GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

LOK SABHA

UNSTARRED QUESTION NO. 1513.
TO BE ANSWERED ON TUESDAY, THE 28TH JULY, 2026.

MANUFACTURING SECTOR AND MSMEs

1513. THIRU DAYANIDHI MARAN:

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:
वाणिज्य एवं उद्योग मंत्री

(a) whether the Government has assessed the impact of persistently high inflation, slowing economic growth, employment challenges and global geopolitical disruptions on the manufacturing sector and MSMEs, if so, the details thereof;

(b) whether the Government has undertaken any review of the effectiveness of its recent fiscal, taxation and employment measures, including schemes announced in recent Union Budgets and the findings thereof;

(c) the steps taken by the Government to protect small businesses, exporters and start-ups from the combined impact of rising input costs, global energy price volatility and inflation;

(d) whether the Government has assessed the impact of capital outflows, slowing private investment and external trade uncertainties on economic growth and employment, particularly in export-oriented States such as Tamil Nadu and if so, the details thereof; and

(e) the corrective measures proposed by the Government to restore investor confidence, generate quality employment and strengthen domestic demand in the face of prevailing economic headwinds?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री जितिन प्रसाद)
THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI JITIN PRASADA)

(a): The macroeconomic fundamentals of the Indian economy remain strong. Real Gross Domestic Product (GDP) has grown at over 7% during the last three years. The high-frequency indicators for the first quarter of 2026-27 point to sustained momentum in economic activity and domestic demand, reflecting the continued resilience of the Indian economy. Manufacturing Gross Value Added (GVA) at constant prices grew by 10.7% in 2025-26, compared to 9.3% in 2024-25. Over the past three years, growth in manufacturing GVA at constant prices has also outpaced that of services GVA, indicating sustained strengthening of industrial activity. Further, the growth in the Index of Industrial Production has improved from 3.0% in March 2026 to 5.1% in May 2026, while growth in the

Index of Core Industries increased from 2.9% in March 2026 to 5.0% in June 2026, reflecting continued momentum in industrial activity despite global uncertainties.

The MSME sector remains an important pillar of the Indian economy. In 2023-24, it contributed 31.1% to India's GDP and accounted for 35% of the country's manufacturing output. Bank credit to MSMEs grew at a robust rate of 17.5% in May 2026 compared to 5.4% in the corresponding period last year. However, to assess the impact of global geopolitical disruptions on the manufacturing sector and MSMEs, the Ministry of MSME has held many discussions with various stakeholders MSMEs, MSME Industry Associations, directly through its field offices to identify core supply chain bottlenecks such as procurement challenges, credit shortage, raw material costs and logistics barriers. Efforts were also made to identify alternative procurement sources of raw materials in collaboration with National Small Industries Corporation (NSIC).

(b): The Government has announced significant tax and customs reforms in the Union Budget 2026–27 to simplify compliance, improve predictability, and facilitate trade through the proposed Income-tax Act, 2025, greater automation, streamlined appeal mechanisms, and risk-based customs administration. It also provided a major boost to the textile sector by announcing Mega Textile Parks, extending the export obligation period from 6 to 12 months, strengthening liquidity support for MSMEs through Trade Receivables Discounting System (TReDS).

Manufacturing sector continues to be supported through the Production Linked Incentive (PLI) Schemes, which, as of 31 March 2026, have approved 892 applications, attracted over ₹2.40 lakh crore in investments, generated production worth ₹22.66 lakh crore, exports of ₹15.2 lakh crore, and over 14.15 lakh jobs. Additionally, the Government has expanded the National Industrial Corridor Development Programme (NICDP) by approving 12 new projects worth ₹28,602 crore to create world-class industrial infrastructure**.** As of 30th June 2026, under NICDP, a total of 469 plots, admeasuring 5,347 acres have been allotted. Of these, 376 plots (5,047 acres) are industrial plots, with a committed investment potential of approximately Rs 2.20 lakh crore and an estimated employment potential of 1.29 lakh persons, as declared by investors at the time of allotment.

(c): The following measures have been taken to protect small businesses, exporters and start-ups from the combined impact of rising input costs, global energy price volatility and inflation:

(i) The Government has approved Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. Under the scheme, the National Credit Guarantee Trustee Company Limited (NCGTC) will provide guarantee coverage to Member Lending Institutions (MLIs) for additional credit extended to eligible borrowers to address short-term liquidity mismatches arising from these pressures. The guarantee coverage will be 100% for MSMEs and 90% for non-MSMEs and the airline sector, for amounts in default under the additional facility.

(ii) Department of Commerce convened stakeholder consultations on 2nd March, 2026 and an Inter-Ministerial Group (IMG) on Supply Chain Resilience has been created as a central coordination mechanism with participation of concerned Ministries and agencies including M/o Petroleum and Natural Gas, Department of Financial Services, Ministry of Ports, Shipping & Waterway, Ministry of External Affairs, Department for Promotion of Industry and Internal Trade (DPIIT), Central Board of Indirect taxes & Customs (CBIC) and Reserve Bank of India (RBI). The IMG regularly reviews the situation, maintaining continuous coordination with stakeholders, to address emerging issues.

(iii) To protect consumers from rising global energy prices, the Government reduced excise duties on petrol and diesel by ₹10 per litre each in March 2026. The Government has also undertaken a series of proactive measures to ensure stability in LPG supplies. These include prioritization of domestic LPG consumption, diversification of import sources, dynamic stock management and inter-regional allocation to address localized shortages.

(iv) To support Startups across sectors, the Government is undertaking taking various measures under the Startup India initiative. As on 30th June 2026, a total of 2,40,092 entities have been recognised as startups under the Startup India Initiative. The flagship Schemes namely, Fund of Funds for Startups (FFS), Startup India Seed Fund Scheme (SISFS) and Credit Guarantee Scheme for Startups (CGSS) support startups across sectors at various stages of their business cycle. The Government also implements periodic exercises and programs including States' Startup Ranking, National Startup Awards, Innovation Week, and TEJAS (Transforming Entrepreneurial Journeys Across States & Districts) which play an important role in the holistic development of the startup ecosystem including non-metro and rural startup ecosystems. The Government also encourages and supports ecosystem led initiatives to improve market access and enable public procurement to scaling up their businesses. The Government has also taken various measures to enhance ease of doing business including starting up of business, raising capital, and reducing compliance burden to simplify the regulatory environment and create a conducive business environment. Activities to encourage corporates to support startups by way of mentorship, access to infrastructure, sharing resources and knowledge, assistance in market linkages, and investor connect are also undertaken.

(v) To strengthen international linkages and enable global market access for Indian startups, the Government facilitated participation of startups in major international innovation platforms such as **Bharat Innovates 2026 and VivaTech 2026**. Bharat Innovates 2026, organised in Nice, France as part of the India–France Year of Innovation, enabled Indian startups to showcase innovations, participate in over 1,350 B2B meetings, and forge more than 50 collaborations with global partners, creating opportunities for startup acceleration, research partnerships, technology commercialisation and market access. Similarly, at VivaTech 2026, where India participated as the AI Country Partner with its largest-ever delegation of over 80 deep-tech startups, Indian startups showcased innovations across emerging technology sectors and engaged with global investors, technology leaders and businesses, strengthening cross-border collaborations and expanding international market opportunities.

(d): According to MoSPI, Gross Fixed Capital Formation (GFCF) by private corporations, measured at current prices, increased from ₹28.5 lakh crore in 2022-23 to ₹32.4 lakh crore in 2024-25, indicating a gradual strengthening of private capital formation.

This improvement is also reflected in capacity utilisation trends. As per the 72nd round of the RBI's Order Books, Inventories and Capacity Utilisation Survey (OBICUS), capacity utilisation in the manufacturing sector increased to 75.6% in Q3:2025-26 from 74.7% in the corresponding quarter of the previous year and remained above its long-term average of 72.1%.

The country's external sector continues to be supported by adequate reserve buffers. According to the RBI, as of July 10, 2026, India's foreign exchange reserves stood at USD 675.2 billion, adequate in terms of the standard metrics of reserve adequacy, including providing an import cover of 10.3 months of goods and covering 88.5% of the country's external debt outstanding as of end-March 2026.

As per RBI's Balance of Payment statistics, India's current account recorded a surplus of USD 2.8 billion during April-May 2026 as compared to a deficit of USD 4.1 billion during April-May 2025.

(e): The Government has undertaken a range of policy measures to strengthen the investment climate and support domestic demand. To enhance investor confidence, improve the business climate, and promote economic growth, the Government has continued to improve the ease of doing business through greater tax certainty, reduced compliance burden, simplified dispute resolution, and decriminalisation of minor procedural offences. It has also expanded digital trade facilitation, strengthened trust-based customs administration, and undertaken reforms to reduce transaction costs. Further, to facilitate investment, the Government has continued to deepen trade and investment partnerships to strengthen India's integration with global markets. In order to strengthen domestic demand, the Government introduced income tax relief under the new tax regime in the Union Budget 2025-26 and rationalised GST rates.

The Government promotes Foreign Direct Investment (FDI) through an investor-friendly policy that allows up to 100% FDI under the automatic route in most sectors, accounting for over 90% of FDI inflows. The National Single Window System (NSWS) provides a single online platform for approvals and permissions. To maintain India as an attractive investment destination, the Government regularly reviews and liberalises the FDI policy through stakeholder consultations. Reforms have simplified FDI norms across sectors including defence, insurance, telecom, space, pharmaceuticals, retail, civil aviation, digital media, e-commerce, coal mining, and financial services.

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