

STORM OVER SMALL BUSINESS: HOW TRUMP TARIFFS 2025 ARE HITTING INDIAN MSMES

1. ORDER DISRUPTIONS & CASH FLOW STRAIN

- MSMES ARE EXPERIENCING ORDER CANCELLATIONS, NOTABLY IN TEXTILES, GEMS, AND MARINE PRODUCTS—IMPACTING EXPORTS WORTH UP TO ₹1 LAKH CRORE.
- EXPORTERS FACE DELAYED SHIPMENTS AND RENEGOTIATED TRADE TERMS, CAUSING 10–20% REVENUE LOSSES AND MOUNTING WORKING CAPITAL STRESS.

2. SEVERE MARGIN PRESSURE

- A 30% DECLINE IN GOODS EXPORTS (FROM \$86.5B TO \$60.6B) IS HITTING MSMES HARD.
- GEMS & JEWELLERY FACE SEVERE PROFITABILITY LOSS DUE TO TARIFFS RISING FROM ~3% TO 26%.
- MSME-HEAVY SECTORS LIKE ENGINEERING, AUTO PARTS, LEATHER, AND GARMENTS ARE ALSO BATTLING RISING COSTS.

3. MARKET DIVERSION & COMPETITIVE RISKS

- MSMES ARE SHIFTING FOCUS TO SOUTHEAST ASIA, THE MIDDLE EAST, AND AFRICA, BUT THESE MARKETS BRING TIGHTER COMPETITION AND THINNER MARGINS.
- SOME ARE ROUTING EXPORTS VIA DUBAI AS A TRANSSHIPMENT HUB, ADDING TO OPERATIONAL COMPLEXITY AND COSTS.

4. FINANCIAL VULNERABILITY & CREDIT STRESS

- WITH LIMITED CREDIT ACCESS, MSMES ARE HIT BY CASH FLOW DISRUPTIONS, HIGHER WORKING CAPITAL NEEDS, AND MARGIN COMPRESSION.
- HIGH LEVERAGE AND LOW PROFITABILITY REDUCE SHOCK-ABSORBING CAPACITY.

5. GOVERNMENT RESPONSE & SECTOR RESILIENCE

- GOVERNMENT AIMS TO SHIELD MSMES, PROJECTING A GDP IMPACT BELOW 0.2%.
- MSMES ARE ADAPTING WITH “COMPLIANCE-FIRST” STRATEGIES, BETTER AUDITS, TAX TOOLS, AND PRICING SHIFTS.
- EXPORT MISSIONS AND TARGETED POLICY SUPPORT ARE BEING ROLLED OUT.

FINAL THOUGHT:

WHILE THE TARIFF SURGE POSES IMMEDIATE EXISTENTIAL CHALLENGES FOR INDIA’S EXPORT-DEPENDENT MSMES—MARKED BY CASH CRUNCHES, SHRINKING MARGINS, AND LOST OPPORTUNITIES—THEIR ADAPTABILITY, COUPLED WITH PROACTIVE POLICY SUPPORT AND STRATEGIC REORIENTATION, MAY HELP TRANSFORM THIS CRISIS INTO A CATALYST FOR MODERNIZATION, DIVERSIFICATION, AND LONG-TERM RESILIENCE.