

# MSME OUTLOOK SURVEY

ROUND 1 : OCTOBER-DECEMBER 2024



SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

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# FOREWORD

Micro, small and medium enterprises (MSMEs) serve as the crucial foundation of the Indian economy and a powerful instrument for bringing about socioeconomic change. They contribute about a third of the country's GDP and a little less than half of its exports. Despite their significance in the economic growth and shaping the social fibre, availability of accurate and timely data on MSMEs remains a challenge. Most data pieces available, are released with a significant time lag. The paucity of fast-frequency data on the MSME sector becomes a major limitation for the policy makers, lenders, trade bodies, economists, rating agencies and the MSMEs themselves in taking informed business decisions.



**MANOJ MITTAL**  
**CMD, SIDBI**

SIDBI has always acknowledged the incredible contribution of MSMEs in India's growth and is committed to the development of the sector through both financial and non-financial initiatives.

The MSME Outlook Survey, our latest initiative in this direction, attempts to bridge the data gap in the MSME sector. The goal of the survey is to develop a lead + lag indicator, in the form of MSME-Business Expectations Index and MSME-Business Conditions Index, that provide a steady flow of insights into the current performance of MSMEs in India and their perception.

The survey is in-depth and captures MSMEs' assessment of current business situation and future expectations on 22 parameters ranging from business performance to availability of skilled labour, employment generation, capacity addition, financial access, cost of funds and ease of doing business. This pan-India survey captures sentiments of MSMEs across regions and industries and attempts to present a true and fair picture of the performance of the future champions as they take India forward towards a 'Viksit Bharat'.

I firmly believe that the continuous flow of quality information on MSMEs through this survey will help all stakeholders in evaluating the current business climate and fine-tune their respective approaches.

I express my gratitude to the MSMEs who have wholeheartedly participated in the first round of the survey.

# INTRODUCTION

SIDBI's MSME Outlook Survey (MOS) evaluates the business sentiments and short-term expectations of MSMEs in India. The purpose of the survey is to provide regular flow of insights into the business performance, employment situation and financial situation of the MSME sector. Micro, Small and Medium sized enterprises in both urban and rural areas are well-represented in this pan-India survey, which includes business enterprises from six regions viz., North, North-East, East, Central, West and South.

About 1,200 MSMEs engaged in non-agricultural and non-financial activities, such as manufacturing, trading, and services (excl. trading), participated in the 1st round of the survey. The same was spread across 77 cities (tier 1, 2 and tier 3) and 66 villages across India. The fieldwork for the survey was Conducted during November-December 2024. Please refer to page number 18 for details on sampling and estimations.

The survey will, in each quarterly round, provide MSMEs' responses on their assessment of the current situation, the performance in the ensuing quarter and one year ahead vis-à-vis the current conditions on 22 parameters. Additionally, it generates two indices, the MSME Business Conditions Index (M-BCI) and the MSME Business Expectations Index (M-BEI), which are essentially weighted averages of the responses from MSMEs to six specific performance parameters – sales growth, profitability, availability of skilled labour, access to finance, cost of finance and overall business situation.

M-BCI and M-BEI are constructed at both the industry and the sectoral level.

## COVERAGE OF SURVEY



# EXECUTIVE SUMMARY

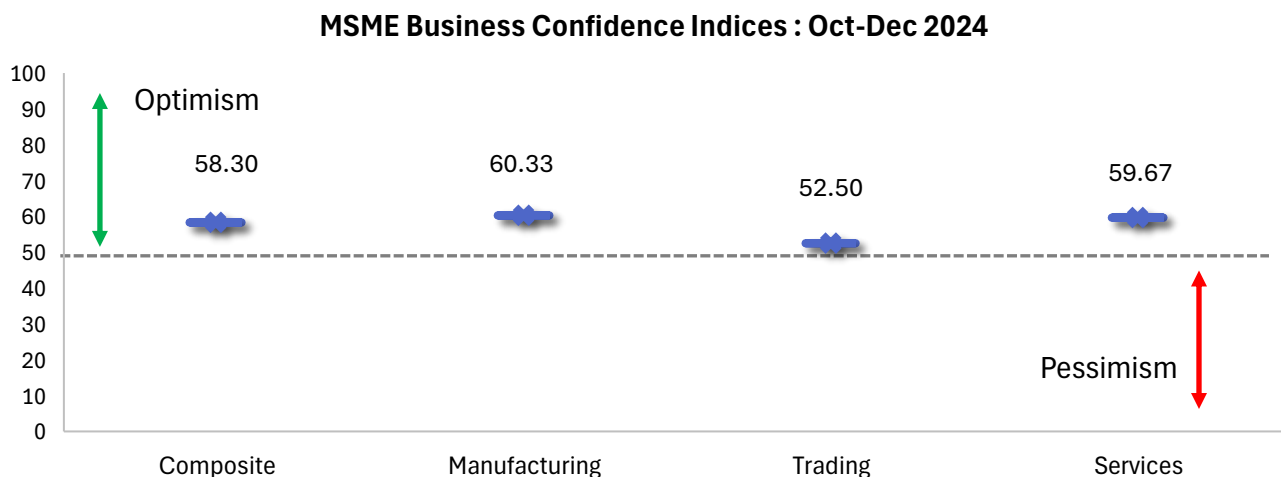
The Small Industries Development Bank of India (SIDBI) conducted its inaugural MSME Outlook Survey (MOS) for the period October-December 2024 with an objective of providing timely and accurate insights into the performance and expectations of Micro, Small and Medium Enterprises (MSMEs). The survey aims to address the critical data gap in the sector by producing **MSME Business Conditions Index (M-BCI)** and **MSME Business Expectations Index (M-BEI)** to help stakeholders in understanding the evolving business landscape and make informed decisions.

## Key Findings:

- i) **Overall Business Confidence:** The **MSME Business Confidence Index (M-BCI)** for Q3 FY2025 was 58.30, indicating optimism among MSMEs, especially in the manufacturing sector (BCI: 60.33). The services sector followed at 59.67, while the trading sector's business confidence was slightly lower at 52.50.
- ii) **Future Expectations:** The **MSME Business Expectation Index (M-BEI)** projects consistent optimism for the next four quarters, with indices above 60 and manufacturing even above 70, reflecting bullish sentiment on parameters like sales, profitability, and expectations of improved availability of skilled labour, access to finance and overall business situation.
- iii) **Optimistic Sales Growth:** MSMEs are optimistic on sales growth buoyed by positive sentiment on order books, production and rise in selling price. Their assessment about the sales performance in the Oct-Dec 2024 quarter, however, was lukewarm, skewed by the weak performance reported by majority of trading units.
- iv) **Positive sentiment on profitability despite rising input cost:** Respondents in the manufacturing sector are expecting rise in input costs. However, with higher production quantity and increase in average selling price, about half of them expect to increase the profit margin a year ahead.
- v) **Labour productivity and availability of skilled labour:** About a sixth of the respondents in all sectors were not happy with the labour productivity and availability of skilled labour. However, they expect the same to improve in the year ahead.
- vi) **Employment growth across sectors:** Employment scenario was broadly steady in the Oct-Dec 2024 quarter with 62% respondents having left their employee strength unchanged. The expectations on the future, however, are bullish with 30-40% planning to increase their workforce. The optimism is more pronounced in the manufacturing sector and relatively sedate in trading.
- vii) **Access to finance:** MSMEs are pinning their hopes on the Indian financial system. About one third of the MSME respondents are optimistic that their rising working capital requirement will be met adequately by financial institutions.
- viii) **Adoption of digital tools:** The share of responses in favour of adoption of digital modes for selling & marketing rising steadily going forward.
- ix) **Investment in technology:** The share of positive responses towards willingness to invest in environmental protection measures and adopting new technologies is rising going forward. Respondents in the manufacturing sector are most willing for the change with about 46% positive responses for Oct-Dec 2025.
- x) **Ease of doing business:** Optimism towards access to infrastructure, supply of electricity and time and efforts to obtain permits and clearances is increasing among participants from all sectors.

# MSME business confidence elevated

Indian micro, small and medium enterprises exhibited good sense of business confidence in the third quarter of FY2025, as per the findings of the MSME Outlook Survey. The Business Conditions Index (BCI) for this quarter was measured at 58.30, signaling a positive business sentiment. The BCI is a diffusion index that ranges from 0 to 100, where scores above 50 indicate positive sentiment and scores below 50 suggest negative sentiment.



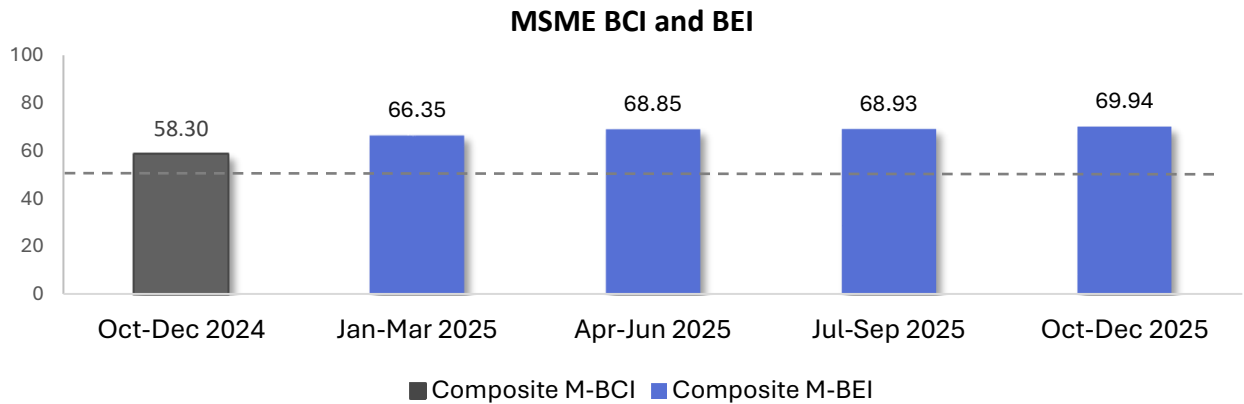
MSMEs across manufacturing, trading and services (other than trading) sectors noted an uptick in their business performance in the period October-December 2024. The MSMEs engaged in manufacturing activity were most positive with the BCI for the Manufacturing sector exhibiting the strongest business confidence reading of 60.33, closely followed by the Services BCI at 59.67. Traders also noted positive business confidence, but their BCI at 52.50, reflected smaller degree of improvement as compared to the improvement shown by the Manufacturing and the Services sector.

## M-BCI and M-BEI: Quarterly Movement

Quarter	Composite	Manufacturing	Trading	Services
M-BCI: Q3FY25	58.30	60.33	52.50	59.67
M-BEI: Q4FY25	66.35	69.50	62.67	66.08
M-BEI: Q1FY26	68.85	72.17	65.17	68.50
M-BEI: Q2FY26	68.93	72.33	64.17	69.00
M-BEI: Q3FY26	69.94	73.17	64.50	70.42

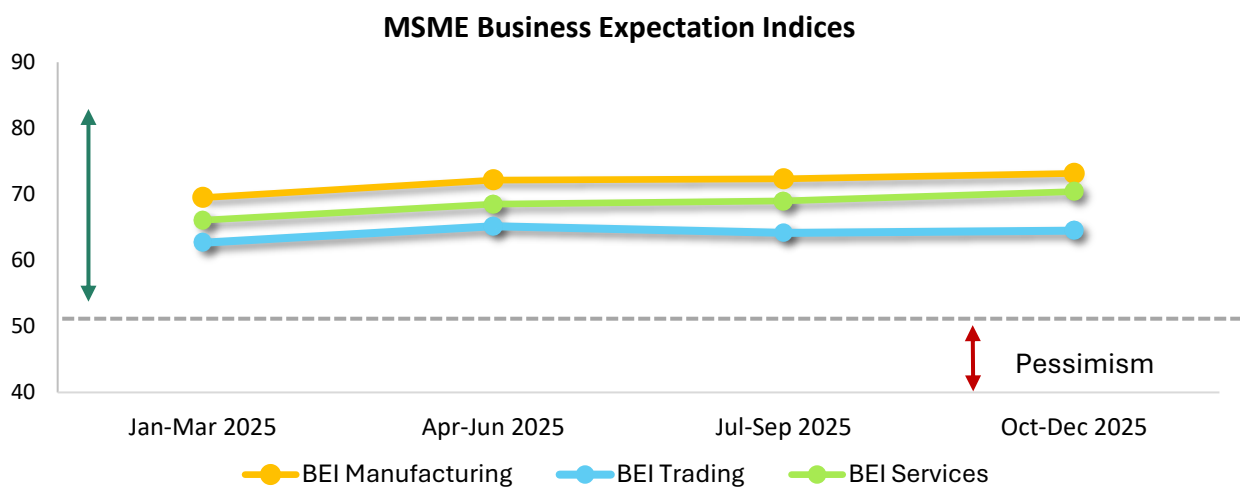
# MSMEs optimistic on the future

MSMEs are bullish on their future performance. The MSME Business Expectations Index, which is also a diffusion index and ranges between 0 and 100, is consistently above 60 for the next four quarters i.e. from January-March 2025 to October-December 2025. The index reading is persistently above 65, reflecting greater optimism.



MSMEs are optimistic about the future on most business parameters but input costs and interest rates. Despite this, they are optimistic on their profit growth and profitability they expect to successfully pass on the rising cost burden to the end user through price hikes.

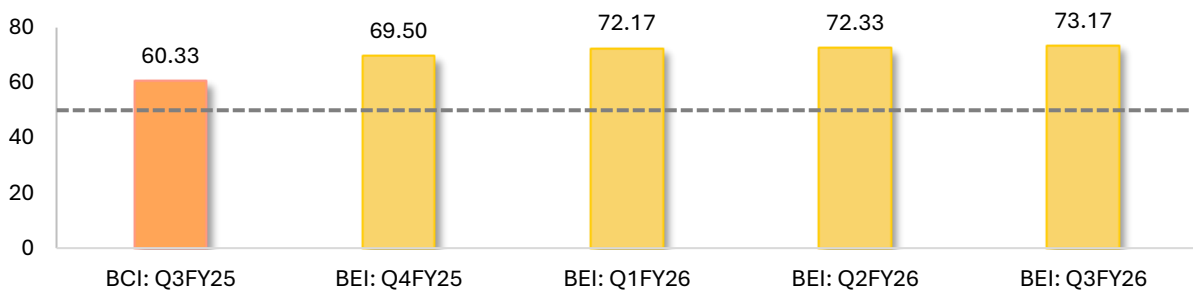
The views of MSMEs on sales growth, exports, profit growth, capacity utilisation, availability of skilled labour, employment, productivity, ease of doing business also remain optimistic.



# Manufacturing Sector

- The sentiments of MSMEs engaged in manufacturing activity during the period October-December 2024 were notably positive, as indicated by the M-BCI for Manufacturing (M-BCI Mfg), which stood at 60.33, significantly above the halfway mark.
- The outlook for the manufacturing sector is positive, with a steady improvement in overall business sentiment depicted by the M-BEI for Manufacturing (M-BEI Mfg) over next one year.

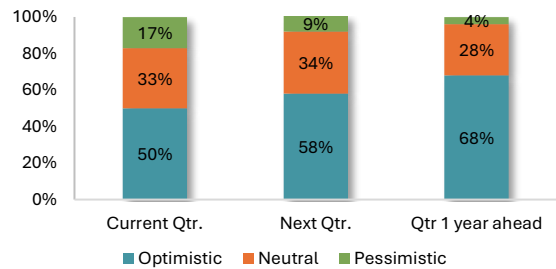
**Manufacturing BCI and BEI**



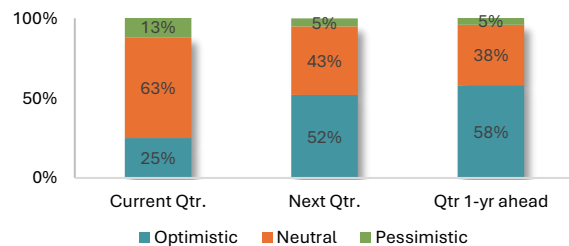
## Demand Conditions

- Majority of respondent MSMEs engaged in manufacturing activity displayed positive sentiment on sales growth, with the share of optimistic responses rising from 50% in the Oct-Dec 2024 quarter to 58% in the following quarter and further to 68% in the quarter a year ahead.
- While only 25% of respondents said that their order book was above normal in the Oct-Dec 2024 quarter, the expectations are better with 58% respondents expecting a rise in order inflow during the Oct-Dec 2025 quarter, implying durability of growth.
- Optimism for exports increases to 35% among participants for Oct-Dec 2025 from 24% in Oct-Dec 2024.
- Significant percentage of respondents appear optimistic on volume growth as well as unit realisation.

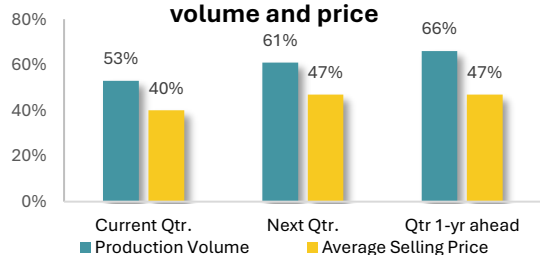
**Sales growth (% Responses)**



**Order Book Qnt (% Responses)**



**% Responses optimistic on sales volume and price**





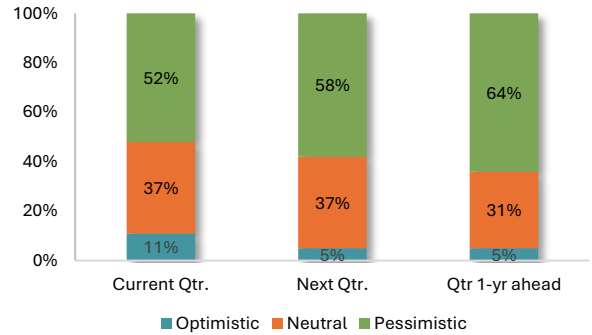
## Cost and Profitability

- The percentage of respondents expecting increase in cost of inputs is rising. In the Oct-Dec 2024 quarter, 52% respondents reported a rise in input cost compared to the preceding quarter. Going forward, about 64% respondents expect their input prices to increase a year ahead from their current levels.
- About 25% of the respondents opined that their raw material inventory holding increased during Oct-Dec 2024, while about 54% respondents expect their raw material inventory holding to go up during Oct-Dec 2025 as compared to current period.
- 66% of the respondents believed that their production would increase a year ahead. 47% of the respondents think average selling price will increase during Oct-Dec 2025 vis-a-vis the current quarter. The increase in production and average selling price will lead to increase in sales.
- About 56% of the respondents think their Net Profit Margin will increase during Oct-Dec 2025 compared to Oct-Dec 2024. Net Profit Margin had increased amongst 23% of the respondents during Oct-Dec 2024 compared to preceding quarter.

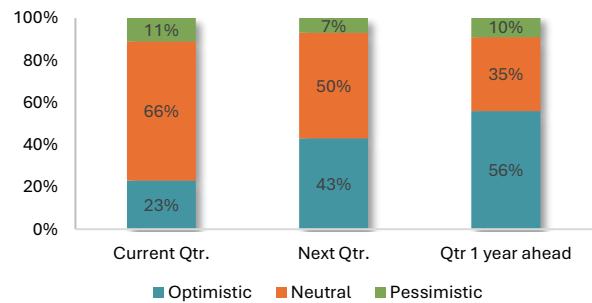
## Employment and Labour

- While 36% of the participants responded that employment numbers in their enterprises went up during Oct-Dec 2024 vis-a-vis the preceding quarter, about 45% of the participants expect employment in their enterprises to increase further a year ahead.
- 13% of the participants were not satisfied with the labour productivity and 17% were not satisfied with the availability of skilled labour during Oct-Dec 2024.
- 43% of the respondents expect labour productivity to increase and 38% of the respondents expect the availability of skilled labour to improve a year ahead compared to Oct-Dec 2024.

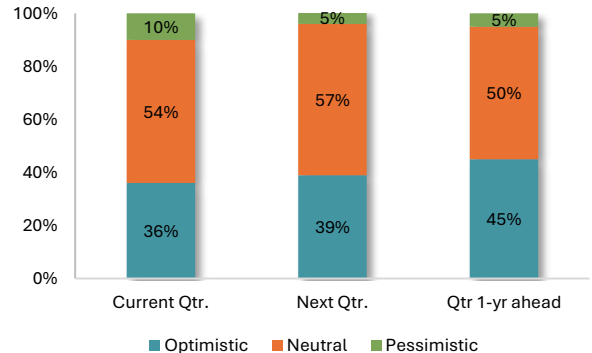
**Cost of Inputs (% Responses)**



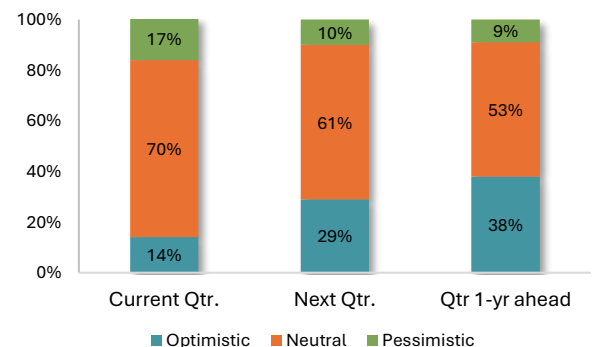
**Net Profit Margin (% Responses)**



**Employment (%Responses)**

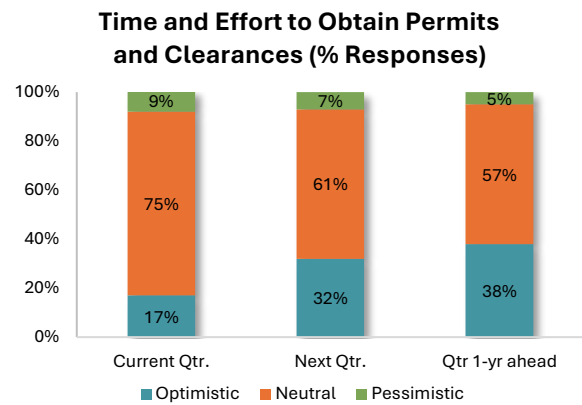
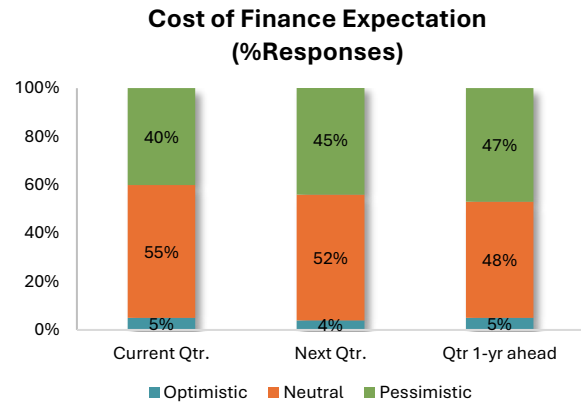


**Availability of Skilled labour (%Responses)**



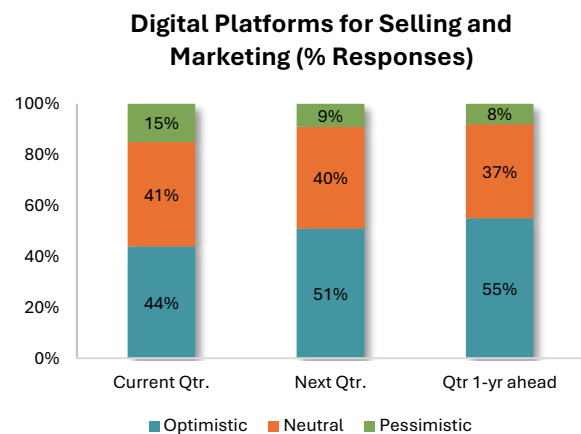
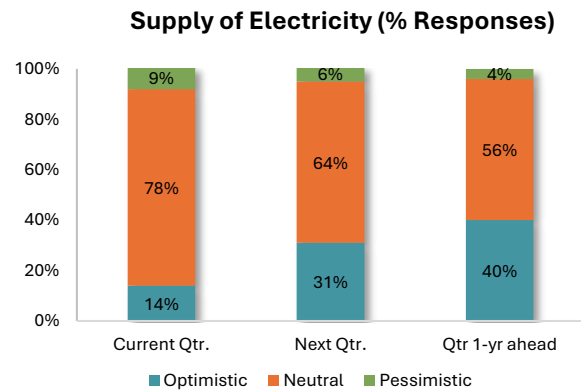
## Access to Finance

- 41% of the participants expect an improvement in meeting the working capital requirement through external finance during Oct-Dec 2025, while 40% of the respondents are optimistic on improvement in financial institutions adequately meeting their rising working capital requirement one year from now.
- 55% of the respondents expect that there will be no change in overall availability of finance during Oct-Dec 2025 compared to the current conditions, while 41% are expecting the situation to improve.
- 47% of the participants expect their cost of finance to go up by Dec 2025 and 48% expect it to remain stable.



## Ease of doing business

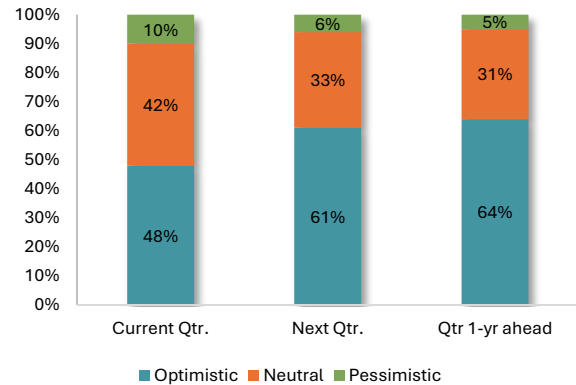
- More than 75% of the participants were satisfied with the time and effort taken to obtain permits & clearances and supply of electricity, while close to 15% reported improvement in these parameters in the Oct-Dec 2024 quarter. The share of respondents expecting improvement on these parameters a year ahead from now rises to around 40%.
- The share of responses in favour of adoption of digital modes for selling & marketing rising steadily going forward. 44% responded to have used digital platforms for selling & marketing during Oct-Dec 2024 and the percentage of those planning to use it increases to 55% a year ahead.



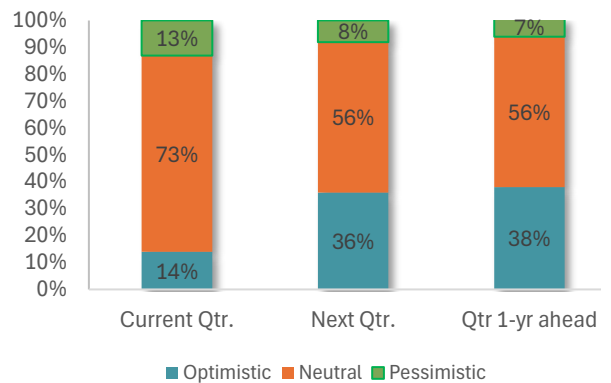
## Overall Business Situation & others

- The optimism for overall business situation is high with 64% expecting it to improve during Oct-Dec 2025 from the current situation. The percentage of responses who assess the overall business situation to have improved in the current period i.e. Oct-Dec 2024 vis-à-vis the preceding quarter is relatively lower at 48%.
- 73% of the participants responded that their timelines of realisation of trade receivables during Oct-Dec 2024 were acceptable and 14% responded that it had bettered from the preceding quarter. Further, 38% responded that the timelines of receivable realisation will improve a year ahead.
- Net increase in capacity utilisation was reported by 7% respondents during Oct-Dec 2024 as compared to preceding 12-month average. Going forward, 42% respondents expect capacity utilisation to improve a year ahead, showing optimism towards more production.
- 39% responded to have increased investments in pollution reduction/environmental protection measures (setting up solar panels, opting for e-vehicles, adopting new technology) during Oct-Dec 2024. 44% also responded that their investments in such measures will increase a year ahead, implying expectation of higher adoption of green energy and new technology.

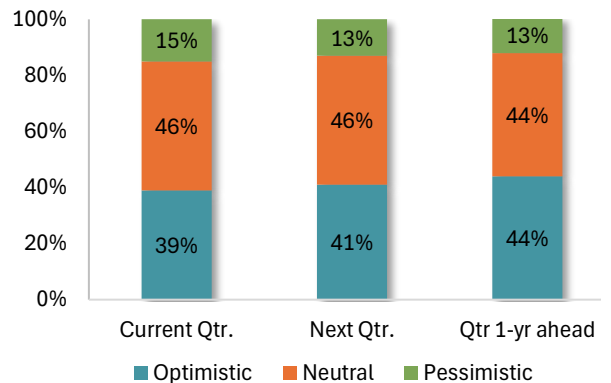
**Overall Business Situation  
(%Responses)**



**Trade Receivable Reaisation  
(%Responses)**

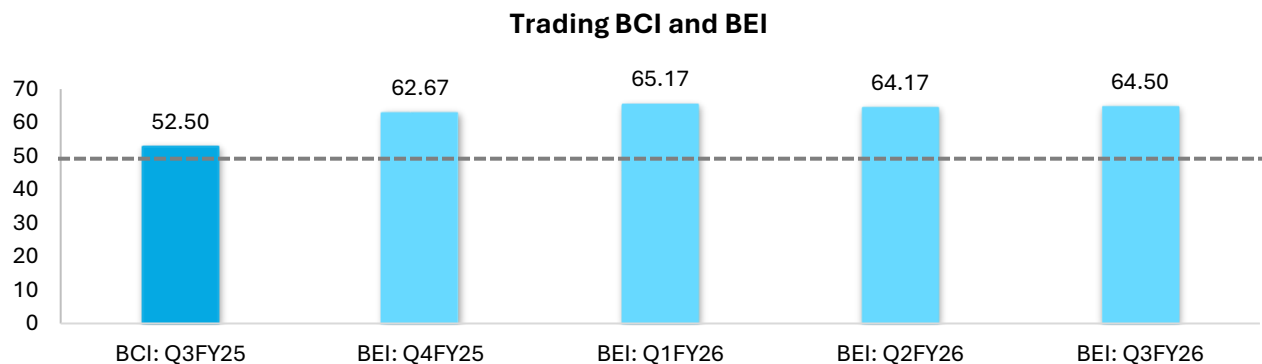


**Environmental Protection Measures  
(%Responses)**



# Trading Sector

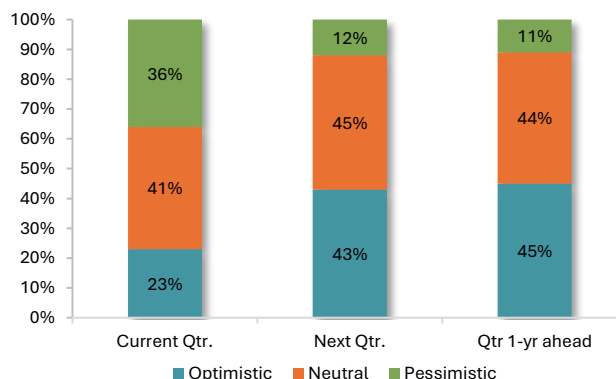
- The assessment of current business scenario by the trading sector is positive with the M-BCI for trading measuring 52.50 for the October-December 2024 quarter. Trading units are optimistic on the future with the M-BEI for Trading ranging between 62 and 66 for the following four quarters.
- The current level of positive sentiment in the trading sector as well as future expectations are considerably below the level of optimism shown by manufacturing and services MSMEs.



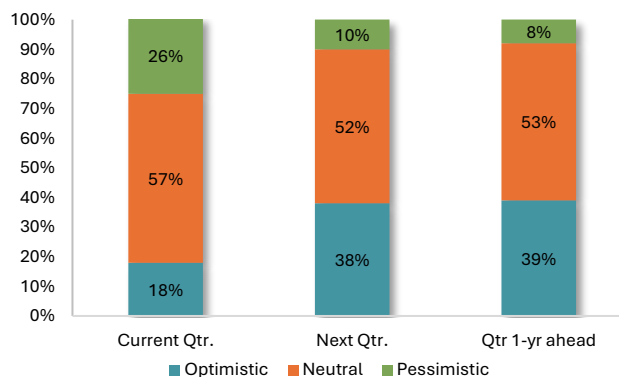
## Demand scenario

- While one fourth of the respondents reported contraction in sales revenues during Oct-Dec 2024 compared to the preceding quarter, they remain optimistic on the future.
- About 43% of them are expecting an expansion in sales in the following quarter, while the number rises a tad to 45% when it comes to the quarter a year ahead.
- As regards to the order book position, going forward, there is a level of optimism. While 18% reported stronger than average order book during the Oct-Dec 2024 quarter, the percentage gradually rise to 39% one year ahead.
- On the exports front, there is an improvement in the outlook with respondents indicating optimism on exports rising from 22% during Oct-Dec 2024 to 36% for Oct-Dec 2025.

## Sales Growth (% Responses)



## Order Book (% Responses)

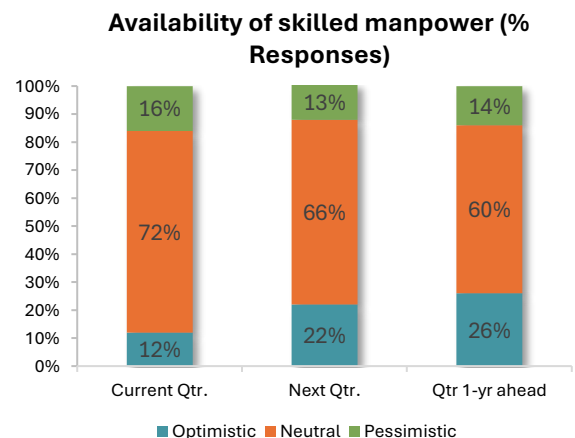
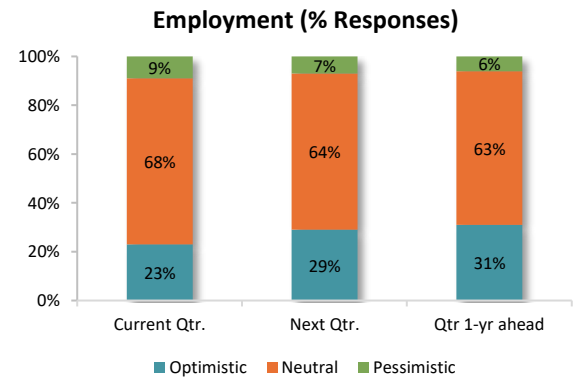
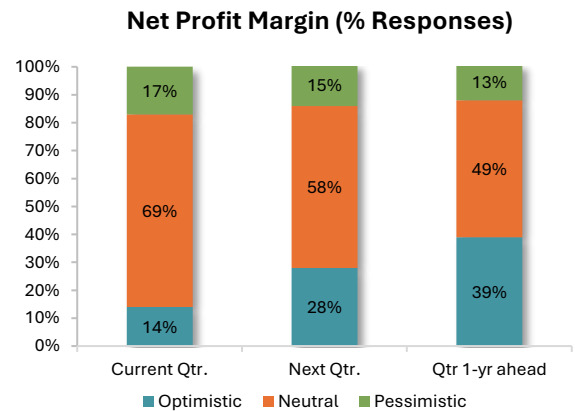
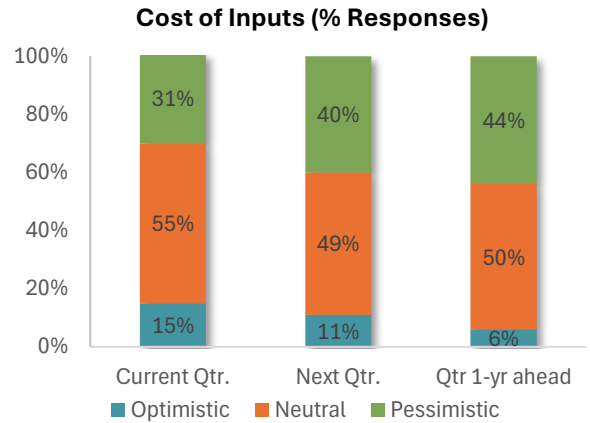


## Cost & Profitability

- About 31% of the respondents believe that their inputs costs rose during the Oct-Dec 2024 quarter vis-à-vis the preceding quarter. About 40% respondents expect their input costs to rise further in the ensuing quarter and 44% expect these to be higher during the Oct-Dec 2025 quarter.
- 43% of the participants responded that the wages increased during Oct-Dec 2024 compared to the preceding quarter and 51% expect it to rise further by Oct-Dec 2025.
- 48% of the participants responded that the expenditure other than salaries & wages increased during Oct-Dec 2024 and 54% expect it to further increase further by Oct-Dec 2025.
- While there was a concern among respondents with respect to net profit margin during Oct-Dec 2024, going forward, there is a considerable improvement in the outlook a year ahead with respect to both.

## Employment & Labour

- While 23% of the participants responded that employment numbers in their enterprises went up during Oct-Dec 2024, the percentage of respondents expecting further improvement is increasing gradually from 29% in the following quarter to 31% a year ahead.
- 19% of the participants were not satisfied with the labour productivity and 16% were not satisfied with the availability of skilled labour during Oct-Dec 2024.
- 30% of the respondents expect the labour productivity to increase and 26% of the respondents expect the availability of the skilled labour to improve a year ahead compared to the current situation.



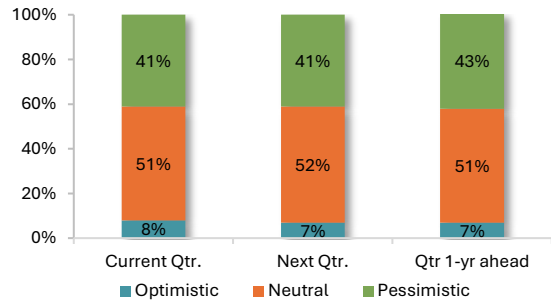
### Access to Finance

- 35% of the participants are hoping that the financial institutions would be able to meet their working capital finance requirement more than adequately by Oct-Dec 2025 while 58% respondents expect no change in the situation.
- 43% of the participants expect their cost of finance to go up during Oct-Dec 2025 and 51% expect it to be stable.

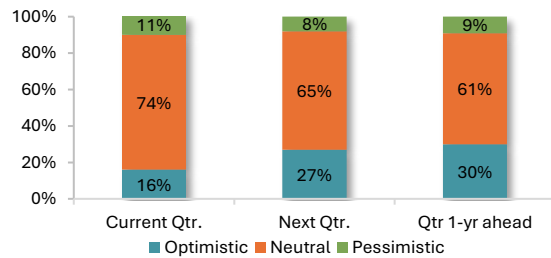
### Ease of Doing Business and Others

- About 74% of the participants responded to be satisfied with the time and effort to obtain permits & clearances and supply of electricity and 16% responded improvement during Oct-Dec 2024.
- 45% of the participants are expecting an improvement in access to ports/railways/roads during Oct-Dec 2025 as compared to the current conditions.
- Adoption of digital platforms for selling & marketing appears to be increasing among MSMEs engaged in Trading. 31% responded to have used digital platforms for selling & marketing during Oct-Dec 2024 and the percentage of those who plan to use these modes increases to 43% a year ahead.

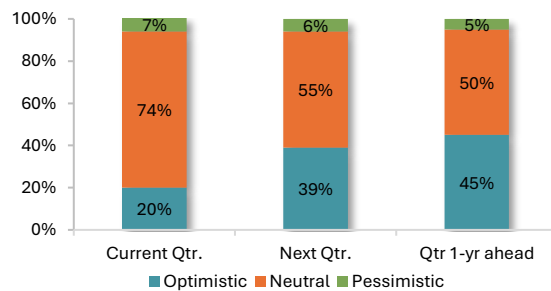
**Cost of Finance Expectation (% Responses)**



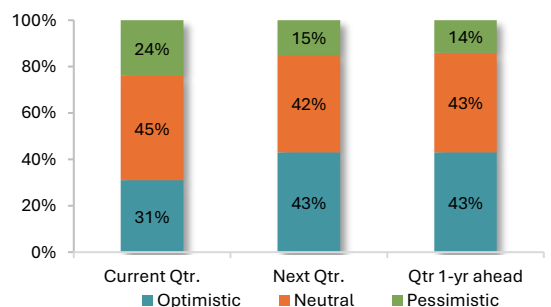
**Times & Efforts to obtaining Permits & Clearances (% Responses)**



**Accessibility to Transportation (% Responses)**

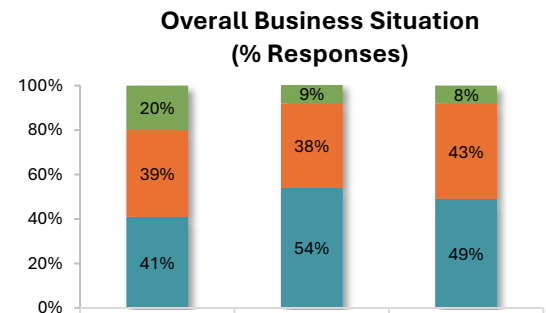
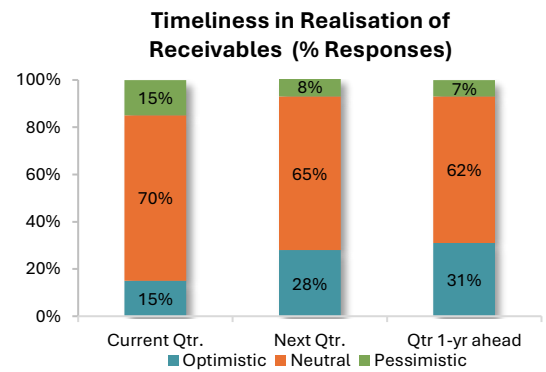
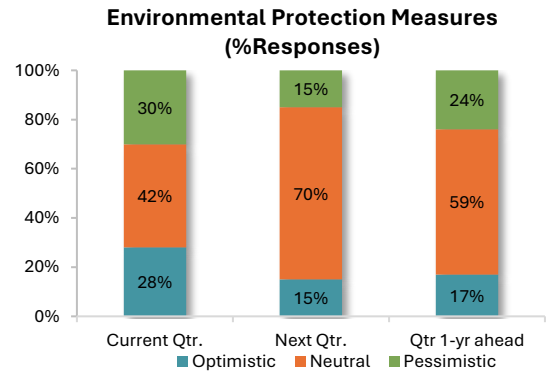


**Usage of Digital Platforms for Marketing (% Responses)**



## Ease of Doing Business and Others

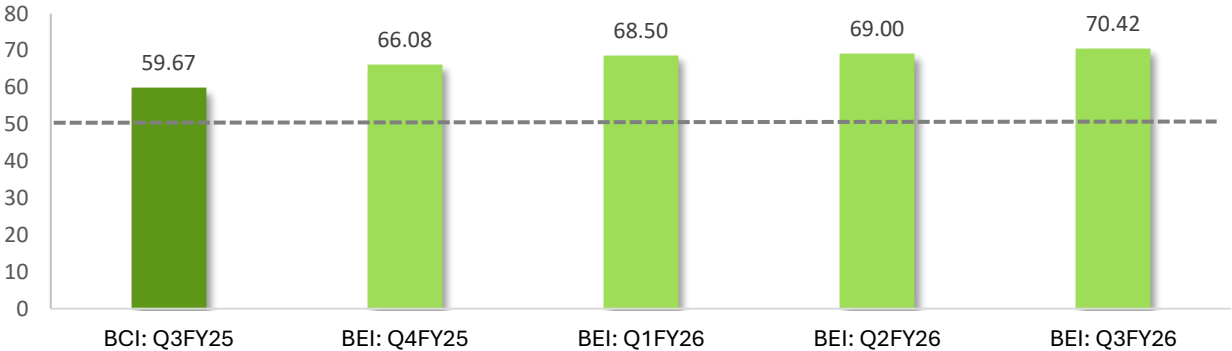
- 28% responded to have increased investments in pollution reduction/environmental protection measures (setting up solar panels, opting for e-vehicles, adopting new technology, etc.) during Oct-Dec 2024. 17% also responded that their investments in such measures will increase a year ahead, implying expectation of higher adoption of green energy and new technology.
- 70% of the participants responded that their timelines in realisation of trade receivables was acceptable, while 15% believed it to have improved during the survey period. Further 31% were optimistic that the timelines of receivables timelines will improve further a year ahead.
- The optimism for overall business situation is moderate with 49% expecting an improvement and 43% indicating no change by Oct-Dec 2025 compared to Oct-Dec 2024.



# Services Sector

- The services MSMEs are poised for growth notwithstanding elevated financing costs, with optimism for improvements in key areas.
- Current assessment and future assessment of sales, profitability and overall business sentiment are positive, indicating a growing market presence.

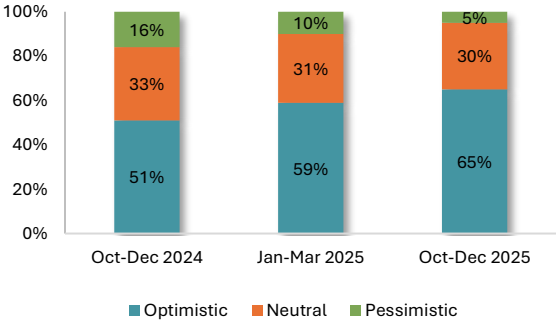
Services BCI and BEI



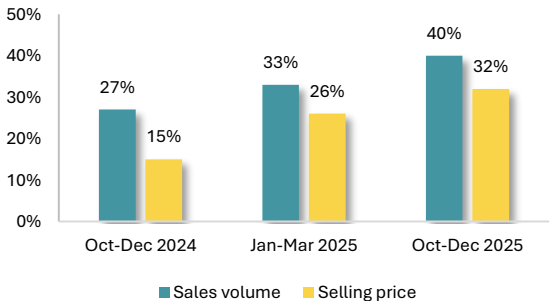
## Demand Conditions

- Majority of respondent service MSMEs displayed positive sentiment on sales revenue growth, with the share of optimistic responses on sales growth rising from 51% in the Oct-Dec 2024 quarter to 59% in the following quarter and further to 65% in the quarter a year ahead. Simultaneously, the share of respondents expecting shrinkage in sales revenues is declining from 16% to 5%.
- The share of respondents who expect above average order book is rising consistently from 22% in the Oct-Dec 2024 quarter to 46% by Oct-Dec 2025 quarter, thereby implying a growth optimism even beyond Dec 2025. Significant percentage of respondents appear optimistic on volume growth as well as unit realisation.

Sales growth (% Responses)



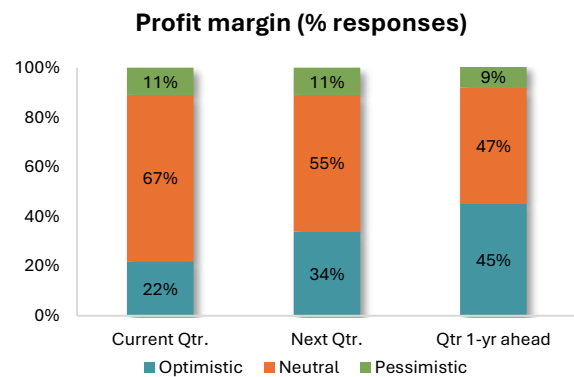
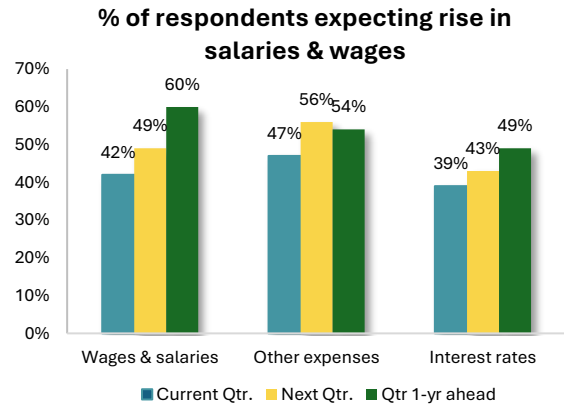
% Responses optimistic on sales volume and selling price





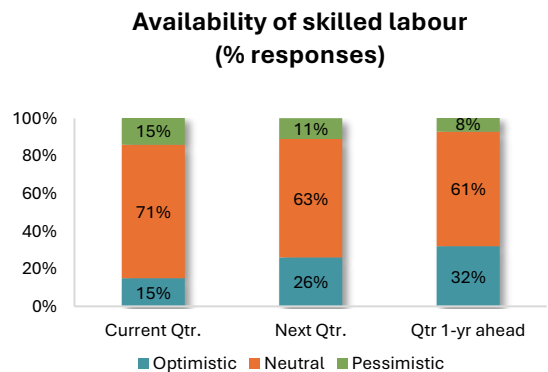
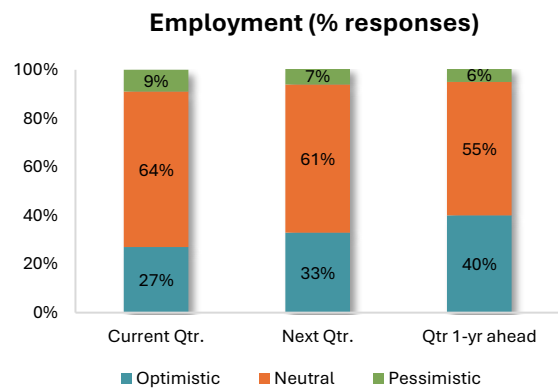
## Cost & Profitability

- About 42% of the respondents believed that their expenditure on salaries and wages increased in the Oct-Dec 2024 quarter, while only 4% reported decline. The share of respondents expecting rise in salaries going forward goes up significantly to 60% a year ahead also as they plan to increase their employee strength. Expectations on all other expenses show a similar trend.
- The percentage of respondents who reported increase in profitability during Oct-Dec 2024. However, going forward about 45% expect their profit margins to expand further a year ahead. MSMEs' confidence of passing on the rising costs and shielding profitability is evident in the rising favorable responses on selling price hike going forward.



## Employment and Labour

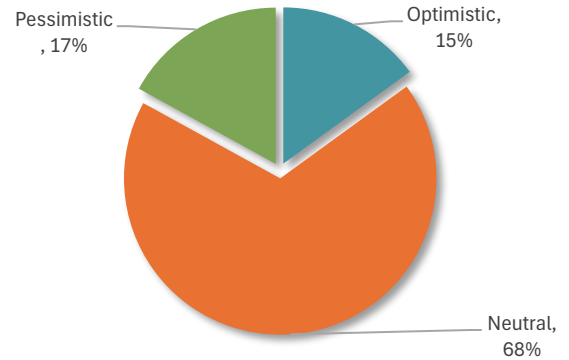
- A significant and increasing proportion of respondents plan to increase their employee strength - rising from 27% to 40% between the Oct-Dec 2024 and the Oct-Dec 2025 quarter. The percentage of respondents planning to retain their current employee strength remains strong.
- Services MSMEs are expecting a steady improvement in availability of skilled labour and labour productivity over the next one year. 15% or less respondents are currently finding the availability of skilled labour and labour productivity to be less than satisfactory. However, the percentage of respondents expecting the performance of their enterprises on these two parameters to remain below satisfactory one year from now reduces to 8%.



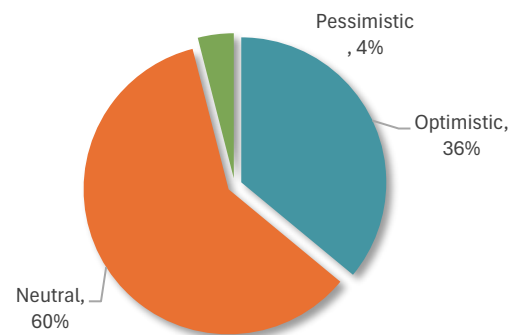
## Access to finance and Digitalisation

- The services MSMEs are pinning their hopes on the Indian financial system. About 60% of the respondents believe that there will be no change in the working capital finance availability one year ahead, while 36% are hoping for the scenario to improve.
- The responses on overall availability of finance were similar with about 56% expecting no changes in the situation, while 39% expecting the credit supply to be better.
- Majority of respondents find the current level of interest rates to be elevated and expect the trend to prevail in the year ahead. However, their responses on sales growth, profit growth and profitability suggest that they do not seem to perceive this as a major worry.
- Digitisation is gaining traction, with the share of responses in favour of adoption of digital modes for selling & marketing rising steadily going forward.

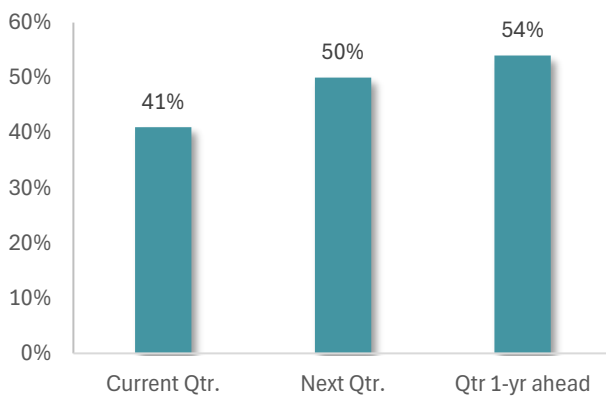
**% Responses on access to finance for Oct-Dec 2024**



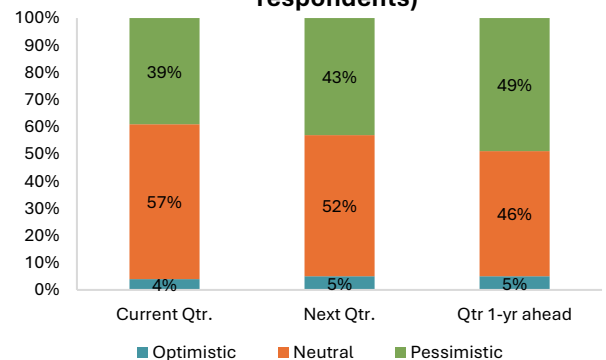
**% Responses on access to finance for Oct-Dec 2025**



**% Respondents positive on usages of digital modes of marketing**



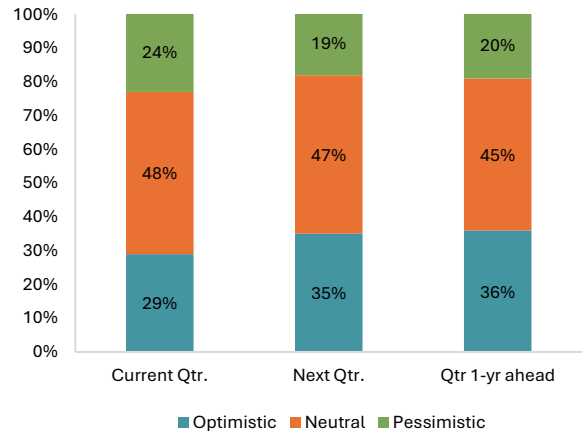
**Cost of finance/ interest rates (% respondents)**



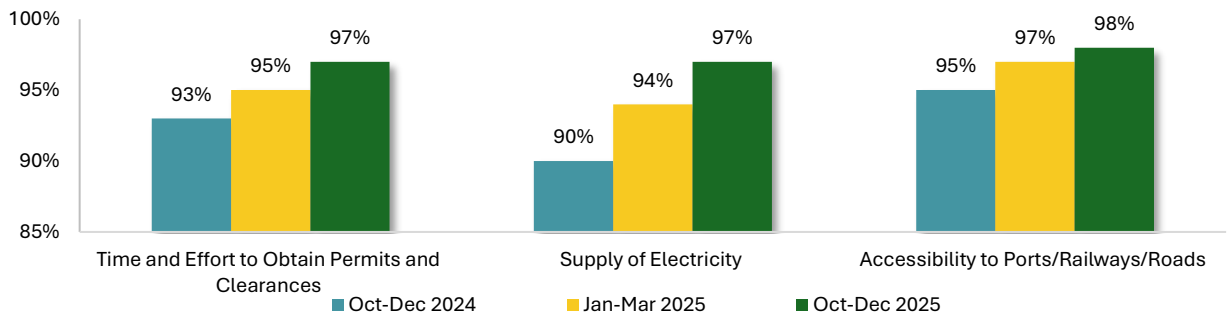
## Ease of doing business and sustainability

- Majority of respondents are satisfied with the availability of energy and infrastructural support and are optimistic on future improvement. In the Oct-Dec 2024 quarter, 77% respondents reported satisfaction about supply of electricity. About 39% respondents are expecting the scenario to further improve by Oct-Dec 2025. The responses on access to transport infrastructure viz ports/railways/roads and time and effort taken to obtain permits and clearances show a similar trend.
- Awareness about sustainability seems to be rising among services MSMEs. About 29% respondents reported to have already adopted such measures, while 36% responded in favour of wanting to adopt these measures in the next one year.

Adoption of pollution reduction measures (% responses)



% Responses expecting improvement or stability in ease of doing business



**NOTE:** Considering the seasonal variations in various economic metrics and the likelihood of discrepancies in the initial responses from participants located in 77 cities and 66 villages spread across India, it is expected that the survey outcomes may take a while to stabilize. The insights gained from the initial round will be leveraged in future surveys, with the intention of generating a time series of information on specific parameters that can help in evaluating the evolving dynamics of the MSME sector. Due to rounding off, percentages may not add upto 100%.

The survey questionnaire was crafted by the Economic Research and Data Analysis Vertical (ERDAV) of SIDBI, with the intention of maintaining a steady flow of information for the monitoring of the MSME sector's developments. The survey was executed by Kantar IMRB, a division of Hindustan Thompson Associates Private Limited, after finalization of the sampling design in consultation with ERDAV, SIDBI.

# Concepts

The following explains the key concepts and definitions adopted by SIDBI for the MSME Outlook Survey (MOS):

**Enterprise:** Enterprise is business entity engaged in production and/or distribution of goods and/or services for purposes other than personal consumption and has autonomy in respect of financial and investment decision making, as well as the authority to allocate resources for production of goods and services. It may be engaged in one or more economic activities at one or multiple locations. It is a single legal entity, registered or unregistered; with employees or single person (owner).

**Non-Agricultural/ Non- Farm Enterprises:** Enterprises engaged in business activities other than agricultural activities (i.e., excluding crop production & plantation, growing of tea, coffee, rubber, tobacco cultivation and so on) are termed as non-farm enterprises.

**Non-Financial Services Enterprises:** Enterprises engaged in activities other than delivering professional services such as investment, lending, and management of money and assets are termed as non-financial services enterprises.

**MSME:** For the classification of enterprises by size, the survey uses the definition of Micro, Small and Medium Enterprises as per the notification of the Ministry of Micro, Small and Medium Enterprises, dated June 1, 2020. The classification of enterprises is based on the information provided by respondents regarding the enterprise's current investment and turnover.

## Size Classification of Manufacturing Enterprises and Enterprises Rendering Services

Criterion	Micro	Small	Medium
Investment in plant and machinery or equipment	<= ₹ 1 crore	> ₹ 1 crore to <= ₹ 10 crore	> ₹ 10 crore to <= ₹ 50 crore
Annual Turnover	<= ₹ 5 crore	> ₹ 5 crore to <= ₹ 50 crore	> ₹ 50 crore to <= ₹ 250 crore

# SAMPLING & ESTIMATION

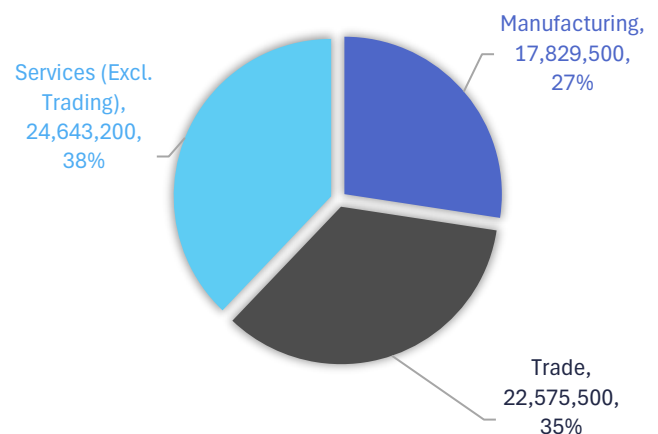
The SIDBI MOS is proposed to be conducted on a quarterly basis. The survey follows a stratified sampling method where First Stage Sampling Units (FSUs) is the Broad Industry Group. There are 3 FSUs – Manufacturing, Trading and Services.

The population size (establishments) of each FSU is obtained from the Annual Survey of Unincorporated Enterprise (ASUSE) 2022-23. The survey estimates the number of unincorporated enterprises at 6.5 crore which is considered as the total population of MSMEs.

Based on this distribution of population (enterprises) across 3 FSUs (Industrial Groups), the required size of sample per FSU works out to 385 units at a confidence interval of 95% and acceptable margin error of 5%. The same have been rounded off to 400 units per Industry Group for convenience.

To make this sample more representative, the required sample has been drawn from for each FSU from all six regions in India i.e. North, North-east, East, Central, West and South. The proportion of sample to be drawn from each Region is determined by the region wise distribution of number of unincorporated establishments as per ASUSE 2022-23.

**Sectoral Composition of Unincorporated Enterprises in India**



Source: ASUSE 2022-23

Net Response (NR) is the difference between the percentage of respondents reporting optimism and those reporting pessimism. It ranges between -100 to 100. Any value greater than zero indicates an overall optimism and any value less than zero indicates an overall pessimism.

$$NR = (O - P)$$

Where,

O = Percentage response of 'increase/improvement/optimism'

P = Percentage response of 'contraction/deterioration/pessimism'

N = Percentage response as no change, where  $O+P+N = 100$

### Frequency

- Quarterly

### Sampling Technique

- Stratified Random Sample

### Sample Size

- 1,200 Enterprises spread across India
- ~400 each from Manufacturing, Trading and Services

### Spread

- 66 villages, 77 cities including tier 1, 2 and 3 cities

## MSME-BCI and MSME-BEI

The MSME Business Conditions Index (MSME-BCI) gives a snapshot of the business condition assessment for the October-December 2024 quarter, while the MSME Business Expectations Index (MSME-BEI) gives a snapshot of the business expectations for the next four quarters.

The two diffusion indices, the MSME-BCI and the MSME-BEI, each is a composite indicator calculated as a simple average of six parameters, where each parameter is derived as a weighted net response, weights being the share of the industry groups (Manufacturing, Trading and Services) in gross value added (GVA).

The six parameters include, 1) Sales, 2) Profit Margin, 3) Employment 4) Access to Finance, 5) Cost of Finance and, 6) Overall Business Condition.



The indices are calculated using the following formula.

$$M-BCI = ((1 \times O \times IW) + (0.5 \times N \times IW) + (0 \times P \times IW)) \times 100$$

$$M-BEI = ((1 \times O \times IW) + (0.5 \times N \times IW) + (0 \times P \times IW)) \times 100$$

Where,

O = Simple average of % of Positive Responses for each of the 6 questions

N = Simple average of % of Neutral Responses / No Change for each of the 6 questions

P = Simple average of % of Negative Responses for each of the 6 questions

IW = Industry Weight based on share in GVA

The composite MSME-BCI and MSME-BEI are computed on the entire sample of 1,200 MSME. At the sectoral level, separate indices of Business Conditions and Business Expectations are constructed for the Manufacturing, Trading and Services sectors using the same six parameters. Responses on all 6 constituent parameters are given equal weight.

$$M-BCI_s = (1 \times O) + (0.5 \times N) + (0 \times P)$$

$$M-BEI_s = (1 \times O) + (0.5 \times N) + (0 \times P)$$

Where,

$s$  = Sector

O = Simple average of % of Positive Responses for each of the 6 questions

N = Simple average of % of Neutral Responses / No Change for each of the 6 questions

P = Simple average of % of Negative Responses for each of the 6 questions

The indices take values between 0 to 100, where values above 50 indicate expansion and below 50 indicate contraction.



# Questionnaire

A pool of 25 questions was created. Of this, 22 questions were asked to each MSME in the sample. The choice of questions posed from the pool was subject to the industry group (Manufacturing/Trading/Services) that the MSME belongs to.

The questions were asked on the performance/situation during the ongoing quarter i.e. October-December 2024. Replies on expectations were sought on the same set of questions on the expectations on future performance to gauge the sentiments of the MSME sector.

## Questionnaire

- 1) Sales Revenue of your organisation in the period below \_\_\_\_\_
  - i) Increase
  - ii) No change
  - iii) Decrease
  
- 2) Production/Sales Volume of your organization in the period below \_\_\_\_\_
  - xi) Increase
  - xii) No change
  - xiii) Decrease
  
- 3) Average Selling Price (Ex-Factory) of your organization in the period below \_\_\_\_\_
  - i) Increase
  - ii) No change
  - iii) Decrease
  
- 4) Order Book (in quantity terms) of your organisation in below period \_\_\_\_\_
  - i) Increase
  - ii) No change
  - iii) Decrease
  
- 5) Exports of your organisation in the period below \_\_\_\_\_
  - i) Increase
  - ii) No change
  - iii) Decrease



- 6) Expenditure on Salary & Wages of your organisation in below period \_\_\_\_\_
- i) Increase
  - ii) No change
  - iii) Decrease
- 7) Availability of raw materials (manufacturing) / finished goods (trading) in below period \_\_\_\_\_
- i) Above average
  - ii) Average
  - iii) Below average
- 8) Expenditure on salary & wages in the below period \_\_\_\_\_
- i) Increase
  - ii) No change
  - iii) Decrease
- 9) Expenses other than salaries and wages (excl. finished goods cost for trading) in the below period \_\_\_\_\_
- i) Increase
  - ii) No change
  - iii) Decrease
- 10) Net Profit of your organisation in the below period \_\_\_\_\_
- i) Increase
  - ii) No change
  - ii) Decrease
- 11) Net Profit Margin in the below period \_\_\_\_\_
- i) Above Normal
  - ii) Normal
  - iii) Below normal
- 12) Employment (full-time, part-time, casual) of your organisation in below period
- i) Increase
  - ii) No change
  - iii) Decrease
- 13) Labor Productivity of your organisation in below period
- i) More than satisfactory
  - ii) Satisfactory/ Neutral
  - iii) Less than satisfactory

14) Capacity utilisation in the current quarter (as compared to the preceding 12-month average) is \_\_\_\_

- i) Above normal
- ii) Normal
- iii) Below normal

15 A) Do you plan to add capacity or spend on technological upgradation in below period?

- i) Yes
- ii) Not sure
- iii) No

16) Plans to take any pollution reduction/environment protection measures for your business in the current quarter (setting up solar panels, opting for e-vehicles, adopting new technology, etc.)?

- i) Yes
- ii) Not sure
- iii) No

17) Timeliness in realisation of trade receivables

- i) Better than acceptable
- ii) Acceptable
- iii) Non-acceptable

18) Availability of external finance for working capital from formal sources

- i) More than adequate
- ii) Adequate
- iii) Less than adequate

19) Overall availability of finance from formal sources

- i) More than adequate
- ii) Adequate
- iii) Less than adequate

20) Cost of finance / interest rates during below period

- i) Increase
- ii) No change
- iii) Decrease

21) Time and efforts taken to obtain permits and clearances during below period

- i) Less than acceptable
- ii) Acceptable
- iii) More than acceptable

22) Usage of digital platforms for selling and marketing during below period

- i) Yes
- ii) Not sure
- iii) No

23) Supply of electricity during below period

- i) More than satisfactory
- ii) Satisfactory
- iii) Less than satisfactory

24) Accessibility to ports/ railways/ roads during below period

- i) More than satisfactory
- ii) Satisfactory
- iii) Less than satisfactory

25) Overall business situation during below period

- i) Improve
- ii) No change
- iii) Worsen

\*\*\*\*\*



## Economic Research and Data Analysis Vertical

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**Anindya Pal, GM**

**Rudra Mishra, AGM**

The survey findings indicate the opinions of the respondents, which are not necessarily shared by SIDBI. The data have been obtained through qualitative responses to the survey by MSMEs through personal interviews, telephonic interviews and computer assisted web interviews. SIDBI also does not accept any responsibility whatsoever for any consequences arising from the use of the information contained in this document. Aggregated survey responses presented in this report can be used only by giving due credit to SIDBI.

The survey has been carried out by the Economic Research and Data Analysis Vertical (ERDAV) of SIDBI with the help of survey execution partner Kantar IMRB (A Division of Hindustan Thompson Associates Private Limited).

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