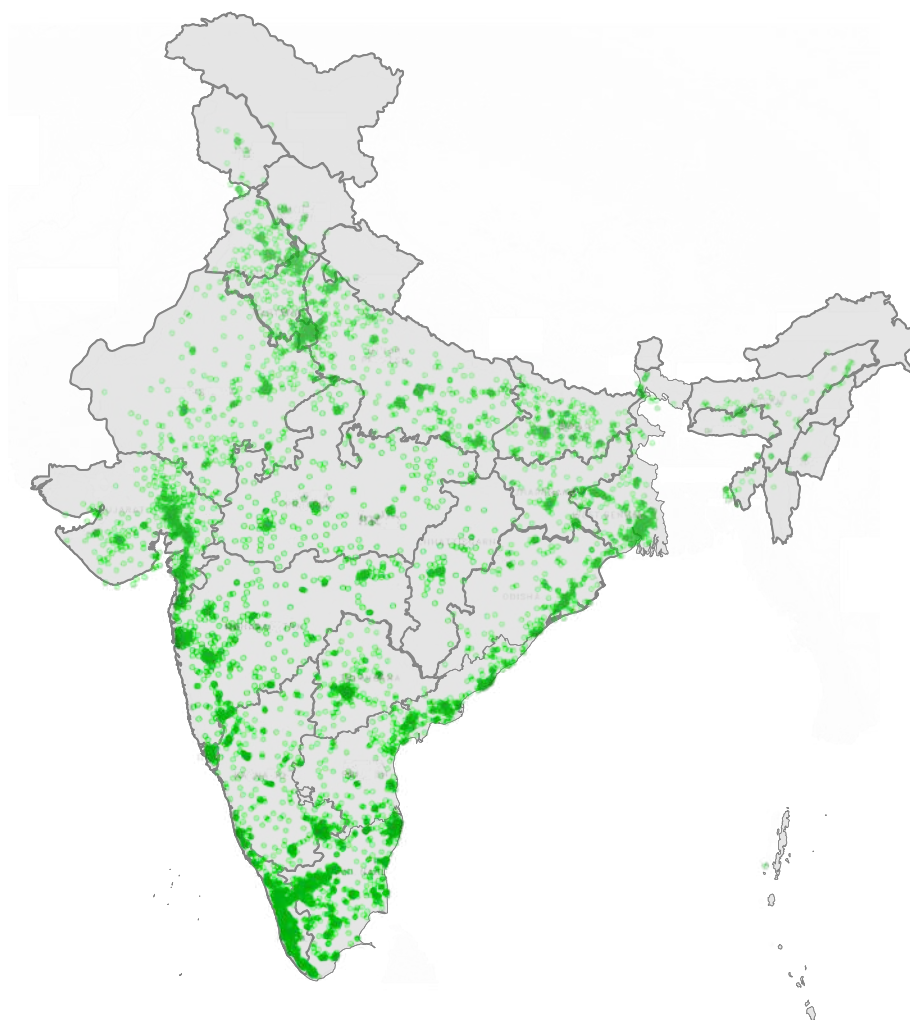
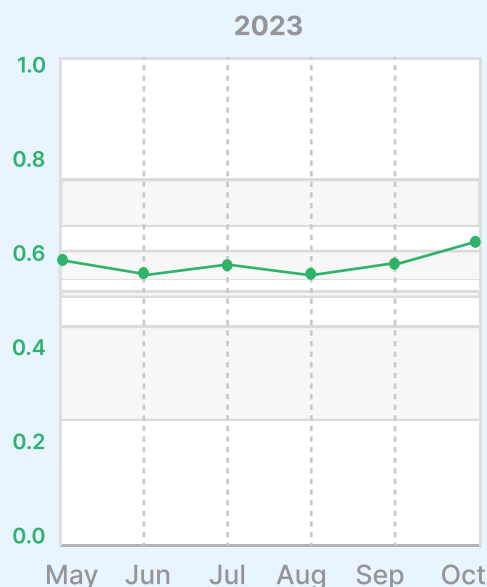


# IS THE INDIAN MSME SECTOR LOOKING UP?



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



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### Oct'23 Jocata Sumpoorn **0.62**

Jocata Sumpoorn moved up to 0.62 in October from the level of 0.58 in September, moving into the zone of moderate expansion.

As sales performance had been in the zone of mild expansion for five consecutive months, this rise could mark a breakout towards higher growth in the months ahead.

While access to capital has traditionally been a challenge for MSMEs, RBI data shows that MSMEs have been receiving a greater share of aggregate credit, at 14.5+ percent since January 2022, compared to 10-12 percent earlier. The growth rate of bank credit to MSMEs has also stabilised at steady double-digits post-pandemic, reported at 22.7 percent in October over the previous year. This augurs well for the sector, resulting in improved performance of MSME activity.

There have been some more bright spots in macro-economic data, especially on the exports front. Non-petroleum, non-gems, and jewellery exports rose by 11.74 percent from USD 21.99 Billion in October 2022 to USD 24.57 Billion in October 2023. Given that the MSME sector accounts for around 40 percent of India's exports, the Jocata-Sumpoorn move upwards in October is in line with the improvement in export performance data.

The latest national income data release for June-September 2023 shows the economy on a good footing, though there are still strong headwinds to weather. GVA in current prices grew at 9.0 percent year-on-year, and strong fixed investment and government consumption were key to the higher growth estimates this year.

In terms of constant prices, GVA grew at 7.4 percent yoy, compared to 5.4 percent yoy in June–September 2022. Manufacturing GVA took the lead amongst all sectors, with growth at 13.9 percent. While part of the surge in manufacturing GVA can be explained by the low base (–3.8 percent yoy growth in June–September 2022), lower commodity prices have also played a role in better performance. However, moving ahead, in recent months, the S&P Global PMI Manufacturing index has indicated a moderation, as the index stood at 56 in November and 55.5 in October, compared to its level of 58.6 in August.

One cautionary note is coming through the slow growth in private consumption in the national income estimates, which aligns with the mild expansion of sales activity of the MSME sector as shown through the Sumpoorn index in the June–September quarter. The IIP reports lower growth in consumer durables and non-durables in the June–September quarter, while primary goods, capital goods and infrastructure goods have seen double-digit growth. With uneven monsoons and large-scale crop damage, rural consumption has been hit, and demand for jobs under MGNREGA in September and October has been 10–18 percent higher than in the corresponding months last year and 26–31 percent higher than the pre-COVID period. So even as this year's festive season has recorded high sales in many categories of vehicles, tractor sales are still lower than last year, indicating some stress in rural India.

One more challenge ahead for MSMEs is that firms may have to contend with the fallout from RBI's recent measures to tighten risk weight norms for unsecured retail loans. While the move will make for healthier balance sheets and possibly higher allocation of credit towards the MSME sector, the impact on overall capital available with NBFCs as well as demand for consumer durables remains to be seen.

## 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 50,000+ MSMEs seeking credit from financial institutions. The sample is well-distributed across geography, turnover size and sectors.

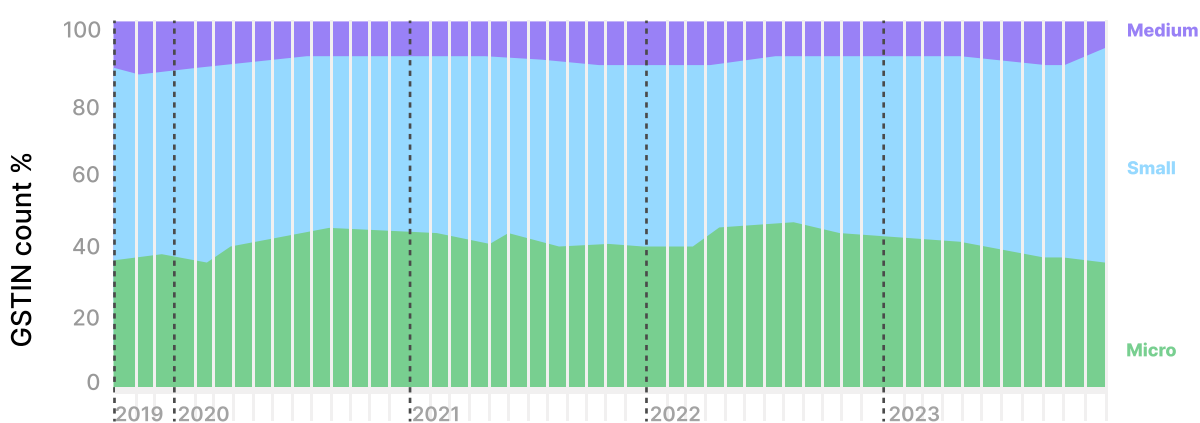


Fig - % Distribution by turnover size within MSME sample

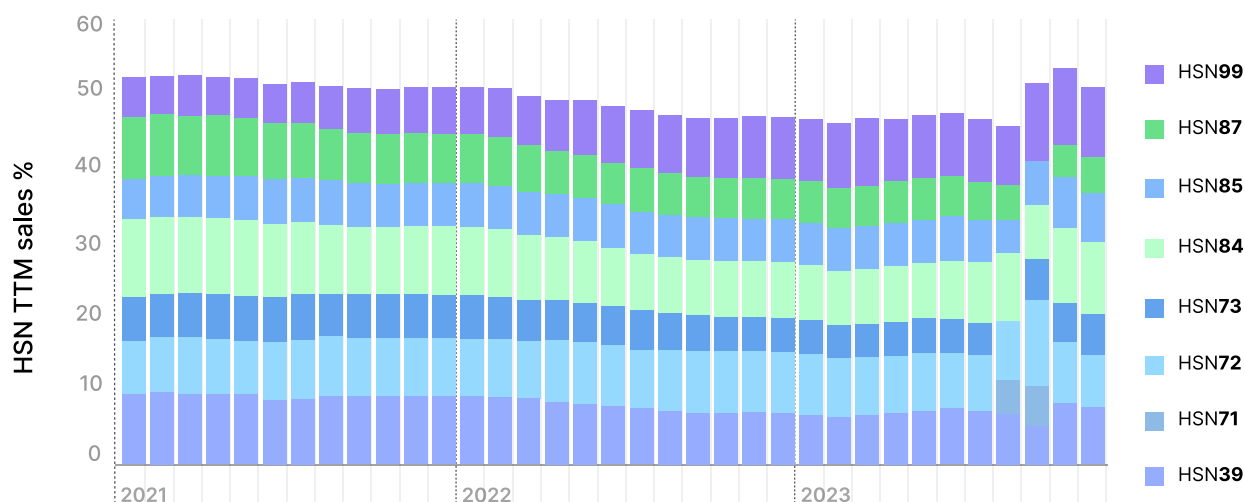


Fig.- % Distribution by value of top 7 HSNs within MSME sample



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