
Jocata Sumpoorn at the Citizen Stack Conference –

United Nations Headquarters, New York, 25th April 2024

SUMMARY

Citizen Stack - The inaugural UN Conference on Digital Public Infrastructure (DPI) is being held on April 25th and 26th, 2024, at the United Nations in New York. The two-day event at the United Nations HQ in New York is a continuum of India's G20 Presidency in 2023 and will showcase notable instances of citizen services and initiatives encompassing digital identity, payments, open networks and data from India, Philippines and Ethiopia to a global audience.

Jocata's Founder and CEO - Prashant Muddu will present Jocata Sumpoorn, India's first MSME Economic Activity Index, a unique model of 'Private Infrastructure, Publicly Provisioned' together with SIDBI, the custodian of India's MSME credit ecosystem. Jocata will share how Sumpoorn built over Digital Public Infrastructure can serve as a global model to support MSMEs - the lifelines of today's economies.

CONTEXT

How we understand economies today

There are a number of indicators that tell us about the performance of economies at a country level – national income estimates from GDP, GVA, Purchasing Managers Index, and so on. These give a snapshot of what is happening at a macro-level for various sectors such as manufacturing, services, agriculture, and so on.

MSMEs – Powerhouse of Global Economies

As all of us understand but perhaps underestimate small businesses have a large impact on global economies – a whopping 90% of the businesses in the world are SMEs. In India, the MSME sector, as it is defined, accounts for more than a quarter of the national GVA, more than a third of India's manufacturing GVA, almost half of India's exports – it is the powerhouse of the economy, often referred to as the growth engine.

And yet, in this present scenario of macro-indices, such indices, such as GVA, the Index of Industrial Production (IIP) that measures manufacturing activity as well as several survey-based indices that capture business expectations and sentiment - there has been no index that captures the activity of lifeblood of the Indian economy – MSMEs, on a regular basis.

Need for a fact-led, high frequency, MSME specific index

Working in close cooperation with the Small Industries Development Bank of India (SIDBI), Jocata, has been deeply engaged in helping address this gap and built “Jocata Sumpoorn”, India's first and only economic activity index of credit-seeking SMEs using consent-led, digitally accessible sales data from GST (internationally VAT).

A UNIQUE PUBLIC-PRIVATE PARTNERSHIP

Building a country-level index by leveraging DPI

In 2017, India introduced a Goods and Services Tax GST, as a successor to VAT, it is a national tax, collected at one source from all parts of the country and as all invoices are digitally uploaded, this serves as an authentic, reliable, and official source of MSME sales data, enabling these credit-hungry businesses to use their behaviour as collateral. Jocata and SIDBI have leveraged this network to bring out an indicator of sales activity of credit-seeking MSMEs.

This is a unique case of a public-private partnership between – a private technology company, Jocata, and the custodian of India’s MSME credit ecosystem, SIDBI by leveraging DPI. Together, we have created Jocata Sumpoorn, a public good built on private infrastructure to empower the MSME credit ecosystem in India.

A fact-led monthly statistical measure of MSME Economic activity

Jocata Sumpoorn built by a team of credit experts, data scientists, and economists has been tracked over the past 4 years and is mapping strongly to macro-economic conditions. The monthly Index, which has only a four-week reporting cycle, is based upon stratified sets of credit-seeking MSMEs belonging to Micro, Small, and Medium categories from a representative mix of sectors spread across the country.

Value proposition

The movement of the Sumpoorn Index has much to offer in its insights – it is an effective, and timely tool for financial institutions, policymakers, economists, and researchers in interventional actions to efficiently direct developmental and commercial capital to MSMEs. The index provides deep insights at various levels and slices – industries (how is the plastic or iron and steel industry performing), states or geographic clusters (are there stresses evident by location), gender (how are women run businesses faring), type of enterprise (Micro, Small and Medium), activity (Manufacturing, Trading and Services) and so on.

The Jocata Sumpoorn Model - Index building enablers for other geographies

What does it take to set up an index like this?

When it comes to data, there are eight key ingredients we feel that are needed.

The underlying data should be available digitally (GST sales invoices are digitally uploaded), it should be comprehensive (GST is mandatory for businesses above a certain turnover, which includes micro businesses too), data should be available at a high frequency (GST is paid monthly – this can be quarterly too in some cases), the coverage of the data source should be national for it to be representative for the country, there should be continuity (GST compliance is enforced and hence cannot be skipped), while using the data, we have to be extremely mindful of consent and access constraints, the data observation window should be long enough to cover cyclical events and there should be sufficient retrospective data to validate the index methodology with the economic trends over time.

Further, our experience has shown us that a critical part of the infrastructure of the index is to have Champions – we were fortunate to have SIDBI take a lead role from the beginning and are grateful to the Chairman & Managing Director Mr. S. Ramann and senior leadership at SIDBI for their encouragement, mentorship and support. Champions are also needed to drive adoption so that maximum value can be uncovered for all stakeholders from policy makers and regulators to lenders, economists and researchers and of course the end beneficiaries - MSMEs.

We believe Jocata Sumpoorn can be a valuable blueprint for other nations and our endeavour is to actively engage with global leaders so they can assimilate India's approach to building and scaling a thriving digital-first nation.