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Confederation of Indian Industry

Rural Business Confidence Index (RBCI) Vol II

2022

Foreword

Welcome to the 2nd edition of Rural Business Confidence Index (RBCI)– a joint collaboration between Confederation of Indian Industry (CII) and CRIF High Mark. The Index provides an outlook of rural business sentiment in 2022.

Rural economy contributes 46% towards national income and is home to nearly 70% of India's population. Agriculture and allied sectors contributed around 18.8 % of India's GVA at current prices during 2021-22¹. Over the past decade, the rural ecosystem has evolved significantly, aided by multiple government schemes² such as Pradhan Mantri Gramin Awaas Yojana, Pradhan Mantri Gram Sadak Yojana, Deen Dayal Upadhyaya Grameen Kaushalya Yojana, Saansad Adarsh Gram Yojana etc and a steep growth in digital penetration. About 51% of India's active internet users are in rural parts of the country, where internet penetration stands at 37%³.

Rural markets have shown impressive resilience during COVID pandemic with minimal disruptions to business activity and have grown faster in the last two years. Though initial months of FY22 were impacted due to the spread of the Delta variant, a host of measures announced by government and RBI have helped the economy, especially rural markets to emerge out strong. The government has focused on providing relief and credit flow to small business and other sectors that were affected by the pandemic. This has likely resulted in more positive macroeconomic outlook across industries in the rural sector.

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.



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 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)
 - Government budget allocation to rural India



Rural Business Confidence Index (RBCI) 2022







RBCI 2022 Score at

73.5

RBCI 2021 Score at 63.9, Y-o-Y increase of 9.6 points

Key Highlights

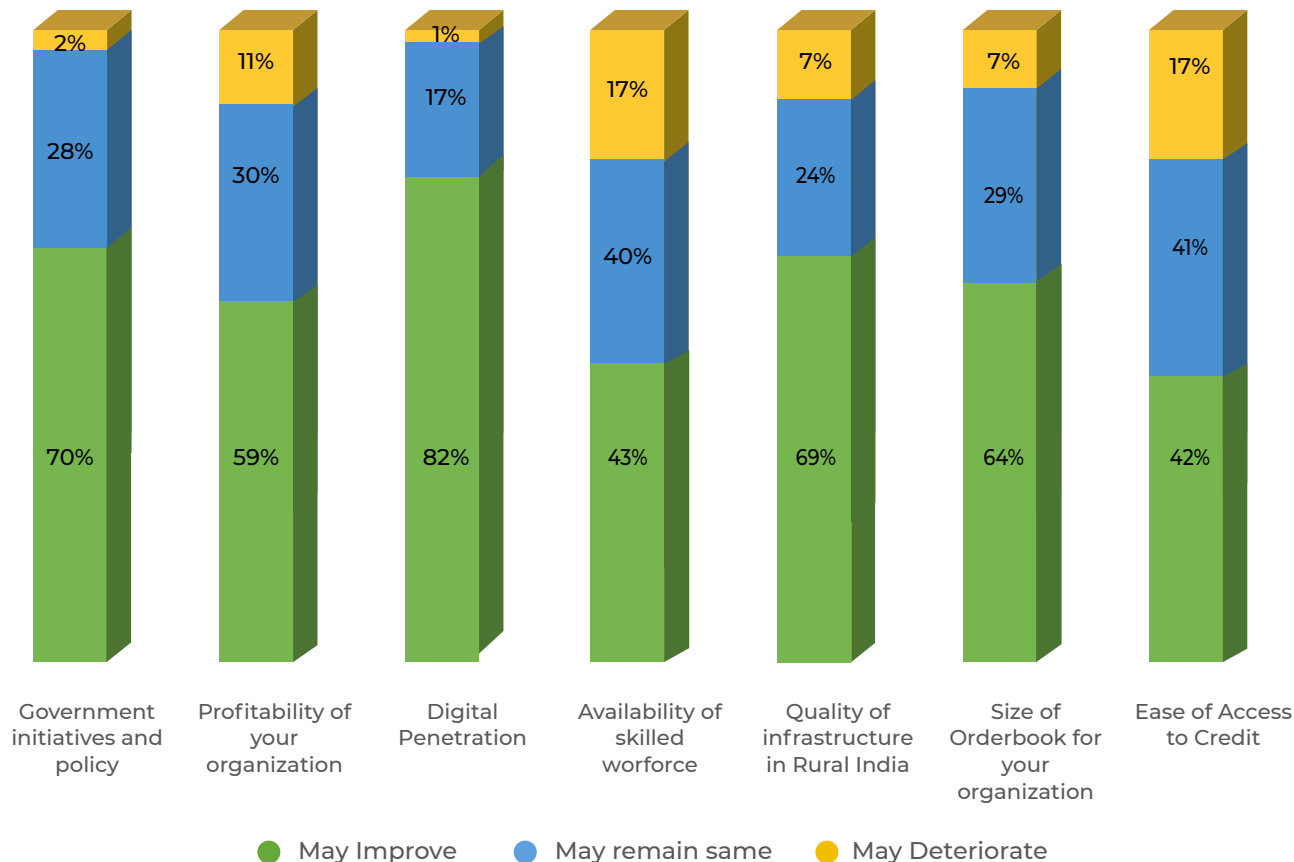
-  There is good expansion of credit markets in rural⁴ locations. During the period FY21 to FY22, rural loan disbursements grew 26% by value and 64% by volume
-  Delinquency by value (PAR 91-180 DPD) improved significantly from Jun'21 to Jun'22 in rural retail and commercial segments
-  Rural average unemployment⁵ rate decreased from 9.1% to 7.2% between 2020 and 2022 (till Aug 22)
-  Increase in positive and neutral sentiment for Government initiatives and policy, Availability of skilled workforce and Profitability of your organization from survey respondents

-  Delinquency by value (PAR 180+ DPD) for microfinance increased from 6.4% as of Jun'21 to 8.2% as of Jun'22
-  Rural inflation (CPI) remained above urban inflation in H1 2022
-  Rural wages are unable to keep pace with rising inflation

Despite having suffered impact of the Covid pandemic in FY21, rural economy has largely remained resilient. The survey for Rural Business Confidence Index (RBCI) Vol II was conducted during August and September '22 when impact of Covid was largely abated, nearly 70% of the population received full vaccination⁶ against Covid and rural markets resumed in full swing, aided by good monsoon season. The RBI and the government also announced support measures to help businesses cope with the impact. This might have impacted optimism and business sentiments for corporates and MSMEs that participated in the survey. However, with rising rural inflation, decline in real rural wages and slowing rural demand, it is important for the government and policy makers to continue their support to the rural sector.

Insights from Survey 2022

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.



70% of respondents expect Government Policies and Schemes to drive rural growth to improve in 2022

59% of respondents expect Profitability of their organization to improve in 2022

82% of respondents expect Digital Penetration to Improve in 2022

43% of respondents expect Availability of Skilled Workforce⁷ to improve in 2022

69% of respondents expect Quality of Infrastructure⁸ in Rural India to improve in 2022

64% of respondents expect Order Book of their Organization to improve in 2022

42% of respondents expect Ease of Access to Credit to improve in 2022

Source: Primary data collection via survey conducted by CII

Insights from Survey 2022 : Comparison with 2021

Positive and Neutral Outlook*: 2021 vs 2022

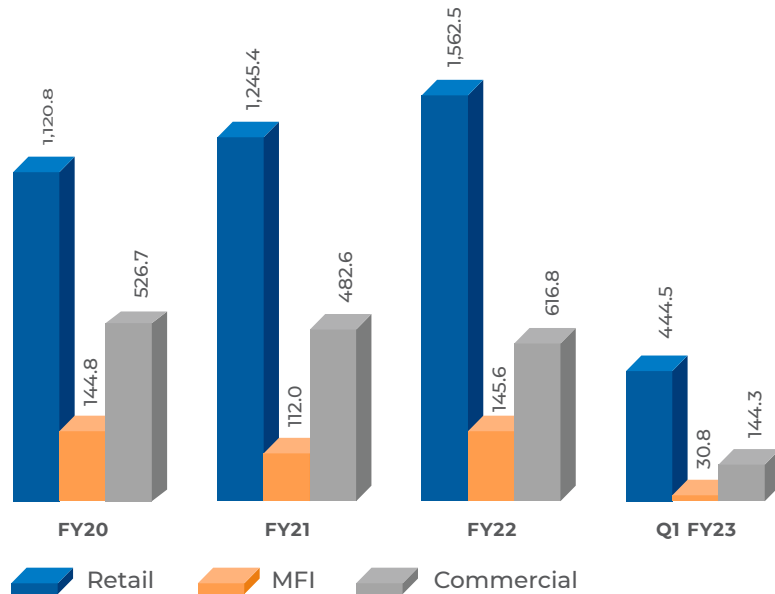


Between 2021 and 2022, positive and neutral outlook* (combined) of survey respondents has increased for Government initiatives and policy, Profitability of your organization and Availability of skilled workforce while it remained stable for Digital Penetration

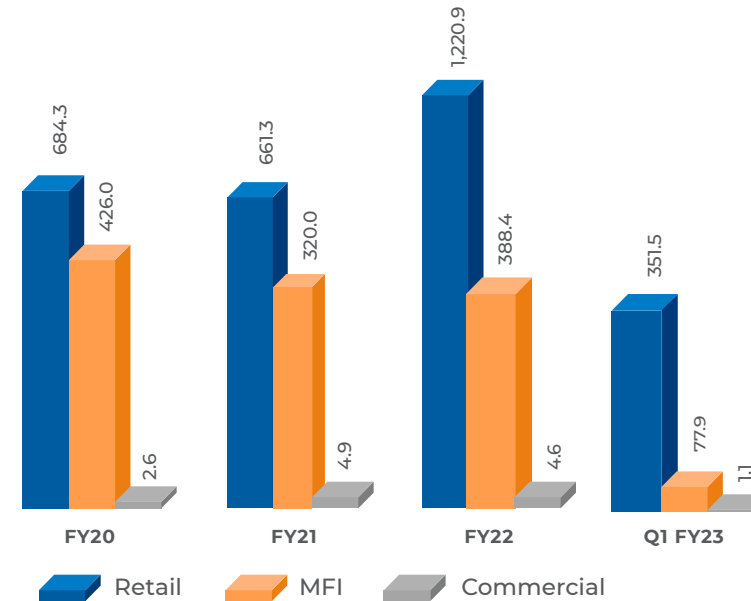
*Positive outlook refers to survey response 'May Improve', Neutral outlook refers to survey response 'May Remain Same'. Source: Primary data collection via survey conducted by CII

Insights from Rural Credit

Originations in Rural India (by Value in ₹ K Cr)



Originations in Rural India (by Volume in Lakh)

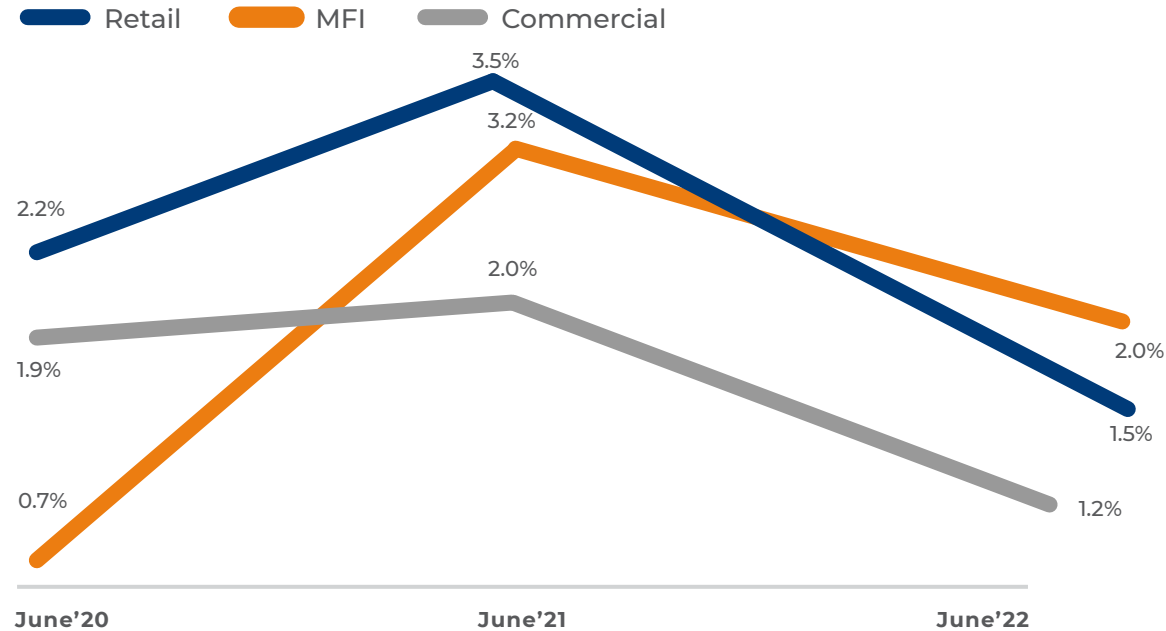


- As of Jun'22, rural credit constitutes 29% for retail, 59% for microfinance and 10% for commercial market in India by value
- Impressive expansion of credit in rural geographies from FY 21 to FY 22 across retail, microfinance and commercial loan segments
- 25% growth in Retail originations by value and 85% by volume, 30% growth in microfinance originations by value and 21% by volume, while 28% growth in Commercial loan originations by value but 5% de-growth by volume between FY 21 and FY22
- Retail originations by value at ₹444.5K Cr, expected to surpass originations by value in FY22
- Average Ticket Size in FY22 for retail is ₹1.3 Lakh, microfinance ₹37.5K and commercial loans ₹133 Lakh, compared to ₹1.9 Lakh for retail, ₹35K for microfinance and ₹98 Lakh for commercial loan segment in FY 21

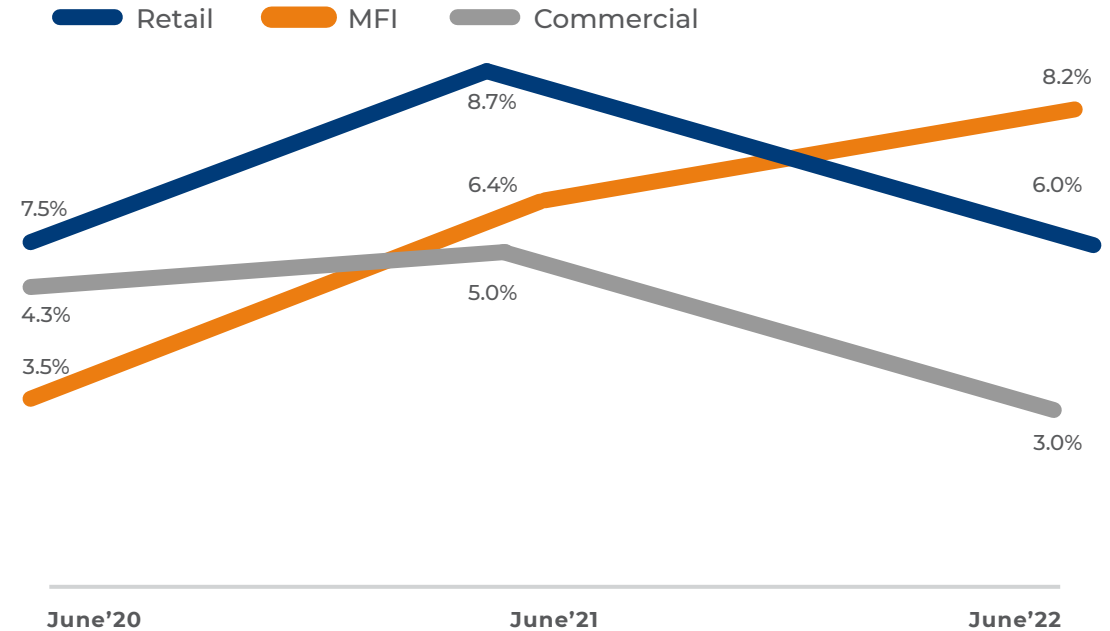
Source: Credit bureau data from CRIF High Mark

Insights from Rural Credit

Loan Performance: 91-180 DPD (by value)



Loan Performance: 180+ DPD (by value)



- Loan performance has improved across retail, microfinance and commercial loans segments with PAR 91-180 Days Past Due (DPD) decreasing between Jun'21 and Jun'22
- PAR 180+ DPD has declined for retail and commercial loans segments but has increased for microfinance between Jun'21 and Jun'22

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 witnessed quarterly decline of 5.3% as of Mar'22



Rural average unemployment rate decreased from 9.1% to 7.2% between 2020 and 2022 (till Aug 22)



Retail tractor sales recorded 57,340 units in June 2022, 10% growth over same month previous year



Exports of Agri & allied products stood at US\$ 37.3 billion in 2021-22, recording a growth of 17% over 2020-21



Rural inflation (CPI) decreased from 5.9% in 2020-21 to 5.4% in 2021-22



Government budget allocation on rural sector has increased by 15% between 2021 and 2022

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 August and September 2022. By turnover, 36% of the respondents are large enterprises, while 13% are medium enterprises, 27% small and 24% micro enterprises. By employee count, 42% of respondents had ≥ 250 employees, 20% of respondents had 50-249 employees and 37% 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 stake holders 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.

End Notes

1 Annual Report, 2021-22, Department of Agriculture & Farmers Welfare, Ministry of Agriculture & Farmers Welfare

2 Key Initiatives and Achievements of Ministry of Rural Development during the year 2021, Press Release

3 Internet and Mobile Association of India (IAMAI)-Kantar, based on ICUBE 2021

4 Rural geography is defined using CRIF High Mark's internal methodology

5 As per Centre for Monitoring Indian Economy (CMIE)

6 As per ourworldindata.org/

7 Skilled Workforce is defined as workforce with level of education higher than 12th standard

8 Infrastructure is defined as connectivity via roads, rail, waterway and runway, electricity supply and land availability



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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CRIF High Mark in INDIA- partner for all your credit related requirements

CRIF High Mark 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.

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