



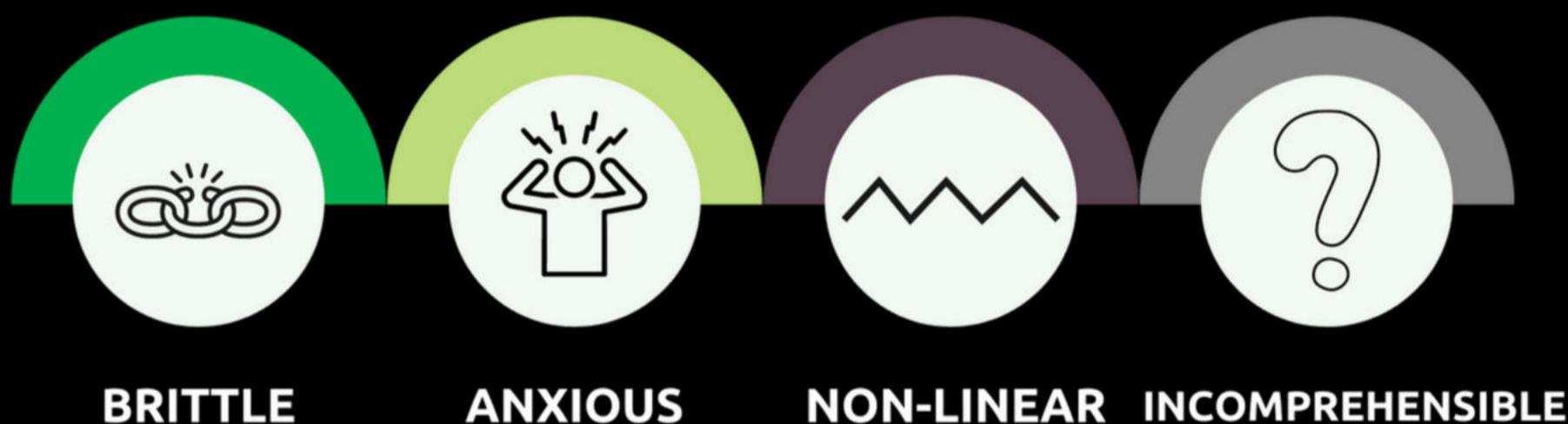
Powering Bharat

How MSMEs and SMEs are Shaping India's Economic Future

India's Micro, Small, and Medium Enterprises (MSMEs) are not just contributors to economic activity. They represent the entrepreneurial spirit of the nation, embedded deeply across cities, towns, and rural belts. With over 63 million enterprises generating close to 30 percent of GDP and employing more than 110 million people, MSMEs are fundamental to building an inclusive and self-reliant India.

As the country aspires to become a five trillion-dollar economy, it must recognize that broad-based growth will depend on how effectively we support and scale our MSMEs. These enterprises are the lifeblood of local economies and the foundational layer of national supply chains.

Navigating a BANI World: The New Operating Reality



Today's MSMEs are operating in a BANI world, one that is Brittle, Anxious, Nonlinear, and Incomprehensible. Traditional playbooks no longer apply. Market dynamics are shifting unpredictably, supply chains are disrupted by geopolitical shocks, and customer preferences evolve faster than business cycles. In such a world:

- Brittleness highlights how MSMEs with informal systems break under pressure.
- Anxiety reflects the persistent stress due to regulatory changes or financial uncertainty.
- Nonlinearity shows that small changes, like a tax reform, can have outsized effects on survival.
- Incomprehensibility means that even well-informed decisions sometimes fail due to lack of clarity in outcomes.

To survive and grow, MSMEs must become more adaptive, digitally integrated, and financially disciplined, supported by a responsive ecosystem.

The Strategic Role of MSMEs

MSMEs are critical in reducing regional disparities, promoting grassroots entrepreneurship, and generating employment across socio-economic groups. Their presence in Tier 2 and Tier 3 cities, along with semi-urban and rural locations, ensures that economic activity is not concentrated only in major metropolitan hubs.

They support sectors ranging from textiles and auto components to food processing and logistics. MSMEs provide essential services to large corporations, export markets, and consumers alike. More than just economic agents, they are community enablers.

Key Challenges Faced by MSMEs

Despite their importance, MSMEs continue to face a host of challenges that hinder their growth trajectory, especially in a BANI environment:

- **Lack of Formalisation**

Many enterprises remain outside the formal financial and regulatory ecosystem. This limits their access to credit, public procurement opportunities, and institutional support.

- **Limited Access to Affordable Credit**

Financing often comes at a high cost and with long delays. Stringent collateral requirements and low credit scores further restrict borrowing options, especially for small or newly established enterprises.

- **Digital Disconnection**

While digital tools are available, many MSMEs lack awareness or skills to implement them. As a result, their operations, reporting, and customer outreach remain manual and time-consuming.

- **Skilling and Capability Gaps**

A large number of MSMEs lack access to structured skilling, process improvement, or advisory support. This impacts productivity, quality, and the ability to scale operations.

- **Low Investor and Market Confidence**

Due to governance and reporting gaps, many MSMEs are unable to build trust with investors, buyers, or global value chains.

Actionable Strategies for MSME Empowerment

In a BANI world, resilience must be built into the core of MSME strategies:

1. Accelerate Formalization

Formalisation enables enterprises to access credit, participate in government procurement, and build a transparent track record. Simple steps such as registering under Udyam, maintaining GST and TDS compliance, and using digital payment systems make a significant difference.

2. Build Capital Readiness

Instead of focusing only on loan approvals, MSMEs should prioritize financial hygiene. Clean books, audited statements, and a strong credit discipline can unlock a wide range of financing options, including invoice discounting, revenue-based finance, and working capital limits.

3. Embrace Digital Tools Strategically

Adopting affordable digital solutions for accounting, billing, inventory, and payroll can increase efficiency and reduce compliance risks. Tools like Tally Prime, Zoho, or open-source ERPs offer practical starting points for digitization.

4. Focus on Market Access and Value Chains

Collaborating with larger companies as suppliers or distributors helps MSMEs access new markets, upgrade capabilities, and improve quality standards. Integration into value chains also enhances visibility and reliability.

5. Adopt Financial Discipline and Cost Control

Regular reviews of expenses, timely collections, smart procurement, and cash flow tracking are simple yet powerful tools that drive financial sustainability.

6. Build Local and Regional Partnerships

Collaborating with local fintechs, NBFCs, industry bodies, and government departments helps in accessing new support systems, learning best practices, and navigating regulatory landscapes.

The Role of Ecosystem Stakeholders

- MSME success is a shared responsibility. Support from policymakers, banks, corporates, and industry platforms is essential.
- Governments must continue to simplify compliance, expand awareness of schemes, and reduce bureaucratic hurdles. Cluster-based development, simplified loan disbursement processes, and technology adoption grants can go a long way in unlocking growth.
- Banks and NBFCs should innovate credit models by using alternative data sources and creating unsecured lending frameworks based on cash flow analysis rather than only collateral.
- Large corporations can help MSMEs grow by including them in supply chains, offering technical support, and ensuring timely payments.
- Industry associations and academic institutions must take the lead in knowledge-sharing, skilling, and mentoring programs that build managerial and digital capability across the MSME landscape.

From Survival to Scalability: A New Vision for MSMEs

India's economic future is deeply tied to the success of its small businesses. The next wave of growth must focus on helping MSMEs move from survival to scalability. This requires sustained investments in formalization, financial discipline, digitization, and partnerships.

MSMEs must no longer be seen as fragile or informal. They are agile, adaptable, and capable of growth when given the right tools and opportunities. In a BANI world, agility, foresight, and collaboration are the cornerstones of resilience.

If India is to achieve inclusive prosperity, it must view MSMEs not as beneficiaries of development but as co-creators of it.