



# CENTRE OF FINANCIAL INCLUSION (CFI) NEWSLETTER

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## An Exclusive Interview with NI-MSME's MV Kameswara Rao on MSME Loan Schemes

### READ ON .....

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Tree Media brings you an insightful conversation with Mr. MV Kameswara Rao, a distinguished Chair at the National Institute for Micro, Small and Medium Enterprises (NI-MSME) on April 04, 2025. With his extensive experience and deep understanding of the MSME sector, Mr. Rao sheds light on the crucial aspect of Business Loan Schemes for Micro and Small Businesses. In this exclusive interview, Mr. Rao elaborates on the significance of these schemes in empowering the growth and sustainability of India's vibrant MSME ecosystem. He delves into the key objectives and features of prominent government initiatives such as the Pradhan Mantri Mudra Yojana (PMMY), Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), and the Credit Linked Capital Subsidy Scheme (CLCSS).

Mr. Rao also highlights the pivotal role of NI-MSME in facilitating access to these financial resources. He discusses the institute's efforts in creating awareness, building capacity, and acting as a crucial link between MSEs and financial institutions.

Key takeaways from the interview include:

- An in-depth understanding of the various business loan schemes available for micro and small enterprises.
- Eligibility criteria and application processes for these schemes, demystifying the often-complex procedures.
- The importance of financial literacy and awareness for MSME entrepreneurs in availing these benefits.
- NI-MSME's strategic initiatives in bridging the financial gap and fostering a supportive ecosystem for MSE growth.
- Expert insights from Mr. Kameswara Rao on the current challenges and future opportunities in MSME financing.

This interview offers valuable guidance for entrepreneurs seeking financial assistance to start, expand, or upgrade their micro and small businesses. Mr. Rao's expert perspective, coupled with NI-MSME's on-the-ground efforts, provides a comprehensive overview of the support systems available to fuel the MSME engine of India's economy.

## **NEWS HEADLINES:**

### **MSMEs To Power India's Green Hydrogen Mission: MNRE Minister**

New Delhi, April 30 Union Minister of New and Renewable Energy Pralhad Joshi officially launched India's Green Hydrogen Certification scheme on Tuesday. The certification framework represents a foundational step toward establishing transparency, traceability, and market credibility in green hydrogen production.



During the launch, Minister Joshi highlighted the crucial role that Micro, Small, and Medium Enterprises (MSMEs) will play as the "backbone" of India's energy transition through their innovative capabilities and localised solutions.

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According to the Minister, MSMEs will be instrumental in achieving the National Green Hydrogen Mission's objective of creating a self-reliant green hydrogen ecosystem by 2030.

The announcement came during a national workshop focused on exploring opportunities and discussing the pivotal role of MSMEs in developing India's green hydrogen ecosystem.

The workshop drew more than 300 delegates representing various stakeholder groups, including MSMEs, policymakers, technology providers, industry associations, and international partners.

### **RBI monetary policy: MSMEs to reap gains from rate cut, say experts**

April 9, 2025, the 25-bps repo rate cut and switch to an accommodative stance by the Reserve Bank of India mark a growth-focused pivot, providing stimulus to MSMEs on liquidity front. The central bank's measures are likely to spur credit demand and reduce financial stress. RBI also announced steps to ease liquidity pressures, including expanding the co-lending framework to all regulated entities and stressed asset securitisation.



In line with market expectations, the Reserve Bank of India (RBI) on Tuesday cut the repo rate by 25 basis points to 6 per cent, while also altering its monetary stance from “neutral” to “accommodative,” indicating a clear shift towards pro-growth measures. The Monetary Policy Committee’s (MPC) decision is being viewed as a welcome move, particularly for India’s MSMEs, which have been grappling with expensive credit and liquidity constraints in a volatile global environment.

The central bank’s move comes against the backdrop of trade tariffs announced by the US on Indian products, a slowdown in industrial activity, surge in input costs, and a sustained call from the industry for lower lending rates. Governor Sanjay Malhotra also announced steps to ease liquidity pressures, including expanding the co-lending framework to all regulated entities and stressed asset securitisation – a move likely to benefit MSMEs directly.

## MSME's moving from traditional lenders to capital markets



India offers a unique proposition to the world - with the largest and relatively young population, it presents an attractive market not just for global giants but also for a burgeoning ecosystem of micro, small, and medium enterprises (MSMEs). The country is rapidly becoming a hub for innovative start-ups and established small and medium enterprises, each driven by bold ambitions to compete globally.

Furthermore, a stable government committed to building robust infrastructure and fostering digital connectivity provides a strong foundation, empowering these enterprises to thrive amid a shifting global economic landscape. Over the last 15 years, the Indian economy has grown over 3-fold while setting up an ambitious target for 'Amrit Kaal' as independent India turns@100 in 2047. To put things in perspective, India aspires to become a \$ 7 trillion economy by 2030 and a \$ 30 trillion economy by 2047 by adding \$ 1 trillion every 1 to 1.5 years.

While India has performing well across multiple sectors, key growth in future will have to come in from igniting the untapped potential of Indian MSME's which contributes to currently only 30% of the Gross Domestic Product (GDP) as compared to the global average of 50%. The MSME push is also critical to drive employment given India's overall labour force participation is barely 50% vs. 78% for Vietnam, 76% for China. Yet, despite their importance, a staggering 56% of MSME credit demand remains unmet. India is home to approximately 64 million MSMEs, yet the credit penetration for these enterprises stands at a relatively low 14%, compared to 37% in China (with 44 million MSMEs) and 50% in the United States (with 32 million MSMEs). This disparity indicates that while India boasts a higher number of MSMEs, the access to financial support remains limited, highlighting a significant gap in addressing the credit needs of these vital businesses.

The Budget announced a major reform – the investment and turnover limits for defining the MSMEs will be increased by 2.5 times and 2 times, respectively, across categories. This will bring many businesses currently outside the ambit of the MSME into its fold, and many medium enterprises will now enjoy the benefits available to small enterprises. Most importantly, the micro and small enterprises can now scale up without the fear of losing the protection offered to them. Yet, for millions of small businesses, navigating bureaucratic hurdles and rigid credit norms remains a challenge.

For small entrepreneurs, securing a bank loan remains an uphill battle. They often complain “We have orders, we have customers, but banks hesitate to lend without collateral”. This is a struggle for millions of small business owners across India. Facing stringent lending norms and documentation challenges by traditional banks and non-bank FIs to get credit, MSMEs have started leveraging alternative financing options, including digital lending platforms and credit through capital markets.

MSMEs raised ₹2,333 crore and ₹6,095 from capital markets in FY2023 and FY2024 respectively. In FY2025 (till January 2025) itself, MSMEs have already raised ₹7,453 crore from capital markets. Leveraging Goods and Services Tax (GST) filings data, payment records and other digital data, unsecured lending to MSMEs is also on the rise by Digital Lending players, who offer loans without collateral.

MSMEs are also facing slower revenue growth, which dipped to 7.8% in FY24, primarily due to a decline in exports and commodity-led sectors. Export-driven businesses saw growth slump to just 3%, as demand from the US and EU markets weakened. However, health care, consumption-driven industries, and IT-enabled services are helping counterbalance the slowdown. Industry experts predict revenue growth of 8-9% in FY26, led by packaged foods, dairy and IT exports.

Following the implementation of GST, businesses were required to integrate their turnover data into the formal system. As a result, GST registrations have grown by 10% year-over-year—from 10 million in 2020 to 15 million in 2024. Similarly, Udyam registrations have surged by 116% year-over-year, increasing from one million in 2020 to 28 million in 2024. Further, democratisation of Indian banking with digital payments has streamlined business processes by reducing the time and cost traditionally associated with cash transactions.

For MSMEs to fully realise their potential, financial institutions must offer robust and innovative credit solutions such as instant loans based on GST returns and the development of advanced risk models that leverage alternative data for accurate assessments. Streamlined digital onboarding processes and simplified documentation can further expedite access to funds. Additionally, banks can introduce tailored loan products with flexible repayment options and partner with fintech firms to harness AI-driven credit analytics, ensuring that these enterprises receive timely and appropriate financial support.

# Navigating the Next Wave: Business in the Age of Economy 4.0 & Society 5.0

M V Kameswara Rao, Chair, Centre of Financial Inclusion, ni-msme.



Welcome to Economy 4.0, a world powered by ubiquitous digitization, intelligent automation, and interconnected systems. It's more than just smart factories; it's a fully digital value chain, linking suppliers, producers, and customers in ways previously unimaginable. Think smart grids, smart mobility, smart healthcare – intelligence woven into the fabric of our economic lives.

This technological surge brings immense power. Data flows freely, AI makes decisions, robots perform complex tasks, and logistics become hyper-efficient. Businesses gain the potential for incredible efficiency, competitiveness, and the ability to create highly personalized products and services. The lines between the physical and digital blur, reshaping B2B relationships and demanding entirely new business models. Enter Society 5.0: Putting Humans Back at the Center

But is efficiency the only goal? Emerging primarily from Japan, the concept of Society 5.0 offers a compelling evolution. While embracing the technologies of Economy 4.0 (like AI, Big Data, and the Internet of Things), its core focus shifts. Society 5.0 envisions a human-centered future, one that balances economic progress with solving pressing social problems – from aging populations and resource scarcity to regional revitalization and disaster prevention.

Where Industry 4.0 (a key component of Economy 4.0) concentrates on optimizing manufacturing and factories, Society 5.0 aims to deploy these technologies across all aspects of life, seamlessly integrating cyberspace and physical space to improve well-being for everyone. It's about using technology not just for profit, but to free people from routine tasks, enhance creativity, share knowledge more effectively, and build a more inclusive, sustainable, and fulfilling society. Imagine a world where AI helps manage personalized healthcare, smart agriculture optimizes food production, and digital platforms connect communities to share resources efficiently.

## From Hunter-Gatherers to Hyper-Intelligence

This isn't just a technological upgrade; it's the next proposed stage in societal evolution:

1.Society 1.0: Hunter-Gatherer

2.Society 2.0: Agrarian

3.Society 3.0: Industrial

4.Society 4.0: Information (Where knowledge is a commodity, but often siloed)

Society 5.0: Superintelligent (Where technology serves human and societal needs through deep digital-physical integration)

## The Sustainability Imperative: Doing More with Less

This shift towards a human-centered, interconnected world aligns perfectly with another critical global challenge: sustainability. As resources dwindle and climate change accelerates the old models of production and consumption are no longer viable. Economy 4.0 and Society 5.0 offer pathways towards a more sustainable future.

·Sustainable Production (Industry 4.0 focus): Smart factories can optimize resource use, minimize waste through precision manufacturing and predictive maintenance, and enable circular economy models (recycling, reuse, remanufacturing).

Sustainable Consumption (Society 5.0 focus): Technology can empower consumers to make informed, responsible choices. Think personalized products built to last (reducing waste from mass production), sharing economy platforms, efficient logistics, and better management of resources like energy and water at the community level. Consumers are increasingly aware, demanding transparency and holding companies accountable for their environmental and social impact

## Navigating the Opportunities and Hurdles

The transition to Economy 4.0 and Society 5.0 presents a dazzling array of opportunities alongside significant challenges:

### Opportunities:

·For Customers: Highly personalized products/services, greater convenience, potential for co-creation.

·For Producers: Increased efficiency, new value creation, agile manufacturing, better resource management.

·For Employees: Safer work environments (robots handle dangerous tasks), potential for flexible/remote work, creation of new high-value jobs (data science, AI, robotics).

### Challenges:

·Costs & Complexity: High investment needed for new technologies, especially for SMEs. Integrating complex systems is difficult.

·Skills Gap: Lack of qualified employees with interdisciplinary skills (tech, data, social understanding). Need for massive retraining and educational reform ("Engineers 4.0").

·Job Displacement Fears: Automation raises concerns about job losses, particularly for routine manual or medium-skilled tasks.

·Security & Standards: Data privacy, cybersecurity threats, and the need for common international standards are major hurdles.

·Resistance to Change: Overcoming inertia and convincing management (especially in SMEs) of the long-term benefits.

## The Road Ahead: Adaptation is Key

The journey towards Economy 4.0 and Society 5.0 is not optional; it's the direction the world is heading. Businesses, governments, and individuals must adapt. This means:

1. Investing in Technology Wisely: Focusing on solutions that deliver real value and align with strategic goals.
  2. Prioritizing People: Investing in training, fostering lifelong learning, and managing the human impact of automation ethically.
  3. Embracing Collaboration: Building networks, sharing data securely, and working across sectors to solve common problems.
  4. Focusing on Sustainability: Integrating environmental and social responsibility into core business models.
- Developing New Business Models: Moving beyond traditional structures to embrace 1. flexibility, servitization, and customer co-creation.

The future belongs to those who can harness the power of technology not just for efficiency, but to build a more sustainable, equitable, and human-centered world. The challenge is immense, but the potential rewards – for business and society – are transformative.

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