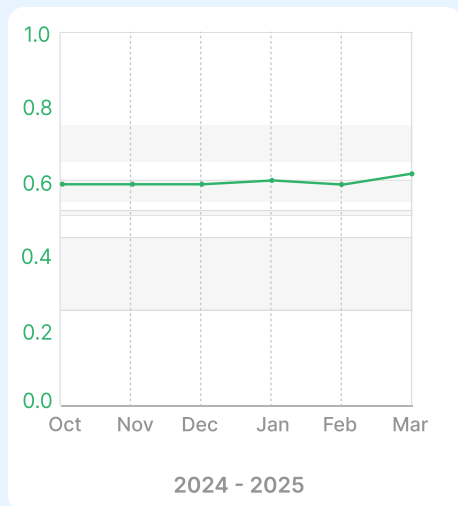


MSMEs Step Up



Insights from India's First MSME Economic Activity Index



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Mar'25 Jocata Sumpoorn **0.62**

Jocata Sumpoorn came in at 0.62 in March, moving up from the 0.58 level in February, indicating that the sales activity of credit-seeking MSMEs was in the phase of moderate expansion.

We're experimenting with a new format - pairing our standard commentary with excerpts from a conversation that reflects how our experts typically unpack the data. It's not just what the numbers say, but how they're read, questioned, and interpreted.

We hope it helps you engage more deeply with the evolving story of India's MSME economy.

Sumita: I met a friend recently - she runs a small chemical MSME. She said April surprised them. They expected things to slow down after March, but demand has held up across sectors. It made me wonder if we're all underestimating the resilience MSMEs carry within them.

Narasimhan: That resonates. The data backs that up too. The Sumpoorn Index touched 0.62 in March - our highest in 17 months. E-way bills hit a record 124.5 million in March, up 20% YoY. You don't see that kind of logistics movement without healthy trade momentum.

Stronger sales growth

Sales activity usually does pick up in the month of March, but this year the growth is stronger than last year when the index came in at 0.60. There are many positive signals that can support a faster pace of sales growth over the year, but the few factors that raise risk ahead cannot be ignored. The RBI growth forecast for FY26 has seen a marginal downward revision to 6.5 percent from 6.7 percent. In its April World Economic Outlook, the IMF has seen India's growth outlook relatively more stable at 6.2 percent in 2025, though the estimate was set at 6.5 percent in January 2025. The downward revisions are essentially in the face of global uncertainty as domestic consumption is expected to hold up the Indian economy's growth this year.

Sumita: And yet, the global mood is cautious. The RBI revised India's FY26 growth to 6.5%, IMF pulled its 2025 forecast down to 6.2%. But MSMEs seem to be humming along.

Narasimhan: Possibly a front-loading effect? Or maybe a shift in what people are buying. Take phones – shipments dropped 7%, but ASP hit a record high. Ultra-premium segment saw a 15% jump. That's not just consumption, that's aspiration.

Sumita: So people are upgrading, not just replacing. Spending, but selectively. I think that distinction matters more now than ever, to understand sectoral impacts. Factors supporting resilience.

Factors supporting resilience

There are a number of positive macroeconomic indicators bolstering MSME sales growth. To begin with, exports have been turning in strong performance. In March, non-petroleum exports stood at USD 37.07 billion, up from USD 36.28 billion in March 2024. Sectors that have grown significantly include pharmaceuticals (31.21 percent YoY), electronic goods (29.57 percent YoY), and marine products (28.56 percent YoY). Even gems and jewellery that had been facing a deceleration last year grew at 10.62 YoY in March. These sectors are all in line for increased uncertainty under the Trump tariff regime.

Sumita: Speaking of caution, what do you make of the export numbers? March total exports came in at USD 73.61 billion, with both merchandise and services doing well.

Narasimhan: Yes, especially strong in electronics, pharma, and jewellery. But we need to be careful here. A lot of this sits under the shadow of the Trump tariff revival. The 90-day pause has helped, but it's still just that – a pause. There's fragility here.

Sumita: So the resilience we're seeing might also be pre-emptive. Firms hedging against upcoming trade restrictions. Trying to move goods while they can.

Narasimhan: Exactly. Pre-shipment activity, restocking, cautious optimism. But it's also a reminder that these MSMEs are responsive and agile. They're not waiting around.

On the external front, therefore, growth will depend on various factors like diversification of markets, government policy measures such as tariff negotiations, and reduction in non-tariff barriers, etc.

On the domestic front, demand has been holding up – e-way bills have been steadily growing due to robust demand and increased compliance, and there has been a noticeable rise in inter-state bills since September 2024 that points to improved logistics. Latest data shows that GST collections have jumped to a record high of ₹2,36,716 crores in April, growing 12.6 percent YoY.

The rural story stays strong. Tractor sales for the largest firm Mahindra Farm Equipment posted an 8 percent YoY growth in April. With the IMD forecasting a favourable monsoon – cumulative rainfall expected at 106 percent of the Long Period Average (LPA), and above-normal rain likely over central and western India, higher minimum support prices for key cash crops, and rising replacement and construction demand, CRISIL Ratings have forecast record domestic tractor sales of around 9.75 lakh units in FY26, which would be a 3–5 percent increase over FY25. RBI released its bi-monthly Rural Consumer Confidence Survey for the first time last month, covering responses from March that showed an upbeat mood with improvement in the perceptions on consumer confidence, income, and employment over a year ago.

Sumita: Even vehicle sales are telling a story – rural demand seems to be doing some of the heavy lifting. Two-wheeler growth was stronger in rural markets – 8.39% YoY compared to 6.77% in urban ones.

Narasimhan: That rural skew is interesting. It suggests everyday economic activity – mobility, micro-entrepreneurship is picking up pace outside the metros. It's not glamour spending, but it's grounded. Durable.

Sumita: Jewellery data aligns – In the last quarter, Titan's revenue jumped up 25%, CaratLane added another 22% growth, Kalyan Jewellers clocked 37% growth. Even Zudio's performance stands out – 28% growth, with most of it coming from small-ticket urban consumption.

Narasimhan: We're seeing the same resilience in other segments too. Jubilant FoodWorks grew 19.1%. DMart clocked a 17% YoY revenue rise in Q4, with 28 new stores added – most of them in non-metro markets. And V-Mart came with a 17% revenue growth. These aren't high-margin luxury items. These are everyday spending choices, being made with confidence. But yes, I agree, sustaining this will need more than sentiment.

Sumita: It's showing in the travel numbers as well. IRCTC bookings were up over 5% YoY in March, and domestic air traffic grew 8.8%. Hotel occupancy's rising too – projected to touch 70% nationally by 2026.

Narasimhan: That wouldn't be possible if employment or income sentiment had dropped. The capacity to repay is intact. That's the thread I keep coming back to. But maybe there are pockets we're not seeing clearly – rural informal employment, for instance.

Raised risk ahead

While there is much that augurs well for better growth in MSME sales, yet there is one factor that is looming due to heightened global uncertainty. The government released its first-ever private capital expenditure (capex) survey that points out a drop in the intended capital expenditure of the private corporate sector by around 25 percent to ₹4.88 lakh crore in 2025–26 from ₹6.56 lakh crore in FY25. It appears that the private sector is reporting subdued intentions, due to caution in the light of the uncertainty, rather than due to any fundamental issues in the Indian economy.

Sumita: *The Centre and State governments had announced investments worth ₹18.7 trillion in Q4FY25, but these are yet to materialise on the ground. How do you see this panning out?*

Narasimhan: *We should be cautious here. The government's Private Capex Survey shows a 25% drop in planned investments for FY26. So even if the last quarter was strong, intent beyond it is softening. That's not an MSME issue – but it will spill down to them.*

There is one more factor of immediate concern for the small businesses, and that is the lower growth of bank credit compared to previous years. Priority sector credit to micro and small enterprises grew at 13.5 percent in FY25, compared to 20.2 percent in FY24, while medium enterprises received credit at a faster clip – 22.6 percent growth in FY25 compared to 15.9 percent in FY24. With the reclassification of MSMEs kicking in this financial year, the micro-enterprises are bracing for reduced access to credit, as banks are expected to lend to larger firms that are now classified within the MSME bracket. Again, while it remains to be seen how the banks rework their portfolios, these will be challenging times for the smallest in the MSME segment.

Sumita: *So April is a mixed bag – but weighted toward resilience. The signals are clear across retail, rural, and MSMEs.*

Narasimhan: *It's not an exuberant recovery. But it's a steady one. And sometimes, that's the more durable kind. Especially in times like these.*

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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 1 lakh+ MSMEs seeking credit from financial institutions.

The sample is well-distributed across geography, turnover size and sectors.

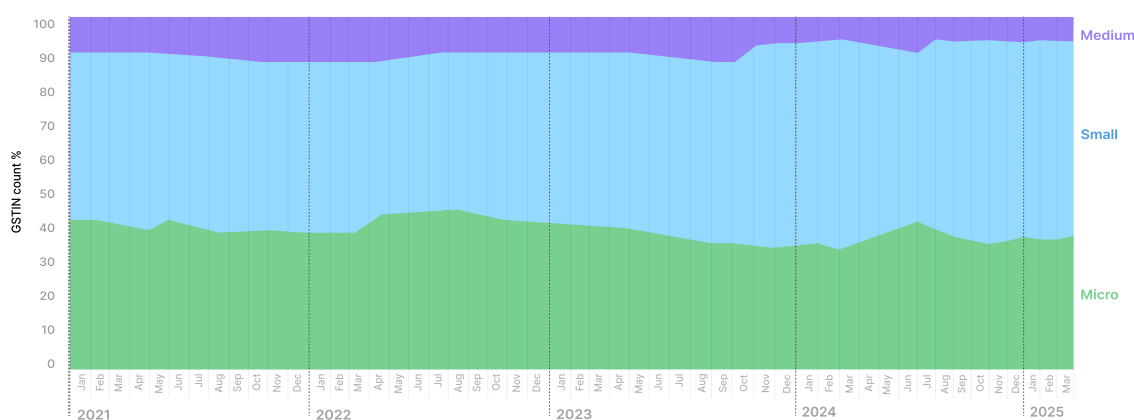


Fig - % Distribution by turnover size within MSME sample

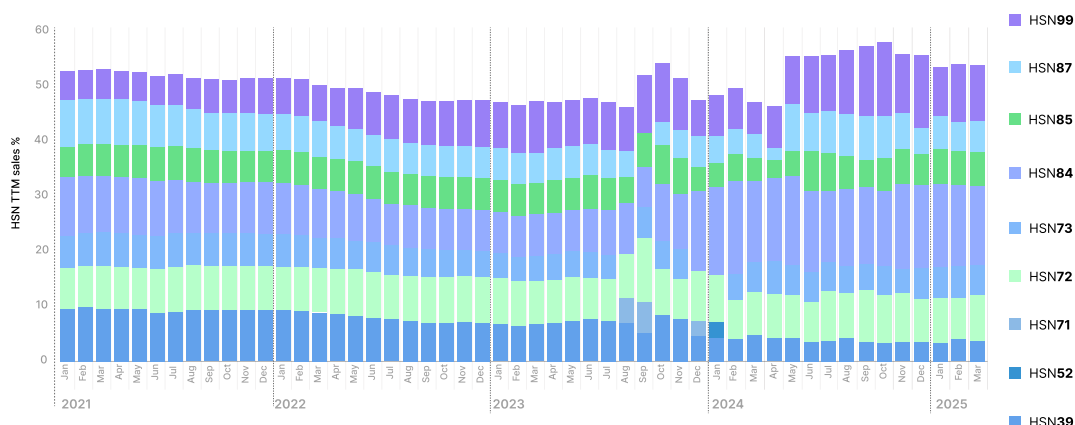


Fig.- % Distribution by value of top 7 HSNs within MSME sample



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