

Cabinet approves equity support to Small Industries Development Bank of India

Flow of credit to MSMEs will increase as SIDBI will be able to generate additional resources at competitive rates

Approximately 25.74 lakh new MSME beneficiaries will be added

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The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi has approved the equity support of Rs.5,000 crore to Small Industries Development Bank of India (SIDBI).

The equity capital of Rs.5000 crore shall be infused into SIDBI by the Department of Financial Services (DFS) in three tranches of Rs.3,000 crore in Financial year 2025-26 at the book value of Rs.568.65/- as on 31.03.2025 and Rs.1,000 crore each in Financial Year 2026-27 and Financial year 2027-28 at the book value as on 31st March of the respective previous financial year.

Impact:

Post equity capital infusion of Rs.5000 crore, number of MSMEs to be provided financial assistance is expected to increase from 76.26 lakh at the end of Financial Year 2025 to 102 lakhs (approximately 25.74 lakh new MSME beneficiaries will be added) by the end of Financial Year 2028. As per latest data (as on 30.09.2025) available from official website of M/o MSME, 30.16 crore employment is generated by 6.90 crore MSMEs (i.e. employment generation of 4.37 persons per MSME). Considering this average, employment generation is estimated to be 1.12 crore with the expected addition of 25.74 lakh new MSME beneficiaries by the end of Financial Year 2027-28.

Background:

With a focus on directed credit and anticipated growth in that portfolio over the next five years, the risk-weighted assets on SIDBI's balance sheet are expected to rise significantly. This increase will necessitate higher capital to sustain the same level of Capital to Risk-weighted Assets Ratio (CRAR). The digital and digitally-enabled collateral-free credit products being developed by SIDBI, aimed at boosting credit flow, along with the venture debt being offered to start-ups, will further escalate the risk-weighted assets, requiring even more capital to meet healthy CRAR.

A healthy CRAR, well above the mandated level, is a key to protect credit rating. SIDBI will benefit from an infusion of additional share capital by maintaining a healthy CRAR. This infusion of additional capital would enable SIDBI to generate resources at fair interest rates, thereby increasing the flow of credit to

Micro, Small & Medium Enterprises (MSMEs) at competitive cost. The proposed equity infusion in staggered or phased manner will enable SIDBI to maintain CRAR above 10.50% under high stress scenario and above 14.50% under Pillar 1 and Pillar 2 over next three years.

MJPS

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