Address by Shri Tuhin Kanta Pandey, Chairman, SEBI
"Capital Market Access - advantages and challenges for SMEs"
India SME Finance & Investment Summit
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Mr. Ashishkumar Chauhan, MD&CEO, NSE, Mr. Chandrakant Salunkhe, Founder and President, Manufacturers & Exporters Association of India and SME Chamber of India, leaders of Indian industry, market intermediaries, ladies and gentlemen. Good morning!

I am delighted to address this gathering at the "India SME Finance & Investment Summit". We are here to discuss how our SMEs can be empowered to make India a manufacturing hub and achieve our goal of a 'Viksit Bharat'

Over the next two decades, India will need sustained investment across infrastructure, energy transition, housing, service excellence, and urban development. This growth cannot be financed by the banking channel alone - a deep, liquid, and trusted capital market is required to complement the banking system.

So today, I want to speak to you about how capital market access can help Indian SMEs grow - its requirements from issuers, intermediaries, and what SEBI is doing to strengthen this pathway.

MSMEs - Powering India's Growth Story

India remains among the fastest-growing major economies and is on a trajectory to becoming the world's third-largest economy, with real GDP estimated to grow at 7.4% for FY26[1].

With over 70 million enterprises, MSMEs are central to India's growth and resilience - contributing ~35% of manufacturing, 49% of exports, and 31% of GDP. They are also the second-largest employer after agriculture[2]. Around 1.5% of MSMEs are Small and Medium Enterprises (SMEs)

Our dedicated SME platforms on NSE and BSE have transformed from niche channels into powerful engines for capital formation. Over 1400 SMEs have listed, with current market capitalization of this segment being about ₹4.1 trillion. More than 350 SMEs have migrated to the Main Board, proving that this is a viable pathway for long-term integration.

Fund raising in this segment has grown strongly. In FY25, 241 SME IPOs raised ₹98 billion, while in FY26, till January 31, 2026, 232 SME IPOs have raised ₹105 billion. It is also encouraging that one SME has raised debt through the stock exchanges in FY26.

The industrial profile of SMEs accessing equity markets has also broadened. Capital goods have been the largest contributor by number of listings, indicating that SME platforms are increasingly supporting industrial expansion. We are also seeing an increase in consumer, information technology, and services linked SMEs coming for listing.

[1] Source: MoSPI estimates dated January 7, 2025
[2] Source: NSO, MoSPI, Udyam Registration Portal

Over the last three years, issue sizes have scaled up, reflecting stronger issuer confidence and expanding investor appetite. Investors are also becoming more discerning and price discovery is increasingly linked to fundamentals.

This is a healthy direction, provided we keep strengthening disclosure quality and post-listing compliance, so that SME markets remain a credible pathway for long-term growth and investor trust.

SMEs - Case for Listing and What Holds Them Back

Listing on a stock exchange can be transformative for an SME. It provides long-term, risk-bearing growth capital, reduces over-dependence on banks, creates a transparent market-based valuation, and builds a strong platform for future fundraising.

Equally important, listing brings a governance upgrade, which improves investor confidence and, over time, can lower the cost of capital as markets reward credibility and consistency. Listing also delivers visibility through stronger brand recognition and improved credibility with customers, suppliers, and lenders.

At a system level, greater SME participation in markets also diversifies financing channels, reduces risk concentration in the banking sector, and frees bank capacity for genuine working capital and priority lending.

Yet, the SME capital market remains under-scaled relative to India's potential. Many SMEs still hesitate because capital markets feel unfamiliar and there is limited access to credible intermediaries such as merchant bankers. The cost of raising capital through IPOs may also deter many SMEs.

Practical guidance on filing documentation is often unclear, leading to avoidable iterations and delays that make the IPO route appear cumbersome. In addition, disclosure and compliance requirements are sometimes viewed as burdensome, particularly where internal governance systems are not yet mature.

Sometime back, another barrier to access capital from markets emerged due to egregious instances of some SMEs misusing the relaxations available under the SME framework. Such instances adversely affected investor sentiment in SME IPOs.

SEBI had observed instances where listed SMEs were diverting issue proceeds to related parties or to shell companies controlled by promoters. Some SMEs were also indulging in unfair trade practices to create a positive sentiment and induce investors into purchasing their securities. Therefore, the SME framework was strengthened so that only entities with sound track records could access public markets and investors are protected.

In parallel, stock exchanges have also strengthened the SME listing and post-listing ecosystem to make it more predictable for serious issuers. Exchanges are now having deeper engagement with the merchant bankers and promoters to understand the business model. As a result, the quality of offer documents has improved. Due diligence has been strengthened - exchanges are now carrying out site visits to SMEs, their subsidiaries, vendors, and third parties who may be beneficiaries of the objects of the issue. Stock exchanges are also using technology, including AI, to process DRHPs to significantly reduce approval timelines.

All of these measures are aimed at one outcome - better quality issuers, credible use of proceeds, stronger disclosures and governance, which leads to higher investor confidence and healthier long-term liquidity.

Way Ahead

We are undertaking a comprehensive review of the LODR Regulations to eliminate redundancy and ambiguity. Regulatory and disclosure requirements applicable to SMEs are also being examined to enhance ease of doing business, while retaining appropriate investor safeguards.

SEBI, in coordination with stock exchanges and key stakeholders, is working towards a dedicated SME portal - a one-stop digital gateway with issuer information and clearly mapped compliance guidance. This initiative will enhance transparency and simplify regulatory processes for issuers.

Our data shows that the Western region continues to dominate in terms of SME IPOs - around 44% of IPOs in this financial year are from the West. The Northern, Eastern, and Southern regions account for 32%, 14%, and 10%, respectively. This reinforces the need for deeper outreach beyond traditional centres to widen participation of quality SMEs. Stock exchanges and industry bodies are already conducting such structured outreach programmes on SME listing. However, they need to do more to prepare and attract SMEs to the capital markets. I urge SME Chamber to work together with the exchanges, SIDBI, and the Indian Banks' Association to carry out deeper engagement with SMEs and entrepreneurs.

SEBI is also going to open its Local Officers in state capitals in a phased manner. This will facilitate SMEs to have easier access to information on listing and post-listing processes.

Merchant Bankers play a very important role in pre- and post-listing of SME IPOs. In addition to managing the IPO, they are also responsible for ensuring market making. I urge merchant bankers to continue their efforts to inform and educate issuers about the IPO process and post listing requirements.

The recently launched ‘SME Listing Handbook’ by the Association of Investment Bankers of India can support capacity building for issuers and merchant bankers. The ‘Handbook on SME IPOs’ published by ICAI can also be helpful in this regard.

Efforts are underway to further deepen the corporate bond market. We will be holding a series of pan-India outreach programs to build issuer and investor awareness on corporate bonds. I urge SMEs to also participate in these programs.

Closing

In closing, SMEs will have to be at the forefront if India must become a manufacturing and innovation hub. SMEs will need a financing stack - bank credit for working capital, equity for growth, and market-based debt for scale. Each step will require better governance, sharper disclosures, and stronger credibility.

SEBI will continue to be a guardian of trust and facilitate efficient capital formation. But real scaling will happen when SME leaders and ecosystem partners choose transparency as a strategy, not a compliance burden.

I look forward to your ideas, your feedback, and a constructive dialogue.

Thank you. Jai Hind!