



India Union Budget 2026-27

Point of view

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Industrial Development and MSME

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Key announcements for the sector

Budget 2026 proposes targeted initiatives to scale up manufacturing and build local capacity across key strategic and frontier sectors such as biopharma, semiconductors, electronics manufacturing, rare-earth materials, chemicals, capital goods, and textiles. It also focuses on creating 'Champion MSMEs' and providing support to enhance liquidity in the sector. Key announcements are as follows:

- **Biopharma shakti** proposed to develop India as a **biopharma manufacturing hub** with an outlay of **INR10,000 crores** over the next five years
- **India Semiconductor Mission (ISM) 2.0** launched to produce equipment and materials, design full stack Indian IP, and fortify supply chains
- Budget outlay of **Electronics Components Manufacturing Scheme** increased from INR22,919 crores to INR40,000 crores to capitalise the momentum of sector's growth
- **Rare Earth Corridors** proposed across the mineral-rich states of Odisha, Kerala, Andhra Pradesh and Tamil Nadu to promote mining, processing, research and manufacturing
- **Three chemical parks** proposed on a cluster-based plug-and-play model to enhance domestic chemical production and reduce import dependency
- To strengthen local manufacturing capacity for **capital goods**, following interventions are proposed:
 - **Establishment of hi-tech tool rooms** by CPSEs at two locations as digitally enabled automated service bureaus that locally design, test, and manufacture high-precision components at scale and at lower cost
 - Scheme for **Enhancement of Construction and Infrastructure Equipment (CIE)** introduced to strengthen domestic manufacturing of high-value and technologically advanced CIE
 - Scheme for **container manufacturing** launched to create a globally competitive container manufacturing ecosystem, with a budgetary allocation of INR10,000 crore over a five-year period.
- **Integrated programme** for textile sector introduced with five sub-components along with **Mega Textile Park** and **Mahatma Gandhi Gram Swaraj initiative** to strengthen khadi, handloom and handicrafts. The five sub-parts include – National Fibre Scheme, Textile Expansion and Employment Scheme, National Handloom and Handicraft programme, Tex-Eco Initiative, and Samarth 2.0
- A **scheme to revive 200 legacy industrial clusters** announced to improve cost competitiveness and efficiency through infrastructure and technology upgradation
- Recognising MSMEs as a vital engine of growth, three-pronged approach is proposed for creating '**Champion MSMEs**':

- **Equity support:** A dedicated INR10,000 crore SME Growth Fund is proposed to create future Champions. Further top-up of Self-Reliant India Fund with INR2,000 crore announced to support micro enterprises and maintain their access to risk capital
- **Liquidity support:** With TReDS, more than INR7 lakh crore has been made available to MSMEs. To leverage its full potential, four measures have been introduced – (1) Mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs; (2) Credit guarantee support mechanism through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for invoice discounting; (3) Link GeM with TReDS; and (4) Introduce TReDS receivables as asset-backed securities
- **Professional support:** Facilitate professional institutions such as The Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), Institute of Cost Accountants of India (ICMAI) to design short-term, modular courses and practical tools to develop a cadre of ‘Corporate Mitras’, especially in Tier-II and Tier-III towns.
- **Self-Help Entrepreneur (SHE) Marts** shall be set up as community-owned retail outlets within the cluster level federations through enhanced and innovative financing instruments
- Considering India’s potential to emerge as a global hub for high quality, affordable sports goods, a dedicated initiative for sports goods has been proposed. This is aimed at promoting manufacturing, research and innovation in equipment design as well as material sciences
- Limit for duty-free imports of specified inputs of seafood products increased from 1 per cent to 3 per cent while duty-free imports of specified inputs in leather/synthetic footwear allowed to promote exports.

Implications for the sector

Budget 2026 positions manufacturing not merely as an important sector, but as the central driver of India’s economic transformation. It articulates a vision in which world-class textile production, advanced semiconductor manufacturing, strategic rare-earth resource development, next-generation infrastructure, and a strengthened MSME ecosystem function cohesively to accelerate national advancement. By intensifying its commitment to these priority sectors, India is consolidating its industrial base, fostering high-quality employment opportunities, and enhancing its role as a critical participant in global value chains. This budget represents a decisive evolution – from being a contributor to global markets to shaping them –steering the nation toward a more resilient, competitive, and innovation-led economic future

- India Semiconductor Mission 2.0 is intended to strengthen India’s semiconductor manufacturing ecosystem and accelerate the country’s integration into higher value add segments of the global semiconductor value chain, while advancing import substitution. It could expand India’s capabilities in design, packaging, testing, and advanced manufacturing. Additionally, the enhanced outlay for the Electronic Component Manufacturing Scheme is expected to strengthen the supply chain, support IP creation, and drive research, positioning India as a major player in semiconductor and electronics
- Amid persistent global geopolitical uncertainty, it has become critical for India to develop a robust strategy for rare-earth resource development, given their indispensable role in sectors such as defence and electronics. The proposed rare-earth corridors across mineral-rich coastal states are likely to strengthen mining, processing, research, and downstream manufacturing, enabling greater self-reliance and reducing import dependence in this strategic domain
- Current announcement for making India a biopharma manufacturing hub, establish textile parks, chemical parks, and emphasising on sports goods promotion is an extension of the National Manufacturing Mission announced in the last Union Budget (2025-2026) to strengthen ‘Make in India’ initiative. This is a transition from planning to execution phase with focus on increasing competitiveness, generate employment and reduce global dependencies amid tariff uncertainties
- With India set to host the 2030 Commonwealth Games in Ahmedabad, a dedicated initiative for sports goods is likely to catalyse domestic manufacturing, innovation and MSME growth. It positions India as a global hub for affordable, high-quality sports equipment while strengthening the vision of ‘Atmanirbhar Bharat’

- The announcement of an integrated programme for the labour-intensive textile sector reflects a clear and coordinated push to build a future-ready, globally competitive and responsible textile ecosystem. These address the needs of the sector from raw material security to circular production and manufacturing competitiveness. These measures come at the right time considering the recently concluded India-European Union Free Trade Agreement (FTA) provides greater global market access to the sector
- Rejuvenation of 200 legacy industrial clusters is expected to help traditional MSME clusters integrate with modern value chains and global markets, particularly in manufacturing and export-oriented segments. This has direct relevance for MSME clusters in textiles, engineering, leather, food processing and other legacy sectors where infrastructure and common facilities remain constraints.
- Focus on creating 'Champion MSME' through equity, liquidity, and professional support reflects on holistic approach towards strengthening MSME ecosystem. Launch of SME Growth Fund along with Self-Reliant India Fund is expected to provide adequate thrust to potential MSMEs to move up the value chain
- The renewed directive of mandatory onboarding of CPSEs' on TReDS platform underscores the government's commitment to strengthening MSME liquidity and addressing payment delays. By mandating CPSEs to not only register but actively transact on TReDS, the policy push is expected to accelerate adoption, enhance transparency, and ensure timely cash flow to MSMEs through immediate access to working capital. Additionally, integrating GeM with TReDS will allow financiers to verify Purchase Orders and Work Orders directly, facilitating quicker credit disbursement to MSMEs
- The 'Corporate Mitras' initiative to support MSMEs with compliance requirements is a welcome move as it helps MSMEs get improved access to professional services in smaller towns, accelerates formalisation and improve Ease of Doing Business (EoDB). It would also lead to expansion of skilled workforce in Tier II and Tier III towns.

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