

How Tailored MSME Banking Solutions Are Powering the Next Wave of Small Business Growth Across Bharat

-Umesh Arora



India's next phase of economic expansion is increasingly shaped by smaller cities that are redefining their role in the national economy. These centres are emerging as hubs of production and enterprise, enabled by skilled communities, improved connectivity and a growing cohort of entrepreneurs who are scaling traditional skills for wider markets. Their rise signals a shift in the country's economic geography.

The depth of this shift is reflected in the scale of activity within the MSME sector. According to Press Information Bureau notification by Government of India on account of Udyami Diwas – MSME Day 2025, MSMEs constituting over 6.3 crore enterprises, contribute close to 30% of GDP and account for nearly 45% of exports. According to Union Minister for MSME, Mr. Jitan Ram Manjhi, they have generated an estimate of 280 million employment opportunities over the past decade. This, underscores the formalisation and diversification now taking root across smaller manufacturing and craft-based centres."

The momentum is particularly visible in the eastern and north-eastern region. States including West Bengal, Assam, Tripura and Odisha anchor a diverse MSME base built on handloom weaving, natural fibre processing, bamboo and cane craft, jute products and food processing. Their strength lies in industries that combine cultural heritage with the rising global demand for sustainable and responsibly produced goods. Improved logistics and digital payments have widened their access to national markets, while online commerce has opened new pathways for artisans and micro-producers.

The Northeast stands out as a major contributor to India's textile economy. The Ministry of Development of North Eastern Region in its profile for Investor Summit 2025, has recorded that the region has over 1.6 million handloom weavers and accounts for more than half of the country's looms and weaving workforce. It produces close to 93% of India's shawls, stoles and scarves and more than half of all handwoven dress material. It also contributes almost a quarter of India's silk output, with iconic products such as Assam's Muga silk. Abundant bamboo, cane, banana fibre and water hyacinth give the region a natural advantage at a time when global markets show growing interest in eco-friendly home and lifestyle products.

Tripura reflects this depth through its strong network of handloom clusters, bamboo craft units and cottage enterprises. Agartala functions as the commercial anchor, linking artisans to buyers and logistics networks. Many of these enterprises are women-led and operate through community-based structures. Their products, from traditional Rignai textiles to bamboo furnishings, are gaining wider visibility as digital commerce expands.

Role of customised finance

For this momentum to translate into durable growth, finance must be both accessible and suited to the realities of these clusters. Conventional approaches that rely heavily on collateral, uniform documentation and predictable cash flows do not align well with sectors that operate on seasonal cycles, variable production timelines and high working-capital intensity.

Tailored solutions remain essential. Working capital loans, invoice-based financing, supply-chain-linked limits and secured products such as Loan Against Property help small firms manage liquidity and invest in capacity upgrades. Overdraft and working capital overdraft facilities support continuity during slower months, which is particularly relevant for textile and handicraft enterprises.

Public guarantee programmes such as MUDRA and CGTMSE are reinforcing this architecture by enabling lenders to extend credit to first-time borrowers and micro-units that may lack collateral but demonstrate strong enterprise potential. Digital tools are expanding these possibilities further. Mobile-based applications, alternate-data-driven assessment models, integrated processing systems and digital payment trails allow lenders to evaluate businesses even when documentation is limited. These innovations become more effective when coupled with on-ground teams capable of interpreting local business patterns, assessing informal cash flows and guiding entrepreneurs through formal financial processes.

Advisory remains a critical component in this journey. Record-keeping, financial discipline, statutory compliance and inventory management are often the capabilities that determine whether a micro-enterprise can scale. Community-based literacy drives and cluster-level capacity-building programmes have shown promising results in regions where financial literacy remains limited. When advisory support is integrated with credit, the transition from informal to formal enterprise becomes more predictable and sustainable.

Agartala offers practical evidence of what this combination of tailored credit and advisory can achieve. For instance, a weaving unit in the city recently shifted from informal borrowing to a structured working capital facility calibrated to its production cycle. The business upgraded its looms, secured orders from newer markets and expanded employment within the community. Digital payments helped establish a transaction record, enabling further credit enhancement. Similar stories are emerging across Tripura's bamboo craft and handloom clusters, illustrating how responsive financial systems can convert traditional skills into competitive enterprise.

Unlocking the potential

According to Press Information Bureau notification by Ministry of Commerce & Industry in 2023-24, the textile and apparel sector, contributes about 2.3% to GDP, 13% to industrial output and 12% to exports, depends heavily on MSME clusters for its competitiveness. Their growth is directly shaped by how effectively financial systems understand and respond to their operating context. When credit frameworks are sensitive to the dynamics of clusters such as those in Tripura and other clusters in the country, they strengthen not just individual businesses but the economic resilience of entire regions. For banks, this landscape presents a long-term opportunity. Deeper regional portfolios, differentiated lending models and partnerships rooted in local insight will define the next decade of MSME finance. Institutions that invest in local understanding, build advisory capabilities and design products calibrated to business cycles will help transform regional strengths into national competitiveness, thereby shaping the contours of India's next growth story.

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