

VUCA World of MSMEs

World MSME Day, celebrated annually on June 27th, highlights the vital role of Micro, Small, and Medium-sized Enterprises (MSMEs) in the global economy. Designated by the United Nations General Assembly, the day raises awareness of the critical contributions MSMEs make to sustainable development. As the backbone of many economies, MSMEs drive employment, income generation, and economic growth.

Over the past few decades, the MSME sector has emerged as a vibrant and dynamic force within economies worldwide. These enterprises not only generate large-scale employment at lower costs compared to larger industries, but they also promote industrialization in rural and underdeveloped regions also helping reduce regional disparities and ensuring a more equitable distribution of income and wealth.

The Indian Union Budget of 2025-26 defined MSMEs by:

Particulars	Micro	Small	Medium
Investment in Plant and Machinery or Equipment	Rs 2.5 Cr	Rs 25.0 Cr	Rs 125.0 Cr
Annual Turnover	Rs 10.0 Cr	Rs 100.0 Cr	Rs 500.0 Cr

Functioning also as essential partners to larger industries through their ancillary roles, MSMEs are key contributors to socio-economic development. However, in today's VUCA (Volatility, Uncertainty, Complexity, Ambiguity) world, MSMEs face significant challenges. Their inherent vulnerabilities have been amplified, putting their long-term sustainability at risk. Supporting and strengthening this sector is more critical than ever.

Challenges Faced by Indian MSMEs:

Despite being a cornerstone of the Indian economy, MSMEs face a range of challenges that hinder their growth and long-term sustainability:

- **Limited Access to Finance:** Many MSMEs struggle to secure funding due to lack of collateral, limited credit history, and complex loan procedures.
- **Restricted Market Access:** Their reach remains limited both domestically and globally, constraining expansion opportunities.
- **Technological Gaps:** Inadequate access to modern technology reduces productivity and limits their ability to compete effectively.
- **Regulatory and Compliance Burden:** Complex regulations, bureaucratic issues delay the operations and increase the cost of doing business.

- **Skill Shortages:** A lack of adequately trained and skilled labour hampers innovation, productivity, and competitiveness.
- **External Competition:** Intense competition from low-cost producers, particularly from China, poses a significant threat to domestic MSMEs.
- **Geopolitical Tensions:** Regional instability, including Indo-Pak conflicts, creates uncertainty and disrupts trade in sensitive areas.
- **Global Trade Policies:** Trade barriers such as the U.S.-imposed tariffs during the Trump era affect export-oriented MSMEs

Support System for Indian MSMEs:

Recognizing the critical role of MSMEs in economic growth and employment, various stakeholders in India—including the government, financial institutions, and industry bodies—have implemented a range of initiatives to support and strengthen the sector:

- **Financial Assistance:** The government and financial institutions offer targeted financial schemes, including the MUDRA scheme, which provides collateral-free loans to micro-enterprises. Additionally, the Credit Guarantee Scheme helps MSMEs access loans without requiring security, enhancing financial inclusion.
- **Skill Development & Training:** Programs such as the Skill India Mission are designed to upskill entrepreneurs and workers in the MSME sector, addressing the skill gap and improving sectoral productivity and innovation.
- **Business Development Services:** Entities like the MSME Development Institutes provide comprehensive support, including market research, technology upgradation advice, export facilitation, and management training to help MSMEs scale and diversify.
- **Networking & Market Access:** Government bodies and industry associations organize trade fairs, exhibitions, and B2B meetings to provide platforms for MSMEs to showcase their products, discover new markets, and form strategic alliances.
- **Government Grants & Incentives:** A range of schemes offer financial assistance for technology upgradation, quality certification, IP creation, patent support, and marketing initiatives—reducing the financial burden of modernization and expansion.
- **Capital Market Access:** MSMEs can now list on platforms like BSE SME and NSE Emerge, enabling them to raise equity capital, increase visibility, and improve governance.
- **Protection under Section 43B(h):** The Indian Income Tax Act ensures timely payments to MSMEs by allowing deductions only on actual payments made to them—promoting better cash flow management for small businesses.
- **CHAMPIONS Portal (champions.gov.in)** – An integrated platform launched by the Ministry of MSME to:

- Provide fast and efficient redressal of grievances.
 - Guide MSMEs through various government schemes and policies.
 - Offer advisory services in finance, marketing, technology, labor, and infrastructure.
 - Connect MSMEs with key officials across central and state governments, financial institutions, and support agencies.
 - Disseminate information about all MSME-related schemes in one place.
- **MSME Samadhaan Portal** (samadhaan.msme.gov.in) – A government initiative enabling MSME suppliers to file applications online against delayed payments. These cases are reviewed by the Micro and Small Enterprise Facilitation Council (MSEFC) and are visible to relevant ministries, departments, and public sector enterprises for proactive resolution.
 - **MSME Databank** (msmedatabank.in) is an initiative by the Government of India to create a comprehensive database of Micro, Small, and Medium Enterprises. It facilitates policymaking, better planning, and targeted support by enabling real-time access to reliable data on the MSME ecosystem.
 - **Trade Receivables Discounting System** (TReDS) is a digital platform designed to address the liquidity challenges faced by MSMEs. It enables MSME sellers to receive early payments against their trade receivables through invoice discounting. Operated via an auction mechanism, TReDS connects MSMEs with corporates, banks, and financiers, ensuring timely realization of dues and improving cash flow. Leading TReDS platforms in India include: (These platforms provide a transparent, efficient, and secure environment for MSMEs to convert outstanding invoices into immediate working capital)
 - [InvoiceMart](https://www.invoicemart.com/) - <https://www.invoicemart.com/>
 - [M1xchange](https://www.m1xchange.com/) - <https://www.m1xchange.com/>
 - [RXIL \(Receivables Exchange of India\)](https://www.rxil.in/) - <https://www.rxil.in/>
 - **MSME Sambandh Portal** (sambandh.msme.gov.in) is a dedicated platform for monitoring the implementation of the Public Procurement Policy for Micro and Small Enterprises (MSEs). As per the policy, all Central Ministries, Departments, and Public Sector Undertakings (PSUs) are mandated to set an annual procurement target from MSEs, aiming to achieve a minimum of 25% of total annual purchases from goods and services offered by MSEs. Within this 25% target - 4% is exclusively reserved for MSEs owned by SC/ST entrepreneurs, 3% is reserved for MSEs owned by women entrepreneurs. The portal promotes transparency and accountability in government procurement, while ensuring fair participation of MSEs in public sector contracts.
 - **National Single Window System** (NSWS) (nsws.gov.in) is a unified digital platform developed under the aegis of the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, to facilitate the Ease of Doing

Business in India. NSWS serves as a one-stop portal for businesses to Identify applicable licenses, approvals, and registrations, Apply online for approvals and Track application status in real-time. The platform currently integrates 32 Central Departments and 29 State Governments. This system streamlines the regulatory approval process, reduces compliance burdens, and significantly improves the investment climate for entrepreneurs and MSMEs across the country.

List of Prominent Indian Organisations that Support MSMEs

- Ministry of Micro, Small and Medium Enterprises (Ministry of MSMEs) (<https://msme.gov.in/>)
- Small Industries Development Bank of India (SIDBI) (<https://www.sidbi.in/>)
- Confederation of Indian Industry (CII) (<https://www.cii.in/>)
- National Small Industries Corporation (NSIC) (<https://www.nsic.co.in/>)
- Small Industries Development Corporation (SIDC) (<https://www.sidco.org.in/>)
- Entrepreneurship Development Institute of India (EDII) (<https://ediindia.org/>)

In today's VUCA world, MSMEs face the challenge of balancing the 3 P's—Planet, People, and Profit—while also striving to meet the expectations of the 5 C's: Capital Providers, Colleagues, Communities, Creditors and Customers.

The national and local governments have introduced various schemes and support mechanisms for MSMEs, it ultimately rests with the firms to determine how, what, when, where, why, and from whom to seek guidance to grow.

Abstract:

In today's VUCA (Volatility, Uncertainty, Complexity, Ambiguity) world, MSMEs face significant challenges. Their inherent vulnerabilities have been amplified, putting their long-term sustainability at risk. Supporting and strengthening this sector is more critical than ever.

MSMEs face the challenge of balancing the 3 P's—Planet, People, and Profit—while also striving to meet the expectations of the 5 C's: Capital Providers, Colleagues, Communities, Creditors and Customers.