

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

LOK SABHA
UNSTARRED QUESTION NO. 1015
TO BE ANSWERED ON: 05.02.2026

IMPACT OF TARIFF ON MSMEs

1015. SMT. JUNE MALIAH:
SHRI ESWARASAMY K:

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) whether the Government has assessed the impact of recent United States of America (USA) tariff hikes, reportedly reaching 50% on India's Micro, Small and Medium Enterprises (MSMEs) export sector;
- (b) if so, the details of the decline in MSME exports to the U.S. market between May and October 2025;
- (c) the share of export (in percentage and Rupees) to USA from MSMEs in the country since 2019, State and year wise;
- (d) whether the Government proposes to introduce any relief measures such as emergency credit lines or export incentives to mitigate losses faced by MSME exporters and if so, the details thereof;
- (e) the steps being taken to protect MSME competitiveness in key sectors such as textiles, gems and jewellery, chemicals and machinery which have reportedly suffered a 33% decline during the same period; and
- (f) the estimated number of job losses after imposition of tariffs by USA?

ANSWER

MINISTER OF STATE FOR MICRO, SMALL AND MEDIUM ENTERPRISES
(SUSHRI SHOBHA KARANDLAJE)

(a) to (c): India's merchandise exports during April to October 2025 have demonstrated resilient performance despite challenging global conditions including recent U.S. tariff hike. Overall, merchandise exports for the fiscal year so far remain positive compared to the previous year, reflecting underlying resilience despite global economic volatility, geopolitical disruptions and softened demand in some markets. India's export sector continues to demonstrate strength and diversification amid challenging external conditions.

(d) to (f): Government continues to work to mitigate the impact of the US tariff measures on Indian exports through a comprehensive multi-pronged strategy encompassing intensive engagement with the US Government for a mutually beneficial India-US Bilateral Trade Agreement, immediate relief through Trade relief measures of RBI, Credit Guarantee Scheme for Exporters, enhancement of domestic demand through next generation GST reforms, Export Promotion measures such as the new Export Promotion Mission which provide support and assistance to our exporters, pursuing FTAs with new countries and better utilization of existing FTA. It is expected that these measures will also enhance diversification and resilience in India's trade relationships. The Government remains engaged with all stakeholders—including exporters, Export Promotion Councils (EPCs), MSMEs, industry associations, and state governments—to assess the evolving impact of the U.S. tariff measures

Reserve Bank of India (RBI) has taken several measures for improving credit flow to MSMEs (including exporters) including regulations issued by RBI which stipulate (i) collateral free lending for loans upto Rs. 10 lakhs, (ii) allows relaxed capital requirement for such lending, (iii) transparency in interest rates by linking to external benchmarks, etc. Additionally, RBI issued Reserve Bank of India (Trade Relief Measures), 2025 on 14.11.2025 providing various relief to exporters including deferment in repayment of interest and principal installments, extending export proceeds realisation period, flexibility in packing credit liquidation, etc.

Furthermore, the Government has undertaken the following initiatives to provide new impetus to MSME resilience and growth:

- (i). Credit Guarantee Scheme (CGS) for Micro and Small Enterprises (MSEs) through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to provide credit guarantee of upto Rs. 10 crore on loans extended to MSEs without collateral security or third-party guarantees.
- (ii). Self Reliant India (SRI) Fund to infuse Rs. 50,000 crore as equity funding in those MSMEs which have the potential and viability to grow and become large units. Under this scheme total size of fund of Rs. 50,000 crore has a provision of Rs.10,000 crore from Government of India and Rs.40,000 crore through Private Equity / Venture Capital funds. This initiative is aimed at providing growth capital to the deserving and eligible units of MSME sector. The Budget 2026-27 has also announced a support of Rs 2000 crore to top up the Self-Reliant India Fund set up in 2021 to continue support to micro enterprises and maintain their access to risk capital.
- (iii). Mutual Credit Guarantee Scheme for MSMEs (MCGS-MSME), a government-backed initiative designed to help Micro, Small, and Medium Enterprises (MSMEs) access loans to grow their businesses. This scheme offers a credit guarantee, making it easier for MSMEs to obtain loans, especially for purchasing essential equipment and machinery. The Scheme provides credit guarantee cover to lenders (Scheduled Commercial Banks, All India Financial Institutions, NBFCs) for their term loans up to Rs.100 crore to MSMEs for their projects involving purchase of equipment/machinery.
- (iv). Subsequent to Union Budget Announcement 2024-25, twenty-six (26) branches have been opened by SIDBI all over India during FY 2024-25 to expand its reach to serve MSME clusters and provide direct credit to them. 37 branches are proposed to be opened in FY 2025-26 out of which 34 branches have since been opened. Further, SIDBI will continue to open new branches to expand its reach to serve all major MSME clusters by 31.03.2027.
- (v). The Government of India has approved the Credit Guarantee Scheme for Exporters (CGSE) on 12.11.2025 to provide additional credit support up to 20% of existing working capital limits to eligible borrowers, particularly MSMEs. By enabling collateral-free credit access under CGSE, the Scheme is expected to enhance the global competitiveness of Indian exporters and support diversification into new and emerging markets. The facility has been made operational w.e.f. 25.11.2025 on pan-India basis.

- (vi). As informed by the Reserve Bank of India (RBI), in order to provide a simpler and faster mechanism to address stress in the accounts of Micro, Small and Medium Enterprises (MSMEs), the RBI has put in place a Framework for Revival and Rehabilitation (FRR) vide circular dated March 17, 2016, for MSME units having loan limits up to Rs. 25 crore.

As per the FRR guidelines, banks shall identify incipient stress in MSME accounts based on early warning signals. The branch maintaining the account shall consider forwarding the stressed accounts with aggregate loan limits above Rs.10 lakh to a committee, whereas accounts with loan limits up to Rs.10 lakh shall be examined at the branch level for Corrective Action Plan (CAP). The resolution under CAP may include rectification, restructuring, and recovery.

- (vii). Export Promotion Mission (EPM) has been approved on 12.11.2025 as a comprehensive framework to strengthen the overall export ecosystem. Under EPM, support shall be provided through NIRYAT PROTSAHAN, which focuses on trade finance facilitation including support for interest subvention, factoring, E-Commerce Credit Card, Collateral for export Credit etc. for MSME exporters, and NIRYAT DISHA, which shall provide non-financial support including export-quality and compliance assistance, market-access interventions, logistics facilitation, and export ecosystem-building measures.

- (viii). GST rationalisation undertaken by the government directly strengthen MSMEs fortifying local supply chains in critical sectors like automobiles, textiles, food processing, logistics, and handicrafts. Lower GST rates have made raw materials and services more affordable, motivating small and medium enterprises and start-ups to scale up operations, invest in innovation, and compete both domestically and globally.
