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MSME ECONOMIC INTELLIGENCE AND MARKET INSIGHTS

FEATURED VOICES

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Feb'26 SIDBI-Jocata Sumpoorn **0.63**

SIDBI-Jocata Sumpoorn moved up to 0.63 in February, at its highest level in thirty-nine months, continuing a moderate pace of expansion in sales activity of credit-seeking MSMEs.

MSMEs Bracing for War Shocks

Small businesses in India saw a sustained increase in the pace of sales growth after the GST rate rationalisation last September - the SIDBI-Jocata Sumpoorn index rose from 0.61 in November 2025 to touch 0.63 in February 2026, the highest level in more than three years. This represents a significant upward move from an average index level of 0.58 in H1 FY26. However, the war in West Asia that started on 28th February 2026 is expected to puncture this burst of growth. The conflict has struck deep ripples across several fronts, hitting the global and domestic economy. The world is going through an oil shock with crude prices breaching the $100/barrel mark and supply chain shocks generated by the virtual closure of the Strait of Hormuz and paralysed petrochemical plants in the Gulf.

While the IIP for manufacturing in February 2026 has come in at a brisk 6% YoY growth, there has been a visible slowdown in industrial production in March as the short supply of LNG and LPG has constrained several sectors. There will be a differential impact across size and industry of these supply chain disruptions, but the impact is broad-based across industries such as fertilisers, agriculture, auto and components, pharmaceuticals, refrigeration, plastics, textiles, packaging, etc. While official data will take time to come through, the effects are all around us already. The survey-based HSBC Purchasing Managers' Index (PMI) for manufacturing dropped to its lowest in nearly four years in March at 53.9, down sharply from 56.9 in February. Input cost inflation was reported at its highest in 43 months, with sharp rises in several commodities such as aluminium, chemicals, steel, and rubber, apart from basic fuel.

On the small business front, the news reports have been quite grim. Ground reports indicate that small vendors and restaurants in the hospitality sector have limited their operations or closed. Migrant workers are reported to have left towns like Surat due to the unavailability of cooking gas, creating a labour shortage in the textile industry. Sectors heavily dependent on gas for their manufacturing processes are operating way below capacity or closing like ceramic firms in Morbi, glass making in Firozabad. It goes without saying that small firms bear the brunt of any shock disproportionately, as larger firms are cushioned.

There are essentially three macro challenges impacting the Indian economy. The first is through the high prices of crude and gas. Even as the Indian government has diversified sources to augment supplies, the costs are considerably higher than anticipated. Further, in an attempt to reduce the stress of industry, through absorbing the hike in the case of auto and aviation jet fuel or fertilisers and other sectors, or removing customs duty till June on specified chemicals, the burden on the fisc is rising. Secondly, costs are rising across the board. Logistic costs are high hitting both exports and imports, with shipping and insurance charges rising. Inventories are building up in some cases as exporters hold up outward cargo. Even for domestic sales, firms could either choose to pass on the higher prices of inputs or compress their profits – in either case, the growth and inflationary impact will be significant. Thirdly, there is the possibility of a decline in remittances from workers in the Gulf, which will again significantly impact economies in some states like Kerala, Uttar Pradesh, Bihar, and West Bengal. There will be a local impact on the demand for small businesses in these areas.

Going forward, ongoing operational constraints can lead to cash-flow challenges for small businesses. This will trigger a negative impact on jobs and incomes, which could have a significant impact on NPAs across many segments like personal loans, business loans etc. The capital market has already taken a hit, with the Nifty50 down 11.4% in March, and this has implications for household savings as well. The significant outflow of capital due to FII exit could pose further risks to the capital market. For the financial sector, which is just coming out of the microfinance and digital lending stresses, the year ahead will have different risks to mitigate. Bank credit to micro and small firms has been growing well, at 26.5% YoY in February, and yet unmet credit demand has reportedly been high. While there are measures in the offing, such as strengthening TReDs , the government recently expanded the scope of the Mutual Credit Guarantee Scheme for MSMEs (MCGS–MSME) – services are now included, the minimum machinery or equipment cost requirement has been lowered to 60% from 75% of the total project cost, and exporters have been given greater access.

To sum up, Indian MSMEs were in a very good space before the West Asian war broke out. While events are unfolding every day, making the outlook unpredictable and difficult, the Indian government has been responding to the pressures proactively, in coordination with industry. As we write this commentary on the 3rd of April, there is news that the government is planning a support package for sectors impacted by the ongoing conflict, with a ₹2 lakh crore-plus credit scheme to be rolled out in the next fortnight. The scheme would be modelled on the Emergency Credit Line Guarantee Scheme (ECLGS), which came out during the Covid crisis. The Reserve Bank of India has been working to curb speculative pressures, shore up the rupee, and protect it from volatility. All in all, these are tough times that small businesses will ride out, with support from the government.

What is SIDBI-Jocata Sumpoorn?

SIDBI-Jocata Sumpoorn 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.

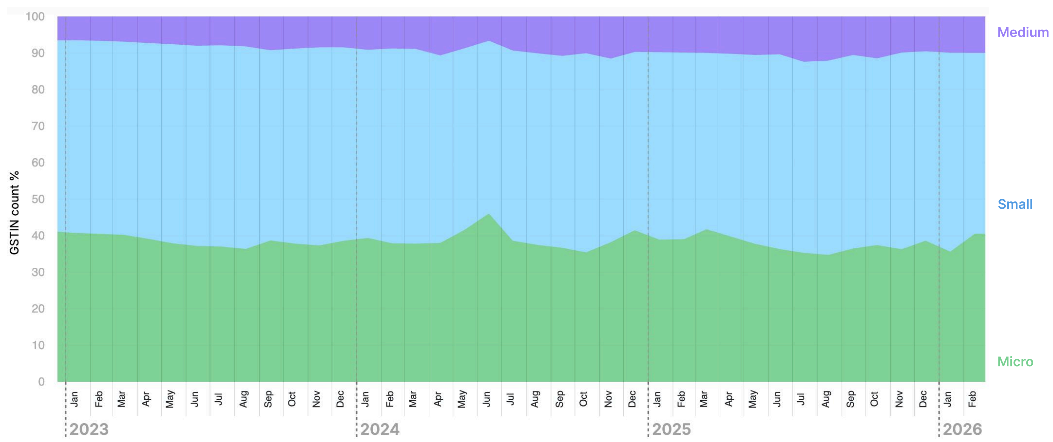

Fig.- % Distribution by turnover size within MSME sample

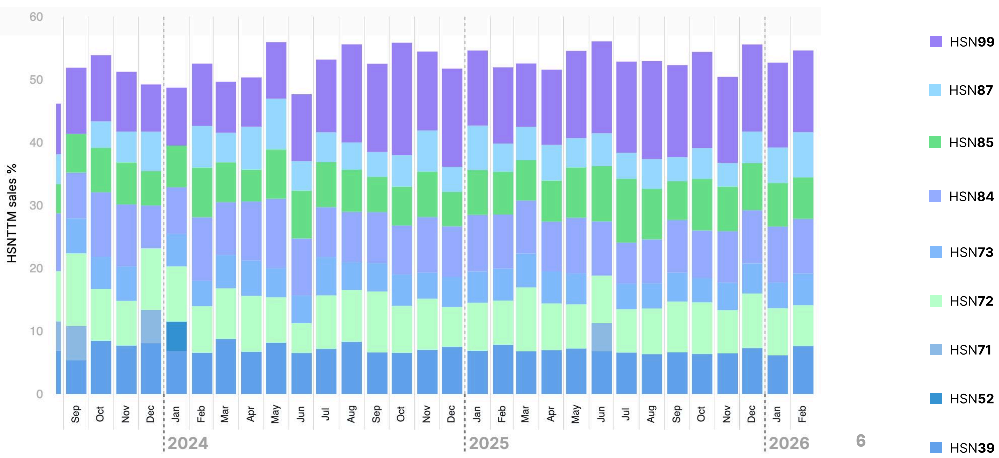

Fig.- % Distribution by value of top 7 HSNs within MSME sample

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MSME Conversations

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The Plastic Chain

In the 40 days since the conflict began in West Asia, India's plastics manufacturers have watched raw-material prices climb 65%, their working-capital limits fill to the brim, and the Goldilocks moment of early 2026 dissolve overnight. A conversation with Anil Reddy Vennam, Senior Vice President of the All India Plastics Manufacturers Association.

The SIDBI-Jocata Sumpoorn Index had reached its highest point in more than three years by February 2026: 0.63. Then, on the 28th of February, a conflict broke out in the Gulf. The following is an edited transcript of a conversation with Anil Reddy Vennam, whose association represents more than 22,000 members, 90% of them small businesses, across a hundred and seventy cities.

Sumita Kale : *Raw materials represent more than 70% of total cost in plastics. What are the operational challenges that MSMEs are facing in your industry right now - on cost as well as price?*

Anil Reddy Vennam : *We are seeing challenges from all angles, right from procuring raw material to receiving payments. On the 28th of February, the war began. On the 1st of March, there was a routine price increase. On the 3rd of March, without any reason, they increased prices again. Then the 6th the 9th, and the 12th of March. In those 13 days, they increased prices by almost 65%. It was entirely without justification.*

Because the war started on the 28th of February, even the crude currently in transit will take some time to reach us. The feedstock already available should have been enough to cover the next one or two months. Unfortunately, the raw-material suppliers took advantage of the situation and gave very big shocks to the industry.

Apart from the price increases, there were some shortages. In my view, these are artificial shortages; I don't feel it is a real supply issue. Some stockists are hoarding material and not releasing it. The open market has jacked prices up to more than ₹200, even though the actual price should be around ₹150 or ₹160.

Financial Constraints and the Banking Crisis

***Anil Reddy Vennam* :** *There were further complications. It being March, the fiscal year-end, the bankers had not provided any special support. Our working-capital limits, which were generally already 90% utilized in the small-scale sector, were completely full. Procuring raw material was very problematic because incoming payments were non-existent. Our consumers had not paid, even though it has been more than 45-60 days. So, the small-scale sector has had to forego their profits and continue to supply goods just to ensure the open market wasn't destabilized. We've had to ensure our supplies continued to essential sectors such as pharma, FMCG, and the common man wasn't affected.*

***Dr. Sumita Kale* :** *Has the government been proactive with the larger manufacturers, or is it the same situation?*

***Anil Reddy Vennam* :** *Whether large or small, the basic problem - the raw-material price increase, is something the government cannot control. It has the same effect on everyone. Bankers might have a special sympathy toward the large players, but that is a different matter. From the government side, except for the customs duty reduction of 7.5% - even that benefit was not passed on by the raw-material suppliers. They simply matched international prices, so we aren't receiving that benefit. These are the tactics of a cartel of raw-material producers. This is not at all fair.*

The Impact on Labor and Employment

***Dr. Sumita Kale* :** *There are about 4-5 million jobs in the plastic industry across the nation. There are reports that some of those jobs could be at risk because of the current constraints.*

***Anil Reddy Vennam* :** *Definitely, ma'am. When raw-material prices go up the way they have and the customer is not in a mood to pay, there is no option but to reduce capacity. Once you reduce capacity, you cannot ask labour to sit idle while still receiving salaries. Our industry depends a lot on migrant labour and what I've seen is that, generally, labour goes on holiday in April and May anyway. Some entrepreneurs are taking advantage of this and sending them home early for their holidays. In some states, there are elections, so some of the labour is moving around for that as well.*

Furthermore, this is the period for annual increments. Every year, we increase pay by 5-10%. After elections, fuel prices will rise. As packaging material prices rise, the product prices will also rise. Everything will go up in the next couple of days, and those workers will require increments. If an increment isn't given, that person will automatically search for a different job. That creates a gap. If he leaves in May, he may not find an immediate job in June because he has to search for it. We are creating gaps in both job creation and job stability.

The industry is in slow mode now; it isn't at a 100%. From November to February, everything was going wonderfully. Then, all of a sudden and overnight, things changed. The last 30 days have been very hard, we do not know what will happen from one moment to the next.

***Dr. Sumita Kale* :** *That uncertainty makes it more difficult to plan for the next quarter, right?*

***Anil Reddy Vennam* :** *We aren't in a mood to think about the next quarter. We are just thinking about tomorrow.*

Sector Outlook and Policy Needs

***Dr. Sumita Kale* :** *From your side, which industries is the plastics industry giving priority to, given the constraints? What is the demand outlook across different sectors?*

***Anil Reddy Vennam* :** *We are prioritizing FMCG and pharma. These are the two major sectors where the common man is affected if a shortage occurs, even with something like a milk packet. But overall, the regular packaging sector for the Indian market is being affected. Other commodities, like plastics for critical components in aerospace and other niche areas, are slow right now.*

I don't think construction will have a major problem because PVC is the primary requirement and we have some imports coming in. Since it is summer, the pace of activity is faster because they have to complete outside work before the rainy season begins.

Dr. Sumita Kale : *What about on the exports, on the trade front? Because the plastics industry was doing quite well last year.*

Anil Reddy Vennam : *On the exports front, whatever commitments were in place, we have had to fulfil them, provided logistics are not disrupted. If there is no logistic problem, exports are going ahead. Once an export order is received, any entrepreneur will procure the raw material and ensure delivery. For the month of March, wherever cargo was moving, everyone would have supplied 100% as per requirement.*

Dr. Sumita Kale : *What support are you looking for from the banks and the government?*

Anil Reddy Vennam : *Bankers should support their clients in a small way, perhaps a 5-10% increase in existing working capital without further collateral. As of the 31st of March, there was a constraint for bankers regarding over-limits, but now in April, they can do whatever they want for the 1st quarter. This wouldn't have a negative impact on the bank's own financials. Individual bank heads should do something proactively rather than waiting for the RBI or the government. It's a cascading effect; if we don't move, eventually bankers will be affected by lower sales figures.*

The government of India should immediately provide support. For the long term, they need to estimate how long this war will continue. Even if it ends by April the 15th the cascading effect will last six months. They should look at NPA aspects, the possibility of a moratorium as in Covid. A GST reduction - presently it's 18% on our products - should come down by about 5% to free up working capital.

And one more thing: state governments also have a lot to do. They should reduce taxes on diesel and duties on electricity. State governments can also help out by removing the backlog of payments to MSMEs.

Dr. Sumita Kale : *There has been news that a MSME new scheme that will come out over the next 15 days, which will be for small businesses, modelled on the Emergency Credit Line Guarantee Scheme (ECLGS) which came out during the Covid crisis, but it's still news, nothing has come out detailed so far.*

Anil Reddy Vennam : *I would really appreciate it if the government moved in that direction, but they need to act fast, because once the chain breaks, reviving it will be very problematic for the small-scale sector.*

Dr. Sumita Kale : *You feel the spirit of cooperation from the Covid era hasn't emerged yet?*

Anil Reddy Vennam : *Yes, ma'am. During Covid, state governments gave special relief. In Telangana and Andhra Pradesh, where I was monitoring as South Vice President, the governments gave us their fullest support. Banks were supportive and started giving special loans by mid-March. That was immediate, and we could move forward. Now, we need everyone to work hand-in-hand again. I cannot demand a 100% payment immediately, and the other side has to compromise somewhere too. That should be the way.*

Dr. Sumita Kale : *There are a lot of stakeholders who can help out, and they really should start doing their part. Thank you, this was a really enlightening conversation.*

Disclaimer

This article is based on a discussion recorded on 6th April 2026, featuring Mr. Anil Reddy Vennam and Dr. Sumita Kale. The conversation has been edited for clarity, coherence, and length. While every effort has been made to preserve the substance and intent of the discussion, this edited version may not capture the full scope of the original exchange. The views expressed are those of the individual speakers.