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AN EMPIRICAL STUDY OF EQUITY CAPITAL ACCESS FOR SMES THROUGH THE BSE SME PLATFORM

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ABSTRACT

Access to equity finance remains a critically important yet persistently underutilized pathway for growth among Small and Medium Enterprises (SMEs) in India, notwithstanding the sector's considerable contribution to national economic output, employment generation, and export earnings. With over 6.5 crore registered MSMEs collectively contributing approximately 30% of India's GDP, employing 28 crore persons, and accounting for over 45% of merchandise exports (MoMSME, 2023–24; SIDBI, 2025), the structural underdevelopment of equity finance channels for this sector represents a significant policy concern. This study examines the regulatory architecture, eligibility criteria, listing procedures, and market performance of the BSE-SME platform a dedicated equity capital market segment established in March 2012 under Securities and Exchange Board of India (SEBI) oversight. Employing a descriptive research design grounded in secondary data from BSE-SME platform records, MSME Annual Reports (2020–21 to 2023–24), Reserve Bank of India publications, and peer-reviewed academic literature, the study undertakes a longitudinal analysis of platform performance between 2021 and 2026. Findings indicate substantial absolute growth: total companies listed increased from 338 to 728; market capitalization expanded from ₹26,032 crore to ₹2,09,912 crore; and total capital raised grew from ₹3,492 crore to ₹15,961 crore. However, with only 527 companies actively listed as of June 2026, the platform remains accessible to a negligibly small fraction of India's 4.5 crore Udyam-registered enterprises, revealing a vast structural gap attributable to informational asymmetry, regulatory preparedness deficits, compliance apprehensions, and inadequate institutional outreach. The study concludes with evidence-based policy recommendations including

targeted awareness programs, capacity-building initiatives for SME promoters, and integration with complementary government financing schemes such as CGTMSE and PMEGP.

KEYWORDS: BSE-SME Platform, Equity Finance, MSME India, SME Capital Markets, SEBI Regulation, Financial Inclusion, Udyam Registration, SME IPO, Capital Market Access.

INTRODUCTION

The Small and Medium Enterprise (SME) sector constitutes one of the most economically vital segments of India's productive economy. According to the Ministry of Micro, Small and Medium Enterprises Annual Report (2023–24), MSMEs contribute approximately 30.1% of India's Gross Domestic Product (GDP), account for over 45% of total merchandise exports, and collectively employ approximately 28 crore persons a workforce that underscores the sector's indispensable role in inclusive socio-economic development. With over 6.5 crore enterprises now registered on the Udyam Registration Portal (MoMSME, 2023–24), India's MSME sector represents one of the largest and most diverse small-business ecosystems in the world.

Despite this macroeconomic significance, Indian MSMEs continue to face severe structural constraints in accessing growth capital particularly equity finance, which remains disproportionately concentrated among large-cap enterprises listed on mainstream stock exchanges. The challenge of financial access is not simply a liquidity problem; it is deeply structural, rooted in persistent information asymmetry, collateral inadequacy, and institutional design gaps that systematically disadvantage smaller enterprises (Beck & Demirguc-Kunt, 2006). The addressable credit gap in the MSME sector is estimated at approximately ₹30 lakh crore (SIDBI, 2025), a figure that reflects not only the scale of unmet demand for debt financing but also the virtual absence of organized equity market participation among the vast majority of MSMEs.

While debt financing through public sector banks, Regional Rural Banks (RRBs), and Non-Banking Financial Companies (NBFCs) has historically been the dominant formal funding channel for Indian MSMEs, the inherent limitations of debt instruments including high collateral requirements, fixed debt-servicing obligations, and cyclical credit tightening have intensified the relevance of equity-based alternatives. The Reserve Bank of India's Report on Trend and Progress of Banking in India (2022) documented that MSME credit from scheduled commercial banks stood at approximately ₹20.1 lakh crore as of March 2022, registering year-on-year growth of 30.6%. However, this figure predominantly reflects debt capital, leaving equity finance as a structurally underdeveloped dimension of the MSME capital structure.

In response to this financing gap, the Bombay Stock Exchange (BSE) launched the BSE-SME platform in March 2012 as a dedicated equity capital market segment calibrated specifically for small and medium enterprises, operating within the regulatory framework established by SEBI. Designed to extend the reach of organized capital markets to enterprises that would otherwise be unable to satisfy mainboard listing requirements, the platform enables eligible SMEs to raise public equity capital of up to ₹25 crore per issue under proportionately relaxed compliance norms. The National Stock Exchange (NSE) similarly established the NSE Emerge platform in 2012, offering an alternative dedicated SME equity channel. Together, these platforms represent India's institutional response to a financing gap that has been extensively documented in both academic literature and policy research.

The present study is motivated by an observable and striking divergence between the scale of India's MSME sector and the marginal penetration of equity finance through the BSE-SME platform. As of June 2026, only 527 enterprises were actively listed on the platform a figure representing a negligibly small proportion of the over 4.5 crore enterprises registered under the Udyam Registration Portal, and an even smaller fraction of the estimated total MSME population including informal enterprises. Moreover, recent primary survey evidence from Gujarat found that fewer than 16% of surveyed SMEs held a genuine intent to pursue listing on any SME equity platform, with compliance apprehension, ownership dilution concerns, and awareness deficits identified as primary deterrents (Mehta & Patel, 2025). Understanding the structural reasons for this gap, the mechanics of the BSE-SME platform's operation, and the policy interventions required to bridge it constitutes the central intellectual contribution of this study.

REVIEW OF LITERATURE

The challenge of financing small and medium enterprises has generated a substantial body of international and domestic scholarly inquiry, converging on a broad consensus that SMEs face systematically more acute capital constraints than large firms. This phenomenon has been variously theorized as the 'financing gap' (OECD, 2006), 'credit rationing' (Stiglitz & Weiss, 1981), and 'pecking order' behavior in SME capital structures (Myers & Majluf, 1984). The Indian context presents particular complexity, given the pronounced heterogeneity of the MSME sector, the historical dominance of informal financing channels, and the comparatively recent emergence of formalized equity instruments.

Beck and Demirguc-Kunt (2006) conducted a landmark cross-country empirical analysis demonstrating that small firms in developing economies consistently identify access to finance as a more significant obstacle to growth than taxation, corruption, or infrastructure inadequacy. Systematically validated across multiple survey cycles in the Indian context, their findings resonate with data from SIDBI (2021), in which credit unavailability and high financing costs ranked among the foremost constraints reported by MSME proprietors. Their theoretical framework emphasizing the role of information asymmetry, transaction cost differentials, and bank-borrower agency problems in perpetuating financing gaps remains the foundational reference for subsequent empirical work in this domain.

Berger and Udell (1995) extended this inquiry by examining relationship lending as a mechanism for mitigating information asymmetry in small business financing, demonstrating that long-term bank-borrower relationships generate soft information flows that partially compensate for the absence of formal credit history. Their work is instructive for the Indian context, where relationship-based informal financing has historically substituted for formal institutional credit. Berger and Udell (1998) further developed the concept of financial growth cycles, illustrating how financing needs and the appropriate capital instruments evolve as enterprises grow and mature a framework that has direct implications for understanding why equity finance becomes increasingly relevant for SMEs at specific developmental stages.

Within domestic literature, Khatri (2019) examined the structural challenges confronting the Indian MSME sector and highlighted the BSE-SME Exchange as a promising but underutilized instrument for broadening SME participation in organized capital markets. While acknowledging that listing requirements on the BSE-SME platform are significantly more accessible than those governing mainboard listings, Khatri identified a persistent reluctance among eligible enterprises, attributing it to limited financial literacy, compliance apprehensions, and inadequate awareness among promoters. Agarwal, Agrawal, Ajit, and Khan (2019) similarly identified equity finance access as one of the most acute structural challenges for Indian SMEs, situating it within a broader matrix of constraints including technological obsolescence and skilled labor shortages.

More recently, Mehta and Patel (2025) conducted a primary survey-based factor analysis of 132 SMEs in Gujarat, identifying six principal challenge dimensions confronting firms considering BSE-SME or NSE Emerge listing: compliance intensity, funded scale and external control concerns, structural stability requirements, strategic ownership defense, regulatory conformity expectations, and perceived decision-making complexity. Their finding that fewer than 16% of surveyed SMEs indicated genuine listing intent provides important behavioral evidence that complements the platform-level statistical analysis presented in the present study.

Rani and Hooda (2014) provided a systematic overview of structural issues confronting the MSME sector, noting that limited equity access compounds the vulnerability of smaller enterprises to economic shocks and restricts their capacity for long-term capital investment. Their analysis reinforced the argument that the equity gap carries structural implications for enterprise productivity, innovation capacity, and long-term survival dimensions that extend well beyond the immediate availability of capital. Banerjee and Duflo (2014), writing in the broader context of small business finance, argued that information asymmetries between lenders and borrowers are accentuated during economic downturns, suggesting that equity platforms may offer more resilient alternatives to debt instruments during periods of financial stress.

Internationally, comparative evidence from SME capital market development offers both instructive precedents and cautionary lessons. China's ChiNext board, established on the Shenzhen Stock Exchange in 2009, expanded to host over 1,200 listed companies by 2022 with a combined market capitalization exceeding USD 3 trillion (World Bank, 2022), demonstrating the potential scale achievable through sustained institutional commitment and investor education. South Korea's KOSDAQ market illustrates how regulatory calibration and market infrastructure investment can generate meaningful SME equity participation, having hosted over 1,500 listed companies across technology and growth sectors (OECD, 2015). Germany's Mittelstand model, while not equity-market-centric, demonstrates how patient capital provision, relationship banking, and targeted state guarantees can sustain a dynamic SME ecosystem (Berger & Udell, 1995). These international precedents collectively indicate that robust SME equity markets can be developed successfully, but require coordinated institutional support extending well beyond the mere creation of a trading platform.

The Bombay Stock Exchange's own policy evolution provides a domestic longitudinal perspective. SEBI's Policy Paper on Issues and Concerns in the SME Segment of the Capital Market (2010) formally articulated the rationale for dedicated SME exchanges, acknowledging the systemic failure of mainboard mechanisms to serve smaller enterprises and recommending proportionate regulatory frameworks. This policy document provided the foundational impetus for the establishment of both the BSE-SME platform (March 2012) and

NSE Emerge (November 2012), marking a structural watershed in India's approach to SME capital market development.

The literature thus establishes a clear and mutually reinforcing theoretical and empirical foundation for the present inquiry. While dedicated equity platforms for SMEs constitute a structurally sound response to the financing gap, their effectiveness is contingent on addressing informational, behavioral, regulatory, and institutional barriers that prevent eligible enterprises from utilizing them. The present study contributes to this literature by providing an updated empirical assessment of the BSE-SME platform's five-year trajectory (2021–2026) and by deriving specific, evidence-grounded policy recommendations for improving its reach and accessibility.

MATERIALS AND METHODS

This study adopts a descriptive research design, drawing exclusively on secondary data to analyze the BSE-SME platform's structure, regulatory framework, and market performance. A descriptive methodology is appropriate given the study's objectives of documenting and analytically interpreting an existing institutional mechanism, rather than testing causal hypotheses (Kothari, 2004). The study does not purport to establish causal relationships between platform design features and enterprise outcomes, but rather to describe the platform's operation, quantify its reach, and identify structural features that may explain the observed equity access gap.

Secondary data were drawn from four principal source categories. First, official documentation published by the BSE-SME platform (www.bsesme.com), including listing procedures, eligibility criteria, regulatory circulars, and market performance statistics, served as the primary institutional source. Second, the Annual Reports of the Ministry of Micro, Small and Medium Enterprises for 2020–21, 2022–23, and 2023–24 provided macro-level data on enterprise registration, sectoral distribution, employment, and GDP contribution. Third, reports published by the Reserve Bank of India (RBI), the Small Industries Development Bank of India (SIDBI), and SEBI were consulted for data on MSME credit flows, financing conditions, and regulatory framework evolution. Fourth, peer-reviewed academic journals and policy research publications were reviewed to situate the platform within broader debates on SME financing.

Market statistics from the BSE-SME platform were recorded at two reference points May 23, 2021 and June 10, 2026 to enable longitudinal comparison of platform growth across approximately five years. Sectoral distribution data were drawn from the MSME Annual

Report 2020–21 and cross-referenced with more recent Udyam Registration Portal data available from the MoMSME (2023–24). Descriptive statistical analysis was employed to interpret growth trends, quantify the structural equity access gap, and derive policy implications.

The study is subject to certain limitations that warrant acknowledgment. As a secondary data-based analysis, it does not incorporate primary survey evidence from SME proprietors, merchant bankers, or other capital market intermediaries, whose firsthand perspectives would enrich understanding of the behavioral dimensions of listing decisions. Furthermore, Udyam Registration data, while providing the most current official enumeration of registered MSMEs, may not fully capture the universe of enterprises genuinely eligible for BSE-SME listing, given that eligibility requires specific corporate form, track record, and financial health criteria that many registered MSMEs may not satisfy. Future research employing mixed-methods approaches combining platform performance data with primary survey or interview evidence would be well-positioned to address these limitations.

CONCEPTUAL FRAMEWORK AND ANALYSIS

Equity Finance and Its Significance for MSMEs: Equity finance, defined as capital raised through the issuance of ownership interests rather than debt instruments, offers several structural advantages for small and medium enterprises at particular stages of their growth trajectory. Unlike debt capital, equity does not impose fixed repayment obligations, thereby reducing enterprise vulnerability to cash flow volatility a condition that is particularly acute for smaller firms operating in competitive, demand-uncertain markets (Berger & Udell, 1998). From a balance sheet perspective, equity strengthens the enterprise's capital base, enhances its debt serviceability, and improves its eligibility for subsequent institutional credit at more favorable terms.

Beyond the direct financial benefits, equity listing on a recognized exchange confers important reputational and signaling effects. Listing signals institutional quality to potential customers, suppliers, and business partners; enhances the enterprise's visibility among institutional investors and lenders; provides price discovery for enterprise value; and creates a liquid instrument for early investors and promoters to realize partial exits over time (Khatri, 2019). These externalities can generate long-term enterprise value that significantly exceeds the immediate capital raised through the listing event itself.

In the Indian MSME context, dominant financing channels have historically been informal, comprising personal savings, family and community networks, trade credit, and moneylenders supplemented by formal bank debt from scheduled commercial banks and NBFCs, which serve only approximately 16% of MSMEs with institutional loans (IJNRD, 2024). The SIDBI Annual Report (2025) estimated India's addressable MSME credit gap at approximately ₹30 lakh crore, representing an enormous unmet financing need that debt instruments alone are unlikely to bridge. Against this backdrop, equity platforms such as the BSE-SME exchange represent a structurally important, if currently underutilized, complement to the debt-dominated financing landscape.

MSME Sector Overview: Current Data from Annual Reports: India's MSME sector, as documented in the Ministry of MSME Annual Report 2023–24, has experienced significant structural transformation over the past decade, accelerated by key policy interventions including the revision of MSME classification criteria in June 2020 and the launch of the Udyam Registration Portal on July 1, 2020. The revised composite classification based on both investment in plant and machinery and annual turnover thresholds expanded the formal MSME category, enabling a larger cohort of enterprises to access government schemes and institutional financing instruments.

As of the most recent available data, the Udyam Registration Portal hosts over 4.5 crore registered enterprises, while the Udyam Assist Platform (UAP), launched in January 2023 to bring informal micro-enterprises into the formal ambit of Priority Sector Lending, registers an additional 2.72 crore informal micro-enterprises bringing the combined total to approximately 6.5 crore (MoMSME, 2023–24; PIB, 2025). In terms of macroeconomic contribution, MSMEs account for 30.1% of India's GDP, 35.4% of manufacturing output, 45.73% of total merchandise exports, and provide employment to approximately 28 crore persons representing the second-largest employment generator in India after agriculture.

Table 1: MSME Classification Framework under Revised Notification. (June 1, 2020)

Enterprise Category	Investment in Plant & Machinery	Annual Turnover
Micro Enterprise	Does not exceed ₹1 crore	Does not exceed ₹5 crore
Small Enterprise	Does not exceed ₹10 crore	Does not exceed ₹50 crore
Medium Enterprise	Does not exceed ₹50 crore	Does not exceed ₹250 crore

Source: MoMSME (2023–24); MSMED Act, 2006 (as amended June 1, 2020)

The sectoral composition of India's MSME sector reveals a pronounced concentration in micro enterprises. As reported in the MSME Annual Report 2020–21, micro enterprises account for over 99% of all registered MSMEs by number, with small enterprises constituting approximately 0.5% and medium enterprises less than 0.1%. This size distribution has direct implications for the BSE-SME platform: most registered MSMEs are micro enterprises that either do not satisfy the corporate form or financial track-record requirements for equity listing, or operate at a scale where the costs and benefits of public equity access are not commercially compelling. The eligible population for BSE-SME listing is, in practice, a relatively small subset of the total MSME universe — principally small and medium enterprises with incorporated company status, positive net worth, and meaningful revenue trajectories.

The BSE-SME Platform: Regulatory Architecture and Listing Process: The BSE-SME platform operates within the regulatory framework prescribed by SEBI's circulars governing SME exchanges, most significantly the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, and subsequent amendments. The platform was designed on the principle of proportionate regulation: maintaining essential investor protection standards while calibrating compliance obligations to a scale appropriate for smaller enterprises, thereby reducing the regulatory cost differential that had historically deterred SME participation in public equity markets.

The listing process on the BSE-SME platform proceeds through five principal stages, which BSE documentation characterizes as the '5 P's of Listing.' The first stage, Preliminary Assessment, involves the enterprise evaluating its eligibility against prescribed criteria and engaging a SEBI-registered Merchant Banker as the mandatory lead intermediary. The second stage, Preparation, encompasses the appointment of a Company Secretary, preparation and audit of financial statements, constitution of a qualified Board of Directors, and collection of due diligence documentation. The third stage involves drafting and filing the Draft Red Herring Prospectus (DRHP) with BSE for review and in-principle approval. The fourth stage covers the public offering process, including marketing activities, subscription period management, and allotment procedures. The fifth and final stage is formal listing and commencement of secondary market trading on the BSE-SME platform (BSE SME, 2024).

The eligibility criteria for new listings on the BSE-SME platform include the following requirements: incorporation as a company under the Companies Act, 2013 or its predecessor statutes; a post-issue paid-up capital not exceeding ₹25 crore; a minimum three-year operating track record, or alternatively, sponsorship by a SEBI-registered merchant banker; positive net worth in the most recently audited financial year; absence of any winding-up petitions, statutory defaults, or securities market debarment; and a minimum investor application size of ₹1 lakh, intended to attract sophisticated retail and institutional investors rather than retail speculators. These criteria are demonstrably more accessible than mainboard listing requirements, which mandate a post-issue paid-up capital of at least ₹10 crore, far more extensive disclosure documentation, and compliance infrastructure commensurate with larger enterprises (SEBI, 2018).

The benefits of BSE-SME listing, as catalogued by BSE (2024), encompass: access to risk capital without the fixed repayment obligations associated with debt; enhanced enterprise visibility, brand credibility, and corporate governance standards; improved institutional credit access following listing due to the transparency and regulatory compliance implied by exchange listing; liquidity for existing shareholders and promoters who can reduce their holdings over time; and eligibility for migration to the BSE mainboard upon achieving a paid-up capital of ₹25 crore or more and satisfying mainboard listing norms. As of June 2026, 201 companies had successfully migrated from the BSE-SME platform to the BSE mainboard — a notable indicator of the platform's role as a structured pathway to mainstream capital markets.

Comparative Analysis: BSE-SME and NSE Emerge: India maintains two dedicated SME equity platforms: the BSE-SME exchange and NSE Emerge, both established in 2012. As of June 2026, 524 companies were available for trading on NSE Emerge, with 159 companies having migrated to the NSE mainboard bringing total NSE Emerge listings since inception to approximately 683 companies. Market capitalization for NSE Emerge listed companies crossed ₹1,45,385 crore in March 2024, while the Nifty SME EMERGE Index has recorded a compound annual growth rate (CAGR) of 29.33% since its launch in 2017 (NSE, 2024). The BSE-SME platform, analyzed in the present study as the older and more extensively documented of the two, showed a market capitalization of ₹88,764 crore for its active listings as of June 2026. Taken together, these two platforms represent a combined market capitalization of approximately ₹2.34 lakh crore (BSE + NSE active listings), indicating the growing investment appetite for SME equity in India, though the enterprise coverage remains a minute fraction of the total MSME ecosystem.

Market Performance and Longitudinal Trends: 2021–2026: The market statistics of the BSE-SME platform, recorded at two reference points approximately five years apart, reveal substantial absolute growth across all key performance indicators, while simultaneously underscoring the platform's limited relative penetration of the broader MSME sector.

Table 2: BSE-SME Platform Market Statistics Longitudinal Comparison. (2021 vs. 2026)

Indicator	As on 23/05/2021	As on 10/06/2026	Change (%)
Total Companies Listed (Cumulative)	338	728	+115.4%
Market Cap of All Listed Cos. (₹ Cr.)	26,032.18	2,09,912.60	+706.3%
Total Capital Raised (₹ Cr.)	3,492.54	15,961.46	+357.0%
Companies Migrated to Main Board	99	201	+103.0%
Active Listings (as of date)	239	527	+120.5%
Suspended Companies	24	21	-12.5%
Companies Eligible for Trading	214	482	+125.2%
Companies Actively Traded	92	222	+141.3%
Market Cap of Active Listings (₹ Cr.)	10,814.84	88,764.36	+720.7%

Source: BSE SME Platform (www.bsesme.com); recorded May 23, 2021 and June 10, 2026

The data presented in Table 2 reveal several analytically significant trends. First, market capitalization growth expanding from ₹26,032 crore to ₹2,09,912 crore cumulatively, and from ₹10,814 crore to ₹88,764 crore for active listings substantially outpaced growth in the number of listed companies, indicating a significant increase in average enterprise valuation per listing. This suggests that enterprises now accessing the platform are either larger at listing, or have experienced considerable post-listing market appreciation. Second, the migration of 201 companies from the BSE-SME platform to the BSE mainboard representing 27.6% of all companies ever listed indicates a meaningful graduation pipeline, validating the platform's role as an incubation mechanism for mainboard-eligible enterprises. Third, the reduction in the number of suspended companies from 24 to 21, despite a substantially larger total listing pool, suggests an improvement in listing quality or post-listing governance compliance. Fourth, despite these positive trends, the proportion of companies actively trading (222 of 482 eligible, representing 46% of eligible companies) suggests persistent liquidity constraints in the secondary market, a concern that warrants attention from market infrastructure providers and regulators.

Sectorial Distribution and Enterprise Characteristics: The sectoral composition of India's MSME sector, as documented in the MSME Annual Report 2020–21, is characterized by a pronounced concentration in service activities and traditional manufacturing, with the food products sector generating 13.1% of MSME employment, textiles accounting for 11.45%, and non-metallic mineral products contributing 12.2% (MoMSME, 2020–21). In the services sector, education contributes 33% of MSME service activity, followed by retail trade at 18% and healthcare at 10%.

The sectoral distribution of BSE-SME listed companies, as documented by BSE (2024), differs markedly from the broader MSME sectoral profile. As of May 2024, capital goods and telecom collectively accounted for 58.44% of BSE-SME index market capitalization, followed by miscellaneous, consumer goods, and information technology sectors. This concentration in capital goods and technology-adjacent sectors rather than the food, textile, and service sectors that dominate the broader MSME landscape suggests that the platform predominantly attracts enterprises with asset-heavy capital structures and measurable revenue trajectories, rather than the service-oriented or micro-scale enterprises that constitute the bulk of the MSME universe. This observation has important implications for platform outreach strategy: awareness and capacity-building interventions must be specifically designed for the service and manufacturing SMEs in traditional sectors that are underrepresented on the platform.

RESULTS AND DISCUSSION

The following major findings emerge from the empirical analysis:

• The BSE-SME platform has demonstrated substantial absolute growth between 2021 and 2026, with cumulative listed companies increasing from 338 to 728 (+115%), total capital raised growing from ₹3,493 crore to ₹15,961 crore (+357%), and active listing market capitalization expanding from ₹10,815 crore to ₹88,764 crore (+721%). These figures attest to the platform's growing institutional credibility and investor confidence.

• Despite this growth, a vast structural equity access gap persists. With 527 actively listed companies as of June 2026 against an estimated 4.5 crore Udyam-registered enterprises, the BSE-SME platform serves approximately 0.001% of India's registered MSME universe. This gap cannot be attributed solely to eligibility constraints, as the number of incorporated small and medium enterprises with requisite financial characteristics likely numbers in the hundreds of thousands.

• Behavioral and informational barriers are significant. Primary survey evidence cited in this study (Mehta & Patel, 2025) found that fewer than 16% of SMEs surveyed indicated genuine intent to pursue listing, with compliance complexity, ownership dilution concerns, and low awareness of the platform's benefits identified as principal deterrents corroborating the informational asymmetry framework developed by Beck and Demirguc-Kunt (2006).

• Migration to the mainboard is a meaningful outcome: 201 of 728 historically listed companies (27.6%) have migrated to the BSE mainboard, validating the platform's function as a structured developmental pathway within the broader capital market ecosystem.

• The MSME sector's credit gap of approximately ₹30 lakh crore (SIDBI, 2025) — predominantly a debt financing shortfall — underscores the urgency of developing equity finance channels as a structural complement. MSMEs dependent exclusively on informal finance and bank debt remain vulnerable to credit cycle downturns and unable to pursue long-term capital investments.

•Sectoral distribution on the platform skews heavily toward capital goods and technology sectors, with traditional manufacturing, food processing, textile, and service sectors — which account for the bulk of MSME employment and output — significantly underrepresented relative to their economic weight.

• Recent regulatory tightening, including NSE's introduction of positive free cash flow requirements for NSE Emerge listings (effective September 2024), reflects a broader SEBI effort to improve listing quality and investor protection in the SME segment, which may modestly raise the effective eligibility bar for prospective issuers.

This study has undertaken a systematic empirical analysis of the BSE-SME platform as an institutional mechanism for extending equity capital access to India's small and medium enterprises. The findings reveal a sector-level platform that has achieved meaningful absolute growth over its first fourteen years of operation raising ₹15,961 crore for 728 enterprises and facilitating 201 mainboard migrations while simultaneously remaining accessible to only a vanishingly small fraction of the country's 4.5 crore Udyam-registered enterprises. This divergence between institutional existence and sectoral penetration represents the central policy challenge identified by this study.

The persistence of this gap, in the presence of a well-designed platform and a large eligible enterprise population, points unambiguously to structural barriers that the platform mechanism alone cannot overcome. These barriers encompassing informational asymmetry, behavioural risk aversion, compliance complexity, awareness deficits, and institutional capacity gaps require targeted, coordinated policy interventions spanning regulatory design, capacity building, and complementary financing architecture.

CONCLUSION

In conclusion, the BSE-SME platform represents an institutionally sound and increasingly successful mechanism for extending equity capital market access to India's small and medium enterprises. Its continued expansion, complemented by the targeted policy interventions outlined above, holds the potential to materially reduce India's SME equity access gap supporting enterprise growth, employment generation, and the productive transformation of one of the world's largest small-business ecosystems. Future research employing primary survey data from SME promoters, merchant bankers, and institutional investors, as well as panel data analysis of enterprise performance outcomes post-listing, would substantially enrich the evidence base for policy in this domain.

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