

इंडियन बैंक



Indian Bank

इलाहाबाद

ALLAHABAD

IND MSME OBSERVER

Monthly Insights from Your Own Bank

January 2026

Table of Contents

1. MSME's Cursor	3
2. Economic Monitor	6
3. Global Scenario	8
4. Output and Price	9
5. Focus Sector	
• Auto-Components	10
• The Solar Surge: Expanding Capacity & Efficiency	13

MSME's Cursor

MSME Dashboard as on December 2025

Category	Registrations	Micro	Small	Medium	Employment
Udyam + UAP (Combined)	7,41,41,681	7,35,68,200	4,86,788	36,637	32,51,58,078
Udyam (Standalone)	4,43,65,647	4,37,92,166	4,86,788	36,637	28,87,41,844
Udyam Assist Platform (UAP)	2,97,76,034	2,97,76,034	—	—	3,64,16,234

Sources: Ministry of Micro, Small & Medium Enterprises

Micro enterprises dominate formal registrations, with UAP adding around 30 million purely micro units, raising the combined registry to 74.1m and a workforce of about 325.2m. While UAP accounts for 40.1% of registrations, it contributes only 11.2% of employment, averaging 1.2 jobs per unit versus Udyam's 6.5. This gap signals significant growth potential as these units formalize and scale under Udyam.

Credit Environment and Financing Support received by MSMEs

CGTMSE (Credit Guarantee Scheme)	Self Reliant India (SRI) Fund	NSSH (National SC/ST Hub)	Loan Sanctions	Loan Sanctions
<p>Guarantees issued: 1,30,63,982</p> <p>Total value: Rs 118.49 bn</p>	<p>MSMEs benefited: 682</p>	<p>Total beneficiaries: 2,884</p> <p>Subsidy released: Rs 3.28bn</p>	<p>PMV: 5,20,871 projects, amount Rs 4.492bn</p>	<p>PMEGP: 5,57,507 projects, amount Rs 5.70bn</p>

as on 08-12-2025

Guarantee-backed lending is the dominant credit lever, with CGTMSE providing over 0.01 billion guarantees worth Rs 118.5 bn, far surpassing other schemes in scale. While loans under PMV and PMEGP cover about 1.08 million projects with Rs 102 bn sanctioned, equity-focused schemes like SRI Fund and NSSH remain niche, indicating that broad-based credit support drives MSME financing while targeted programs have limited reach.

Technology Infrastructure & Enablement

- Micro & Small Enterprises Cluster Development Programme (MSE-CDP): 601 CFC/ID projects approved. (as on 23-12-2025).
- Tool Room & Technology Centres: 1.71m trained, 0.35m assisted; 20 Technology Centres and 100 Extension Centres operational. (As on 05-01-2026)
- Raising and Accelerating MSME Performance (RAMP): 3.52m MSMEs benefited, grant sanctioned Rs 33.51bn . (as on 09-12-2025 FY 2025-26)
- Zero Defect Zero Effect (ZED) Certification: 0.71m MSMEs registered, 0.48m certifications issued. (as on 31-12-2025)
- LEAN: 59,717 MSMEs registered, 17,814 basic certifications completed. (as on 31-12-2025)
- Green Investment and Financing for Transformation (GIFT): 4,931 applications approved. (as on 02-11-2025)
- Scheme for Promotion and Investment in circular Economy (SPICE): Early-stage schemes with 10 and 2 applications approved respectively. (as on 02-11-2025)

Training & Entrepreneurship Development

- MSME Skilling: 3.87m trained, 119 institutions engaged. (as on 21-12-2025)
- National Institute for Micro, Small and Medium Enterprises (NI-MSME) : 16,215 trained. (as on 20-11-2025)
- Entrepreneurship and Skill Development Programme (ESDP): 1.65m trained. (as on 22-12-2025)
- A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE) : Incubation and innovation support ongoing. 109 LBIs approved and 1,16,252 beneficiaries trained. (as on 17-11-2025)

Public Procurement

- MSME SAMBANDH: Procurement from MSEs reached Rs 485.26bn. (as on 05-01-2025)
- SC/ST Hub: Procurement for SC/ST MSEs at Rs 23.83bn. (as on 05-01-2025)
- MSME SAMADHAAN: 0 applications filed for delayed payment resolution (as on 05-01-2026).

Highlight

- MSME ecosystem shows strong credit flow, led by CGTMSE and PMEGP.
- Technology enablement accelerating with TCSP and RAMP driving modernization.
- Skill development remains robust, with over 5.5m individuals trained across programs.
- Public procurement from MSMEs crossed Rs 4.8bn, reinforcing government support
- PM Vishwakarma: Training and disbursement reviews in early December achieved the target of 3m beneficiary registrations within two years of launch, indicating strong outreach to traditional artisans, improved financial inclusion, and accelerated skill formalization under the scheme.

Policy & Schemes - December 2025 Highlights

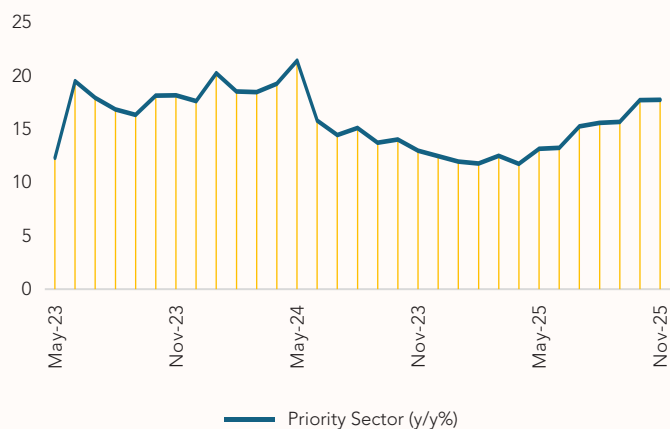
The Ministry of MSME rolled out several key initiatives to improve the business ecosystem.

- **Quality Control Orders (QCOs):** MSME-friendly relaxations were announced in December 2025 such as extended compliance timelines, phased implementation, and simplified certification were provided to prevent production disruptions, ensuring smoother compliance.
- **MoU with Amazon:** A memorandum was signed to onboard PM Vishwakarma artisans, providing them with cataloguing and online market access. GST Update: From Dec 15, 2025, MSMEs above Rs 0.05bn turnover must issue e-invoice before e-way bill, ensuring stricter compliance and reducing reconciliation errors.

Digital Commerce & Market Access

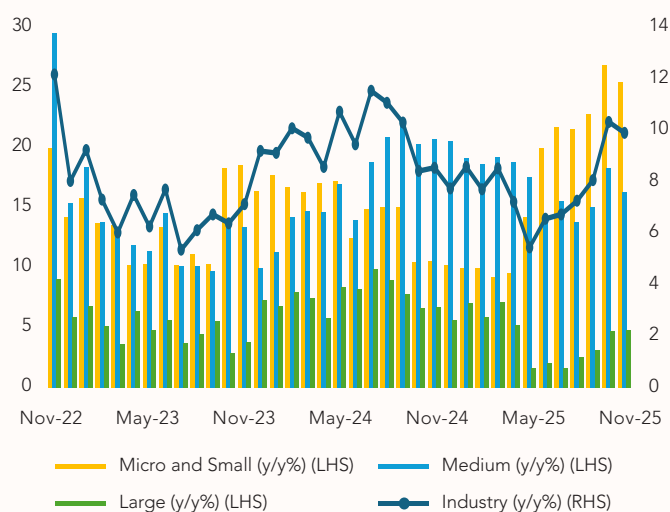
- In 2025, GeM reached Rs 45 bn in transactions and ONDC expanded to 500+ cities, significantly enhancing market access and digital sales for MSMEs.
- Insight: MSMEs securing 44.8% of GeM procurement value (Rs 74.4bn) by Nov 30, 2025 reflects their increasing role in public procurement, signalling greater integration of MSMEs into government supply chains, improved policy effectiveness, and enhanced digital adoption through platforms like GeM.
- **Export Promotion Mission (EPM):** Launched in November 2025 with a budget of Rs 250.6bn the EPM includes a Market Access Support (MAS) Intervention to help exporters, especially MSMEs, access new global markets and tackle tariff challenges.

Bank Credit Outstanding



Sources: Reserve Bank of India (RBI)

MSME Bank Credit Outstanding



Sources: Reserve Bank of India (RBI)

Economy Monitor

Industrial & Consumption Trends

- **IIP Growth:** Industrial output surged 6.7% YoY in November 2025, the highest in two years, driven by strong manufacturing (+8.0%) and mining (+5.4%), while electricity contracted slightly (−1.5%). Infrastructure and construction goods grew over 12%, signalling robust investment momentum.
- **GST Collections:** November 2025 GST receipts stood at Rs 170 bn, up about 0.7% YoY, reflecting steady consumption and compliance. October collections were higher at Rs 19.6 bn (+4.6% YoY), supported by festive demand and improved tax administration.

GDP

In October 2025, the RBI raised its FY 2025–26 real GDP growth forecast from 6.5% to 6.8%, and in December 2025, it further revised it upward to 7.3%, driven by strong domestic demand and capital expenditure. India's real GDP recorded an 8.2% growth in Q2 FY 2025–26 (July–Sept), marking a six-quarter high.

External Sector

In December 2025, the Indian Rupee exhibited significant volatility, breaching the psychological Rs 90 per USD threshold for the first time in history. Contrary to earlier projections of stability within the Rs 82–84 range, the currency faced severe downward pressure throughout late 2025.

Price Outlook

In November 2025, India's headline retail inflation (CPI) was 0.71%, while food-specific retail inflation (CFPI) remained in deflationary territory at -3.91%. On the wholesale side, the WPI was recorded at -0.32%, and the WPI Food Index also showed a negative rate of -2.60%.

Recent Policy Reform

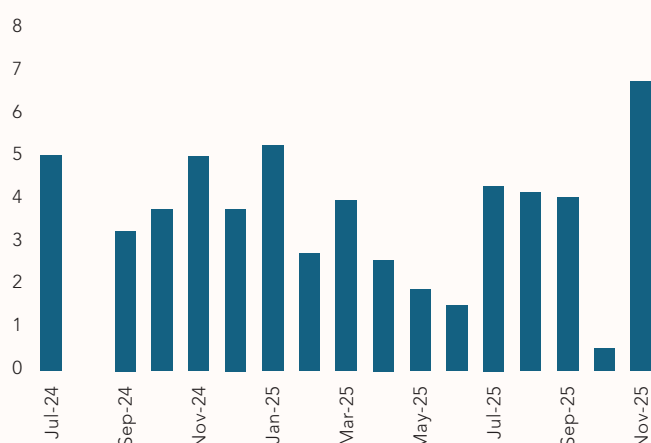
Labour & Social Security Reforms (Nov–Dec 2025)

- The Four Labour Codes were implemented on 21 November 2025, consolidating 29 laws into four codes—Wages, Industrial Relations, Social Security, and Occupational Safety & Health. These reforms introduced single registration, digital inspections, decriminalization of minor offences, universal minimum wages (including for women and gig workers), and provisions for fixed-term contracts, streamlined dispute resolution, and night shift safety measures. Social protection coverage surged to 64.3%, ranking India 2nd globally and earning the ISSA Award 2025. EPFO introduced auto-settlement of claims up to Rs 0.5m, a centralized pension system, and FAT-enabled UAN activation via UMANG. The National Career Service portal hosted ~9,800 job fairs, enabling 0.16m job placements and mobilizing
- E-Shram registrations crossed 314.2m, with a platform worker module launched to onboard 14 major gig aggregators, strengthening MSME access to formalized labor and social security.

Market Operations

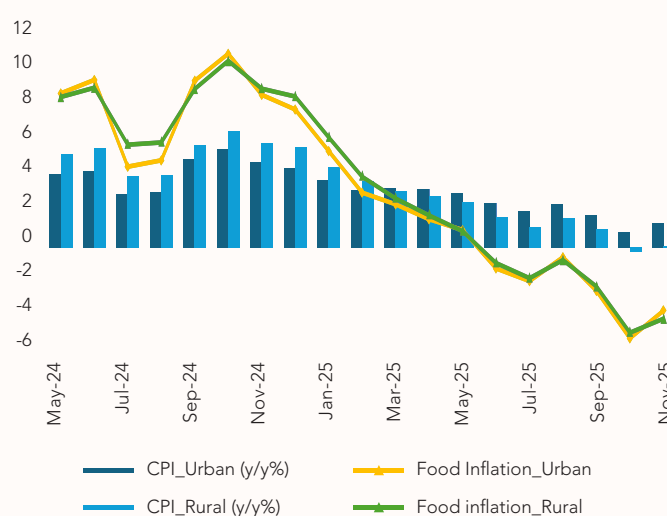
- **Long-Term:** The 10-year G-Sec yield closed November 2025 at 6.5% and ended the year near 6.6%, staying firm despite RBI rate cuts. This was driven by heavy FPI selling and rupee weakness as it approached Rs 91/USD.
- **Short-Term:** The 91-day T-Bill yield was 5.4% in November and eased slightly in late December after the RBI cut the repo rate by 25 bps to 5.25%.

IIP (y/y%)



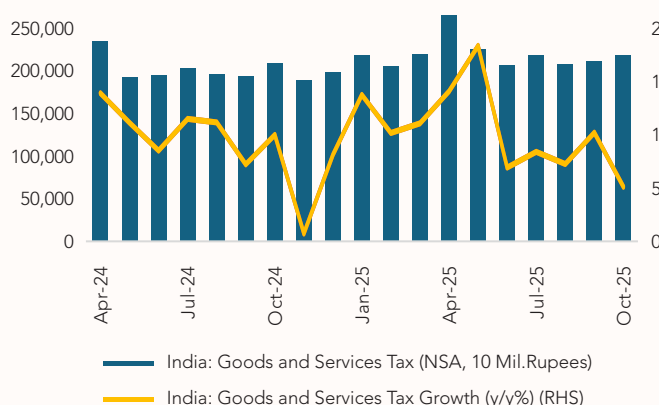
Sources: Ministry of Statistics and Programme Implementation. (MOSPI)

CPI and Food inflation



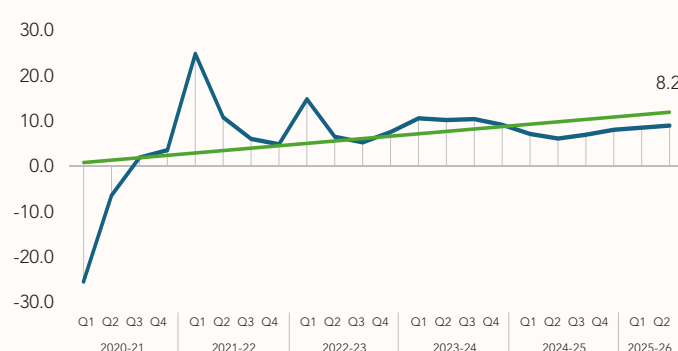
Sources: Ministry of Statistics and Programme Implementation. (MOSPI)

Goods and Service Tax



Sources: Ministry of Finance

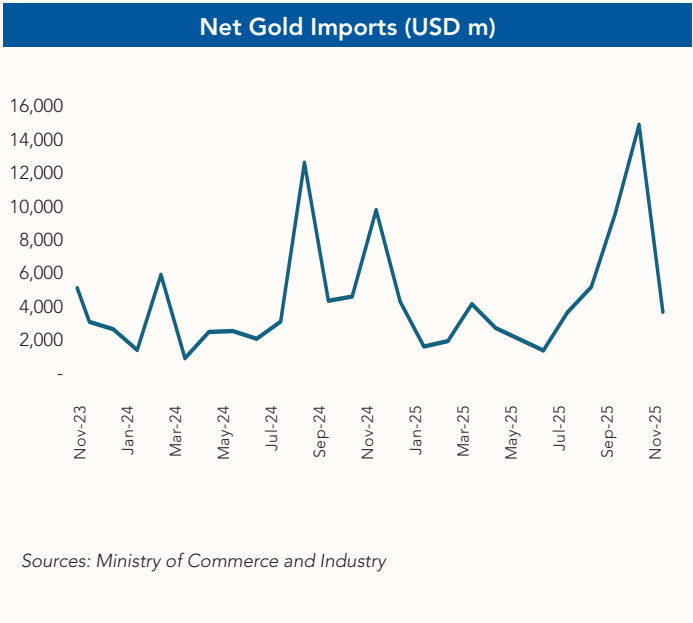
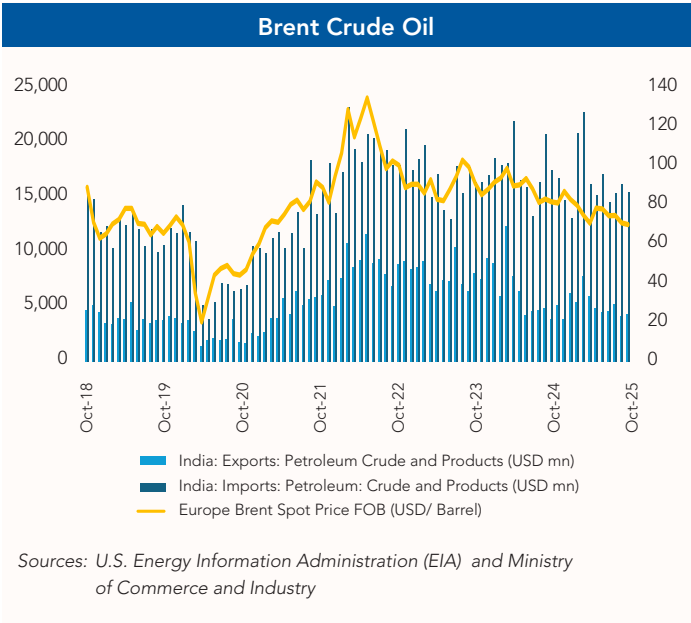
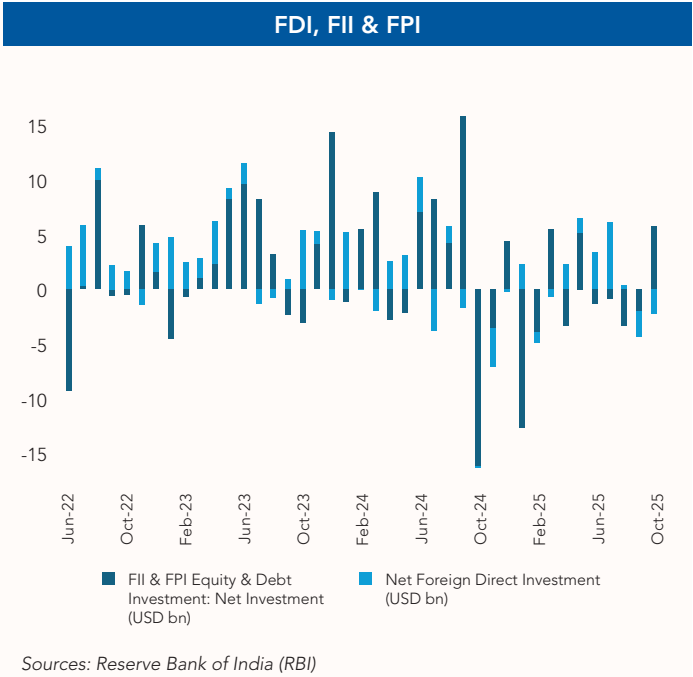
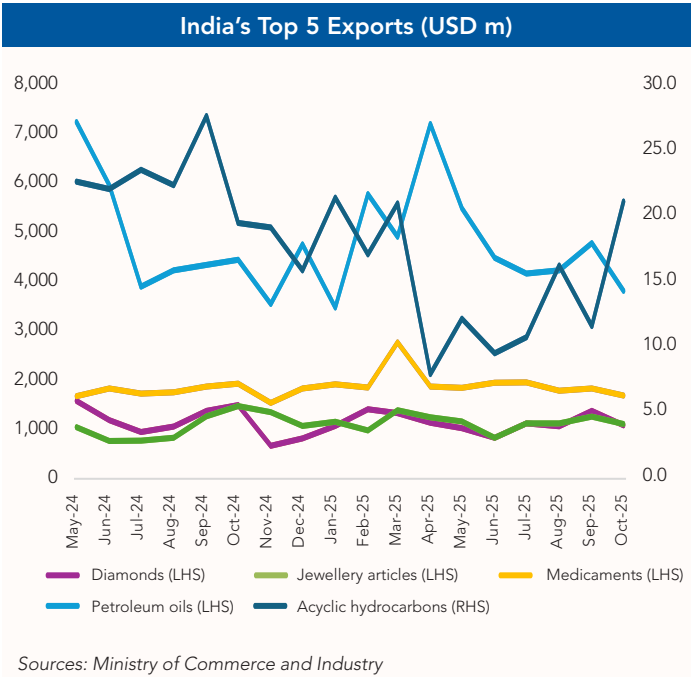
GDP (Y/Y %)



Sources: Ministry of Statistics and Programme Implementation. (MOSPI)

Global Scenario

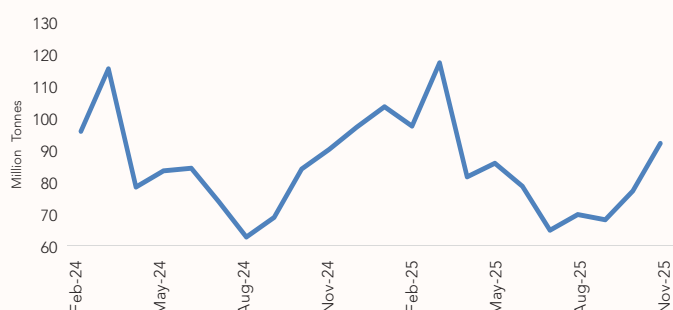
Mexico’s sweeping tariff hikes (5%–50%) on 1,400+ product lines from non-FTA countries, effective January 2026, will pressure export-oriented MSMEs in auto parts, engineering goods, and textiles, while volatility in steel and aluminium costs adds further strain. In contrast, the Russia–India trade roadmap targeting USD 100 billion by 2030 and ongoing FTA talks with the Eurasian Economic Union open new opportunities in IT services, shipbuilding, and skilled labor, though geopolitical risks could impact energy and fertilizer imports. Meanwhile, progress on the India–EU Digital Partnership creates scope for MSMEs in cybersecurity, SaaS, and digital infrastructure to expand into EU markets.



Output and Price

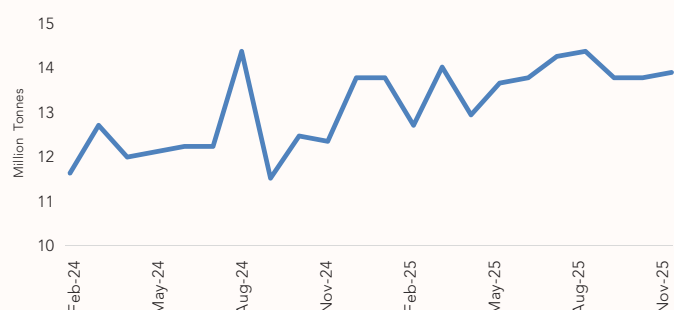
India's coal output rose modestly in November (+2.1% YoY), easing domestic supply conditions and helping contain fuel availability risks. However, MSMEs continue to face cost pressures as end-users, since global coking coal prices and currency movements still influence downstream steel and power-linked costs. Crude steel production jumped 10.8% YoY on robust infrastructure activity, pushing up steel prices in December. For MSMEs, this translates into higher material costs alongside strong demand, particularly benefiting firms engaged in construction, fabrication, and engineering services. At the same time, sharp increases in aluminium, copper, and nickel prices - driven by electrification, EV adoption, and downstream manufacturing demand - have raised input expenses for MSMEs operating across automotive, electrical, and industrial supply chains, tightening margins even as order books improve.

Coal Production



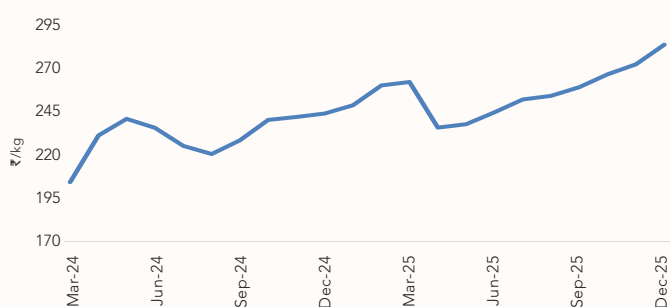
Sources: Ministry of Coal

Crude Steel Production



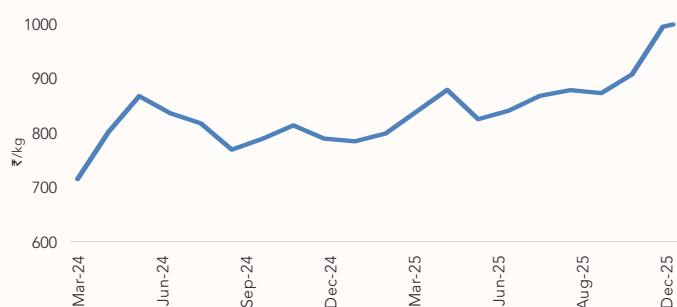
Sources: World Steel Association

Aluminium (Market Price)



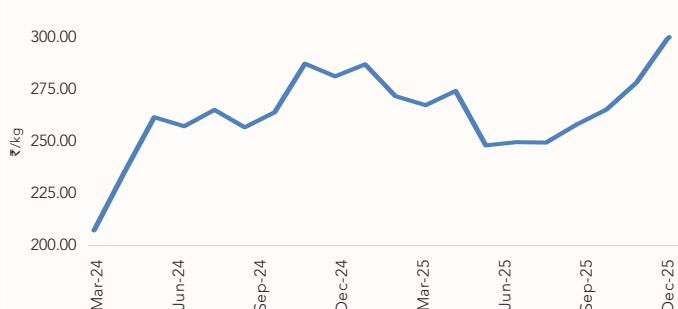
Sources: Multi Commodity Exchange of India Limited (MCX)

Copper (Market Price)



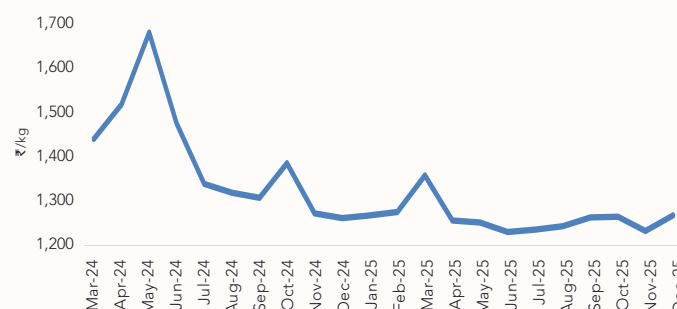
Sources: Multi Commodity Exchange of India Limited (MCX)

Zinc (Market Price)



Sources: Multi Commodity Exchange of India Limited (MCX)

Nickel (Market Price)



Sources: Multi Commodity Exchange of India Limited (MCX)

- **OEM ESG Demands:** Domestic ESG and circular economy demands have contributed towards the increasing JVs. For eg, Talbros Automotive Components and Lohum Cleantech collaborated for manufacturing sustainable products for automotive industry and improving tire tech using Recovered Carbon Black (rCB) and Devulcanized Rubber (DVR).
- **EV Shift and Technological Advancements:** The push towards electric vehicles is driving the innovations in battery pack, electric motors, and power electronics systems.

Competitive Focus

- **The China Plus One Pivot:** Post COVID scenario, global OEMs are diversifying supply chains to mitigate geopolitical risks. While China remains a volume leader, India's cost competitiveness-leveraging skilled workforce and lower operational overheads is benefiting the nation. Thus, India is capturing trade realignment opportunities with global firms, securing long-term contracts for transmission and steering systems with global investment surge from USD 12trillion to USD14 trillion.
- The Production Linked Incentive (PLI) Auto Scheme, with its Rs25,938 crore outlay, is the primary tool narrowing the gap with tech-heavy market competitions against countries like Germany and Japan that are equipped with Advanced Automotive Technology (AAT) products.

Cost pressures

Apart from major input materials like steel, aluminium and copper, rubber prices have reflected the highest volatility in auto-components segment, straining MSMEs' cash flows by increasing working capital need and making it difficult to pass on increased costs to customers.

- **CR Coil (0.63 mm) prices:** Averaged INR 91,526 per tonne in FY'22, declined steadily to INR 70,110 in FY'25 and further to around INR 67,230 in FY'26 (till November 2025).
- **Rubber prices:** Natural rubber prices (Kottayam 4) declined from INR 17,102 / quintal in FY22 to INR 15,572 / quintal in FY'24 but surged sharply to INR 19,985 per quintal in FY'25, remaining elevated at INR 19,395 per quintal in FY'26 (till November 2025).

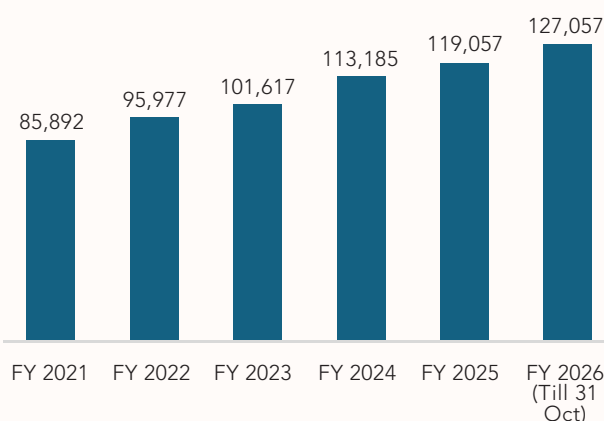
Credit implications and emerging trend

Between FY 2021-25, outstanding bank credit to the auto component sector has shown a steady growth growing at CAGR of 8.5%.

EV Adoption Targets Reshaping MSME Lending Profiles:

The policy-aligned target of 30% electric vehicle penetration in new vehicle sales by 2030 is altering the nature of credit demand among auto-component MSMEs. As suppliers realign product portfolios toward EV platforms, financing needs are shifting beyond routine working capital to include capex for new tooling, specialized equipment, and process modification. This supports the gradual expansion of longer-tenure MSME/Industrial loans linked to structurally evolving segments of the automotive value chain.

Credit Outstanding to Auto component sector (in INR Crore)



Sources: Reserve Bank of India (RBI), Database on Indian Economy (DBIE)

Emerging Risks in MSME Lending in the Auto Components Sector

- **Rising Cash-Flow Fragility in MSME Lending to Auto-Component Suppliers:** MSME auto-component lending faces rising cash-flow stress from volatile input costs and weak cost pass-through. Tier-2/3 suppliers under fixed OEM contracts drive higher bank limit use and refinancing, creating structural repayment risks during production slowdowns.
- **Growing MSME Credit Stock Enhancing Lending Prospects:** Loans to India's MSMEs surpassed INR 40 lakh crore as of March'25, marking 20–25% Y-o-Y expansion in credit outstanding as reported in the latest MSME Spotlight data.
- **Technology Transition Risk Impacting MSME Credit Quality in Auto Lending:** EV transition is reshaping MSME auto-component lending risk, with ICE-focused firms facing demand erosion. High leverage and weak internal accruals limit tech upgrade capacity, raising credit stress. Faster EV adoption could trigger asset obsolescence and impair debt servicing.

The Solar Surge: Expanding Capacity & Efficiency

Solar has become a core pillar of the country's clean-energy transition and a driver for renewable energy expansion. India now ranks 3rd globally in total solar capacity, behind China and the United States. This rapid rise is also reflected in generation trends where India's solar electricity generation increased more than threefold, from 39.27 BU to 144.2 BU between FY 2021-2025

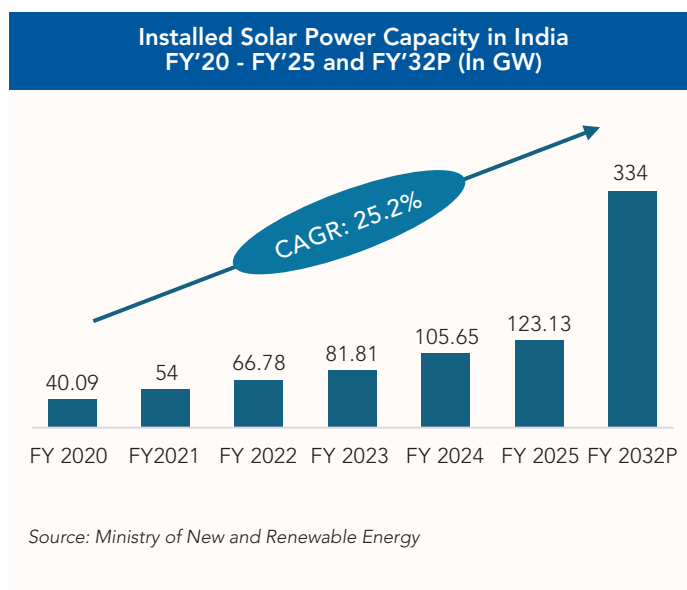
India's Solar Installed Capacity Growth:

Cumulative Installed solar capacity in India continued to grow strong and reached 135.8 GW as on 31st December 2025.

India achieved its "Panchamrit" target of 50% non-fossil fuel-based installed capacity—reaching roughly 262.74 GW—a full five years ahead of the 2030 deadline.

Domestic solar manufacturing exceeded 125 GW, up from <40 GW demand, driven by PLI scheme.

To meet the 500 GW target, India must add approximately 35-40 GW of solar annually for the next five years, a feat deemed feasible given the record-breaking 44.5 GW total RE addition in 2025.



The Macro Pulse – Indian Market Scenario

- **The Rooftop Revolution:** The PM Surya Ghar scheme has successfully reached 24.35 lakh households, deployed approximately 7 GW of clean energy and released over Rs 13,920 crore in direct subsidies to homeowners.
- **Target Overachievement:** India's total non-fossil capacity now stands at 51.5% of the national energy mix, proving the scalability of its green corridors and the efficiency of the Inter-State Transmission System (ISTS).
- **India aiming for self-reliance:** India is moving towards self-reliance in solar module and solar cell manufacturing backed by government support driving domestic capacity expansion translating in reducing imports.
- In FY 2025, module imports plummeted by 49% in value while solar cells import bill observed 9% decline over the previous year with import value measuring INR 182.63 billion and INR 139.05 billion, respectively.²
- **Project Pipeline:** Beyond current installations, India has a robust pipeline with 69 GW of solar projects currently under implementation and an additional 35 GW in the tendering phase, ensuring sustained momentum through 2026

¹ As per IRENA

² HS codes considered from DGFT/Ministry of Commerce, for 9% decline includes 854142, while for 49% decline includes 85414012, 85414011.

The Catalysts – Core Demand Drivers

- The re-implementation of the Approved List of Models and Manufacturers (ALMM) has created a “local-first” procurement environment, ensuring that high demand directly feeds the domestic manufacturing ecosystem.
- High-impact subsidies—up to Rs 78,000 for 3kW system—have reduced the payback period for residential solar to less than 4 years.
- The National Green Hydrogen Mission has accelerated the demand for round-the-clock (RTC) renewable power, leading to the tendering of massive hybrid solar-wind projects

Key Challenges

- India’s solar sector is entering a critical phase where module capacity is ~120 GW while the cell capacity is only ~18 GW, and with ALCM rules starting on 1st June 2026, cell demand will jump before supply catches up—pushing prices up and pressurising margins for module only firms.
- Grid integration and reliability are taking centre stage as India shifts from pure capacity growth to dispatchable, grid integrated renewables. Meanwhile, the PM Surya Ghar–driven rooftop segment is further pressing the already limited cell supply, especially for DCR compliant modules.
- The coming year will bring price volatility, consolidation, and a strong push for upstream investments in cells, wafers, and glass.

Strategic Insight: Cost Pressures & Credit Implications for India’s Solar Sector

Upstream Cost Dynamics: The Silicon & Cell Squeeze

- **Impact of RBI’s Monetary Easing on Polysilicon Prices:** RBI’s report rate cuts and CRR reductions has made financing cheaper for polysilicon producers and solar projects, along with reducing the working-capital pressure. On the flip side this has weakened the currency resulting in higher import cost leading to an overall increase in production cost.

Credit Implications & Financial Stability

- **Emerging Policy Cliff Risk in MSME Lending to Solar Sector:** MSME lending to the solar sector has increasingly depended on policy driven liquidity support rather than borrower cash flow strength. The impact of phasing out of government guarantee, discom payment delays and tender slippages could lead to heightened policy cliff risk. Even brief cash flow disruptions can quickly trigger repayment stress for MSMEs operating in this segment.
- RBI’s monetary tightening measures have led to liquidity financing pressure in this highly capital-intensive industry. However, a surge in green bond issuance in India is offering developers an alternative funding route amid elevated borrowing costs.

IND MSME Observer is a monthly publication designed to provide a comprehensive understanding of India's evolving economic landscape. Each edition delivers in-depth analysis of key macroeconomic developments, along with detailed insights into Micro, Small, and Medium Enterprises (MSMEs) and major industry sectors. The report aims to equip readers—business leaders, policymakers, and stakeholders—with valuable perspectives on trends shaping the Indian economy and their potential implications for MSMEs.

This publication is brought to you by Indian Bank, in collaboration with Dun & Bradstreet India, as part of our commitment to supporting informed decision-making and fostering sustainable growth within the MSME ecosystem.

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