

# Micro to Mighty

Outlining Strategic Priorities for MSMEs to Scale Up








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# Message from the Chief Executive of L&T-SuFin

Dear Readers,

It is with great pride that I present to you our report, "From Micro to Mighty: A Strategic Overview of India's MSME Landscape." This comprehensive study underscores the pivotal role that Micro, Small and Medium Enterprises (MSMEs) play in India's economic fabric. As the backbone of our industrial ecosystem, MSMEs contribute significantly to employment generation, innovation, and economic resilience. However, the sector is also at a crossroads, facing challenges that necessitate strategic interventions and transformative approaches.

At L&T-SuFin, we are committed to driving this transformation by leveraging the power of digitization to create efficiencies in supply chain and B2B industrial trade, especially for MSMEs. Our B2B e-commerce platform is designed to address some of the most pressing challenges faced by MSMEs, including access to markets, credit, and technology. Through our platform, we aim to democratize access to essential resources, enabling MSMEs to scale their operations, enhance their competitiveness, and ultimately transition from "micro" to "mighty."

The report delves into several critical areas, including the challenges MSMEs face in the current economic scenario, the need for greater access to credit, and the importance of bridging the digital divide. At L&T-SuFin, we believe that Digitization through an E-Commerce Platform synchronizes the various members of a Supply Chain to deal with each other in an orchestrated manner to create efficiencies and increase productivity. This results in saving costs and increasing margins in business. Moreover, the adoption of a digital B2B E-Commerce Platform not only efficiently discovers Products, Suppliers, and Prices but also helps in assessing Counter-party risks and getting liquidity in the form of Supplier or Bank Credit through digital means, thereby increasing the efficiency of the Supply chain manifold.

Furthermore, our commitment to fostering innovation and supporting the adoption of ESG (Environmental, Social and Governance) principles within the MSME ecosystem is unwavering.



**Bhadresh Pathak**  
Chief Executive - L&T-SuFin

We recognize that sustainability is not just a trend but a strategic imperative that will drive long-term growth and resilience for MSMEs in India.

Government policy support is crucial to this journey, and we applaud the efforts made to bolster the MSME sector. However, as this report outlines, there is still much work to be done. Collaboration between the private sector, government and MSMEs themselves will be essential in creating an enabling environment for growth.

As you explore this report, I encourage you to consider the vast opportunities that lie ahead for MSMEs in India. With the right tools, resources and support, these enterprises have the potential to not only drive economic growth but also to become global leaders in innovation and sustainability. At L&T-SuFin, we are excited to be a part of this journey, empowering MSMEs to achieve new heights and secure their place in the global economy.

Thank you for your continued trust and partnership.



# Overview Of **MSME** Sector

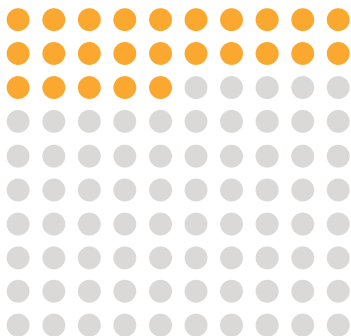




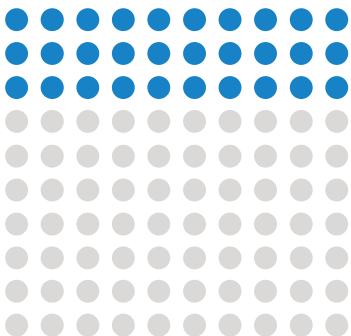
# MSMEs: Major Contributors to India's Economy

Micro, Small & Medium Enterprises (MSMEs) form the backbone of the Indian economy, contributing significantly to GDP, employment, exports, and manufacturing.

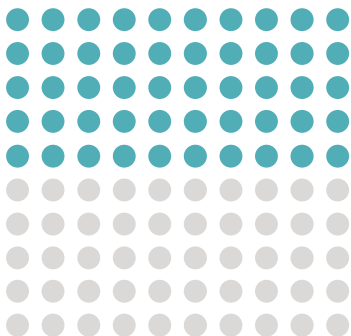
Non-farm employment ~25%



GDP ~30%



Exports ~50%



## The range of ways in which MSMEs contribute to India's growth



MSMEs are responsible for a substantial portion of India's manufacturing output, contributing roughly one-third of the total.



MSME network in India is vast and covers around 64 million units manufacturing and 8000+ products.



Embracing the digital era, a remarkable 72% of MSME payments are conducted online now.



MSMEs play a key role in empowering women. As per Udyam registration portal, Women-owned MSMEs make up 20.5% of all MSMEs and created about 18.7% employment with a about 10.2% share to total MSMEs turnover.



Moreover, a growing number of SMEs, approximately 43%, are actively engaged in e-commerce, harnessing the power of online platforms to expand their reach and competitiveness in the market

Source: Ministry of Micro, Small and Medium Enterprises

## What Does the Global Scenario Look Like for the MSME Sector?

The global economy slowed sharply in 2023 and will remain subdued in 2024, with slight improvement expected later in 2024 and into 2025 due to easing inflation and relaxed monetary policies. Europe shows recovery signs, while Asia-Pacific is set for stronger growth.



In contrast, the Middle East faces instability, Latin America's growth slows, and Nordic economies recover gradually. Sub-Saharan Africa struggles with inflation, debt, and geopolitical tensions. Overall, restrictive monetary policies, high debt, and geopolitical risks are key growth challenges globally.

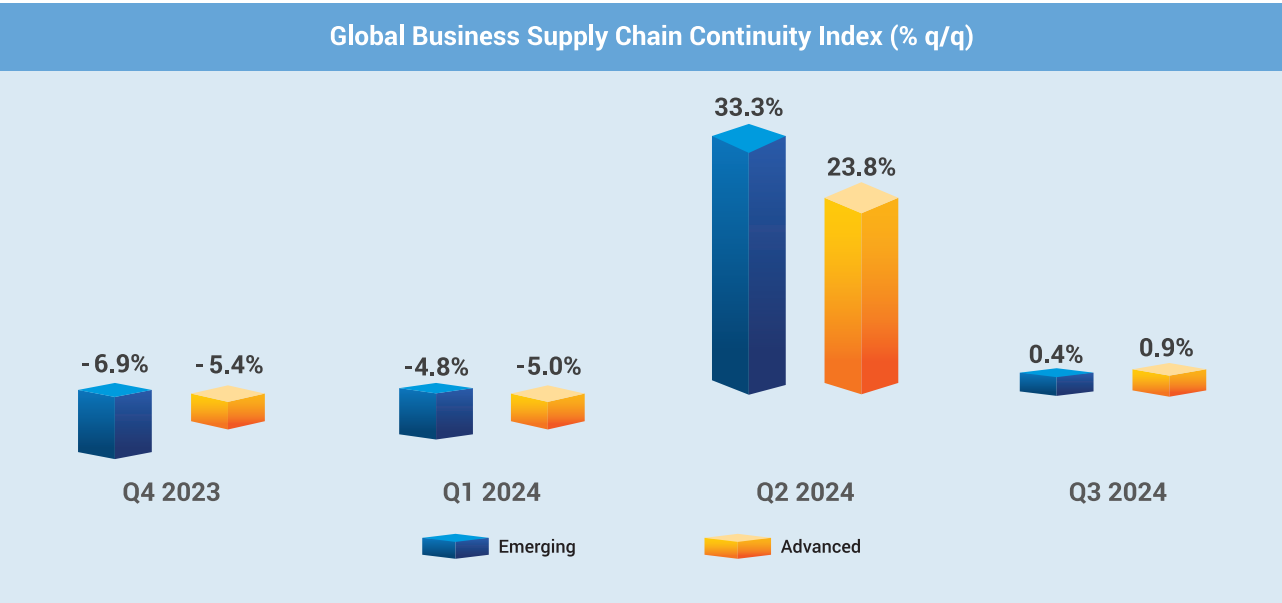
## Rising geopolitical tensions threaten global business stability.

The global political landscape is increasingly intense, with rising elections, polarization, and conflicts impacting business resilience. The geopolitical risk index spiked after Russia's invasion of Ukraine, while trade restrictions have tripled since 2019. Key risks include Middle East and Ukraine conflicts, sanctions, and trade barriers like EU tariffs on Chinese EVs and China's mineral restrictions. India, as a major economy, faces both opportunities and challenges amid these evolving dynamics.

## Supply chain optimism on the rise, but large and medium-sized businesses remain cautious amid ongoing challenges.

The Global Business Supply Chain Continuity Index has shown growing optimism since Q2 2024, as businesses gradually adapt to ongoing supply chain disruptions. Small businesses saw a significant optimism boost (+21.8%) in Q3 2024 due to a shift toward local sourcing. In contrast, larger enterprises remain cautious (large: -2.4%, medium: -13.4%) as they continue to face challenges like high shipping costs, route congestion, and extended delivery times amid geopolitical and climate disruptions.

The Dun & Bradstreet Global Business Optimism Insights Report, a quarterly publication, assesses the global economic climate through business sentiment. It analyzes key indicators like the Global Business Optimism Index, Supply Chain Continuity Index, Financial Confidence Index, Investment Confidence Index, and ESG Index, offering insights into sales, supply chains, financial conditions, and ESG initiatives.



Source: Dun & Bradstreet - Global Business Optimism Insights - Q3 2024





# The Missing Middle: India's Micro enterprises constitute more than 95% of MSMEs

## MSME Sector Grows with Udyam's Formalization Push

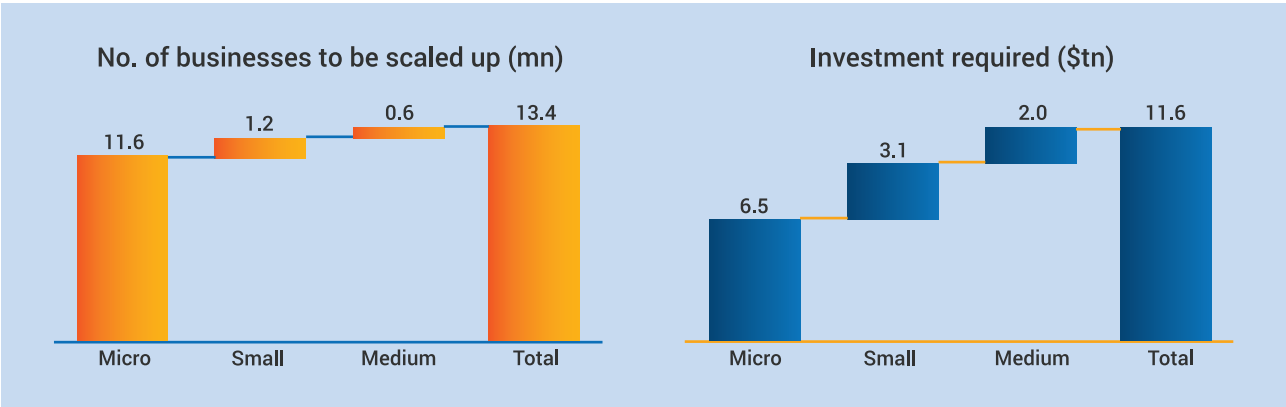
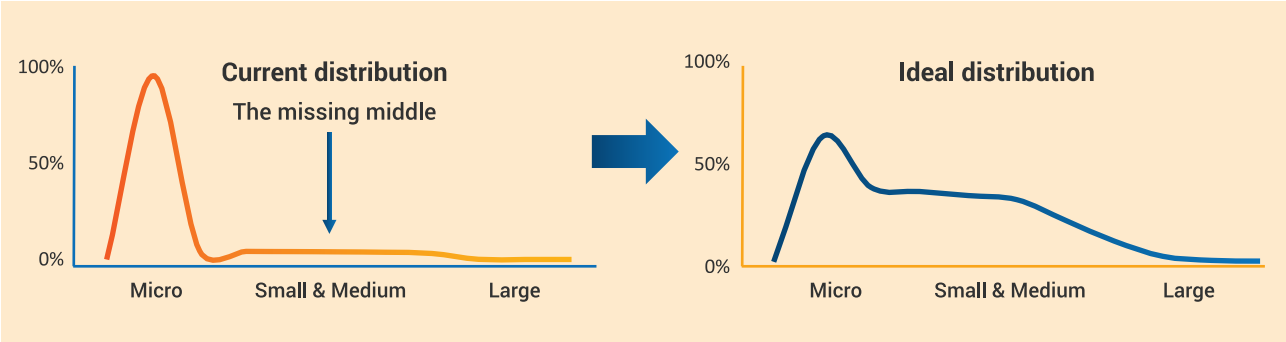
As of July 2024, there were 47.7 million registered MSMEs, with micro enterprises dominating the largely unorganized sector. In January 2023, the Ministry of MSMEs and SIDBI launched the Udyam Assist Platform (UAP) to formalize informal micro enterprises. By July 2024, 19.9 million MSMEs were registered on UAP. Of the 26.9 million MSMEs on Udyam, around 74% are engaged in services, with the rest in manufacturing.

Micro enterprises dominate MSME sector			
	Micro	Small	Medium
Number of Enterprises on Udyam (in '000)	46,867.0	712.2	67.7
% to total	98.4	1.5	0.1

Source: Udyam Dashboard

## The Capital Imperative: India requires \$11.6 tn investment to scale up 13.4 mn MSMEs

### Distribution of commercially visible Indian businesses by revenue size



Source: U.S. Census Bureau, Statistics Canada, Australian Bureau of Statistics, 6th Economic Census, MOSPI, Dun & Bradstreet

## Challenges Faced by MSMEs in the Current Economic Scenario



### Access to Finance & Market

Despite significant contributions to exports, many MSMEs struggle due to a credit-to-GDP gap and limited market reach. Government initiatives face challenges like awareness and collateral requirements.



### Technological Limitations

Technology is key for MSMEs to stay competitive globally, but adoption remains low due to limited understanding of its benefits, insufficient guidance on integration, resistance to upfront costs, and a shortage of skilled workers.



### Compliance and Regulatory Challenges

A heavy regulatory burden can stifle MSME growth, consuming time and resources. Numerous compliance requirements often overwhelm small enterprises.



### Skilled Workforce Shortage

MSMEs face a skilled workforce shortage due to inadequate training. Dun & Bradstreet notes India needs 231 million jobs in 25 years to support population growth and shift workers to sectors like textiles and construction.



### Unfavourable External Conditions

The COVID-19 pandemic revealed Indian MSMEs' vulnerability to external shocks, underscoring the need for greater resilience.



### Lack of Awareness

Indian MSMEs, particularly informal micro-enterprises, face significant challenges due to a lack of awareness about government schemes, regulations, technology, and credit opportunities.





# Transforming MSMEs From Micro to Mighty: A Roadmap





## Unleashing MSMEs Potential through Credit

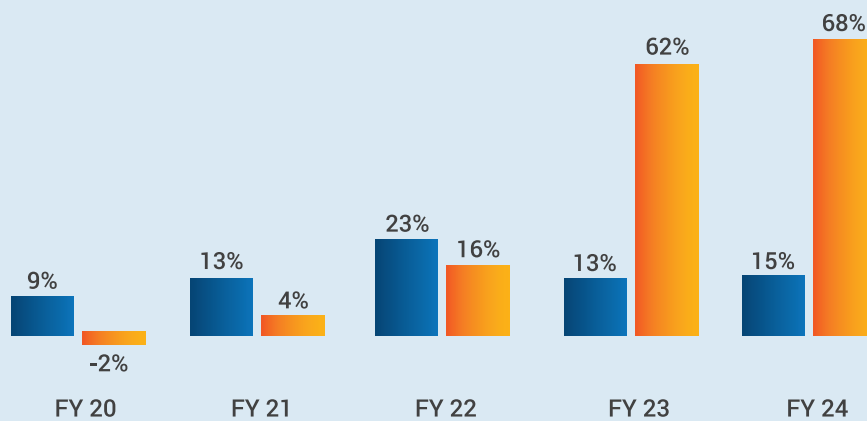
Micro, Small, and Medium Enterprises (MSMEs) have consistently contributed around 30% to India's GDP from FY18 to FY22 and are crucial for achieving the nation's goal of becoming a developed economy by 2047. By 2027, MSMEs are expected to increase their GDP contribution to 35-40%. However, inadequate access to credit often hinders their growth potential.

With India's economy expected to reach ₹400 trillion and MSME exports targeting ₹80 trillion by 2028, substantial credit infusion is essential. Despite MSMEs' significant contribution to GDP and employment, they account for only 6% of commercial credit, highlighting the need for financial institutions to bridge this gap and unlock MSMEs' full potential.

### Credit growth to micro, medium and small firms

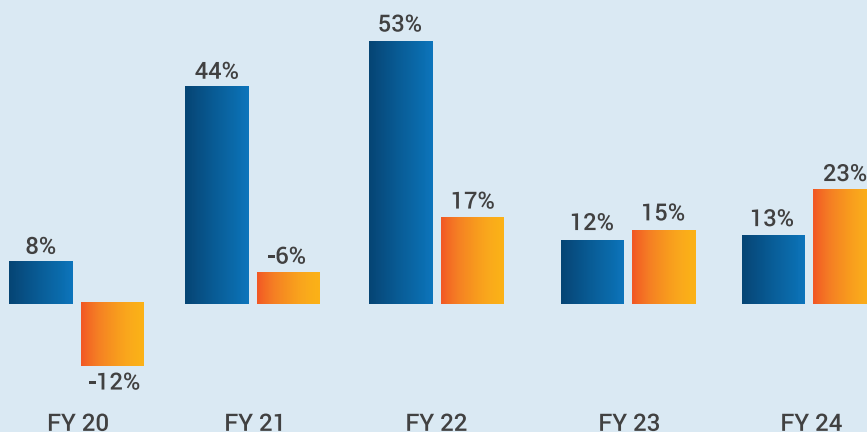
#### Credit growth to micro and small firms (% y/y)

■ SCBs Micro and Small ■ NBFCs Micro and Small



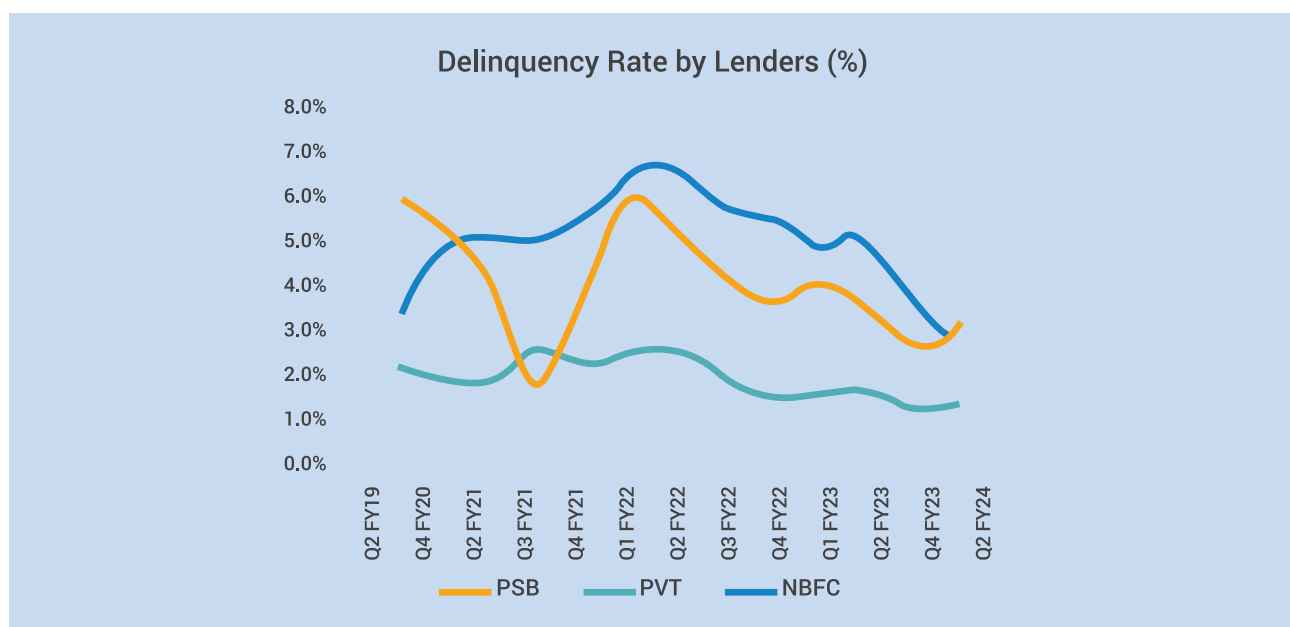
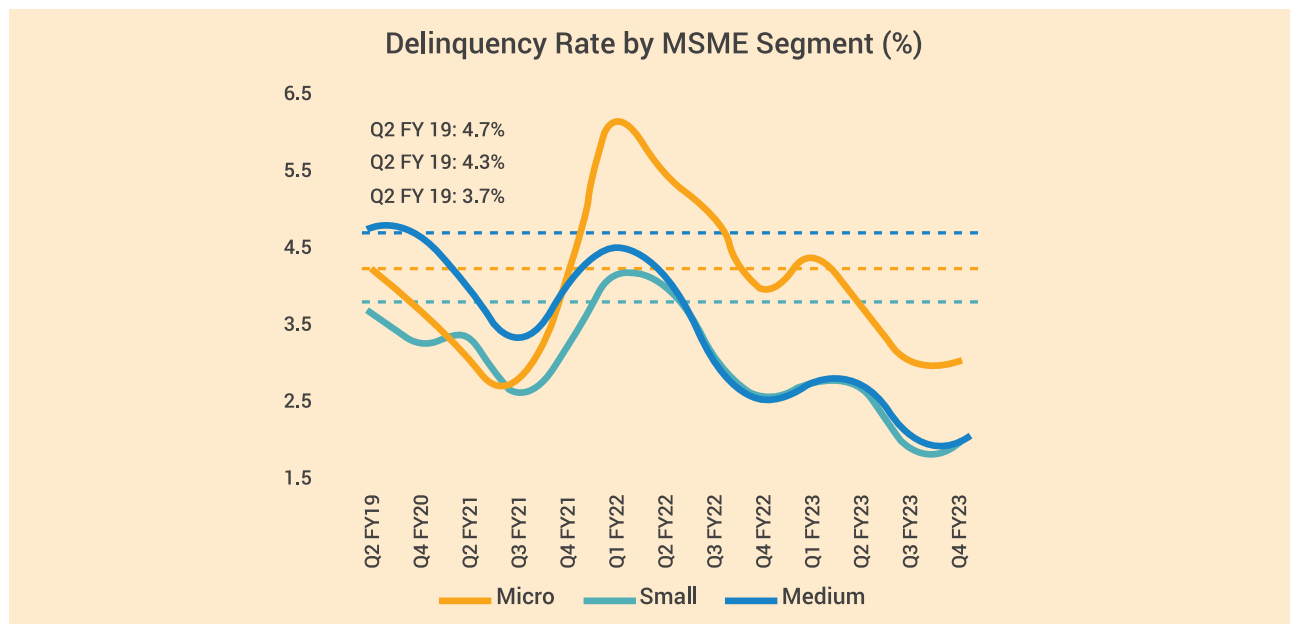
#### Credit growth to medium firms (% y/y)

■ SCBs - Medium Firms ■ NBFCs Micro and Small



Source: RBI

## Delinquency rate across business size and lenders



Source: TransUnion CIBIL-SIDBI

Data shows increased credit disbursement to micro and small enterprises by Scheduled Commercial Banks (SCBs) and Non-Banking Financial Companies (NBFCs), with a 60-basis point rise in their share of non-food credit between FY19 and FY24.

Credit growth to micro and small businesses reached 14.7%, outpacing overall non-food credit growth. Medium-sized firms grew at 13.3%, exceeding large industries' 6.5% growth. MSME loan portfolio delinquency rates fell to a two-year low of 2.3% in Q2 FY24, reflecting improved repayment behavior. Private banks led with a 1.5% delinquency rate. These positive trends highlight MSMEs' growing potential and the opportunities for financial institutions to support their expansion. Addressing the credit gap is essential for unleashing the full potential of MSMEs in India. By combining government support, financial innovation, and digital transformation, a thriving MSME ecosystem can be created.



## Emerging Trends in MSME Credit Landscape

The MSME credit landscape is undergoing significant transformation, driven by technology, and changing consumer preferences. Key trends include:



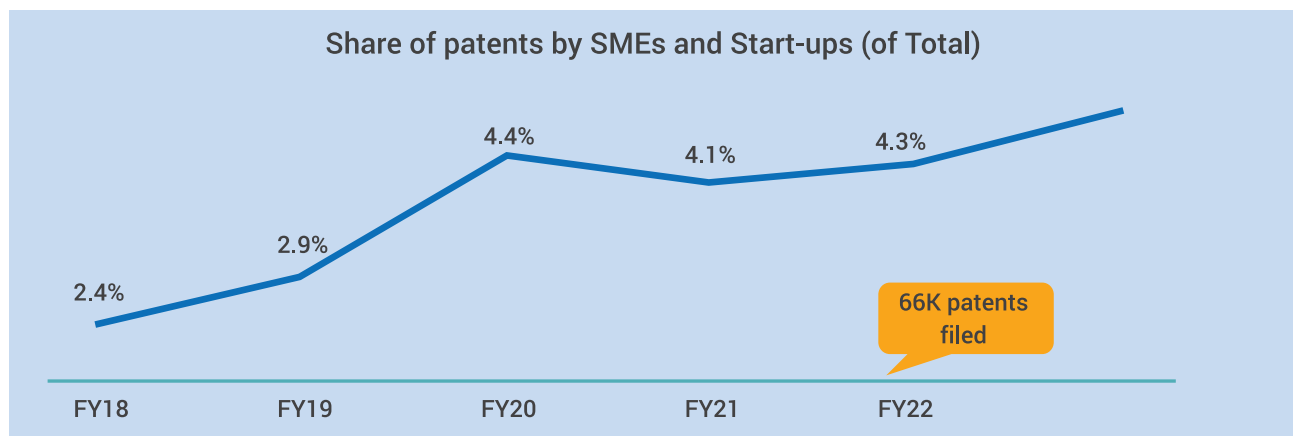
## Bridging the Digital Divide: Empowering Indian MSMEs

India's digital divide remains a significant challenge, with disparities in technology access and digital literacy between urban and rural areas, as well as between large and small businesses.

Initiatives like BharatNet and India's digital payment architecture are helping bridge this gap, expanding broadband access and enhancing MSME connectivity. However, challenges persist, with 55% of micro enterprises lacking stable internet and only 20% of connected MSMEs engaging in online selling, highlighting the need for further infrastructure improvements.

## Nurturing Innovation in the MSME Ecosystem

Indian MSMEs have significantly increased IPR awareness and adoption, aided by government support and reduced fees, with a notable rise in patent applications highlighting patents' strategic importance for the sector.



Source: Intellectual Property India, NASSCOM, Dun & Bradstreet



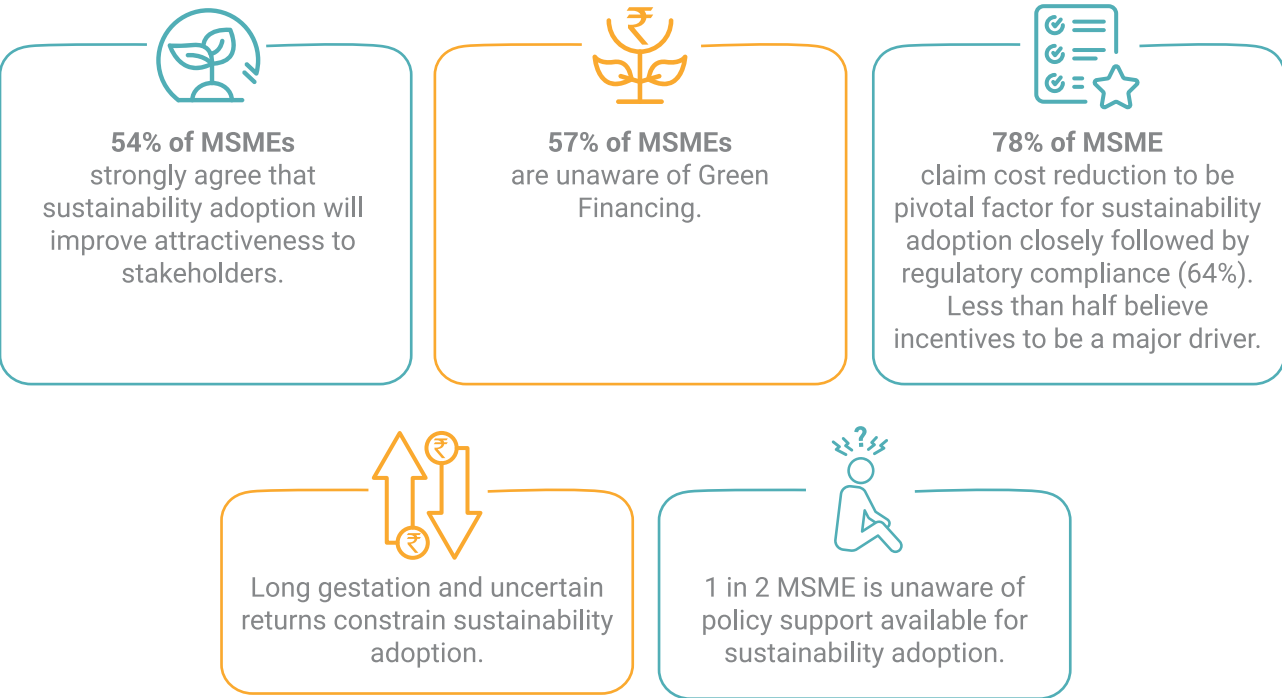
Patents drive innovation in MSMEs, offering competitive advantages, market protection, and licensing opportunities. The 28.4% rise in 2022-23 patent applications highlights their growing role in innovation, preventing imitation, attracting investment, enhancing reputation, boosting profitability, and obtaining legal protection. Additionally, licensing patents, including through cross-licensing, opens new markets and mitigates regulatory hurdles.

India's expanding MSME sector is driving a surge in patent filings, highlighting intellectual property's vital role. By leveraging patents, MSMEs gain competitive advantages, foster innovation, and unlock market opportunities, but require a clear framework to protect against disputes.

## ESG as a Strategic Imperative for MSMEs

Sustainability is increasingly important for businesses, including Indian MSMEs, which are vital to the economy but face sustainability challenges. To address these, Dun & Bradstreet and SIDBI launched the Sustainability Perception Index (SIDBI-D&B SPeX), a quarterly index assessing Indian MSMEs' Awareness, Willingness, and Implementation of sustainability practices. This index aims to guide policy, enhance adoption, and promote sector growth.

### Key takeaways from Jan-Mar 2024 edition:



While MSMEs show growing awareness and willingness to adopt sustainable practices, implementation remains challenging due to long gestation periods and uncertain returns. Cost reduction and regulatory compliance are key motivators, but awareness of green financing and policy support is limited. Industry leaders are driving ESG adoption, setting targets, and promoting sustainability.

For MSMEs to fully embrace sustainability, ongoing engagement, training, and integrating sustainability metrics into credit evaluations are crucial. This will boost their stakeholder appeal, profitability, and contribute to India's economic growth.

## Government Policy Support for MSME Growth

### Key Policy Measurements for MSME Development

Policy Initiative	Objective	Achievements
Micro and Small Enterprises Cluster Development Programme (MSE-CDP) launched in 2003.	To boost MSE productivity and competitiveness by providing financial assistance for establishing Common Facility Centers (CFCs) and upgrading industrial estates.	Micro and Small Enterprises Cluster Development Programme (MSE-CDP) launched in 2003.
Raising and Accelerating MSME Performance Programme (RAMP).	To strengthen institutions and governance, enhance Centre-State partnerships, improve MSMEs' market and credit access, promote technology upgrades, address delayed payments, and support MSME greening.	Strategic Investment Plans (SIPs) of 10 States viz. Tamil Nadu, Odisha, Sikkim, Maharashtra, Uttar Pradesh, Madhya Pradesh, Mizoram, Andhra Pradesh, Bihar, and Karnataka have been approved with a total outlay of ₹ 11.43 bn.
PM Vishwakarma with initial outlay of ₹ 130 bn for initial period of five years i.e., during FY24 to FY28.	To improve artisans' product quality and integrate them into domestic and global value chains...	As on December 30, 2023: A total of 4.8 million enrollments were made, with 0.1 million applications successfully registered.
Pradhan Mantri MUDRA Yojana (PMMY).	Provide financial assistance (up to ₹ 1 million) to non-corporate, non-farm small/micro enterprises for business development.	As of September 2024, the PMMY has sanctioned over 20.2 million loans worth a total of ₹ 1.92 trillion, with ₹ 1.86 trillion disbursed to micro-entrepreneurs.
Prime Minister Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) scheme.	To provide affordable and collateral-free micro credits to street vendors.	As of September 2024, the PM SVANidhi has received 11.2 million applications, of which 9.2 million involving ₹ 127.3 billion have been sanctioned.
Prime Minister's Employment Generation Programme (PMEGP), a credit linked subsidy scheme.	To provide employment opportunities through establishment of micro-enterprises in the non-farm sector.	Since its inception in 2008 and till November 30, 2023, more than 0.9 mn micro-enterprises have been assisted across the country with disbursement



Policy Initiative	Objective	Achievements
<ul style="list-style-type: none"> <li>Margin Money (subsidy) provided for loans to set up new enterprises.</li> <li>Maximum project cost: ₹5 mn (manufacturing), ₹2 mn (services).</li> <li>Subsidy: 25-35% (Special Categories), 15-25% (General Category) for urban and rural areas.</li> </ul>		of Margin Money subsidy of ₹ 345.17 bn, generating a total estimated employment for around 7.8 mn persons.
Self-Reliant India (SRI) Fund.	To provide growth capital to the deserving and eligible units of MSME Sector.	From Jan -Nov 2023, 14 daughter funds were empanelled with NSIC Venture Capital Fund Limited (NVCFL), investing over ₹36.58 bn and supporting 242 potential MSEs.
Khadi and Gramodyog Vikas Yojana (KGVY).	To revitalize the Khadi sector, promote village industries, and generate employment opportunities in rural areas through financial assistance, infra development and skill enhancement.	As of September 2024, 1,256 Khadi Institutions (KIs) have been supported bene-fitting 145,758 artisans with a fund disbursement of ₹ 2.17 billion.
A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE) There are 2 components under ASPIRE – Livelihood Business Incubator (LBIs) and ASPIRE Fund of Funds (FoF).	To create employment opportunities in the agro-rural sector.	In 2023, four new LBIs under ASPIRE trained 25,468 beneficiaries, with 1,458 securing employment, and 225 micro-enterprises were established. Under FoF, five new AIFs received ₹1.45 bn, raising the total to ₹2.17 bn for 11 AIFs from a ₹3.1 bn corpus.
Scheme of Fund for Regeneration of Traditional Industries (SFURTI) launched in FY06 and revamped in FY15.	To organize artisans and traditional industries into clusters, improving competitiveness, increasing employment, and boosting product marketability.	Out of 513 approved clusters, 389 are now functional. In 2023, 89 clusters became operational, benefiting 50,166 artisans in 25 states. Additionally, 15 clusters were approved with ₹400.1 mn in government aid, directly benefiting 8,875 artisans.

Source: Ministry of Micro, Small and Medium Enterprises



## Key Platforms for MSME Development

Platforms	Objective	Achievements
Udyam Portal.	Provides unique 12-digit registration number that can be used to avail benefit from government schemes and incentives.	As on July 31, 2024, 4.7 Cr MSMEs registered.
Government e-marketplace (GeM).	Portal enabling G2B & G2C procurements.	In FY24, 49.6% of orders on GeM portal are from SMEs.
Open Network for Digital Commerce (ONDC).	Open network for exchange of goods/ services over digital platforms.	As on July 31, 2024, more than 6.15 Lakh sellers/ service providers have expanded the e-retail outreach.
Udyami Mitra.	Enabling platform which leverages IT architecture of Stand-Up Mitra portal and aims at instilling ease of access to MSMEs financial and non-financial service needs.	Provides facility to avail loans up to 10 Cr to MSMEs, 94 lac loans sanctioned as on July 31, 2024.
CHAMPIONS Portal.	Providing guidance on a local level to MSMEs in the areas including finance, market access, technology upgradation and skill development.	21 Ministries/ Departments and 31 State Governments onboarded; 58 banks/FIs/RRBs/ SFCs on-boarded to address the issues related to Credit; 53 CPSEs appointed nodal officer for Champions portal to resolve the issues.
Trade Receivables electronic Discounting System (TReDS).	Unlocking the working capital by converting receivables into cash.	In FY24, RXIL, TReDS enabled businesses saw monthly invoice financing volumes grow to over ₹ 6,000 crore.
PSB 59 Minutes Loan.	Provides facility to get loan up to 5 crores in 59 minutes.	As of July 2024, more than 74,000 Cr loans disbursed with more than 21 partner banks registered.
MSME-SAMBANDH Portal.	Monitoring the procurement by Central Government Ministries, Departments and CPSEs; currently	In FY24, share of purchases from MSEs amounts to ₹ 82,827.20 crore, which is 33.85% of the total procurement.





Platforms	Objective	Achievements
National Agricultural Market (e-NAM).	A pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities and enhance market access for MSMEs	As of February 2024, 1,389 Mandis of 23 States and 04 UTs integrated. More than 1.77 crore farmers & 2.53 Lakh traders registered.

Source: Ministry of Micro, Small and Medium Enterprises and Government Portal Website

The Way Forward

India's MSMEs have the potential to be a major driver of economic growth, but unlocking this requires a strategic approach. Closing the credit gap is crucial, expanding access to formal finance and alternative funding sources. At the same time, digital transformation is vital—investing in infrastructure, enhancing digital skills, and adopting new technologies will sharpen competitiveness.



## Case Study: Transforming MSME Supply Chain with L&T-SuFin

### Introduction

In the dynamic world of MSMEs, streamlining procurement processes and enhancing supply chain efficiency are critical. L&T-SuFin has emerged as a pivotal partner for MSMEs seeking to optimize their procurement functions. This case study explores how L&T-SuFin has positively impacted its MSME customers.

### Challenges Faced

Before engaging with L&T-SuFin, the client encountered several issues:

- 1 **Fragmented Procurement Process:** The client struggled with a disjointed procurement system, leading to inefficiencies and increased costs.
- 2 **Supplier Management Difficulties:** Finding reliable suppliers and managing relationships were cumbersome, impacting the company's ability to maintain quality and consistency.
- 3 **Lack of Transparency:** The absence of a centralized platform made tracking orders and managing inventory challenging.

### Solution Provided by L&T-SuFin

L&T-SuFin offered a comprehensive solution tailored to address these challenges:

- 1 **Centralized Procurement Platform:** L&T-SuFin provided a unified platform that streamlined the procurement process, reducing complexity and improving efficiency.
- 2 **Access to a Wide Network of Suppliers:** Through the platform, the client gained access to a vast network of vetted suppliers, enhancing their ability to find reliable partners.
- 3 **Enhanced Transparency and Control:** The platform's real-time tracking and reporting features enabled the client to maintain better control over their procurement activities.
- 4 **Real-time Counterparty Risk Assessment:** Through **L&T-SuFin**, businesses can leverage **digital tools to assess the risk** associated with potential suppliers or buyers. The platform integrates advanced algorithms that analyze supplier performance, financial health, and historical transaction data, enabling businesses to make **informed decisions** and mitigate risks in real-time.

### Benefits Experienced

The client reported significant improvements after adopting L&T-SuFin's solutions:

- 1 **Increased Efficiency:** The centralized platform reduced procurement time and operational costs, allowing the client to focus more on core business activities.



- 2 **Improved Supplier Relationships:** With access to a broader supplier network, the client was able to establish stronger relationships and negotiate more favorable terms.
- 3 **Better Financial Management:** Enhanced visibility into procurement processes enabled the client to manage budgets more effectively and optimize expenditure.

## Client Testimonial

In the testimonial video, the client emphasizes the transformative impact of L&T-SuFin's platform.

They highlight:

- The simplicity and efficiency of the procurement process.
- The positive changes in supplier management and overall business operations.
- The value of having a reliable partner in L&T-SuFin that understands and effectively addresses MSME needs.

## Conclusion

L&T-SuFin has proven to be an invaluable asset for MSMEs seeking to enhance their procurement processes and supply chain efficiency. This case study illustrates how their comprehensive platform addresses key challenges faced by MSMEs. By combining **product discovery, risk assessment, and digital liquidity solutions**, L&T-SuFin is reshaping the procurement process for industrial and construction materials, making supply chains faster, more reliable, and financially flexible for businesses of all sizes.

## About L&T-SuFin

L&T-SuFin is a leading **B2B E-Commerce platform** designed to simplify and enhance procurement processes for MSMEs. With a focus on providing efficient solutions and connecting businesses with reliable suppliers, L&T-SuFin aims to support MSMEs in achieving growth and improving efficiency.







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# ONE E-COMMERCE PLATFORM, MANY BUSINESS SOLUTIONS.

## **BENEFITS FOR MSMEs**



### **REQUEST FOR QUOTATION (RFQ)**

SINGLE RFQ FOR MULTIPLE PRODUCTS  
ON BOTH CASH AND CREDIT PAYMENT  
TERMS



### **COMPREHENSIVE FINANCING SOLUTIONS**

WORKING CAPITAL SOLUTIONS &  
CHANNEL FINANCING



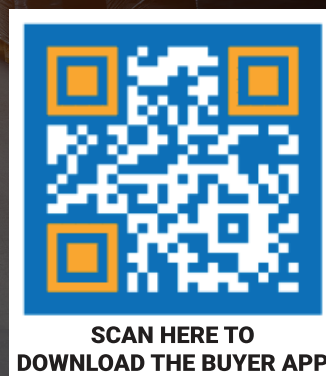
### **TRUST SEAL**

TO GIVE CONFIDENCE FOR DEALING  
WITH UNKNOWN ENTITIES



### **LOGISTICS AND PAYMENT GATEWAY SERVICES**

FOR ORDER FULFILMENT AND  
CONVENIENCE



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