

MSMEs Continue In Mild Expansion Mode

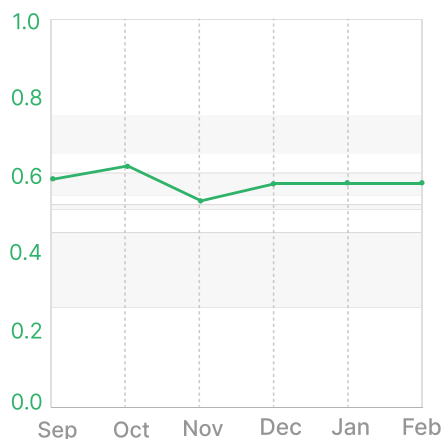


Insights from India's First MSME Economic Activity Index

Special Update: Sumpoorn at the United Nations in New York

Showcasing the Index at "Citizen Stack" – The First UN Conference on DPI | April 25th & 26th

2023-24



Dr. Sumita Kale
Principal Economist,
Jocata



Mr. Narasimhan V.
Principal Advisor,
Jocata

Feb'24 Jocata Sumpoorn **0.57**

Jocata Sumpoorn was stable at 0.57 in February 2024, the same level as in January 2024, indicating that sales activity of credit-seeking MSMEs continue in the phase of mild expansion.

The Jocata Sumpoorn index shows steady growth, with the trend of mild expansion in MSME sales activity observed over the past year continuing in the first two months of 2024. The trend aligns with the growth estimates of the economy as a whole - growth in GVA at current prices estimated at 8.2 percent in FY24 is lower than the 14.0 percent estimate for FY23. Essentially, the trend from Jocata Sumpoorn shows that, like the economy at large, the MSME sector has stabilised, leaving the Covid-19 impact behind.

However, headwinds exist. The global economic slowdown and changing weather patterns disrupting agriculture and therefore rural consumption pose challenges. Yet, signs of promise remain.

The strongest positive sign comes from the GST data for March, which recorded the second-highest collection ever at Rs. 1.78 lakh crore, reflecting the strength of economic activity in the country. Additionally, new project announcements are on the rise - capex data from CMIE show that new project announcements worth Rs.11.3 trillion were made in Q4FY24, which is higher than the Rs.5.2 trillion announced in the preceding quarter, but lower than Rs.16 trillion announced a year ago in Q4FY23. CMIE data also highlighted a record value of Rs.8.1 trillion worth of projects completed in 2023-24, with the rate of stalled projects dropping to a 13-year low of 8.2%.

The MSME sector contributing over 40 percent of India's exports, remains extremely vulnerable to the global slowdown this year. Yet, provisional estimates show that non-petroleum exports rose to USD 33.1 billion in February 2024, compared to USD 29.1 billion in February 2023 and services exports stood at USD 32.15 billion, compared to USD 27.40 billion last year. Note that despite registering higher exports in the past few months, overall non-petroleum exports for the period April-February 2024 stand at USD 316.60 billion, still lower than USD 319.99 billion for the same period in the previous year. This reiterates why small businesses continue to ask for policy support to stay competitive in the challenging global environment.

Enhanced credit access has been one of the key asks from the MSME sector. While bank credit to MSMEs has been growing at very robust levels of 19.3 percent yoy in January 2024 and 19.4 percent yoy in February 2024, the continued ask from the firms seems to point to unmet demand. Similar signals emerge from RBI's Industrial Outlook Survey, where we can see a turnaround in the assessment of the availability of finance from banks and other sources from Q2 FY22. In Q2 FY24, firms responded with the highest-ever assessment with 34.9 percent of respondents reporting an improvement in the availability of finance from banks and other sources. However, this assessment dropped to 28.8 percent in Q3, and expectations for the next quarter have also tempered. Industry bodies like FISME, FICCI, etc have asked for simplified processes for collateral-free loans as well as cash-flow-based lending. With increased formalisation through Udyam registration and digitisation, we can expect greater access and a smoother flow of credit to more firms ahead.

Sumpoorn MSME Masterclass

Understand Sumpoorn & behavioural analytics for your MSME portfolio.

Closed door event for MSME business, credit and risk leaders at your Bank/NBFC

Sign Up

What is Jocata Sumpoorn in association with SIDBI?

Jocata Sumpoorn in association with SIDBI is an MSME-specific high frequency indicator built using consent-led and anonymised sales data of 66,000+ MSMEs seeking credit from financial institutions.

The index is a high frequency indicator of the MSME sector.

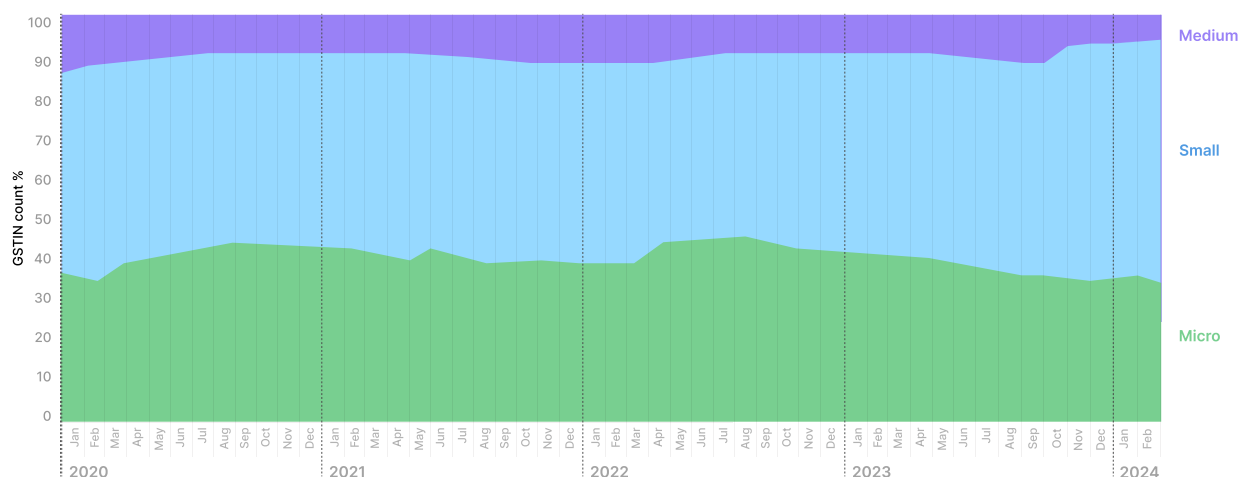


Fig - % Distribution by turnover size within MSME sample

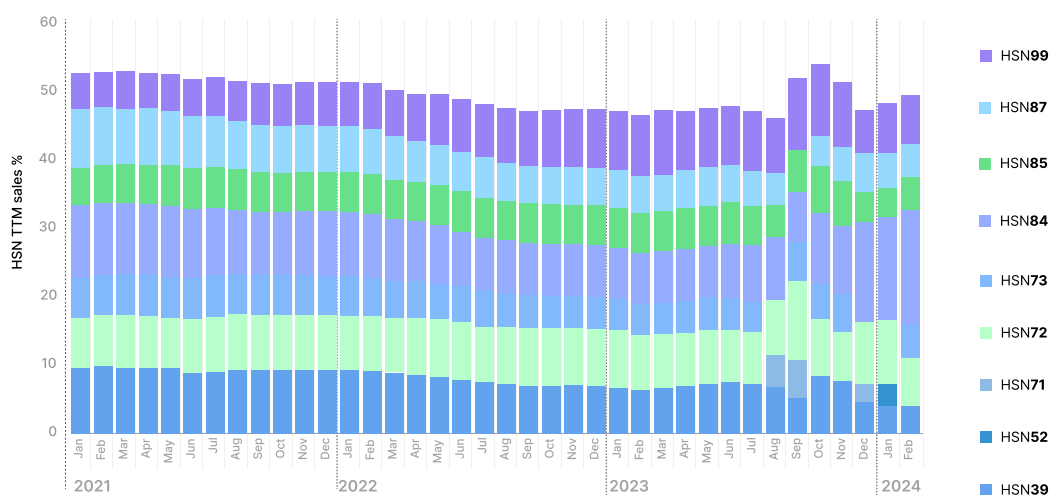


Fig - % Distribution by value of top 7 HSNs within MSME sample



Feedback
sumpoorn@jocata.com



Partner
www.sumpoorn.in/partners



Know More
www.jocata.com