

MSME Outlook Survey

Round 6 | January-March, 2026

MSME Outlook Survey Round 6 (Jan-Mar 2026)

MSMEs stay resilient amidst the West Asia conflict

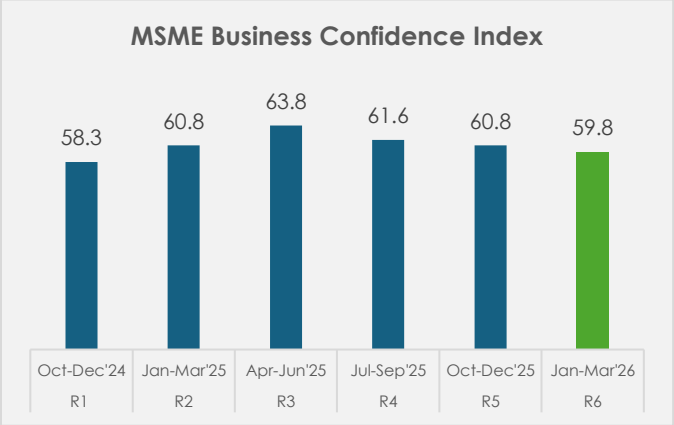
Key Findings

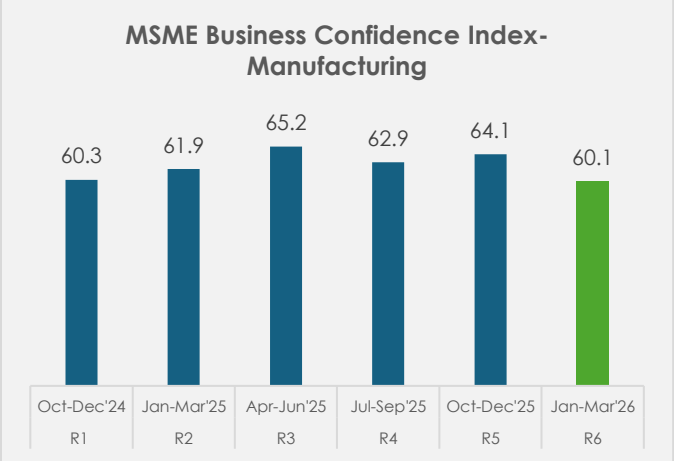
The MSME Outlook Survey Round 6 (Jan-Mar 2026) highlights that increased external headwinds have moderated the MSME business sentiments in comparison to the previous quarter even as they continue to indicate a healthy growth orientation. Amidst the risks of a broader global uncertainty, overall MSME confidence remains above the expansion threshold across sectors, reflecting the strength and resilience of the Indian MSME ecosystem.

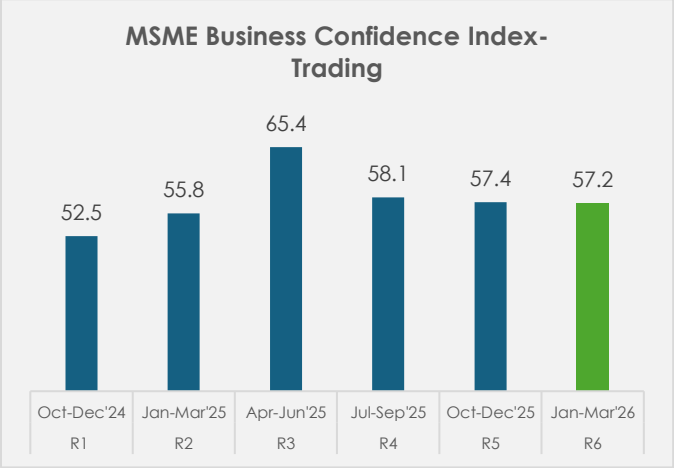
The **MSME Business Confidence Index (M-BCI) in Round 6 stood at 59.8**, slightly lower than 60.8 recorded in the previous quarter. This slight moderation indicates a stable but cautious business environment, with enterprises adjusting to cost pressures and evolving market dynamics along with an expectation that the supply chain challenges will be resolved within the near future. At the sectoral level, M-BCI for manufacturing decreased to a relatively higher extent to 60.1 in Q4 FY2026 (Jan-Mar) from 64.1 in Q3 FY2026 (Oct-Dec), reflecting the higher impact of the supply chain disruption on manufacturing MSMEs. For trading sector, business confidence slipped only slightly to 57.2 in Q4 FY2026 (Jan-Mar) from 57.4 in Q3 FY2026 (Oct-Dec). The services sector, however, recorded a marginal rise, reflecting largely stable sentiments.

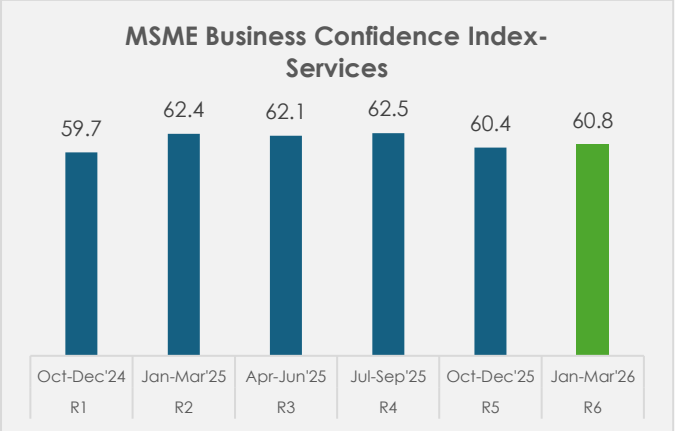
Notwithstanding the moderation in current business sentiments, MSMEs remain optimistic about future business conditions, as reflected in the **MSME Business Expectations Index (M-BEI) with composite M-BEI standing at 61.7 for Apr-Jun 2026 and to 62.5 for the one-year-ahead period**. Sector-wise expectations follow a similar pattern.

Sales growth moderation seen in manufacturing and trading, services relatively resilient: Sentiments on sales has moderated amongst Manufacturing MSMEs as observed from the decline in percentage of respondents indicating increase in sales from 53% in the previous quarter to 42% in current quarter. Nevertheless, the net response (difference between the share of positive and negative responses) continues to be in the positive range albeit with a significant decline from the previous quarter. The trading sector experienced a sharper dip, as firms reporting sales growth dropped to 34% from 51%. On the other hand, services remained resilient, with 46% reporting higher sales, broadly unchanged from earlier. The future expectations for sales appear optimistic with Net Response improving across sectors for quarter one-year ahead.









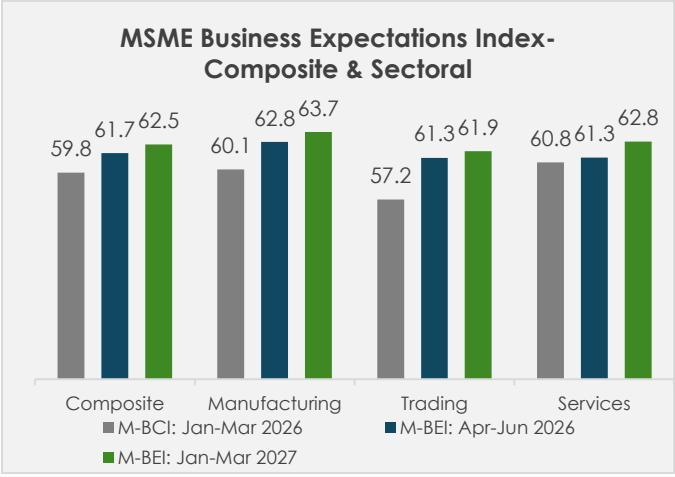
Some pressures on Net Profit Margins expected to be temporary in nature: Net profit margins (NPM), which reflect the combined effect of sales and cost pressures, indicate broadly stable near-term conditions across MSMEs in early 2026. In Jan-Mar 2026, only about one fifth of firms across manufacturing (20%), trading (20%), and services (19%) reported an improvement, while a majority reported no material change in margins and 19%-28% reported a decline. The consolidated net response across all sectors moved to a negative zone (-3%) from a positive 3% in the previous quarter, indicating some broadbased pressure on MSME margins. Looking ahead, profit expectations improve gradually with the share of firms expecting an increase in NPM reaching ~30% in the one year ahead period. This possibly reflects the MSMEs' expectations of a resolution of the supply chain issues and a normalisation of the raw material and fuel costs either through the end of the war or policy measures.

Improving Skilled Labour Availability Across Sectors: Labour availability shows a mixed and gradually evolving outlook across sectors. In manufacturing, the share expecting improved availability rises steadily from 20% to 35% over the next one year. In services, a significant improvement has been reported in the previous quarter and the same is expected to remain steady (around 35–36%) going ahead.

Finance Conditions largely stable across MSMEs: Across sectors, MSMEs reported largely stable working capital access and adequacy in the near term. In manufacturing, 46% reported improvement in Jan-Mar 2026, with the share expecting a decline easing from 12-13% to 9% by Jan-Mar 2027, indicating expectation of reduced working capital stress. In Trading sector, 30% respondents reported improvement and 27% reported a decline in Working Capital access in the quarter, though pressures ease modestly ahead. Services show steady improvement, with the share reporting better access rising from 36% to 42%, and the downside risk declining to 12% in Jan-Mar 2026.

Overall financial availability also remain steady across sectors, with a significant proportion reporting a stable and conducive credit access environment. In manufacturing, the share reporting improvement holds at 46% in Jan-Mar 2026 before moderating to 40% by Jan-Mar 2027, while the share expecting a decline in availability rises to 11%, suggesting the potential impact of supply chain crisis on financial performance and new loan sanctions. A similar trend of moderation in the increased access to finance is observed for Services, however, the respondents expecting decline remained minimal in range of 2-3%. Trading MSMEs, however, expect improvement in access to finance going forward.

Overall Business Sentiment Remains Positive but Moderates Across Sectors: Across all industries, business sentiment remained net positive but showed signs of moderation. During Jan-Mar 2026, about 48% of enterprises reported an improvement in business conditions, while 34% indicated a status quo and 18% reported a deterioration. At the sectoral level, in the manufacturing sector the net response declined to 32% in Jan-Mar 2026 and is projected to reduce further to 25% in the next quarter, highlighting the challenges in the manufacturing sector posed by the external environment. There appears to be an element of caution even in the services sector. The net response declined from 34% in Oct-Dec 2025 to 25% in Jan-Mar 2026 and is projected to drop further, indicating concerns on a slowdown of growth and demand in current year. In the trading sector, while the net response has slipped from 47% to 36%, trading businesses expect a recovery to take place over the year.



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 Confidence 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-BCI = ((1 x O x IW) + (0.5 x N x IW) + (0 x P x IW)) x 100

M-BEI = ((1 x O x IW) + (0.5 x N x IW) + (0 x P x IW)) x 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 Confidence 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 x O) + (0.5 x N) + (0 x P)

$M\text{-}BEI_S$ = (1 x O) + (0.5 x N) + (0 x 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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