

# businesswise

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**SME INTELLIGENCE**  
How World Heritage Sites Are India's Biggest MSME Opportunity

**INNOVATION**  
India Just Hit a Patent Record

**ECOSYSTEM**  
How MSMEs Can Outsmart Scammers



Cover Story

## UNPROTECTED NO MORE: WHY INDIAN ENTREPRENEURS NEED A LIABILITY SHIELD NOW

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## From The Editor

India's MSME sector is entering a defining decade.

For years, MSMEs have been recognised as the backbone of the economy. Today, they are becoming something more, drivers of transformation. From local enterprises building global capabilities to emerging businesses adopting digital and innovation-led models, India's growth journey is increasingly being shaped by those who are agile, ambitious, and ready to evolve.

At the same time, shifting geopolitical realities, changing trade dynamics, supply chain realignments, and evolving global market expectations are redefining the business environment. For MSMEs, this moment presents not only challenges but also strategic opportunities. Enterprises that diversify markets, strengthen supply-chain resilience, adopt technology, invest in quality and innovation, and remain globally aware will be better positioned to create sustainable growth and compete with confidence.

The next phase of MSME growth will not be determined by scale alone, but by adaptability, how effectively enterprises embrace technology, unlock new forms of finance, build institutional resilience, and convert ideas into enduring value.

Equally encouraging is the emergence of a more diverse entrepreneurial landscape, with women-led businesses, young innovators, and digitally enabled enterprises expanding the boundaries of opportunity across sectors and regions.

As India moves toward a more competitive and connected economic future, MSMEs will not simply participate in growth, they will help shape it.

The future belongs to enterprises that anticipate change, adapt with purpose, and transform uncertainty into opportunity.



A handwritten signature in black ink, appearing to read 'Sushma'.

Sushma Morthania

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## COVER STORY



## UNPROTECTED NO MORE: WHY INDIAN ENTREPRENEURS NEED A LIABILITY SHIELD NOW

India's MSMEs drive growth and employment, yet millions of entrepreneurs still operate without adequate legal protection due to complex formalisation systems. We explore the need for a simplified, digital-first Limited Liability Enterprise (LLE) framework that can make business protection affordable, accessible, and growth-oriented for small businesses.



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## TReDS Onboarding Norms Simplified by RBI to Improve MSME Liquidity

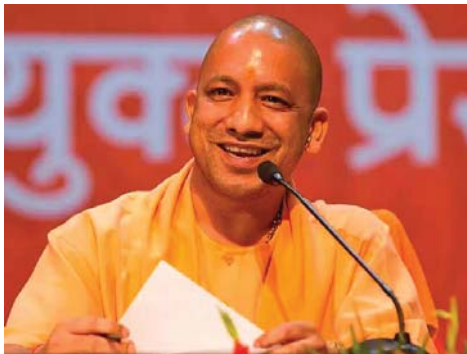
**T**he Reserve Bank of India has implemented simplified onboarding norms for the Trade Receivables Discounting System (TReDS), removing earlier documentation barriers that restricted MSME participation. This reform enables small businesses supplying to corporates and government entities to upload invoices on platforms like RXIL, M1xchange and Invoicemart and access funds within days. The move significantly eases working capital constraints, reduces dependence on delayed payments, and improves overall liquidity management for MSMEs operating in credit-driven supply chains.



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## UP to deploy certified credit counsellors to boost CM Yuva outreach for MSMEs

**T**o accelerate the CM Yuva scheme, the Uttar Pradesh government has launched a training programme to create a workforce of certified credit counsellors. The initiative aims to simplify access to bank credit for aspiring entrepreneurs, especially in the MSME sector, and connect 1.5 lakh youth to self-employment opportunities in 2026-27. The training, in two phases, will cover 75 districts and produce around 90 certified counselors deployed to guide youth on suitable loan schemes, project reports and documentation. These counsellors will act as a crucial link between MSME entrepreneurs and banks, improving the quality of applications and reducing rejections. The RBI-approved course, supported by SIDBI and IIBF, will also build financial literacy, covering credit ratings, CIBIL scores and project planning. The move is expected to help MSMEs access credit more smoothly, sustain their businesses, and strengthen the state's youth-led enterprise ecosystem.



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## NABARD Launches ₹2.62 Lakh Crore Credit Plan for Delhi MSMEs

**N**ABARD launched Delhi's first State Focus Paper (SFP) for 2026-27, which finds out how much credit (₹2.62 lakh crore) is needed for growth. MSMEs will get ₹2.41 lakh crore and are seen as the main driver of growth. The plan makes credit plans for each area based on local needs: MSMEs in New Delhi, self-help groups in East Delhi, and city farming in outer areas. NABARD created new nano and mini unit types (small businesses like flour mills, food processing, home-based manufacturing) to make rules simpler and help them get loans easily. It focuses on giving both long-term loans and daily working capital, developing business clusters, and upgrading industrial areas. The SFP connects farming with MSMEs by adding value to farm products, gives special credit support to artisans with GI tags to save traditional skills, and uses funds like Rural Infrastructure Development Fund and Micro Enterprises Finance fund to build better roads, storage, and facilities for MSMEs in cities.



## MSME Payment Protection Mechanism Continues Under MSMED Act Enforcement

The government continues to enforce payment discipline under the MSMED Act, mandating buyers to clear dues to MSMEs within 45 days. This provision is supported by the Samadhaan portal, which enables formal complaint filing in cases of delayed payments. With industry data indicating payment cycles extending beyond 120 days in several sectors, this mechanism serves as a critical safeguard for MSMEs. It strengthens legal recourse, supports cash flow stability, and reinforces timely payment practices within supply chains.



## Rising Marine Exports open new Global Doors for Indian MSMEs

India's seafood exports earned a record \$8.43 billion in the last financial year, up about 14% from the previous year, even though the US put high tariffs on Indian seafood. This growth came from higher sales to new markets such as Europe, China, Vietnam and Russia, which helped make up for the US tariff impact. A lower rupee value and easier access to the European Union made Indian seafood more affordable and attractive in foreign markets.

For small and medium firms in seafood, farming and food processing, this means there are good chances in other countries, not just the US. By improving quality, adding value, and getting proper certificates, such firms can sell more in Europe and Southeast Asia. It also shows that MSMEs should spread their exports across many countries and build better logistics and brands so they can grow even if big markets change their trade rules.

## Energy Efficiency Services Limited Plans Energy-Saving Roadmap for MSMEs in Andhra Pradesh

The government has prepared an energy-saving roadmap for small and medium factories in Andhra Pradesh to help them use less electricity and cut their power bills. Energy Efficiency Services Limited (EESL) has designed this plan so MSMEs can adopt better, energy-smart machines and systems. Earlier work by EESL in Gujarat, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and Karnataka saved 20-30 percent of energy in factory clusters. Under this roadmap, MSMEs in Andhra Pradesh will get support for energy audits, better equipment and easier access to finance. The plan is also in line with India's goals to reduce pollution linked to the economy by 45 per cent by 2030 and become net-zero by 2070. By saving energy, MSMEs can lower costs, stay competitive and grow in a cleaner, greener way. State and central agencies will work together to choose industrial clusters, support local units and connect the plan with existing development



## Tariff Rationalisation on Indian Exports to the US Announced

**F**ollowing a bilateral trade agreement between India and the United States, tariffs on Indian goods have been reduced from 50% to 18%, easing cost pressures on exporters. While still above earlier levels, this correction is expected to revive stalled export orders across sectors such as textiles, leather, handicrafts, and engineering goods. The development improves price competitiveness and provides MSMEs an opportunity to regain market access while reinforcing the need for export diversification to reduce dependence on a single geography.



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## Delhi's Credit Guarantee Push Opens New Doors for MSMEs

**I**n a focused effort to ease one of the biggest constraints faced by small businesses such as access to finance, the Government of Delhi has rolled out a Credit Guarantee Scheme in collaboration with the Credit Guarantee Fund Trust for Micro and Small Enterprises. The scheme enables

collateral-free loans of up to ₹10 crore, covering a wide spectrum of enterprises including manufacturing units, service providers, retailers, and education-focused ventures.

A standout feature of the initiative is the high guaranteed coverage of up to 95%, which significantly reduces the risk for lenders and, in turn, encourages greater credit flow to underserved segments. For entrepreneurs who lack tangible assets to pledge, particularly first-generation business owners, this framework can be transformative.

The scheme also places a clear emphasis on inclusivity, with additional support provisions for women-led enterprises. In a city like Delhi, where many MSMEs operate in informal or semi-formal setups, this initiative has the potential to drive formalisation, improve credit discipline, and enable businesses to scale operations with greater confidence.



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## Expansion of Self-Reliant India Fund to Fuel MSME Growth

**T**he Government has expanded the Self-Reliant India Fund with a ₹2,000 crore top-up to strengthen equity support for MSMEs and early-stage enterprises. Backed by substantial government participation and private investment, the fund aims to provide growth capital to businesses seeking to scale operations, adopt innovation, and enhance competitiveness without increasing debt burdens. Unlike traditional financing models, the initiative focuses on equity infusion, enabling MSMEs to grow sustainably while improving their financial resilience. The expansion is further supported by the development of technology-driven financial centres designed to improve access to capital, advisory services, and market linkages. Together, these measures are expected to help Indian MSMEs integrate more effectively into global value chains and transition into high-growth enterprises.



## New Income Tax Framework Introduced to Simplify Compliance

The Government of India has introduced a revised Income Tax framework replacing the 1961 Act, with a focus on simplified language and reduced penal provisions for minor defaults. Procedural lapses are now treated as fixed fees instead of criminal offences, lowering compliance risks for small businesses. This reform improves voluntary tax filing among MSMEs, enhances formalisation, and strengthens their eligibility for credit access, government tenders, and export-related benefits through cleaner financial records.



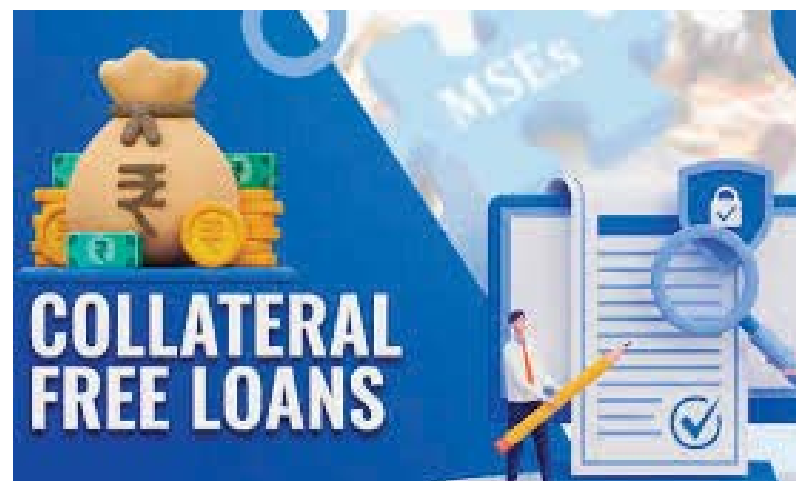
## National Focus on MSME Dispute Resolution Strengthened

A national conference on MSME dispute resolution has reinforced the role of institutional mechanisms such as MSME Facilitation Councils in addressing payment and contractual disputes. These platforms provide structured mediation and arbitration services as faster and cost-effective alternatives to traditional court proceedings. This initiative improves dispute resolution timelines, reduces legal costs, and enhances overall business confidence among MSMEs by ensuring accessible and formal mechanisms for resolving commercial conflicts.

## RBI Enhances Collateral-Free Lending Limits for MSMEs

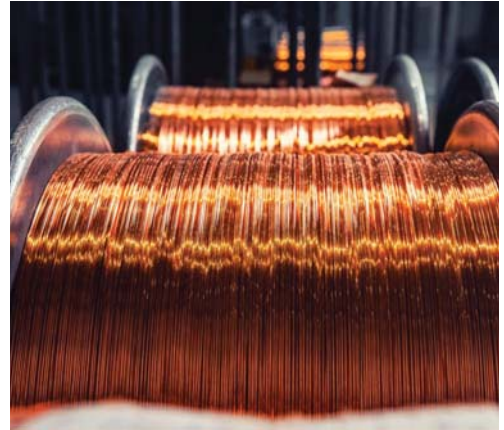
In a move aimed at strengthening credit flow to small businesses, the Reserve Bank of India has increased the limit for collateral-free loans available to MSMEs. This step is expected to significantly improve access to formal credit, especially for micro and small enterprises that often face barriers in securing loans due to limited assets.

The decision comes at a time when bank credit to MSMEs is projected to witness steady growth, reflecting improving demand and business confidence. Alongside this, ongoing reforms in digital platforms like the Trade Receivables Discounting System are helping address delayed payments by enabling faster invoice financing. Together, these measures are set to ease liquidity pressures and provide a more supportive financial ecosystem for MSMEs.



## Copper Recycling MSMEs Under Pressure as Supply Disruptions Intensify

India's copper recycling sector, largely driven by MSMEs, is facing severe operational stress due to disruptions in West Asia that have impacted scrap imports, shipping routes, and logistics networks. With a significant share of copper scrap sourced from Gulf countries, recyclers are struggling with raw material shortages, rising freight charges, and surging energy costs, forcing several units to scale down operations. Industry stakeholders have warned that continued disruptions could trigger shutdown risks, job losses, and supply chain instability across key sectors such as construction, electricals, and automotive. MSMEs in the recycling sector have also sought urgent government support, including lower GST on metal scrap, financial relief, and measures to stabilise supply availability.



## MSME Ministry & NICDC Logistics Data Services MoU

In April 2026, the Ministry of MSME signed a strategic MoU with NICDC Logistics Data Services Limited (NLDS) to strengthen a data-driven logistics ecosystem for MSMEs. This partnership builds a digital platform that enables seamless sharing of real-time logistics data through API integration. The initiative will support more informed policymaking, improved supply chain efficiency, and reduced operational costs for MSMEs. Enhanced logistics visibility and insights are expected to boost competitiveness in domestic and export markets. Government officials highlighted that this collaboration aligns with national priorities on ease of doing business and digital transformation of MSME value chains.

## Roadmap Under Development to Expand MSME Apprenticeships

India is working on a structured roadmap to scale-up apprenticeship adoption across the MSME sector, with a focus on making training programmes more accessible, practical, and industry-aligned. Led by the Ministry of Skill Development and Entrepreneurship, the initiative aims to address long-standing gaps in awareness, compliance, and implementation that have limited participation by smaller enterprises.

A key proposal under consideration is the Group Training Model, which would allow clusters of MSMEs to jointly host apprentices by pooling resources. This is expected to ease the burden on individual firms while ensuring that trainees receive diversified, hands-on experience across multiple units. The roadmap also looks at integrating apprenticeships with formal education through degree-linked and work-integrated learning programmes to improve their appeal and effectiveness.



To ensure practical implementation, pilot projects across select sectors and regions are likely to be introduced, with clearly defined roles and timelines for stakeholders. The effort comes in response to the currently low participation levels among MSMEs, despite their large share in employment generation.

By strengthening the apprenticeship ecosystem, the government aims to create a more skilled, job-ready workforce while enabling MSMEs to enhance productivity and competitiveness in an increasingly dynamic economic landscape.

## Swipe, Spend, Scale: Government Plans Low-Interest MSME Credit Cards with Higher Limits

In a significant move to strengthen credit access for small businesses, the Government is preparing to launch specialised low-interest credit cards for MSMEs with proposed limits of up to ₹5 lakh, aimed at helping enterprises manage working capital needs, raw material purchases, vendor payments, and daily operational expenses more efficiently. The initiative is expected to offer interest rates lower than conventional business credit cards, potentially around 18% annually with government-backed support mechanisms to reduce borrowing costs and improve accessibility for micro and small enterprises. Industry experts believe the move could provide a major boost to financial inclusion, encourage formalisation, support digital transactions, and offer much-needed liquidity relief to MSMEs facing cash flow pressures and delayed payments.



## TReDS Financing Crosses New Milestones in MSME Credit Growth

The Trade Receivables Discounting System is witnessing rapid adoption as a key liquidity platform for MSMEs. Invoice uploads have surged from about ₹17 lakh crore in FY22 to over ₹64 lakh crore in FY25, while financed amounts have grown from around ₹6.4 lakh crore to ₹23.3 lakh crore.

The number of financed invoices has also increased sharply, from nearly 40,000 to over 2.3 lakh, indicating improved access to working capital. With policy support such as expanding mandatory corporate participation (now covering firms with ₹250 crore turnover), TReDS is playing an increasingly vital role in addressing delayed payments and strengthening MSME cash flows.



## Cabinet Clears ECLGS 5.0 to Support MSMEs Amid Global Disruptions

The Union Cabinet, led by Narendra Modi, has approved the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0 to provide additional liquidity support to businesses facing disruptions due to the West Asia crisis. The scheme will be implemented through the National Credit Guarantee Trustee Company Limited, offering credit guarantee coverage to lending institutions.

Under the scheme, MSMEs will receive 100% guarantee coverage, while non-MSMEs and the airline sector will be covered up to 90%. The initiative aims to facilitate an additional credit flow of ₹2.55 lakh crore, including ₹5,000 crore earmarked for airlines. Eligible borrowers can access additional funding of up to 20% of their peak working capital utilisation, subject to specified caps.

Notably, the scheme carries no guaranteed fee and provides a repayment tenure of up to five years for MSMEs, including a one-year moratorium. By ensuring timely access to working capital, ECLGS 5.0 is expected to help businesses manage short-term liquidity pressures, sustain operations and protect employment during a period of global uncertainty.



## India–South Korea Sign MoU to Strengthen MSME Cooperation and Business Linkages

**T**he Ministry of MSMEs and Republic of Korea's Ministry of SMEs & Startups signed a Memorandum of Understanding (MoU) last month, to deepen bilateral cooperation in the MSME sector. The framework facilitates sustained dialogue on MSME policy, exchange of information, best practices, business matchmaking, and technical collaboration. This official agreement aims to expand trade and investment linkages between Indian and Korean MSMEs, enhance mutual understanding of respective MSME ecosystems, and boost inclusive growth and employment generation. The partnership marks a significant step in international cooperation supporting India's MSME competitiveness.



## Historic India–New Zealand FTA Opens New Global Markets for MSMEs

**L**ast month, India and New Zealand signed a landmark FTA in New Delhi, a significant step for MSME exporters. The pact eliminates duties on 100 % of Indian exports to New Zealand, giving zero-duty access across labour-intensive sectors like textiles, leather, engineering goods, gems & jewellery, and processed foods key MSME segments. It also includes a US \$20 billion investment commitment to deepen long-term ties and strengthens opportunities for women-led and small enterprises. The agreement aims to boost export competitiveness, expand markets, and create jobs for MSMEs across India.

## Medical & Wellness Tourism Growth Driving MSME Opportunities

**I**ndia is rapidly emerging as a global hub for Medical Value Travel (MVT), supported by strong government policies, digital facilitation, and integration of modern healthcare with AYUSH systems. Initiatives like the AYUSH Visa, upgraded MVT portal, and proposed Regional Medical Hubs are enhancing accessibility and infrastructure. With over 5 lakh medical tourists in 2025 and rising global demand for affordable, high-quality care, this sector is creating significant opportunities for MSMEs. Small businesses in hospitality, wellness services, medical support, logistics, and local supply chains can benefit from increased demand, job creation, and participation in a growing, sustainability-linked healthcare ecosystem.



## GIFT City Launches Women Fintech Accelerator

**G**ujarat International Finance Tec-City (GIFT City) has launched the Women in Fintech Accelerator under the GIFT International Fintech Innovation Hub (GIFT IFIH), aimed at boosting women-led startups within India's IFSC ecosystem. Positioned as an investment-readiness programme, it aims to help women-led fintech ventures strengthen capabilities, prepare for institutional funding, and scale sustainably. The accelerator will run in a hybrid format, starting with an in-person immersion at GIFT City focused on investment preparedness, followed by a virtual phase offering curated investor engagements tailored to each startup's stage. Participants will also gain structured mentorship, investor matchmaking, and direct access to capital providers.

Mr. Sanjay Kaul, MD and Group CEO of GIFT City, said the initiative reflects GIFT City's commitment to building a globally competitive financial ecosystem rooted in innovation, inclusivity and entrepreneurship. Over the past year, GIFT IFIH has supported 37 startups across sectors such as digital banking, regtech, InsurTech and cross-border financial services, strengthening the fintech innovation pipeline within the GIFT City ecosystem.



## BMC's GST Camp: Simplifying compliance for MSMEs

**M**umbai's civic body, Brihanmumbai Municipal Corporation (BMC), conducted a GST awareness camp in the F/ South ward aimed at women running small businesses through Self-Help Groups. Around 110 women participated, receiving practical guidance on GST registration, return filing, and compliance from officials, including representatives from the GST department. The initiative addresses a critical gap: many women-led enterprises miss out on government tenders and formal contracts, not due to a lack of capability, but because they are not GST registered. By offering hands-on support and follow-up assistance for online registration, BMC is helping bridge this barrier, hence enabling women entrepreneurs to move from informal operations to accessing formal market opportunities.

## Nationwide Expansion of MSME Technology Hubs

**T**he government is strengthening technological capabilities by establishing new Technology Centres and Extension Centres across the country. These centres provide advanced manufacturing support, skill development, and access to modern tools for MSMEs. By promoting adoption of cutting-edge technologies, they enhance productivity, innovation, and product quality. This initiative helps MSMEs transition toward Industry 4.0 practices, including automation and precision manufacturing. It also supports sustainable production by enabling efficient resource use and reducing waste. Such infrastructure plays a critical role in making MSMEs globally competitive and future ready.



## Government Introduces Export Monitoring Framework to Strengthen MSME Competitiveness

**T**he Department of Commerce has introduced a structured Export Monitoring Framework aimed at helping India achieve its \$2 trillion export target by 2030-31. The framework breaks national export goals into sector-specific action plans covering engineering goods, textiles, electronics, chemicals, pharmaceuticals and services sectors where MSMEs play a major role. The initiative focuses on improving coordination between ministries, monitoring export performance in real time and addressing issues related to logistics, compliance, finance, and market access. For MSMEs, this development is expected to improve export preparedness, enhance global competitiveness, and create more targeted support for businesses participating in international trade and value chains.



## Removal of Courier Export Value Limit Boosts E-Commerce Export Opportunities for MSMEs

**T**he Government has removed the earlier ₹10 lakh value cap per consignment for courier exports, a major relief for MSMEs engaged in e-commerce and small-value international shipments. The reform is expected to particularly benefit sectors such as handicrafts, fashion accessories, gems and jewellery, leather products, and specialised manufacturing units that rely on faster courier-based exports. By easing shipment restrictions, the move allows MSMEs to fulfil larger international orders through courier channels while reducing procedural complexity and delivery timelines. The decision is expected to strengthen India's cross-border e-commerce ecosystem and improve export competitiveness for small businesses selling directly to overseas buyers through digital platforms.

## Formalisation Drive Gains pace with 20 lakh New Udyam Registration

**A**ccording to an Inter-Ministerial briefing on 15 April 2026, over 20 lakh new MSME units were registered on the Udyam portal during February–March 2026, raising the total registered enterprises to over 8 crores. This surge reflects strong entrepreneurial activity across states and sectors. The report also highlights that outstanding lending to MSMEs exceeded ₹36.7 lakh crore, growing 23.5% quarterly, indicating improved credit flows even amid global uncertainties. The rise in registrations and credit access demonstrates enhanced formalisation, financial inclusion and confidence among MSME entrepreneurs.



# Reverse Buyer Seller Meet conducted in Mumbai to Strengthen MSME Export Linkages



India SME Forum, under the RAMP programme of the Ministry of MSME, conducted a Reverse Buyer-Seller Meet (RBSM) in Mumbai in the last week of April 2026, in collaboration with Maharashtra Small Scale Industries Development Corporation (MSSIDC). The objective was to enable direct market access and export partnerships. The initiative facilitated structured B2B engagements between Indian MSMEs and international buyers, with over 750 MSMEs and 33 global buyers participating across sectors. This initiative led to successful lead generation, trade negotiations, and strengthened global supply linkages, enhancing export readiness and international visibility for MSMEs.



## GST Samvaad Initiative Conducted by India SME Forum to Strengthen MSME-Government Dialogue

In the month of April, India SME Forum conducted two editions of the GST Samvaad initiative in Mumbai and Ahmedabad to strengthen dialogue between MSMEs and government stakeholders on GST-related issues and compliance challenges. The roundtable discussions brought together MSME representatives and officials from the Directorate General of Taxpayer Services (DGTS) to facilitate direct engagement on key concerns impacting small businesses.

The sessions focused on areas such as GST refunds, registration processes, digital compliance systems, procedural simplification, and grievance redressal mechanisms. The initiative aimed to create a more responsive and MSME-friendly compliance ecosystem by encouraging policy-level dialogue, improving ease of compliance, and addressing operational challenges faced by small enterprises under the GST framework



## Business Beyond Borders: Empowering MSMEs Through Digital Commerce and Global Market Access

India SME Forum organised a fireside chat on strengthening support systems for MSMEs through digital commerce and global market access. The session featured Srinidhi Kalvapudi in conversation with Vinod Kumar as part of the Business Beyond Borders initiative focused on enabling small businesses to scale through e-commerce and cross-border trade opportunities.

The discussion highlighted how digital platforms can help MSMEs improve market access, enhance operational efficiency, and expand beyond local markets. It also focused on practical strategies to support traditional businesses in adopting online selling models, leveraging technology, and building sustainable growth in an increasingly digital economy.



# LEADERS SPEAK



“Four years ago, the government developed a hybrid security model allowing CISF to provide security services to private industrial groups as well. I have examined the model which has been implemented with the most modern equipment, and in the coming days CISF will provide security to private industries under this hybrid mode.”

**Shri Amit Shah,**  
Union Minister of Home Affairs, India

“The momentum on reforms has not come down at all. The Finance bill also has elements of these reforms being pushed because we want India to be a lot more economically vibrant country. The reform express is what has guided us to bring in very many elements into the Finance Bill, so that it reflects the mood of the nation.”

**Smt. Nirmala Sitharaman,**  
Union Minister of Finance & Corporate  
Affairs, India



“The government remains committed to ensuring that fully, taking into account accountability, costs and risks of the energy markets. For us, the interests of the Indian consumer has and will always be the overriding priority. Where required, Indian diplomacy has supported the endeavours of our energy enterprises in this volatile situation.”

**Dr. S. Jaishankar,**  
Union Minister of External Affairs, India



“ Consumers are getting their LPG. Industrial LNG supplies have now been reinstated to 80%, with many sectors receiving full LNG. There is no shortage of petroleum products. Our refineries are working full stream. There is a sufficient stock of crude oil and new shipments coming in of crude oil, LPG and LNG to ensure a pipeline for the future. ”

**Shri Piyush Goyal,**

Union Minister of Commerce & Industry, India



“ India’s skilling journey is entering a new phase, one that places outcomes at the centre of our efforts. The Skills Outcomes Fund represents our commitment to ensuring that skills translate into real opportunities, sustained employment, and dignity of work for our youth. By bringing together government, industry, and philanthropic partners around measurable results, we are creating a model that can unlock large-scale impact and expand aspirational livelihood pathways for young people across India. ”

**Shri Jayant Chaudhary,**

Union Minister for Skill Development & Entrepreneurship, India

“ India’s growing network of Free Trade Agreements and strong domestic demand are creating new opportunities for MSMEs. Trade agreements now provide access to markets covering a large share of developed economies, opening export opportunities for high-quality Indian products. ”

**Shri Jitin Prasada,**

Minister of State for Commerce & Industry, India





# Unprotected NO More: Why Indian Entrepreneurs Need a Liability Shield Now

India taught millions to dream of becoming entrepreneurs. But somewhere between UPI payments, online orders, and business growth, one question still remains unanswered, who protects the entrepreneur when the business falls?

India's MSME sector is not just an economic category; it is the living pulse of the nation's entrepreneurial spirit. Hidden behind shop shutters, inside crowded market lanes, across industrial clusters, and within millions of homes are over 8 crore small businesses quietly powering the Indian economy every single day. Together, they contribute close to 31.1% of India's GDP, drive almost half of the country's exports, and support the livelihoods of more than 37 crore people.

But their contribution goes far beyond statistics. These enterprises create the first job in a small town, keep traditional industries alive across generations, support local supply chains, and turn ordinary individuals into business owners. They are the repair shops of Rajkot, the textile units of Surat, the food brands emerging from home kitchens in Indore, the handicraft clusters of Srinagar, and the small manufacturers supplying larger industries across the country.

While India celebrates its unicorns and technology giants, it is these millions of small enterprises that continue to form the real foundation of India's economic resilience, employment generation, and grassroots entrepreneurship.

Across India, entrepreneurship is no longer confined to corporate offices, startup incubators, or metropolitan technology parks. It is increasingly emerging from

kitchens, small workshops, local markets, and family-run enterprises built by ordinary individuals trying to create financial stability and independent livelihoods.

Take the example of a woman entrepreneur in Indore who starts a homemade snacks business from her kitchen. What begins as a small venture selling through WhatsApp groups and Instagram gradually grows through word-of-mouth demand. Over time, she starts supplying nearby stores, hires a few workers, and partners with a friend to expand production and distribution.

At this stage, formalising the business becomes necessary. But the path ahead quickly becomes confusing and intimidating.

If she continues operating as a sole proprietorship, there is no legal distinction between her business and personal identity. Any business loss, customer dispute, loan default, or legal issue could directly impact her family savings, home, or personal assets.

If she decides to enter a traditional partnership, the challenges do not end with registration. In many parts

of India, the process itself can still feel outdated and cumbersome. Entrepreneurs are often required to deal with physical paperwork, notarised agreements, multiple office visits, and procedural formalities that usually demand the assistance of lawyers, accountants, or intermediaries. For a small business owner with limited resources, even understanding the documentation and legal terminology can become overwhelming.

However, the larger concern lies in the legal structure of the partnership itself.

Unlike limited liability structures, traditional partnerships often expose business owners to unlimited personal liability. In practical terms, this means that partners are not only responsible for their own business decisions and financial commitments, but can also become personally liable for the debts, disputes, or mistakes arising from the actions of other partners.

For example, if one partner takes an unauthorised loan, fails to repay suppliers, signs a disputed contract, or becomes involved in a legal dispute, the liability does not remain limited

to that individual alone. The other partner's personal assets and financial security may also become exposed, even if they had no direct involvement in the decision.

For first-generation entrepreneurs, many of whom enter partnerships based on personal trust, friendships, or family relationships, this creates significant financial vulnerability. A business disagreement or operational mistake can quickly escalate into a personal financial crisis affecting savings, property, and long-term family security.

As businesses grow, these risks become even more serious. Banks and institutional lenders often view traditional partnerships as weak governance structures because succession planning, ownership clarity, and liability protection remain uncertain. This limits the ability of small businesses to scale confidently or attract formal investment.

As a result, many entrepreneurs find themselves trapped between risky informality and overly complex formal structures, with no simple and affordable middle path available.

For a first-generation entrepreneur with limited legal understanding, this creates significant uncertainty and fear.

The alternative options, such as LLPs or private limited companies, often appear too expensive, compliance-heavy, and operationally complex for a small business working on limited margins. Annual filings, accounting requirements, professional fees, digital signatures, and fear of penalties discourage many entrepreneurs from moving toward formal incorporation.

As a result, millions of small businesses across India continue operating in legally vulnerable structures despite actively participating in the formal economy through digital payments,



e-commerce platforms, GST systems, and online marketplaces.

This reflects one of the biggest contradictions in India's economic transformation.

The country has successfully digitised payments, taxation, identity systems, and commerce at an unprecedented scale. Yet for millions of micro and small entrepreneurs, creating a legally protected business remains complicated, fragmented, and inaccessible.

India has democratised digital transactions, but it has not yet democratised enterprise protection.

### The Formalisation Gap: Enterprise Creation Without Enterprise Protection

India's entrepreneurial ecosystem is witnessing a major expansion in formal economic participation. From startups and digital-first ventures to traditional MSMEs entering organised markets, the country continues to record strong growth in business activity, registrations, and digital integration. According to recent Ministry of Corporate Affairs (MCA)-based reports, nearly 31 lakh companies had been registered in India by December 2025, of which approximately 20.14 lakh remained active, while more than 9.5 lakh companies had either closed

operations, become dormant, been struck off, liquidated, or dissolved. At the same time, formal participation among small businesses has expanded rapidly through GST registration, Udyam registration, digital payments, e-commerce participation, and online compliance systems. India had around 8.41 crore MSMEs registered on the Udyam portal, including entities registered through the Udyam Assist Platform (UAP) without PAN, while approximately 4.90 crore MSMEs were registered excluding UAP entities.

The pace of enterprise creation itself remains remarkable. During FY 2023-24, India reportedly registered nearly 1.85 lakh new companies, averaging almost 15,000 company incorporations every month. In several months, registrations crossed the 20,000-26,000 mark, reflecting rising entrepreneurial aspirations, increasing digital adoption, expanding startup activity, and continued improvements in ease of doing business and online incorporation systems. However, beneath this encouraging growth story lies a deeper structural imbalance within India's entrepreneurial ecosystem. While millions of enterprises are entering the formal economy, only a relatively small proportion operate through incorporated limited liability

structures that provide long-term legal and financial protection.

The scale of this imbalance becomes evident when comparing different categories of formal and semi-formal business participation in India. As per GST-related data as of March 2025, India had nearly 1.53 crore active GST taxpayers. However, public limited companies accounted for only around 97,700 entities, while private limited companies stood at approximately 12.35 lakh. In contrast, proprietorships alone accounted for nearly 1.57 crore registrations, partnerships for over 20.18 lakh entities, and limited liability partnerships (LLPs) for around 1.90 lakh entities. Similarly, according to the Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2023-24, India had nearly 6.88 crore proprietorship enterprises and around 23.42 lakh partnership enterprises operating across sectors.

Even within capital markets, participation remains limited relative to the scale of Indian enterprise activity. The SME listing ecosystem has expanded steadily, yet only a small proportion of MSMEs are able to access formal equity markets. Data indicates that 719 companies had been listed on SME platforms, including migrated companies, while 518 companies remained listed on SME platforms independently. Around 201 companies had migrated to the BSE main board platform. On the NSE side, approximately 397 companies had listed on NSE Emerge, while 138 companies had migrated to the NSE mainboard platform. Overall, India currently has around 5,936 companies listed on BSE and approximately 2,867 listed companies on NSE.

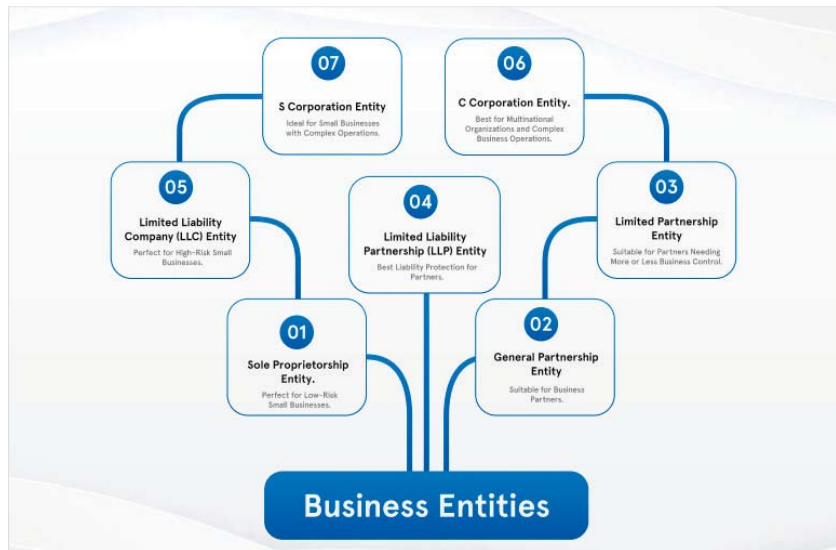
These numbers reveal a critical reality: India is formalising economically far faster than it is formalising institutionally. Most Indian businesses continue to operate as sole proprietorships, traditional partnerships, family-



run establishments, or semi-formal enterprises rather than incorporated entities with limited liability protection. This is not necessarily because entrepreneurs resist formalisation. For millions of micro and small enterprises, the transition from survival-oriented operations to fully incorporated businesses continue to appear financially burdensome, legally complex, and operationally difficult. Regulatory filings, taxation procedures, recurring compliance requirements, professional costs, legal documentation, and administrative obligations often discourage small enterprises from incorporation. As a result, many enterprises remain only partially formalised, connected to segments of the formal economy through digital transactions, Udyam registration, or supply-chain participation, yet operating without the institutional protections of incorporated entities.

At the same time, rising business closures highlight the fragility of enterprise sustainability within the ecosystem. Recent reports indicate that nearly 2,04,268 private companies closed operations during the last five financial years, averaging roughly 3,400 closures every month. Additionally, approximately 1,85,350 companies were struck off during the same period. Closures and strike-offs occur for multiple reasons, including financial distress, weak cash flows, operational inactivity, compliance defaults, voluntary winding up, and regulatory action. For many MSMEs and emerging enterprises, prolonged economic uncertainty, rising operational costs, delayed payments, limited access to formal credit, and increasing compliance pressures continue to create significant survival challenges

The broader policy concern emerging from these trends is clear. India has made remarkable progress in encouraging entrepreneurship and expanding formal economic participation, but a substantial gap still exists between enterprise



**India’s MSMEs power jobs, exports, and local economies, yet the absence of simple limited liability frameworks discourages millions from scaling confidently.**

creation and enterprise protection. Formalisation today is occurring largely at the transactional level through GST systems, digital payments, and registrations, but not necessarily at the institutional level through resilient business structures capable of protecting entrepreneurs during periods of financial stress or operational disruption. Bridging this formalisation gap may therefore require a more balanced policy approach focused not only on increasing registrations, but also on improving survivability, reducing compliance complexity, simplifying incorporation pathways, lowering operational costs, and strengthening legal and financial protection mechanisms for MSMEs.

As India moves toward becoming a larger and more innovation-driven economy, the long-term success of its entrepreneurial ecosystem may ultimately depend not merely on how many businesses are created, but on how many are able to survive, scale, and remain protected within the formal economy.

**The Invisible Risk Behind Small Businesses**

For most Indian entrepreneurs, the default business structure remains the Sole Proprietorship. It is simple to start, requires minimal paperwork, and allows businesses to operate quickly.

But this convenience comes with a hidden danger.

In a proprietorship, the law does not distinguish between the business and the individual. The entrepreneur and the enterprise are treated as one legal entity. There is no separation between business liabilities and personal assets.

This means that when a financial dispute, loan default, legal notice, or business failure occurs, the consequences do not stop at the business level.

The entrepreneur’s personal savings, family property, home, bank accounts, and long-term financial security can

all become vulnerable to business-related risks and liabilities.

For millions of first-generation entrepreneurs, one failed business cycle can become a personal financial disaster.

The problem becomes even more serious in traditional partnerships.

Under partnership structures, each partner can become legally liable not only for their own decisions, but also for the mistakes, liabilities, or misconduct of other partners. For businesses built on personal trust and informal arrangements, this creates enormous legal vulnerability.

India's MSME sector therefore operates under an invisible financial sword, where personal lives and business risks remain dangerously intertwined.

### Formalisation Still Feels Procedurally Heavy

Even today, the journey from running a small business to building a legally protected enterprise remains far more complicated than many entrepreneurs expect.

For a small entrepreneur seeking to register an LLP or a One Person Company (OPC), formalisation often begins with a series of procedural steps, approvals, and compliance requirements that can feel technical and intimidating from the very start.

The process usually begins with obtaining a Digital Signature Certificate (DSC), which may itself take anywhere between 1 to 7 business days depending on documentation and verification requirements. This is followed by Director Identification Number (DIN/DPIN) approvals, company or LLP name reservation requests, preparation of incorporation documents, and filings through the Ministry of Corporate Affairs (MCA) portal.



Even under India's increasingly digitised systems, company name approvals generally require another 2 to 3 working days. Incorporation filings must then be completed within the prescribed timelines and, depending on document readiness, corrections, or procedural queries, the full registration process can often take between 7 to 15 days.

The process does not end with incorporation.

Entrepreneurs must subsequently manage PAN and TAN allotments, banking formalities, GST registrations where applicable, digital compliance systems, accounting requirements, and recurring annual filings.

For larger businesses equipped with legal advisors, accountants, and compliance teams, these steps may appear manageable. But for first-generation entrepreneurs, home-based enterprises, nano businesses, and small partnerships operating with limited administrative capacity, the experience often feels fragmented, technical, and operationally exhausting.

As a result, many businesses continue operating in legally vulnerable

structures, not because they oppose formalisation, but because the path toward formalisation still appears financially risky, compliance-heavy, and difficult to navigate confidently.

### The Hidden Barrier to MSME Growth

Across India, millions of small entrepreneurs now operate in an uncomfortable middle ground between informality and formalisation.

They are formal enough to participate in the modern economy, yet not protected enough to grow within it confidently.

They accept UPI payments, register under Udyam, sell through e-commerce platforms, file taxes, and engage with customers across cities and states. Operationally, they are already integrated into India's digital economy. Legally and institutionally, however, many of these enterprises still remain fragile and under-protected.

This has created what may be described as an "Informality Trap."

These businesses are too formal to remain invisible, yet too informal to scale comfortably.

Without stronger legal structures, entrepreneurs struggle to access the full benefits of economic participation. Banks hesitate to extend larger credit facilities because governance systems remain weak and business continuity is often tied entirely to the individual owner. Institutional buyers and investors prefer dealing with formally structured entities that provide greater transparency, continuity, and accountability.

As a result:

- access to larger contracts becomes limited,
- export integration becomes harder,
- succession planning remains uncertain,
- and scaling itself begins to feel risky.

For many entrepreneurs, growth no longer represents only opportunity. It also represents greater exposure.

Expanding operations means taking larger loans, entering more complex contracts, hiring additional workers, and managing increasing compliance obligations, all while personal assets may continue to remain exposed to business risks.

Consequently, many small businesses deliberately choose to remain smaller than their actual potential, not because ambition is lacking, but because the system makes growth appear financially and legally unsafe.

**The Fear and Complexity Behind Formalisation**

Alongside the informality trap, India’s MSME ecosystem is also witnessing the rise of what can be described as a “Compliance Fear Economy.”

For many micro and small entrepreneurs, formalisation does not feel empowering. Instead, it often feels like entering a regulatory system that appears technical, fragmented, and difficult to navigate without professional assistance.

The fear is rarely about entrepreneurship itself. Indian entrepreneurs already take financial



and operational risks every day. The real anxiety begins when businesses attempt to engage with a compliance ecosystem involving GST registrations and recurring filings, multiple licences and approvals, annual compliance obligations, digital signatures and certification systems, overlapping departmental regulations, technical legal terminology, and constant fear of notices, penalties, or missed deadlines.

For a small workshop owner, home-based entrepreneur, or local trader operating on limited margins, compliance can quickly begin to feel like a full-time administrative burden rather than a support mechanism for growth.

This burden also carries a direct financial cost. Professional fees for accountants, consultants, filings,

and documentation often consume a meaningful portion of small business earnings. For nano enterprises and first-generation entrepreneurs, the cost of “becoming formal” can begin to appear higher than the immediate benefits of formalisation itself.

As a result, many businesses intentionally avoid scaling, not because opportunities are absent, but because formal growth itself begins to feel administratively exhausting and financially risky. India therefore risks creating an economy where entrepreneurs are encouraged to start businesses, but discouraged from growing them.

**Why Existing Structures Do Not Fully Work**

India’s current enterprise structures often solve one problem while creating another.

Structure	Key Challenge
Sole Proprietorship	Unlimited personal liability
Traditional Partnership	Shared and unlimited liability
LLP	Compliance still perceived as heavy for nano enterprises
Private Limited Company	Governance and compliance burden for micro businesses



property because of business losses or disputes.

- Limited liability protection would reduce financial vulnerability and encourage responsible risk-taking.

#### **5. Seamless Growth and Transition Pathways**

- As businesses expand, they should be able to transition smoothly into LLPs or larger corporate structures.
- Entrepreneurs should not be forced to rebuild their legal identity, registrations, or compliance history from scratch.
- A scalable framework would support long-term business growth and institutional integration.

#### **6. Affordable and Accessible Formalisation**

- Registration and compliance costs should remain affordable for small businesses operating on thin margins.
- Processes should be designed for first-generation entrepreneurs with limited legal or financial expertise.
- Regional language support and simplified digital guidance systems can improve accessibility across rural and semi-urban India.

#### **7. Integration with India's Digital Public Infrastructure**

- The framework should integrate seamlessly with:
  - Aadhaar
  - UPI
  - DigiLocker
  - GST systems
  - Account Aggregator framework
  - ONDC ecosystem
- India already possesses world-class digital infrastructure. The next step is building a business framework that fully utilises these digital rails.

#### **The Larger Objective**

The goal is not merely business registration. It is creating an ecosystem where entrepreneurs feel secure enough to formalise, invest, hire, borrow, expand, and grow confidently without fearing financial ruin or overwhelming compliance burdens.

## **The next phase of India's economic transformation must focus on fear-free formalisation by creating affordable, mobile-first, and legally protected enterprise structures for MSMEs.**

### **Global Approaches to Small Business Protection**

Across the world, policymakers are increasingly recognising an important reality: small businesses should not be regulated like miniature versions of large corporations. Micro and small enterprises operate with limited capital, lean teams, and constrained administrative capacity. Imposing complex governance and compliance structures on them often discourages formalisation rather than encouraging it.

As a result, several countries have redesigned their business registration and enterprise governance systems to make formalisation faster, simpler, and more accessible for small entrepreneurs.

Countries such as Singapore, Estonia, the United Kingdom, New Zealand, and the UAE have emerged as strong examples of digitally integrated enterprise ecosystems where business creation is treated as a streamlined public service rather than a complicated legal process.

In Estonia, entrepreneurs can establish companies digitally within minutes through integrated digital identity systems. The process is designed to be paperless, efficient, and accessible remotely, reducing procedural friction significantly for first-time business owners.

The United Kingdom and New Zealand have simplified enterprise creation by integrating company registration with taxation, banking, and regulatory systems. Entrepreneurs are not required to navigate multiple departments separately, making the transition from informal activity to formal enterprise far smoother.

Similarly, the UAE has introduced startup-focused licensing and enterprise frameworks that recognise a crucial distinction: small businesses require governance systems that are proportionate to their scale and operational realities, rather than compliance structures designed for large corporations.





International institutions have also increasingly recognised that small businesses cannot be governed through the same legal and compliance frameworks designed for large corporations. Across the world, there is growing policy consensus that enterprise laws must become simpler, more accessible, and proportionate to the realities of micro and small businesses, particularly those led by first-generation entrepreneurs with limited financial and administrative capacity.

The United Nations Commission on International Trade Law (UNCITRAL), the core legal body of the United Nations for international trade law, has consistently highlighted the importance of modern and growth-oriented enterprise frameworks that encourage MSME formalisation, limited liability protection, easier market participation, and smoother access to finance.

Through its model laws, policy guidance, insolvency frameworks, and recommendations on business law modernisation, UNCITRAL has increasingly emphasised that legal systems should reduce procedural barriers for small enterprises rather than overwhelm them with disproportionate compliance burdens. Its broader approach reflects an evolving global understanding that entrepreneurship thrives when businesses can formalise easily, operate with legal certainty, and grow without exposing individual entrepreneurs and their families to excessive personal financial risk.

UNCITRAL's work has also reinforced the importance of:

- simplified business registration systems,
- proportionate compliance structures,
- digitally enabled enterprise governance,
- predictable dispute resolution mechanisms,
- and stronger legal recognition for

small business entities within modern commercial ecosystems.

These principles are particularly relevant for emerging economies such as India, where millions of MSMEs already participate actively in digital commerce, manufacturing, exports, and local supply chains, but continue operating without adequate legal protection or scalable institutional support.

The broader global shift is therefore becoming increasingly clear: enterprise regulation is no longer viewed merely as a compliance exercise. It is increasingly being seen as a critical tool for enabling entrepreneurship, reducing financial vulnerability, improving access to credit, and strengthening long-term economic resilience.

For India, this international evolution offers an important lesson. The future of MSME formalisation will depend not only on digitising procedures, but

on creating enterprise frameworks that are simple enough for ordinary entrepreneurs to adopt confidently, while still providing meaningful legal protection and institutional credibility.

Ironically, India already possesses many of the foundational digital systems required to build such a framework.

Over the past decade, the country has developed one of the world's strongest digital public infrastructure ecosystems through platforms such as:

- Aadhaar
- UPI
- DigiLocker
- Account Aggregator systems
- ONDC

These systems have already transformed identity verification, digital payments, documentation access, financial connectivity, and online commerce at an unprecedented scale.

India has successfully built the digital rails for participation in the economy.

What remains missing is a modern, integrated "Business Operating System" that allows entrepreneurs to create, formalise, and protect enterprises with the same simplicity and accessibility that now define India's digital public infrastructure.

### The Formalisation Multiplier

If India succeeds in simplifying enterprise protection, the impact could be transformational.

Even if a fraction of India's MSMEs transition into simplified limited liability structures, the economic multiplier would be enormous.

#### 1. Credit Expansion

Formal legal identity would improve access to:

- institutional lending,
- invoice financing,
- fintech-based credit,
- and cash-flow-based financing.

## For small entrepreneurs, one business dispute or financial setback can expose personal savings, homes, and family security, revealing India's missing enterprise safety net.



#### 2. Women-Led Enterprise Growth

Millions of women running home businesses and self-help group enterprises would gain safer and more scalable business structures.

#### 3. Export Readiness

Formalised enterprises would integrate more easily into global supply chains and export ecosystems.

#### 4. Higher Survival Rates

When entrepreneurship no longer threatens personal financial ruin, business owners become more willing to innovate, invest, and expand.

### CASE STUDIES

#### 1. The Home-Based Food Entrepreneur

Consider the example of a woman entrepreneur in Indore who starts a small, packaged snacks business from her home kitchen. Like many first-generation entrepreneurs, she begins with limited capital, basic equipment, and a simple goal of

earning an independent income while balancing household responsibilities. Initially, orders come through WhatsApp groups, Instagram, and recommendations within her local community. Gradually, the business expands through social media visibility and word-of-mouth demand.

Within two years, her monthly sales crossed ₹3 lakh. She starts supplying products to nearby retail stores, hires a few workers for packaging and deliveries, and begins receiving interstate orders through digital marketplaces and courier networks. Operationally, the business has evolved from a home activity into a growing enterprise connected to India's digital economy through online payments, logistics platforms, and e-commerce systems.

Legally, however, the business remains unchanged.

She continues operating as a sole proprietorship because formal incorporation appears complicated, compliance-heavy, and financially burdensome. The process involves registrations, filings, legal documentation, and recurring compliance requirements that feel difficult to navigate without professional assistance. For a small business operating on narrow margins, the added cost of consultants and compliance management appears overwhelming.



As a result, despite actively participating in the formal economy, the enterprise remains legally vulnerable. Under a proprietorship structure, there is no legal separation between the business and the owner. If a supplier dispute, food safety complaint, loan issue, or legal claim arises, her personal savings, family assets, home, and financial security could all become exposed.

This reflects the reality faced by millions of small entrepreneurs across India whose businesses have modernised faster than their legal protection structures.

## 2. The Small Manufacturing Partnership

Consider the case of two engineering diploma holders in Rajkot who establish a small fabrication unit supplying machine components to local manufacturers. In the early years, the business operates on a modest scale with limited capital, a rented workspace, and a few machines. Like many small entrepreneurs, they choose a traditional partnership structure because it appears to be the simplest and quickest way to start operations.

Over time, the business grows steadily through consistent orders and strong local relationships. Within five years, annual turnover approaches ₹4 crore, the unit employs nearly 28 workers, and the entrepreneurs begin planning machinery expansion to serve larger industrial clients. To support this growth, they approach banks for formal credit and long-term financing.

This is where structural challenges begin to emerge.

During the due diligence process, banks raise concerns around governance standards, ownership clarity, succession planning, and liability protection. Under a traditional partnership structure, there is no clear legal separation between the business and the individual partners. As a result, the personal financial security of each partner remains



**India has built world-class digital infrastructure for transactions and commerce, but now urgently needs a simplified enterprise protection framework that gives MSMEs confidence to formalise, invest, and grow.**

directly linked to the risks and liabilities of the enterprise.

Traditional partnerships also expose partners to shared and often unlimited liability. If one partner enters into a disputed contract, defaults on payments, or faces legal action, the liability can extend to both individuals equally, even when the other partner had no direct involvement. Personal savings, family assets, and long-term financial security can therefore become vulnerable.

As the entrepreneurs attempt to scale further, they realise that transitioning

into an LLP or private limited company at a later stage is expensive, time-consuming, and operationally disruptive. What initially appeared to be the easiest route to start a business gradually becomes a structural barrier to growth, reflecting a wider gap in India's enterprise formalisation ecosystem.

## 3. The Digital Commerce Seller

Consider a young entrepreneur in Guwahati who starts selling handmade apparel through social commerce platforms and ONDC-linked marketplaces. What begins as a small online venture quickly gains momentum through digital tools that have significantly lowered market-entry barriers for small businesses in India.

Using UPI payments, logistics aggregators, social media marketing, and e-commerce platforms, she reaches customers across multiple cities without opening a physical store. Instagram promotions build visibility, courier networks enable nationwide delivery, and online marketplaces connect her products to buyers far beyond her local geography. Within a short period, the business begins scaling rapidly.

Operationally, she is fully integrated into India's modern digital economy.

She manages customers online, tracks orders digitally, and accepts payments seamlessly through digital platforms.

Legally, however, the enterprise remains fragile.

Like many small digital entrepreneurs, she continues operating under her personal PAN because formal incorporation appears complex, expensive, and compliance heavy. There is no clear separation between her personal and business identity, making taxation, accounting, and financial planning increasingly complicated as the enterprise grows.

This creates significant long-term limitations. Investors and formal business partners hesitate because the enterprise lacks an independent legal structure, while access to

structured financing becomes difficult due to weak governance documentation. At the same time, the entrepreneur remains personally exposed to business-related risks and liabilities.

This reflects a larger contradiction in India's growth story. Digital commerce has become frictionless, but enterprise protection and legal formalisation have not evolved with the same simplicity and accessibility.

### A Policy Roadmap for the Future

India stands at a defining moment in its economic journey. Over the last decade, the country has successfully transformed digital identity, payments, taxation, and public service delivery through large-scale digital infrastructure. However, the next

frontier of reform is no longer limited to digital commerce or financial inclusion.

It is enterprise formalisation with protection.

For millions of micro and small entrepreneurs, the challenge today is not merely starting a business. It is building a business within a system that feels safe, accessible, affordable, and growth oriented. India's regulatory architecture must therefore evolve from a compliance-centric approach to an entrepreneur-centric framework.

A future-ready enterprise ecosystem should focus on reducing friction while expanding legal protection and institutional access for small businesses.

This requires a structural shift built around the following reforms:

The objective should be clear: maximum formalisation with minimum friction.

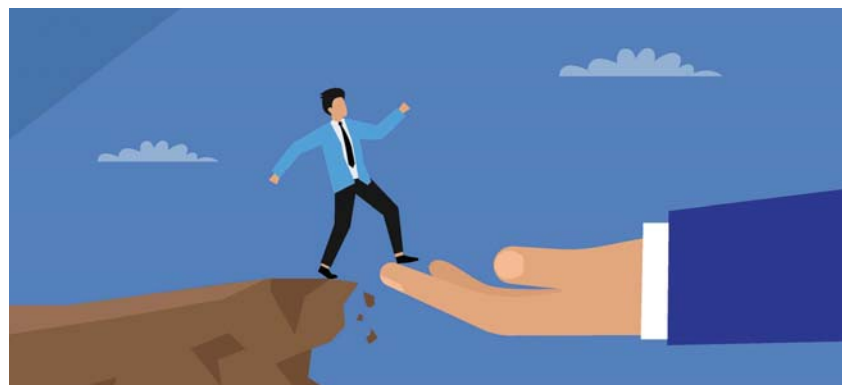
India does not need more complexity for its smallest businesses. It needs a framework that encourages entrepreneurs to enter the formal economy with confidence rather than fear.

### Building India's Next Entrepreneurial Safety Net

India's economic future will not be shaped only by unicorn startups, technology giants, or large corporations operating from metropolitan business districts. It will equally depend on whether millions of ordinary entrepreneurs across small towns, industrial clusters, and rural markets feel secure enough to build, expand, and formalise their businesses with confidence.

Today, a large section of India's MSME ecosystem continues to operate without meaningful legal protection because formalisation still appears expensive, intimidating,

Reform Area	Policy Objective
LLE Act	A dedicated legal framework designed specifically for micro and small enterprises
Mobile-First Incorporation	Simple business registration through smartphones and digital identity systems
AI-Assisted Compliance	Multilingual compliance support and filing assistance for small entrepreneurs
Unified Digital Registration	Single-window integration of PAN, GST, banking, and employer registrations
DPI-Integrated Governance	Seamless integration with India's digital public infrastructure ecosystem
Simplified Annual Filings	Minimal and proportionate compliance requirements for nano and micro enterprises
Threshold-Based Regulation	Governance structures linked to business size and turnover rather than uniform compliance burdens





**Millions of small businesses are formal enough to participate in the modern economy, yet not protected enough to grow within it confidently.**

the digital seller scaling through online marketplaces in Guwahati deserve the same legal dignity, financial protection, and institutional access available to larger enterprises.

Because simplifying enterprise creation is about far more than issuing registrations or increasing compliance numbers.

It is about protecting families from financial ruin when businesses face setbacks. It is about enabling small entrepreneurs to access formal credit, participate in larger supply chains, attract investment, and grow sustainably. It is about strengthening local economies, encouraging innovation, and building resilience into the foundation of India's growth story.

India has already built the digital rails that power modern commerce.

The next step is building the legal and institutional safety net that allows the country's real entrepreneurial engine, its millions of MSMEs, to move forward with confidence, protection, and trust. **bwise**

and compliance-heavy for small enterprises. This discourages entrepreneurs from scaling their businesses, limits access to institutional finance, weakens productivity, and leaves millions of families financially vulnerable to business-related risks.

The challenge is no longer about whether Indians are willing to become entrepreneurs. That transformation has already happened.

The real challenge is whether India's institutional and legal systems are evolving fast enough to support and protect this new generation of entrepreneurs.

Over the last decade, India has fundamentally transformed how citizens transact, verify identity, access services, and participate in the digital economy. Platforms such as Aadhaar, UPI, DigiLocker, and ONDC have demonstrated the country's ability to build digital systems that operate at population scale.

The next major transformation must focus on enterprise protection and business formalisation.

The machinist running a workshop in Coimbatore, the artisan building a handicraft business in Srinagar, the trader operating from Rajkot, the woman entrepreneur managing a food brand from her kitchen in Indore, and

Proposed Policy Objectives
1. Maximum Formalisation with Minimum Friction
2. Proportionate Regulation
3. Mobile-First Enterprise Creation
4. Women and Rural Enterprise Inclusion
5. Credit-Ready MSME Architecture
6. DPI-Integrated Business Ecosystem
7. Fear-Free Formalisation
8. Scalable Enterprise Governance

Business Incorporation Timeline in India	
Process	Average Timeline
DSC Issuance	1-7 days
DIN/DPIN	1-2 days
Name Approval	2-3 days
Incorporation Filing	7-15 days
PAN/TAN	2-5 days

Comparative Framework: Existing Business Structures vs Limited Liability Enterprise (LLE)					
Feature / Structural Aspect	Proprietorship	Traditional Partnership	LLP	Private Limited Company	Proposed Limited Liability Enterprise (LLE)
Legal Identity	No separate legal entity	Limited legal distinction between partners	Separate legal entity	Separate legal entity	Separate legal entity
Liability Protection	Unlimited personal liability	Unlimited shared liability	Limited liability	Limited liability	Limited liability
Ease of Registration	Simple but fragmented	Procedurally moderate	Moderate complexity	Comparatively complex	Fully simplified
Registration Time	Varies	Several days	Several days to weeks	Weeks in some cases	Less than 30 minutes
Registration Mode	Semi-digital / fragmented	Semi-digital	Online	Online with extensive filings	Fully online
Aadhaar Integration	Limited	Limited	Partial	Partial	Yes
PAN Integration	Separate process	Separate process	Separate application	Separate application	Automatic
Employer No. Generation	Separate registrations required	Separate registrations required	Additional procedures	Additional procedures	Automatic
GST Integration	Separate process	Separate process	Separate process	Separate process	Optional / threshold-based
Annual Compliance Burden	Low - informal	Moderate	Moderate to high	High	Simplified
Audit Requirement	Threshold-based	Threshold-based	Compliance-intensive beyond limits	Mandatory beyond prescribed limits	Threshold-based
Mobile Registration Capability	Limited	Limited	Partial	Limited	Yes
Digital Certificate Availability	Limited	Limited	Yes	Yes	Yes
Governance Structure	Informal	Partner-dependent	Structured filings	Extensive governance norms	Turnover-linked governance
Suitability for Nano Enterprises	Operationally easy but risky	Moderate but risky	Often perceived as compliance-heavy	Compliance-intensive for micro firms	Designed specifically for micro and nano enterprises
Compliance Complexity	Low initially	Moderate	Moderate to high	High	Minimal and proportionate
AI-enabled Compliance Support	No	No	Limited	Limited	Recommended
Key Structural Concern	No legal separation; unlimited liability	Shared unlimited liability	Perceived compliance burden	High compliance cost for small businesses	Designed for fear-free formalisation and scalable growth

# The Mauritius Corridor:

## A New Export Path for Indian MSMEs

From India to Africa via Mauritius: the CECPA opens a strategic gateway for MSMEs to scale beyond borders.



**T**he Comprehensive Economic Cooperation and Partnership Agreement (CECPA) between India and Mauritius, signed on 22 February 2021 and implemented on 1 April 2021, is India's first trade agreement with an African nation. That distinction matters not just symbolically but because it signals a deliberate push to build trade relationships outside India's traditional partners and open new commercial corridors.

For Indian MSMEs, which account for nearly 45 percent of India's exports

and over 30 percent of GDP, finding new export markets is an ongoing challenge. The CECPA doesn't solve that challenge, but it does make Mauritius a more accessible and better-defined destination, with lower tariffs, clearer rules, and more structured pathways into services markets.

### Expanding Market Access for Goods

The most concrete benefit of the CECPA is straightforward: better market access. Mauritius has extended preferential access to around 310 Indian export products, while India

has offered tariff concessions on approximately 615 Mauritian products. The bilateral trade between the two nations has grown over the years from USD 786 million at the time of signing of the CECPA in 2021 to over USD 887 million at present.

For Indian exporters, lower import duties mean Indian goods land cheaper in Mauritius, which translates directly into competitive pricing. Several sectors where Indian MSMEs already have a strong base stand to gain:

- Textiles and apparel
- Food processing and agricultural products

- Pharmaceuticals
- Chemicals and plastics
- Engineering goods and light manufacturing
- Jewellery and precious stones

Reduced or eliminated tariffs on these categories gives Indian businesses room to price better, protect margins, and build longer-term supply relationships with Mauritian importers.

### Rules of Origin and Manufacturing Incentives

Tariff concessions only apply if a product qualifies, and that's where rules of origin come in. The CECPA sets out the conditions under which a product is considered sufficiently "Indian" to access preferential rates.

The agreement includes a de minimis provision allowing up to 12.5 percent of the export value to consist of non-originating materials. For textiles and clothing, up to 7 percent non-originating material by weight is permitted without losing eligibility.

This is useful for MSMEs that source some intermediate inputs from abroad but do most of their manufacturing in India. The rules don't demand that every component be domestic; they allow a degree of flexibility while still rewarding genuine local production. For smaller manufacturers trying to keep input costs manageable, that balance matters.



### Streamlining Trade Through Customs Cooperation

Tariff reductions get the attention, but customs procedures are often where trade deals live or die in practice. Slow clearances, opaque documentation requirements, and inconsistent enforcement can wipe out the benefit of lower duties entirely.

The CECPA includes provisions to simplify documentation, improve transparency in customs administration, and bring trade processes in line with international standards. For MSMEs, which rarely have dedicated logistics teams to

**The most concrete benefit of the CECPA is straightforward: better market access.**



absorb bureaucratic friction, faster, more predictable border processes are a direct cost saving. Better coordination between Indian and Mauritian customs authorities also reduces the risk of shipments getting stuck on technicalities.

### Opening New Avenues in Services Trade

Goods are only part of the picture. The CECPA also covers services, a section that's often overlooked but is arguably more relevant to where Indian MSMEs' strength lies. The agreement covers:

- Information technology and computer services
- Engineering and architectural services
- Research and development services
- Management consulting
- Tourism and hospitality
- Transport and logistics

India's track record in IT, professional consulting, and knowledge-based services is well established. For smaller Indian firms in these sectors, the CECPA creates defined conditions for operating in Mauritius, which is a more useful starting point than trying to navigate an unfamiliar market without any formal framework in place.

### Facilitating Mobility of Professionals

Expanding into a new market almost always requires putting people there, at least for stretches. The CECPA includes a mobility framework covering business visitors, contractual service suppliers, and intra-corporate transferees.



The specifics: Mauritius can grant short-term permits for intra-corporate transferees for up to nine months, extendable by three more, with long-term permits available for three years and renewable thereafter. India allows temporary entry for professionals for up to one year, extendable annually up to five years.

These aren't unlimited arrangements, but they're clear and workable. For an Indian company sending a project manager or technical specialist to Mauritius to set up operations or manage a client engagement, having a defined legal pathway removes a real practical barrier.

### Mauritius as a Gateway to Africa

Mauritius is more than a bilateral trading partner. It's a financial and business hub in the Indian Ocean with established trade networks and strong connections to African economies. Its regulatory environment is stable, its financial infrastructure is developed, and many international firms already use it as a regional base.

For Indian MSMEs with an eye on Africa, that's a meaningful advantage. Rather than attempting to enter multiple African markets simultaneously, Mauritius offers a manageable entry point, a place to build networks, understand regional dynamics, and gradually expand. The CECPA formalises India's presence in that ecosystem and gives Indian businesses a more structured footing to work from.

### Looking Ahead: Strengthening Economic Cooperation

The agreement also promotes cooperation beyond trade in technology exchange, capacity building, and institutional collaboration. These are slower-moving benefits, but they matter for the longer term.

For MSMEs, cooperation frameworks can open doors to joint ventures,



**The CECPA also covers services, a section that's often overlooked but is arguably more relevant.**

technology partnerships, and integration into regional supply chains that wouldn't otherwise be accessible. A well-connected Mauritian partner, for instance, can provide the local knowledge and distribution reach that an Indian MSME lacks when entering an unfamiliar market.

The India-Mauritius CECPA combines tariff liberalisation with broader economic cooperation in a way

that's genuinely useful for smaller businesses, not just large exporters with the resources to navigate complex trade environments on their own.

The preferential access, simplified procedures, and service commitments are all concrete. Whether Indian MSMEs make use of them depends on awareness, preparation, and a willingness to treat Mauritius as a serious export destination rather than an afterthought.

Global trade is diversifying. Businesses that move early into well-structured markets tend to build advantages that are hard to replicate later. The CECPA makes Mauritius, and through it, parts of Africa, a more realistic option for Indian MSMEs ready to look beyond familiar ground. **bwise**



# Equity vs Debt Financing: Which is the Better Option for MSMEs in India in 2026?

For India's MSMEs, 2026 is no longer about finding capital, it is about choosing the right kind of growth. With easier loans, government-backed equity funds, and new financing models reshaping the business landscape, the real question is no longer "Can MSMEs raise money?" but "What should they risk to grow?"

India's Micro, Small, and Medium Enterprises (MSMEs) form the backbone of the economy, contributing significantly to GDP, employment, and exports. In 2026, with low inflation, steady growth, and supportive policy architecture, the financing landscape has evolved. The Union Budget 2026–27 introduced a dedicated ₹10,000 crore SME Growth Fund for equity and quasi-equity support, alongside a ₹2,000 crore top-up to the Self-Reliant India (SRI) Fund, aimed at creating "Champion MSMEs."

Complementing this, the Reserve Bank of India (RBI) has encouraged banks to raise collateral-free loan limits for Micro and Small Enterprises (MSEs) to ₹20 lakh, with the flexibility to extend up to ₹25 lakh at the bank's discretion for borrowers with strong track records, effective April 1, 2026.

Against this backdrop, the key question for MSME promoters is: *Should you raise debt... or equity in 2026?* The answer is not one-size-fits-all.

Debt remains the default choice for most stable, revenue-generating

MSMEs, while equity is increasingly attractive for scalable, high-growth ventures backed by government-linked funds. Many businesses now benefit from a hybrid strategy that blends both.

## Policy Shifts Defining the 2026 Choice

### ■ Debt: Easier, Greener, and More Digital

The RBI's push to raise collateral-free limits for MSEs is a major step forward. Coupled with Pradhan Mantri Mudra Yojana (PMMY), CGTMSE-linked loans, and digital-lending platforms

Debt vs Equity at a Glance (2026 Snapshot)		
Aspect	Debt Financing	Equity Financing
Ownership & Control	No dilution; promoter retains full control.	Partial dilution; investors gain stake and influence.
Repayment	Fixed EMIs + interest; cash-flow pressure if volatile.	No fixed repayment; returns via profits, dividends, or exit.
Cost	Lower (rates ~8–12%); interest is tax-deductible.	Higher effective cost (profit-sharing); no tax shield.
Risk	Default can hit credit score and future borrowing.	Business risk shared; requires strong due-diligence.
Best for	Stable, revenue-generating firms needing working capital or equipment.	Scalable, high-growth, export- or tech-driven models.
Access in 2026	Collateral-free up to ₹20 lakh (up to ₹25 lakh at bank discretion), Mudra, CGTMSE, and digital lending via GST/UPI.	₹10,000 crore SME Growth Fund + ₹2,000 crore SRI Fund top-up for high-potential MSMEs.
Pros	Affordable, quick, tax-efficient, and non-dilutive.	No repayment pressure; strengthens balance sheet and future leverage.
Cons	Over-leveraging risk; requires disciplined cash-flow management.	Selective access; formalisation, valuation, and governance hurdles.

using GST and UPI data, MSMEs now have access to faster, lighter, and less collateral-dependent debt. Receivables-financing platforms like TReDS further ease working-capital strains by converting invoices into funds. For businesses with stable cash flows or established operations, debt remains the most practical, low-friction option.

#### ■ **Equity: Government-Backed Growth Capital**

The ₹10,000 crore SME Growth Fund is designed to provide equity and quasi-equity to high-potential MSMEs, especially those with strong growth trajectories, solid formalisation, and export or innovation focus. The ₹2,000 crore SRI Fund top-up sustains risk capital for micro-enterprises, while the combined structure helps MSMEs improve net worth and future borrowing power. This marks a shift from a predominantly debt-centric support system to a balanced growth-finance ecosystem, where equity is no longer limited to VC-petitioned startups.



#### **When to Choose Debt** **Opt for debt financing if:**

- Your business generates predictable cash flows and is established (manufacturing, trading, services, or stable retail).
- You need working capital, equipment, or capacity expansion without giving up control.
- You prefer fixed, tax-deductible costs and a leaner governance structure.

#### **A typical path for 2026 MSMEs is:**

- Start with collateral-free loans up



to ₹20–25 lakh from PSBs or NBFCs.

- Use Mudra, CGTMSE-covered products, and SIDBI-linked schemes for additional working capital.
- Layer in TReDS or invoice-based financing for receivables management.

For most MSMEs in India, debt is the default, first-mover instrument, especially in the 1–5 crore annual-turnover range.



### Which Path Is Right for Your Enterprise in 2026?

In 2026, India’s MSME financing environment is more enabling than at any recent point in the past decade. Debt offers safety, affordability, and control for the large majority of MSMEs, especially those focused on stable operations, domestic trade, and incremental growth. Equity, backed by the SME Growth Fund under the SRI Fund, provides patient capital for transformative scaling, particularly for export-oriented, tech-enabled, or innovation-driven ventures.

Most established MSMEs will lean towards debt to retain ownership and avoid profit-sharing. Visionary entrepreneurs with scalable models can leverage the new equity avenues to accelerate growth without suffocating their balance sheets with EMIs.

In Mumbai’s rich ecosystem of banks, fintechs, and professional advisors, tailored guidance is readily available. The winning move is to rigorously assess your cash flows, growth ambitions, and risk appetite, and then build a hybrid capital structure, where debt provides stability and equity fuels the next leap. **bwise**

### When to Choose Equity (or Hybrid)

#### Equity makes sense if:

- You are pursuing high-growth, export-oriented, or tech-enabled business models with 15–25%+ CAGR potential.
- Your cash flows are volatile or front-loaded (e.g., heavy up-front investments), and you want to avoid EMI pressure.
- You are comfortable with partial ownership dilution and stricter reporting and governance norms.

#### Equity is particularly powerful as a hybrid companion to debt:

- Use debt for core operations

and working capital (salaries, raw materials, rent, utilities).

- Use equity or quasi-equity for expansion, automation, R&D, brand building, or export-market entry.
- This approach helps you maintain healthy debt-equity ratios and avoid overleveraging.

#### A practical next step is:

- Prepare clean, audited financials and GST-linked records.
- Monitor the rollout of the SME Growth Fund and SRI Fund via SIDBI and professional managers.
- Engage a CA or financial advisor to design a 3–5 year funding road-map that blends debt and equity.



# When Cash Flows Tighten: Why MSMEs Need ECLGS Again

For India's MSMEs, 2026 is no longer about finding capital, it is about choosing the right kind of growth. With easier loans, government-backed equity funds, and new financing models reshaping the business landscape, the real question is no longer "Can MSMEs raise money?" but "What should they risk to grow?"

India's MSME sector has always operated with remarkable resilience. Across industrial clusters, market lanes, manufacturing units, and service enterprises, millions of small businesses continue to adapt to changing economic realities while sustaining employment, production, and exports. Yet even the strongest enterprises can come under pressure when external disruptions begin tightening cash flows.

Today, MSMEs are once again navigating a challenging environment marked by global uncertainty, tariff disruptions, volatile demand cycles, delayed payments, rising input costs, and supply chain pressures. Across sectors such as textiles, pharmaceuticals, agriculture, engineering goods, and gems & jewellery, businesses are experiencing sudden shocks that directly impact working capital and operational stability.

For MSMEs that typically operate on narrow margins, even a temporary disruption, whether caused by delayed export orders, shifting tariff structures, or rising logistics costs, can create immediate financial stress. Unfortunately, such short-term liquidity challenges are often interpreted as long-term financial weakness within the formal credit system, affecting future borrowing ability and business continuity.

It is in this backdrop that the relevance of the Emergency Credit Line Guarantee Scheme (ECLGS) has returned to the centre of policy discussions.

During the pandemic, ECLGS emerged as one of the most effective financial support mechanisms for MSMEs. Introduced with the support of the Government of India and the Reserve Bank of India, the scheme enabled collateral-free, government-backed emergency credit to businesses facing unprecedented disruption. At a time when liquidity had nearly frozen for many enterprises, ECLGS helped MSMEs maintain operations, protect jobs, and avoid slipping into financial distress.

While the current economic environment differs from the pandemic period, the nature of stress faced by MSMEs remains strikingly similar. The pressures today may be more fragmented and less visible, but they continue to strain business cash flows and weaken financial resilience.

Recognising these emerging challenges, the India SME Forum, a statutory advisory body to the RBI, had recommended a calibrated extension of the ECLGS framework as a timely and targeted policy intervention. The recommendation reflects a broader understanding that MSMEs are not seeking indiscriminate relief measures; rather, they require responsive financial support systems that help viable enterprises absorb temporary shocks without compromising long-term sustainability.

Responding to these concerns, the Government of India has now approved ECLGS 5.0, a major framework aimed at strengthening liquidity support for MSMEs and other affected sectors amid ongoing economic headwinds.

**ECLGS 5.0: Government Approves ₹18,000+ Crore Framework to Empower MSMEs Amid Economic Headwinds**

With a total outlay exceeding ₹18,000 crore, ECLGS 5.0 is designed to provide sovereign guarantee-backed credit support to eligible MSMEs through banks and financial institutions. The scheme will apply to loans sanctioned from the date of issuance of operational guidelines by the National Credit Guarantee Trustee Company (NCGTC) up to March 31, 2027.

The objective is clear: improve liquidity, sustain operations, protect employment, and ensure that temporary economic stress does not push otherwise viable businesses into long-term financial difficulty.

One of the biggest advantages of ECLGS 5.0 is the sovereign guarantee cover provided by the Government of India. This significantly reduces the risk perception for lenders and encourages banks to extend credit more confidently to MSMEs with standard accounts and sound repayment histories.

For many small businesses, access to timely working capital can determine whether operations continue smoothly or face disruption. Delayed receivables, rising raw material prices, export uncertainty, and fluctuating market demand often create short-term liquidity gaps. ECLGS 5.0 seeks to bridge precisely this gap by ensuring faster and easier access to credit.

**Key Benefits of ECLGS 5.0**

- **Easier Access to Credit** - The sovereign guarantee provided by the Government of India significantly reduces the risk perception for lenders. This allows banks to approve loans faster and with greater confidence, especially for MSMEs that maintain standard accounts without any NPA or SMA-2 classification as of March 31,

**MSMEs do not seek indiscriminate relief, but require responsive and well-designed mechanisms that enable them to absorb temporary disruptions.**



2026. Borrowers who previously struggled to secure credit due to risk aversion by banks will now find improved access.

- **Stronger Cash Flows** - The scheme injects additional working capital into businesses, enabling them to manage day-to-day operations smoothly. This is particularly vital in the current environment where delayed receivables and high operational costs often strain liquidity. Enhanced cash flow helps MSMEs pay suppliers on time, maintain inventory, and avoid production halts.
- **Additional Credit Top-up** - One of the most attractive features is the provision of extra credit up to 20% of the peak working capital utilised during Q4 of FY 2025-26, with a cap of ₹100 crore. This targeted support allows businesses to scale operations during the recovery phase without taking on excessive burden.
- **Protects Jobs and Livelihoods** - By ensuring timely liquidity, ECLGS 5.0 helps MSMEs sustain employment levels and safeguard the livelihoods of millions of workers. In a country where MSMEs employ over 110 million people, preventing layoffs is crucial for social and economic stability.
- **Ensures Business Continuity** - The scheme supports uninterrupted production, exports, and service delivery even

**A RECOMMENDATION BY INDIA SME FORUM**

**A Calibrated Extension of the  
Emergency Credit Line Guarantee  
Scheme (ECLGS) was Recommended**

The Forum had recommended this extension to provide immediate, targeted relief to MSMEs that were navigating short-term financial stress driven by global uncertainty, tariff disruptions, and uneven demand cycles.

during external shocks. Whether it is geopolitical tensions or domestic market fluctuations, businesses can continue operations without major disruptions, maintaining their market presence and customer relationships.

- **Helps Manage Temporary Stress** - MSMEs often face short-term challenges such as delayed payments from buyers or sudden spikes in raw material costs. ECLGS 5.0 provides a buffer to overcome these temporary stresses, allowing businesses to focus on long-term growth rather than survival.
- **Prevents Slippages into NPAs** - Timely credit intervention improves the overall credit health of enterprises. By providing necessary funds at the right time, the scheme reduces the probability of loans turning into non-performing assets, thereby protecting both borrowers and the banking system.
- **Flexible Repayment Terms** - Loans under ECLGS 5.0 come with a maximum tenor of up to 4 years and a moratorium period of up to 12 months (including on principal). This flexible structure eases the repayment burden on businesses during the initial phase when cash flows may still be normalising.
- **Dual-Purpose Funding** - The credit can be utilised for both working capital requirements and term loans for business expansion, machinery purchase, or technology upgradation. This versatility makes the scheme highly practical for diverse business needs across manufacturing, trading, and services sectors.
- **Sector-Specific Focus** - While the scheme is open to most sectors, it gives special attention to businesses severely impacted by the West Asia crisis. The aviation sector has been provided dedicated provisions, recognising the unique challenges faced by this industry.

### Eligibility and Operational Framework

To avail benefits under ECLGS 5.0, borrowers must maintain "standard" accounts with no NPA or SMA-2

classification as of March 31, 2026. Existing working capital and credit facilities may be considered for enhancement under the scheme.

The process for availing support remains relatively straightforward:

- Approach an existing bank or eligible financial institution
- Apply under the ECLGS 5.0 framework
- Undergo standard appraisal procedures
- Receive government-backed guarantee coverage through NCGTC upon approval
- Utilise the funds for working capital, business continuity, or expansion

Interest rates will continue to be determined by individual lender policies, while the government guarantee reduces overall lending risk.

### Beyond Credit: Strengthening the MSME Lending Ecosystem

While ECLGS 5.0 represents a significant intervention, its effectiveness will also depend on broader improvements within the MSME credit ecosystem.

Many MSMEs continue to face issues such as inconsistent lending practices, lack of transparency, branch-level delays, and procedural inefficiencies. Strengthening digital lending infrastructure, standardising approval processes, and improving accountability within the banking system will be essential to ensuring timely delivery of benefits.

Equally important is capacity building. MSMEs require better financial literacy, awareness of credit schemes, and access to digital financial tools. At the same time, banking personnel must be sensitised to the operational realities and cash flow patterns of small businesses. A more informed and empathetic lending environment can significantly improve trust and credit flow within the MSME sector.

### A Strategic Economic Imperative

ECLGS 5.0 is more than just a revival of



a successful pandemic-era measure. It represents a recognition that MSMEs remain central to India's economic growth story and require institutional support mechanisms capable of responding quickly during periods of uncertainty.

MSMEs contribute over 30% to India's GDP, drive nearly half of the country's exports, and form the backbone of employment generation and industrial growth. Protecting their stability is therefore not merely a sectoral concern but a national economic priority.

As India continues its growth trajectory amidst evolving global economic realities, ensuring that MSMEs have access to timely liquidity and responsive financial support will remain critical. Temporary disruptions should not be allowed to derail viable enterprises with strong operational foundations and proven repayment records.

In this context, ECLGS 5.0 can serve both as a stabiliser and a growth catalyst, helping MSMEs navigate current uncertainties while building stronger foundations for future expansion.

For millions of entrepreneurs across India, access to timely credit is not simply about survival; it is about sustaining momentum, preserving confidence, and continuing to contribute to the nation's economic progress. **bwise**

# MSME Payment Delays: What Samadhaan and ODR Data Reveals



**When will MSMEs get paid on time and can Samadhaan & ODR finally close the gap?**

**F**or big companies, delayed payments are often just minor accounting issues. But for MSMEs, the impact can be severe. Late payments can stop production, delay salaries, and create serious financial stress. Small businesses usually operate with very little cash reserve, so every delayed payment can disrupt their operations.

Why do these delays happen? Large buyers or public sector enterprises (PSUs) may face cash shortages, complicated approval processes, disputes over product quality, late delivery of goods or services, or sometimes stretch payments during slow economies to save cash. In many cases, deals are made verbally without written contracts, making enforcement even harder. This leaves MSMEs

struggling to pay salaries, buy raw materials, and cover daily costs. Some are forced to take expensive loans, cut production, or manage lengthy court procedures, often discouraging them from seeking justice.

To tackle this, the Government of India has introduced tools like **MSME Samadhaan, Micro and Small Enterprises Facilitation Councils (MSEFCs)**, and the **Online Dispute Resolution (ODR)** portal. Together, these form a legal and digital ecosystem to help MSMEs recover their dues faster.

### **MSME Samadhaan: Reporting Delayed Payments**

Launched in October 2017, the MSME Samadhaan portal allows small businesses to file complaints against buyers who fail to pay within 45 days,

as required by law. Late payments attract compound interest. Once a complaint is filed, it is forwarded to the respective state’s MSEFC for resolution.

Since the portal started, a total of **2,56,892 applications** has been filed. Out of these, **1,07,823 cases have been filed at the MSEFC level**. Among them, **60,724 have been disposed of, 46,109 are currently under consideration, and 49,000 applications are yet to be viewed by MSEFCs**. Additionally, **24,240 disputes were settled mutually** before formal proceedings. These payment disputes involve huge amounts of money. The total claims with the councils add up to nearly **₹31,329.22 crore**, of which about **₹9,888.05 crore has already been resolved in disposed cases**. But many applications are still waiting to be resolved, which means MSMEs don’t get their money on time.

The Samadhaan portal makes it easy for businesses to report problems, but resolving the applications takes longer. Additionally, the portal’s data dashboards lack clear reporting periods and year-specific breakdowns, making it challenging for users to understand the statistics. Verification steps and the councils’ limited capacity slow down the process, so not all filed applications quickly move to formal resolution.

These numbers show two key things. Firstly, many MSMEs are aware of

## Building on Samadhaan, ODR becomes the primary gateway from October 2025, helping MSEFCs resolve cases faster through digital mediation and settlement.

their rights and are actively using the Samadhaan portal to claim their dues. Secondly, while the portal makes it easier to report delayed payments, moving from filing a complaint to resolving it is still slow. The large backlog of cases shows that councils are struggling to keep up, which is why faster solutions like Online Dispute Resolution (ODR) are needed.

### MSEFCs: The Legal Backbone for Dispute Resolution

Filing a complaint is easy with the Samadhaan portal, but getting your money back happens at the MSEFCs. Think of them as the state-level “problem-solvers” for delayed payments, set up under the MSMED Act, 2006. Once you file on Samadhaan, your case goes straight to your state’s council.



Here’s how they work. First, they try conciliation - a friendly mediation where the MSME and buyer sit down to reach an agreement. If that doesn’t work, they move to arbitration, where the council makes a binding decision, like a mini court ruling. The new Online Dispute Resolution (ODR) system supercharges this process. MSEFCs still hold the legal power, but ODR lets businesses negotiate, settle, and track cases digitally, saving time and paperwork. In short: Samadhaan helps you start the fight, ODR helps you settle it fast, and MSEFCs call the final shot.

### ODR: From Paper Files to Digital Hearings

Waiting months for payments can make life tough for small businesses. Enter the Online Dispute Resolution



(ODR) portal, launched by the Ministry of MSME on 27th June 2025, designed to make solving delayed payment disputes faster, simpler, and completely online. Think of it as a one-stop digital hub where filing a complaint, negotiating, and even attending hearings happens from your laptop - no more mountains of paperwork or long trips to offices or courts.

Here’s how it’s shaping up: Out of **20,260 cases**, about **3,074 are in the pre-MSEFC stage**, where businesses



and buyers try to settle online first. Tools like **Digital Guided Process (DGP)** and unmanned negotiation help them work things out before moving into formal hearings.

Already, **92 cases have been settled via DGP**, and **2,451 are under unmanned negotiation, with 377 cases under DGP** - showing MSMEs are slowly warming up to this new system. The remaining **17,177 cases have moved to MSEFCs** for formal resolution (including **3,250 under scrutiny, 3,074 pending fee payment, and 3,585 under consideration**).

While some are still stuck in basics like fee payments or claim checks, the ODR portal makes the journey smoother: digital filing, automatic tracking, and even virtual hearings. In



short, ODR is a major upgrade from the old Samadhaan portal, which mainly focused on complaint filing. Now, everything is more transparent, faster, and easier for MSMEs, especially those in smaller towns who previously had to travel just to get their voices heard. And here's a gamechanger: from October 2025 onwards, all new delayed payment cases must be filed through the ODR portal, making it the main gateway for digital dispute resolution across India.

ODR doesn't replace the councils, it empowers them. By enabling online mediation and arbitration, it helps reduce the backlog and speeds up

MSME Delayed Payment Portals: Samadhaan vs. ODR - Real Progress Since Launch (Data as of early 2026)			
Indicator	MSME Samadhaan (8+ years)	ODR Portal (11 Months)	What the Trend Shows
Applications filed by MSEs / Total Cases	256,892	20,200	Samadhaan has built up a large number over time; ODR is still new but growing.
Amount Payable (Rs. Crore)	₹31,329 Cr total	Not Available	Samadhaan shows the total money involved; ODR data not aggregated yet.
Cases Filed (at MSEFC)	1,07,823	17,177	A large share of cases moves to MSEFC in both systems.
Applications Mutually Settled	24,240	322 total mutually settled (92 DGP + 230 Unmanned Negotiation)	ODR is helping resolve some cases early through digital methods.
Applications yet to be viewed by MSEFC Council / Pending Initial Action	49,000	3,074 (Pending for Fees) + 3,250 (Pending Scrutiny)	Initial processing delays exist in both systems.
Cases Currently under Consideration by MSEFC	46,109	3,585	Active pipeline of cases under review in both portals.
Cases Disposed	60,724	96	Samadhaan recovers big over years, ODR starts small but fully digital.
Amount Involved in Disposed Cases (Rs. Crore)	₹9,888.05 Cr	Not available	Samadhaan already provides visibility into recovery trends over time, while ODR is still building similar mechanisms for tracking outcomes.
Total Pending / Ongoing Cases	95,109 (49,074 yet to be viewed + 46,109 under consideration)	18,559 total ongoing cases (2,759 pre-MSEFC + 15,800 MSEFC stage)	Both systems are working in parallel to keep cases moving and gradually clear pending disputes.

Source: MSME Samadhaan Portal (samadhaan.msme.gov.in) and ODR portal (odr.msme.gov.in) (as per May, 2026)



justice. The goal is simple: less waiting, less hassle, and more focus on business.

**Samadhaan vs. ODR: Key Statistics at a Glance:** The table shows the current status of cases in both the MSME Samadhaan Portal and the ODR Portal, explaining where cases stand - from filing and early stages to MSEFC, resolution, or pending.

**Analysis:** Samadhaan has operated for over 8 years with **2,56,892 applications** and **₹31,329 Cr total amount payable**. ODR, in its early phase, has **20,260 total cases**. Samadhaan shows steady high volume, while ODR shows gradual growth as a digital system. Cases reach MSEFC at **1,07,823 cases** for Samadhaan and **17,177 cases** for ODR. Early settlements are **24,240 mutual settlements** for Samadhaan and **322 pre-council settlements (92 DGP + 230 Unmanned Negotiation)** for ODR. Samadhaan tracks around **49,000 applications yet to be viewed** and **46,109 cases under consideration**, while ODR shows early-stage activity through DGP and unmanned negotiation processes. At the MSEFC

## The real challenge is no longer filing complaints - it's resolving them faster.

stage, Samadhaan has **46,109 cases under consideration**, while ODR has **3,585 cases under consideration** along with multiple processing stages. Resolutions include **60,724 cases involving ₹9,888.05 Cr** on Samadhaan and **96 cases disposed of on ODR**. Total ongoing / pending cases stand at **95,109 for Samadhaan** and **18,559 across stages for ODR**. Both platforms handle MSME disputes in parallel, with Samadhaan reflecting long-term scale and ODR showing a structured digital pipeline.

### How Samadhaan, MSEFC and ODR Are Interlinked

If getting paid on time is tricky for MSMEs, imagine three superheroes teaming up: the Samadhaan portal, MSEFCs, and the ODR system. Samadhaan is the starting point - file complaints and track them easily online. MSEFCs are the legal backbone, giving the muscle

to resolve disputes. ODR is the digital accelerator - speeding things up with digital mediation and virtual hearings.

Together, they create a seamless ecosystem. Filing, tracking, negotiating, and settling - everything happens digitally, quickly, and transparently. The result? Faster payments, less stress, and more focus on growing your business.

### Improvements and the Way Forward

Late payments continue to pose a significant challenge for MSMEs in India, affecting liquidity and day-to-day operations. While platforms such as Samadhaan, Micro and Small Enterprise Facilitation Councils (MSEFCs), and the Online Dispute Resolution (ODR) portal have improved access to grievance redressal, making it easier for businesses to file complaints, track cases, and settle disputes digitally, experts believe there is still considerable scope for improvement.

Strengthening the capacity of MSEFCs to address case backlogs more efficiently is seen as a critical step. At the same time, a faster and more robust ODR ecosystem, supported by trained mediators, could help resolve disputes at an early stage, reducing the need for prolonged proceedings.

Industry stakeholders also point to the need for stricter enforcement of payment timelines, along with penalties for delays, particularly in cases involving large corporates and government buyers. Such measures, they argue, would create stronger incentives for timely payments.

On their part, MSMEs are increasingly being encouraged to adopt best practices such as clear contractual agreements, digital invoicing, and active use of platforms like Samadhaan and ODR to safeguard their interests and expedite receivables.

Taken together, these interventions such as spanning technology, regulatory enforcement, and capacity building that are expected to streamline dispute resolution and ease payment cycles, enabling MSMEs to focus more on growth and expansion. **bwise**





**Heritage tourism acts as a multiplier, turning each visitor into both a customer and a global marketing channel for MSMEs.**

India is home to over 40 UNESCO World Heritage Sites, the most recently being the Maratha Military Landscapes of India, inscribed in 2025. India is among the top countries in the world for the number of UNESCO World Heritage Sites with 36 cultural, seven natural, and one mixed site. Each of these is, at its core, a guaranteed crowd generator, a magnet that pulls tourists, wallets, and economic opportunity toward the communities that surround them. The question is not whether these sites create business. They do, demonstrably and at scale. The question is whether India's 8 crore MSMEs are positioned to capture that opportunity or whether they are watching it pass by from the footpath.

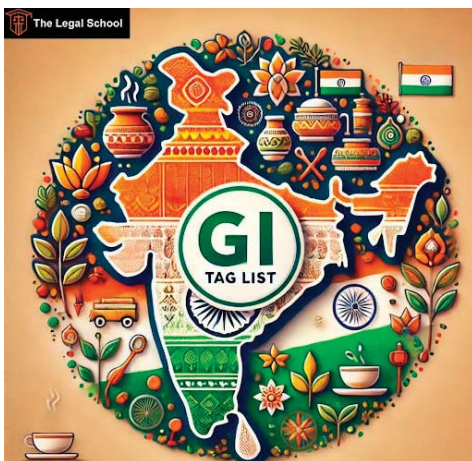
# Stones That Pay: How World Heritage Sites Are India's Biggest MSME Opportunity

World Heritage Day is not just a cultural moment for India's MSMEs, it is a missed or seized business opportunity tied directly to tourism, heritage, and local enterprise readiness.

### The Crowd Is Already There. Is Your Business Facing It?

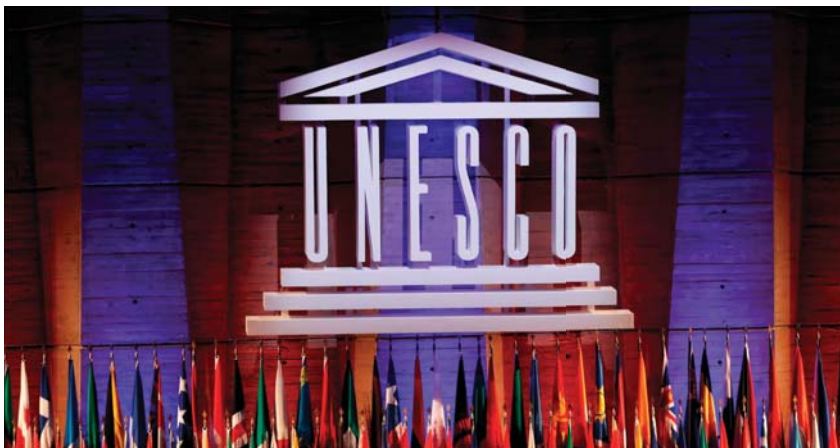
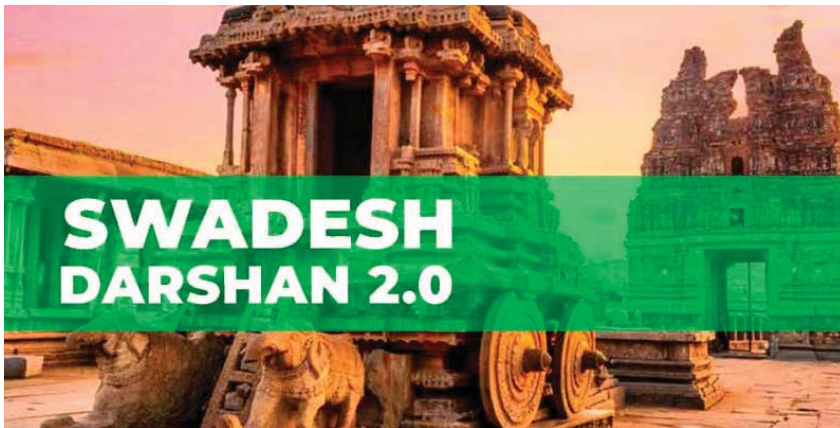
Let us start with the scale of what is happening. International Tourist Arrivals (ITAs) in India in 2025 (provisional) reached about 20.09 million, nearly on par with the previous year and continuing India's long-term tourism recovery trajectory. Foreign Tourist Arrivals (FTAs) the actual count of unique foreign visitors reached approximately 5.6 million by August 2025 alone, with strong travel demand across iconic destinations. This is not a figure to read and move on from. Every single international visitor who walks through the gates of the Taj Mahal, the ghats of Varanasi, or the walled lanes of Jaipur's old city is carrying meaningful spending potential and a significant share of that will flow to small businesses, not large hotel chains.

Domestic tourism is even larger. India recorded over 303.6 crore domestic tourist visits till August 2025,



Every April 18, the world pauses to reflect on the remarkable legacy humanity has created such as monuments raised, traditions preserved, and histories etched across generations. While World Heritage Day is often seen as a moment of cultural reverence, for India's MSMEs it can and should serve as something far more pragmatic: a strategic opportunity to align heritage with enterprise and growth.

(<https://whc.unesco.org/en/list/>)



**Over 40 UNESCO World Heritage Sites of India, act as powerful, built-in demand generators, drawing millions of tourists and creating continuous business opportunities for MSMEs.**

highlighting the immense scale and frequency of internal travel in a single year. The Indian traveller is the more numerous, more frequent, and increasingly more demanding visitor seeking authentic experiences, local food, handmade souvenirs, and genuine cultural encounters that no airport gift shop can match. Heritage cities are where this demand concentrates, and MSMEs are precisely the businesses that serve it.

Official data also shows that tourism’s foreign exchange earnings have continued to grow in recent years, with tourism receipts rising to around ₹2.93 lakh crore in 2024

and provisional estimates for 2025 showing sustained inflows as arrivals and spending patterns deepen. India’s heritage tourism market continues to expand and does not belong to a single corporation or government scheme, it belongs to the food vendor outside Fatehpur Sikri, the block printer in Jaipur’s Sanganer, the silk weaver two lanes from the Kashi Vishwanath Temple, and the homestay owner in Hampi whose back wall is literally older than most nations. Heritage tourism’s money flows wide and deep, if the businesses on the ground are ready to receive it.

**What a UNESCO Stamp Actually Does to a Local Economy**

The impact of World Heritage designation is not symbolic. It is measurable, and it is large.

When a site receives UNESCO recognition, it enters a global itinerary. Travel writers cover it. Booking platforms tag it. School curriculums in forty countries mention it. Tour operators in Germany and Japan build packages around it. India’s major cities, such as Delhi, Agra, Mumbai, Bengaluru, Jaipur, and Chennai, continue to dominate in terms of tourist interest. Travel Trends Today Not coincidentally, these are also cities with UNESCO-recognised heritage in or adjacent to them. The designation and the footfall are directly linked.

For MSMEs operating in heritage cities, this creates a structural advantage that no marketing budget can replicate. There is no need to explain to a visitor from Frankfurt why Jaipur matters - UNESCO recognition has already established its global appeal. There is no need to persuade a tourist from Seoul to visit Varanasi, the legacy of its ancient ghats has done that over centuries. The role of the small business, therefore, is to ensure it is easily discoverable, consistently reliable, and capable of delivering quality when that visitor arrives. The heritage site, in this context, functions as a permanent, cost-free, globally sustained advertisement.

**The GI Tag: Your Craft’s Most Powerful Credential**

Here is where heritage and commerce intersect most precisely and where Indian MSMEs have a genuine, underutilised advantage.

India’s Geographical Indication (GI) system protects products that carry the identity of a specific place and its artisans. Jaipur Blue Pottery, Varanasi Brocade, Pashmina, Pochampally Ikat, Kutch Embroidery, these are not just beautiful objects. They are legally

protected identities that tell a buyer: this is the real thing, made by the real hands, in the real place. A GI tag is the craft equivalent of a UNESCO certificate; it transforms a product from a generic item into an authenticated experience.

India's handicrafts market is estimated at \$8.19B by 2030 and expected to grow steadily, growing at a compound annual growth rate of 6.39 percent. This growth is powered in large part by tourists who want to carry a piece of a place home and who are increasingly willing to pay more for something verified and authentic rather than a cheap imitation.

Handicraft exports excluding hand-knotted carpets climbed to Rs 33,122.79 crore in 2024-25, up from Rs 20,082.53 crore in 2014-15. What separates the artisan who benefits from this wave from the one who does not is, very often, the presence or absence of a GI tag and the business infrastructure to market it.

For an MSME in Jaipur or Varanasi, the combination of a UNESCO heritage city address and a GI-tagged product is extraordinarily powerful. It means the tourist who visits, sees the craft, and wants to share it on social media or buy it online is carrying a story that markets itself: a 400-year-old technique made in a UNESCO-recognised city, with a government-certified authenticity tag. No corporate branding exercise in the world can manufacture that.

The Ministry of Tourism's Swadesh Darshan 2.0 scheme specifically funds development along heritage and cultural circuits. A total of 40 projects across 23 states have been sanctioned for Rs 3,295.76 crore under the Special Assistance to States for Capital Investment scheme for developing iconic tourist centres to global scale. When tourism infrastructure improves around a heritage site better signage, pedestrian access, interpretation centers, and lighting, the beneficiaries are not just the site. They are every food stall, craft shop, homestay, and tour guide in the surrounding economy.



**With over 250 crore domestic visits and high-spending international tourists, heritage cities are dense economic zones where small businesses can thrive if positioned correctly.**

#### **The Multiplier Nobody Talks About**

Here is the economic reality that government schemes and UNESCO designations together create: the heritage tourism rupee is a multiplier rupee.

The MSME sector accounts for approx 31 percent of India's GDP, over 35 percent of manufacturing, and 48 percent of exports. MSME exports have risen from Rs 3.95 lakh crore in 2020-21 to Rs 12.39 lakh crore in 2024-25. A significant portion of this growth in craft and textile exports is traceable to the international visibility that heritage tourism creates. The German visitor who buys a block-printed dupatta in Jaipur goes home and recommends the brand to ten people. The American who stays in a haveli homestay in Varanasi posts about it to an audience of thousands. Heritage tourism does not just create a transaction at the point of

sale, it creates a global marketing event that costs the MSME nothing.

The challenge, and it is a real one, is that too many MSMEs in heritage cities are positioned as passive bystanders to the tourist flow rather than active participants in it. Vendors without digital payment options lose the international tourist. Artisans without an e-commerce presence cannot reach the visitor who wanted to buy but ran out of time. Craft workshops without English signage or QR-code brochures are invisible to the curious traveler who would have paid three times the asking price for a story well told.

#### **This World Heritage Day, Here's What Your Business Must Do**

The stones are already doing the work. The UNESCO inscription is already generating interest. The domestic tourism surge of over 250 crore visits annually is already happening. The question this World Heritage Day is not whether heritage tourism creates opportunity. It is whether the business will be ready when the opportunity walks through the door.

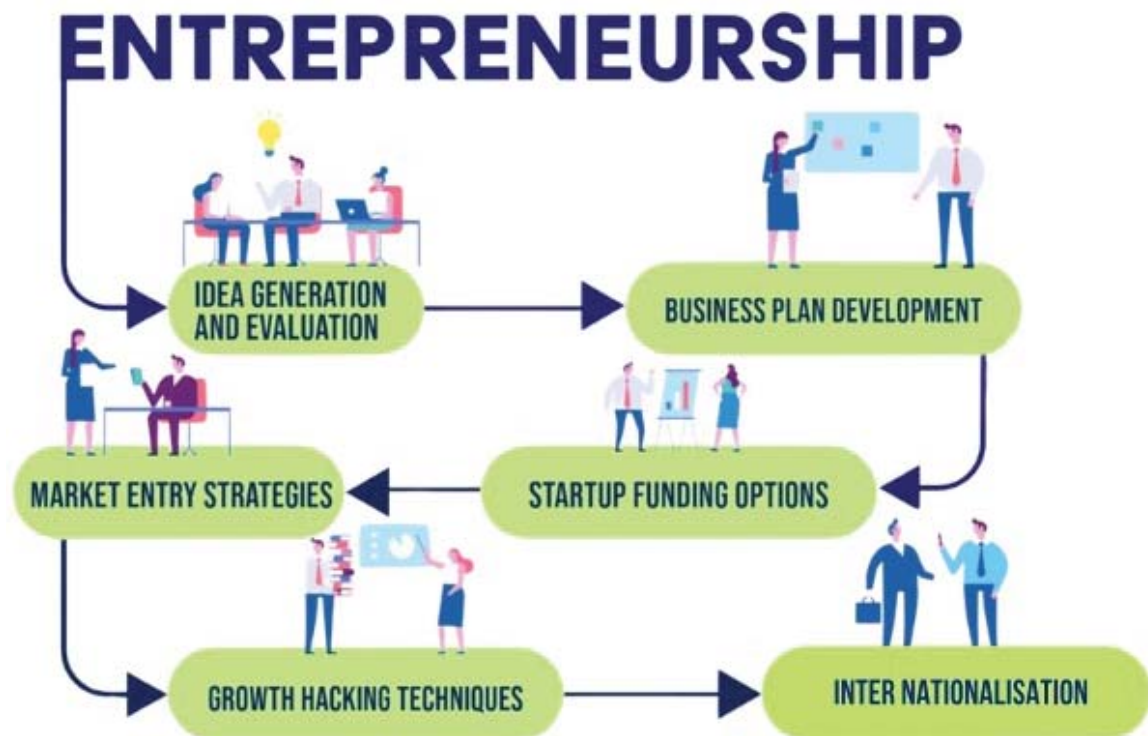
India's stones have stood for centuries and will continue to stand for centuries more. The question is whether, five years from now, businesses around them will have grown alongside this legacy or will still remain on the sidelines, watching opportunity pass by.

Heritage is an inheritance. Building a business around it is a choice. **bwise**

Sources: IBEF, DD News, Press Information Bureau

ARE YOU AN MSME LOOKING TO GROW,  
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## CORE BENEFITS

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# India Just Hit a Patent Record. So Why Is 95% of It Wasted?

India's record patent filings reflects rising innovation ambition, but faster grants and stronger commercialisation are essential to convert ideas into economic value.

**O**n a quiet Tuesday in April, India's commerce ministry released a number that sent a ripple through the country's innovation ecosystem. In the financial year just concluded, Indian inventors, researchers, corporations, and startups had filed 1.4 Lakhs patent applications, a 30.2% surge over the previous year, and a 146% explosion since FY 2020-21. India had officially joined the world's top six patent-filing economies, standing alongside the

United States, China, Japan, South Korea, and the European Patent Office. By any measure, it is a moment worth pausing over.

But moments of celebration carry their own responsibilities. Behind that headline number, one that Commerce Minister Piyush Goyal shared with visible pride lies a more complex story. A story not just of how many patents India files, but of what happens to them afterward. A story of pipelines choked by pendency, of inventions that never

find their market, of startups that quietly let their patents lapse because the system could not move at the speed of business. To understand India's true innovation trajectory, one must hold both stories at once: the record, and the reckoning.

*A patent has real value only when it moves beyond filing and into use, licensing, production, or market deployment.*

**Part 1 - The Records.**

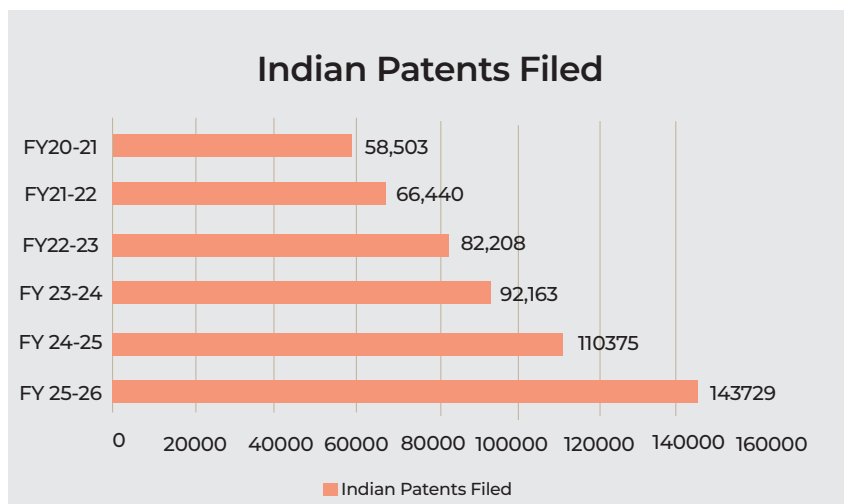
The numbers tell a compelling arc. In FY 2020-21, India filed approximately 58,503 patent applications. By FY 2022-23, that figure had climbed past 82,208. Last year crossed one lakh for the first time. And now, 1,43,729. The velocity is not accidental, it is the product of deliberate policy, a maturing startup ecosystem, growing R&D investment from private industry, and a cultural shift in how Indian institutions think about intellectual property.

More than **69% of all filings were domestic**, originating from Indian inventors rather than foreign entities using India as a filing jurisdiction. Tamil Nadu, Karnataka, and Maharashtra led the charge, reflecting the concentration of India’s deep-tech and engineering talent. “Made in India” is increasingly being powered by “Invented in India.” That shift in identity from manufacturer to originator is perhaps the most significant story that the statistics tell.

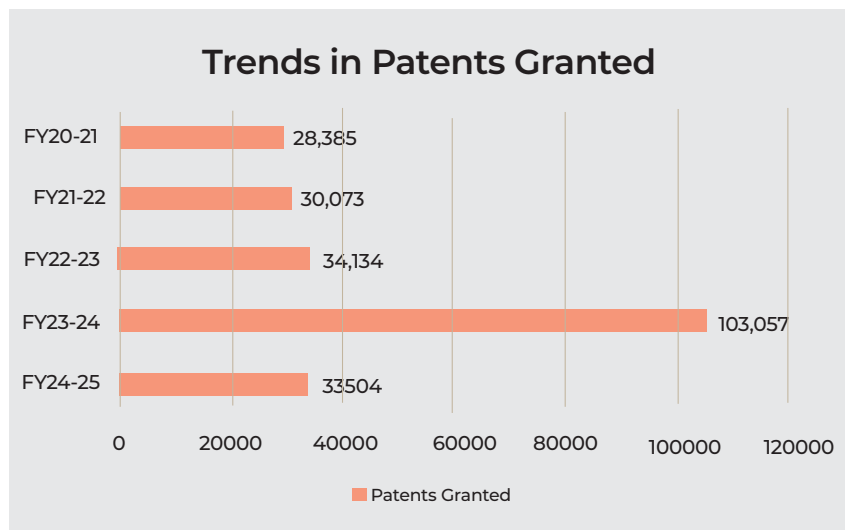
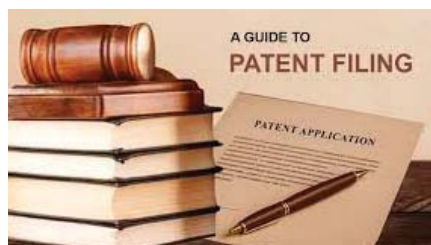
**Part 2 - The Bottleneck**

Yet here is where the celebration must yield to scrutiny. In FY 2024-25, against a pipeline swelling with over one lakh pending applications, the Indian Patent Office granted approximately **31,000 to 33,500 patents**, a grant rate hovering between 30 and 40 percent of filings. The previous year’s spike in grants was, by most accounts, partly a backlog-clearing exercise. The structural problem it masked has not gone away.

Average pendency, the interval between the date of filing and the date of grant has historically stretched to **5 to 7 years**. Recent reforms and the introduction of expedited examination under Rule 24C have brought this down to approximately 2 to 3 years for qualifying applicants. But for the vast majority of filings processed through ordinary examination, timelines remain far longer than what most startups and commercial ventures can afford to wait. A company running on an 18-month runway cannot build a commercialisation strategy around a 4-year examination window.



Source: Patent application filings in India rise 30.2% to 1.43 lakh in 2025-26: Goyal - The Economic Times



Source: Controller General of Patents, Designs, Trademarks and Geographical Indications (2026). Grants also include applications filed in earlier years, so can be more than 100 per cent,

*The time between filing and grant is often longer than a product’s market window. By the time a patent is approved, the invention it protects may already be obsolete.*

**Part 3 - The Commercialisation Deficit**

If the grant bottleneck is worrying, India’s commercialisation numbers are alarming. Across the country’s vast filing base, **less than 5 percent of patents are ever commercially utilised** meaning licensed, manufactured, or generating active revenue in the economy. The contrast with peer economies is not just uncomfortable; it is a strategic indictment.

In the United States, somewhere between 40 and 60 percent of patents find commercial application through licensing deals, spin-off ventures, acquisitions, or direct product development. South Korea sits at roughly 45 percent, Japan at around 50. Even China, which has been aggressively building its IP commercialisation infrastructure, has climbed to approximately 15 percent. India, with its celebrated filing momentum, languishes below 5. The country files more patents per year than it ever has. It extracts less value from them, proportionally, than almost any comparable economy.

The roots of this deficit run deep. A significant share of India’s filings originates from universities, government research laboratories, and public sector institutions entities that are often incentivised to file but carry no formal obligation to commercialise. Technology transfer offices, where they exist at all, are frequently under-resourced and under-mandated. The cultural and structural distance



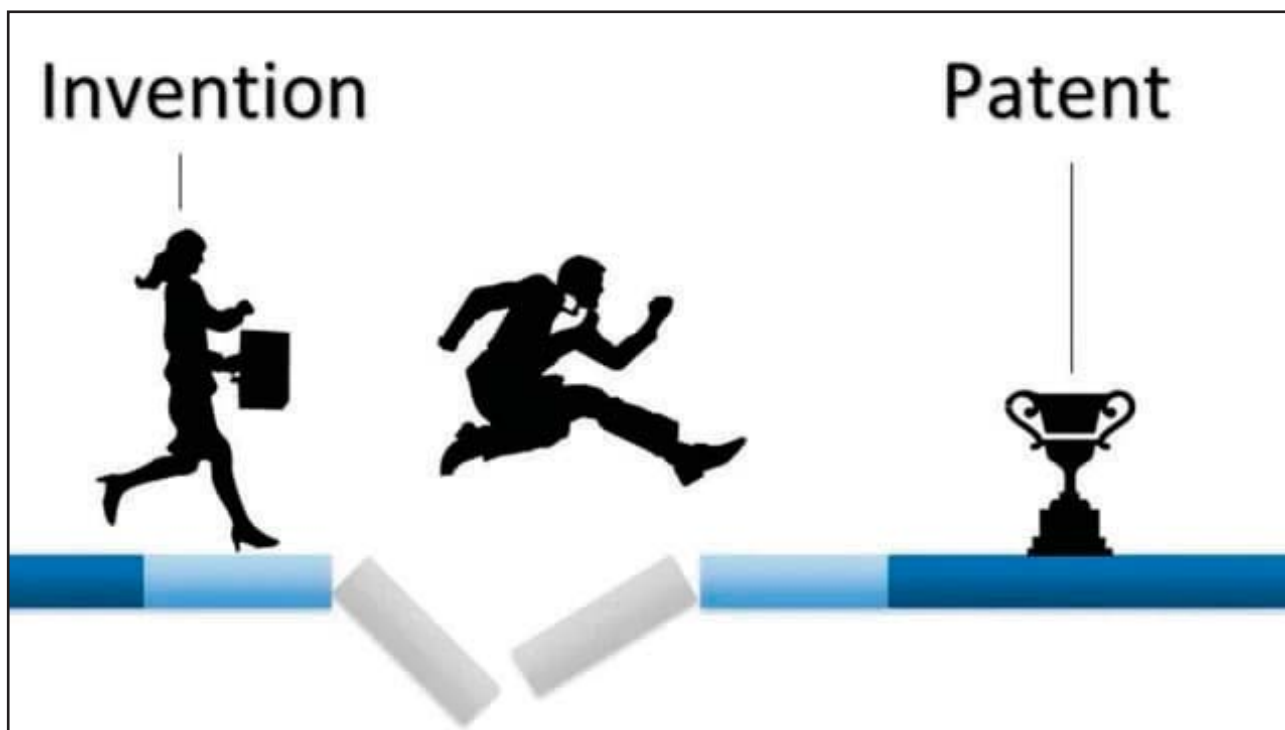
Country	Commercialisation Rate	Key Driver
United States	40–60%	Deep licensing markets, VC-backed spin-offs
Japan	~ 50%	Decades of industry-academia integration
South Korea	~ 45%	Chaebol-driven IP commercialisation pipelines
Germany	~ 40%	Mittelstand SMEs as innovation deployers
China	~ 15%	State-driven IP monetisation policy
India	< 5%	Structural gap between filing and deployment



**The country files more patents per year than it ever has. It extracts less value from them, proportionally, then almost any comparable economy.**

between a researcher who files a patent and a company that can deploy it remains vast.

For startups, the calculus is different but equally discouraging. Many small innovators, particularly those outside the top-tier incubators in Bengaluru and Mumbai, find that the combined cost of filing, prosecution, and maintenance, spread over an uncertain multi-year timeline, simply does not pencil out. They let patents lapse. They abandon prosecution midway. They conclude, not unreasonably, that speed to market matters more than legal protection that arrives too late to matter.

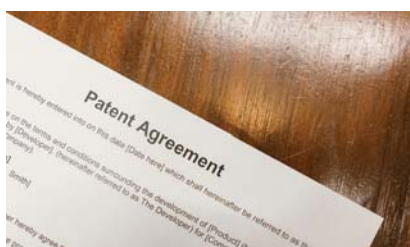


**Part 4 - The Prescription**

The filing revolution is real, and it deserves its moment. But the next chapter of India’s innovation story cannot be written in application numbers alone. It must be written in grants delivered on time, in licences executed, in products shipped, in startups that survived long enough to see their patents matter. That requires four concrete shifts in how the system operates.

**i) Faster Examination - Target 18 Months**

The ordinary examination track must be reformed at scale, not just the expedited lane available to a select few. Hiring additional patent examiners, deploying AI-assisted prior art search, and digitising the entire prosecution workflow are not aspirational goals; they are



**The ordinary examination track must be reformed at scale, not just the expedited lane available to a select few.**

operational necessities for a country filing 1.4 lakh applications per year.

**ii) A National Patent Commercialisation Policy**

India needs a formal framework that sets commercialisation targets for publicly funded research, creates transparent IP trading marketplaces, and mandates post-grant utilisation reporting. Filing without a path to market must become the exception, not the structural norm it is today.

**iii) Industry-Academia Bridges That Actually Work**

Technology transfer offices at IITs, NITs, and CSIR labs must be given

real budgets, industry-facing teams, and measurable mandates. The gap between a patent filed in a research lab and a product on a shelf is not an accident, it is a structural failure that requires structural investment to close.

**iv) MSME & Startup-Centred Support**

Small innovators need subsidised filing, fast-track access, and critically post-grant support for licensing and enforcement. A patent that a startup cannot afford to defend or commercialise is not an asset. It is a liability dressed as ambition. This is where India’s next wave of innovation value will either be captured or lost.

**The Verdict**

**“India has the spark. Now it must build a fire.”**

*Record filings are proof of ambition. But ambition must be converted into outcome. The true measure of India’s innovation era will not be the number of patents filed in FY 2026, it will be the number of products launched, technologies licensed, and businesses built on the back of those patents in the decade that follows. **bwise***



# Easy Targets No More: How MSMEs Can Outsmart Scammers

You Built It from Scratch. Don't Let a Fraudster Tear It Down in One Click.

**A**pril begins with a day dedicated to fools. But the joke, increasingly, is on Indian small businesses and nobody is laughing. The scams targeting MSMEs today are not clumsy, obvious traps. They are sophisticated, patient, and professionally engineered by criminal networks that study their victims before striking. If you run a small or medium enterprise in India in 2025, you are not just a business owner. You are, in the language of cybercriminals, a high-value, low-defence target. Here is

the uncomfortable truth that the data forces us to confront.

## Alarming Rise of Cybersecurity Incidents

India's digital expansion is one of the defining transformations of our time. Today, more than 86% of households are connected to the internet, powered by the Digital India programme and the widespread availability of affordable smartphones. For MSMEs, this shift has been game-changing. Tools like UPI payments, digital invoicing, online procurement, and cloud-based

accounting, once limited to large enterprises that are now accessible even to small businesses in Tier 2 and Tier 3 cities at minimal cost.

But this rapid connectivity comes with a downside. Cybersecurity incidents have risen from 10.29 lakh in 2022 to 22.68 lakh in 2024, with frauds worth over ₹36 trillion reported on the National Cyber Crime Reporting Portal as of early 2025. MSMEs are particularly vulnerable: unlike large corporations with dedicated IT and security teams, most small businesses

rely on basic systems and informal processes. This makes them easy targets for increasingly sophisticated fraudsters, turning digital opportunity into a growing risk for livelihoods and enterprises alike.

**The Scams You Need to Know By Name**

1. **The Fake Vendor Swap.** You receive an email, professionally formatted, using the correct logo of a supplier you have worked with for years, informing you that their bank account has changed. Please update your records and remit the next payment to the new account. You do. The money lands in a criminal's account in another state. Your actual supplier never sent that email. This is Business Email Compromise, and it is devastatingly effective precisely because it exploits trust that has been built over time.

2. **The UPI Trap.** India's most preferred digital payment mode, UPI, has been targeted by fraudsters using social engineering. The attack takes many forms, a fake payment request disguised as a collection link, a QR code that debits rather than credits, or a "reversal" scam where a fraudster overpays and then convinces you to refund the difference through a separate transfer, after which the original payment bounces. For businesses processing dozens of UPI transactions daily, the pace itself becomes a vulnerability. Nobody has time to verify every single one.

3. **The Investment Lure.** Online betting apps and illicit digital ventures have lured users into depositing funds with fake promises of large returns, generating over hundreds

of crores in illicit proceeds. For MSME owners sitting on a modest surplus, perhaps a good quarter, a festive season windfall, the promise of quick, high returns from a "guaranteed" trading platform or investment app is precisely calibrated to appeal. These platforms are designed to show early gains. They let you withdraw a small amount to build confidence. Then they disappear with everything.
















4. **The Impersonation Attack.** Your phone rings. The caller identifies herself as an officer from the GST department, or a bank official, or a representative of the MSME Ministry. There is a problem with your registration. Your account will be frozen. You must act immediately. You must

**Every minute between discovering a fraud and calling 1930 is a minute the money moves further away.**







# CYBER FRAUD? GOVT HAS YOUR BACK.

Know the systems. Use them fast. Stay safe.

 <b>1. ACT FAST</b>	 <b>2. REPORT ONLINE</b>	 <b>3. FRAUD RISK INDICATOR</b>	 <b>4. STAY SAFE, STAY ALERT</b>
<p><b>Report immediately</b> Quick reporting can freeze the money and save your hard-earned money.</p>  <p><b>CALL 1930</b> Cyber Crime Helpline Save this number in your phone <b>NOW.</b></p>	<p>File your complaint on the <b>National Cyber Crime Reporting Portal.</b></p>  <p>Your report is not just a complaint – it helps track and stop cyber criminals.</p> <p><b>FEEDS INTO SAMANVAYA PLATFORM</b></p> <ul style="list-style-type: none"> <li>• Maps criminal networks</li> <li>• 12,987 accused arrested</li> <li>• 1,51,984 criminal linkages identified</li> </ul>	<p>Suspicious numbers are classified and blocked.</p> <div style="border: 1px solid #FFD700; padding: 5px; margin-bottom: 5px;">  <b>MEDIUM RISK</b> Be Cautious         </div> <div style="border: 1px solid #FF0000; padding: 5px; margin-bottom: 5px;">  <b>HIGH RISK</b> Don't Engage         </div> <div style="border: 1px solid #FF0000; padding: 5px;">  <b>VERY HIGH RISK</b> Block &amp; Report         </div> <p> Over <b>9.42 lakh</b> SIM cards and <b>2,63,348</b> IMEIs linked to fraud have been blocked.</p>	<ul style="list-style-type: none"> <li> Never share OTPs, PINs or passwords.</li> <li> Don't click on unknown links or attachments.</li> <li> Verify before you pay or share information.</li> <li> Report any suspicious activity immediately on 1930 or the portal.</li> </ul> <div style="border: 1px solid #4B0082; padding: 5px; text-align: center;">  <b>BE ALERT. BE SAFE. PROTECT YOUR BUSINESS.</b> </div>

**REMEMBER:**

-  Report quickly. Every minute matters.
-  Your report can save many others from being cheated.
-  Stay informed. Stay alert. Stay secure.
-  A safe business is a strong business.

share your OTP, or pay a small fee, or provide your login credentials to resolve the issue. Techniques like spoofing, where criminals act like trusted sources, are showing up in multiple fraud reports. Government departments do not call asking for OTPs. Banks do not ask for passwords. But in the stress of the moment, with the threat of regulatory action hanging in the air, the rational mind goes quiet.

5. The Deepfake Demand. This is the newest and most disturbing category. Cases of deepfakes leveraging artificial intelligence and phishing, where individuals are lured into revealing sensitive information through deceptive emails or messages, are on the rise. An MSME owner receives a voice note or video call that appears to be from their CA, their business partner, or even a family member, asking urgently for a fund transfer. The voice is real. The face is real. Neither is actually the person they appear to be. AI has made this possible at a cost that criminal networks can easily afford.

### Why MSMEs Are Especially Vulnerable

This is not about intelligence or education. MSME owners are, by definition, people who have built something from nothing, that takes considerable intelligence, resilience, and street sense. The vulnerability is structural. Speed is the enemy of security. An MSME owner making ten decisions before breakfast, managing a supplier call, following up on a delayed consignment, and approving a payment, all before 10 AM, simply does not have the bandwidth to pause and verify every digital interaction. Fraudsters exploit this pace deliberately.

Trust is the attack surface. MSMEs run on relationships. A long-standing vendor, a familiar bank, a known government portal, these are trusted precisely because they have earned that trust. When criminals impersonate them, they are borrowing decades of goodwill for a single fraudulent



## You are, in the language of cybercriminals, a high-value, low-defence target.

transaction. Recovery is nearly impossible without speed. Once a fraudulent UPI transfer clears, or a payment reaches a mule account, the window to recover it is measured in hours, not days. Most MSME owners do not even realise something has gone wrong within that window.

### The Government Has Your Back

The good news and it is genuinely good news, is that India's response framework has grown significantly.

### Mandatory Checklist to Work on

Always double-check any payment request, especially if it comes through email, WhatsApp, or a phone call, and asks for a change in bank details. Don't trust the contact details in the message but call the vendor using a number you already have. Also, save 1930 in your phone right now. If fraud happens, quick action is the biggest factor in recovering your money. Even a few minutes can make a difference.

Make your business safer with a few simple rules. Turn on two-factor authentication (2FA) for all key accounts like banking, GST, email, and accounting software. Set a rule that no large payment goes through without a

second confirmation, even if it's just a quick callback. Finally, train your staff, most frauds happen when one person acts alone under pressure. Make it clear: if something feels unusual, pause and verify before taking action.

### The Oldest Lesson, Restated for a Digital Age

April Fool's Day is a reminder that deception is as old as humanity. What has changed is the scale, the sophistication, and the stakes. The criminal networks targeting Indian MSMEs today are not opportunists, they are organised, funded, and persistent. They will try again after a failed attempt. They share information about successful methods.

The MSME that survives and thrives in this environment is not the one with the biggest budget or the most sophisticated software. It is the one where the owner has decided that digital hygiene is as non-negotiable as locking the shop at night. You built your business with your hands and your wits. Protecting it requires exactly the same qualities - applied, now, to a threat you cannot see coming through the door, because it comes through the screen. **bwise**



# Tech for Earth: The Green Revolution Is Now Digital

Technology is transforming sustainability from awareness into action, enabling MSMEs to improve efficiency, access green finance and strengthen global market competitiveness

## From Awareness to Action: How Technology Is Driving Sustainability.

**S**ustainability is no longer driven by intent alone; it is being executed through technology. From AI-driven climate predictions to real-time environmental monitoring, the focus has shifted from awareness to measurable action. Renewable energy systems are becoming smarter with innovations such as smart grids, battery storage, and green hydrogen, changing how power is produced and consumed.

At the same time, industries are being reshaped in practical ways. Agriculture is using precision tools and AI advisories to optimise inputs and manage climate risks. Supply chains are becoming more

transparent through blockchain-based tracking. Manufacturing units are using IoT systems to monitor emissions and reduce waste. These changes are embedding sustainability into everyday operations. It is no longer an external responsibility—it is becoming central to how businesses function and compete.

### The Shift Reaches the Factory Floor

Your factory floor is now the frontline of this transition. The biggest sustainability opportunity in India today is not confined to policy or startups; it exists within production units.

Mr. Rajan Mehta, who runs a mid-sized dyeing unit in Surat, installed an AI-based energy monitoring system to manage rising electricity costs. Within

eighteen months, his energy expenses dropped by 28%. More importantly, he secured a long-pending export contract after demonstrating his carbon footprint to a European buyer.

This shift is no longer isolated. Across manufacturing clusters, from Morbi's ceramics to Panipat's home furnishings and Maharashtra's power looms, businesses are realising that sustainability is directly linked to competitiveness. What began as a cost-saving decision is now shaping access to global markets and long-term business viability.

### Why the Opportunity Is Bigger Than It Looks

The economics of sustainability are rapidly shifting in favour of MSMEs. Nearly ₹1.2 lakh crore in green finance

is available for Indian businesses, much of it still untapped. At the same time, a majority of global buyers now assess supplier sustainability before finalising contracts.

What makes this moment different is the alignment of incentives:

- Market pressure from global brands is pushing sustainability requirements down the supply chain
- Financial systems are offering better terms for green investments
- Energy technologies are delivering relatively quick returns
- Buyers are increasingly rewarding suppliers who can demonstrate sustainability data

The opportunity is not abstract. It sits within existing operations - energy use, waste management, and production efficiency, waiting to be unlocked.

#### Policy Push and Access to Finance

This transition is being supported by policy and financing mechanisms that are increasingly targeting MSMEs. Institutions like SIDBI, along with banks and NBFCs, are expanding green lending portfolios, especially for businesses adopting sustainability practices. At the same time,

international regulations are pushing brands to disclose environmental data across their supply chains, including emissions, water usage, and sourcing practices. This creates a direct incentive for suppliers to generate and share credible data. Green loans, priority sector lending, and impact financing are gradually making it easier for MSMEs to access capital. The shift is subtle but important: finance is no longer just available for expansion but is also being directed toward sustainability-linked improvements.

#### What MSMEs Need to Do: Start Small, Move Fast

The transition does not require large upfront investments; it requires the right starting point. Businesses that move early are focusing on a few practical steps:

- Install basic energy monitoring systems to identify inefficiencies
- Obtain certifications such as BEE ratings to signal credibility
- Engage with buyers to understand future sustainability requirements
- Map waste streams to identify reuse or resale opportunities
- Explore at least one green financing option

These actions may seem incremental, but they create a foundation. The data generated helps reduce costs, improve efficiency, and strengthen relationships with buyers and lenders.

#### From Cost Saving to Market Advantage

Sustainability investments are no longer just about reducing costs; they are becoming critical for securing and retaining business. A garment exporter in Tirupur installed real-time water monitoring systems at a cost of under ₹8 lakh. Within months, water consumption dropped by 22%, and the data generated helped secure a key contract with a UK buyer. A competing unit, operating with similar capacity but without such systems, lost access to the same market.

This shift is becoming standard across sectors. Sustainability data is now part of export documentation, and suppliers are increasingly expected to report emissions and resource usage. Energy efficiency and digital monitoring are no longer differentiators—they are becoming baseline requirements for participation in global supply chains.

#### The Way Forward

The next phase of India's industrial growth will be shaped by how quickly MSMEs respond to this shift. Sustainability is embedded in costs, financing, and market access. The transition begins with small steps but builds momentum over time. Businesses that act early will benefit from lower operating costs, better access to capital, and stronger relationships with buyers. Those who delay may find themselves excluded from evolving supply chains. This is not a distant policy shift, rather it is a present-day business reality. The alignment of technology, finance, and market demand has created a clear opening. The businesses that recognise it and act decisively will not just adapt but lead. **bwise**

**From AI-driven climate predictions to real-time environmental monitoring, technology is shifting the focus from awareness to action.**





# Big Ideas, Small Funding: The Challenge for Women Founders

India celebrates women entrepreneurs on conference stages, but when capital is distributed, the numbers tell a different story.

India's entrepreneurial ecosystem has expanded rapidly, with over 100,000 startups recognised under the Startup India initiative. Women are increasingly participating in this growth story. According to the Ministry of MSME, nearly 39% of the 7.94 crore registered MSMEs are owned by women, translating into over 3.1 crore enterprises. These businesses, concentrated in sectors such as food processing, textiles, retail, and services, collectively generate 22-27 million jobs, underscoring their economic significance.

Yet, despite their scale and contribution, women entrepreneurs

face a persistent constraint: access to capital. Women-owned MSMEs in India face a credit gap of nearly \$158 billion, indicating deep structural barriers in accessing formal finance. The disparity becomes even more pronounced in the venture capital ecosystem, where women-led startups receive only 2-4% of total funding, or roughly ₹4 for every ₹100 raised by male founders.

### The Missing Capital

While women entrepreneurs face financing challenges across the MSME sector, the disparity becomes even more pronounced in the venture capital ecosystem. Venture capital plays a critical role in supporting high-growth

startups by providing large investments that enable rapid scaling. However, data reveal that women founders receive only a tiny fraction of this capital.

According to industry analyses and venture capital reports, less than 3% of venture capital funding in India goes to women-led startups. This gap becomes even more striking when compared with the broader entrepreneurial ecosystem. Between June 2023 and February 2024, a total of 799 startup funding deals took place in the country. However, only 163 of these deals involved startups with at least one woman founder. The disparity is even more evident in the amount of funding



raised. While startups collectively secured around \$6.6 billion during this period, companies with women founders received only \$300 million, which accounts for just about 4.5% of the total funding.

### The Pitch Problem

One of the reasons behind the venture capital gap lies in how investment decisions are made. Research on venture capital pitching processes has shown that male and female founders are often evaluated differently during investor interactions. Nearly half of women entrepreneurs report experiencing bias while pitching their startups to investors.

A particularly important finding relates to the types of questions investors ask. Male founders are more likely to receive promotion-focused questions, which focus on growth potential, market expansion, and future profits. Women founders, in contrast, are frequently asked prevention-focused questions that emphasize risks, losses, or potential failures.

This difference in questioning shapes the entire narrative of the pitch. Promotion-focused discussions allow founders to highlight ambition and opportunity, while prevention-focused discussions force them to concentrate on risk mitigation. Over time, this

## Closing the gender funding gap is not charity, but rather one of the smarter economic decisions India can make.

subtle bias can influence how investors perceive the scalability and potential of different startups.

### Who Writes the Cheques

Another major factor contributing to the funding gap is the composition of the venture capital industry itself.

In India, only around 12% of venture capitalists are women, resulting in an approximate 10:1 ratio of male to female investors. This imbalance has important consequences because venture capital decisions are often influenced by professional networks and personal connections.

Investors frequently rely on “pattern recognition” when choosing which founders to fund. They tend to invest in entrepreneurs who resemble previously successful founders in

terms of education, professional background, or social networks. Since the technology and venture capital sectors have historically been male-dominated, this tendency can unintentionally reinforce gender bias. As a result, many women founders find themselves pitching their ideas in boardrooms where they are the only woman present.

### The Hidden Hurdles

Beyond investor networks, broader cultural perceptions also shape funding outcomes. Women entrepreneurs sometimes face questions that male founders rarely encounter, including concerns related to family responsibilities, marital status, or long-term career commitment. The challenges women face in accessing entrepreneurial finance reflect broader gender inequalities. According to the World Economic Forum Global Gender Gap Report, India consistently ranks among the lowest-performing countries globally in terms of gender parity, highlighting persistent structural barriers that influence economic opportunities for women.

Sectoral dynamics further widen the gap. Venture capital investment in India is heavily concentrated in sectors such as fintech and Software-as-a-Service (SaaS), industries that emerged from the STEM fields, where women have historically been underrepresented. Consequently, many women founders operate in sectors such as healthcare, education, and consumer products, which investors sometimes perceive as less scalable compared to technology-focused startups. Despite these challenges, several women entrepreneurs have successfully built large enterprises. Business leaders like Ms. Falguni Nayar, founder of Nykaa, and Ms. Upasana Taku, co-founder of MobiKwik, demonstrate that women entrepreneurs possess the same capacity for innovation and leadership as their male counterparts.

### Where the Government Steps In

Recognising the structural barriers

faced by women entrepreneurs, the Government of India has introduced several initiatives aimed at improving access to finance, training, and networks. One such initiative is the Stand Up India Scheme, launched to expand access to institutional credit for women and entrepreneurs from marginalised communities. The programme provides bank loans between ₹10 lakh and ₹1 crore for establishing greenfield enterprises in manufacturing, services, or trading sectors. The Stand-Up India Scheme has shown remarkable growth over the years, with the total amount sanctioned increasing from ₹14,431.14 crore as of October 2018 to over ₹61,000 crore by March 2025, according to a report, reflecting its expanding reach in promoting inclusive entrepreneurship. Women account for a dominant share of beneficiaries under the scheme, constituting over 80% of total loan accounts, with more than 2 lakh loans sanctioned to women entrepreneurs. This highlights its role in enabling first-generation women entrepreneurs to access institutional credit. Many have utilised these loans to establish small manufacturing units, food-processing businesses, and retail enterprises across urban and rural areas, facilitating the formalisation and gradual scaling of their operations.

Another major financing initiative is the Pradhan Mantri MUDRA Yojana, implemented through banks and microfinance institutions. Under this programme, collateral-free loans are provided to micro and small enterprises under the Shishu (up to ₹50,000), Kishore (₹50,000 to ₹5 lakh), and Tarun (₹5 lakh to ₹10 lakh) categories. The Union Budget 2024–25 further introduced the ‘Tarun Plus’ category, extending the loan limit to ₹20 lakh for borrowers with a strong repayment track record. Women entrepreneurs constitute a significant share of beneficiaries; as per PIB’s data, they accounted for 59.81% of total loan accounts and 37.45% of total disbursed amounts in FY 2024–25.

This expansion of credit access has had tangible implications for Self-Help

### Male Founders

Promotion-Focused Questions



- How big can this get?
- What is your growth strategy?
- How will you scale?
- What are the projected returns?

### Women Founders

Prevention-Focused Questions



- What are the risks?
- How will you prevent losses?
- What if this fails?
- How will you manage challenges?

Groups (SHGs), particularly under the Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM), which has mobilised over 10 crore rural women into nearly 91 lakh SHGs. The linkage of SHGs with formal credit systems, including MUDRA, has enabled women to transition into micro-enterprises. For instance, a documented case from Meghalaya highlights how a woman entrepreneur, after joining an SHG, leveraged institutional support to start a handmade soap enterprise (rose, aloe vera, lemongrass variants), achieving income generation within months and moving beyond subsistence livelihoods.

Such examples demonstrate that access to small-ticket, collateral-free credit often routed through SHG networks has strengthened livelihood diversification in sectors like food processing, handicrafts, and services. However, while these schemes have improved last-mile credit delivery, their impact remains concentrated in low-value activities, with limited upward mobility into growth-oriented enterprises, as higher-value financing and venture capital continue to remain largely inaccessible to women-led grassroots enterprises.

#### Unlocking the Potential

India’s entrepreneurial ecosystem is often called a powerful engine of growth, and it is. But an engine running on half its cylinders will only take you so far. Women already run over 3.1 crore MSMEs in this country, generating millions of jobs across food processing,

textiles, retail, and services. The foundation is clearly there. The gap is in what happens when these businesses need to grow. As enterprises seek larger capital, whether through institutional credit or venture capital, women founders increasingly find themselves left out of the room. Less than 3% of venture capital in India reaches women-led startups. That is not a reflection of the quality of ideas. It is a reflection of a system that has not yet been built to include everyone equally.

Closing this gap is not a single-policy fix. Financial institutions need to meaningfully improve credit access for women-owned MSMEs, not just on paper but in practice. Venture capital firms need to honestly examine how pitches are evaluated and who is doing the evaluating, because if only 12% of investors are women, the odds are already stacked before a founder walks into the room. Mentorship networks, women-led funds, and stronger enforcement of existing schemes can together shift the balance gradually but meaningfully.

The business case here is straightforward. When women entrepreneurs get equal access to capital, they build businesses that hire people, solve real problems, and contribute to the broader economy. Closing the gender funding gap is not charity, but rather one of the smarter economic decisions India can make. **bwise**

Source: (PIB, 2025 & 26).

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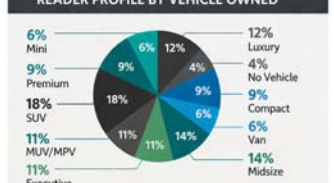
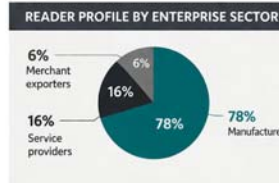
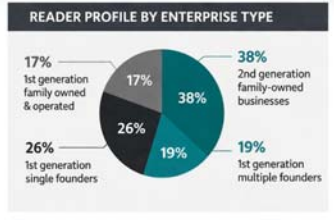
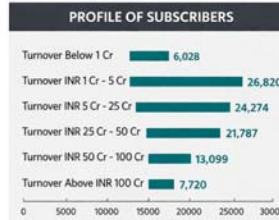
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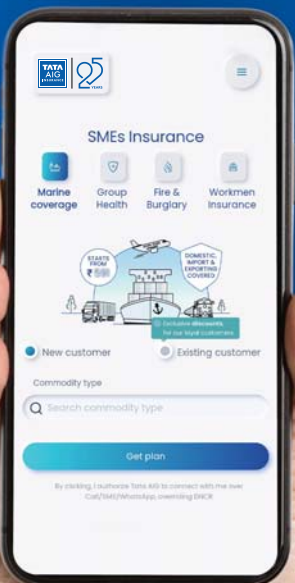


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