



MSME Outlook Survey

Round 5 | October-December, 2025

MSME Outlook Survey Round 5 (Oct-Dec, 2025)

Steady Confidence despite External Risks

Key Findings

The MSME ecosystem has continued to demonstrate strength and resilience over the past year, navigating a period marked by external uncertainties in the midst of domestic macroeconomic stability. The insights emerging from the latest quarterly survey round point to a meaningful improvement in MSME sentiments across multiple fronts, most notably in access to finance.

The **MSME Business Confidence Index (M-BCI)** stood at **60.8**, marginally lower than the previous quarter but well above the expansion threshold of 50. Forward-looking sentiment strengthened meaningfully with **Business Expectations Index (M-BEI)** rising to **63.7** for Jan-Mar 2026 and further improving to **65.0** for one year ahead, signaling an optimistic business outlook in the near term.

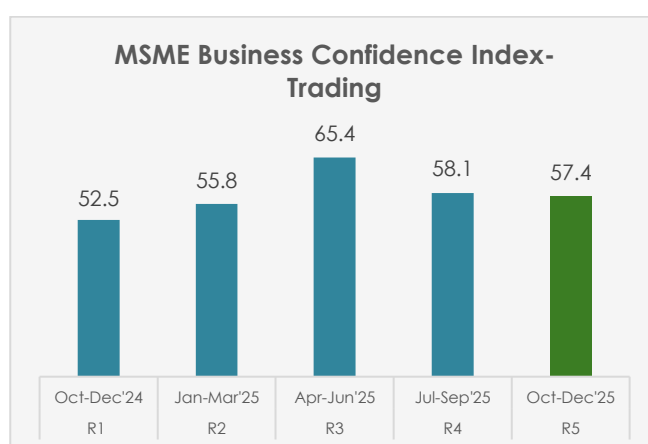
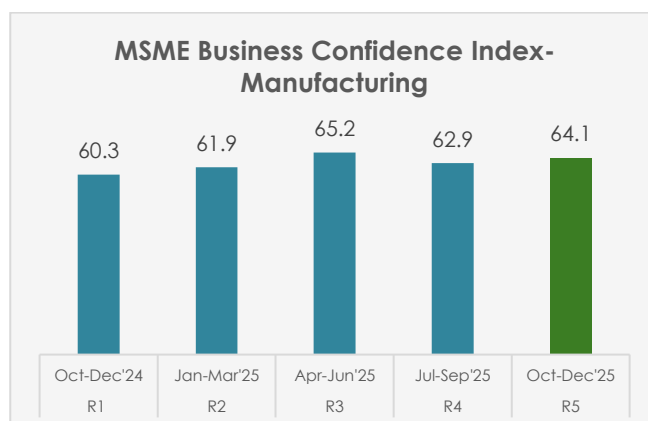
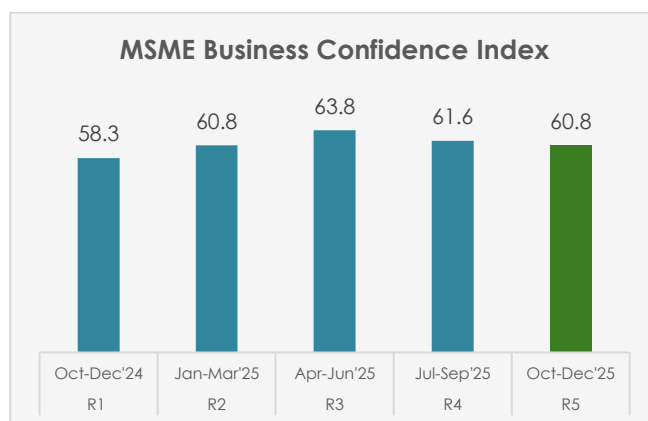
Strong correlation with GDP and Credit Growth: MSME confidence shows a strong correlation (~0.8) with both GDP growth and MSME credit growth, reinforcing the role of macro stability and credit flow in shaping sentiment.

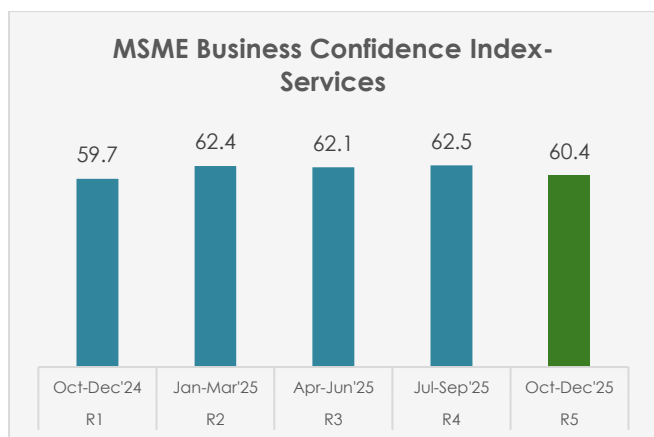
Healthy sales growth expectations across sectors:

The manufacturing sector shows stronger sales sentiment, with a clear improvement in the Net Response (difference between the share of positive and negative responses) across quarters and higher expectations for future sales. In the services sector, near-term sentiment remains broadly stable; however, the one-year-ahead outlook is notably positive, with 58% of respondents expecting an increase in revenue. For trading enterprises, although sentiments show no material change compared with the previous quarter, respondents remain optimistic about sales prospects in the forthcoming periods.

Improving trend in access to finance: In the current quarter, optimism about availability of working capital finance rose significantly, with 46% of manufacturing respondents expressing positive sentiment; an increase from 35% in the previous quarter. Similarly, optimism regarding overall finance availability improved to 47%. In case of services, sentiments on finance indicators improved marginally between the quarters; for trading

enterprises, however, sentiment around working capital finance moderated, even as optimism regarding overall finance strengthened significantly.





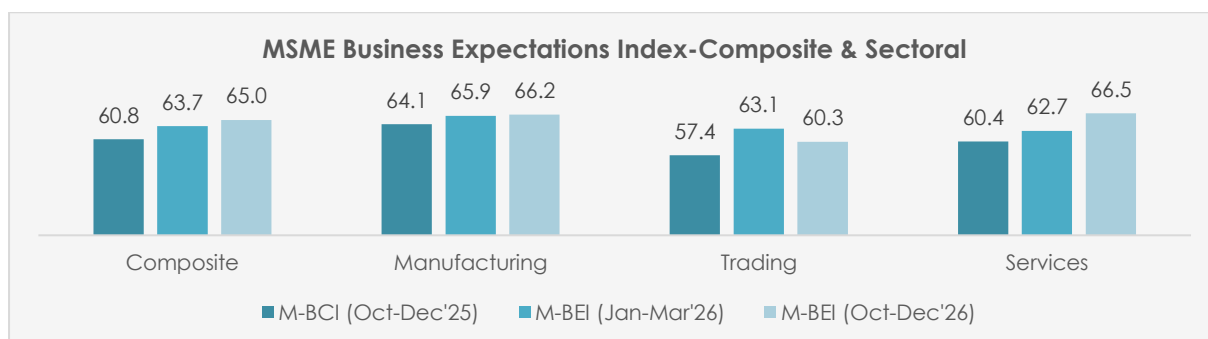
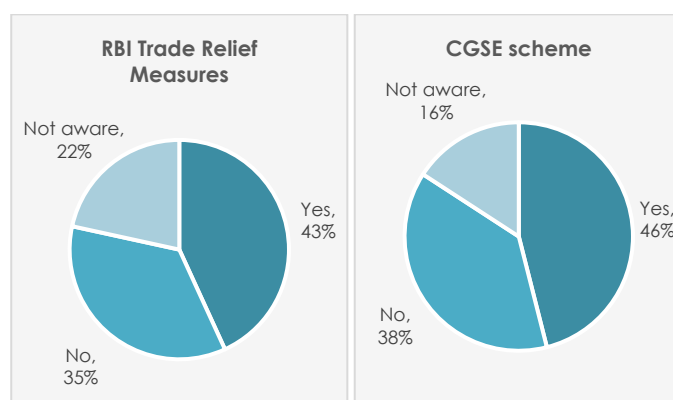
Regarding future expectations, MSMEs in services sector are more hopeful about an incremental improvement in credit access as compared to those in manufacturing sector.

Some concerns on profit margins particularly in services and trading sectors: Across sectors, a majority of respondents continue to report profit margins at average of the previous 2 years. For services and trading enterprises, the Net Response declined or turned negative compared to the previous quarter. Nevertheless, respondents anticipate an improvement, with the outlook being particularly stronger for the services sector.

Overall Business Situation indicator: While sentiments among services respondents remains broadly stable in the current quarter compared with the previous one, both manufacturing and trading sectors record an improvement, with over 50% of respondents in each indicating an improvement. Looking ahead, outlook further strengthens across all sectors, suggesting that MSMEs generally anticipate an improved business environment in the coming quarters.

respondents expressing optimism on both total sales and export sales indicators. A significant improvement is also observed in finance indicators with 50% of exporting MSMEs reporting adequate availability of finance, both working-capital and overall, in the current quarter, compared with 32% in the previous quarter. Looking ahead, exporters remain positive and expect overall demand to remain resilient, with anticipated improvements in parameters such as profit margins, sustained improvements to credit access, despite moderating expectations for export despatches.

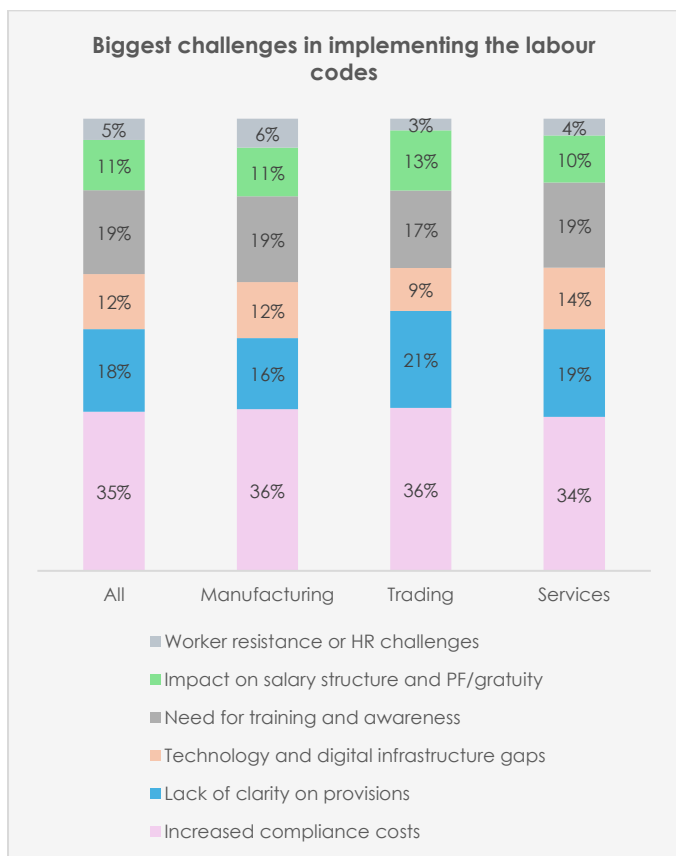
Exporters also showed encouraging interest in the policy support measures viz., RBI Trade Relief measures & Credit Guarantee Scheme for Exporters (CGSE) with 43% of respondents plan to avail RBI's Trade Relief, 46% of respondents intend to adopt CGSE while ~37% of respondents expect to use both options. These schemes are likely to support liquidity and buffer external risks in the coming quarters.



Exporter MSMEs display resilience: Exporting MSMEs, interestingly, in the current quarter report an improvement in sales, with a higher share of

The **introduction of the new labour codes** presents an opportunity for MSMEs to strengthen their operational frameworks- a step towards greater

formalisation and transparency. The survey further noted that while some smaller businesses may experience an initial rise in compliance costs (noted by about 34–36% of respondents). Respondents also highlighted areas where further support could help smooth the transition—such as enhanced clarity on specific provisions (16–21%) and increased training and awareness efforts (17–19%). **Targeted training and awareness would be the key to successful adaptation.**

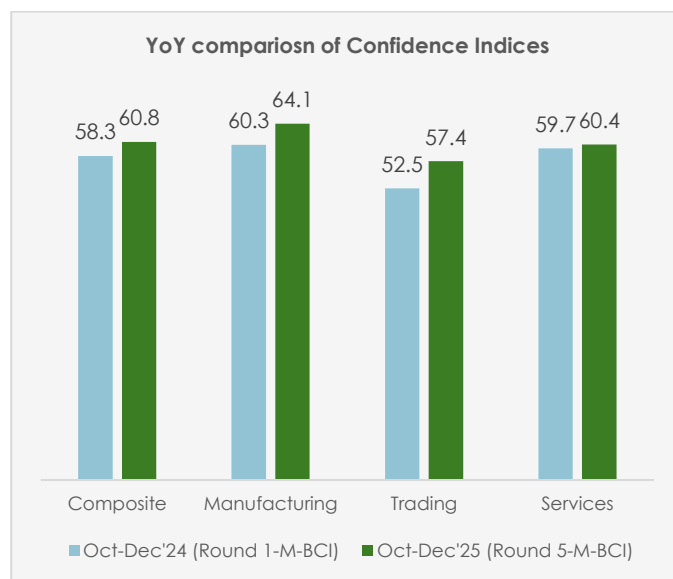


Tracking MSME Confidence: Comparing the YoY performance

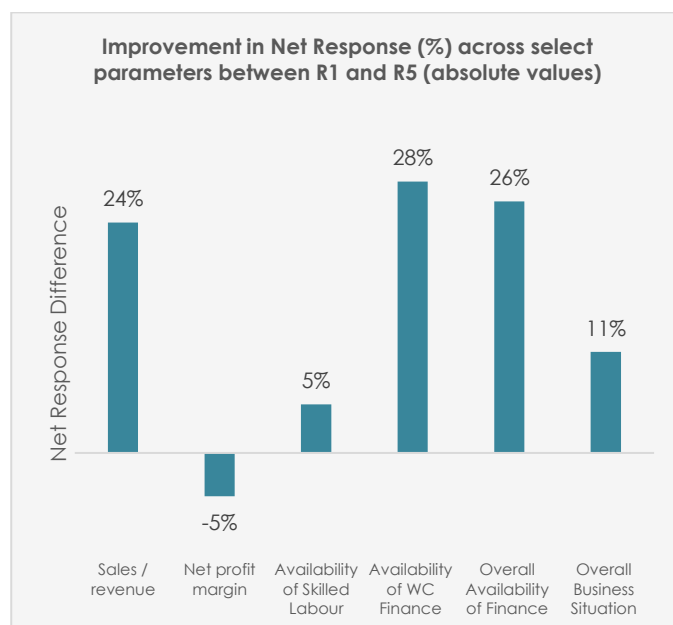
A year-on-year analysis of the MSME Business Confidence Index (M-BCI) at both composite and sectoral levels indicates an improvement during the one-year period. The trading sector recorded the highest growth of 9.3%, followed by 6.2% in the manufacturing sector, while the services sector showed modest gains. These trends underscore a strengthening of MSME sector sentiments despite the prevailing external challenges.

The sentiments measured by way of Net Response improved during the year across sectors with five of the six parameters showing gains, reflecting strengthening business conditions despite external headwinds. **Availability of working capital finance**

and overall finance recorded the strongest improvement; sales/revenue and overall business situation also improved, indicating resilient demand and a stable operating outlook. Net profit margin is the only parameter to weaken YoY, underscoring persistent cost pressures even as liquidity conditions eased.



YoY Growth of M-BCI Index	
4.3% Composite	6.2% Manufacturing
9.3% Trading	1.2% Services



Sampling and Estimation

The SIDBI MSME Outlook Survey is conducted on a quarterly basis. The survey follows a proportionate stratified sampling method where First Stage Sampling Units (FSUs) is the Broad Industry Group. The survey covers MSME respondents across Manufacturing (40%), Trading (20%) & Services (40%) sectors.

MSME-BCI and MSME-BEI

The MSME Business Conditions Index (MSME-BCI) gives a snapshot of the business condition assessment for the current quarter, while the MSME Business Expectations Index (MSME BEI) gives a snapshot of the business expectations for the future quarters. The two diffusion indices, the MSME-BCI and the MSME-BEI, are composite indicators calculated as a simple average of six parameters, where each parameter is derived as a weighted net response, weights being the share of the industry groups (Manufacturing, Trading and Services) in gross value added (GVA). The six parameters include, 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:

$$M\text{-BCI} = ((1 \times O \times IW) + (0.5 \times N \times IW) + (0 \times P \times IW)) \times 100$$

$$M\text{-BEI} = ((1 \times O \times IW) + (0.5 \times N \times IW) + (0 \times P \times IW)) \times 100$$

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 ~1,200 MSME.

At the sectoral level, separate indices of Business Conditions and Business Expectations are constructed for the Manufacturing, Trading and Services sectors using the same six parameters. Responses on all 6 constituent parameters are given equal weight.

$$M\text{-BCI}_S = (1 \times O) + (0.5 \times N) + (0 \times P)$$

$$M\text{-BEI}_S = (1 \times O) + (0.5 \times N) + (0 \times P)$$

where,

S = Sector

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

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

NOTE: Considering the seasonal variations in various economic metrics and the likelihood of discrepancies in the initial responses from participants spread across India, it is expected that the survey outcomes may take a while to stabilize. The insights gained from the initial round will be leveraged in future surveys, with the intention of generating a time series of information on specific parameters that can help in evaluating the evolving dynamics of the MSME sector. Due to rounding off, percentages may not add upto 100%. The survey questionnaire was designed by the Economic Research and Data Analysis Vertical (ERDAV) of SIDBI, with the intention of maintaining a steady flow of information for the monitoring of the MSME sector's developments. The survey was executed by Academy of Management Studies, Lucknow, after finalisation of the sampling design in consultation with ERDAV, SIDBI.



Economic Research & 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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