

Rural Business Confidence Index

October 2021

Foreword

India is primarily a rural economy with 6.38 Lakh villages and ~70% of population living in rural areas. According to NITI Aayog 2017 report, rural India remains prime contributor to India's GDP growth with a contribution of 46% to national income.

Rural Microfinance credit constitutes 58% of overall Microfinance credit market in India by value and volume. Similarly, rural retail credit market constitutes 27% by value and 37% by volume of overall retail credit market in India and rural commercial constitutes 8% by value and 19% by volume of overall commercial credit market in India.

Growth of rural economy is key to achieve the twin objectives of becoming a \$5-trillion economy by 2024-25 as well as AatmaNirbhar Bharat, envisaged by the Government. Despite being such a key contributor to Indian economy, there is no mechanism to measure and provide an outlook of rural business sentiment in India.

To bridge this gap, Rural Business Confidence Index (RBCI) is developed by collaborative effort of Confederation of Indian Industry (CII) and CRIF High Mark. The Index will provide outlook of rural business sentiment.

The Rural Business Confidence Index is envisaged to guide policy and decision makers, industry and financial institutions for the purpose of taking appropriate measures to improve sentiment, investment & lending purposes, starting new lines of business, etc.

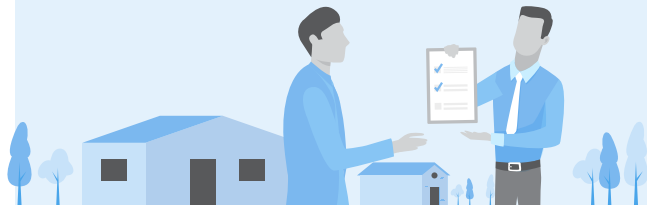
RBC Index will be ranged between 0 and 100. Higher the RBC Index, better is the outlook on rural business sentiment.



Methodology

Pulse of the industry via survey

- **Enterprise demographics**
 - Sector
 - Geography
 - Size of enterprise & workforce
- **Financial sentiment on**
 - Profitability
 - Orderbook
- **General & rural outlook**
 - Infrastructure
 - Policy & macro-environment
 - Digital penetration
 - Access to credit
 - Availability of skilled labour
 - Primary Data collection via survey was done by CII



Credit bureau data

- **Credit related parameters**
 - Size & type of rural credit
 - Credit growth
 - Customer/Borrower outreach
 - Credit quality
- **Individual & small business credit**
 - Priority sector agri credit
 - Small business credit
 - Tractor loans
 - Two-wheeler loans
 - Small ticket, personal & consumer durable lending
 - SME loans



Macro-economic indices

- **Rural specific macro & economic parameters**
 - Rural GDP growth
 - Rural unemployment rate
 - Rural Per Capita (Income)
 - Rural industrial production
 - Rural working population
 - Rural inflation (CPI)
 - Govt budget allocation to rural India



Rural Business Confidence Index for October 2021



RBCI score as of October 2021

63.9%

Key Highlights



There is good expansion of credit markets in rural India. During the period FY18 to FY21, growth in rural loan disbursements seen at 16% by value and 32% by volume



Government budget allocation for rural India has increased by 7% between 2019 and 2021



Positive or neutral outlook from most of the survey participants



Delinquency by value (91-180 DPD) deteriorated from Jun'19 to Jun'21 in rural retail, rural Microfinance and rural commercial by 0.5%, 2.8% and 0.2% respectively



Rural average unemployment rate increased from 6.8% to 7.3% between 2019 and 2021

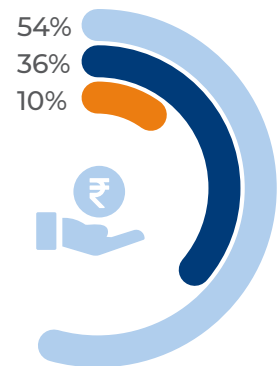


Rural inflation (CPI) increased from 4.3% in FY20 to 5.9% in FY21

The pandemic (first and second wave) has disrupted the economy in an unprecedented way in FY21 and Q1 FY22. While pandemic impacted Indian economy, rural economy displayed good resilience emerging as silver lining. The survey for Rural Business Confidence Index (RBCI) was conducted during September & October 2021 when impact of covid second wave largely abated, restrictions being withdrawn and vaccination drive accelerated since June'21. With reduction in new cases and severity, business activity was getting improved. The RBI and the government also announced support measures to help firms cope up with the impact of pandemic. This might have impacted optimism and business sentiments for corporates and MSMEs that participated in the survey.

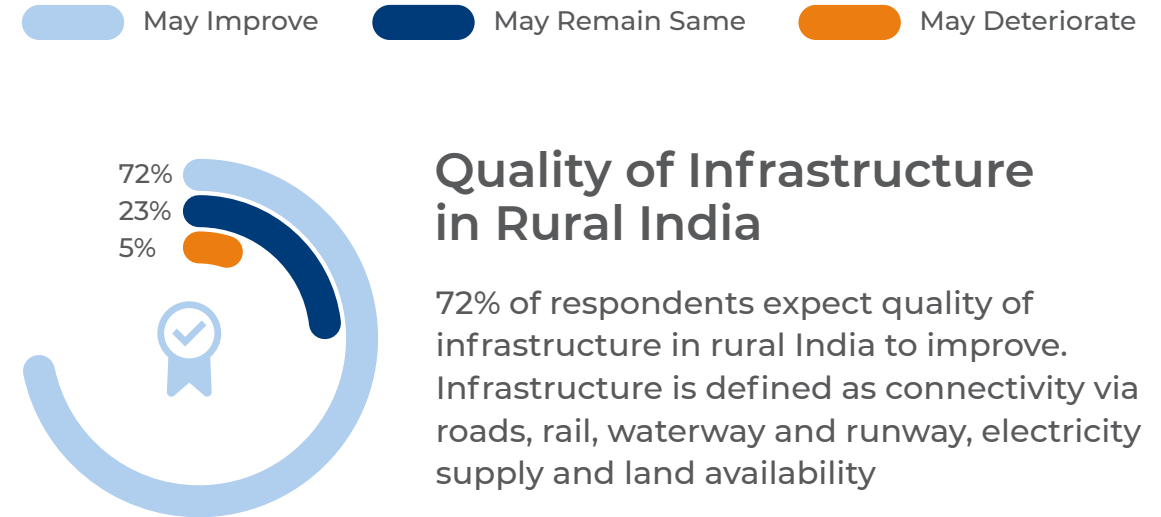
Insights from Survey

The Survey for RBC Index was conducted by CII on their members operating in rural locations. The survey sample consists of entities from Micro, Small, Medium and Large corporations spread across different parts of the country and hence good representative of overall rural economy. The survey responses thus collected would reflect prevailing business sentiment in the rural economy.



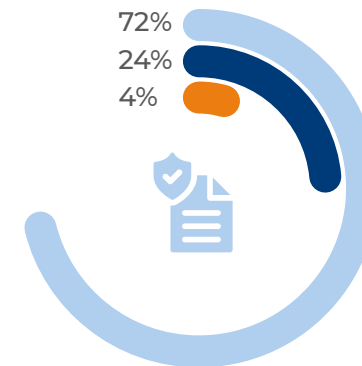
Ease of Access to Credit

54% of respondents expect ease of access to credit to improve while 36% expect it to remain same



Quality of Infrastructure in Rural India

72% of respondents expect quality of infrastructure in rural India to improve. Infrastructure is defined as connectivity via roads, rail, waterway and runway, electricity supply and land availability



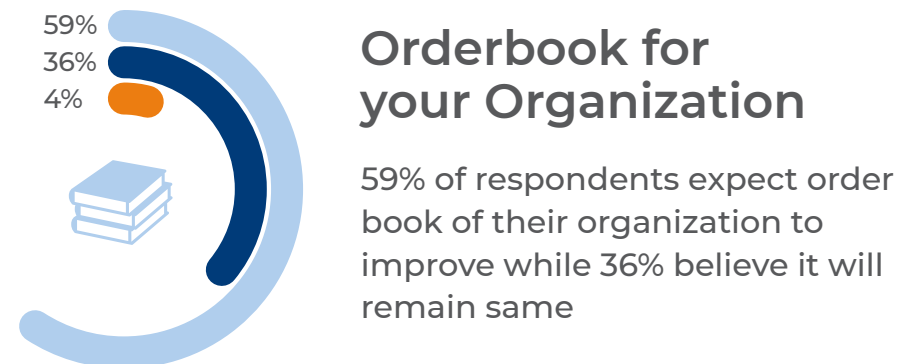
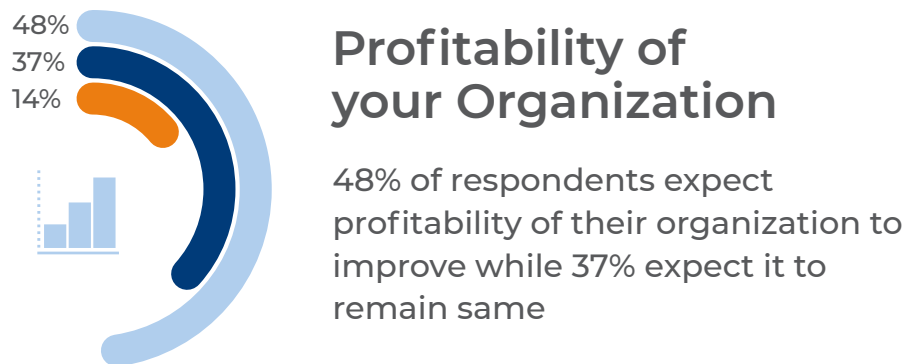
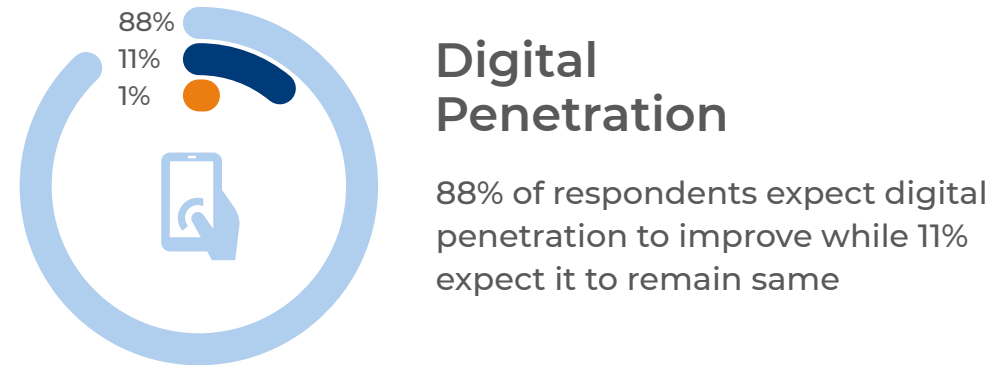
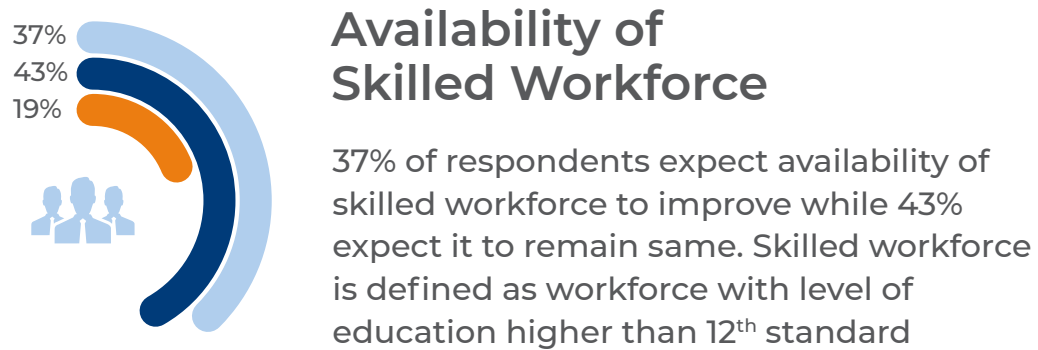
Government Initiatives and Policy

72% of respondents expect Government policies and schemes to drive rural growth to improve

Source: Primary data collection via survey conducted by CII

Insights from Survey

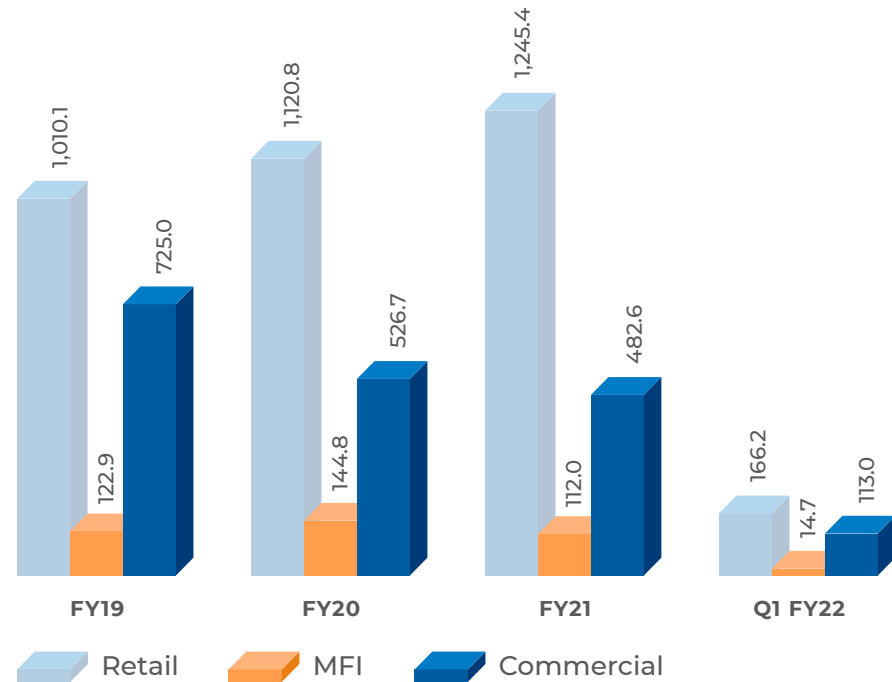
May Improve May Remain Same May Deteriorate



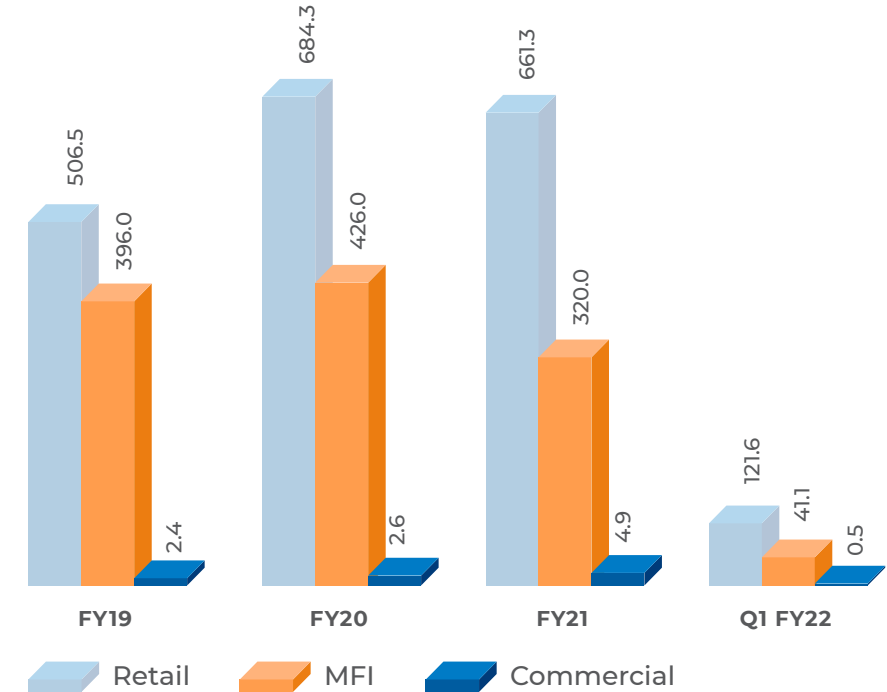
Source: Primary data collection via survey conducted by CII

Insights from Rural Credit

Disbursements in Rural India
(by value in Rs Kcr)



Disbursements in Rural India
(by volume in lakhs)

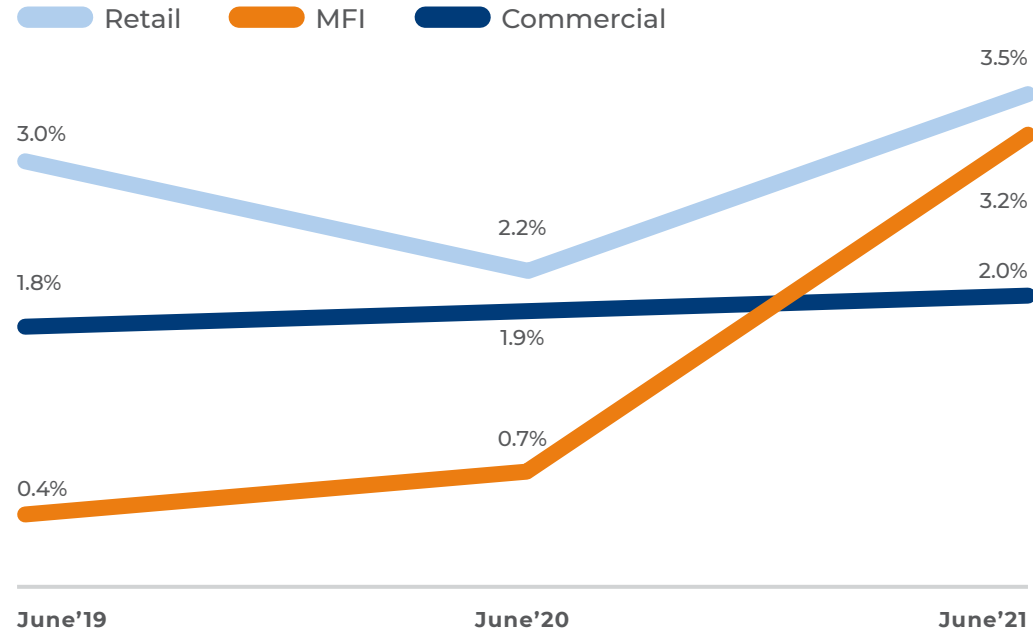


- Impressive expansion of credit in rural geographies despite COVID pandemic for significant part of FY21
- From FY19 to FY21, growth in retail loan disbursements at 23% by value and 30% by volume. Growth in commercial loan disbursements being led by small ticket size loans, at 100% (by volume) but 33% de-growth by value. Microfinance loans witnessed a de-growth of 9% by value and 19% by volume during the same period
- Average ticket size in FY21 for retail loans is Rs 1.88 lakhs, Microfinance loans Rs 35k and commercial loans Rs 98 lakhs

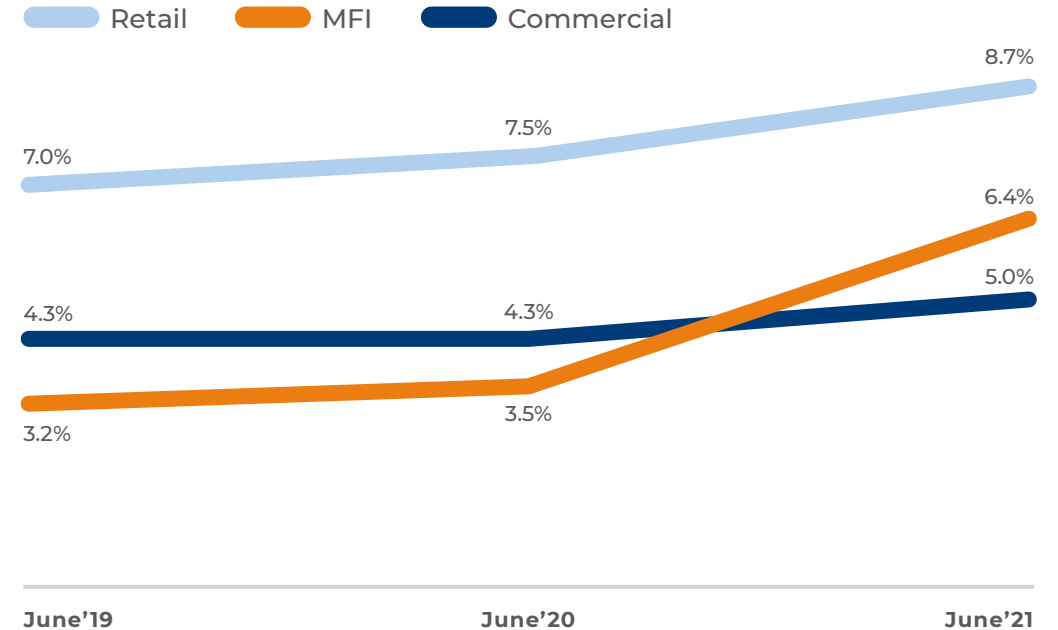
Source: Credit bureau data from CRIF High Mark

Insights from Rural Credit

Loan Performance: 91-180 DPD (by value)



Loan Performance: 180+ DPD (by value)



- Loan performance has deteriorated with sharp increase in 91-180 Days Past Due (DPD) retail and Microfinance loans from June'20 to June'21 and marginal increase in commercial loans. Similarly, 180+ DPD have seen steep increase across retail, MFI and commercial loans. This deterioration is attributable to COVID pandemic and the resulting lockdown leading to liquidity crunch in the market
- Loan performance was largely stable in the pre pandemic time frame i.e from June'19 to June'20 with stable 91-180 & 180+ DPD across Retail, MFI and Commercial loans

Source: Credit bureau data from CRIF High Mark

Insights from Macro-economic Data

Macro-economic data consists of various Macro-economic indicators specific to rural India and published by RBI and various Government of India agencies. These indicators have an impact on functioning of businesses either in a positive or negative way.

Past trends in these indicators are studied to understand the overall socio-economic situation of the rural economy and how conducive is the environment for businesses to thrive.

The variables are selected based on an all-encompassing view of Macro-economic factors affecting rural India with a focus on capturing the consumer demand side, momentum and government focus on rural economy.



Rural consumption grew 6.6% in Q1 FY 22 compared to Q1 FY 21



Rural average unemployment rate increased from 6.8% to 7.3% between 2019 and 2021



Tractor sales (incl exports) in the month of June 21 witnessed 28% growth over June 20



The total agricultural and allied products exports stood at US\$ 41.25 billion in 2020-2021



Rural inflation (CPI) increased from 4.3% in 2019-20 to 5.9% in 2020-21



Government budget allocation for rural India has increased by 7% between 2019 and 2021

Source: RBI and various Govt of India Agencies

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Survey Coverage & Methodology

Rural Business Confidence Index (RBCI) score computation leverages data coming from 3 sources – Survey data (provided by CII), Credit Bureau data (provided by CRIF High Mark) and Macro-economic data. Survey data is based on sample survey of firms covering all industry sectors, including micro, small, medium and large enterprises, from different regions. The survey also enumerated responses across industry groups both in public and private sectors engaged in manufacturing and services sector.

The survey was conducted in September & October 2021. By turnover, major proportion of the respondents (48%) are large enterprises, while 14% are medium enterprises, 19% small and 18% micro enterprises. By employee count, 49% of respondents had greater than 250 employees, 29% of respondents had 50-249 employees and 22% had less than 50 employees. Few respondents belong to agriculture or allied-agricultural sectors and hence are direct participants in rural India's business activity. Remaining respondents either have manufacturing base or customer base in rural India and hence are important stakeholders in rural India.

Survey contains questions pertaining to respondent's outlook on various parameters impacting optimism and business sentiment of the respondents' sector and firm. Respondents are asked to rate expected performance on a 3-scale format (may improve, may remain same, may deteriorate). After conducting the survey and getting response from members, Net Response for each variable is calculated which is then used to compute sentiment against each variable. Net Survey Score is then computed from sentiment value of all variables. CRIF's Credit Bureau Data is utilized to compute growth and performance of credit in rural India. Similarly, various Macro-economic factors specific to rural India and captured from external sources with credible & sustained reporting are considered. Bureau score and Macro-economic score are then computed from CRIF's credit bureau data and macro-economic data. The Survey score, Credit Bureau Score and Macro-economic score are clubbed and final RBCI score is computed.

RBCI will be ranged between 0 and 100. Higher the RBCI Index, better is the outlook on rural business sentiment.

About CRIF High Mark

CRIF in INDIA- partner for all your credit related requirements

CRIF in India, now offers products and services for Credit Information, Business Information, Analytics, Scoring, Credit Management and Decision solutions in India.

CRIF operates CRIF High Mark, India's leading credit bureau, which has largest database of individual records and supports millions of lending decision every month. CRIF High Mark is India's first full-service credit bureau covering all borrower segments – MSME/Commercial, Retail and Microfinance. CRIF High Mark works with all leading financial institutions in the country, providing them a comprehensive bureau coverage using its proprietary 'Made in India for India Search Engine', proven to work even with low quality data.

We bring our global expertise in Analytics, Scoring, Credit Management and Decision Solutions to India through our center of excellence at Pune. Our team of expert data scientists and statisticians bring together years of experience in developing bespoke scorecards for Originations, Marketing and Collections for Financial Services, Insurance or Telecom sectors.

We bring together best of both worlds – comprehensive data and sophisticated dedupe technology for India along with global best practices, expertise in scoring and top-rated credit management software solutions – to add most value to our clients.



Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for Industry.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. The premier business association has over 9000 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 294 national and regional sectoral industry bodies.

With 62 offices, including 10 Centres of Excellence in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian Industry and the international business community.

Confederation of Indian Industry

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