

Impact of Union Budget 2024–25 on MSMEs and Startups in India: A Policy Perspective

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) and startups constitute the backbone of India's innovation-driven economy. Union Budget 2024–25, with its focused fiscal interventions, has introduced key measures aimed at promoting ease of doing business, expanding credit access, incentivizing R&D, and fostering entrepreneurial growth. This research explores the comprehensive policy ecosystem shaped by the budget and its expected impact on financial inclusion, investment behavior, digital transformation, and market expansion within the MSME and startup sectors.

Using a policy-centric analytical framework, the study evaluates budgetary allocations, new schemes, tax rationalizations, and institutional support mechanisms from both fiscal and structural standpoints. Primary data was gathered from 180 stakeholders including startup founders, MSME owners, industry consultants, and financial experts. Secondary data included Union Budget documents, RBI reports, and publications from SIDBI and NITI Aayog.

Findings reveal that interventions such as the expansion of Credit Guarantee Fund, simplification of GST norms, tax rebates for bootstrapped startups, and integration of digital public infrastructure (DPI) are poised to catalyze entrepreneurship, particularly in Tier-2 and Tier-3 cities. However, concerns remain regarding fund disbursement timelines, policy awareness, and bureaucratic red tape.

The paper offers recommendations for refining policy design, enhancing scheme implementation, and fostering startup-MSME synergy through regulatory and financial convergence.

Keywords: Union Budget 2024–25, MSMEs, Startups, Policy Impact, Credit Guarantee Scheme, Digital Public Infrastructure, Tax Incentives, Entrepreneurship

1. Introduction

India's economic resilience is underpinned by the agility and innovation of its MSME and startup ecosystems. Together contributing to over 30% of GDP and employing nearly 120 million individuals,

these sectors are central to inclusive and sustainable development. Recognizing this, Union Budget 2024–25 placed considerable emphasis on targeted policy interventions aimed at boosting credit access, promoting innovation, and strengthening the digital backbone supporting entrepreneurship.

Key highlights include enhanced capital infusion in the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), simplified tax filing for startups, infrastructure incentives, and the launch of new digital platforms for compliance and marketing. These announcements are expected to accelerate business formation, foster investment confidence, and stimulate employment generation in non-metro regions.

This paper aims to analyze the projected effects of the budget on the operational, financial, and digital dimensions of startups and MSMEs, while also identifying areas for policy refinement and collaborative governance.

2. Literature Review

2.1 Role of Union Budget in MSME and Startup Policy Evolution

The Union Budget has historically served as a policy compass for India's entrepreneurial ecosystem. Several scholars (Sharma & Mehta, 2022) argue that budgetary pronouncements directly impact institutional credit flow, market sentiment, and tax efficiency in MSMEs and startups. The 2023 and 2024 budgets have witnessed a notable shift toward digitalization and sustainability, affecting business models across sectors.

2.2 Credit Guarantee and Access to Capital

Credit access remains a fundamental concern for early-stage enterprises. Studies by SIDBI (2023) and Das et al. (2022) underscore that budget-induced enhancements to the CGTMSE scheme and collateral-free lending portals significantly improve credit confidence. However, structural bottlenecks often delay disbursement and scheme accessibility.

2.3 Taxation and Compliance Reforms

Simplified taxation—particularly reductions in MAT (Minimum Alternate Tax), enhanced thresholds for presumptive tax, and GST automation—have been hailed by scholars (Saxena, 2023) as effective enablers for small businesses to redirect resources toward growth and innovation.

2.4 Innovation, R&D, and DPI Enablement

NITI Aayog (2024) reports suggest that policy incentives toward R&D, DPI-based integrations (e.g., ONDC, Aadhaar-enabled verification), and incubation support are accelerating digital and technical maturity in startup clusters. Yet, Chandra & Rao (2023) caution that uptake remains uneven, especially outside urban tech hubs.

2.5 Entrepreneurial Development in Non-Metro Areas

Empirical research by Krishnan & Roy (2022) shows that policy-led growth in Tier-2/3 cities remains policy-dependent. Budget allocations toward regional incubators, rural business hubs, and capacity-

building initiatives are seen as critical, though awareness and institutional coordination remain limiting factors.

2.6 Gaps in Literature

While many studies cover startup policy evolution or MSME growth trends, few integrate both within a single budgetary analysis. Additionally, empirical data linking budgetary initiatives to operational or digital transformations remains limited. This study bridges these gaps by integrating fiscal analysis with stakeholder-level field research.

3. Research Objectives and Hypotheses

Objectives:

1. To evaluate the impact of Union Budget 2024–25 measures on the financial viability and digital transformation of MSMEs and startups.
2. To examine the influence of revised credit schemes and GST reforms on business sustainability and expansion.
3. To assess regional variations in startup and MSME responsiveness to fiscal interventions, particularly in Tier-2 and Tier-3 cities.
4. To identify policy implementation bottlenecks affecting scheme utilization and growth prospects.

Hypotheses:

- **H₀₁:** Budgetary measures announced in Union Budget 2024–25 have no significant effect on the financial performance of MSMEs and startups.
- **H_{a1}:** Budgetary measures announced in Union Budget 2024–25 significantly improve the financial performance of MSMEs and startups.
- **H₀₂:** GST simplifications and tax incentives do not impact operational ease or compliance efficiency among small businesses.
- **H_{a2}:** GST simplifications and tax incentives positively influence operational ease and compliance efficiency among small businesses.
- **H₀₃:** Digital public infrastructure enhancements do not significantly affect entrepreneurial activity in non-metro regions.
- **H_{a3}:** Digital public infrastructure enhancements significantly stimulate entrepreneurial activity in non-metro regions.
- **H₀₄:** There is no relationship between budgetary support and innovation or R&D investment by startups.
- **H_{a4}:** Budgetary support is positively associated with increased innovation and R&D investment by startups.

4. Research Methodology

4.1 Research Design: This study adopts a descriptive and analytical research design. It combines qualitative assessments of budgetary announcements with quantitative evaluation of stakeholder responses to examine the effectiveness of the Union Budget 2024–25 in advancing MSMEs and startups.

4.2 Study Area: The research was conducted across Tier-1 and Tier-2 cities in Madhya Pradesh, Maharashtra, and Karnataka, with a focus on startup ecosystems and MSME clusters.

4.3 Sampling Technique and Sample Size: Purposive sampling was employed to select 180 participants comprising startup founders, MSME proprietors, financial analysts, and policy consultants. The sampling ensured diversity in sector, scale, and geographic coverage.

4.4 Data Collection Methods: Primary data was collected using structured questionnaires and expert interviews. Secondary data was gathered from the Union Budget 2024–25 document, RBI bulletins, NITI Aayog reports, SIDBI white papers, and Ministry of MSME databases.

4.5 Tools of Analysis: SPSS version 26 was used for analysis. Techniques applied included:

- Descriptive Statistics
- ANOVA (to assess inter-sector and regional policy impact)
- Multiple Regression (to evaluate relationships between fiscal initiatives and growth metrics)
- Factor Analysis (to extract key dimensions of budgetary influence)

4.6 Period of Study: The data collection was undertaken between February and March 2025, soon after the presentation of the Union Budget and its sector-specific announcements.

5. Data Analysis and Interpretation

The study collected responses from 180 participants representing startups and MSMEs across three Indian states. Quantitative analysis using SPSS v26 was conducted to evaluate stakeholder perception, policy responsiveness, and budget effectiveness. Below are key statistical findings supported by relevant tables and interpretation:

Table 1: Profile of Respondents (N = 180)

Category	Classification	Frequency	Percentage
Type	MSME	98	54.4%
	Startup	82	45.6%
Location	Tier-1 Cities	74	41.1%
	Tier-2/Tier-3 Cities	106	58.9%

Interpretation: A balanced mix of MSMEs and startups from diverse geographies ensures representativeness in evaluating budget impact.

Table 2: Awareness of Budget 2024–25 Initiatives

Awareness Level	Frequency	Percentage
High	98	54.4%
Moderate	66	36.7%
Low	16	8.9%

Interpretation: Over 90% of respondents exhibited moderate to high awareness, indicating wide dissemination of policy measures.

Table 3: Influence of Budget Measures on Business Outcomes (Likert Scale: 1–5)

Indicator	Mean	SD
Improved Credit Access	4.21	0.68
Reduced Compliance Burden (GST)	4.03	0.72
Enhanced Digital Onboarding (DPI)	3.94	0.79
Stimulus for Innovation/R&D	3.88	0.81

Interpretation: Budget measures were particularly impactful in improving credit and simplifying compliance, though R&D incentives showed lower uptake.

Table 4: Regression – Budgetary Measures and Business Performance

Predictor	B	Beta	t-value	Sig.
Constant	2.14		6.01	0.000
Budget Responsiveness Score	0.47	0.52	7.14	0.000

Interpretation: A significant and positive relationship exists between budget responsiveness and performance improvement among startups and MSMEs ($p < 0.01$).

Table 5: ANOVA – Regional Variation in Budget Utilization

Source	SS	df	MS	F	Sig.
Between Groups	16.82	2	8.41	4.76	0.010
Within Groups	310.21	177	1.75		
Total	327.03	179			

Interpretation: There is a statistically significant variation in the utilization of budget schemes across locations ($p < 0.05$), validating H_{13} .

Table 6: Factor Analysis – Budgetary Impact Dimensions

Factor Name	Key Indicators	Eigenvalue	Variance Explained
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Financial Access & Credit	Loan Sanctions, CGTMSE, SIDBI Support	3.12	30.4%
Digital Transformation	DPI Portals, e-Governance, GST Filing Ease	2.55	24.7%
Innovation Readiness	R&D Grants, Incubation, Product Dev Support	2.08	19.3%

Interpretation: These three key dimensions explain nearly 75% of the variance in stakeholders' perception of budget effectiveness.

6. Hypotheses Testing

Hypotheses	Test Applied	Calculated Value	p-value	Hypotheses Status
H ₀₁ : Budgetary measures do not significantly affect MSME/startup financial performance.	Regression Analysis	$\beta = 0.52$	0.000	Rejected
H _{a1} : Budgetary measures significantly improve MSME/startup financial performance.	Regression Analysis	$\beta = 0.52$	0.000	Accepted
H ₀₂ : GST reforms and tax incentives do not improve operational efficiency.	Descriptive + Mean	Mean = 4.03	--	Rejected
H _{a2} : GST reforms and tax incentives improve operational efficiency.	Descriptive + Mean	Mean = 4.03	--	Accepted
H ₀₃ : DPI enhancements do not influence non-metro entrepreneurial activity.	ANOVA	F = 4.76	0.010	Rejected
H _{a3} : DPI enhancements significantly influence non-metro entrepreneurial activity.	ANOVA	F = 4.76	0.010	Accepted
H ₀₄ : Budgetary support has no relation to startup R&D investment.	Factor Analysis	Eigenvalue = 2.08	--	Rejected
H _{a4} : Budgetary support is positively associated with startup R&D investment.	Factor Analysis	Eigenvalue = 2.08	--	Accepted

Interpretation: All null hypotheses were statistically rejected, affirming the positive influence of Union Budget 2024–25 and associated reforms on credit access, innovation potential, compliance efficiency, and regional inclusion across MSME and startup ecosystems.

7. Conclusion and Policy Recommendations

The findings of this study confirm that Union Budget 2024–25 has had a substantial positive influence on the operational, financial, and digital transformation of India's MSME and startup ecosystem.

Enhanced credit access through schemes like CGTMSE, simplified GST frameworks, and DPI integration are contributing significantly to growth, particularly in Tier-2 and Tier-3 cities.

The regression and factor analysis underscore how responsive budgetary incentives are in improving business performance and enabling innovation. Nevertheless, challenges such as inconsistent regional utilization, limited policy awareness, and sluggish fund disbursement require attention to ensure equitable impact across geographies and sectors.

Policy Recommendations:

1. **Streamline Fund Disbursement Mechanisms:** Digitize and fast-track allocation and release of approved credit guarantees and startup funds.
2. **Strengthen Outreach and Training:** Establish regional awareness and training centers to educate entrepreneurs on using budget-linked schemes.
3. **Build Sector-Specific DPI Portals:** Create plug-and-play portals tailored to manufacturing, service, and tech startups for compliance and growth tracking.
4. **Enhance Monitoring Frameworks:** Use real-time dashboards and third-party audits to monitor implementation of fiscal incentives.
5. **Support Innovation in Underserved Regions:** Introduce tax credits and R&D grants specific to entrepreneurs from aspirational districts and non-metro incubators.

8. Limitations and Suggestions for Future Research

Limitations:

1. The study focuses on a limited sample from selected Indian states and may not represent national MSME/startup behavior.
2. Short-term policy impacts were considered; long-term outcomes remain to be studied.
3. Data relies on self-reported perceptions which may be subject to respondent bias.
4. Sectoral variations (e.g., tech vs. manufacturing startups) were not analyzed independently.
5. Implementation quality of schemes was assessed perceptually, not administratively.

Suggestions for Future Research:

1. Extend analysis to include comparative studies across multiple states and sectors.
2. Use longitudinal designs to assess post-budget impacts over 12–24 months.
3. Explore the relationship between digital finance tools and scheme access.
4. Evaluate scheme implementation efficiency from the administrative perspective.
5. Study the effect of fiscal policy communication on scheme awareness and utilization.

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