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The MSME Growth Engine: Navigating Opportunities, Challenges, and the Role of CA in the Era of AI and Viksit Bharat 2047

India's MSME sector plays a crucial role as an impetus behind the economic development of the nation on its journey towards becoming Viksit Bharat@2047. With the seamless integration of Artificial Intelligence and contribution of Chartered Accountants in

strategic advisory, MSMEs are rapidly transitioning into globally competing "micro-multinationals", contributing over 31% of GDP and employing millions. It highlights the expanding role of CAs, shifting from compliance professionals to strategic growth advisors, facilitating data-centric decision-making, ESG conformity, and AI governance. Although there exist several opportunities such as improved credit availability, government incentives, and overseas expansion which are substantial, obstacles such as technological divide, funding gaps, and digital vulnerabilities still remain. The article highlights the role of MSMEs as engines of growth while also discussing the synergism of AI, policy support, and professional proficiency that will metamorphize MSMEs into a paramount force in India's vision of a \$30–35 trillion economy.

The Strategic Paradigm of India's MSME Sector in 2026

Consider a manufacturer of hosiery based out of Ludhiana, Punjab, a skilled fabric knitter from Coimbatore, and a small-batch tea estate in Upper Assam. During the times of the old economy, these businesses were home-grown players striving to survive against exorbitant costs and intermediaries.

In the era of Viksit Bharat 2047, the concept of "small" businesses no longer exists. They are now referred to as Micro-Multinationals. Any business with a revenue of ₹100 crore in a Tier-2 city now boasts of international reach and data insights, driven by Artificial Intelligence (AI) and steered by strategic CA advisory, that was previously only reserved for high-value powerhouse corporations.

The path traversed by the Indian economy in the year 2026 is principally defined by the strength of the Micro, Small, and Medium Enterprises (MSME) sector. As India advances towards the 100th year of its independence under the ideology of Viksit Bharat@2047, the MSME sector has transformed itself from a reinforcing auxiliary to the buttress of industrial propulsion. In the present fiscal year 2025-26, the sector is instrumental in contributing approximately 31.1% of the national GDP and 35.4% of the combined manufacturing yield. With over 7.47 crore enterprises in its network, enabling employment for nearly 38.82 crore individuals, it continues to be the second-largest employer following agriculture.

India's real GDP is projected to grow at 7.4% in FY26, with a

manufacturing GVA surge of 9.13% in recent quarters. This growth is mirrored in the rising prosperity of the average citizen, with per capita net national income expected to rise from ₹1.89 lakh in FY24 to ₹2.20 lakh by FY26.

Viksit Bharat 2047: Ideological Pillars and the MSME Mandate

The ideology of Viksit Bharat 2047 is a national mission to transform India into a developed, self-reliant nation. It is built on four fundamental pillars: *Yuva* (Youth), *Garib* (Poor), *Mahilayen* (Women), and *Annadata* (Farmers).

1. **Youth:** MSMEs serve as the laboratory for entrepreneurship, absorbing the demographic dividend into high-tech manufacturing.

2. **Poor:** The sector offers social mobility through localized employment at low capital cost, targeting zero poverty.
3. **Women:** The 2025-26 budget targets 70% participation of women in economic activities. Credit guarantee covers for women-led units have been enhanced to 90% to bridge gender disparities.
4. **Farmers:** MSMEs in food processing (supported by a ₹10,900 crore PLI outlay) facilitate value addition, aiming to make India the “food basket of the world”.

As India advances through the year 2026, the layout for Viksit Bharat 2047 no longer remains an unimaginable vision; it is a live financial mission. At the core of this metamorphosis lies the Micro, Small, and Medium Enterprises (MSME) sector. Historically referred to as the “backbone” of the economy, the MSME sector has progressed into its fast-moving engine in 2026.

With India aiming to become a \$30 trillion to \$35 trillion economy by its centenary of independence, MSMEs are entrusted with a pivotal breakthrough. Today, the sector contributes approximately 31% to India's GDP and nearly 48.5% of its exports. These values are expected to surge to 50% of GDP and 60% of exports. This jump is being advanced by the dual forces of Artificial Intelligence and the strategic supervision of Chartered Accountants, who have shifted from conventional auditors to the engineers of progress.

Understanding the Economic Magnitude

To understand the scale of “Viksit Bharat,” one must look at the sheer financial volume MSMEs represent in 2026 and their projected path to 2047.

- **Current GDP Contribution (2026):** With India's GDP hovering around ₹320 lakh crore

(\$4 trillion), MSMEs contribute roughly ₹100 lakh crore.

- **The Funding Gap:** Despite the push for formalization, the credit gap remains significant at approximately ₹30 lakh crore.
- **Government Allocation:** The Union Budget 2026-27 has earmarked over ₹22,000 crore for the Ministry of MSME, with a dedicated ₹10,000 crore SME Growth Fund designed to create “Global Champions.”
- **The 2047 Vision:** By 2047, the MSME sector is expected to manage an economic value exceeding ₹1,200 lakh crore, necessitating a level of efficiency only achievable through deep technological integration.

The Roadmap to Viksit Bharat 2047

To ensure MSMEs drive the \$35 trillion dream, a four-pillar strategy is being implemented; the projections/estimations are shown below:

Pillar	Objective	Financial Target (Estimated)
Formalization	Projected to move a greater number of micro-units to the Udyam portal.	Estimated to unlock higher opportunities in formal credit.
Technology Hubs	Projected to establish AI-Common Facility Centers across the country.	Estimated reduction of tech-adoption cost by 60%.
Export Scaling	Projected to link more number of MSMEs to global e-commerce.	Opportunities and boost to MSMEs doing exports.
Skill Transformation	Projected to reskill nearly 10 million workers in AI-collaboration.	Estimated increase labour productivity by 3x.

The Regional Powerhouses in INR Terms

The roadmap to a \$30 trillion economy is paved by regional clusters. By 2047, the MSME contribution is projected to hit ₹1,200 lakh crore. Let's look at the impact on the ground by taking few examples:

- **Punjab's Manufacturing Might:** For a cycle-part manufacturer in Ludhiana, the cost of downtime is often ₹2 lakh per day. AI-driven predictive maintenance is now saving these units over ₹50 lakh annually in repair costs.
- **Coimbatore's Textile Tech:** Modern looms in Tamil Nadu are utilizing AI to reduce fabric wastage by 12%, adding nearly ₹1.5 crore to the annual bottom line of medium-scale exporters.
- **Assam's Tea Renaissance:** Small Tea Growers (STGs) contribute nearly 50% of India's tea. AI-powered soil analysis and climate forecasting are increasing

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yields by 20%, ensuring that the ₹20,000 crore tea industry remains competitive against global rivals.

The Role of CA in the Era of AI and Viksit Bharat 2047

The role of the Chartered Accountant has undergone its most significant shift since the introduction of GST. In the Viksit Bharat roadmap, the CA is the “General Surgeon” of an MSME’s financial health and it’s “Pilot” in the digital skies.

A. From Compliance to Strategic Advisory

In 1990, a CA filed taxes. In 2026, a CA performs Data-Driven Business Modeling. Using AI tools, CAs provide MSMEs with “What-If” analysis: *“If we increase production of Part X by 20% using a robotic arm, what is the impact on our debt-service coverage ratio over 5 years?”*

B. The ESG Sentinel

As India integrates into global supply chains, MSMEs face strict ESG (Environmental, Social, and Governance) mandates from international buyers. CAs are now the authorized professionals who certify an MSME’s carbon footprint and labour practices, ensuring they aren’t barred from the ₹80 lakh crore global green market.

C. AI Governance and Ethical Audit

With MSMEs adopting AI, there is a risk of algorithmic bias or data leaks. The “CA Mandate” now includes auditing the AI models themselves, ensuring that the financial data fed into these systems is secure and that the outputs are compliant with the Digital Personal Data Protection (DPDP) Act.

The part played by Chartered Accountants in this age has constantly evolved. They are no longer just confined to the role of ‘Tax Filers’ but have become Navigators of Growth.

- **The Valuation Expert:** Chartered Accountants now make use of AI to furnish real-time valuations, assisting business owners in negotiating from a place of power.

- **The ESG Auditor:** Global customers now insist on ‘green certifications.’ The CA is required to audit the carbon emissions of an MSME, making certain that a tea plantation in Assam can market its ‘Carbon Neutral’ leaves at a 40% premium in international marketplaces.

- **Financial Shield:** With several online frauds constantly targeting early-stage businesses, Chartered Accountants are conducting digital audits, safeguarding MSMEs from probable damages approximately amounting to ₹25 lakh per incident.

The CA as a Strategic Architect in the AI Era

The role of Chartered Accountants has transitioned from mere regulatory overseers to astute experts and farsighted visionaries. The incorporation of AI has started to reform professional working methods, permitting CAs to provide premium services such as Virtual CFO advisory and potential risk mitigation.

Audit Automation: A Roadmap for CA Practices

To enable CAs to assist MSMEs efficiently, they must utilize agentic workflows to automatize the exhausting labour of auditing.

8-Step Rollout Plan for Practice Automation

1. **Pick Workflows:** Begin with areas of high resistance such as AP invoice flow or bank reconciliation.
2. **Standardize Data:** Arrange the account structure and rules for uniformity.

3. **Connect Systems:** Use APIs to link to client ERPs (Tally, SAP, Oracle).
4. **Build Controls:** Set up the order of approval and automated audit trails.
5. **Pilot Period:** Carry out a pilot assessment to compare manual vs. automated speeds.
6. **Train Teams:** Switch employees from “data entry” to “review mode” and anomaly management.
7. **Expand Scope:** Move to journal and reporting automation.
8. **Track KPIs:** Evaluate ROI through streamlined and reduced rework.

The ICAI MSME Clinic Initiative

ICAI has launched MSME Clinics across 183 branches nationwide. These clinics provide pro-bono weekly advisory sessions on finance, GST, and technology adoption. They also act as credit matchmakers, connecting collateral-strapped MSMEs with fintech lenders and private equity investors.

Addressing Liquidity: Delayed Payments and Section 43B(h)

Liquidity remains a formidable challenge, with approximately ₹10.7 lakh crore in working capital locked in delayed payments annually. Section 43B(h) of the Income Tax Act, effective April 1, 2024, has become the primary tool for enforcing payment discipline.

The 15/45 Day Rule and Penal Interest

- **Without Written Agreement:** Payment must be made within 15 days of acceptance.
- **With Written Agreement:** Payment as per the agreed date, not exceeding 45 days.

Tax Consequence: If payments are delayed beyond these timelines, the expenditure is disallowed as a deduction for that financial year and is added back to the payer’s taxable income.

“Effective October 15, 2025, all new delayed payment applications are filed on the Online Dispute Resolution (ODR) Portal. This digital-first mechanism aims for speedy, transparent resolution within 90 to 180 days.”

Penal Interest Calculation: Delayed payments attract compound interest with monthly rates at three times the RBI Bank Rate. With the RBI Bank Rate at 5.50% (as of December 2025), the effective penal interest rate is 16.5% per annum.

The Transition to MSME ODR

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Government Incentives and Business Support Frameworks

The Union Budget 2026-27 has reinforced the “MSME scale and productivity engine” with targeted outlays.

1. **Enhanced Credit Guarantee (CGTMSE):** The ceiling for collateral-free guarantee coverage has been raised from ₹5 crore to ₹10 crore as of April 2025.
2. **Export Promotion Mission (EPM):** A ₹25,060 crore outlay (2025-2031) to consolidate fragmented schemes into a single digital framework for global market access.
3. **SME Growth Fund:** A dedicated ₹10,000 crore fund to support high-potential enterprises in scaling up.

4. **Self-Reliant India (SRI) Fund:** Infusing ₹50,000 crore as equity funding; as of late 2025, ₹15,442 crore has already been invested in 682 MSMEs.

AI: The Catalyst for the “Non-Linear” Growth

In the 2047 era, AI is not just a software tool; it is a fundamental factor of production, alongside land, labour, and capital. For an MSME, AI bridges the gap between “small-scale” and “world-class.”

A. Hyper-Efficiency in Manufacturing

Small manufacturing units in clusters are now utilizing AI-driven Predictive Maintenance. By spending a few thousand rupees on IoT sensors, an MSME avoids machinery breakdowns that used to cost ₹5 lakh to ₹10 lakh in lost productivity annually.

B. Democratized Global Marketing

AI-powered language translation and sentiment analysis allow a handicraft MSME in rural Rajasthan to sell directly to a boutique in Paris via the ONDC (Open Network for Digital Commerce). AI handles the localization, pricing optimization, and logistics tracking in real-time.

C. The “Intelligent” Credit Score

The most profound impact of AI is on the ₹30 lakh crore credit gap. Traditional banks required collateral (property/land). In 2026, AI-enabled Cash Flow Lending analyzes GST returns, digital payments, and utility bills to grant “collateral-free” loans up to ₹20 lakh within minutes.

The AI Era: Leapfrogging Traditional Constraints

Artificial Intelligence (AI) is the most significant transformative force for MSMEs in decades. By 2035, AI is estimated to contribute between \$135.6 billion and \$149.9 billion to

the value creation of manufacturing MSMEs. For small businesses, AI acts as a “*de facto co-founder*,” enabling them to compete on design, quality, and speed without the overhead of massive labor forces.

The IMPACT AI Framework for Adoption

The IMPACT AI Framework, introduced by the World Economic Forum (WEF), in its AI Playbook for India’s MSMEs, is a structured roadmap designed to scale AI adoption across small businesses.

It organizes coordinated actions into three core pillars:

1. Awareness (Creating Knowledge & Trust)

This pillar focuses on bridging knowledge gaps and building confidence in AI’s practical value.

- **AI Experience Centres:** Dedicated hubs where entrepreneurs can see live, sector-specific use cases (e.g., textiles in Surat or auto parts in Chennai).

- **AI Sandboxes:** Controlled environments for MSMEs to experiment with tools safely before full implementation.

- **Capability Building:** Education programs and peer-to-peer learning to demystify technology for non-technical founders.

2. Action (Inspiring Implementation)

The action pillar equips MSMEs with practical tools to move from theory to deployment.

- **AI Maturity Index:** A self-assessment tool to help businesses understand their current digital readiness.

- **AI Solutions Marketplace:** A platform of verified, low-cost AI providers to simplify procurement.

- **Alternative Financing:** Credit models that use AI-

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driven alternative data to unlock formal financing for businesses lacking traditional documentation.

3. Recognition (Validating & Scaling)

This pillar ensures that successful adopters are acknowledged to inspire broader ecosystem growth.

- **AI Pioneers:** Identifying and celebrating early adopters to create “blueprints” for other MSMEs to follow.
- **Knowledge Sharing:** Creating a feedback loop where insights from pilot projects are shared to continuously raise industry standards.
- **Incentive Alignment:** Aligning government and industry rewards to sustain long-term digital transformation.

AI: The Silent Partner in Every Workshop

In 2026, AI is the “Digital Co-founder” for MSMEs. It solves the three biggest pain points: *Efficiency, Quality, and Credit*.

A. Breaking the Credit Barrier

Historically, an MSME struggled to get a loan without mortgaging land. Today, AI-enabled Cash

Flow Lending analyzes GST data and digital invoices to sanctioned “collateral-free” loans up to ₹5 crore in hours. The ₹30 lakh crore credit gap is finally closing.

B. Precision Manufacturing

For Example, In Coimbatore’s textile hubs, AI cameras scan thousands of meters of fabric per minute, detecting flaws that the human eye misses. This “Zero Defect” approach ensures Indian MSMEs meet the stringent quality standards of Europe and the US, unlocking an export market worth ₹80 lakh crore by 2047.

Challenges: Navigating the Storm

While the vision is grand, the reality on the ground requires urgent attention.

The path to 2047 has significant hurdles:

- **The Digital Divide:** While urban MSMEs are “AI-first,” nearly 40% of rural units still struggle with consistent high-speed internet and basic digital bookkeeping.
- **Cost of Transition:** Upgrading to AI-ready infrastructure requires an initial capital outlay that many micro-enterprises (with turnover < ₹5 crore) find daunting.
- **Cybersecurity Threats:** As businesses move to the cloud, MSMEs have become prime targets for ransomware. A single breach can cost a small unit ₹50 lakh, often leading to permanent closure.
- **Reskilling:** We need to train over 10 million workers in Punjab and Assam to work alongside AI, rather than fearing it as a replacement for labor.

Conclusion: The Lion Awakens

The passage towards 2047 isn’t confined to just a value on a GDP chart; it is about the enabling of the small business owner. When a cultivator of tea in Assam makes use of AI to maximize his harvest, or an owner of

textiles employs a CA’s approach to go public on the NSE Emerge platform, India surfaces as a winner.

The MSME Growth Engine is now charged by intellect and integrity. The shift from “Small” to “Significant” is far-reaching. By 2047, the world won’t just purchase goods labelled “Made in India” but those “Designed and Perfected by the Indian MSMEs”.

The year 2047 will witness a nation where the contrast between a “small” and “large” business is bleared by technology. A minor unit in a Tier-3 city, powered by AI and steered by a technologically adept CA, will have the same methodical competencies as a multinational today.

The MSME Growth Engine is no longer just about survival; it is about dominance. As the “CA Mandate” evolves and AI matures, the journey to Viksit Bharat is not just an economic target; it is a transformation of the Indian spirit of “Jugaad” into a global standard of “Innovation and Excellence.” The road to Viksit Bharat 2047 is not merely about surviving; it is about scaling through “manufacturing depth” and technological sophistication. AI provides the leverage to escape the low-productivity trap, while regulatory mechanisms like Section 43B(h) and TReDS 2.0 provide the necessary financial discipline and liquidity.

As CAs, our role is to act as the bridge mentoring 7.5 crore MSMEs to navigate the complexities of digital transformation and global compliance. By fusing AI-driven innovation with the spirit of *Atmanirbharta*, the MSME sector will remain the heartbeat of India’s transformation into a global economic powerhouse.

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