



## Gaps in MSME Sector

Source: TH

The report titled “Understanding the Indian MSME Sector: Progress and Challenges” by the [Small Industries Development Bank of India \(SIDBI\)](#) identifies **lack of timely and adequate credit** as a primary challenge for [Micro, Small and Medium Enterprises \(MSMEs\)](#) in India.

- **Key Findings:** Informal borrowing remains prevalent, with **12% of micro enterprises, 3% of small industries, and 2% of MSMEs overall** still relying on informal lending sources.
  - The MSME sector faces an addressable **credit gap of 24%**, amounting to nearly **Rs 30 lakh crore**, with the gap rising to **27% in the services sector** and reaching **35% for women-owned MSMEs**.
  - 25% of MSMEs face a skilled manpower shortage, especially in defence, garments, hotels, and sanitaryware sectors.
- **SIDBI:** It is a statutory body established under the **SIDBI Act, 1989**, and serves as the **principal financial institution for the promotion, financing, and development** of the MSME sector in India.
  - SIDBI, headquartered in **Lucknow**, Uttar Pradesh, is a **wholly-owned subsidiary** of the Government of India.
- **Current Landscape of MSMEs in India:** MSMEs now contribute **30.1% to India's Gross Value Added (GVA) (2022-23)**, up from 27.3% in 2020-21.
  - Exports from MSMEs jumped from **Rs 3.95 lakh crore (2020-21) to Rs 12.39 lakh crore (2024-25)**, with their share in total exports rising to 45.79% by 2024.

## New classification of MSME

Type	INVESTMENT		TURNOVER	
	Current	Revised	Current	Revised
MicroEnterprise	Rs 1cr	Rs 2.5cr	Rs 5cr	Rs 10cr
Small Enterprise	Rs 10cr	Rs 25cr	Rs 50cr	Rs 100cr
Medium Enterprise	Rs 50cr	Rs 125cr	Rs 250cr	Rs 500cr

Source: Budget 2025-2026, Speech of Nirmala Sitharama, Union Minister of Finance February 1, 2025.

Read More: [Union Budget 2025-26 Measures to Boost MSMEs](#)

