INDUSTRY OUTLOOK

Infomerics Valuation and Rating Limited

SEBI REGISTERED/ RBI ACCREDITED/NSIC EMPANELLED CREDIT RATING AGENCY

India's MSME Ecosystem: Performance Trends, Policy Support and Outlook

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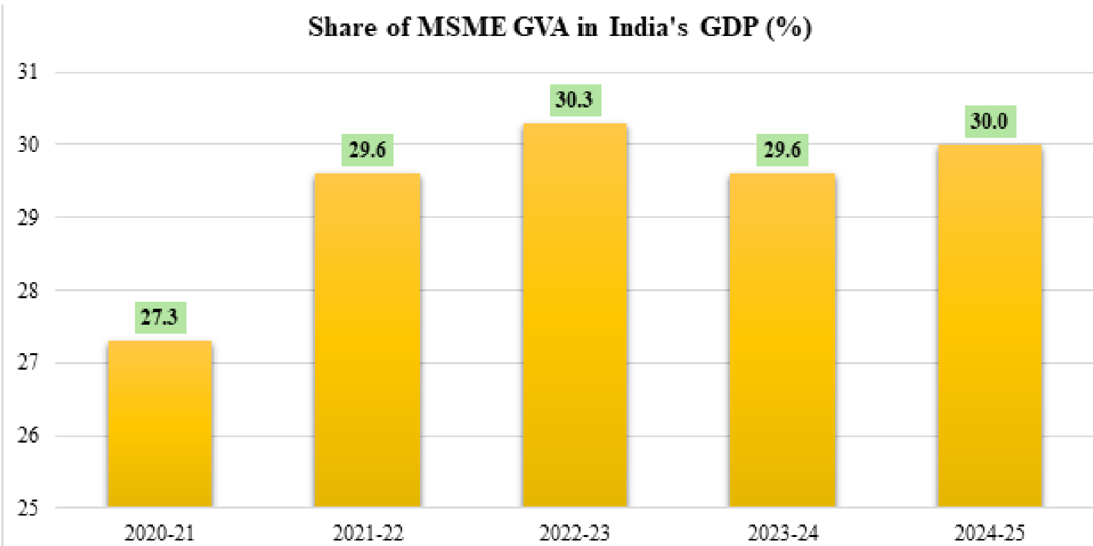
Introduction

India's MSME sector plays a pivotal role in driving inclusive economic growth by leveraging the country's large workforce and strong entrepreneurial base. MSMEs contribute nearly one-third of India's GDP, provide employment to over 29 crore people, and account for around 45-50% of total exports, underscoring their macroeconomic significance. [1] The sectoral diversity, combined with strong grassroots innovation, positions MSMEs as a critical engine of employment generation, exports, and balanced regional development [2 3 4 5]. Traditional handicrafts and village-level enterprises will remain integral to India's MSME ecosystem by providing sustainable livelihoods to a large segment of the workforce, particularly in rural and semi-urban areas [6 7] .

Expanding market access for these enterprises through coordinated efforts by government, industry, and financial institutions is essential to enhance their long-term viability[8 9]. At the same time, high-growth sectors such as defence, pharmaceuticals, auto components, clean tech, and deep tech alongside labour-intensive industries like leather, toys, and food processing, are expected to emerge as key drivers of MSME expansion. Supported by targeted policy initiatives, these segments can significantly contribute to MSME-led growth in pursuit of the Viksit Bharat vision by 2047.[10]

MSMEs' contribution to India's Gross Value Added (GVA) has shown a clear strengthening trend over FY2020-21 to FY2024-25, highlighting their rising structural importance in the economy. The share increased from 27.3% in FY21, reflecting pandemic-related disruptions, to 29.6% in FY2021-22 and further to a peak of 30.3% in FY2022-23, supported by post-COVID recovery, policy support, and improved formalisation. The marginal moderation to 29.6% in FY24 indicates temporary cyclical headwinds rather than structural weakness, with the share rebounding to 30.0% in FY2024-25. Overall, the data underscores the resilience of the MSME sector and its steady consolidation as a key driver of India's GDP.

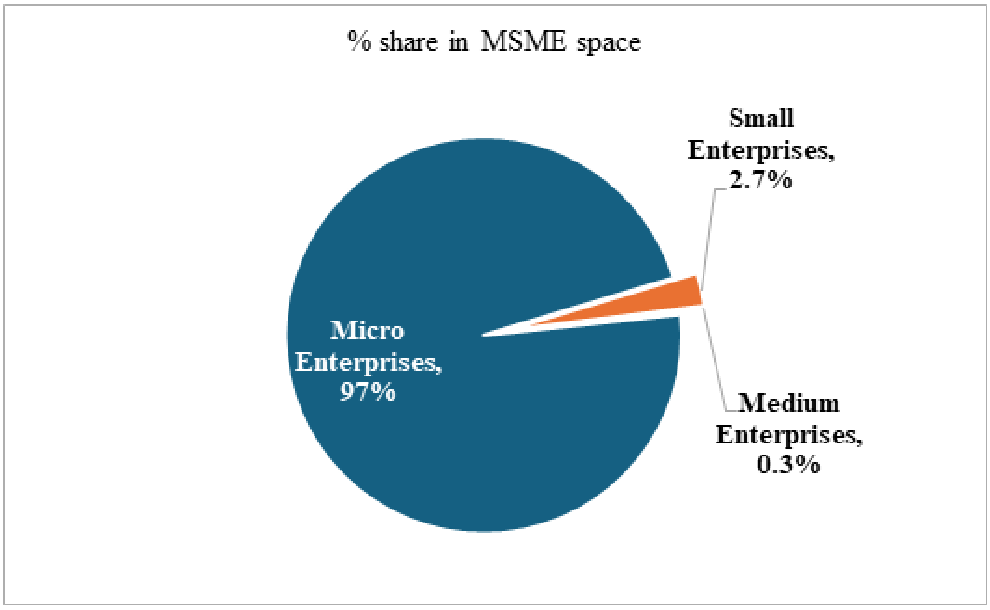
Chart 1: Share of MSME in India's GDP



Source: Annual Report 2024-25 (Part-I), SIDBI.

The composition of MSME units in India is overwhelmingly skewed towards micro enterprises, which account for 97% of total MSME units, reflecting the highly fragmented nature of the sector [11] [12] . Small enterprises, with a share of 2.7%, and medium enterprises, at just 0.3%, together constitute a very thin upper segment of the MSME ecosystem [13]. This distribution highlights the sector's strong employment orientation. It, however, also points to structural constraints in enterprise scaling, including limited access to growth capital, technology adoption challenges, and weaker market integration. As a result, policy efforts aimed at facilitating the graduation of micro units into higher size categories remain essential for improving productivity and strengthening the overall economic contribution of MSMEs (see Chart 2).

Chart 2: Percentage Share of MSME Unit



Source: PIB

Formalisation and Regulatory Enablement

Institutional efforts have strongly prioritised MSME formalisation and scale enablement. The Udyam Registration Portal and Udyam Assist Platform together recorded over 7.3 crore registrations by December 2025, significantly expanding the formal MSME base and access to policy benefits.Further, revised MSME classification norms, effective 1 April 2025, increased investment thresholds by 2.5 times and turnover limits by 2 times, allowing enterprises to grow without losing MSME benefits and supporting smoother graduation across size categories . [14]

Table 1: Revised Classification of MSMEs

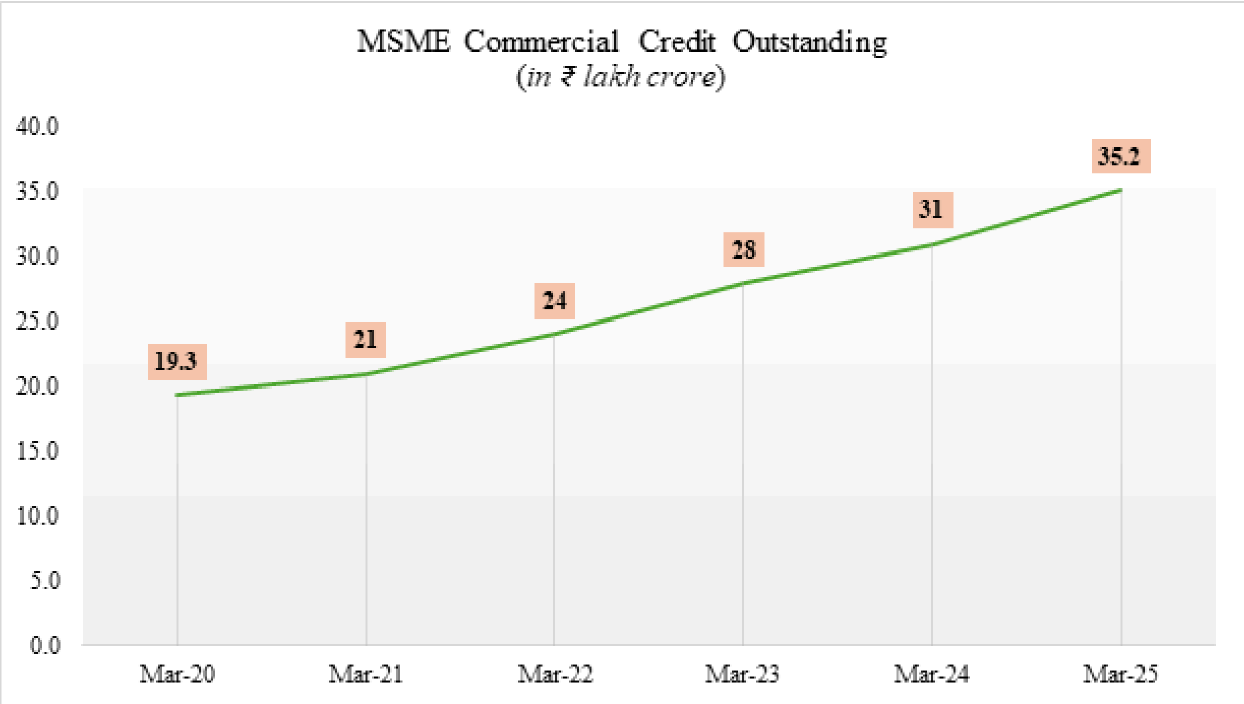
Enterprises	Investment (in ₹ crore)		Turnover (in ₹ crore)	
	Old	Revised	Old	Revised
Micro	1	2.5	5	10
Small	10	25	50	100
Medium	50	125	250	500

Source: Ministry of Micro, Small & Medium Enterprise

Status of Credit to MSMEs in India

Institutional commercial credit to India's MSME sector has continued to expand at a healthy pace, supported by improving formalisation, policy support, and sustained lender appetite [15] [16] [17] [18] [19] [20] [21] [22]. Outstanding MSME commercial credit increased from ₹19.3 lakh crore in March 2020 to ₹35.2 lakh crore in March 2025, reflecting a 13% CAGR (see Chart 3).

Chart 3: Trend in MSME Commercial Credit Outstanding



Note: Commercial credit captures the total outstanding credit exposure of MSMEs at a point in time, from all formal credit channels such as SCBs credit, NBFC lending and other institutional sources.
Source: MSME Pulse Special Edition, SIDBI and TransUnion CIBIL

Among institutional lenders, private sector banks played a key role in driving credit expansion to MSMEs, recording a 16% CAGR between March 2020 and March 2025. NBFCs, however, witnessed the fastest growth across lender categories, with their MSME credit portfolio expanding at a 19% CAGR over the same period (see Table 2). The growth in private banks' MSME exposure was primarily driven by overdraft facilities, which constituted 38% of their outstanding MSME credit as of March 2025. In contrast, NBFCs saw strong traction in business loans, which grew at a robust 39% CAGR over the five years and accounted for 23% of their portfolio outstanding as of March 2025, reflecting their increasing focus on unsecured and cash-flow-based lending to MSMEs.

Table 2: Commercial Credit Portfolio Distribution (Mar '25) | Lender Groups

Lender Category	Share of Balance	5-Year CAGR
Private Banks	43%	16%
PSU	34%	9%
NBFC	11%	19%
Others	12%	10%

Source: MSME Pulse Special Edition, SIDBI and TransUnion CIBIL

Public sector banks (PSBs), while retaining over one-third of the total MSME credit market share, recorded a relatively modest growth of 9% CAGR over the five years. Despite slower expansion compared to private banks and NBFCs, PSBs continued to play a pivotal role in financial inclusion, accounting for the highest share of credit originations to new-to-credit (NTC) MSME entities, at 57% of total PSB MSME originations in FY25.
Borrower exposure analysis reveals that entities with credit exposure in the ₹1-10 crore range recorded the fastest growth over the past five years. This segment also constituted the largest share of portfolio balances at 42%, supported by a robust 5-year CAGR of 14%. The borrower segments demonstrate distinct credit requirements, shaped by variations in industry profiles, geographic dispersion, and the mix of lenders addressing their financing needs. A granular assessment of each segment is therefore critical to capture the evolution of credit demand and structural shifts observed over the last five years (see Table 3).

Table 3: Commercial Credit Portfolio Distribution (Mar '25) | Borrower Exposure Level

Borrower Segment (Aggregate Credit Exposure)	Share of Outstanding Portfolio	5-Year CAGR	Share of Credit Active Entities
Up to ₹1 crore	24%	12%	92%
₹1 crore - ₹10 crore	42%	14%	7%
₹10 crore - ₹50 crore	34%	13%	1%

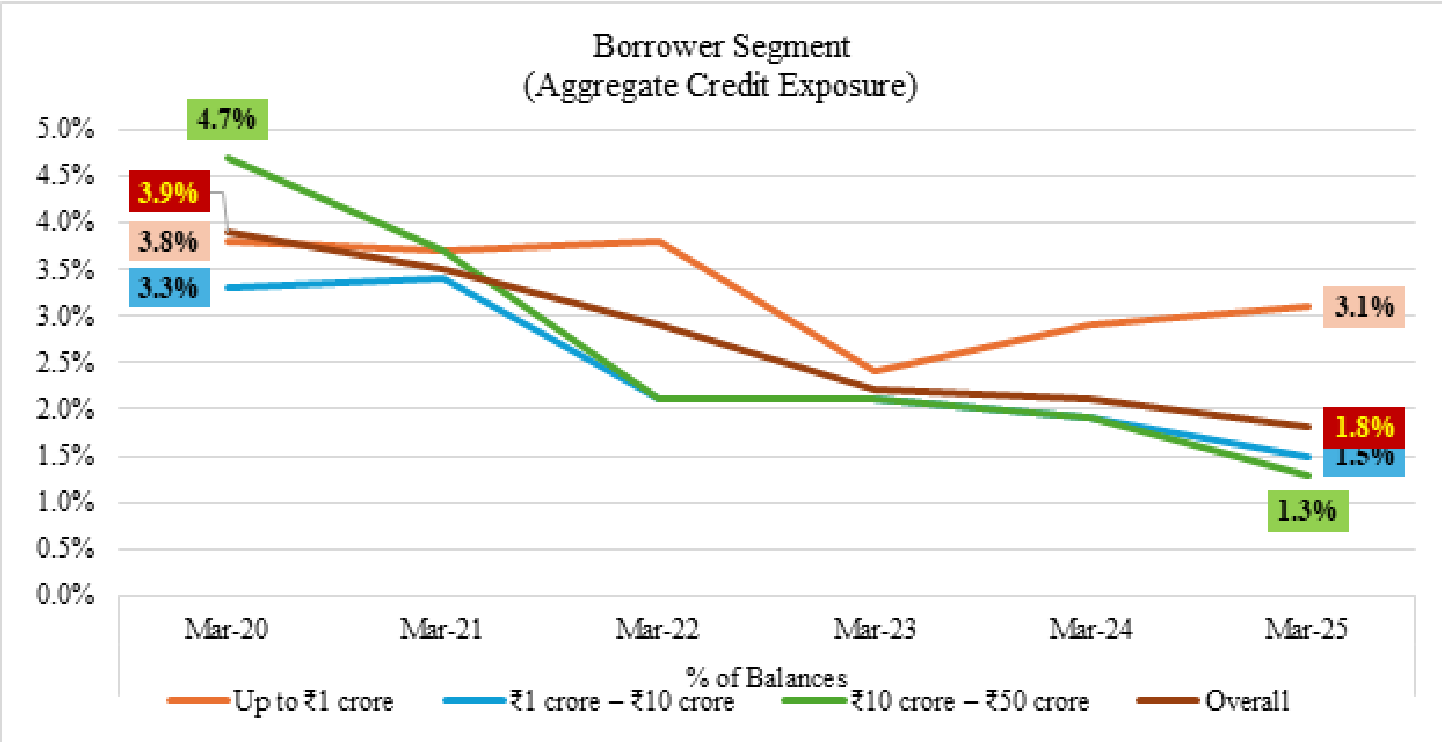
Source: MSME Pulse Special Edition, SIDBI and TransUnion CIBIL

Nearly 92% of credit-active entities have an aggregate exposure of up to ₹1 crore; however, this segment accounts for only 24% of the overall commercial credit portfolio by value, underscoring the highly granular nature of credit distribution at the lower end of the exposure spectrum.

Delinquencies Level

As of March 2025, overall balance-level delinquencies, defined as accounts overdue by 90-720 days or classified as sub-standard, declined to a five-year low of 1.8%, representing a significant improvement from the pre-pandemic level of 3.9% recorded in March 2020. However, despite the benign aggregate trend, the sub-₹1 crore exposure segment witnessed a marginal deterioration in asset quality, with delinquency levels inching up to 3.1% in March 2025 from 2.9% in March 2024, warranting continued monitoring (see Chart 4).

Chart 4: Balance-Level Delinquencies: 90-720 DPD and Sub-standard

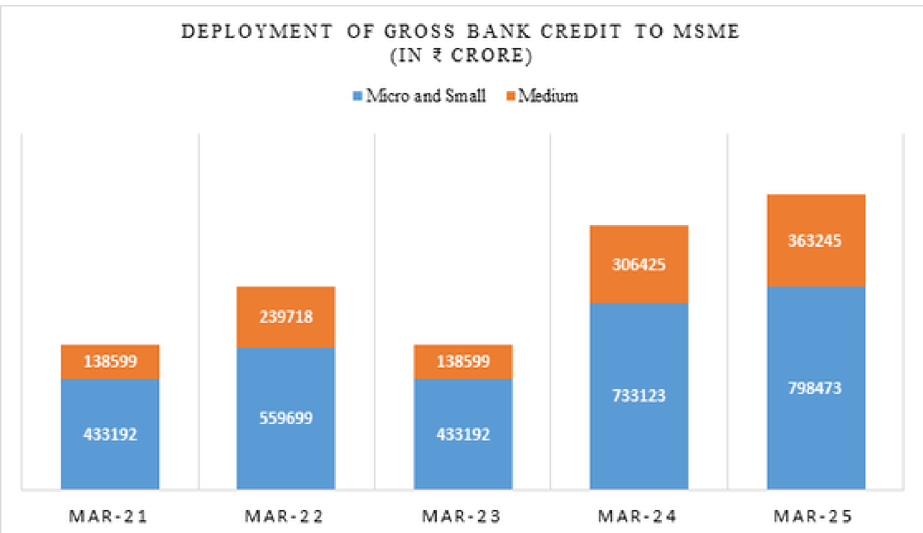


Source: MSME Pulse Special Edition, SIDBI and TransUnion CIBIL

Scheduled Commercial Bank's Credit to MSMEs

The deployment of gross bank credit to MSMEs has also expanded over the years. The Schedule Commercial Bank Credit growth has largely been driven by the micro and small enterprises (MSE) segment. Bank credit to micro and small units increased from ₹4.33 lakh crore in Mar-21 to ₹7.98 lakh crore in Mar-25, reflecting a strong recovery from the pandemic phase and the sustained impact of policy support measures, including credit guarantee schemes and improved flow of institutional finance. [23] While there was a temporary contraction in Mar-23, the sharp acceleration thereafter indicates renewed credit demand and better risk appetite among banks. Credit deployment to medium enterprises also rose steadily, from ₹1.39 lakh crore in Mar-21 to ₹3.63 lakh crore in Mar-25, suggesting a gradual improvement in scale-based lending and balance sheet strength among larger MSMEs (see chart 5).

Chart 5: Deployment of Bank Credit to MSMEs in India



Source: RBI

Impact of US-India Trade Fiascos on MSMEs in India

Tariff Escalation and Policy Context

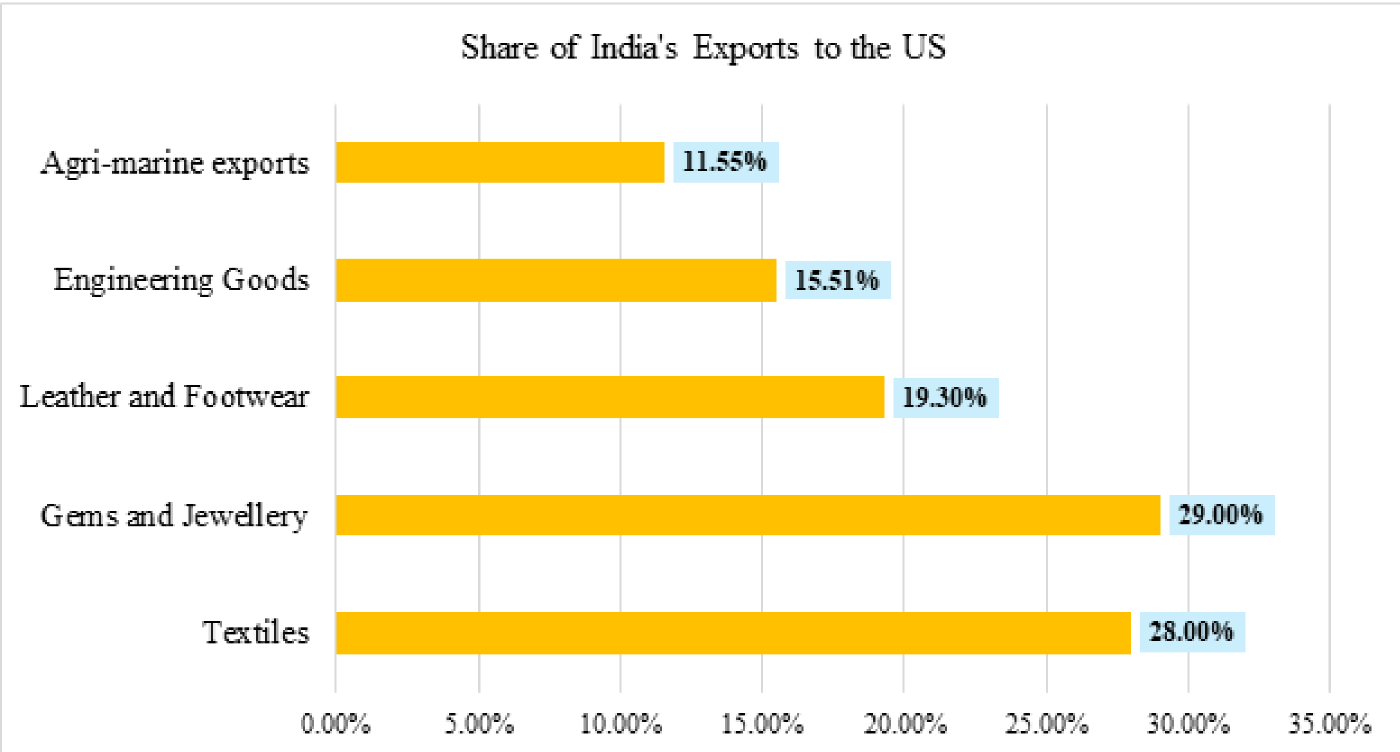
The United States announced a significant reduction in tariffs on Indian goods following a new bilateral trade deal declared on February 2, 2026, with immediate effect. Before this agreement, Indian exports to the US were subject to tariffs as high as 50%, comprising a 10% baseline duty, a 15% reciprocal levy (raising tariffs to 25%), and an additional 25% punitive duty imposed subsequently. These elevated tariffs affected over 55% of India's USD 87 billion exports to the US, although key sectors such as pharmaceuticals, semiconductors, energy, and critical minerals remained exempt.

The tariff escalation initially rose to 25% on August 1, 2025, and later doubled following India's purchases of Russian oil, which introduced sharp uncertainty into bilateral trade flows and disproportionately affected export-oriented MSMEs.

MSME Exposure and Sectoral Vulnerability

MSMEs emerged as the most vulnerable segment following the imposition of higher US tariffs, given their limited pricing power, thin margins, and concentrated market exposure. The risk is particularly pronounced in MSME-dominated sectors with high dependence on the US market, including gems and jewellery, textiles, leather and footwear, engineering goods, and agri-marine products. Sectors deriving more than 5% of their export earnings from the US, particularly MSME-heavy segments, are especially susceptible to tariff-induced stress (see Chart 6).

Chart 6: Sectoral Share of India's Export to US



Source: MSME Pulse Special Edition, SIDBI and TransUnion CIBIL

India-US trade is dominated by product categories that are either capital-intensive on the US side or labour-intensive and MSME-driven on the Indian side. As shown in the table below, Indian exports to the US are concentrated in textiles, garments, engineering goods, furniture, and chemicals segments, where MSMEs account for a significant share of production and employment (see Table 4)

Table 4: Major Product Categories in India-US Bilateral Trade

Top American Exports to India	Top Indian Exports to the US
Mineral fuels	Electrical machinery and parts
Precious metals and stones	Pharmaceutical products
Mechanical appliances and parts	Precious metals and stones
Aircraft and parts	Mechanical appliances and parts
Electrical machinery and parts	Iron and steel
Plastics	Clothing (not knitted)
Fruits and nuts	Clothing (knitted)
Organic chemicals	Fish and crustaceans
Chemical products	Organic chemicals
Iron and steel	Mineral fuels
Aluminium	Textiles
Optical, medical or surgical instruments	Vehicles and parts
Pharmaceutical products	Furniture and bedding
Vehicles and parts	Plastics
Wood pulp	Carpets
Inorganic chemicals	Rubber articles
Beverages, spirits and vinegar	Stone, plaster or cement
Miscellaneous products	Miscellaneous products

Source: Ministry of Commerce and Industry

The concentration of Indian exports in labour-intensive and mid-value manufacturing segments explains the disproportionate transmission of tariff shocks to MSMEs.

Macroeconomic Spillovers and Trade Volatility

The tariff shock posed broader risks to India's US$ 434 billion export ecosystem, with exports to the US alone accounting for approximately 2.5% of India's GDP. Industry estimates suggest potential losses of US$ 4-5 billion in engineering exports, while overall GDP growth was projected to decline by 0.2-0.5 percentage points, revising growth expectations from 6.5% to nearly 6%. Trade data confirms heightened volatility following the August 2025 tariff escalation. Exports to the US contracted by 12% year-on-year in September and by 6.3% in October, before recovering modestly in November. In December 2025, India's merchandise exports to the US declined by about 2% to US$ 6.88 billion, while imports from the US increased by 7.6% to US$ 4.03 billion.

Tariff Reduction and Relative Competitiveness of MSMEs

The subsequent reduction in tariffs to approximately 18% has provided meaningful relief to Indian MSMEs, particularly in labour-intensive sectors such as textiles, leather, jewellery, furniture, footwear, and tyres. The lower tariff rate restores a degree of competitiveness relative to regional peers (see Table 5).

Table 5: Comparative US Import Tariff Rates

Country	US Import Tariff Rate
India	*18%*
Pakistan	*19%*
Vietnam	*20%*
Bangladesh	*20%*
China	*34%*

While the tariff reduction offers short-term relief, the reported reciprocity clause under which India may gradually move toward zero tariffs on US goods introduces a structural trade-off. On the positive side, lower tariffs on US imports could reduce costs for advanced machinery, capital goods, and high-tech components, aiding productivity upgrades among Indian MSMEs (see Table 6).

Table 6: Sectoral Impact of the India-US Trade Deal

Sector	Potential Gain	Potential Loss/Risk
Pharmaceuticals	Faster regulatory approvals; market access.	Pressure on Intellectual Property (IPR) and generic pricing.
Textiles & Apparel	High volume growth in US exports.	Competition from US-branded retail.
Energy/Heavy Industry	Access to US LNG and high-tech coal.	Higher fuel costs due to loss of Russian discounts.
Agriculture	None (primarily a concession area).	Influx of US GM crops; impact on rural demand.

However, reciprocal liberalisation also exposes domestic MSMEs to intensified competition from US industrial products, potentially eroding market share in select manufacturing segments. The net impact will depend on MSMEs' ability to scale, upgrade technology, and move up the value chain.

Institutional Initiatives

Access to Credit and Equity Capital

Improving institutional credit flow remained central to MSME policy. Under PMEGP, more than 10.7 lakh micro enterprises have been supported since inception with margin money subsidy of ₹29,249 crore, generating employment for around 87 lakh persons, while ₹3,125 crore was disbursed in 2025 alone. The CGTMSE marked its 25th year by crossing one crore guarantees, with 29.03 lakh guarantees worth ₹3.77 lakh crore approved during 2025; guarantee coverage was enhanced to ₹10 crore, lowering collateral constraints. Risk capital access was strengthened through the Self-Reliant India (SRI) Fund, which invested ₹1,823 crore in 682 MSMEs, supporting scale-up and competitiveness [24] .

Infrastructure Development and Capacity Building

Institutional infrastructure support expanded via multiple flagship programmes. The PM Vishwakarma Scheme achieved its target of 30 lakh artisan registrations within two years, alongside credit sanctions of ₹2,257 crore and large-scale skilling and toolkit distribution. The RAMP Scheme, supported by the World Bank, approved 398 projects worth ₹3,212 crore, impacting over 10 lakh MSMEs by improving access to markets, finance, and technology. Cluster-based development under MSE-CDP saw 609 projects approved, with government assistance strengthening common facilities, industrial estates, and productivity.

Technology Upgradation and Competitiveness

Technology adoption was institutionalised through the MSME Champions Scheme, covering ZED, LEAN, and Innovation components. By 2025, over 2.7 lakh MSMEs registered under ZED, with nearly 1.93 lakh certified, while LEAN certification expanded process efficiency across manufacturing MSMEs.The Ministry also scaled up its Technology Centre network, with new and modernised centres training over 1.1 lakh trainees and supporting more than 1,500 MSMEs during 2025, directly improving productivity and quality standards [25] [26] [27] [28] .

Market Access, Procurement and Inclusion

Market linkage initiatives focused on assured demand and inclusive participation. The Public Procurement Policy for MSEs mandates 25% procurement by CPSEs, with actual procurement reaching 43.6% (₹93,017 crore) in FY2024-25, far exceeding the minimum threshold. Dedicated schemes such as Procurement and Marketing Support (PMS) and the National SC-ST Hub enhanced participation of women and SC/ST entrepreneurs, contributing to a 37-fold increase in procurement from SC/ST-owned MSEs since 2015-16.

Governance, Digital Platforms and Grievance Redressal

Institutional governance was strengthened through digital platforms such as the MSME Performance Smartboard, enabling real-time monitoring of scheme outcomes, and integration with PM Gati Shakti, which geo-mapped nearly 1 lakh MSME-related assets. The CHAMPIONS Portal resolved 99.4% of 1.62 lakh grievances received since inception, reinforcing institutional responsiveness and ease of doing business.

Budgetary Support to MSMEs in India

The Union Budget underscores the Government of India's continued commitment to strengthening the MSME sector through targeted fiscal, credit, and institutional support measures aimed at enhancing scale, resilience, and competitiveness. Recognising MSMEs as a key driver of economic growth, employment generation, and exports, the Budget outlines a multi-dimensional support framework encompassing equity infusion, improved liquidity access, capacity building, and market expansion.

A central element of the Union Budget 2026-27 for MSME strategy is the focus on creating globally competitive "Champion MSMEs". To this end, a dedicated SME Growth Fund with an allocation of ₹10,000 crore has been proposed to provide equity support to high-potential enterprises based on defined performance criteria. Complementing this initiative, the Self-Reliant India Fund, established to provide risk capital to micro enterprises, will be augmented by an additional ₹2,000 crore, ensuring sustained access to growth financing for micro enterprises that typically face constraints in raising equity capital.

Liquidity support remains a key pillar of budgetary intervention. Building on the success of the Trade Receivables Discounting System (TReDS), through which over ₹7 lakh crore has already been facilitated, the Budget proposes several measures to deepen and institutionalise the platform. These include mandating TReDS as the settlement mechanism for all purchases by Central Public Sector

Enterprises from MSMEs, extending credit guarantee coverage under CGTMSE to invoice discounting on TReDS, and integrating the Government e-Marketplace (GeM) with TReDS to enable financiers to access verified procurement data. Further, the introduction of TReDS receivables as asset-backed securities is expected to improve secondary market liquidity and reduce settlement delays, thereby easing working capital constraints for MSMEs. To reduce compliance burdens and improve managerial capabilities, the Budget introduces a structured professional support framework for MSMEs.

In collaboration with professional bodies such as the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India, and the Institute of Cost Accountants of India, the Government will facilitate the development of short-term, modular courses and practical toolkits to create a cadre of trained para-professionals, referred to as "Corporate Mitras". These professionals will support MSMEs, particularly in Tier-II and Tier-III towns, by providing affordable assistance in regulatory compliance, governance, and business processes.

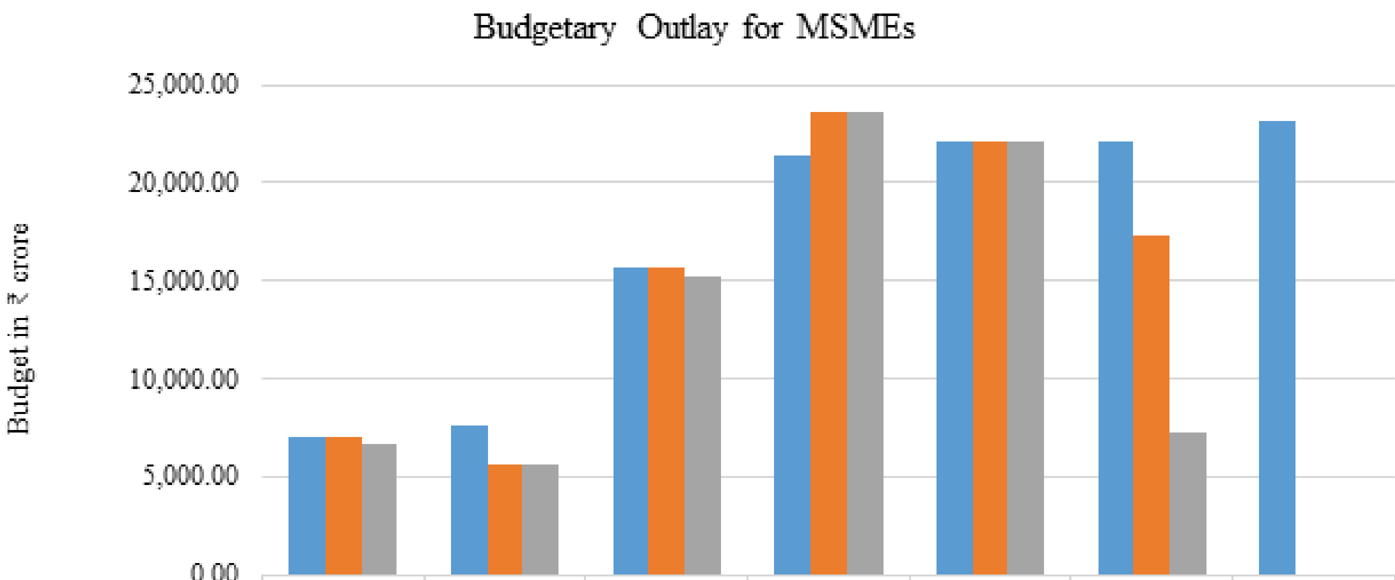
The Budget also extends focused support to MSMEs operating in rural and agri-linked sectors, including animal husbandry, fisheries, and agri-value chains. Key interventions include the integrated development of reservoirs and *Amrit Sarovars* for fisheries, strengthening of livestock, dairy, and poultry value chains, and credit-linked subsidies for the modernisation of livestock enterprises. Greater participation of start-ups, Farmer-Producer Organisations (FPOs), and women-led groups is envisaged to enhance market linkages and value addition.

Strengthening export competitiveness forms another critical component of budgetary support. The Budget provides targeted relief to MSME exporters through higher duty-free input limits for marine exports, extension of export realisation timelines for leather, footwear, and textile products, and removal of the ₹10 lakh cap on courier exports.

Further, the Budget seeks to lower input costs and streamline trade compliance for MSMEs integrated into strategic and emerging sectors. Customs duty exemptions on capital goods and critical inputs for electronics, electric vehicle batteries, solar glass, critical minerals, aviation, nuclear power, and biogas-blended CNG are expected to improve cost competitiveness. Trust-based customs reforms, including AI-based risk assessment, faster clearances, longer duty deferment for Authorised Economic Operators, warehouse self-declarations, and a single digital window, are likely to reduce compliance costs, delays, and working capital lock-ins for MSMEs engaged in domestic and international trade.

The expanded market access measures provide additional budgetary support to MSMEs, particularly those operating in Special Economic Zones. One-time flexibility to sell into the Domestic Tariff Area at concessional duties, along with simplified logistics frameworks and new export opportunities in fisheries, is expected to further strengthen the MSME ecosystem and support sustainable growth.

Chart 7: Budgetary Outlay Trend for MSMEs by the Ministry of MSME in India



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25*	2025-26
Budget Estimates	7,011.29	7,572.20	15,699.65	21,422	22,137.95	22,137.95	23,168.15
Revised Estimates	7,011.29	5,664.22	15,699.65	23,628.73	22,138.01	17,306.70	0
Actual	6,717.53	5,647.50	15,160.47	23,583.90	22,094.25	7,225.19	0

Source: Annual Report 2024-25, Ministry of MSME

Challenges

Despite its growing contribution to output, employment, and exports, India's MSME sector continues to face a set of structural and cyclical challenges that constrain its ability to scale sustainably. A defining characteristic of the sector is its high degree of fragmentation, with micro enterprises accounting for nearly 97% of total MSME units. While this structure supports employment generation and entrepreneurship, it also reflects persistent barriers to enterprise graduation, including limited access to growth-stage capital, weak managerial capacity, and difficulties in integrating with formal supply chains. As a result, productivity levels remain uneven, and a large share of enterprises operate below optimal scale, requiring partnership with large firms. Access to timely and affordable finance remains a critical challenge, particularly for micro and small enterprises. Although institutional credit to MSMEs has expanded at a healthy pace in recent years, credit distribution remains skewed toward larger borrowers, with nearly 92% of credit-active entities accounting for less than one-fourth of total outstanding MSME credit by value. Smaller enterprises continue to face higher borrowing costs, collateral requirements, and limited access to long-term loans, constraining their ability to invest in technology, capacity expansion, and quality improvements.

Technology adoption and skill gaps present another major constraint on MSME competitiveness. Many enterprises continue to rely on outdated production processes, limited digitalisation, and informal management practices, which restrict productivity gains and hinder compliance with quality, environmental, and traceability standards increasingly demanded by domestic and global markets. While technology upgradation and skilling initiatives have expanded, their reach and depth remain uneven, particularly in Tier-II and Tier-III regions, limiting their impact on broad-based productivity enhancement.

Market access and demand volatility pose additional challenges, especially for export-oriented MSMEs. High dependence on a limited set of products and markets increases vulnerability to external shocks, as illustrated by recent trade disruptions and tariff-related uncertainties. Labour-intensive MSME segments such as textiles, leather,[29] gems and jewellery, and agri-marine products are particularly exposed to changes in trade policy, cost competitiveness, and global demand cycles. Limited bargaining power and thin margins further reduce their ability to absorb such shocks.

Regulatory compliance and transaction costs continue to weigh disproportionately on smaller firms. Despite progress in formalisation and digital platforms, MSMEs face challenges in navigating multiple regulatory frameworks across taxation, labour, environmental norms, and trade procedures. Compliance costs, documentation requirements, and delays in payments, especially from larger buyers, contribute to working capital stress and discourage formal growth among micro enterprises.

Also, the infrastructure and logistics constraints, particularly in rural and semi-urban areas, impede MSME integration into larger value chains. Inadequate access to reliable power, efficient logistics, common facilities, and warehousing increases operating costs and reduces competitiveness. While cluster-based development and infrastructure programmes have expanded, coverage remains limited relative to the scale and geographic dispersion of MSMEs.[30]

Addressing these challenges will require a coordinated approach that combines access to finance with capability building, technology adoption, market diversification, and regulatory simplification. Sustained implementation and outcome-focused monitoring of policy interventions will be essential to ensure that MSMEs can transition from resilience to scale in the medium term.

The Road Ahead

Going forward, the trajectory of India's MSME sector will be shaped by its ability to transition from a predominantly micro-enterprise-driven ecosystem to one characterised by scale, productivity, and deeper integration with domestic and global value chains. While recent trends highlight improved resilience, formalisation, and credit penetration, the next phase of MSME growth will depend on addressing persistent structural constraints related to enterprise graduation, technology adoption, and market diversification. A key priority will be facilitating the graduation of micro enterprises into small and medium categories. Given that nearly 97% of MSME units remain micro in scale, targeted interventions to ease access to growth-stage equity, reduce regulatory friction, and improve managerial capabilities will be critical to unlocking productivity gains. Recent revisions in MSME classification norms and the focus on "Champion MSMEs" provide an enabling framework; however, effective implementation and timely access to risk capital will determine outcomes.

On the financing front, maintaining credit growth while ensuring asset quality remains crucial. Although institutional credit to MSMEs has grown steadily and delinquency levels are still low overall, early signs of stress in the sub-₹1 crore exposure segment need a closer watch. Increased use of cash-flow-based lending, more digital data utilisation, and wider deployment of receivables-based financing platforms like TReDS can enhance credit allocation and reduce working capital issues, especially for micro and small enterprises. Upgrading technology and enhancing skills will increasingly influence MSMEs' competitiveness in a more integrated and reciprocal trade environment. Expanding the availability of quality certification, process improvement programmes, and technology centres will be vital for boosting productivity, product standards, and compliance with global norms. Simultaneously, targeted skilling programmes, particularly in Tier-II and Tier-III regions, will be necessary to support the adoption of digital tools, advanced manufacturing techniques, and sustainable production methods.

From a market perspective, diversification beyond a few export destinations and product categories will be important to mitigate external shocks, as evidenced by recent volatility in India-US trade flows. Strengthening domestic value chains, leveraging public procurement as a stable demand anchor, and facilitating MSME participation in e-commerce and cross-border digital trade can provide more balanced growth pathways. Trade facilitation measures and logistics reforms will play a key role in reducing transaction costs and improving market access. Institutionally, continued emphasis on governance, transparency, and real-time monitoring of scheme outcomes will enhance policy effectiveness. Platforms such as Udyam, CHAMPIONS, and the MSME Performance Smartboard provide a strong digital backbone, and further integration across ministries, financial institutions, and state governments can improve coordination and delivery. Overall, the medium-term outlook for the MSME sector remains cautiously optimistic. With sustained policy support, improving credit flows, and a gradual shift toward scale and productivity, MSMEs are well-positioned to play a central role in India's growth aspirations, export expansion, and employment generation in the run-up to the vision of Viksit Bharat 2047.

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