



## 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](#)

