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MSME ECONOMIC INTELLIGENCE AND MARKET INSIGHTS

FEATURED VOICES

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BEYOND RESILIENCE

PREPARING MSMES FOR STRUCTURAL CHANGE

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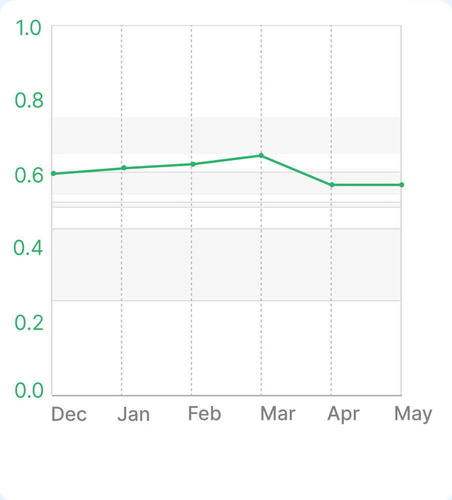

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May'26 SIDBI-Jocata Sumpoorn 0.58

SIDBI-Jocata Sumpoorn stayed at 0.58 in May, at the same level as April, indicating that the sales activity of credit-seeking MSMEs stayed in the phase of mild expansion.

Beyond Resilience: Preparing MSMEs for Structural Change

India's small businesses continue to hold firm in the face of geopolitical risks and inflationary pressures. The SIDBI-Jocata Sumpoorn Index remained steady at 0.58 in May, matching April's reading and staying marginally above its May levels of the past two years. This resilience has been supported by a favourable macroeconomic environment and sustained policy support.

Access to finance remains a key positive. Bank credit to micro and small enterprises grew by a robust 23.7% year-on-year in May. The RBI has also introduced a new regulatory framework for Trade Receivables Discounting System (TReDS) platforms to simplify participation, improve operational efficiency, and expand financing of MSME trade receivables. Importantly, financiers can now access credit guarantee cover for eligible exposures, a move expected to strengthen credit flows to the sector. Government support has remained equally proactive. Under the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0 approved in May, loans amounting to ₹1 lakh crore have already been disbursed, providing cushion for small businesses.

On the manufacturing front, the revised Index of Industrial Production (IIP) recorded a healthy 5.5% year-on-year growth in May. The strongest performers were motor vehicles, trailers and semi-trailers (14.5%), electrical equipment (20.8%) and basic metals (4.6%), providing a boost to MSMEs across their supply chains. Demand has remained equally robust. Vahan data shows that vehicle registrations in June rose 28% for light motor vehicles, 21% for two-wheelers and 21% for heavy goods vehicles. Tractor sales were also strong, despite the delayed monsoon. Exports have continued to surprise on the upside despite geopolitical uncertainty and shipping disruptions. Non-petroleum exports grew 11.9% in May, led by engineering goods, chemicals, gems and jewellery, and electronics, while several automobile companies have also reported healthy export growth in June.

Beneath these encouraging headline numbers, however, some warning signs are emerging. The Reserve Bank of India has revised its GDP growth forecast for the year down from 6.9% to 6.6%, while raising its inflation projection from 4.6% to 5.1%. The IIMA Business Inflation Expectations Survey for May indicates that cost pressures remain elevated, with more than a quarter of firms reporting input cost increases exceeding 10%, alongside weaker than normal sales and profit margin expectations. While the broader economy has so far remained resilient, smaller firms are likely to be feeling these pressures more acutely. This is reflected in the Sumpoorn Index for micro enterprises (annual turnover below ₹5 crore), which fell to 0.55 in May—the lowest level in seven months and below the 0.59 recorded a year earlier.

The rural economy is showing similar signs of stress. NABARD's Rural Credit Market Conditions Survey found that the share of rural households reporting an increase in income over the previous year fell to 29.6% in May, the lowest since September 2024. Agricultural indicators are equally concerning. As of 26 June, kharif sowing was 36.5% below the corresponding level last year, with acreage under pulses and oilseeds down by more than 50%. Coupled with the IMD's forecast of below-normal rainfall in July, the outlook for rural demand remains weak. Any prolonged deficiency is likely to ripple through non-farm rural enterprises, with consequences extending well beyond the farm sector.

Another risk that deserves attention is the structural shifts underway in the economy, which could reshape the operating environment for MSMEs. One such shift is in capital expenditure. According to CMIE, new project announcements rose 30% year-on-year to ₹14.5 trillion in the April–June quarter, driven largely by investments in data centres and nuclear power. At the same time, manufacturing, which used to be the largest driver of capital expenditure, saw announced investments decline from ₹3.7 trillion a year ago to ₹2.04 trillion, while transport services fell sharply from ₹3.3 trillion to just ₹0.26 trillion. This suggests that as the composition of investment changes, MSMEs will need to adapt to new growth sectors and supply chains.

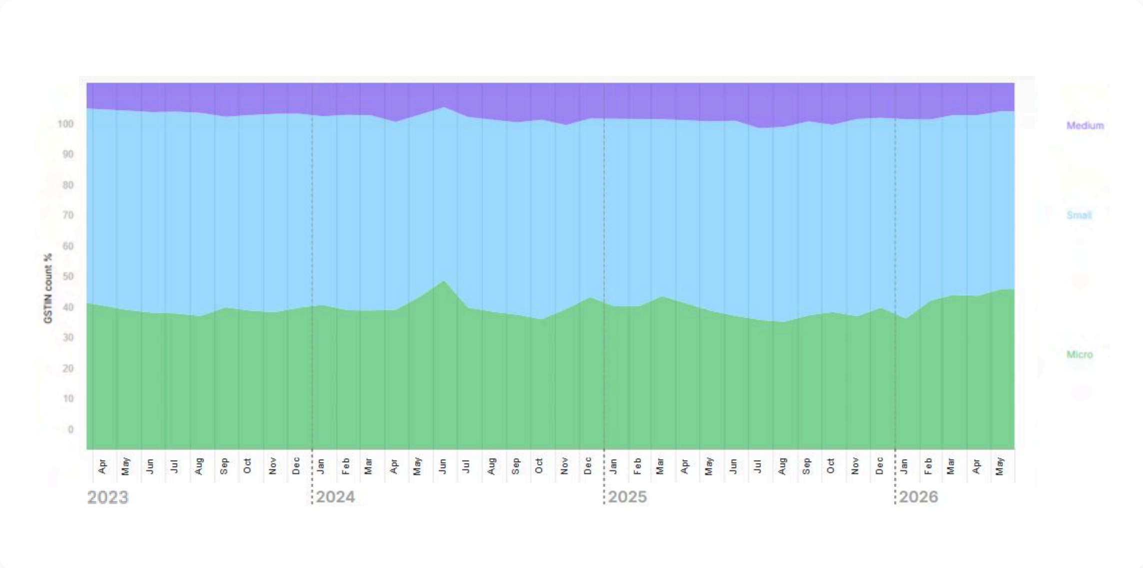
A similar transition is unfolding in the automotive sector. The government's move towards a 100% EV mandate in the Delhi–NCR region will have significant implications for the auto value chain. While it will create opportunities in batteries, electronics, charging infrastructure, and new mobility services, many MSMEs supplying ICE-specific components or serving the traditional aftermarket will need to reorient their businesses. If similar mandates are adopted in other parts of the country, the scale of this transition—and its impact on MSMEs—will be far greater.

All in all, small businesses are facing more challenges ahead, and forward-looking policy support would go a long way in keeping the MSME sector.

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.



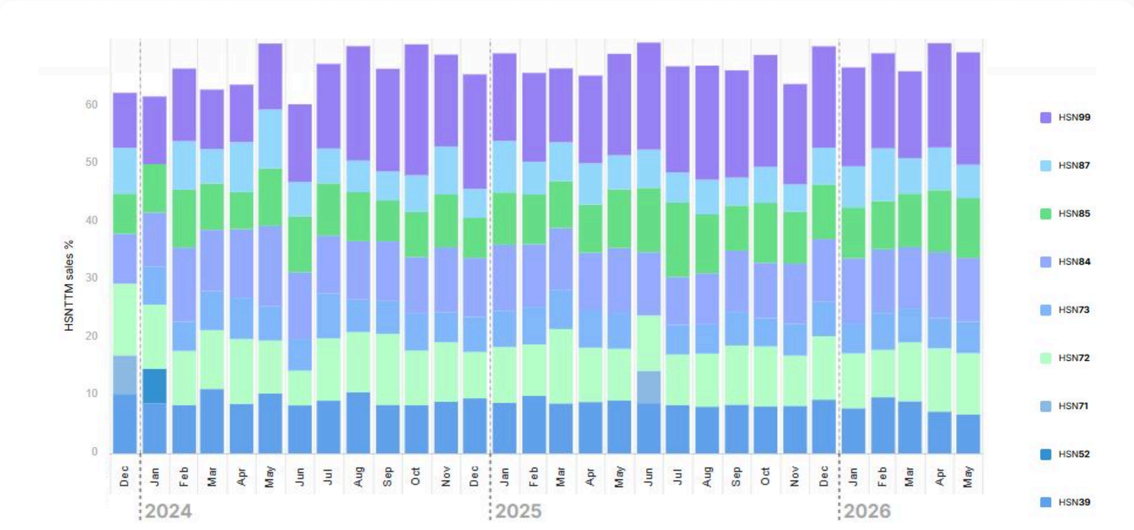


Fig.- % Distribution by value of top 7 HSNs within MSME sample

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