

Current Issue

Union Budget 2026-2027

Question 02

The Budget 2026 introduces 'Champion SMEs' and the 'SME Growth Fund.' Evaluate the role of MSMEs in achieving the 'Viksit Bharat' vision and the significance of integrating TReDS with GeM for liquidity.

Question Understanding - Finding Information

- **Precise Syllabus Mapping:** Government Budgeting (**GS Paper III**) and Changes in industrial policy and their effects on industrial growth (**GS Paper III**)
- **Marks and words limit:**
 - The marks-oriented approach to answering (**10-mark, 150-word**) questions in the question is to use **Bullet Points** (one idea per bullet point), **Brainstorming**, or a combination of both.
 - The way to score good marks in questions worth (**15 marks. 250 words**) is to use the **Heading** and **Subheading** method while writing your answers.
- **Directive words:**
 - Evaluate → Balanced assessment (role + limits + significance)
- **Focal points of the questions:**
 - MSMEs in Viksit Bharat vision
 - New initiatives: Champion SMEs, SME Growth Fund
 - TReDS-GeM integration
 - Liquidity and working-capital constraints

Answer Writing Structure (Outline)

Introduction Paragraph

- Budget reference
- Development vision linkage

Body Paragraph

A. Role of MSMEs in Achieving 'Viksit Bharat'

- Employment generation and labour absorption
- Regional balance and decentralised industrialisation
- Export diversification and value-chain integration
- Innovation, entrepreneurship and grassroots growth
- Contribution to manufacturing and services resilience

➤ Link Champion SMEs to scale, competitiveness and productivity.

B. Significance of 'SME Growth Fund'

- Patient capital for scaling MSMEs
- Addressing equity financing gap
- Supporting formalisation and global competitiveness
- Reducing over-dependence on debt

C. Importance of Integrating TReDS with GeM for Liquidity

- Faster invoice discounting for MSMEs supplying to government
- Reduced payment delays and working-capital stress
- Enhanced trust, transparency and digital traceability
- Lower cost of credit and improved cash-flow cycles

➤ Explicitly link to ease of doing business.

D. Critical Evaluation / Challenges

- Limited MSME awareness and digital readiness
- Risk of elite capture among "Champion" firms
- Need for credit discipline and monitoring
- Structural issues beyond liquidity (technology, skills)

Conclusion (max. 40 Words)

- End with balanced optimism.

Dos & Don'ts**• Do for Maximum Marks**

- ✓ Explicitly mention Budget 2026 initiatives
- ✓ Link MSMEs to growth + inclusion
- ✓ Explain TReDS–GeM integration clearly
- ✓ Maintain evaluation balance

• Don't do these Common Mistakes

- ✗ Don't list schemes without analysis
- ✗ Don't ignore liquidity dimension
- ✗ Don't write generic MSME answers
- ✗ Don't overuse statistics

Notes Oriented Content for Writing Answer

In the Union Budget 2026, Micro, Small, and Medium Enterprises (MSMEs) are positioned as the "Growth Champions" essential for achieving the *Viksit Bharat @2047* vision. The budget shifts from mere welfare support to structural empowerment through dedicated equity funding and advanced liquidity mechanisms.

Role of MSMEs in the 'Viksit Bharat' Vision

MSMEs are the cornerstone of India's transformation into a developed nation, acting as engines of inclusive and sustainable growth.

- **Economic Contribution:** They contribute approximately 30.1% to India's GDP and roughly 45.5% of total exports. Achieving *Viksit Bharat* requires raising their export share beyond 60%.
- **Employment & Inclusivity:** With over 63 million units, they provide direct employment to nearly 320 million people, including significant representation from women and rural populations. This ensures growth is decentralized and "*Sabka Vikas*" is realized.
- **Global Competitiveness:** The "*Champion SMEs*" initiative aims to scale high-potential firms into global players. By providing ₹10,000 crore in the SME Growth Fund, the government is incentivizing productivity and export readiness.
- **Industrial Resilience:** MSMEs are vital suppliers in strategic sectors like semiconductors, textiles, and electronics, reinforcing India's domestic supply chain and reducing import dependence.

Key Budget 2026 MSME Allocations

- **SME Growth Fund:** ₹10,000 crore dedicated to providing equity and quasi-equity capital for scaling capacity and technology.
- **Self-Reliant India (SRI) Fund:** Top-up of ₹2,000 crore to continue risk capital support for micro-enterprises.
- **Corporate Mitras:** A new network of trained professionals to provide affordable compliance and regulatory support, especially in Tier-II and Tier-III cities.
- **Legacy Cluster Revival:** A scheme to modernise 200 legacy industrial clusters to improve cost competitiveness.

Significance of Integrating TReDS with GeM for Liquidity

The integration of the Trade Receivables Discounting System (TReDS) with the Government e-Marketplace (GeM) is a transformative reform designed to solve the chronic "delayed payments" crisis for MSMEs.

Feature	Significance for MSME Liquidity
Data Sharing	Integration allows GeM-approved invoices to be routed directly to TReDS, providing financiers with verified data on government purchases.
Lower Financing Costs	Real-time information sharing encourages multiple financiers to bid on invoices, leading to cheaper and quicker financing for MSME suppliers.
Mandatory Adoption	The budget mandates all Central Public Sector Enterprises (CPSEs) to use TReDS for MSME settlements, setting a benchmark for private corporate discipline.
De-risking Credit	New credit guarantees through CGTMSE for invoice discounting on TReDS further encourage banks to provide liquidity without traditional collateral.
Asset-Backed Securities	Treating TReDS receivables as Asset-Backed Securities (ABS) helps develop a secondary market, allowing banks to recycle capital and deepen market liquidity.

The MSME initiatives in Budget 2026 serve as a critical catalyst for the "Viksit Bharat" vision by transforming small-scale industries into high-growth "champions" capable of competing in global markets. By integrating TReDS with GeM, the government has built a robust "financial plumbing" system that converts government receivables into immediate liquidity, effectively tackling the chronic issue of delayed payments. Together, these measures ensure that MSMEs the backbone of India's employment and exports are no longer just growth contributors but are central drivers of a developed, self-reliant nation by 2047.

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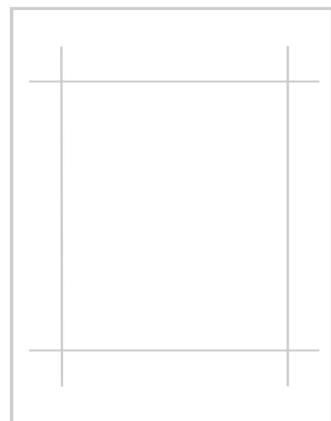
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