

# Unlocking MSME Potential for Inclusive Growth Through Corporate Mentorship Linkages: An Empirical Investigation of Institutional Enablement, Financial Access, And Ecosystem Readiness

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**Abstract**—India's MSME sector — accounting for roughly 30% of GDP, 45% of exports, and livelihoods for over 120 million people — sits at an awkward intersection: indispensable to the economy, yet left out of formal credit and institutional support networks. Loan guarantee schemes and cluster programmes have helped at the margins, but gaps in credit access, information, and technology have persisted. This paper investigates structured corporate mentorship linkages, wherein large firms engage smaller enterprises in sustained knowledge transfer and market integration. Data were drawn from 420 Udyam-registered MSME owners surveyed across five states between October 2025 and February 2026, alongside in-depth interviews with 48 Relationship Managers from 18 corporations. Notably, our field investigation preceded the Union Budget 2026–27's formalisation of the 'Corporate Mitra' initiative; the policy announcement validated, rather than shaped, our inquiry.

Multivariate regression shows that mentorship participation raises the likelihood of formal credit access by 34.6 percentage points and generates an average of 2.3 new buyer relationships; six of seven technology adoption indicators also improved. Gains are unevenly distributed, however. Rural enterprises benefit the least, engagement cycles are too short, and outcomes go largely unmeasured.

We recommend four reforms: deliberate geographic expansion, a minimum twelve-month phased engagement model, dedicated cost-accounting professional support at cluster level, and a Udyam-linked outcome registry.

**Index Terms**—corporate mentorship, MSME, Corporate Mitra, inclusive growth, credit access, technology adoption, professional accounting bodies, India

## I. INTRODUCTION

There is something paradoxical about India's small enterprise sector. Firms that together produce nearly a third of national output and almost half of all export value remain, in overwhelming numbers, shut out of the formal financial system. These are not marginal businesses struggling at the edges of the economy many are viable, growing enterprises whose exclusion from credit and institutional networks is a product of design rather than deserving. Successive policy cycles have tried loan guarantees, cluster development, and technology upgrading funds. The results have been modest at best. One reason, perhaps underappreciated, is that most programmes treat MSMEs as passive beneficiaries' targets for subsidy rather than actors capable of genuine transformation when the right support is available.

Our study takes a different angle. Rather than examining subsidy-based schemes, we look at structured corporate mentorship arrangements in which large firms engage smaller enterprises over time, sharing knowledge, opening market networks, and building institutional capacity. The premise behind such linkages is fairly intuitive: meaningful enterprise change happens through relationships, not paperwork. It takes repeated interaction, not a single enrolment event. Corporate-to-MSME mentorship is not a new idea, but it has only recently begun to attract formal policy attention in India.

Our research design pre-dates any government formalisation. The question we started with was a

practical one: does structured corporate mentorship whatever name a policy gives it actually improve credit access, market reach, technology adoption, and compliance readiness for smaller enterprises? When the Union Budget 2026–27 announced the 'Corporate Mitra' initiative on 1 February 2026, during the final weeks of our fieldwork, we took it as independent confirmation that our research question was pressing. It did not change what we were measuring. Section III addresses the overlap in timing directly.

Three questions run through the analysis. First, does corporate mentorship participation captured through our Corporate Mitra Engagement Quality Index (CMEQ) produce statistically meaningful improvements across the four outcome dimensions we track? Second, which enterprise or programme characteristics make those effects stronger or weaker? Third, what specific design changes would make the programme both more equitable and more accountable?

## II. LITERATURE REVIEW

Three bodies of scholarship inform the conceptual framework: the institutional voids literature, MSME finance research, and work on mentorship effectiveness.

Khanna and Palepu's [1] concept of institutional voids remains the most useful starting point. Their core insight was that when markets for information, credit, and talent are thin or absent, smaller firms cannot escape low-level traps through effort alone. The macro environment may be favourable; that does not automatically translate into access for enterprises operating at the margins. Corporate mentorship works as a partial corrective: it delivers information, credibility, and network connections directly to firms that have no other reliable route to acquire them.

IFC [2] estimated India's MSME formal credit gap at USD 380 billion. What makes this figure particularly troubling is that Choudhury and Ahluwalia [3] found creditworthiness is rarely the obstacle information asymmetry is. Lenders cannot assess firms they cannot see. A corporate mentor who offers supply-chain credibility, helps with financial documentation, and maintains regular engagement effectively makes these firms more legible to lenders, without the firms themselves having to change their underlying business fundamentals.

Mentorship research is cautiously positive but not uniformly so. Nolan and Garavan [4] showed that good outcomes require two things: sufficient time and a structured curriculum. Brief, loosely designed mentoring produced results that were both weaker and shorter-lived. Closer to the Indian context, Bala Subrahmanya [5] found meaningfully higher rates of technology adoption and productivity growth among cluster MSMEs receiving anchor-firm mentoring, consistent with the collective-efficiency dynamics documented in industrial-cluster research [6]. Sharma and Mehta [7] noted that professional accounting bodies have served as effective intermediaries in Asian MSME support ecosystems a finding that has direct implications for the potential role of such professional bodies here.

Taken together, the existing scholarship suggests that corporate mentorship is a promising tool, particularly in contexts like India where institutional gaps are pronounced and smaller firms face persistent exclusion. What has been missing is systematic empirical evidence from actual field conditions. This study attempts to fill that gap.

## III. RESEARCH METHODOLOGY

### A. Study Period and Sample

The study was conducted between October 2025 and February 2026. The 'Corporate Mitra' initiative was announced by Finance Minister Nirmala Sitharaman in the Union Budget 2026–27 [8] on 1 February 2026, coinciding with the concluding phase of data collection. The relationship between the study timeline and this policy development is addressed in the paragraphs below.

This study was conceived around corporate mentorship as an institutional mechanism for MSME development, independent of any specific policy initiative. Large-firm-to-MSME mentorship linkages were already operational in several industrial clusters prior to the Budget announcement, and the Ministry of MSME had explored related models under earlier technology upgrading and cluster development frameworks [9]. The research question whether structured mentorship linkages generate measurable improvements across credit access, market reach, technology adoption, and compliance readiness was formulated and fieldwork commenced well before the policy formalisation.

The 'Corporate Mitra' framework, as formalised in the Union Budget 2026–27 [8], constitutes a policy-level articulation of the institutional mechanism examined in this study: structured linkages between large firms and Udyam-registered MSMEs directed at knowledge transfer, market integration, and capacity building. The alignment between the study's analytical focus and the subsequent policy formalisation lends additional contextual relevance to the findings. Equally, the empirical data collected through this study supply an evidence base that the policy announcement itself does not provide. The findings are best read as field evidence informing an emergent policy framework, not as an evaluation of a scheme that was fully operational during the survey period.

Sample size was determined through power analysis for multivariate regression with four outcome dimensions and approximately eight predictor variables, establishing a minimum requirement of 360 valid responses (Cohen [10];  $\alpha = 0.05$ , power = 0.80). The achieved sample of 420 respondents satisfies this threshold with adequate representation across enterprise size categories micro, small, and medium and across both urban and rural locations in five states. The comparison group of 202 non-participating MSMEs was drawn from the same geographic and sectoral strata as the 218 mentorship participants, ensuring baseline comparability on observable characteristics.

The five states Maharashtra, Tamil Nadu, Madhya Pradesh, Rajasthan, and West Bengal were selected through purposive sampling to ensure geographic, linguistic, and industrial diversity. The selection encompasses states with differing levels of baseline MSME institutional infrastructure, lending the findings reasonable generalisability across varied policy and economic environments, rather than reflecting conditions specific to one or two industrially advanced states.

#### B. Data Collection and Measurement

We administered structured questionnaires to 420 Udyam-registered MSME owners across five states: 178 micro, 162 small, and 80 medium enterprises. At the time of the survey, 218 (51.9%) of these owners maintained active corporate mentorship linkages; the remaining 202 formed our comparison group. In parallel, 48 Relationship Managers drawn from 18

corporations completed in-depth interviews using a semi-structured protocol.

The key independent variable is the CMEQ a six-item scale measuring engagement frequency, breadth, responsiveness, actionability, linkages facilitated, and overall satisfaction. KMO = 0.79 and Cronbach's  $\alpha = 0.83$  confirmed adequate sampling adequacy and internal consistency. Four outcome dimensions were modelled: formal credit access (binary logistic regression), market reach as new buyer relationships added (OLS), a Technology Adoption Index across seven items (OLS), and compliance readiness (ordered probit). Qualitative interview transcripts were analysed through Braun and Clarke's [11] six-phase thematic framework; inter-coder reliability reached  $\kappa = 0.76$ .

TABLE I. DESCRIPTIVE STATISTICS OF MSME SAMPLE

| Characteristic                 | Micro (n=178) | Small (n=162) | Medium (n=80) | Total (N=420) |
|--------------------------------|---------------|---------------|---------------|---------------|
| % Formal Credit (pre-survey)   | 18.5%         | 31.5%         | 47.5%         | 28.1%         |
| % with Corporate Mitra Linkage | 44.4%         | 52.5%         | 65.0%         | 51.9%         |
| Mean CMEQ Score (CM group)     | 57.2          | 63.1          | 68.9          | 61.4          |
| Mean Tech Adoption Index       | 2.1           | 3.4           | 4.8           | 3.1           |

## IV. EMPIRICAL FINDINGS

### A. Formal Credit Access

The logistic regression results leave little ambiguity. Mentorship participation raised the odds of formal credit access more than two-fold ( $OR = 2.14$ ,  $p < 0.01$ ), even after controlling for enterprise age, initial capital, and owner education. This is not a marginal effect. Expressed in terms of average marginal effects, participation corresponds to a 34.6 percentage point increase in predicted credit access probability — a gain large enough to move the majority of previously excluded micro enterprises into the formal credit system. Beyond the binary participation effect, each

additional unit on the CMEQ scale increases credit access odds by roughly 2.3% (OR = 1.023,  $p < 0.05$ ). This matters for policy design: it means that enrolment alone is insufficient; engagement quality is the active ingredient.

One result deserves particular attention. The interaction between CMEQ score and rural location is negative and statistically significant (OR = 0.81,  $p < 0.05$ ), indicating that rural enterprises those facing the worst baseline exclusion extract systematically smaller benefits from current programme designs. This is not a finding that should be footnoted; it is a structural equity problem that any expanded programme must confront directly.

TABLE II. BINARY LOGISTIC REGRESSION —  
DEPENDENT VARIABLE: FORMAL CREDIT  
ACCESS

| Predictor Variable                     | Odds Ratio | p-Value | Sig. |
|----------------------------------------|------------|---------|------|
| Corporate Mitra Participation (binary) | 2.14       | 0.003   | **   |
| CMEQ Score (0–100)                     | 1.023      | 0.011   | *    |
| Log Initial Capital                    | 1.38       | 0.001   | **   |
| Education: Graduate and above          | 1.67       | 0.006   | **   |
| CMEQ × Rural Location (interaction)    | 0.81       | 0.028   | *    |
| Nagelkerke R <sup>2</sup>              | 0.341      | —       | —    |

### B. Market Reach and Technology Adoption

Mentorship participants added an average of 2.31 new buyer relationships during the study period (Beta = 2.31,  $p < 0.001$ ), with the effect stronger in manufacturing (Beta = 2.89) than in services (Beta = 1.54). This difference likely reflects the more structured nature of manufacturing supply chains, where a corporate mentor's endorsement carries concrete commercial weight.

Technology adoption showed comparable movement. The mean Technology Adoption Index was 1.42 points higher for mentorship-linked enterprises ( $t = 6.83$ ,  $p < 0.001$ ). The sharpest gains appeared in GST filing automation (+25.3 percentage points), quality certification (+21.5 pp), and e-commerce platform presence (+21.3 pp). One area resisted the programme's

positive effect: ERP adoption remained low in both groups (12.1% versus 8.4%). This is an unsurprising finding. Mentorship can overcome informational and motivational barriers, but capital-intensive infrastructure investments require financing that no amount of advice can substitute for.

TABLE III. TECHNOLOGY ADOPTION  
INDICATORS — CORPORATE MITRA VS. NON-  
CM MSMEs (SELECTED)

| Technology Indicator            | CM Group | Non-CM Group | Difference | p-value |
|---------------------------------|----------|--------------|------------|---------|
| GST Filing Automation           | 67.4%    | 42.1%        | +25.3 pp   | <0.001  |
| Quality Certification (ISO/BIS) | 41.2%    | 19.7%        | +21.5 pp   | <0.001  |
| e-Commerce Platform Presence    | 38.6%    | 17.3%        | +21.3 pp   | <0.001  |
| Digital Payment Adoption        | 74.2%    | 58.6%        | +15.6 pp   | 0.003   |

### C. Compliance Readiness and Qualitative Insights

Compliance readiness scores were also higher for mentored enterprises (Beta = 0.49,  $p < 0.01$ ), with the largest marginal effect among micro enterprises (+18.4 percentage points). This is consistent with theory compliance readiness starts from a lower base among the smallest firms, leaving more room for programme-driven improvement.

The interviews surfaced five recurring themes. Relationship Managers across all 18 corporations independently identified engagement duration as the single most important success variable. Three-to-six-month cycles were, in their own words, too short to complete the formalisation work that generates sustained impact. Second, geographic concentration was visible in every state sample: linkages clustered within 50 km of corporate headquarters, systematically bypassing rural MSMEs. Third, corporations' primary motivation was supplying chain extension rather than altruistic development, which created selection bias toward firms already in or near existing supply chains. Fourth, not one of the 18 corporations maintained structured outcome measurement across their mentorship portfolios. Fifth, in Tamil Nadu and

Maharashtra where empanelled cost accountants participated in the engagement process both Relationship Managers and MSME owners reported materially better engagement quality, faster credit documentation, and higher compliance conversion rates.

#### V. CORPORATE MITRA 2.0: A REDESIGNED FRAMEWORK

The findings reported above make a reasonably clear case: structured corporate mentorship works. A 34.6 percentage point gain in credit access probability is not a marginal improvement, and for micro enterprises that have spent years outside the formal financial system, the additional buyer relationships and technology adoption gains compound that effect. Yet the same data reveal a programme straining against its own design. Short engagement cycles cut enterprises loose before formalisation is complete. Geographic concentration leaves rural enterprises — those with the weakest institutional footing — largely untouched. Supply-chain selection bias means that the firms most in need of a mentor are often not the ones who get one. And without any outcome measurement, there is no basis for distinguishing what works from what merely looks good on paper. These are not implementation glitches. They are design problems, and they require design solutions.

What follows is a four-pillar redesign, each element grounded directly in the empirical and qualitative evidence from this study.

*Pillar 1 — Expand Geographic Reach Deliberately:* Our data show that mentorship linkages cluster within 50 kilometres of corporate headquarters in every state sampled. This is not a market outcome; it is the predictable result of leaving geographic allocation entirely to corporate discretion. Under any expanded framework, corporations should be required to direct at least 25% of their linkages to semi-urban and rural enterprises within two years of programme commencement, rising to 30% by year three. Udyam geo-tagging already provides the infrastructure needed to verify compliance; state-level public dashboards would supply the accountability that currently does not exist.

*Pillar 2 — Minimum Twelve-Month Engagements in Two Phases:* Relationship Managers in every corporation we interviewed said the same thing: three-to-six months is not long enough. By the time trust is established and a firm's documentation gaps are identified, the engagement cycle ends. A minimum twelve-month commitment, structured in two phases, would address this directly. Phase 1, covering months one through six, should focus on financial health assessment, credit documentation, and compliance formalisation. Phase 2, from months seven through twelve, should target one concrete deliverable — a new market relationship, a quality certification, or a technology adoption milestone. Corporations that voluntarily extend into a third phase would receive enhanced CSR credit recognition, creating a positive incentive rather than a punitive mandate.

*Pillar 3 — Embed Cost-Accounting Professionals at Cluster Level:* The Tamil Nadu and Maharashtra sub-samples point to something important. In districts where empanelled cost accountants were embedded in the mentorship process, Relationship Managers and enterprise owners both reported better engagement quality, faster credit documentation, and higher compliance conversion rates. Corporate mentors bring market access and supply-chain credibility; they are rarely equipped to handle the technical accounting and compliance work that determines whether an enterprise actually qualifies for formal credit. That gap needs a professional. We recommend deploying one empanelled cost accountant per district-level MSME cluster, responsible for financial health assessments, credit documentation support, and biannual compliance reviews. This is not a supplementary add-on to the mentorship model — it is the professional layer without which mentorship too often stops short of formalisation.

*Pillar 4 — Build a Measurement System:* Not one of the 18 corporations we interviewed maintained structured outcome records for their mentorship portfolios. Engagement quality was assessed informally, if at all. This makes it impossible to distinguish effective mentorship from nominal compliance, or to identify which programme designs produce durable results. An Udyam-linked outcome registry, tracking three indicators annually — formal credit access, new buyer relationships, and technology

adoption — would, within two to three years, generate the evidence base the programme currently lacks. Corporations that can demonstrate verified outcomes against these indicators should receive preferential treatment in public procurement. Those that cannot should face graduated reporting obligations. Good measurement does not guarantee good outcomes, but the absence of measurement guarantees that no one is accountable for them.

## VI. CONCLUSIONS AND POLICY RECOMMENDATIONS

Structured corporate mentorship linkages work. That much is clear from the data. But they work unevenly and only when done with sufficient duration, geographic intentionality, and professional support. The evidence is strong enough to support programme expansion; it is also specific enough to specify what must change.

Four policy steps follow. First, the Ministry of MSME should revise Corporate Mitra guidelines by FY 2026–27 to mandate a twelve-month minimum engagement, incorporate phased geographic reach targets, and require annual outcome reporting. Second, a professional cost-accounting body should establish a dedicated Corporate Mitra support cell, piloting in 25–30 districts before scaling nationally — the Tamil Nadu and Maharashtra evidence provides a proof of concept. Third, RBI and SIDBI should develop a Credit Certification track under which MSMEs completing professionally verified mentorship engagements receive reduced documentation burdens at the point of credit application. Fourth, state MSME boards should publish annual geographic breakdowns of active linkages, making geographic equity a publicly visible performance indicator.

India's 63 million MSMEs are not a development challenge waiting to be solved — they are a resource waiting to be unlocked, in keeping with Sen's [12] conception of development as the expansion of real freedoms. The corporate mentorship model, now formalised under 'Corporate Mitra' and evidenced here through field data, is one of the few instruments that reaches into that resource with something beyond a subsidy cheque. With the four reforms proposed above, it has a credible path from promising to transformative.

## ACKNOWLEDGMENT

The authors thank the participating MSME owners and the corporate Relationship Managers across the eighteen sampled corporations for their time and candour during data collection.

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