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Introduction

The Micro, Small and Medium Enterprises (MSME) sector is contributing approximately one-third to India's GDP and plays a pivotal role in driving the nation's economic development. It is also a cornerstone of the government's "Make in India" initiative. It has been recognized as one of the four key engines of economic growth (Agriculture, Investment, MSMEs and Exports), and the sector has gained renewed momentum through the government's sustained focus on formalization. This policy thrust has significantly enhanced credit penetration, enabling a larger number of enterprises to access formal financial systems and institutional support (Mittal, 2025).

Bridging Compliance and Capital: Chartered Accountants as Catalysts for MSME Expansion

The aim of the study is to explore the role of Chartered Accountants in the empowerment and growth of MSMEs in the current and upcoming challenging environment. Recently, the Institute of Chartered Accountants of India (ICAI) organized the "ICAI MSME Mahotsav 2025" with the objective of achieving nationwide outreach to strengthen MSME development by providing Udyam Registration assistance, walk-in consultations, and on-site helpdesks supported by the Small Industries Development Bank of India (SIDBI), National Small Industries Corporation (NSIC), District Industries Centers (DIC), and banks. MSMEs received expert guidance in many areas such as financial planning, regulatory compliance, credit access, including credit guarantee schemes as well as government support programs. The initiative emphasized the strategic role of Chartered Accountants as key facilitators of MSME growth and formalization.

Despite these advancements, maintaining and accelerating the sector's growth trajectory is essential to achieve the vision of Viksit Bharat by 2047. The MSME ecosystem, due to its inherent structural characteristics, remains more vulnerable to macroeconomic disruptions compared to larger enterprises. Factors such as limited access to capital, inadequate technological infrastructure, and lower resilience to market volatility continue to pose challenges. Therefore, a coordinated policy framework that supports financial inclusion, technological adoption, and resilience-building is crucial. Strengthening the MSME sector will not only contribute to sustained economic growth and employment generation but will also ensure inclusive development across both urban and rural India, laying the foundation for a globally competitive and self-reliant economy.

Micro, Small and Medium Enterprise (MSME)

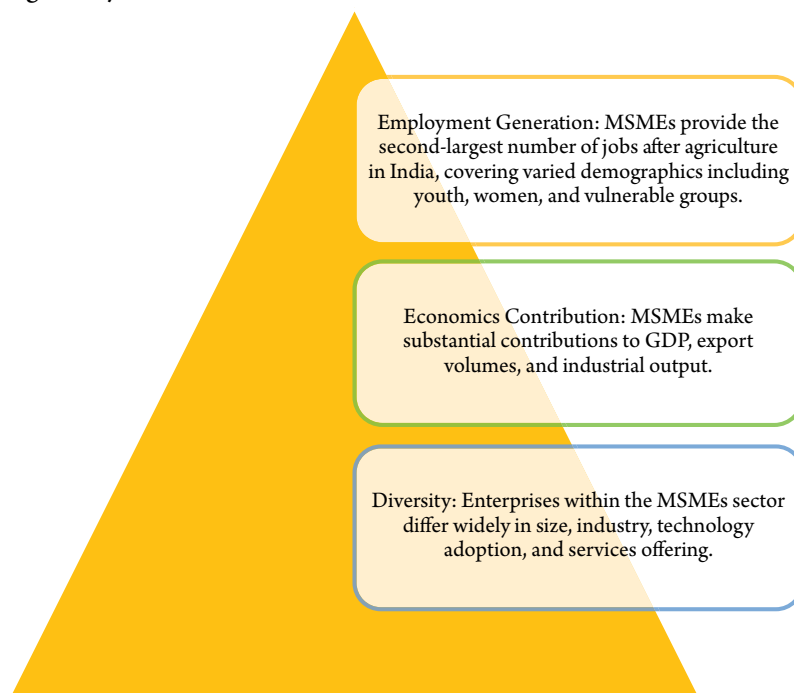
The MSME sector in India is highly diverse, varying in size, technology use, employment, and product range. While a small segment is innovation-driven, approximately 94% operate informally and remains unregistered. According to the World Bank, emerging markets host 365-445 million MSMEs, with a majority being informal enterprises. In India, MSMEs produce around 6,000 products predominantly in manufacturing, such as food products, textiles, chemicals, metals, machinery, and leather goods, highlighting the sector's strong industrial orientation over services. This underscores the sector's critical role in economic growth, both nationally and in the broader context of emerging economies.

“CAs uphold India’s integration with global accounting and auditing standards, including IFRS, ISAs, and ethical standards, thus enabling MSMEs to present reliable and internationally comparable financial statements.”

India’s economic resurgence is being powerfully driven by the rapid expansion of the micro, small and medium enterprise (MSME) sector, which now contributes approximately 30% to the national Gross Value Added (GVA), a close proxy for GDP, and accounts for around 35.4% of India’s total manufacturing output. This growing momentum reaffirms MSMEs as core engines of economic growth and resilience. The sector’s sustained recovery to a 30.1% share of GVA in FY2022-23, following declines during the pandemic, reflects a strong rebound in production and output. Concurrently, its stable share of around 35.4% in manufacturing output underlines the sector’s foundational role in driving industrial activity across India. These robust figures underline the dual impact of MSMEs as a source of inclusive, decentralized as well as strategic contributors to India’s industrial strength.

Micro, Small and Medium Enterprises (MSMEs) constitute a critical pillar of the global and Indian economy. Globally, MSMEs represent approximately 90% of all businesses, contribute around 50% of GDP, and account for over 70% of formal employment. In India, the sector spans more than 63 million enterprises, employing over 110 million individuals, contributing nearly 30-35% of GDP, and accounting for over 40-45% of exports (Bora, 2025). MSMEs are particularly notable for generating employment at lower capital costs than larger firms and for catalyzing industrial development in rural and

Fig. 1: Key Characteristics of MSMEs



Source: Author’s Compilation

backward regions, thereby helping to reduce regional income imbalances and achieve equitable wealth distribution. The characteristics of MSMEs have been represented in Fig. 1.

MSMEs face numerous challenges such as outdated technologies that limit productivity, and pervasive difficulties in accessing formal finance, with a significant portion of enterprises relying on informal lending, intense domestic and international market competition, inefficiencies in supply chains, and inadequate infrastructure support such as roads, electricity, and digital connectivity (Kumar, 2025).

Challenges For MSMEs

Finance and technology are increasingly becoming twin enablers in bridging the credit gap for India’s MSMEs. It has been recognized that there is a requirement to emphasize the need for a cluster-based approach and innovative risk assessment models to address persistent credit challenges in the sector. Existing studies have highlighted that there is a mismatch between the demand and supply of credit due to collateral constraints and

have underlined the importance of credit guarantee schemes in supporting collateral-free lending. It has been noted that advancements in technology and data availability have significantly improved the ability of financial institutions to assess borrower intent and repayment capacity. For the rapid growth of trade, invoice discounting platforms have been introduced, which have enhanced MSMEs’ access to finance while maintaining very low default rates. There is an important role of technology in developing new financing models and systems like TReDS (Trade Receivables Discounting System, which is an online platform designed to facilitate the financing of trade receivables for MSMEs by allowing them to discount their invoices through an auction mechanism), thereby reducing costs for smaller enterprises and boosting credit access. Even it has been recognized that there is an important role of scalable fintech solutions in addressing the formal credit gap of MSMEs.

FTAPCCI & IMCI study evaluated four core functional areas of MSME operations: marketing practices,

Fig. 2: Core Functional Areas of MSME Operations

Source: FTAPCCI & IMCI

ICT adoption, human capacity building, and cost optimization as shown in Fig. 2. It found that most MSMEs rely heavily on cold calling and relationship-based marketing, while tools like print and electronic media are avoided due to high costs. Social media and online marketplaces have moderate awareness but limited adoption, with only 25% using them effectively. Advanced ICT tools like CRM (Customer Relationship Management), ERP (Enterprise Resource Planning), HRMS (Human Resource Management System), and Cloud Computing remain underutilized due to high implementation costs and lack of skilled manpower. Over 90% of MSMEs use basic communication and office tools in daily operations.

In terms of workforce development, MSMEs primarily rely on in-house and cross-training, while government and private training initiatives see minimal participation. A major challenge identified is the lack of the right mindset and attitude among workers. For cost-optimization, working capital management and procurement planning are commonly practiced, but annual budgeting is rare due to dependence on work orders.



Adoption of innovation and digital tools is increasingly vital. Only a small proportion of MSMEs are fully digitized, yet over 70% report income gains via digital adoption through platforms like smartphones and UPI. Sustainability initiatives, including energy-efficient operations, are essential for aligning MSME growth with global environmental goals. The government supports MSMEs in expansion through credit guarantee schemes, a streamlined registration system, technology support, and enhanced market access provisions. Sustainable financing models that ensure long-term resource availability remain central to continued sectoral development.

Contributions of Chartered Accountants in Empowering and Fostering Growth Among MSMEs

Indian MSMEs are evolving within a rapidly shifting global and domestic landscape marked by tighter regulatory regimes, complex global supply chains, accelerated digitalization, and intensified competition. MSMEs now contribute approximately 30% of national Gross Value Added (GVA), nearly 46% of exports, and operate across more than 63 million units, employing close to 191 million people. While the sector's resilience has been evident, its GVA share rose from 27.3% in FY 2020-21 to 30.1% in FY 2022-23 (Kumar, 2025). MSMEs must now navigate rising compliance burdens (nearly 1,450 annual regulatory obligations per unit costing ₹13 lakh) (Dewan, 2025), tight access to formal finance, global competition pressures, and demands for digital and sustainable operations.

In this environment, Chartered Accountants are increasingly pivotal as strategic enablers and resilience builders for MSMEs.

Financial Stewardship and Access to Capital

1. Cash-Flow Management and Financial Planning: One of the foundational roles CAs play is establishing robust financial systems such as accurate bookkeeping, budget forecasting, working capital management, and cash-flow modelling, all of which directly influence MSMEs' ability to scale sustainably.

2. Improving Access to Finance: MSMEs often fail to secure formal credit due to weak documentation and lack of financial transparency. CAs enhance creditworthiness by preparing auditable financial statements, cash-flow projections, and valuation reports. MSMEs supported by CAs are reportedly twice as likely to succeed in securing loans from institutions such as SIDBI. Moreover, schemes such as CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) now offer collateral-free credit up to ₹5 crore, and CAs play a critical facilitating role in helping MSMEs leverage these programs.

3. Capital Markets and Structured Finance: With MSMEs increasingly tapping into equity markets, raising ₹7,453 crore by January 2025, CAs guide them in meeting NSE Emerge listing norms, designing fundraising structures, and ensuring compliance through disclosure and reporting frameworks (Nanda, 2025).

Regulatory Compliance and Governance

1. Mitigating Compliance Burden: Navigating the extensive compliance landscape is daunting for MSMEs. Chartered Accountants provide strategic help in filing accurate GST returns, ensuring income tax compliance, adherence to labour laws, environmental reporting, and statutory audits. In this capacity, they reduce the risk of

penalties, imprisonment clauses, and operational disruption posed by over 1,000 regulations spanning 480 high-risk provisions (Dewan, 2025).

2. Enhancing Corporate Governance:

CAs uphold India's integration with global accounting and auditing standards, including IFRS, ISAs, and ethical standards, thus enabling MSMEs to present reliable and internationally comparable financial statements. This enhances investor confidence and supports foreign investment inflows.

3. Risk Management and Internal Control:

Through systematic risk identification and robust control frameworks, CAs help MSMEs mitigate operational and financial risks, improving resilience amid shocks like supply chain disruptions or regularly shifts (CFO).

Strategic Advisory and Value Creation

1. Business Advisory & Strategic Planning:

Beyond compliance, CAs serve as business advisors, identifying cost efficiencies, market trends, investment opportunities, and optimum reinvestment strategies. This value-added advisory work positions MSMEs for growth and long-term competitiveness (CFO).

2. Digital Transformation & Analytics:

CAs leverage emerging technologies such as Artificial Intelligence (AI), Machine Learning, Big Data Analytics, and Digital Platforms to drive adoption of digital tools like the Udyam Portal and GST systems. Cloud accounting platforms and SBI's Udyami Mitra are better utilized when guided by CAs, who facilitate digital literacy and data governance frameworks. They also pioneer secure, quantum-prepared financial systems and cyber-resilient infrastructure.

3. Mentorship & Ecosystem Support:

Within this support ecosystem, CAs provide on-

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ground support and guidance on Udyam registration, GST onboarding, scheme application (e.g. CGTMSE - Credit Guarantee Fund Trust for Micro and Small Enterprises, and Mudra) and legal assistance. ICAI's MSME rebooting checklist, helpdesks, and grievance redressal portal are key enablers in bridging knowledge gaps.

Policy Enablers & Collaborative Advocacy

1. Policy Translation and Implementation:

CAs play a crucial role in translating government initiatives into practical strategies, operating at the crucial intersection of policy formulation and on-ground business practices for MSMEs, as well as interpretation and guidance on schemes such as Credit Guarantee Schemes, Mudra Loans, PMEGP (Prime Minister's Employment Generation Program), PM Vishwakarma and digital market access through GeM (Government-e-Marketplace)/ ONDC (Open Network for Digital Commerce), and leveraging these opportunities for the effective growth of MSMEs. Furthermore, they work closely with financial institutions and regulatory bodies such as SIDBI and government ministries to provide feedback, thereby refining program implementation.

2. Financial Literacy & Capacity Building:

Hundreds of webinars, e-learning modules and financial literacy campaigns have been initiated, including outreach for Bharat Scouts and state officials through platforms such as iGOT Karmayogi (Integrated Government Online Teaching - a digital platform to enhance the skills and competencies of civil servants).

3. Influencing Ease of Doing Business:

CAs provide insights into policymaking, advocating for the significance of compliance, rationalization of taxes, and easing documentation burdens, as well as offering their inputs that enhance government-induced reforms aligned to MSME interests (Dewan, 2025).

Addressing Contemporary Challenges

1. Navigating Regulatory Pressures:

Given the staggering compliance cost of ₹13 lakh per MSME and multiple imprisonment risks, CAs help MSMEs institutionalize compliance protocols, perform risk audits, and implement Regulatory Technology workflows to automate filings and prevent violations (Dewan, 2025).

2. Tackling Access and Credit Disparities:

It has been identified that there is a credit gap estimated at ₹69 trillion against ₹10.9 trillion in formal credit availability, especially for women entrepreneurs who often face additional barriers such as limited collateral, lower financial literacy, and restricted access to formal banking networks. CAs help bridge this gap by preparing structured and viable loan proposals, developing financial projections and credit models, and ensuring proper documentation required by lenders.

3. Enabling Digital and Sustainable Transition:

In the global environment, as business organizations continue to experience

Fig. 3: Strategic planning for CAs and MSMEs

Source: ICAI

increased pressure to become digital and sustainable, CAs provide assistance to MSMEs in shifting to greener and more effective business models such as the implementation of energy-saving technologies, sustainable manufacturing, supply-chain transparency, and the circular economy.

Case Studies:

1. “Banking and MSME Sector Conclave 2025, Pune” emphasized the significant contribution of Chartered Accountants in bridging the information asymmetry between MSMEs and financial institutions. Most small businesses find it difficult to understand what lenders want in terms of financial statements, documentation, and collateral requirements, as well as to have a clear understanding of GST compliance and to facilitate smooth operations in MSME clusters, such as single-window clearances. This enabled greater coordination between entrepreneurs, banks, and policymakers, thereby enhancing access to formal finance.
2. Academic studies indicate that integrating Regulatory Technology solutions, supported by tech-savvy CAs, can dramatically reduce compliance costs while enhancing operational efficiency and risk visibility.
3. Through CAs’ support with Udyam registration, GST compliance, capital markets listing, and export documentation, MSMEs are better positioned to benefit from

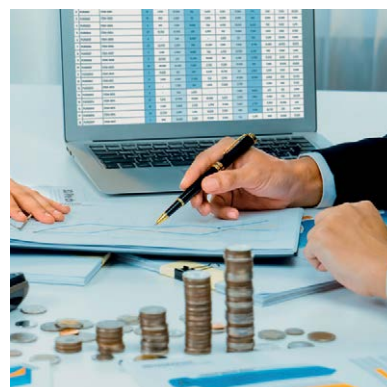
enhanced market access and export incentives. This formalization underpins improved survival rates, access to credit, and business growth.

Strategic Horizons: The Road Ahead for CAs and MSMEs

Strategic horizons between CAs and MSMEs have been broadly categorized into five categories as shown in Fig. 3.

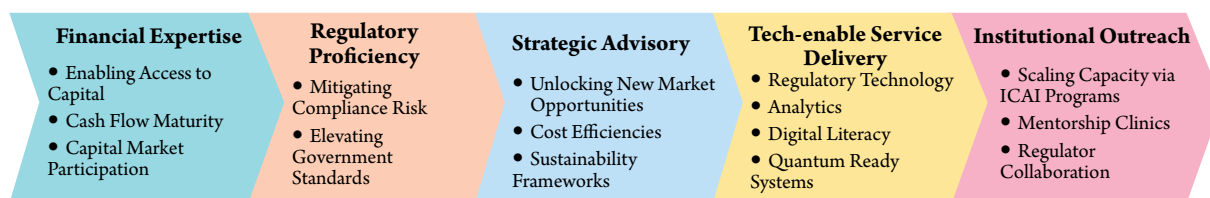
1. **Broaden Digital Advisory:** CAs should deepen competencies in AI-enabled accounting, blockchain for supply chain traceability, cybersecurity, and quantum-safe finance systems to serve MSMEs in technology-heavy domains.
2. **Facilitate Inclusive Financing Solutions:** They must continue catalyzing access to finance for underserved segments, especially women-led and rural enterprises, via mainstream schemes (e.g. the Credit Guarantee Fund Trust for Micro and Small Enterprises, Mudra Loans, MSME Credit Cards, Capital Market routes) and financial literacy outreach.
3. **Simplify Compliance Pathways:** Partnering with regulators, CAs can advocate for compliance rationalization, simplification of regulatory frameworks, and widespread adoption of digital compliance tools across MSMEs.
4. **Drive Sustainable Innovation:** Support MSMEs in adopting circular economy models, green frameworks, energy efficiency,

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digital operations, and global ESG compliance to unlock new markets and investor interest.

5. **Strengthen Professional Ecosystems:** To strengthen the role of CAs in supporting MSMEs

Fig. 4: CAs Support to MSME Through Their Partnership

Source: Author's Compilation

“As India confronts a challenging post-pandemic landscape marked by regulatory complexity, digital transformation, rising global competition, supply chain disruption, and sustainability imperatives, MSMEs require more than transactional support. They need a strategic, tech-savvy, governance-oriented partnership.”

and startups through initiatives such as CIPD, incubation centers, mentorship clinics, and collaborative outreach program. Such programs assist in the professional development and mentoring of young professionals, as well as in providing financial and compliance advisory services of small business. MSME clinics and startup yatras are among the events that provide platforms for interaction between CAs, entrepreneurs, financial institutions, and policymakers.

Conclusion

As India confronts a challenging post-pandemic landscape marked by regulatory complexity, digital transformation, rising global competition, supply chain disruption, and sustainability imperatives,

MSMEs require more than transactional support. They need a strategic, tech-savvy, governance-oriented partnership. CAs offer this partnership through their financial expertise, regulatory proficiency, strategic advisory, tech-enabled service delivery, and institutional outreach.

Collectively, CAs provide a multidimensional support system that empowers MSMEs to thrive in adversity and scale growth sustainably. As India is progressing towards its long-term economic vision of becoming a \$5 trillion to \$35 trillion economy by 2047, the partnership between CAs and MSMEs will continue to play a vital role in solidifying financial discipline, improving regulatory compliance, facilitating access to formal credit, and supporting digital and tax transformations with MSMEs. Their proficiency helps enterprises enhance transparency, adopt better government practices, and integrate into formal economic systems. By enabling MSMEs to measure efficiently and remain resilient in a competitive global environment, their partnership will continue to serve as a foundational pillar of India's future-ready economic development.

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