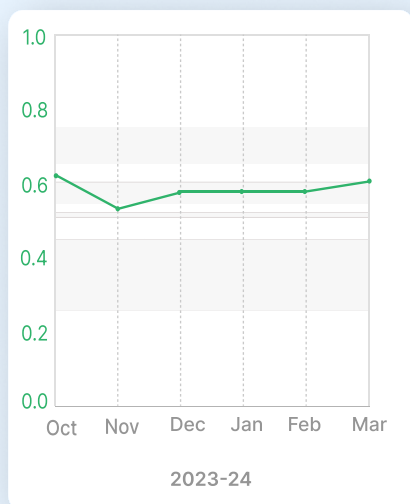


MSME Activity Uptick Ushers in Cautious Optimism



**Insights from India's First
MSME Economic Activity Index**



Dr. Sumita Kale
Principal Economist,
Jocata



Mr. Narasimhan V.
Principal Advisor,
Jocata

Mar'24 Jocata Sumpoorn **0.6**

Jocata Sumpoorn moved up to 0.60 after three consecutive months at 0.57 as sales activity of credit-seeking MSMEs continues in the phase of mild expansion.

Last month, the Jocata Sumpoorn index was presented at Citizen Stack, the first United Nations Conference on Digital Public Infrastructure (DPI) in New York. The Index was presented as a powerful showcase of a public-private initiative where Jocata and SIDBI have collaborated to build a public good leveraging India's DPI. Jocata Sumpoorn fills the gap in macro-indicators of a high-frequency credible measure of MSME activity, and the movement of the index continues to be aligned with main macro-economic indicators.

Broad Optimism for the Economy

As per the latest data, Jocata Sumpoorn index continued to consolidate the growth trajectory, evidenced by the sales activity of credit-seeking MSMEs. The uptick in March is giving rise to cautious optimism for a better pace of growth in the coming months. There have been a number of positive signals coming through recently, and growth forecasts for India have been revised upwards by the IMF from 6.5% to 6.8% this year. While the latest Reserve Bank of India's growth forecast for FY25 has remained at 7.0%, the Governor's statement highlighted the growth momentum coming through on the back of robust growth in fixed investment in FY24. CMIE data shows that there has been a surge in the value of new private sector projects in the quarter of January-March 2024, which at INR 9.8 trillion is the second highest ever on record. Government infrastructure projects, with new announcements ending a three-quarter decline and reaching Rs 1.5 trillion, should boost MSME output as they materialize.

Rural Consumption: Revival With Slight Uncertainties

Rural consumption appears to have revived according to some indicators like two-wheeler sales which registered 15.2% yoy growth in March and firms reporting good growth in April as well. As per the Tractor Manufacturer's Association, tractor sales dropped by 7.07% in FY24 compared to the previous year, reflecting on the poor performance of the agricultural sector last year. However, after low sales last year, market leader Mahindra and Mahindra registered a 1% yoy growth in April sales indicating positive sentiments with improved rural cash flows from crop procurement. The crop area sown till the end of April has been 3.79% higher than last year, and with the IMD forecasting an above-normal monsoon, the output outlook looks good, barring weather risks like the current heatwave. If all goes well, rural consumption demand can pick up, giving a fillip to small businesses.

Manufacturing Looking Up

On the manufacturing front, the purchasing managers of large firms surveyed for the HSBC PMI reported much better performance with the index touching a 16-year high in March, and staying at that peak of 59.1 in April, new orders are reportedly expanding at a fast pace. Interestingly, while manufacturing firms covered in the RBI's Industrial Outlook Survey also reported better demand conditions in their assessment of production, order books, capacity utilisation and overall business situation for the quarter of January-March 2024, their expectations from the coming quarter have moderated in optimism. Nevertheless, the outlook for MSMEs looks promising for the coming months, given the significant financial support with bank credit to MSMEs growing 19.2% yoy in March compared to 14.7% the previous year. With the RBI reasonably confident of keeping inflationary pressures under control, the possibility of a rise in interest rates appears off the radar as of now, and this will help ease the cost of finance. Mixed Signals in Financing: MSMEs Get Support, Consumer Durables Slow Down One segment that seems to be going through a rough patch is consumer durables, whose sales have been growing in single digits last year. The Consumer Electronics and Appliances Manufacturers Association (CEAMA) reported that in recent months, demand for goods at the lower end has picked up, which is in line with the story on rural consumption. However, growth in bank credit for consumer durables has slackened from 17.6% yoy in March 2023 to 13.0% yoy in March 2024, in response to the RBI increasing the risk-weights on unsecured personal loans. Reports from the Digital Lending Association of India (DLAI) are that fintechs have now stabilised their lending processes and in the coming months, there will be healthy and better growth in financing these segments.

Bright Spots Despite Export Challenges

However, challenges remain for MSMEs, particularly on the export front. India's merchandise trade dropped in FY24 by 3.11%, and softening in freight rates indicate that lower demand of global trade will persist. Gems and jewellery, which is predominantly an MSME segment, had the lowest exports in three years, and the industry expects some recovery in FY25. On the positive side, exports of engineering goods increased 10.7% in March to \$11.28 billion, showing double-digit growth for the second consecutive month, pushing through the disruption to shipping through the Red Sea.

All in all, while FY24 saw mild expansion in sales performance of small businesses, we can be cautiously optimistic of an improved pace of growth going forward.

To View Entire Index Time Series From Oct'19
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DPI powered Jocata Sumpoorn to unlock MSME potential as India's showcase at the United Nations, New York



Senior dignitaries including **Ashwini Vaishnaw**, India's IT Minister, **Amitabh Kant**, G20 Sherpa, **Ruchira Kamboj**, India's Permanent Representative to the United Nations, **Sharad Sharma**, Founder, iSPIRT, **Ravi Tyagi**, CGM, SIDBI highlighted the transformative power of Digital Public Infrastructure (DPI) and lessons embedded in India's journey at the Citizen Stack inaugural conference on DPI at the UN Headquarters in New York.

Prashant Muddu, CEO, Jocata presented Sumpoorn as a unique use case of DPI and example of public-private collaboration between a tech firm, Jocata and the custodian of the MSME credit ecosystem in India, SIDBI was recognised as a strong showcase of a 'public good built on private infrastructure'.

This global recognition builds upon adoption by leading Banks & NBFCs in India and aims to help create a robust MSME credit ecosystem.

To View Full Presentation & Event Recording
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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 underlying sample is well distributed by geography, turnover size of entities and sector.

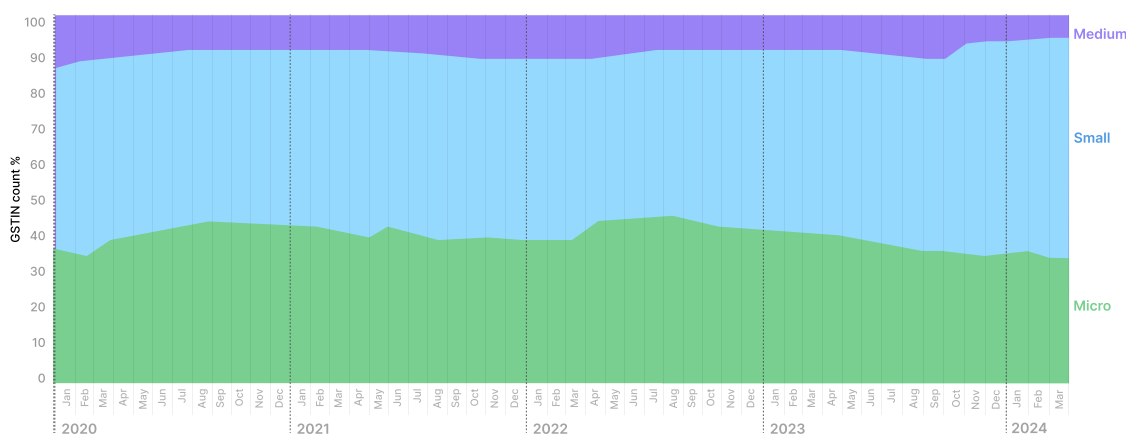


Fig - % Distribution by turnover size within MSME sample

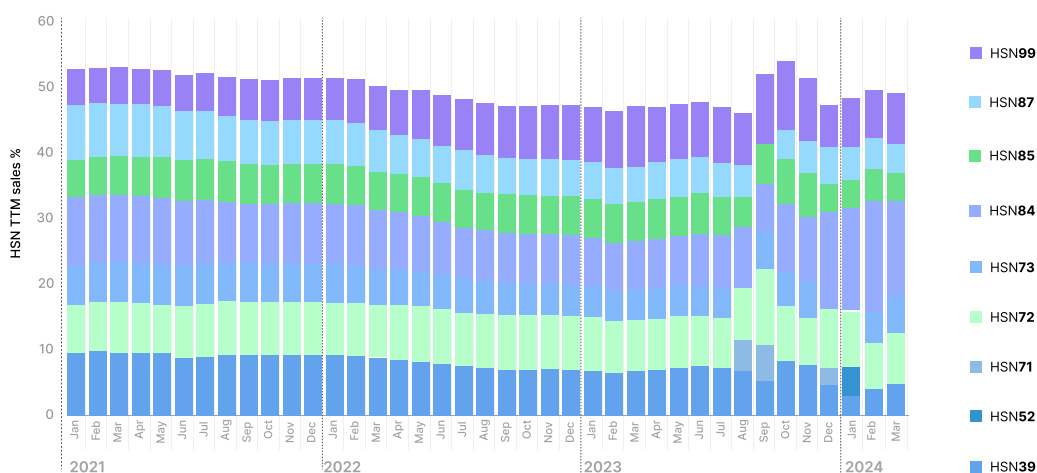


Fig.- % Distribution by value of top 7 HSNs within MSME sample



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sumpoorn@jocata.com



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