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# IMPACT OF GOVERNMENT SCHEMES ON MSME GROWTH IN TAMIL NADU

**Dr. R. Subhasri**
Associate Professor, SDNB Vaishnav College for women

**Ms. Kirthiga B**
Assistant professor, SDNB Vaishnav College for women

## ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) are critical to India's economic growth, contributing significantly to industrial output, exports, and employment. Tamil Nadu, one of the country's leading industrial states, has consistently supported MSMEs through a mix of central and state-level schemes. This study examines the impact of government initiatives on MSMEs in Tamil Nadu using secondary data from official sources, covering the period 2015–2024. The analysis focuses on three indicators—registrations, credit access, and employment generation. Evidence from the state's MSME Policy Note (2024–25) and related government reports shows that targeted schemes such as NEEDS, UYEGP, PMEGP, PMFME, and the Annal Ambedkar Business Champions Scheme have enabled over 21,000 entrepreneurs in 2023–24 alone, with more than ₹600 crores disbursed in subsidies. Enterprise-level subsidies on capital, payroll, certification, and energy efficiency further benefitted nearly 4,500 MSMEs, while cluster and infrastructure development attracted close to ₹800 crore in investments. Cooperative-based MSMEs also recorded turnovers exceeding ₹2,000 crore, sustaining employment and traditional industries. Overall, the findings highlight that government schemes have improved financial inclusion, reduced operational costs, and created an enabling ecosystem for MSMEs, though challenges in credit access and awareness remain.

**Keywords:** MSMEs, Tamil Nadu, Government Schemes, Subsidies, Employment Generation, Cluster Development, Credit Access

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in fueling India's economic growth, generating employment, and boosting industrial output. They offer a wide spectrum of products and services, making valuable contributions across multiple sectors, while enhancing manufacturing strength and sustaining both rural and urban livelihoods. As of 2023–24, MSMEs represent nearly 35% of the country's manufacturing output and provide large-scale employment through millions of enterprises operating across the nation(Annual report:2022-23).

MSMEs encounter a significant and ongoing credit shortfall, estimated at around ₹30 lakh crore in unmet demand (SIDBI Pulse). This gap stems largely from inadequate financial records, stringent collateral requirements, extensive documentation processes, and the lack of audited statements among informal enterprises. The burden is especially severe for micro and small firms(SIDBI). Tamil Nadu's MSME sector serves as a key driver of economic growth. Under the MSME Policy 2021, the state has set targets of attracting ₹2,00,000 crore in new investments and generating 2 million jobs by 2025. MSMEs play a vital role in ensuring balanced industrialization, promoting startups, boosting exports, and advancing regional development. However, despite supportive policies, MSMEs in Tamil Nadu continue to face challenges in securing formal credit, largely due to collateral requirements, extensive documentation, and perceived risks—reflecting trends observed nationwide.

## BACKGROUND OF SCHEMES

### Central Government Schemes for MSMEs (2025)

- Udyam Registration Portal: Simplifies MSME registration and integrates access to all government MSME benefits and credit-linked schemes.
- PM Vishwakarma: Launched in 2023-24, supports artisans and craftspeople with training, toolkit incentives, and formally links them to domestic/global value chains.
- Prime Minister's Employment Generation Programme (PMEGP): Subsidized loans for new micro-enterprises in manufacturing and service sectors.
- Pradhan Mantri Mudra Yojana (PMMY): Provides collateral-free business loans up to ₹10 lakh for MSMEs, through Shishu /Kishor/Tarun categories.
- Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE): Offers credit guarantees for collateral-free loans up to ₹2 crore, incentivizing banks to lend more to MSMEs.
- ECLGS (Emergency Credit Line Guarantee Scheme): Additional fully-guaranteed working capital loans for MSMEs hit by COVID-19, supporting both liquidity and employment.
- ZED Certification (Zero Defect, Zero Effect): Incentivizes quality, technology adoption, and green manufacturing practices.
- Stand-Up India: Supports loans between ₹10 lakh–₹1 crore for women and SC/ST entrepreneurs starting new enterprises.
- Aatmanirbhar Bharat Rojgar Yojana: Government subsidizes EPF contribution for new hires, encouraging MSME job creation.
- Production Linked Incentive (PLI): Direct incentives for MSMEs operating in eligible manufacturing sectors to boost output and exports.
- Market Access Initiatives (MAI): Subsidies for exports, international fairs, and marketing assistance.

### Tamil Nadu State Government Schemes for MSMEs (2025)

- MSME Policy Incentives (2021-onwards): Capital subsidies (25%-35% plant and machinery up to ₹150 lakh), additional incentives for backward areas/thrust sectors, payroll subsidies (EPF reimbursement up to ₹24,000 per employee/year for 3 years), LT power tariff subsidy (20% of tariff for 36 months), and interest subsidy for loans under CGTMSE.
- Micro Cluster Development Programme (MCDP): Cluster-based approach to foster rural and micro entrepreneurship, offers infrastructure support.
- New Entrepreneur-cum-Enterprise Development Scheme (NEEDS): Capital subsidy (25%-35%) for new/first-gen entrepreneurs, project cost up to ₹25 lakh for manufacturing/services.
- Unemployed Youth Employment Generation Programme (UYEGP): Assistance for unemployed youth for starting micro-enterprises (linked with margin subsidy).

- Kalaignar Kaivinai Thittam: Special scheme for artisans to promote skill-based MSMEs.
- Annal Ambedkar Business Champions Scheme: Focused on providing financing and capacity support to entrepreneurs from marginalized communities.
- Tamil Nadu Credit Guarantee Scheme: State-level guarantee for MSME loans up to ₹2 crore, with coverage of up to 80%.
- Back-Ended Interest Subsidy (BEIS): 5% interest subsidy for 5 years on loans up to ₹2 crore (CGTMSE-linked) or ₹25 lakh (for women/youth/differently abled).
- Subsidy for Listing on SME Exchange: Up to 75% of listing expenses (max ₹30 lakh per enterprise) for MSMEs going public.
- TIIC Loans: Financial products for greenfield / expansion projects, concessional rates, and special assistance for priority sectors.

Together, these central and state schemes offer a combination of credit access, risk mitigation, capital investment support, skill/training, and market integration to boost MSME growth across India and especially in Tamil Nadu.

## LITERATURE REVIEW

### 1. A Survey on the Growth and Development of MSME in Tamil Nadu

This paper provides a detailed overview of how MSMEs have contributed to Tamil Nadu's industrial development. It highlights that MSMEs constitute a significant share of registered enterprises in the state, accounting for nearly 8% of the national total. The study discusses sectoral strengths—such as IT, textiles, and auto components—and emphasizes the impact of government-led schemes like the New Entrepreneur cum Enterprise Development Scheme (NEEDS), capital subsidies, and infrastructure incentives in promoting business growth. The analysis points to the importance of policy support and an investor-friendly climate for sustaining MSME expansion and enhancing their contribution to exports and employment.

### 2. A Study of Government Initiatives to Promote Micro, Small and Medium Enterprises Sector in India

This study critically examines the landscape of state and national government initiatives targeting MSME growth across India. It finds that, while ambitious schemes—covering skill development, financial access, and export support—have been rolled out to empower MSMEs, there are persistent barriers to effective implementation. Notably, issues such as low awareness, difficulties in accessing credit, and regulatory constraints continue to challenge MSME success. The paper underscores the importance of coordinated and timely delivery of schemes to truly empower the sector and suggests that while policies have laid the groundwork, sustained outreach and support are needed for optimal impact.

### 3. A Study on Micro, Small & Medium Enterprises in Tamil Nadu

Focusing specifically on Tamil Nadu, this paper analyzes the growth trajectory, contributions, and challenges of MSMEs in districts like Chennai and Tiruvallur. The research reveals that MSMEs are instrumental in employment generation, regional industrial diversity, and social upliftment. However, the sector is also constrained by infrastructural deficiencies, limited access to technology, and competitive pressures. The paper calls for targeted interventions to resolve these gaps and foster an enabling environment for sustainable MSME growth.

### 4. Awareness of Central Sector Scheme among the MSMEs

This paper investigates the extent of awareness among MSME entrepreneurs regarding various central sector schemes. Using a structured survey methodology, the study finds significant knowledge gaps, with awareness levels not strongly correlated to demographic factors such as age, gender, or education, but more to business location. The findings highlight the importance of targeted policy communication and outreach—particularly in non-urban regions—if central government schemes are to translate into real benefits for MSMEs.

**5. Impact Assessment of Government Policies on Small and Medium Enterprises**

This paper rigorously examines the link between government policies and MSME growth, deploying statistical tools and regression analyses to establish causality. The study identifies positive effects stemming from supportive credit policies, tax incentives, and streamlined licensing procedures. Despite these gains, it highlights the need for regular policy reassessment and tailored interventions to ensure the continuing positive trajectory of MSME development.

**6. JETIR.org: A Study on the Performance of Micro, Small, and Medium Enterprises in Tamil Nadu**

This study uses growth rate analysis and trend assessment to evaluate the performance of MSMEs in Tamil Nadu. It finds that the sector, responsible for nearly 16% of national MSMEs, has shown robust growth in production and employment even amid challenges like the COVID-19 pandemic. The paper reflects on capital investment, employment creation, and adaptation strategies, concluding that MSMEs are crucial for balanced economic development and regional equity.

**7. Investment Opportunities for MSMEs in Tamil Nadu**

This official report outlines the policy environment, incentives, and sectoral opportunities available to MSMEs in Tamil Nadu. The document details capital and employment subsidies, technology support, and market access facilitation, underscoring the state's proactive approach to cluster development and backward area upliftment. The report serves as a practical guide for investors and entrepreneurs, making clear the diverse support structures in place for MSMEs to thrive.

## RESEARCH METHODOLOGY

This study uses secondary data from official sources including the MSME Ministry Annual Reports, the Udyam Registration Portal, Tamil Nadu MSME Department Policy Notes, and CGTMSE Annual Reports. The period of analysis is 2015–2024.

We examine three indicators of MSME growth:

1. Registrations (new business formation).
2. Loans/Credit flow (access to finance).
3. Employment generated (jobs reported under schemes).

The method is a trend comparison, where we compare these indicators before and after the introduction of key schemes to understand their impact on MSME growth in Tamil Nadu.

**DATA ANALYSIS AND INTERPRETATION**

**Chat 1: STATE WISE TOTAL MSMES IN INDIA**

Source: Udhayam registration portal

**Inference**

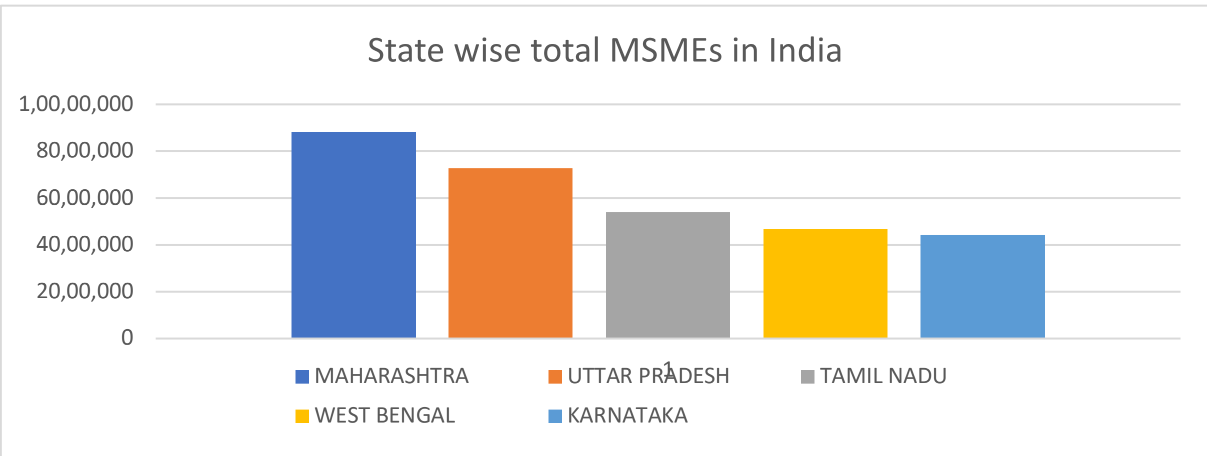
Tamil Nadu has a total of **54,01,232 MSMEs**, ranking **third in India** after Maharashtra and Uttar Pradesh, and holding the **top position in South India**. This highlights the state's strong industrial base, especially in textiles, engineering, and manufacturing sectors. Though behind Maharashtra and Uttar Pradesh in numbers, Tamil Nadu surpasses West Bengal and Karnataka, establishing itself as a major hub of entrepreneurship, employment generation, and balanced economic growth.

**TABLE 1: MSME REGISTRATIONS AND EMPLOYMENT DISTRIBUTION IN TAMILNADU**

| Category | Number |
|---|---:|
| Total Registration | 6,72,39,734 |
| Total Classified | 6,71,87,742 |
| Micro | 6,66,72,632 |
| Small | 4,79,175 |
| Medium | 35,935 |
| Total Employment | 29,20,41,774 |

**Inference:**

The data shows that, out of a total of 6.72 crore registrations, the vast majority (over 6.66 crore) belong to the Micro category, while Small enterprises account for about 4.79 lakh and Medium enterprises only 35,935. This highlights that India's MSME sector is overwhelmingly in micro scale. Despite their size, these enterprises collectively provide employment to 29.2 crore people, underlining the crucial role of MSMEs—especially micro enterprises—in generating




large-scale employment and supporting the economy.

**TABLE 2: IMPACT OF GOVERNMENT SCHEMES ON MSMES SELF-EMPLOYMENT & ENTREPRENEURSHIP SCHEMES (2023–24)**

| Scheme | Entrepreneurs Benefitted | Subsidy/Support (₹ Crore) |
|---|---|---|
| **Annal Ambedkar Business Champions Scheme (AABCS)** | 1,389 | 159.76 |
| **NEEDS Scheme** | 877 | 91.26 |
| **Unemployed Youth Employment Generation Programme (UYEGP)** | 2,538 | 28.14 |
| **PMEGP (Central Govt. Scheme) –** | 4,175 | 106.86 |
| **PMFME Scheme (Food Processing)** | 12,070 | 230.67 |

**Source: Micro, Small and Medium Enterprises Department Policy Note 2024 -25**

**Interpretation:** These schemes enabled more than 21,000 new entrepreneurs and ₹600 crore were disbursed, demonstrating strong state support for first-generation and marginalized entrepreneurs.

**TABLE 3: ENTERPRISE SUBSIDIES (2023–24)**

| Type of Subsidy | Enterprises Benefitted | Subsidy (₹ Crore) |
|---|---|---|
| Capital Subsidy | 2,389 | 328.37 |
| Payroll Subsidy | 99 | 2.16 |
| LT Power Tariff Subsidy | 609 | 5.46 |
| Back Ended Interest Subsidy | 897 | 7.92 |
| Energy Efficiency (PEACE) | 210 | 2.05 |
| Quality Certification (Q-CERT) | 295 | 3.49 |
| IPR Support | 15 | 0.09 |
| Capital Market Listing | 3 | 0.89 |

**Source : Micro, Small And Medium Enterprises Department Policy Note 24 -25**

**Interpretation:** Subsidies worth ₹350+ crore reduced the cost of finance, certification, energy, and market entry for nearly 4,500 MSMEs, directly enhancing competitiveness.

**TABLE 4: CLUSTER & INFRASTRUCTURE DEVELOPMENT**

| Initiative | Enterprises/Clusters Benefitted | Investment/Support (₹ Crore) |
|---|---|---|
| MCDP | 42 clusters | 161.39 |
| CFCs | 32 completed + 17 ongoing | 470.52 |
| Women Industrial Parks | 5 parks | — |

| | | |
|---|---|---|
| Plug-and-Play Complexes | 264 modules | 158.62 |

**Source: Micro, Small and Medium Enterprises Department Policy Note 24 -25**

**Interpretation:** Strategic cluster development and shared infrastructure have channelled nearly ₹800 crore, strengthening MSME ecosystems, especially for women entrepreneurs.

**TABLE 5: COOPERATIVES & TRADITIONAL SUPPORT**

| Society/Initiative | Turnover (₹ Crore) | Employment/Other Impact |
|---|---|---|
| Industrial Coops (269) | 1,308.10 | ₹272.61 crore wages, 4,979 workers |
| SAGOSERVE | 632.89 | GI tag for Salem Sago, profit ₹3.84 crore |
| INDCOSERVE | 99.69 | 43,342 MT green leaves processed, profit ₹8.05 crore |

**Source: Micro, Small And Medium Enterprises Department Policy Note 24 -25**

**Interpretation:** Cooperative-based MSMEs not only achieved a turnover of over ₹2,000 crore but also provided steady employment, preserving traditional industries like sago and tea.

**FINDINGS:**

- Entrepreneurship Development: In 2023–24, over 21,000 entrepreneurs benefitted under schemes like AABCS, NEEDS, UYEGP, PMEGP, and PMFME, with total subsidies of ₹600+ crore, demonstrating strong policy focus on first-generation and marginalized entrepreneurs.
- Enterprise Subsidies: Nearly 4,500 MSMEs received subsidies worth ₹350 plus crores, reducing costs related to capital investment, payroll, energy, certification, and intellectual property rights.
- Cluster and Infrastructure Support: Government-led initiatives such as the MCDP, CFCs, Women Industrial Parks, and Plug-and-Play units channelled close to ₹800 crore, creating shared infrastructure and enhancing competitiveness.
- Cooperatives and Traditional Support: Industrial cooperative societies like SAGOSERVE and INDCOSERVE achieved a combined turnover exceeding ₹2,000 crores, sustaining rural employment and traditional sectors.
- Market and Credit Access: Initiatives like the MSE Facilitation Council resolved payment delays worth ₹68.19 crore, while the Tamil Nadu Global Investors Meet (2024) generated ₹63,573 crore in MSME investments with the potential to create 2.5 lakh jobs.

**CONCLUSION**

The study establishes that government schemes have had a tangible and positive impact on MSMEs in Tamil Nadu. By offering capital subsidies, skill development support, infrastructure facilities, and cooperative strengthening, the state has fostered entrepreneurship and reduced barriers for small businesses. Schemes like PMFME and cluster-based programmes have enhanced sectoral diversity and value addition, while credit facilitation measures have improved liquidity and resilience. However, persistent challenges remain in the form of collateral-based lending, documentation hurdles, and limited awareness among rural entrepreneurs. To sustain MSME growth, policy interventions must focus on deepening credit penetration, expanding awareness campaigns, strengthening digital access, and integrating

MSMEs into global value chains. If effectively scaled, these schemes can transform Tamil Nadu into a trillion-dollar economy, with MSMEs playing a central role in inclusive and sustainable development.

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