



India Union Budget 2025-26

Point of view

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Industrial Development & MSME

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Key announcements for the sector

Policy and regulatory reforms

- As a measure of reclassification, investment and turnover limits for the MSME segment has been enhanced to 2.5 and 2 times respectively. MSMEs with investments up to INR 2.5 crore and turnover of INR 10 Crore will now be classified as microenterprises. Firms with investments up to INR 25 crore and turnover INR 100 Crore will be known as small enterprises. Additionally, MSMEs with investments up to INR 125 crore and turnover of INR 500 crore will be recognised as medium enterprises
- A National Manufacturing Mission will be set up to promote the growth of industries of all sizes. Steps will be taken to improve domestic value addition in clean tech and build India's ecosystem for solar photovoltaic cells, electric vehicle batteries, motors and controllers, and wind turbines
- A new scheme has been announced to support 5 lakh first-time women, Scheduled Castes (SC), and Scheduled Tribes (ST) entrepreneurs by providing loans of up to INR 2 crore
- The gig workers will be supported through registration on e-Shram portal, provisioning of ID Cards and healthcare and social security cover
- An 'Investment Friendliness Index' has been proposed to rank states around two primary dimensions of opportunity and risk to improve the overall investment climate in the country
- Five National Centres of Excellence for skilling will be set up with global expertise and partnerships to equip our youth with the skills required for 'Make for India, Make for the World' manufacturing. The partnerships will cover curriculum design, training of trainers, a skills certification framework, and periodic reviews
- The India Post Payment Bank is proposed to be deepened and transformed as a large public logistics organization to meet the rising needs of Viswakarmas, new entrepreneurs, women, self-help groups, MSMEs, and large business organizations.

Access to Finance

- For micro and small enterprises, the credit guarantee cover under the CGTMSE scheme has been enhanced from the current INR 5 crore to INR 10 crore leading to an additional credit of INR 1.5 lakh crore in the next five years. For startups, the cover has been increased from the current INR 10 crore to INR 20 crore while reducing the guaranteed fee to 1 per cent for loans in 27 focus sectors critical to the Aatmanirbhar Bharat Initiative. For well-run export oriented MSMEs, the guarantee shall cover term loan of up to INR 20 crore
- Customised credit cards with a limit of INR 5 lakh have been proposed for Udyam registered micro-enterprises. 10 lakh cards are planned to be issued in the first year

- A Fund of Funds with contribution of INR 10,000 crore to support start-ups for innovation and entrepreneurship has been proposed
- PM SVANidhi Scheme is planned to be revamped with enhanced loans from banks, UPI-linked credit cards with INR 30,000 limit, apart from capacity building support.

Access to market

- An Export Promotion Mission driven jointly by the Ministries of MSME, Commerce and Finance has been announced, to facilitate easy credit for exporters and cross-border factoring support to MSMEs to tackle non-tariff measures in overseas markets
- The Government has proposed to establish Bharat Trade Net under the Export Promotion Mission as a unified platform for documentation, aiming to streamline export processes and support MSMEs engaged in international trade
- Rationalization of Basic Customs Duty (BCD) in battery scrappage materials, technical textiles, marine products, leather, shuttle-less looms, open cell manufacturing, lithium-ion batteries used in Electric Vehicles and mobiles has been proposed
- BCD exemption has been extended to cover wet blue leather, cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals
- To facilitate exports of handicrafts, the time period for export has been extended from six months to one year, further extendable by another three months, if required. Nine items have been added to the list of duty-free inputs
- The time limit for the end-use of imported inputs in the relevant rules has been extended from six months to one year. This will provide operational flexibility in view of cost and uncertainty of supply. Further, such importers will now have to file only quarterly statements instead of a monthly statement.

Sectoral initiatives

- A National Institute of Food Technology and Management will be established in Bihar to strengthen the food processing industry
- Top 50 tourist destination sites in the country will be developed in partnership with states through a challenge mode
- Mudra loans for homestays and performance linked incentives for states for destination management have been announced
- Medical tourism and Heal in India will be promoted in partnership with the private sector and the government will also give special focus to destinations related to life and times of Lord Buddha
- Setting up of a toy manufacturing ecosystem and clusters for creating skilled labour to position India as a global hub for sustainable toy manufacturing under the Made in India brand
- A Focus Product Scheme for the footwear and leather sectors has been proposed. The scheme will support design capacity, component manufacturing and provide support to produce non-leather quality footwear.

Implications for the sector

MSME sector in India accounts for 36 per cent of the country's manufacturing output and 45 per cent of the nation's total export value, significantly contributing to manufacturing and services. With over 5.7 crore registered units employing 7.5 crore people, the MSME sector has been recognised as the second engine of India's economy in the Budget 2025. With a focus on accelerating growth, securing inclusive development, invigorating private sector investments, enhancing credit access, regulatory support, and employment generation, the Budget has announced several key measures to bolster the growth of the MSMEs.

- The new turnover and investment classification will bring more enterprises under the ambit of the MSME sector while supporting businesses achieve higher efficiencies of scale, technological upgradation, employment generation and better access to capital. This calls for further expansion and creation of a separate category of nano enterprises with more compatible and relevant policy and regulatory treatment to propel the growth of the segment
- The National Manufacturing Mission providing policy assistance, implementation roadmaps, and governance and monitoring structures to central ministries and states is a significant step towards increasing manufacturing sector's contribution to India's GDP in alignment with Atmanirbhar Bharat Initiative and enhancing India's domestic production, productivity and thereby competitiveness in the global market. The success of the Mission, however, will rest on the sectors eventually getting covered under the mission
- The registration on the e-Shram portal and issuance of identity cards for one crore gig workers and extension of healthcare benefits under the Pradhan Mantri Jan Arogya Yojana (PM-JAY) is a significant step towards inclusion, formalization and enhancement of the social security support for this growing segment
- The Investment Friendliness Index including parameters like state governments' policy and incentives, infrastructure, business climate and innovation, available resources and risks in the states will create a more conducive environment for investments positively impacting the MSMEs to operate and grow
- The continued focus on startups through the 80-IAC tax holiday, allocation under a new Funds of Funds for startups and increased support for DeepTech startups, fostering advancements in critical sectors stands to further encourage the startup culture in India especially in emerging technological areas
- The financial fillip provided to women, SC-ST entrepreneurs will make entrepreneurship more inclusive while bridging the gender gap and realising India's ambition of financial empowerment of underserved and marginalised sections. The customised credit cards for micro enterprises promise to offer greater financial access and flexibility to micro entrepreneurs. This infusion requires to be further strengthened through capacity building and technology adoption incentives
- The doubling of credit guarantee coverage for micro and small enterprises is a welcome measure. This will help MSMEs, and startups ease their access to formal credit and boost manufacturing, thereby complementing other developmental measures been announced under the budget. This also complements the growth strategy of recently announced Mutual Credit Guarantee Scheme for MSMEs offering 60 per cent credit guarantee for loans up to INR 100 crore
- The establishment of Export Promotion Mission and support provided to domestic manufacturing through rationalization of customs duty will boost competitiveness while strengthening the country's exports and integrating the economy with global supply chains. The launch of digital public trade infrastructure 'Bharat Trade Net' will streamline international trade processes for Indian businesses by reducing paperwork, improving transparency, and facilitating access to financial services aligned with global standards
- While the Cleantech Manufacturing Mission promises to enhance domestic value addition in both, mobility and energy generation, there is a strategic need to incentivise the MSME sector to holistically adopt ESG practices for hassle-free market access in the face of intensifying non-tariff barriers. We hope that the scope of the mission will be enhanced to cover more MSME centric sectors in the longer run. Further, on the ESG front, we are in anticipation of a positive framework to handhold MSEs into compliance for unhindered market access. State Governments through Urban Local Bodies and Industrial Development Corporations now require complementing this intent by undertaking circular economy initiatives which will boost opportunities for MSMEs while enhancing sustainability.

The budget is focused, stable, forward looking and empowering especially in the context of emerging global economic order. The initiatives need to be complemented with more direct interventions with respect to institutional capacity building and sectoral reforms to ensure amplified and intended impact. Overall, for the MSMEs, the budget gives hope and support in their quest for resilience and scale up.

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