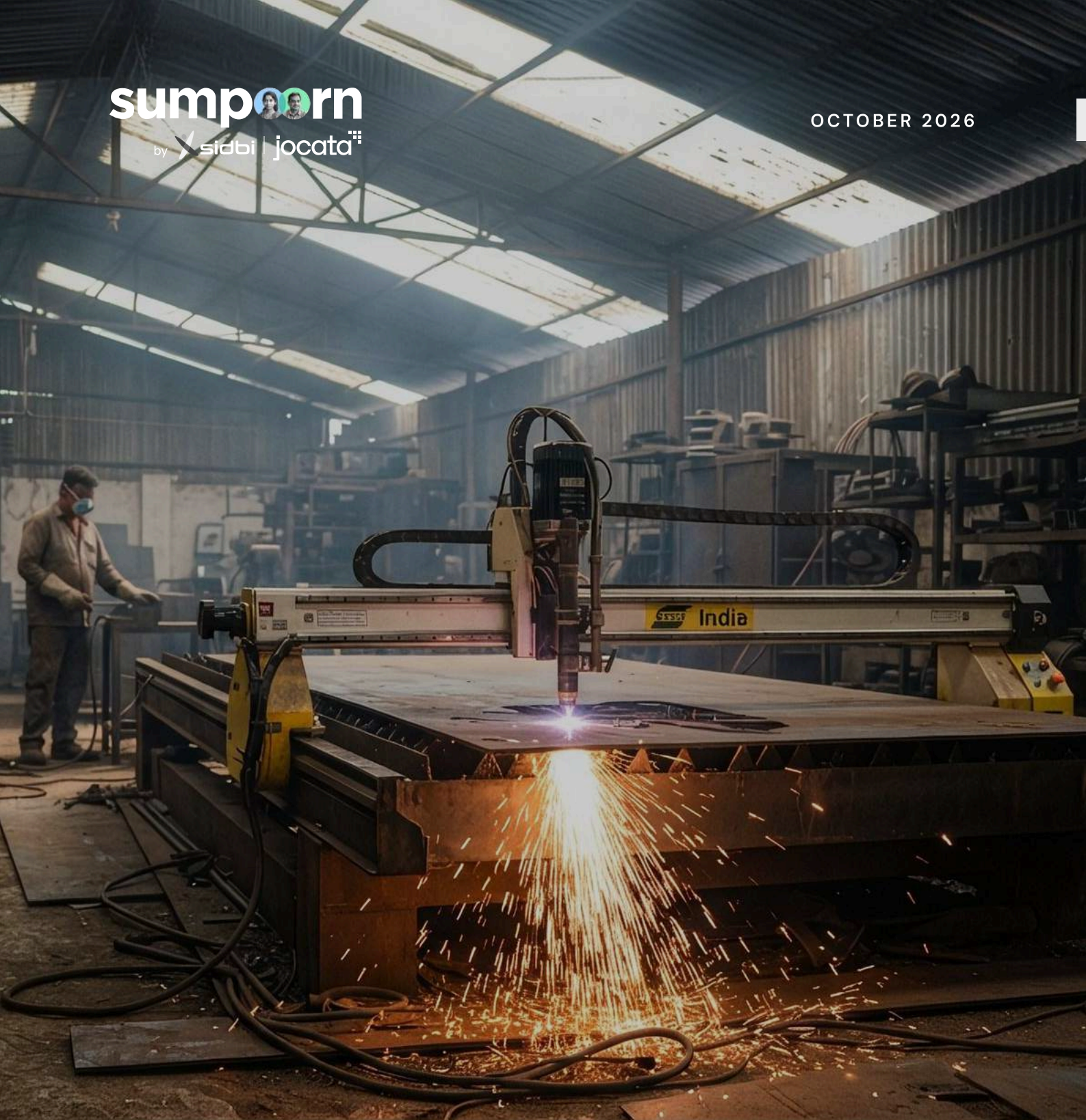




SUMPOORN REPORT

MSME Growth Holds Firm, but Rural Demand Raises Concerns

INDEX EXPERTS



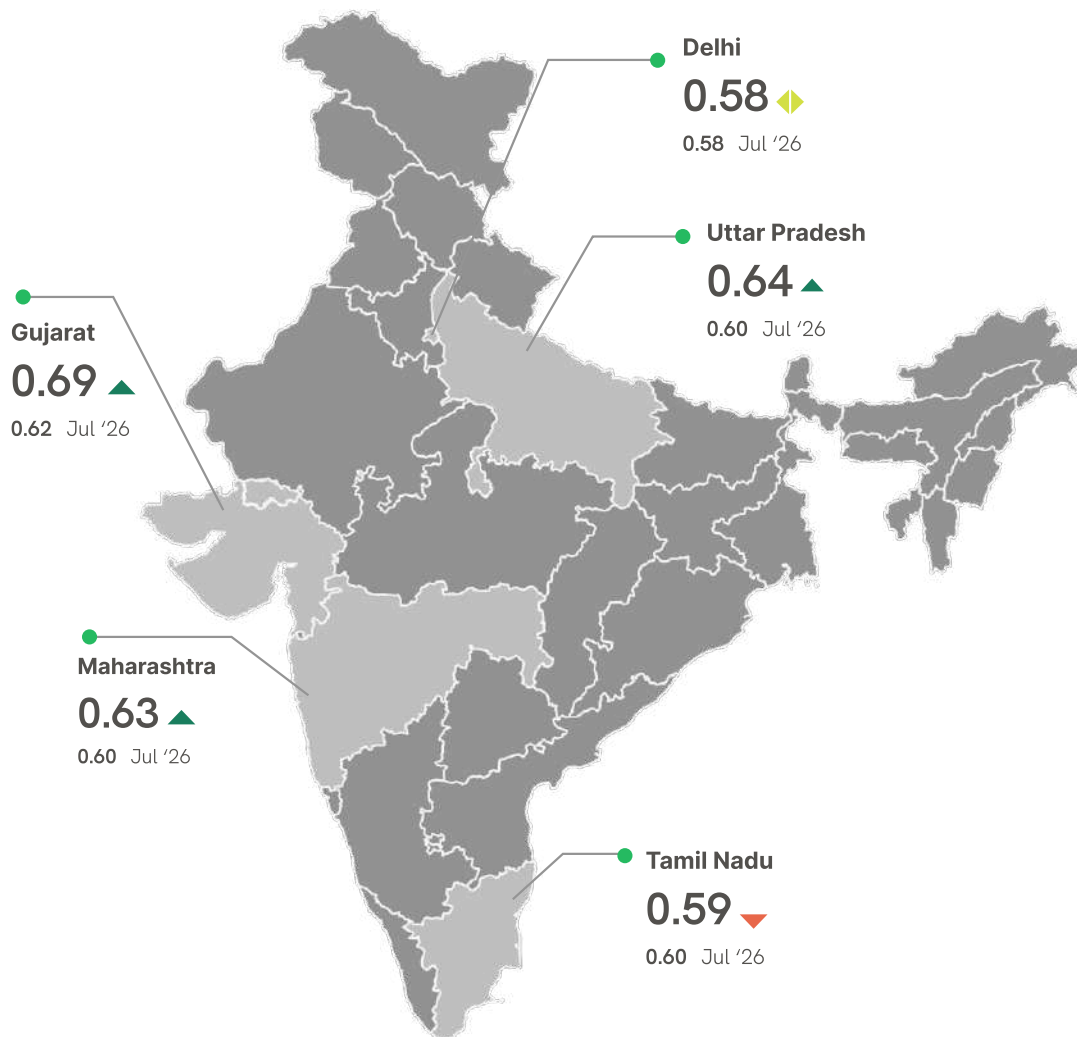
Dr. Sumita Kale

Principal Economist, Jocata



Mr. Narasimhan V.

Principal Advisor, Jocata

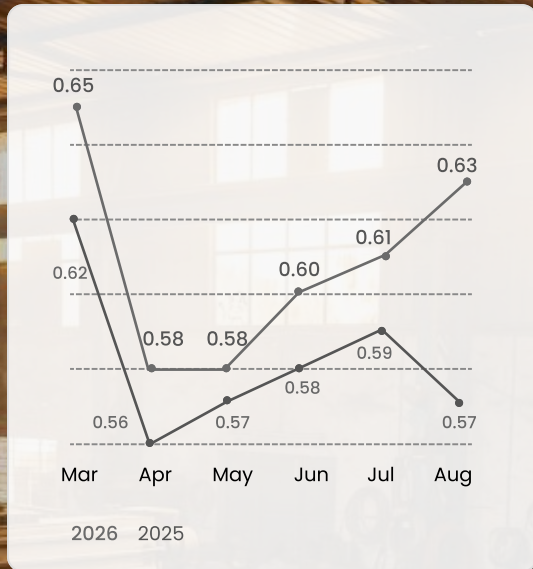


Country-level Index

Moderate Expansion Phase

0.63 ▲ AUG '26

0.61 Jul '26



MSME Growth Holds Firm, but Rural Demand Raises Concerns

For the past ten months, small businesses in India have recorded strong buoyancy in sales activity, marking a clear shift from the modest pace of expansion in the first half of FY26. The latest Sumpoorn Index stood at 0.63 in August, significantly higher than the 0.57 recorded a year ago. This points to sustained momentum in MSME economic activity through the second quarter of the current financial year. And yet there are nuances to be understood to this headline number.

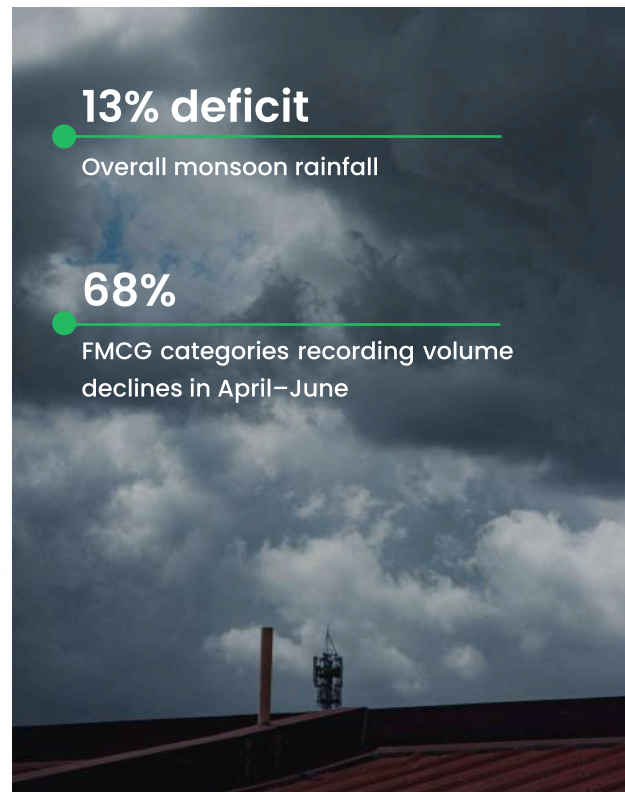
To begin with, small businesses are benefiting from the strong growth in the manufacturing sector, as recorded in the IIP – **August saw growth of 9.0% YoY, following the robust 8.2% growth registered in July.** The strongest growth was seen in sectors dealing with **electrical equipment, motor vehicles, and other transport equipment, and rubber and plastic products.** However, some sectors did see a drop in production such as firms manufacturing wearing apparel and chemicals and chemical products. Again, looking at the use-based categories, the growth has been led by capital goods and intermediate goods and consumer durables, while consumer non-durables has seen very weak growth. This divergence suggests that investment and manufacturing activity are expanding faster than household consumption, particularly demand for everyday goods. For MSMEs, this presents a mixed picture: firms supplying industrial inputs and capital goods would benefit, while those catering to everyday consumer demand are facing subdued sales.

One cautionary note is coming in through rural India, which also has a geographical granular dimension. After a delayed start, the monsoon season has now concluded with a 13% deficit overall and some regions are impacted much more severely. East and north-east India had the lowest rainfall in 125 years. There is divergence within a state too– for instance Maharashtra has overall 18% deficit rain and 75% of the state has been officially declared to be drought-hit, Marathwada recorded the steepest regional deficit at 40%. How will this play out for rural incomes, consumption and by extension impact small businesses going ahead? Tractor and two-wheeler sales have slowed in September, reflecting some of the pressure. Note that latest data from Nielsen shows that 68% of FMCG categories already recorded volume declines in the April-June quarter, with rural areas showing greater decline and here lies the story for India over the

next few months. The monsoon deficit will hit not just the kharif yields, but also the rabi crop given that reservoir storage and soil moisture levels are lower than normal and are likely to play out over the next few months. Domestic consumption therefore will be impacted and small businesses which cater to rural households and those who are in the value chain for agri-related products are more than likely to face slow growth in the second half of this year.

Not all is challenging of course. One positive factor for small businesses has been the considerable support from banks, with **credit continuing to grow at 20%+ rate to micro and small businesses.**

Investment and manufacturing activity are expanding faster than household consumption, creating uneven demand conditions for MSMEs.



In addition, to alleviate working capital constraints, the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Portal of the Ministry of MSME has been integrated with the TReDS ecosystem, and since September, Credit Guarantee Coverage is available on three platforms. With the government guarantee mechanism now in place, participating financiers can get CGTMSE cover for eligible receivables financed through TReDS. This opens up the space for small businesses to manage working capital constraints seamlessly.

On another front, exports have been growing well given the challenges of global trade this past year. **Non-petroleum and non-gems and jewellery exports clocked USD 34.68 billion in value in August, compared to USD 28.26 billion last year.** Stellar performance came in from electronic goods (up 89.82%), engineering goods (up 24.86%), and cotton yarn/fabrics/made-ups and handloom products which increased by 13.79%. All these sectors have a large share of MSMEs pointing to their resilience in the face of the higher costs and shipping uncertainties.

To sum up, the outlook for MSMEs in the second half of the year is one of cautious optimism. While **strong credit flows and improving access to working capital will give much needed support, the impact of the deficient monsoon on rural incomes and consumption remains a significant downside risk.** The buoyancy reflected in the Sumpoorn Index is encouraging, but sustaining this momentum will depend on how well small businesses navigate these uneven demand conditions, rising costs and continuing global uncertainties. Policy support measures and pro-active assistance from financial institutions to ease liquidity constraints will be particularly important in the months ahead.

MSME momentum remains resilient, supported by manufacturing, credit and exports. However, the deficient monsoon and weaker rural consumption pose downside risks for the months ahead.



What is SIDBI-Jocata Sumpoorn?

SIDBI-Jocata Sumpoorn is an MSME-specific high frequency indicator built using consent-led and anonymised sales data of 2 lakh+ MSMEs seeking credit from financial institutions.

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

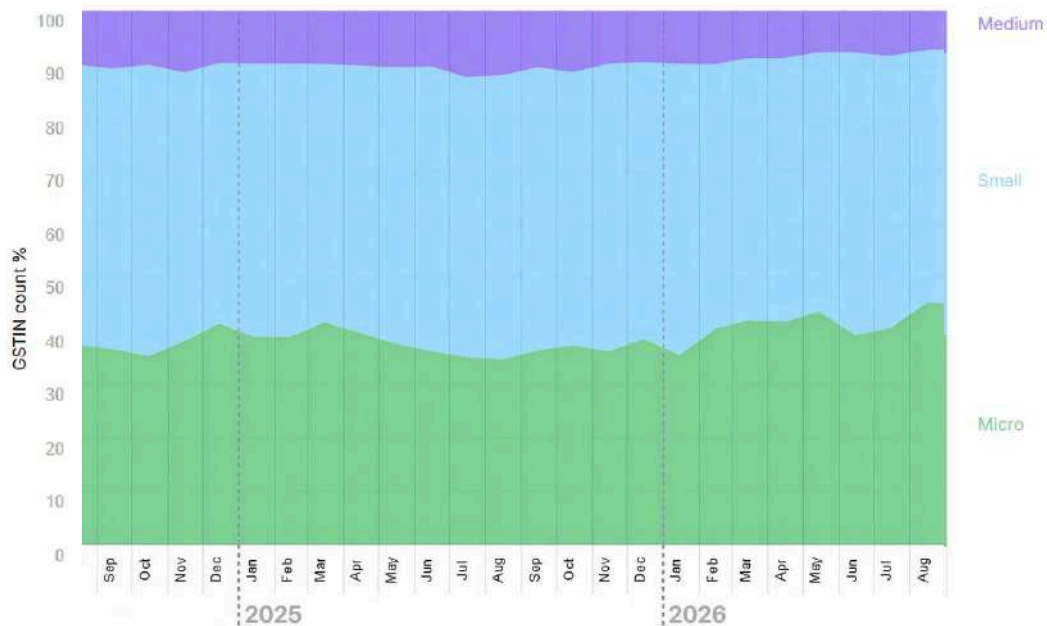


Fig.- % Distribution by turnover size within MSME sample

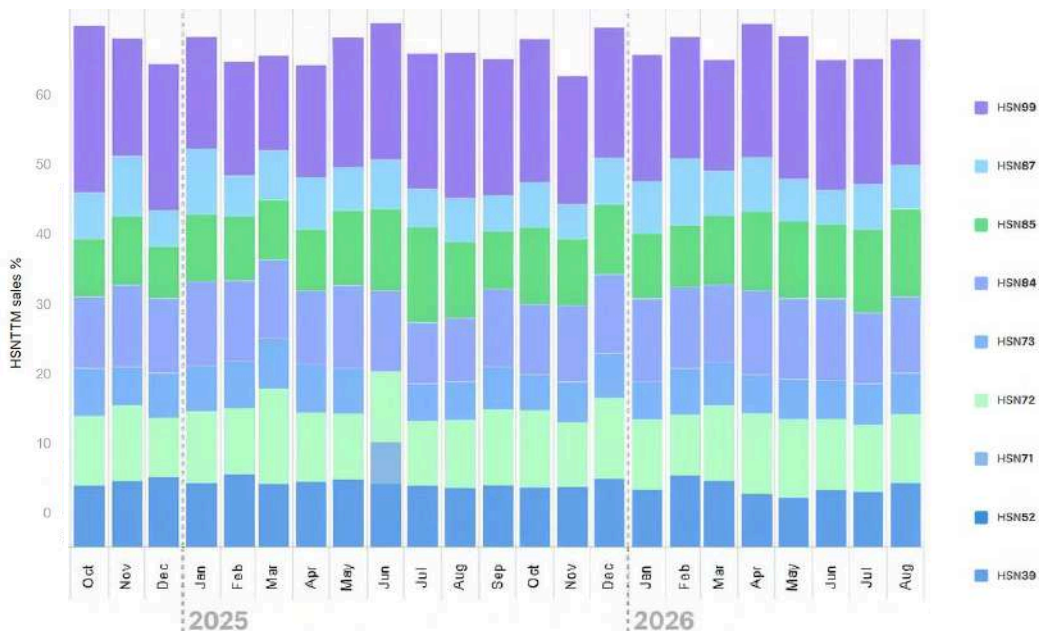


Fig.- % Distribution by value of top 7 HSNs within MSME sample



Feedback
sumpoorn@jocata.com



Watch on
[Youtube](#)



Listen on
[Spotify](#)



About SIDBI

Small Industries Development Bank of India (SIDBI) serves as the Principal Financial Institution for promotion, financing and development of the Micro, Small and Medium Enterprises (MSME sector) and co-ordination of the functions of the various Institutions engaged in similar activities. SIDBI operates various schemes for both Indirect Finance/Refinance and Direct Finance to create a multiplier effect and increase the flow of credit to MSMEs. Besides finance schemes, SIDBI takes up various activities/initiatives/schemes for encouraging entrepreneurship, enterprise creations and growth of MSMEs. SIDBI also promotes/supports various institutions which are engaged in financing and development of MSMEs. SIDBI has been actively developing various digital solutions to power the MSME ecosystem such as 'GST Sahay', 'Udyam Assist Platform' and now, has partnered with Jocata to launch the country's first MSME-specific Economic Activity Index by leveraging India's Digital Public Infrastructure (DPI).

www.sidbi.in



About Jocata

Jocata, a subsidiary of BillDesk, is a technology company founded in 2010 that delivers credit intelligence to the Banking and Financial Services industry. Its highly configurable, low-code digital lending platform powers Retail, Agri and MSME lending programmes for Banks and NBFCs, and enables deep behavioural scoring and analytics through a SaaS model. MSMEs are central to India's growth story, yet they remain underserved by credit for want of reliable data, with legacy underwriting models and high acquisition and servicing costs compounding the shortfall. To close it, Jocata built SME DNA - an industry-first AI/ML powered MSME score capturing the business performance and behavioural signals of a small business, adopted by several institutions for their credit onboarding, assessment and monitoring decisions. Jocata Sumpoorn extends this effort to the sector as a whole, providing a data-driven understanding of MSMEs to improve credit access and fuel its growth.

www.jocata.com