



PRESS RELEASE ON THE 333RD REPORT OF THE DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON INDUSTRY

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The Department-Related Parliamentary Standing Committee on Industry (Rajya Sabha), chaired by **Shri Tiruchi Siva**, presented its **Three Hundred and Thirty-Third (333rd)** Report on the Demands for Grants (2026-27) of the **Ministry of Micro, Small and Medium Enterprises (MSME)** to the Parliament on 11th March, 2026. The Report covers the Ministry's budgetary allocations, flagship schemes including PMEGP and PM Vishwakarma, Credit Guarantee Mechanisms, Public Procurement, Delayed Payments, impact of US tariffs on MSMEs, and the functioning of autonomous bodies and institutions under the Ministry.

The Committee examined the Demands for Grants 2026-27 (Demand No. 68) of the Ministry of MSME under Rule 272 of the Rules of Procedure and Conduct of Business in the Council of States (Rajya Sabha). The Committee took oral evidence from the Secretary and other officers of the Ministry, as well as from organisations under its administrative control. MSMEs account for about 31.1 per cent of India's GDP, 35.4 per cent of manufacturing output and 48.58 per cent of India's exports, and employ around 32.82 crore persons, with over 7.69 crore enterprises registered on the Udyam Registration Portal and Udyam Assist Platform.

The key recommendations of the Committee contained in the Report are summarised below:

BUDGETARY ALLOCATIONS: GECL PROVISION AND EFFECTIVE DEVELOPMENTAL OUTLAY

The Committee noted that the Budget Estimates (BE) 2026-27 for the Ministry stand at ₹24,566.27 crore, comprising ₹22,647.26 crore in revenue expenditure and ₹1,919.01 crore in capital expenditure. However, the Committee flagged that ₹9,000 crore — 36.6 per cent of the total outlay — has been provisioned under the Guaranteed Emergency Credit Line (GECL), despite actual GECL expenditure being nil in both FY 2024-25 and FY 2025-26, and the ECLGS scheme having closed operationally on 31 March 2023. This "phantom allocation" inflates headline numbers and masks the effective developmental outlay, which stands at approximately ₹15,566 crore after excluding GECL.

The Committee observed that the Revised Estimates (RE) for FY 2025-26 were barely 52.2 per cent of BE, and an extraordinary 76.53 per cent of total expenditure in FY 2023-24 was incurred in the last quarter alone, indicating persistent back-loaded spending and systemic weaknesses in expenditure planning.

Key recommendations of the Committee:

- Redeploy unutilised GECL funds to priority MSME schemes where funding requirements are acute, rather than mechanically surrendering them.

- Institute a mandatory mid-year expenditure review for all schemes with a BE-to-RE reduction exceeding 30 per cent in any of the preceding three financial years.
- Decisively rebalance towards capital expenditure, particularly in technology upgradation, infrastructure creation and productivity-linked support for MSMEs.

SIX OUT OF EIGHT BUDGET 2025-26 ANNOUNCEMENTS FOR MSMEs REMAIN UNIMPLEMENTED

The Committee noted with serious concern that of eight Budget 2025-26 announcements relevant to MSMEs, only two — both led by the MSME Ministry — have been operationalised. The remaining six, where the Ministry is a supporting agency, continue to languish at draft stage or in inter-ministerial consultations. Two announcements of particular significance — credit cards for micro enterprises (targeted at 10 lakh enterprises in year one) and term loans of up to ₹2 crore for five lakh women and SC/ST first-time entrepreneurs — remain completely unimplemented nearly twelve months after announcement.

Key recommendations of the Committee:

- All pending MSME-related Budget announcements be operationalised within six months from the date of the Budget presentation.
- A quarterly, inter-ministerial review mechanism be instituted with clear milestones and timelines.
- The Ministry be formally designated as the nodal authority for all MSME credit-related announcements.

BUDGET 2026-27: 'CREATING CHAMPION MSMEs'

The Union Budget 2026-27 introduced a "Creating Champion MSMEs" strategy through Equity Support (₹10,000 crore SME Growth Fund; ₹2,000 crore top-up to SRI Fund), Liquidity Support (mandatory TReDS for CPSEs, CGTMSE guarantee for invoice discounting, GeM-TReDS linkage) and Professional Assistance (Corporate Mitras programme). However, the Committee noted that several announcements lack explicit budget-head mapping, raising questions about their implementability.

Key recommendations of the Committee:

- The ₹10,000 crore SME Growth Fund requires immediate operationalisation with clear budget-head identification and implementation timelines.
- All new announcements be supported by time-bound implementation frameworks with quarterly milestones.

PMEGP: 87 LAKH JOBS GENERATED, BUT OUTDATED ₹50 LAKH PROJECT CEILING AND 40-50% BANK REJECTION RATES HOLD BACK INDIA'S LARGEST MICRO-ENTERPRISE SCHEME

The Prime Minister's Employment Generation Programme (PMEGP), in operation since 2008-09, has been allocated ₹4,500 crore in BE 2026-27 — a significant increase from ₹2,954 crore in BE 2025-26. Since inception up to 31 December 2025, PMEGP has supported about 10.73 lakh micro-enterprises with margin-money subsidy of approximately ₹29,295 crore and generated an estimated 87 lakh jobs. Nearly 80 per cent of units are rural, over 50 per cent are owned by women, SC and ST entrepreneurs and about 15 per cent are in aspirational districts.

However, the Committee's ground assessment during study visits revealed critical structural constraints: the ₹50 lakh project-cost ceiling for manufacturing is widely seen as outdated and misaligned with current capital requirements; bank rejection rates remain at 40–50 per cent driven by risk-averse practices and excessive CIBIL-score reliance; post-sanction handholding and mentoring are weak; and chronic manpower shortages in KVIC, DICs and field offices constrain delivery.

Key recommendations of the Committee:

- Revise the project-cost ceiling upward from ₹50 lakh with periodic indexation to inflation and expand eligibility beyond proprietary enterprises to include partnerships and other business forms.
- Issue binding advisories to banks for uniform application of collateral-free norms and moderated use of CIBIL scores for first-generation entrepreneurs.
- Expeditiously roll out the PMEGP 2.0 single-window portal for end-to-end digital workflow and real-time tracking.
- Adopt a region- and sector-specific facilitation approach, with dedicated support for high-potential activities such as oil and gas services in Assam and agarwood-based enterprises in the North-East.

PM VISHWAKARMA: REACHING 30 LAKH TRADITIONAL ARTISANS IN TWO YEARS

The PM Vishwakarma Scheme, launched on 17 September 2023 with an outlay of ₹13,000 crore, has achieved its registration target of 30 lakh beneficiaries within two years — far ahead of the original five-year timeline. Toolkit e-RUPI vouchers have been issued to 25.5 lakh beneficiaries; loans of about ₹4,748 crore have been sanctioned to 5.5 lakh beneficiaries (₹3,873 crore disbursed to 4.66 lakh); and 12.82 lakh toolkits have been delivered through India Post. The BE for 2026-27 stands at ₹3,860.89 crore, reduced from ₹5,100 crore in BE 2025-26.

The Committee's ground assessment found that early registration success has not yet translated into proportionate training, toolkit utilisation and credit outcomes. Verification bottlenecks at Gram Panchayat/Urban Local Body level, high attrition across the beneficiary pipeline, credit rejection at higher bank levels and the restrictive 18-trade framework remain key constraints. The Committee expressed particular concern that trade nomenclature continues to use region-specific and caste-associated names (e.g. *Naai*, *Charmakar*, *Kumhaar*, *Dhobi*), which risks reinforcing occupational rigidities and has contributed to reluctance or non-adoption in some States.

Key recommendations of the Committee:

- Urgently rationalise trade nomenclature by replacing caste- or region-associated terms with profession-neutral, function-based names (e.g. "Footwear Artisan" instead of "Cobbler", "Ceramic and Clay Product Maker" instead of "Potter", "Personal Grooming Service Provider" instead of "Barber").
- Reorient the scheme from a static, trade-bound framework to a dynamic, market-responsive livelihood programme, with periodic expansion of eligible trades.
- Strengthen credit linkage through greater branch-level accountability and more flexible norms for first-time borrowers.
- Review allocation adequacy given pending liabilities for training, toolkit delivery and interest subvention.

₹8.1 LAKH CRORE LOCKED IN DELAYED PAYMENTS TO MSMEs — ONLINE DISPUTE RESOLUTION PORTAL DISPOSES JUST 17 CASES IN EIGHT MONTHS

The Committee flagged delayed payments as one of the most critical structural challenges facing MSMEs. The Economic Survey 2025-26 estimates approximately ₹8.1 lakh crore locked in delayed payments. The MSME Samadhaan Portal records 2,56,892 applications involving ₹55,244.31 crore. Despite the launch of the Online Dispute Resolution (ODR) Portal on 15 October 2025, only 17 cases have been disposed through it in eight months, underscoring the grossly inadequate pace of resolution.

Key recommendation of the Committee:

- Strengthen the Samadhaan and ODR ecosystem through mandatory buyer compliance, integration with GeM for automatic flagging of delayed payments, and time-bound resolution mandates backed

by penal provisions under the MSMED Act, 2006.

CREDIT GUARANTEE (CGTMSE): ₹12.39 LAKH CRORE IN GUARANTEES, BUT COLLATERAL-FREE INTENT DILUTED AT BANK BRANCHES

The Credit Guarantee Scheme, operated through CGTMSE, has extended 1.35 crore guarantees amounting to ₹12.39 lakh crore since inception up to 31 December 2025, with the guarantee ceiling raised to ₹10 crore per borrower from April 2025. However, the Committee's ground-level interactions in Kolkata and other locations revealed a perceptible gap between policy intent and implementation: banks continue to demand collateral in practice; excessive reliance on CIBIL scores excludes youth and first-generation entrepreneurs; effective borrowing costs are inflated by guarantee fees, bank charges and insurance premiums; and awareness in rural and semi-urban areas remains limited.

Key recommendations of the Committee:

- Shift to impact-based monitoring tracking enterprise survival, employment, turnover growth and NPA trends — not just approval and disbursement numbers.
- Enforce strict collateral-free lending norms; mandate written justification for any deviation and deterrent penalties for repeated violations.
- Create a comprehensive public dashboard for CGTMSE with scheme-wise data on applications, sanctions, rejections and employment outcomes.

US TARIFFS ON INDIAN EXPORTS: STRENGTHENING SUPPORT MECHANISMS FOR AFFECTED MSMEs

The Committee noted that the United States imposed tariffs totalling approximately 50 per cent on Indian exports effective 27 August 2025, directly impacting MSME-intensive sectors including textiles and apparel, engineering goods, hand tools, chemicals and auto components. The Committee observed that the Ministry's response has been largely reactive and lacks a sector-specific, proactive strategy for MSME-intensive export clusters.

Key recommendations of the Committee:

- Establish a dedicated MSME Trade Defence and Support Mechanism for legal, technical and advisory assistance.
- Design an MSME Tariff Resilience Package within RAMP (Raising and Accelerating MSME Performance) and PMS (Procurement and Marketing Support Scheme) with targeted working-capital support and market diversification towards EU, ASEAN, West Asia and Africa.
- Develop an early-warning and real-time monitoring system to track global trade policy developments impacting MSMEs.

99.3% OF MSMEs ARE MICRO — COMMITTEE REITERATES DEMAND FOR 'NANO ENTERPRISE' CATEGORY

The Committee noted that out of 7.61 crore MSMEs registered on the Udyam portal, an overwhelming 7.56 crore (99.3 per cent) fall under the micro category, while only about 4.88 lakh are small and approximately 36,816 are medium enterprises. The revised upward classification limits risk allowing comparatively larger enterprises to remain within the micro segment, diluting benefits for genuinely small and household-level enterprises. The Committee noted that the Government of Kerala has already operationalised a Nano Enterprise category with investment up to ₹10 lakh, demonstrating administrative feasibility.

Key recommendation of the Committee:

- Introduce a separate Nano enterprise category with an appropriate threshold around ₹10 lakh investment, without further delay.

PUBLIC PROCUREMENT: MSE TARGET EXCEEDED AT 47%, BUT SC/ST PROCUREMENT AT 1.85% — LESS THAN HALF THE MANDATED 4%

Overall MSE procurement by CPSEs has risen to 47.4 per cent of total procurement, significantly exceeding the mandated 25 per cent. Women-owned MSE procurement has improved to 3.46 per cent, approaching the 3 per cent target. However, SC/ST-owned MSE procurement remains critically low at 1.85 per cent — less than half the mandated 4 per cent — representing a cumulative shortfall of approximately ₹18,000–20,000 crore over six years. In FY 2023-24, 76 CPSEs were penalised for SC/ST sub-target non-compliance, but negative marking has not translated into tangible corrective action.

Key recommendations of the Committee:

- Put in place CPSE-wise annual sub-targets, mandatory disclosure of shortfalls and strengthened MoU-linked penalties with tangible managerial consequences.
- Complete time-bound integration of MSME Sambandh Portal with GeM and create a centralised national vendor directory.

INFRASTRUCTURE AND TECHNOLOGY: UP TO 75% BE-TO-RE COLLAPSE IN KEY SCHEMES

A chronic pattern of high Budget Estimates followed by sharp Revised Estimates reductions was observed in infrastructure and technology schemes: SFURTI saw a 61 per cent reduction, New Technology Centres/Extension Centres 75 per cent, and TCSP 43 per cent in FY 2025-26. Root causes include land transfer delays by State Governments, failure of the PPP mode to attract private sector response, contractor non-performance and slow procurement.

Key recommendation of the Committee:

- Calibrate Budget Estimates against demonstrated absorptive capacity rather than aspirational targets; link fund approvals to upfront, time-bound commitments from State Governments for land and built-up space.

SRI FUND: ₹16,260 CRORE INVESTED IN 693 MSMEs, CAPITAL ALLOCATION RAISED TO ₹1,900 CRORE

The Self-Reliant India (SRI) Fund, with an approved corpus of ₹50,000 crore, has channelled ₹16,260 crore in total investments into 693 MSMEs through 69 empanelled Daughter Funds. The capital allocation has been raised significantly to ₹1,900 crore in BE 2026-27, from ₹700 crore in BE 2025-26. Among assisted enterprises, 90 are women-led.

Key recommendation of the Committee:

- Deploy enhanced allocation targeting MSMEs with high growth and export potential, and strengthen the pipeline of investible MSMEs from Tier-II and Tier-III regions through structured handholding and incubation support.

KVIC AND NSIC: STEADY GROWTH, BUT SCALE NEEDS TO MATCH SECTOR AMBITION

KVIC recorded Khadi production of ₹3,784.52 crore and sales of ₹7,145.61 crore in 2024-25, with Village Industries crossing ₹1 lakh crore in production. Employment in the Khadi sector remains around 5 lakh persons.

NSIC recorded revenue of ₹3,431 crore and profit after tax of ₹146.30 crore in FY 2024-25, paying its highest-ever dividend of ₹43.89 crore. The recent upgradation of NSIC from Schedule 'B' to Schedule 'A' CPSE status (announced February 2026) underscores its growing strategic importance.

Key recommendations of the Committee:

- KVIC should formulate a comprehensive medium-term strategy to expand artisan coverage and employment generation with measurable targets.
- The proposed ₹10,000 crore SME Growth Fund should be operationalised under NSIC in a phased manner, with robust governance mechanisms and independent investment oversight.
- Consider substantial equity infusion into NSIC to reduce dependence on high-cost borrowings and improve affordability of MSME support.

CONCLUDING OBSERVATIONS

The Committee's Report contains a comprehensive set of recommendations aimed at strengthening the effectiveness of the Ministry's flagship schemes, correcting budgetary distortions caused by the GECL phantom allocation, accelerating implementation of Budget announcements, shielding MSMEs from the impact of US tariffs, resolving the ₹8.1 lakh crore delayed payment crisis, ensuring inclusive public procurement, recalibrating PMEGP and PM Vishwakarma for ground-level impact, and building institutional competitiveness through technology, infrastructure and credit ecosystem reforms. The Committee has emphasised the need for realistic budgeting, outcome-based monitoring, time-bound implementation, and transparent reporting to Parliament.

Note: The full text of the Report, as presented to Parliament, is available on the Rajya Sabha website at: <https://sansad.in/rs> → *Committees* → *Department-related Standing Committees* → *Industry* → *Reports*.

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