

News monitored for: PricewaterhouseCoopers

BUDGET INSIGHT OUT 2025-26

CHARTING A NEW GROWTH PATH

A PwC report

MSME

Key challenges

- A major share of MSMEs are unincorporated and non-agricultural, resulting in exclusion from government support programmes due to lack of formalisation, hindering their growth
- Lack of credit history, inability to provide collateral, high borrowing costs, and limited capacity to service debt obstruct their working capital management and scaling opportunities
- MSMEs face informational asymmetries, limited consumer visibility, and weak branding and marketing capabilities, making it difficult to establish their brands
- High costs of R&D, product design, technology acquisition, and production upgrades prevent MSMEs from diversifying and updating their product portfolios

Snapshot MSMEs

| Fiscal Year | MSME GVA (in ₹ trn) LHS | MSME GVA in India's GDP (in %) RHS |
|-------------|-------------------------|------------------------------------|
| FY19 | 57.64 | 30.5 |
| FY20 | 61.3 | 29 |
| FY21 | 54.2 | 27 |
| FY22 | 70.0 | 29 |
| FY23 | 81.11 | 30.1 |

Sources: PIB, RBI



Industry ask

- There is a need to expand access to affordable financing. Business loans in India, with rates exceeding 10% p.a., remain challenging for MSMEs
- Small-scale ops and low profit margins make MSMEs less attractive to lenders and investors. Upscaling initiatives like the socially responsible investing fund can help mobilise PE and foreign expertise
- MSMEs face hurdles in accessing information, and business connections. Market-driven interventions like training, capacity building, global B2B platforms, and export acceleration centers at the sectoral/district level are critical to boost MSME exports

“ TO DRIVE INCLUSIVE GROWTH AND VIKSIT BHARAT, THE GOVT MUST PRIORITISE INCREASED BUDGET ALLOCATIONS FOR CAPACITY-BUILDING PROGRAMMES AND INITIATIVES AIMED AT MSME INTEGRATION WITH GLOBAL VALUE CHAINS”

MOHAMMAD ATHAR (SAIF)
Partner & Leader CP&I and Industrial Development, PwC India

