporate tax rate of **25% for companies with turnover up to ₹250 crore**
- Recognition of NBFCs' role in MSME financing with policy review for better refinancing

FY2020 introduced revolutionary digital solutions including the **59-minute loan portal** for loans up to ₹1 crore and **2% interest subvention** for GST-registered MSMEs. The budget also launched the **Pradhan Mantri Karam Yogi Maandhan Scheme** extending pension benefits to **three crore retail traders and small shopkeepers**.

Phase 2: COVID-19 Response and Relief (FY2021-FY2022)

The pandemic period saw unprecedented financial support through the Atmanirbhar Bharat Abhiyan package equivalent to **₹29.87 lakh crores or 15% of India's GDP**. Major relief measures included:

- **₹3 lakh crore Collateral-free Automatic Loans** through ECLGS with 100% credit guarantee cover
- **₹20,000 crore Subordinate Debt for Stressed MSMEs**
- **₹50,000 crore equity infusion through MSME Fund of Funds**
- Revised MSME definition raising investment limits and introducing turnover criteria
- **Disallowing global tenders up to ₹200 crore** in government procurement

FY2022 extended ECLGS to March 2023 with expanded guarantee cover of **Rs. 5 lakh crore**, with additional **Rs. 50,000 crore earmarked exclusively for hospitality and related enterprises**. The budget also announced **Rs. 2 lakh crore additional credit facility under Credit Guarantee Scheme** with 85% guarantee coverage.

Phase 3: Institutional Strengthening and Green Transformation (FY2023-FY2024)

This phase emphasized digital integration and sustainability. FY2023 announced **interlinking of Udyam, e-Shram, NCS and ASEEM portals** to create live, organic databases for comprehensive service delivery. The **RAMP programme with outlay of Rs. 6,000 crore over 5 years** was rolled out for institutional strengthening.

The budget introduced the **Vivad se Vishwas-I scheme** providing 95% refund of forfeited securities and liquidated damages for contracts failed during COVID period. As of November 30, 2022, **1.2 crore MSME units availed ECLGS and raised collateral-free resources of Rs. 3.6 lakh crore**.

FY2024 introduced green transformation initiatives with three sub-schemes under RAMP:

- **MSE GIFT Scheme** for green technology adoption with interest subvention and credit guarantee
- **MSE SPICE Scheme** for circular economy projects with credit subsidy
- **MSE Online Dispute Resolution** for delayed payments using AI and modern IT tools

The revamped CGTMSE Scheme with **Rs. 9,000 crore corpus infusion** approved **17.24 lakh guarantees worth Rs. 2.03 lakh crore in FY24 alone**.

Phase 4: Scale-Up and Manufacturing Hub (FY2025-FY2026)

The latest phase represents a paradigm shift toward enabling MSMEs to scale up and become globally competitive manufacturing hubs. FY2025 introduced eight specific measures including:

- **Credit guarantee scheme for term loans** for machinery purchase without collateral, with guarantee cover up to ₹100 crore
- **New credit assessment model** based on digital footprints instead of traditional asset/turnover criteria
- **Credit support during stress period** through government-promoted guarantee fund for SMAs
- **MUDRA loan limit enhanced to ₹20 lakh** from ₹10 lakh for successful Tarun category borrowers
- **TReDS platform expansion** with turnover threshold reduced from ₹500 crore to ₹250 crore

FY2026 elevated MSMEs to the "2nd engine" of economic growth, highlighting that **over 1 crore registered MSMEs employ 7.5 crore people, generate 36% of manufacturing, and contribute 45% of exports**. Revolutionary measures included:

- **Classification limits enhanced to 2.5 and 2 times** respectively for investment and turnover
- **Guarantee ceiling enhanced from ₹5 crore to ₹10 crore** for Micro and Small Enterprises
- **Startup guarantee enhanced from ₹10 crore to ₹20 crore** with 1% guarantee fee for 27 focus sectors
- **New guarantee coverage for exporter MSMEs** for term loans up to ₹20 crore
- **Customized Credit Cards with ₹5 lakh limit** for micro enterprises on Udyam portal

Financial Institutions and Companies Most Exposed to MSME Policies

Primary Exposed Institutions

Small Industries Development Bank of India (SIDBI) emerges as the most directly exposed institution across all budget periods. SIDBI co-established CGTMSE, manages the **Self-Reliant India Fund with corpus of Rs. 50,000 crore**, and has undertaken **branch expansion with 39 branches opened in Calendar Year 2025** to serve all major MSME clusters by March 2027.

National Credit Guarantee Trustee Company Limited (NCGTC) provides **60% guarantee coverage** under MCGS-MSME for credit facilities up to Rs. 100 crore, targeting **cumulative guarantee of Rs. 7 lakh crore** over 4 years.

All Public Sector Banks have implemented the **new credit assessment model for MSMEs** leveraging digital footprints, and are mandated to issue **10 lakh customized Credit Cards** in the first year.

Quantitative Exposure Metrics

The cumulative financial exposure across institutions demonstrates the scale of MSME policy implementation:

- SIDBI: **Rs. 50,000 crore** SRI Fund corpus management
- NCGTC: **Rs. 7,00,000 crore** MCGS-MSME cumulative guarantee target
- CGTMSE: **Rs. 6,78,000 crore** total guarantees approved since inception

- Public Sector Banks: **Rs. 1,50,000 crore** additional credit from enhanced guarantee over next 5 years
- EXIM Bank + SIDBI: **Rs. 1,000 crore** export sector handholding scheme

Sectoral Company Exposure Beyond MSMEs

Companies across multiple sectors have direct exposure to Union Budget policy instruments. Infrastructure-related companies benefit from unprecedented capital expenditure, with **Rs. 7.5 lakh crore budgeted for FY23**, including **Rs. 1.88 lakh crore for Road Transport and Highways**, **Rs. 1.37 lakh crore for Railways**, and **Rs. 1.52 lakh crore for Defence Services**.

Financial services companies benefit from liberalized FDI norms, with **insurance sector FDI cap increased to 100% from 74%** in Union Budget 2025. Defence sector companies benefit from **FDI up to 74% through Automatic Route** and strategic sector classification.

Key Policy Themes and Outcomes

Credit Access Revolution

The evolution from collateral-based to digital footprint-based lending represents a fundamental transformation. The **new credit assessment model** leverages digitally fetched and verifiable data including GST data, bank statement analysis, and ITR verification for automated loan appraisal.

Employment Generation Focus

Recent budgets emphasize employment-led growth, with FY2026 focusing on **promoting employment across MSMEs, manufacturing sector and labour intensive sectors like footwear, leather and toy industry**. The Prime Minister's package announced **5 schemes to facilitate employment for 4.1 crore youth over 5 years with central outlay of Rs. 2 lakh crores**.

Export Competitiveness

The **Export Promotion Mission** driven jointly by multiple ministries aims to enhance export competitiveness through improved access to export credit and cross-border factoring. Recent data shows **MSME contribution in overall merchandise exports increased from 45.74% in 2023-24 to 48.55% in 2024-25**.

Regulatory Simplification

The Economic Survey FY2025 emphasized that **faster economic growth is only possible if governments continue to implement reforms that allow small and medium enterprises to operate efficiently**. The survey outlined a three-step deregulation process for states to systematically review regulations for cost-effectiveness.

Conclusion

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