

Sanjay Malhotra: Remarks – inauguration of MSME Day 2026

Remarks by Mr Sanjay Malhotra, Governor of the Reserve Bank of India, on the inauguration of week-long celebration of International MSME (Micro, Small and Medium Enterprises) Day 2026, Kochi, Kerala, 22 June 2026.

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I am indeed very happy to be here among all of you as we enter the week which celebrates International MSME Day on 27th later in the week.

MSMEs have a special place in my heart. I got an opportunity to work in this very dynamic sector early in my career way back in 2000 when a dedicated Ministry had just been set up for this sector in the year 1999. It used to be known as the Ministry of SSI & ARI then.

The MSME sector is vital for the global economy. Globally, MSMEs make up 90 per cent of the businesses and contribute about 50 per cent of the total global employment. Even in India, their contribution is immense. The MSME entrepreneurs present here, may be individually small, but collectively contribute 31% of GDP, account for approximately 35% of manufacturing output, and represent close to half of India's merchandise exports¹, while sustaining livelihoods for over 32 crore people². These are not just numbers, but a testament to the ambition, dynamism, and industry of our MSMEs.

No city reflects the dynamic and vibrant spirit of MSMEs better than Kochi. This is a city whose business instincts run deep - for centuries, the spice trade that connected Kerala's shores to the world passed through this port. That same spirit now expresses itself in tourism in God's own country; ayurveda and wellness ventures that have turned a traditional strength into a modern industry; in IT and electronics enterprises; in marine and seafood processing units that feed export markets across the globe; and in start-ups and a new generation of entrepreneurs focusing on diverse areas from fintech to clean energy solutions. Kochi's MSMEs carry forward a centuries-old instinct for trade and enterprise.

Thank you for providing me this opportunity to speak on a sector so critical for our economy in a city that so naturally embodies the spirit of this sector.

Policy Initiatives by the Reserve Bank

We in the RBI recognise that our aspiration of Viksit Bharat will be realised not only in our metros and large enterprises, but also in the workshops, factories, and service enterprises that MSMEs like you run in every district and state of this country. We believe that a financial system that does not serve its smallest, most numerous participants well, is not truly serving the economy well. We appreciate that if we have to go far, we have to take everyone along, especially the smallest ones. We acknowledge that this sector is the nursery of entrepreneurship - which is so vital for the economy.

We have been playing a supporting role in the development of this critical sector. Let me enlist some of the regulatory measures which have played a facilitative role in expanding access to finance for MSMEs in India.

- One, Priority Sector Lending classification covers all MSME loans, with a dedicated sub-target for micro enterprises, ensuring directed credit flow to the most underserved segment of the sector.
- Two, we have mandated banks to provide collateral-free loans for small amounts to MSEs. The limit of collateral-free loans for MSME was recently doubled from 10 lakh to 20 lakh. This can be extended to 25 lakh for businesses showing consistent financial track record.
- Three, through the Credit Guarantee Fund Trust for Micro and Small Enterprises, we have worked with the Government to expand guarantee cover for MSEs substantially. The guarantee reduces the risk perception that has historically made banks cautious about lending to smaller borrowers who are unable to provide collateral. Moreover, zero risk weight for capital charge on the CGTMSE-guaranteed portion of MSE loans creates meaningful capital incentives for banks to extend credit to enterprises that are creditworthy but collateral-deficient.
- Four, we enabled the Trade Receivables Discounting System. It allows MSMEs to convert their receivables into immediate liquidity by discounting invoices on a transparent, competitive electronic platform. We have steadily lowered the threshold at which large buyers are required to onboard onto TReDS. I would urge every enterprise in this room that has not yet done so, to register and to actively encourage your buyers to do the same.
- Five, we have provided simplified working capital norms for MSEs thereby facilitating ease of availing finance.
- Six, PSL recognition for NBFC on-lending and co-lending arrangements, has broadened the institutional channels through which MSMEs can access credit.
- Seven, we enabled the Account Aggregator framework. It has facilitated lending to the tune of 3.5 lakh crore in FY 2025-26 and has the potential to scale up manifold.
- Eight, recently, we prohibited commercial banks from levying pre-payment charges on floating-rate loans granted to individuals and MSEs, regardless of the source of repayment funds.
- There are many more.

Structured engagement with the sector

Moreover, as a regulator, and as a partner in our collective aspiration of nation-building, we also realise that constant engagement with all stakeholders is necessary. Some of our regulatory measures are actually the outcome of valuable insights and suggestions received from you. Therefore, we have established an institutional mechanism for

structured engagements with the MSMEs. Our Regional Offices have been conducting MSME Town Hall Meetings, providing a dedicated platform for direct dialogue with entrepreneurs, lenders, and ecosystem stakeholders. I too meet the MSME associations from time to time.

We are also conducting a special capacity building program of NAMCABS³ through our Regional Offices. The objective of this program is to familiarize bankers with the entire gamut of credit related issues of the MSME sector and develop entrepreneurial sensitivity amongst them.

In the same vein, we have constituted Empowered Committees on MSMEs (EC-MSME) to periodically review the progress in MSME financing and resolution of stressed MSMEs. We have recently broadened the agenda items of this meeting to include various pertinent items such as monitoring of credit linkage and pendency of MSME credit applications. These measures, no matter how small they appear, can have transformational impact on the entire ecosystem.

Building a resilient future

Our regulatory and facilitative measures along with several Government schemes including MUDRA and CGTMSE have led to significant improvement in formal credit to MSMEs. Consequently, the credit outstanding by SCBs to the MSME sector stood at 36.79 lakh crore as on December 31, 2025, with a healthy CAGR of around 15% during the past five financial years. In the state of Kerala too, SCBs' credit to MSMEs grew at a healthy CAGR of 13.5% during the past five financial years, with credit outstanding at 1 lakh crore as on December 31, 2025.

While considerable progress has been made in, I would not stand here and say that we have covered the credit gap. We have not. But I would certainly say that we have made considerable progress in meeting the financing needs of the MSME sector in the last few years. I would confidently claim that we have covered a lot of the gap. Moreover, we have covered the gap at a fast pace. Bank credit to MSMEs in the last five years grew at a CAGR of 15 per cent, while overall bank credit grew at a CAGR of 13.7 per cent during the same period.

Simultaneously, we are also trying to smoothen the credit flow by removing frictions. Development of Unified Lending Interface is one such example in that direction. If I may draw an analogy that will resonate with many of you: just as UPI transformed how this country moves money - instantly, digitally, and without friction - we believe that Unified Lending Interface has the potential to do the same for how this country accesses credit.

ULI allows lenders to assess an MSME borrower with the help of digital data - GST filings, bank statements, utility records, land records, and more - pulled together through a single interface based on borrower consent, rather than through weeks of paperwork and physical verification. For an enterprise with a thin credit history but a genuinely strong business, this is transformative: it allows you to be judged on the true, current state of your business, quickly and with far less friction.

We will continue to work with all stakeholders to ensure that the financing needs of the MSMEs are met fully. We are together with you in this journey. We shall continue to

strive to create a conducive financial system for your growth and prosperity. In this regard, I expect our financial institutions to step up in a number of ways.

One, financial institutions – public and private - must invest in our enviable DPI stack including the Account Aggregator framework, ULI, TReDS, GST data trails, and Aadhaar-enabled authentication. This will help create conditions for a fundamentally more inclusive credit ecosystem.

Two, they must accelerate the implementation of various schemes like Priority Sector Lending, MUDRA, PM-SWANIDHI, PM Vishwakarma, Credit Guarantee Scheme for MSEs, etc.

Three, we look to banks and lending institutions to internalise a fundamental reorientation in their approach. MSMEs should not be considered as a regulatory obligation alone, but as long-term business partners whose sustained growth generates durable financial returns and broad social value. Relationship banking, deepened and informed by digital data, can be a powerful and humanising complement to technology-led credit delivery.

Similarly, I also expect the MSMEs to seize the opportunity. My ask from the MSMEs is simple and straightforward.

One, take ownership of your growth by investing in technology, R&D and innovation as consumer preferences and expectations evolve.

Two, engage actively with us through all our instruments - TReDS, ULI, the Account Aggregator framework, co-lending, etc - that have been built for you, through all our entities – banks and NBFCs - and continue to bring your concerns to forums like our townhalls. Benefits of Government schemes can be availed only for units registered under URC. I request all of you to register which is entirely online and free of charge relying on PAN and Aadhaar.

Three, I would also like to highlight that businesses are built on the foundation of trust. It is important to build and sustain relationships with your stakeholders – creditors, suppliers and customers. Just like quality and timely delivery are essential to build trust for long relationship with customers; just like honouring contracts are important for retaining the trust of reliable suppliers and service providers; similarly, formalisation, digital adoption and financial discipline are vital for securing and sustaining the trust of financiers.

As for the Reserve Bank, our commitment to you is equally simple: we will continue to build the rails, reduce the friction, and stay in the room with you as this sector grows.

Today, as we approach MSME Day, let this be our shared resolve - not merely to mark the contribution of this sector once a year, but to keep building, every single day, a financial system worthy of the enterprise and resilience you bring to it. To every entrepreneur in this hall, and to the millions like you across this country: I commend you for what you build, often quietly, often without commensurate reward or recognition, every single day.

With these words, let me conclude and wish you all the best for your future endeavours.

¹ Economic Survey 2025-26

² Data on Udyam registration portal as on June 11, 2026

³ (National Mission for Capacity Building of Bankers for Financing MSME Sector)