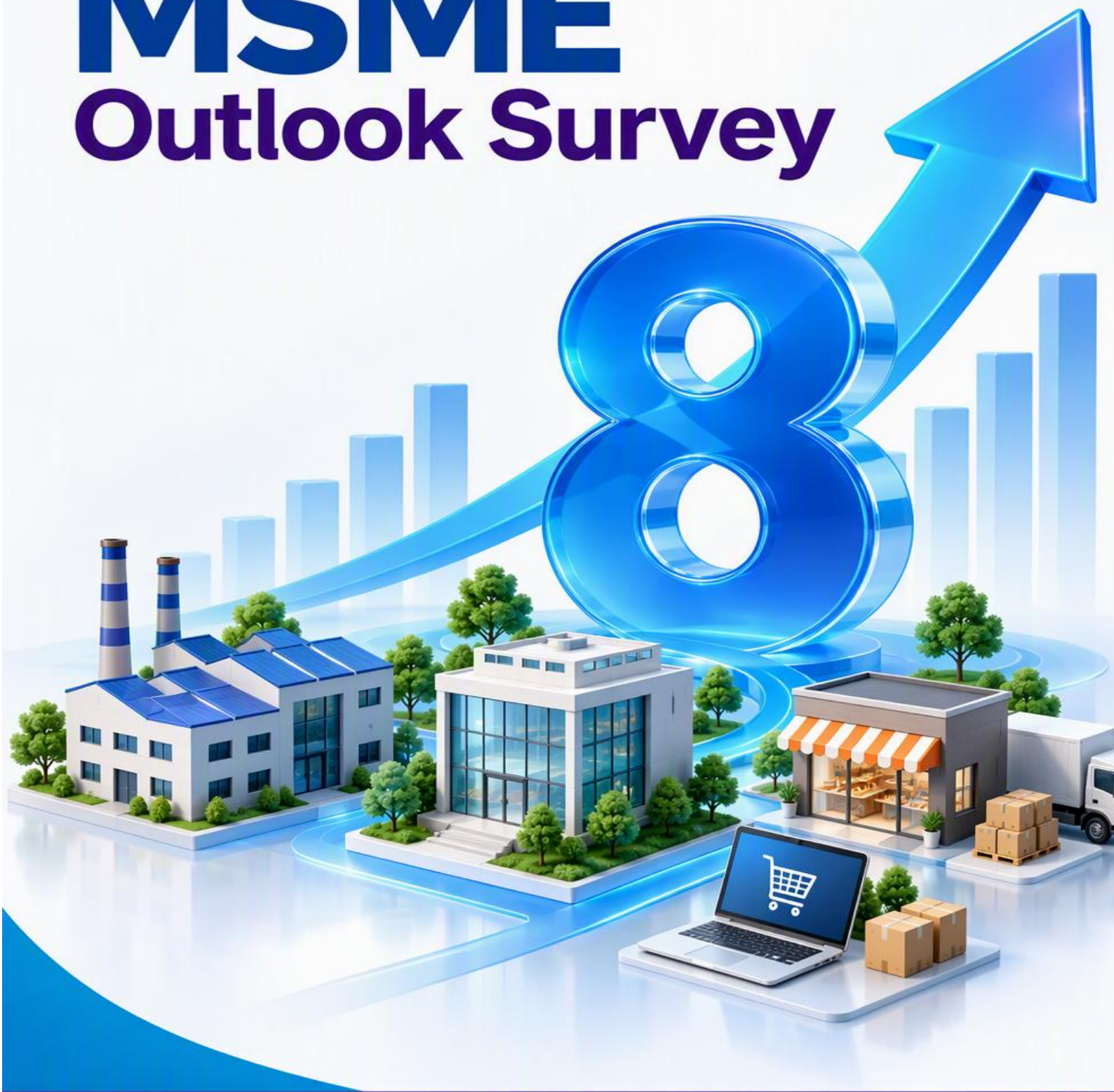
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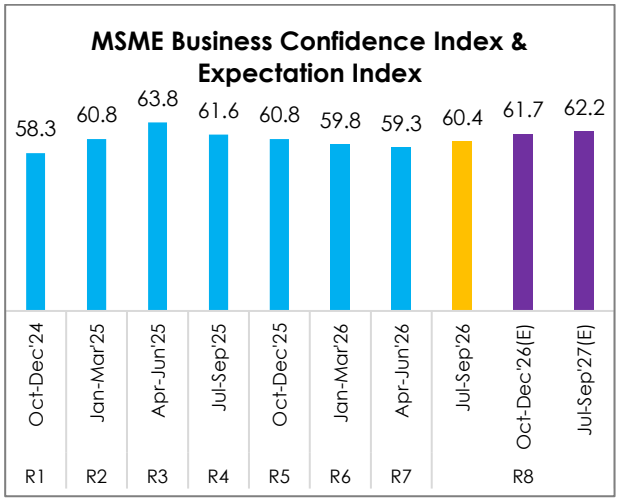


Round 8 | July-September, 2026

MSME Outlook Survey Round 8 (July-September 2026)

Key Findings

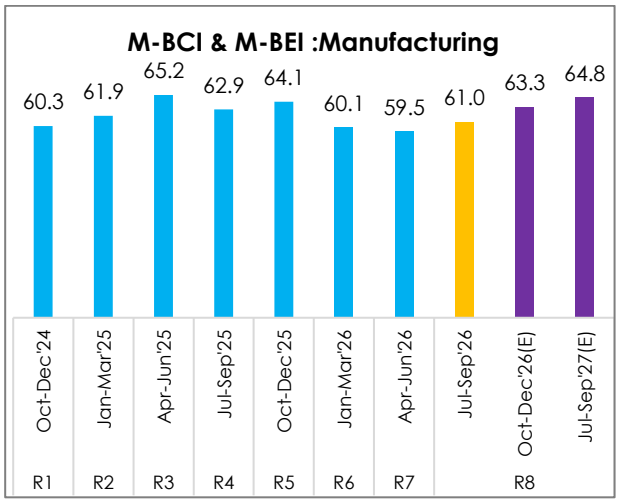
The MSME Outlook Survey Round 8 (Jul-Sep 2026) shows that MSME business sentiment has improved reversing the moderation observed in recent quarters. The overall confidence remains well above the neutral level of 50 across all three sectors, continuing to point to an underlying resilience in the Indian MSME ecosystem.

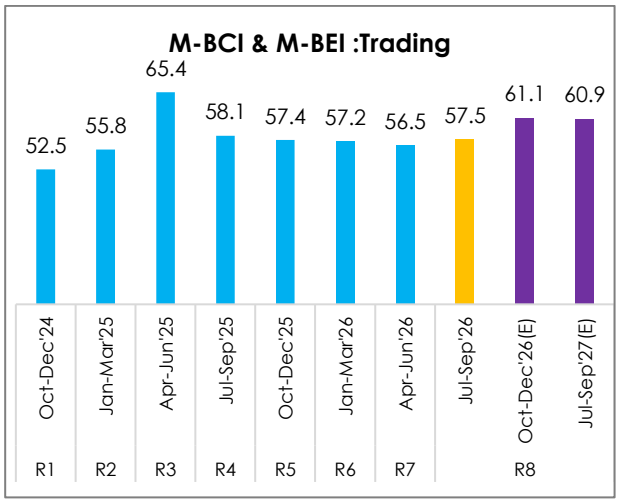


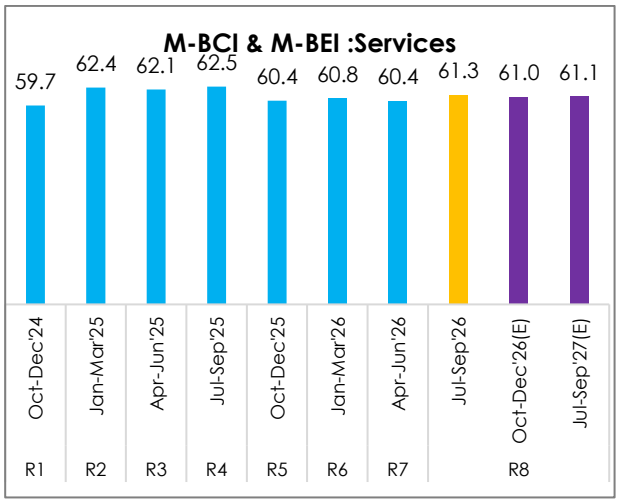
M-BCI improved to 60.4 in Round 8 from 59.3 in the previous quarter, indicating a moderate improvement in business sentiment. The index remains in expansionary territory, reflecting a continued growth momentum among MSMEs despite input cost pressures. Future outlook remains positive, with the M-BEI at 61.7 for Oct-Dec 2026 and 62.2 for Jul-Sep 2027, signalling sustained optimism about business prospects.

Sectoral views:

- Manufacturing MSME Business Confidence Index (M-BCI) improved to 61.0 in Round 8 (Jul-Sep 2026) from 59.5 in the previous quarter, indicating a recovery in current business sentiment.
- Future expectations remain significantly upbeat, with the Manufacturing MSME Business Expectations Index (M-BEI) at 63.3 for Oct-Dec 2026 and rising to 64.8 for Jul-Sep 2027, signalling confidence in improved business conditions ahead.







Trading MSME business confidence also improved in Round 8 (Jul-Sep 2026), with M-BCI rising to 57.5 from 56.5 in the previous quarter,

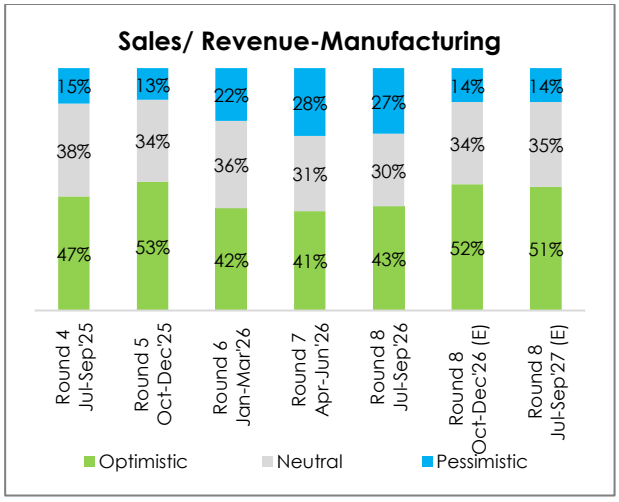
while Services M-BCI also recovered from 60.4 to 61.3.

Future sentiment in non-manufacturing remains positive, with expected indices of 61.1 (Trading) and 61.0 (Services) for Oct-Dec 2026; by Jul-Sep 2027, Trading is expected to rise to 60.9, while expectation for Services moderates marginally to 61.1.

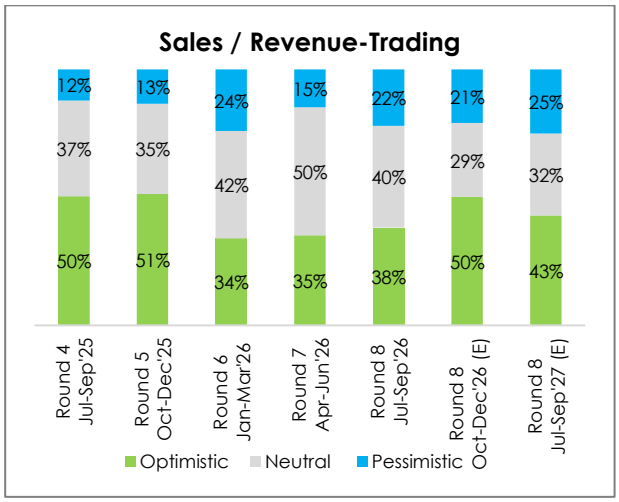
Sentiments across key metrics:

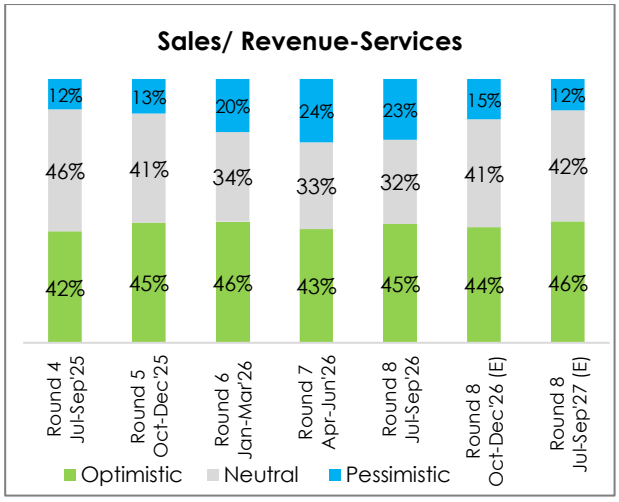
Sales/Revenue:

- Sales sentiment improved across MSME sectors in Round 8 (Jul-Sep 2026), with a higher share of optimistic responses compared to the previous round except in Trading where pessimistic responses edged up.
- In Manufacturing, 43% of enterprises reported a positive growth in sales, while the share of pessimistic responses eased to 27%, indicating a moderate improvement in MSME sales performance in Q2.



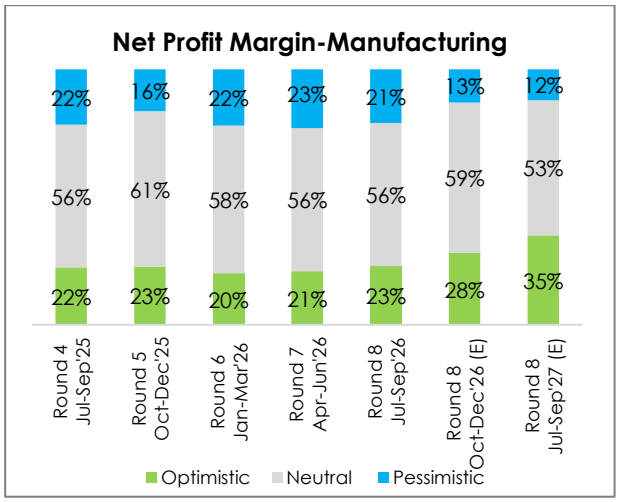
- An improving environment in revenue was also visible in Services where 45% of MSMEs were optimistic about sales while pessimistic responses eased to 23%.
- In Trading, the sales sentiment was relatively subdued; though 38% of MSMEs reported optimistic sales sentiment, pessimistic responses rose to 22% in Round 8 from 15% in the previous round.

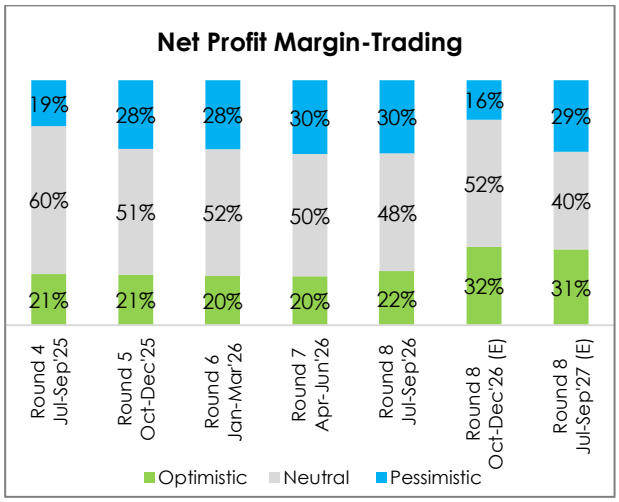




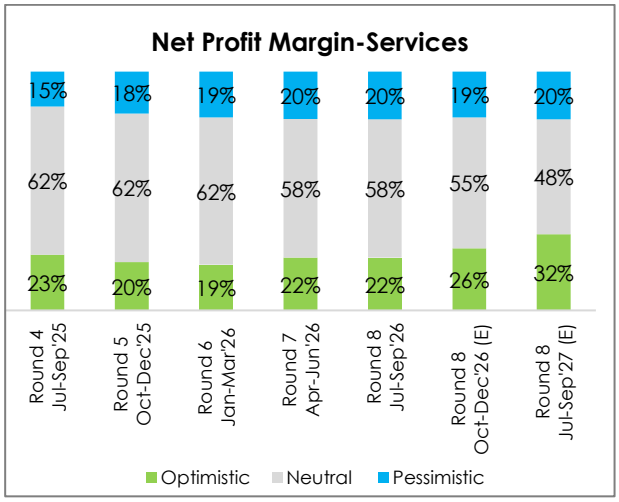
Net Profit Margin:

Notwithstanding margin pressures arising from input costs and competitive conditions, the improvement in business confidence, sales sentiment and access to finance suggests continued resilience and adaptability among MSMEs.





- A large share of firms across sectors (48%-58%) indicated no significant change in margins, while 20%-30% reported a decline, reflecting persistent cost pressures. The margin challenges remain higher in Trading.

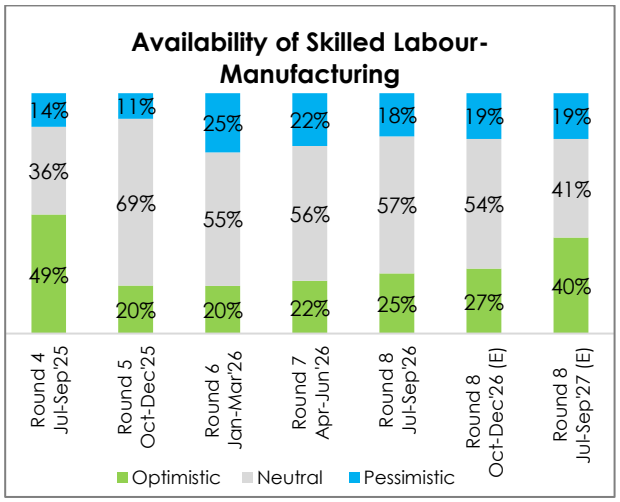


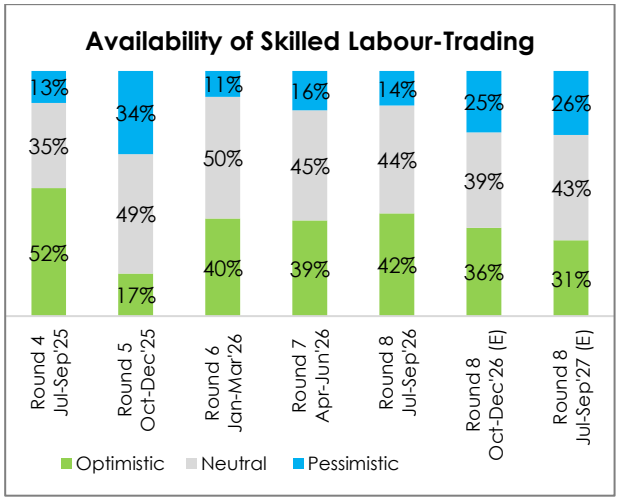
- Nevertheless, profit margin expectations are improving, with around 31%-35% of MSMEs across sectors anticipating higher margins over the coming year.

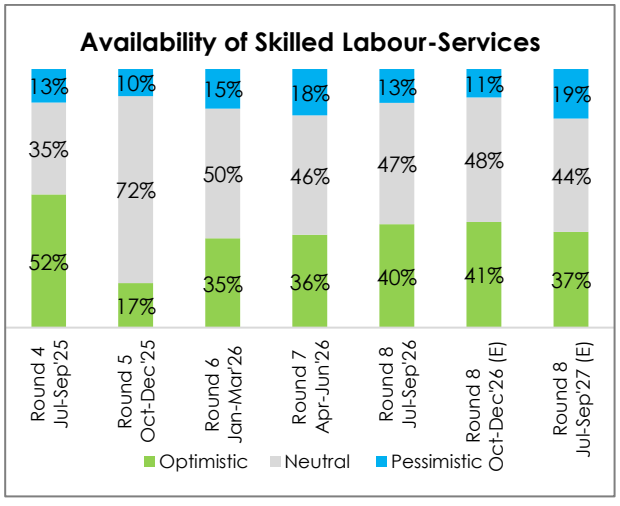
Availability of Skilled Labour:

- An improvement in the availability of skilled labour was observed across sectors, as the proportion of firms reporting better availability increased during the quarter, while the share of firms indicating pessimism declined.

- In Manufacturing, the share of firms expecting better availability of skilled labour is projected to increase from 25% in Jul-Sep 2026 to 40% over the one-year-ahead period.





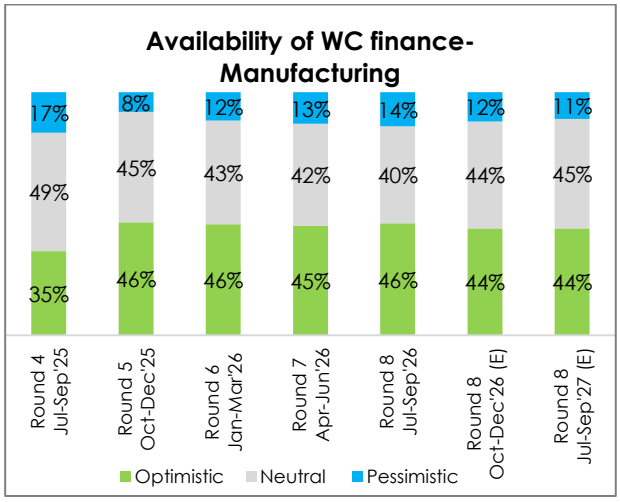


- On the other hand, the Services and Trading sectors expect reduced availability of skilled labour going forward, with the share of firms reporting better availability of skilled labour moderating to 37% and 31% respectively

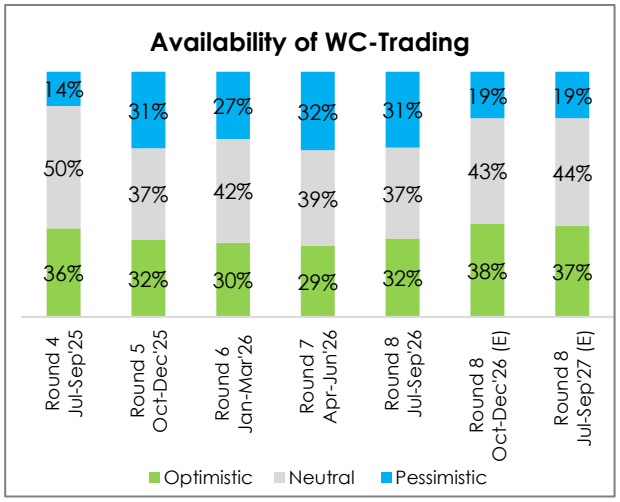
one-year ahead as compared to 40% and 42% currently.

Access to Working Capital:

- Financing conditions remained broadly stable across MSME sectors in Round 8 (Jul-Sep 2026), with most firms reporting steady or improving access to working capital and finance.

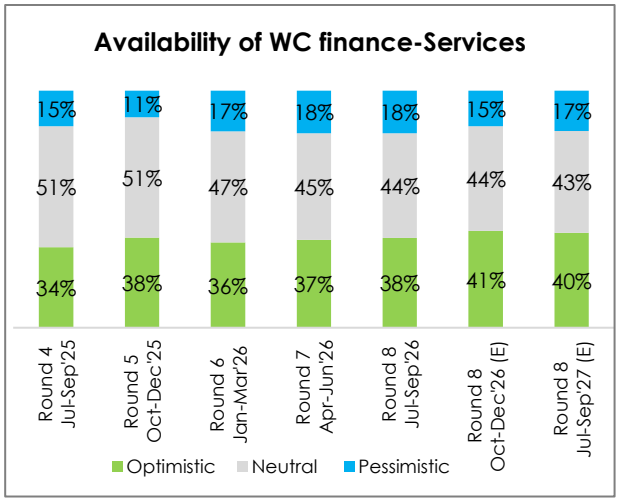


- In Manufacturing, 46% of firms reported improving working capital access in Jul-Sep 2026; the share of those reporting a decline is projected to ease from 14% currently to around 11% one-year ahead.



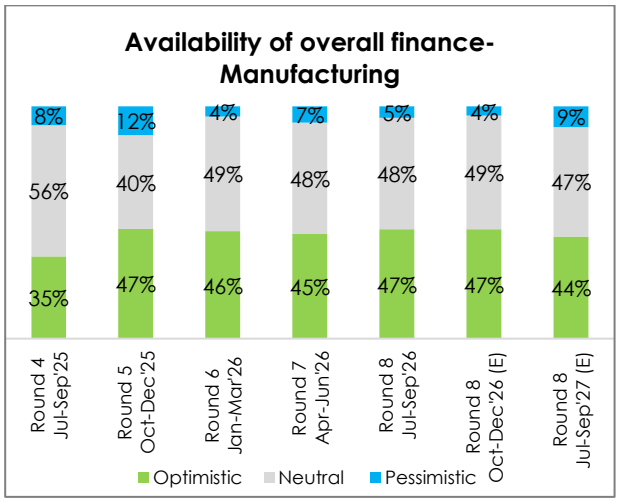
- Services sector has continued to show a steady improvement in working capital access over the last few quarters, with the share reporting better access at 38% currently and expected to rise to around 40% ahead.

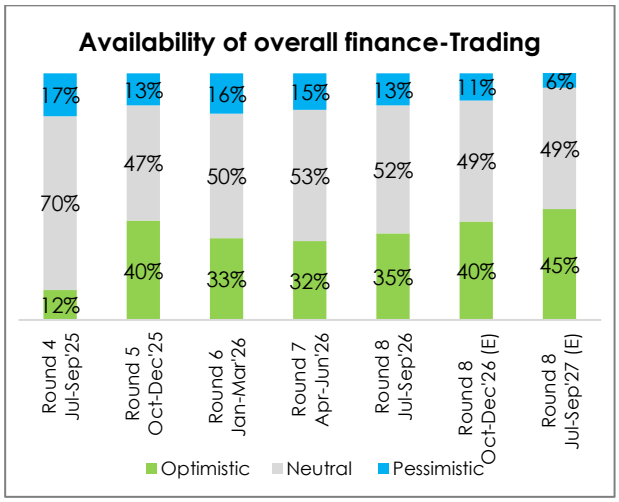
- In relative terms, the Trading sector faces more challenges in working capital access with 31% reporting a decline in such financing in the quarter ended Sep 2026, though there is an expectation of an improvement going forward.

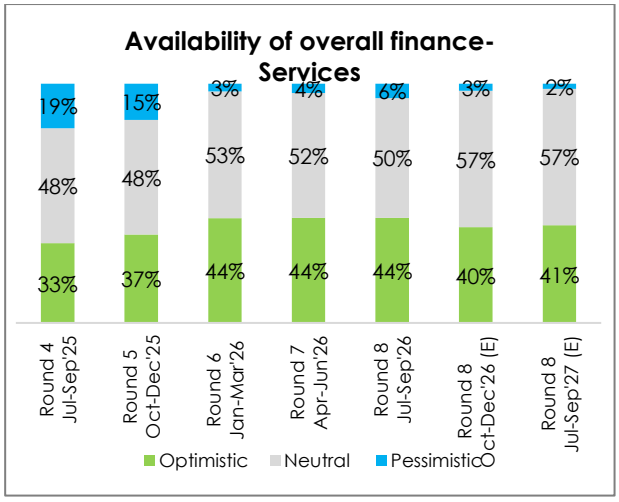


Availability of overall finance:

- On overall finance availability, manufacturing and services' MSMEs reported an improvement in the 44%-47% range (47% and 44%, respectively), while trading MSMEs, at 35% currently, expect a gradual improvement in access to finance over the one-year-ahead period.

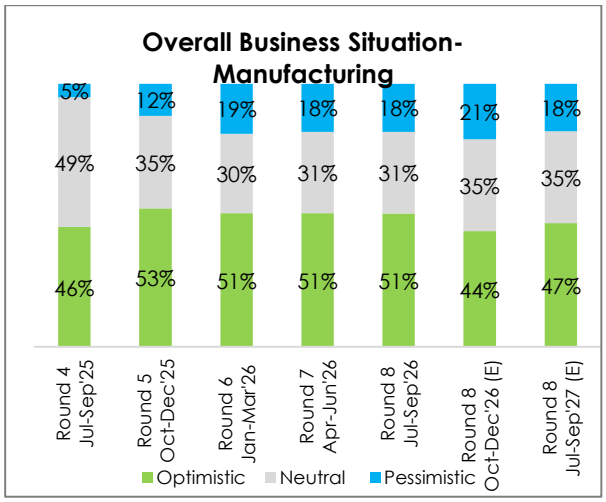




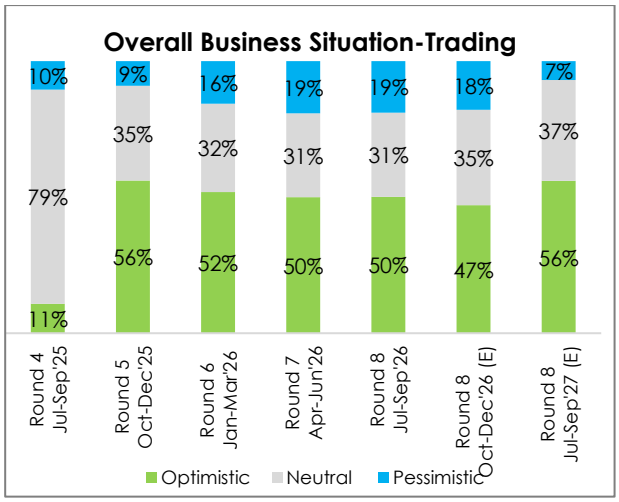


Overall Business Situation:

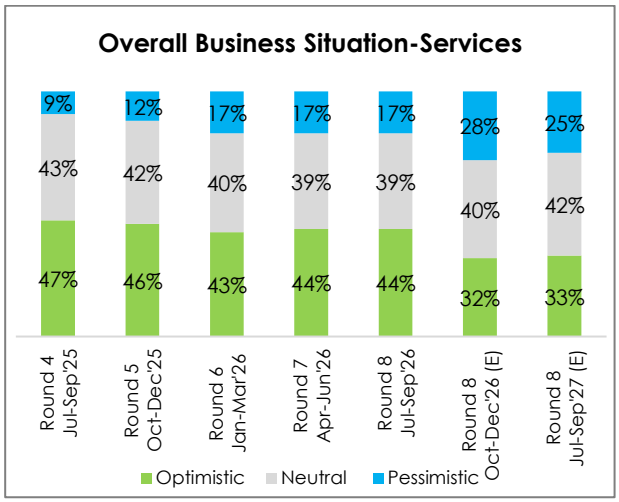
- Overall business sentiment remained positive in Round 8 (Jul-Sep 2026), with nearly half of MSMEs reporting an improvement in business conditions.



- Across the sectors, on an average, ~49% of enterprises reported improved business conditions, while 33% indicated status quo and 18% reported softer business conditions compared to the previous quarter.



- At the sectoral level, sentiment remained strongest in Manufacturing, closely followed by Trading and Services, reflecting a broad-based but measured optimism.



Sampling and Methodology

The SIDBI MSME Outlook Survey is conducted on a quarterly basis, following a proportionate stratified sampling design in which the First Stage Sampling Units (FSUs) are defined by the Broad Industry Group. The survey covers MSME respondents across approximately Manufacturing (50%), Trading (25%), and Services (25%) sectors.

MSME-BCI and MSME-BEI

The MSME Business Confidence Index (MSME-BCI) gives a snapshot of the business condition assessment for the current quarter, while the MSME Business Expectations Index (MSME-BEI) captures business expectations for future quarters. The two diffusion indices, the MSME-BCI and MSME-BEI are composite indicators, calculated as a simple average across six parameters, with each parameter derived as a weighted net response, weights being the share of each industry group (Manufacturing, Trading, and Services) in gross value added (GVA). The six parameters are: 1) Sales, 2) Net Profit Margin, 3) Availability of Skilled Labour, 4) Availability of Working Capital Finance, 5) Availability of Overall Finance, and 6) Overall Business Condition.

The indices are calculated using the following formula:

M-BCI = ((1 × O × IW) + (0.5 × N × IW) + (0 × P × IW)) × 100

M-BEI = ((1 × O × IW) + (0.5 × N × IW) + (0 × P × IW)) × 100

where,

O = Simple average of % of Positive Responses for each of the 6 questions

N = Simple average of % of Neutral Responses / No Change for each of the 6 questions

P = Simple average of % of Negative Responses for each of the 6 questions

IW = Industry Weight, based on share in GVA

The composite MSME-BCI and MSME-BEI are computed on the entire sample of approximately 1,200 MSMEs.

At the sectoral level, separate Business Confidence and Business Expectations indices are constructed for the Manufacturing, Trading, and Services sectors using the same six parameters, with all six constituent parameters given equal weight:

M-BCIS = (1 × O) + (0.5 × N) + (0 × P)

M-BEIS = (1 × O) + (0.5 × N) + (0 × P)

where S denotes the sector, and O, N, and P are as defined above.

The indices take values between 0 and 100, where values above 50 indicate expansion and values below 50 indicate contraction.

* * * * *



Economic Research and Data Analysis Vertical

The survey findings indicate the opinions of the respondents, which are not necessarily shared by SIDBI. The data have been obtained through qualitative responses to the survey by MSMEs through personal interviews, telephonic interviews and computer assisted web interviews. SIDBI also does not accept any responsibility whatsoever for any consequences arising from the use of the information contained in this document. Aggregated survey responses presented in this report can be used only by giving due credit to SIDBI.

The survey has been carried out by the Economic Research and Data Analysis Vertical (ERDAV) of SIDBI with the help of survey execution partner Academy of Management Studies, Lucknow.

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