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The MSME Metamorphosis: How digital tools and smart banking are creating a new blueprint

A digitally enabled MSME ecosystem, backed by data-driven financial institutions, is becoming a key catalyst for sustainable growth

In India, the MSME sector is a strategic pillar of the economy, contributing approximately 30% to the GDP and serving as the second-largest employment generator, supporting tens of millions of jobs across both urban and rural India. It fuels entrepreneurship, regional development and strengthens supply chains, making it indispensable to India's ambition of becoming a global manufacturing and innovation hub.

Despite their economic importance, MSMEs often lack traditional credit histories, with the sector facing an estimated ₹80 lakh crore in unmet credit needs. This gap makes risk assessment challenging for lenders and has historically kept millions of viable businesses underserved or excluded from formal financing. Reaching these MSMEs means addressing the absence of credit history through intelligent automation, and financial institutions (FIs) are uniquely positioned to lead this transformation.

Today's financial institutions leverage tailored solutions that meet the critical demands of MSMEs, including lending, working capital, supply chain, and export financing. This enables them to offer truly end-to-end financial support. By automating underwriting and integrating alternative data, such as GST filings, invoice history, and transaction patterns, FIs can achieve a higher risk assessment accuracy and enable more inclusive credit decisions. This creates a seamless borrowing experience for MSME customers, providing faster

access to capital, simpler management tools, and greater transparency throughout the loan journey.

The synergy between a digitally empowered

MSME sector and data-driven financial institutions creates a powerful growth engine.

By making finance more accessible and intelli-

gent, this digital bridge will unlock the latent potential of India's entrepreneurial backbone, fueling innovation, competitiveness, and inclusive economic

expansion on the global stage.

Sunil Pandita is senior VP and head of Business, India & South Asia, Newgen Software

Punjab & Sind Bank
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CGTMSE coverage available up to Rs 10 crore

PSB Rice Sheller Scheme
Finance for rice shelling units
Need Based Finance
ROI Starting From 7.59%*
CGTMSE coverage available

Agriculture Infrastructure Fund (AIF)
Need based Finance
3% Interest subvention up to Rs 2 Crore
ROI: 9% upto 2 Cr.
CGTMSE coverage available

PMFME Scheme For Micro Food Processing Entrepreneur
Need Based Finance
ROI Starting From 7.59%*
CGTMSE coverage available
Credit linked subsidy @35%

Financing Against Pledge of e-NWR & WHR
Financing available for Farmers & Entrepreneur
ROI Starting From 7.85%*
CGTMSE coverage available
Collateral - Nil*

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ROI: 9.10%*

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