

The Next Leap for India's MSMEs



BY
Y S
CHAKRAVARTI
MD & CEO,
SHRIRAM
FINANCE
LIMITED

MSMEs WILL BE CENTRAL TO INDIA'S VISION OF BECOMING A \$30 TRILLION ECONOMY BY 2047, A LONG-TERM NATIONAL VISION TOWARDS INDIA'S CENTENARY OF INDEPENDENCE.

Access to timely credit remains one of the biggest hurdles for India's MSMEs. Bridging this gap can mean the difference between stagnant operations and exponential growth. Cash flow is oxygen for the country's 6.5 crore micro, small and medium enterprises, which contribute nearly 30% to India's GDP. These Udyam registered units employ over 28 crore people.

MSME CREDIT LANDSCAPE IN 2025

India's MSME credit crossed Rs. 40 trillion by March 2025, reflecting a 20% year-on-year

growth, supported by digitalisation, government initiatives, and stronger priority sector lending norms. Public and private banks, along with NBFCs, are expanding their presence across segments, creating a more robust lending ecosystem.

Yet, despite this scale, a significant gap remains: pre-approved or instant credit lines for MSMEs are largely absent. Most businesses still navigate time-consuming applications and approvals, limiting their ability to access working capital quickly. This gap highlights the opportunity for embedded, ready-to-use credit

solutions that could transform financing.

PRE-APPROVED CREDIT LINES FOR MSMEs

Pre-approved credit lines are funds that a lender makes available to a borrower in advance, based on their creditworthiness, transaction history, or existing banking relationship. Unlike traditional loans, these credit lines do not require a fresh application each time the borrower needs funds. They are designed to be accessed quickly, providing businesses with immediate liquidity when working capital or short-term financing is needed.

Many small and micro enterprises face delays in accessing loans due to documentation requirements and lengthy approval processes. With pre-approved credit, the money is essentially "already in your pocket," enabling businesses to act fast on opportunities, manage cash flow efficiently, and bridge gaps in operational funding.

OPERATIONAL AND RISK CONSIDERATIONS

While pre-approved credit lines offer convenience and speed, lenders must carefully manage operational and risk aspects. Automated lending requires robust credit assessment models, real-time monitoring of borrower behavior, and integration with digital platforms to ensure funds are disbursed responsibly. Clear limits,

usage guidelines, and repayment terms help prevent over-leveraging and reduce default risk.

Embedded credit systems handle sensitive financial information, so strong encryption, secure APIs, and adherence to local banking and fintech regulations are essential. Piloting programs with controlled limits, analyzing repayment patterns, and iteratively refining credit models can help lenders scale responsibly while maintaining trust with MSME customers.

THE POTENTIAL IMPACT BY 2030

By 2030, a milestone year in India's development vision, pre-approved credit lines could fundamentally transform India's MSME sector. With MSME credit expected to continue growing rapidly and digital lending gaining traction, seamless access to working capital would enable small and micro enterprises to scale faster, invest in innovation, and manage cash flows efficiently.

MSMEs will be central to India's vision of becoming a \$30 trillion economy by 2047. Strengthening their access to finance through embedded, ready-to-use credit lines not only empowers individual businesses but also strengthens the overall entrepreneurial ecosystem, boosting employment, exports, and formalization across sectors. **E**