



# SIDBI – D&B SPeX

January – March 2023

## Sustainability Perception Index (SPeX) (THE GREEN PULSE INDICATOR)



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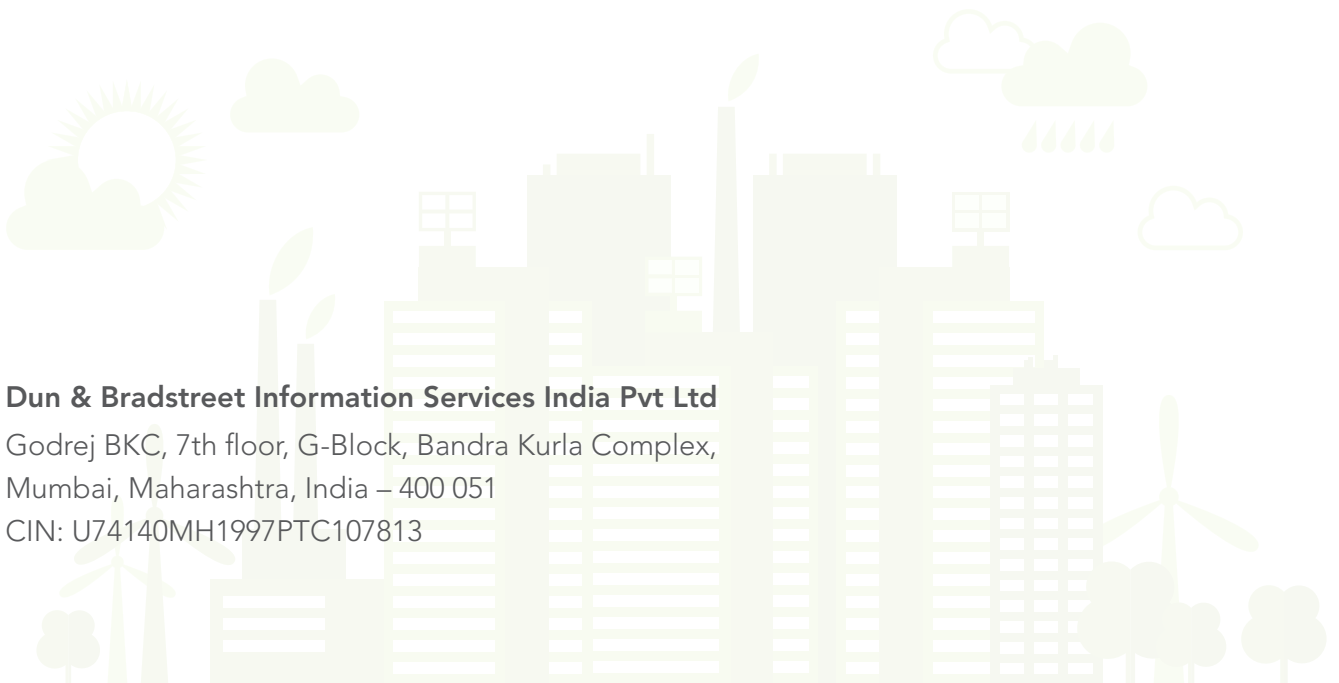
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# Table of contents

Introduction	3
Objective of SPeX	4
How is SPeX calculated?	5
Sustainability leadership categories	6
Key takeaways	7
Key findings of the report	9
Firmographics	28
SPeX at state levels	29

# Introduction

Sustainability has become a mainstream business concept and not just an ethical consideration. An increasing number of MSMEs are getting on board as they recognize the potential value of sustainability actions and are looking beyond commercial criteria to develop priorities and strategies. Businesses are transitioning from piece meal approach resulting in incremental improvements to broader and systemic initiatives that have a net positive impact. There is no doubt amongst business leaders that sustainability ought to be on the agenda, and MSMEs are no exception.

It is in this context Dun and Bradstreet, in collaboration with SIDBI introduced a quarterly Sustainability Perception Index (SIDBI - D&B SPeX), a green pulse indicator. India's first, in-depth quantitative look at the perception of MSMEs towards sustainability principles and implementations to advance sustainable development goals.

MSMEs account for 99% of all businesses in India, hence it is crucial that MSMEs embrace sustainable actions for India to achieve her sustainability goals. SPeX aims to measure and track Indian MSME's perception towards sustainability. The index assesses the internal and external factors that shape sustainability

perception of businesses on three dimensions, namely – Willingness, Awareness, and Implementation. Importantly, whether MSMEs understand the sustainability factors? What is their perception towards adoption of sustainable practices? Are they aware of the opportunities and benefits associated with adoption of sustainability measures? SPeX aims to provide insights into perception of MSMEs, to allow policymakers and stakeholders design and implement policies and guidelines.



# Objective of SPeX



D&B and SIDBI's Sustainability Perception Index (SIDBI - D&B SPeX), the green pulse indicator is the first index globally, measuring perception of MSMEs on sustainability measures across three dimensions of sustainability adoption (willingness, awareness, and implementation).



The index report would provide valuable insight for policymakers, sustainability enablers, and businesses towards improving adoption of sustainability measures by Indian MSMEs.



A quantitative measurement for policymakers, enablers, and businesses, measuring:

- Trend and level of awareness, willingness, and implementation of sustainability measures
- Implementation of sustainability factors across value/supply chain
- Role and impact of internal drivers – strategy, resources, and culture
- Impact of regulations and policies
- Factors impeding/enabling implementation of sustainable practices by MSMEs



# How is SPeX calculated?

SPeX is a quantitative measurement of sustainability perception of MSMEs in India. For quantitative measurement, Dun and Bradstreet conducted survey of over 250 MSMEs across India during January-March 2023, via a digital questionnaire aimed to elicit their perception, understanding and implementation of sustainability practices/measures. Based on the responses, Dun and Bradstreet calculated scores on three dimensions: awareness, willingness, and implementation to each MSME (using a scorecard approach). The reported SPeX and sub-index values are the median score of the survey sample. There is some overlap between the survey respondents in the October - December 2022 and January - March 2023 surveys. A weighted scorecard technique is used to

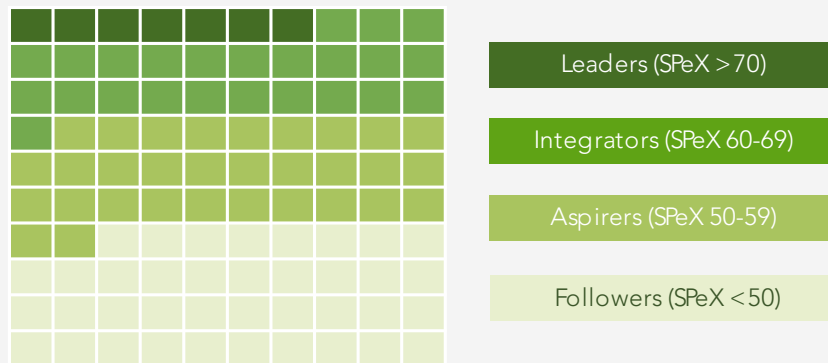
calculate the index, in which relevant question and response combinations are assigned scores, aggregated, and standardized using a statistical algorithm to arrive at sub-index values for three dimensions: awareness, willingness and implementation. SPeX value is a weighted average of sub-indices (weights are determined from statistical analysis to explain most of the variability across responses). The Sustainability Perception Index (SPeX) can vary from 0 to 100. The higher the Index value, the more positive respondents' assessment of sustainability measures. All India SPeX value is the median score of the survey respondents.





# Sustainability leadership categories

We have categorized respondent MSMEs in four SPeX leadership categories based on their SPeX value (MSMEs with SPeX value higher than 70 are categorized as leaders, integrators with SPeX between 60-69, Aspirers with SPeX between 50-59 and Followers with SPeX value less than 50. In this survey round, majority of the respondents fall in category of Followers (38%), followed by Aspirers (31%), Integrators (24%) and Leaders (7%).



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

## Categories of Businesses



**Leaders:** MSMEs in this category are businessness leading in their sustainability perception (measured via SPeX value, a combination of MSMEs' level of awarness, willingness and implementation). They become leader in sustainability performance and are promoters of sustainability practices within its industry and to its stakeholders. These businesses may set ambitious targets for adoption of sustianbility practices and may actively collaborate with others to drive sustainable progress.



**Integrators:** MSMEs in this category are businessness actively integrating sustainability practices in business's overall strategy and operations. Sustainability considerations are taken into account in decision-making processes alongside financial and operational factors. These businesses may set higher adoption targets of sustainability practices and at furthering their integration in the organisation.



**Aspirers:** MSMEs in this category are businessness that actively seeks to improve their sustainability practices beyond the regulatory requirements. These may engage in setting specific sustainability targets (for example, reducing environmental footprint, improving social impact, or enhancing governance, reporting, etc). These businesses aspire to enhance their sustainability adoption, may be driven by regulations, peers, customers, etc.



**Followers:** MSMEs in this category are businessness that are yet to become fully engaged on the sustainability measures, may not be aware/belive its economic and social benefits. They are looking to understand the potential benefits and risks associated with implementation of sustainable practices. These business may conduct assessment of their current sustainable practices to identify areas where to improve.

# Key takeaways

## Sustainability Perception Index (SPeX)



Note: The index ranges from 0 to 100. Higher the index, higher is the level of perception towards sustainability  
Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

SIDBI - D&B Sustainability Perception Index (SPeX – the green pulse indicator) for January - March 2023 stands at 54, eight points higher than the October - December 2022 level of 46, suggesting a higher level of perception towards sustainability by Indian MSMEs.

During the period under comparison, the index value for awareness increased the most, from 40 to 62 while willingness witnessed minor increase from 61 to 63. The index value for implementation remained stagnant.

65% of the MSMEs do not have any defined sustainability targets. 68% have not established policy and procedures for sustainability and 64% do not have sustainability related compliance measures in place

MSMEs view sustainability initiatives to be a useful guidance for responsible governance across all SPeX leadership categories, and a higher share of businesses in the SPeX leadership category also place these sustainability initiatives in practice due to customer demand.

50% of MSMEs claim to be fully aware of the improvement in brand image, cost reduction and attractiveness to various stakeholders due to adoption of sustainability measures

41% of MSMEs claim to be fully aware of its impact on profitability.

For each of the seven sustainability initiatives that we tracked, majority of the MSMEs do not have any plan/initiatives currently in place.



Awareness about availability of low cost funding (green financing) is low amongst MSMEs. 67% of MSMEs have limited or no awareness of low cost green finance options.

90% of MSMEs view cost reduction as the most crucial factor, motivating them to implement sustainability initiatives. Regulations are second most important (80%), and 69% view willingness to support sustainability as the most important factor. Peer pressure (28%) and external factors (5%) have the least influence on MSMEs adoption of sustainability measures.

Amongst several economic, social and environmental objectives, 85% of MSMEs prioritise employee welfare, training and retention the most. 75% of MSMEs view environment related initiatives such as reducing, reusing and recycling of emissions, waste, water and energy as second and 71% MSMEs consider compliance to be the third most important priority.

75% of Leaders in SPeX category, have in-house knowledge and expertise to apply sustainable practises. 63% of Aspirers have some experience or knowledge, 49% of Integrators claim to have in-house experience and 53% of Followers intend to develop competence.

For each of the seven sustainability initiatives, higher percentage of SPeX Leaders have some measures in place. All of them claim to have energy efficiency and climate friendly equipments in place and have implemented measures to reduce, reuse and recycle emissions, waste, water and energy. Whereas, a higher percentage of SPeX Followers have no plans in place for any of the seven sustainability measures tracked in the survey.

50% of respondents claimed to have reduced their usage of water, raw materials and energy. Yet, 40% recycle/recover less than 10% of their consumption.

Impact on sales (81%), employee retention and morale (70%) and number of lives positively impacted (58%) are the top three positive outcomes realised by MSMEs.

Availability of technical know how (88%), capital (81%) and internal willingness to change (51%) are the top three challenges faced by MSMEs.

MSMEs believe that increase in awareness of sustainability measures, policies and procedures would enhance its adoption. 56% believe that specific policies and regulations are required to encourage MSMEs in adoption of sustainability measures. Direct incentive or awards of recognition did not emerge as necessary incentives to encourage.

# Key findings of the SPeX

## Three Dimensions of Sustainability Perception

- SPeX has three dimensions (sub-indices) : awareness, willingness and implementation.
- Willingness to adopt sustainable actions among MSMEs is the highest sub-index with value of 63.
- Index values for both willingness and awareness improved in January-March 2023 from the previous quarter, and the index value for implementation remains stagnant.
- Index value for awareness increased the most, from 40 to 62 in January -March 2023, while willingness increased from 61 to 63.
- There is a sizable gap between sub-index value for implementation with that of awareness and willingness; the gap is smallest for the SPeX Leader category.
- Sub-index for awareness and willingness are at parity across SPeX categories.

### Change in three dimensions between the two survey periods

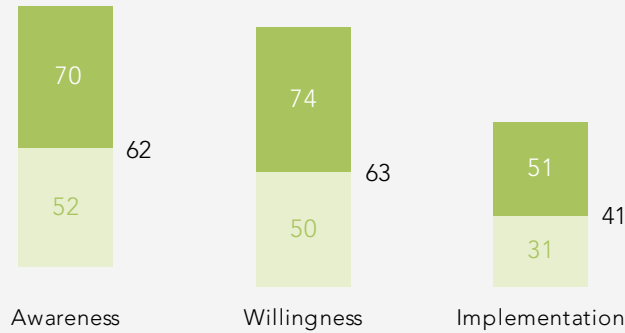


Note: The index ranges from 0 to 100. Higher the index value, higher is the perception of sustainability  
Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

## Three dimensions of sustainability

Median SPeX of surveyed business companies increased to 54 from 46. Quantile analysis of sub-indices suggests wide range on their sustainability perception, the median value for awareness was 62 whereas first quartile (Q1) was 52 and third quartile (Q3) was at 70. Similarly, for willingness the median was 63, Q1: 50 and Q3:74 and for implementation median was 41, Q1:31 and Q3:51.

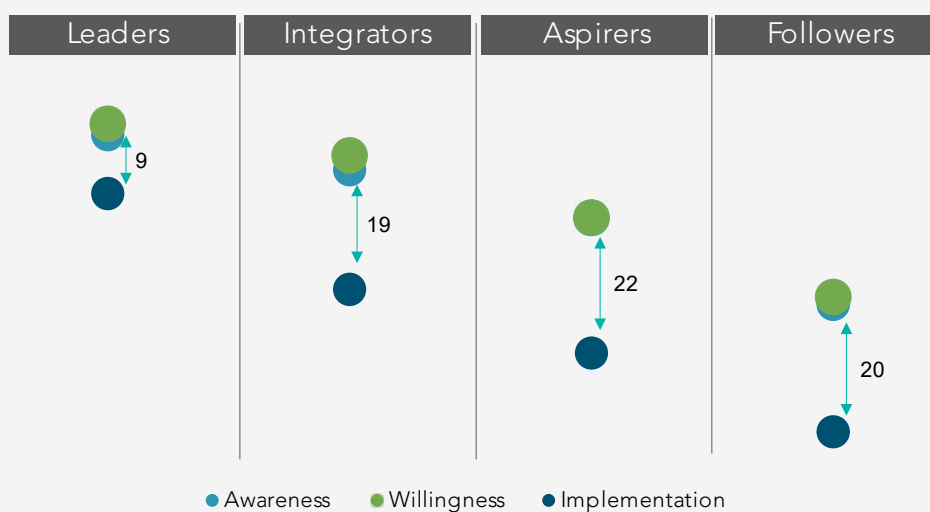
Respondent's Score Quantiles (Q1, Median and Q3)



The index ranges from 0 to 100. Higher the index, higher is the level of perception towards sustainability  
Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

## Gap in dimensions by SPeX leadership categories

Although level of awareness and willingness are almost equal across different leadership categories, there is a sizable disparity between level of implementation with that of awareness and willingness; with smallest gap for the leaders.



The index value ranges from 0 to 100. Higher the index value, higher is the perception of sustainability  
Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

## Changes in level of understanding and implementation

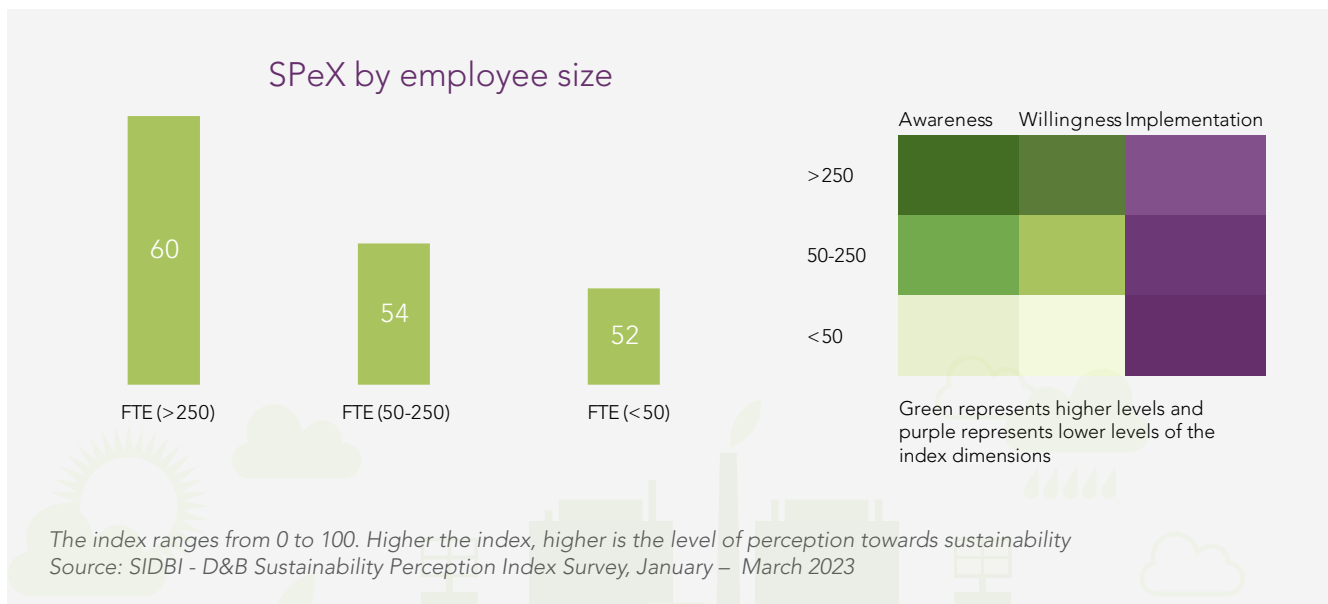
- 67% MSMEs said their level of understanding of sustainability measures has improved since the previous quarter.
- 63% of MSMEs said their implementation level of sustainability measures has increased since the previous quarter.
- 58% of MSMEs said benefits of implementation has increased since the previous quarter.

	Increase	No Change
Level of understanding	67%	33%
Level of implementation	63%	37%
Benefit of implementation	58%	42%

Figures represent % share of respondents  
 Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

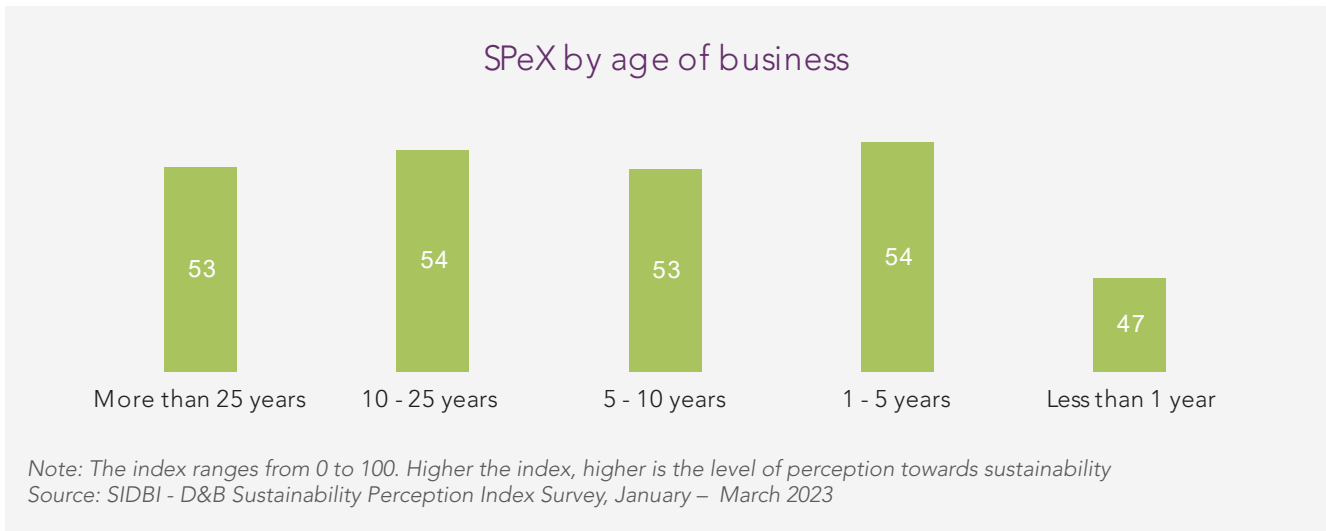
## SPeX by size of business

- Larger companies tend to have a higher SPeX value compared with their smaller counterparts
- Size-wise, micro companies (<50 employees) comprise of 50% of the survey sample, followed by 38% of small companies (50 -250 employees) and 12% of medium and large companies (> 250 employees)



## SPeX by age of business

SPeX is consistent across all age groups of businesses, except for recently established businesses (those less than a year old).



## SPeX by age of business

It has traditionally been suggested that the main elements for a company to grow and scale at a successful rate are a clear vision, market access, a good product, a sound and scalable business model, high productivity, customer centricity, and great performance measurements. Now, research shows that to achieve healthy long-term business growth, a mix of sustainability and resilience can help companies with their development ambitions, regardless of their size or maturity.



As a result, it is important to understand how a company's leadership understands the potential benefits of implementing sustainable initiatives.



Perception towards sustainability is highest amongst middle management and lowest amongst the promoters/owners and directors.

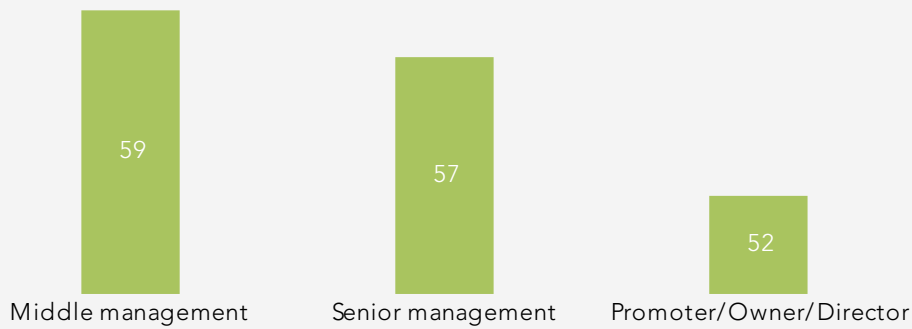


Sustainable practices are likely to be adopted only when the senior management perceive it as a critical business objective and take strategic decision to implement them.



This partly explains as why despite high level of awareness and willingness, implementation levels remain low amongst the MSMEs.

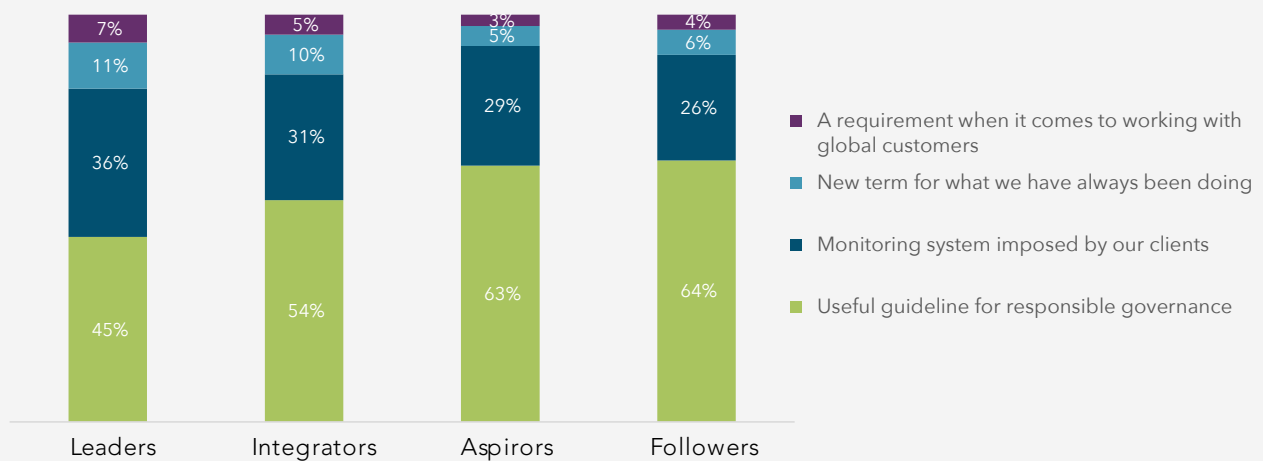
## SPeX by decision makers



Note: The index value ranges from 0 to 100. Higher the index value, higher is the perception of sustainability  
 Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

## What does sustainability mean to MSMEs?

The survey indicates sustainability initiatives are viewed as useful guidance for responsible governance across all categories of businesses, and a higher percentage of businesses in leader category also place them into practice due to client demand.



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023



# MSMEs awareness on benefits of sustainability measures

Even while MSMEs might view the concept of sustainability in a variety of ways, from helpful guidelines for responsible governance to client demand, it is important for MSMEs to be aware of the benefits to adopt sustainable initiatives as part of their business strategy.



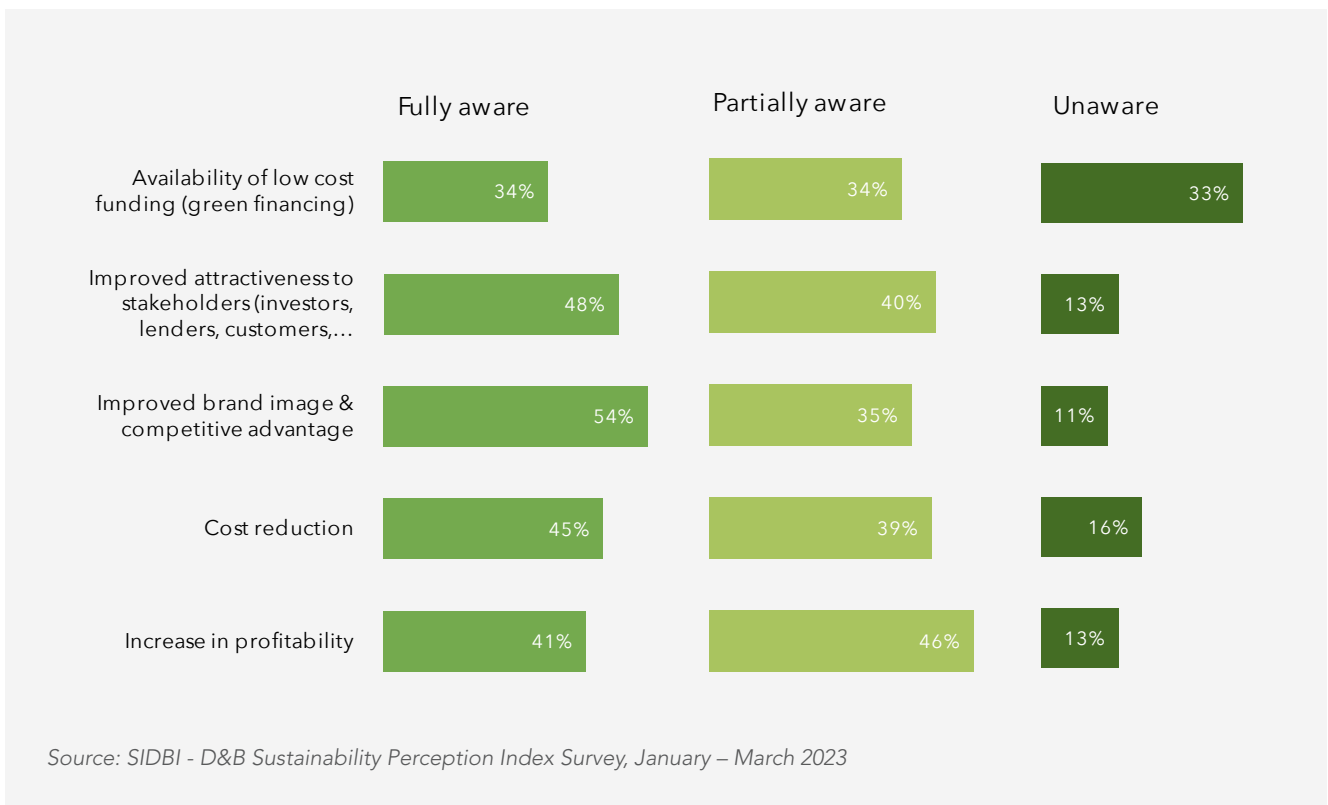
Awareness about availability of low cost funding (green financing) is quite low amongst MSMEs. 67% of MSMEs are either partially aware or completely unaware of green financing.



While there is a judicious level of understanding about how sustainability may improve brand image, reduce costs, and make an organisation more appealing to different stakeholders, this awareness might not have translated to awareness or realisation in profits amongst MSMEs.



~50% of MSMEs claim they are fully aware of the improvement in brand image, cost reduction and attractiveness to various stakeholders due to adoption of sustainability measures, yet only 41% claim full awareness of its impact on profitability.



# Factors impacting MSMEs decision to adopt sustainability measures



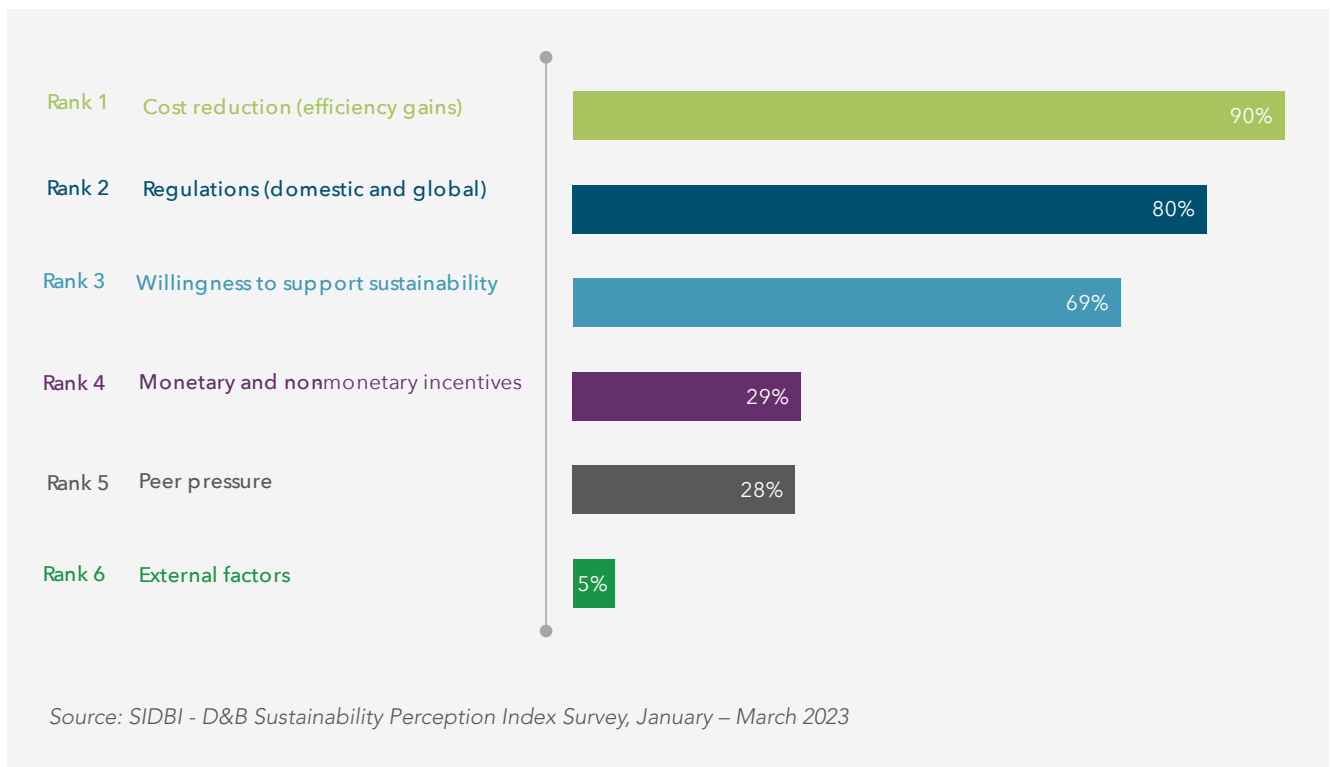
Cost reduction, regulations and willingness to support sustainability are the top three drivers impacting MSME's decision to implement sustainable practices.



According to 90% of MSMEs, cost reduction is the most crucial factor motivating them to implement sustainability initiatives. Domestic and global regulations are most important to 80% of respondents, and 69% ranked willingness to support sustainability as the most important factor.



Peer pressure (28%) and external factors (5%) have potential to influence MSMEs.



# Expertise in implementing sustainability measures



Majority of the MSMEs claim to have some level of internal expertise when it comes to implementing sustainable measures.



50% of MSMEs stated to have some level of internal expertise for creating and implementing sustainable business strategy.



31% claimed to have complete internal expertise for implementing sustainable environmental practices as compared to having complete internal expertise for creating (22%) and implementing sustainable business strategies (24%) or having expertise in supply chain sustainability (24%).



# SPeX by age of business



When looking through the lens of the leadership category, 75% of Leaders claim to have in-house knowledge and expertise to apply sustainable practises.



63% of Aspirers have some experience or knowledge.

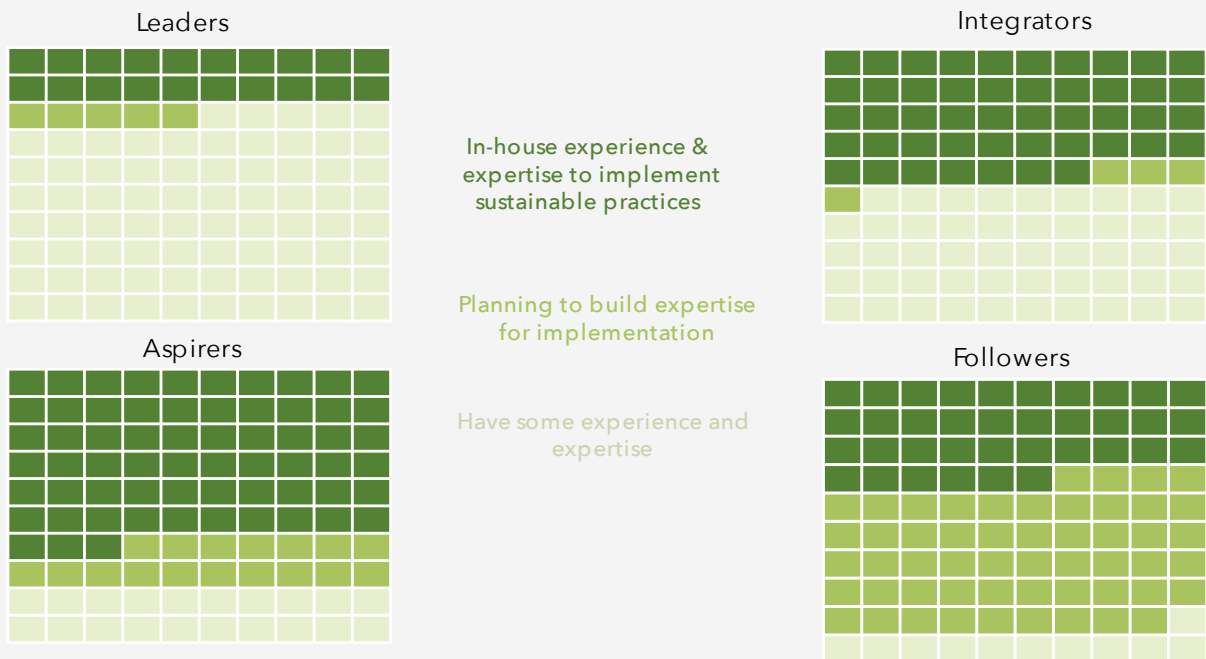


Almost an equal proportion of Integrators claim to have in-house experience (49%) along with some experience and expertise (47%) in implementing sustainable practises.



53% of Followers intend to develop some competence for implementation.

## The blocks represent % of respondents



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

# Sustainable objectives/priorities

Sustainability in business refers to conducting operations without having an adverse effect on the environment, the local community, or society at large. Amongst the various practices that MSMEs adopt, understandably they might want to prioritize their activities depending on many factors such as their level of understanding, strategic need or expertise or impact on their businesses.

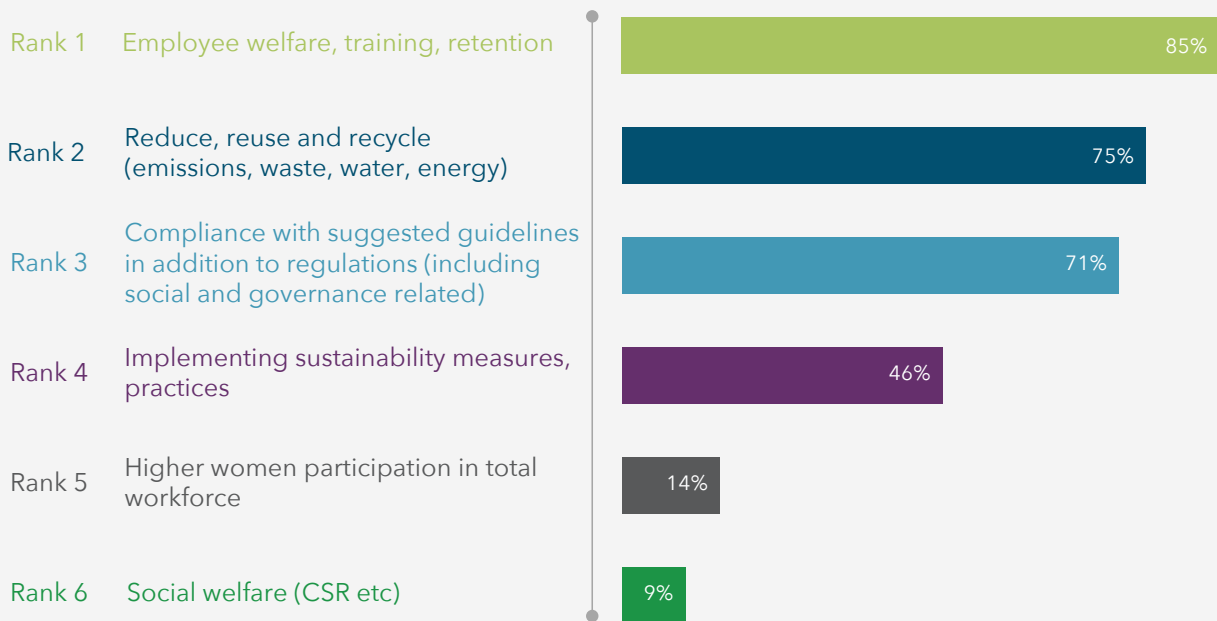


Among several economic, social and environmental objectives, 85% of MSMEs prioritise employee welfare, training and retention the most.



75% of MSMEs rank environment related initiatives such reducing, reusing and recycling of emissions, waste, water and energy, as second and 71% MSMEs consider compliance in addition to regulations to be the third most important priority.

## % share of respondents



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

# Sustainability initiatives

To further understand the status of implementation of sustainable measures amongst the MSMEs, we asked respondents to reveal their planning status, i.e. whether they are implementing the measures, are preparing to do so, or have no such plans in place.



The sustainable initiatives that we covered were Sustainability targets, Sustainability policy & procedures, Training on sustainability measures, Prompt & full compliance with regulations, Sourcing from ethical suppliers, Use of energy efficient, climate friendly equipment and Reduce, reuse and recycle (emissions, waste, water, energy).



For each of above seven sustainability initiatives, majority of the players are yet to have any sustainability plan/initiatives in place.



Around 50% of MSMEs are keen to have measures in place for two initiatives - use of energy efficient and climate friendly equipment and secondly for reducing, reusing and recycling elements such as emissions, waste, water, energy.



With regards to sourcing from ethical suppliers, almost an equal share of respondents stated that they either have a plan in place or they are planning to introduce some measures.



Around 65% of the MSMEs do not have any sustainability targets. Almost an equal share of respondents, thus understandably, did not have any policy and procedures or compliance measures related to sustainability in place.





## % of respondents

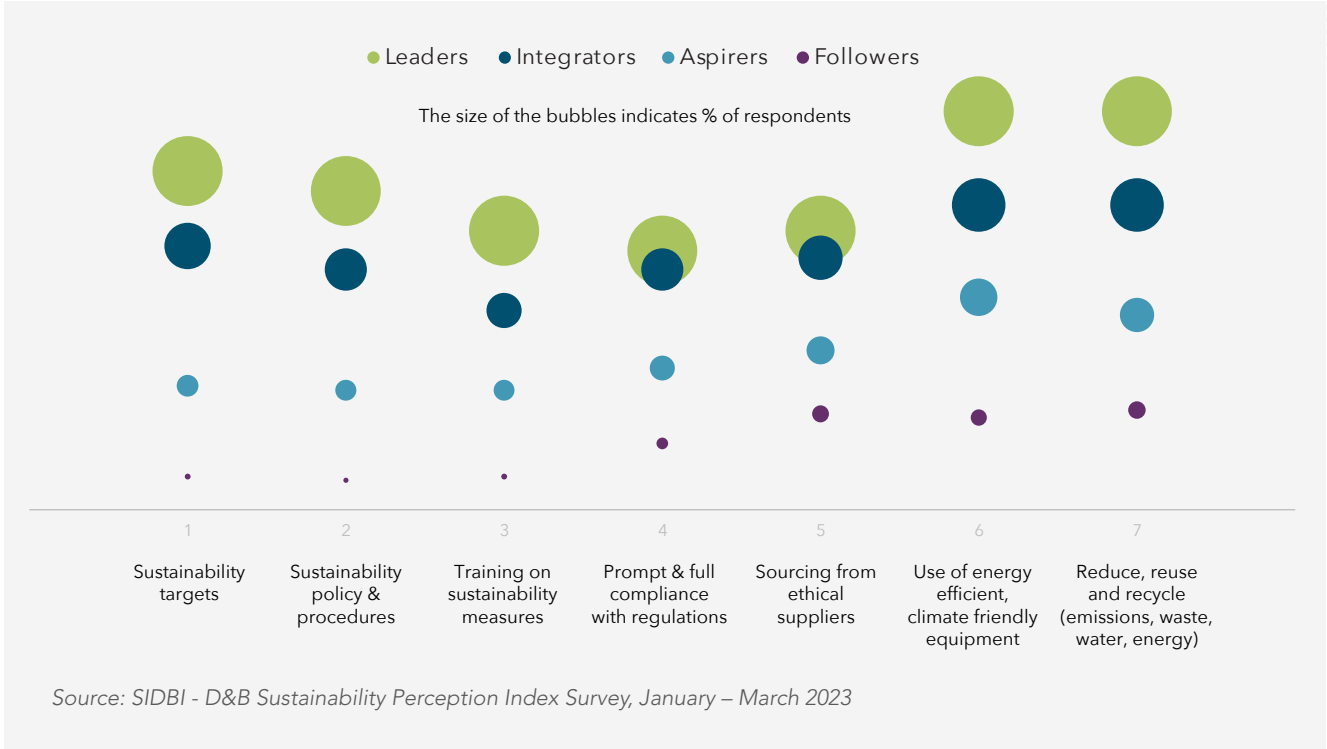


Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023



# Sustainability initiatives already in place: by SPeX category

For each of the seven sustainability initiatives, higher percentage of Leaders revealed that they already have some measures in place. All of Leaders have energy efficiency and climate friendly equipments in place and have implemented measures to reduce, reuse and recycle emissions, waste, water and energy.



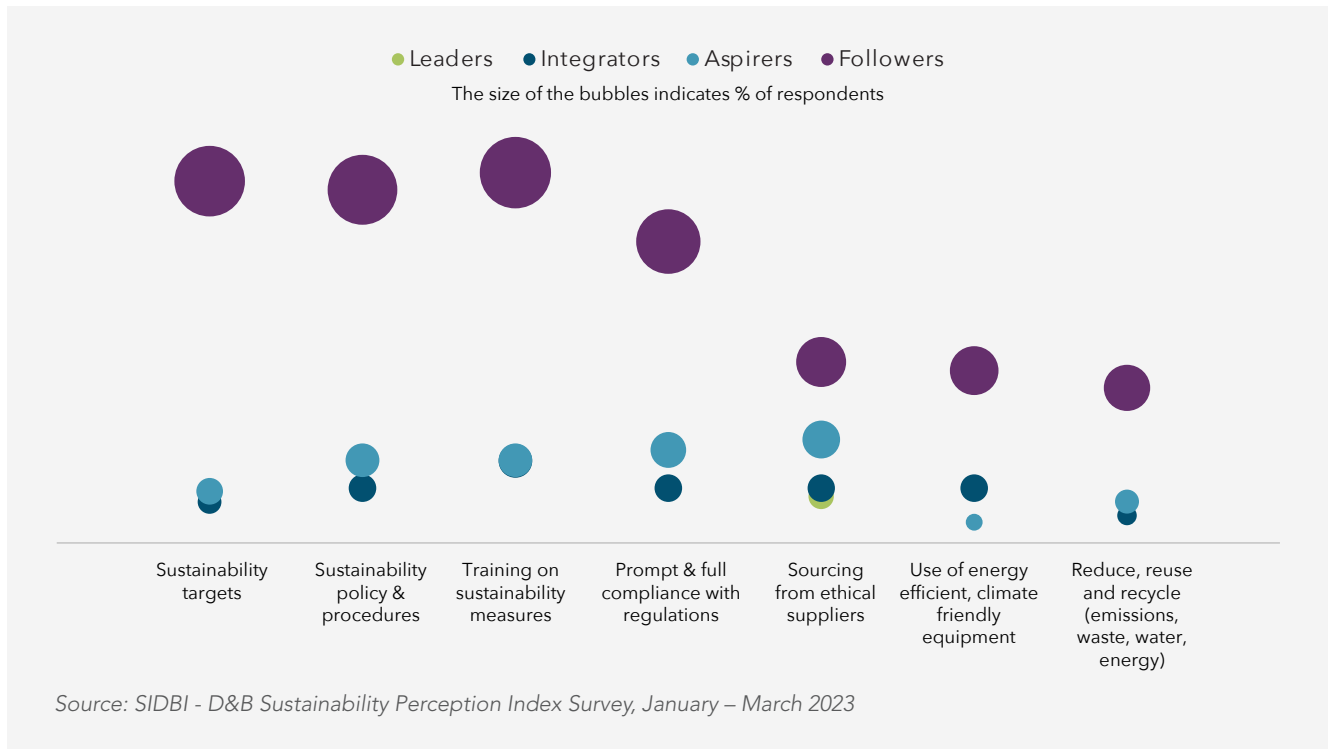
# No plans in place for sustainability initiatives: by SPeX category



Higher percentage of Followers said that they had no plans in place for each of the seven sustainability measures asked in the survey.



Except for sourcing from ethical suppliers, no business in the leadership category said that they have no plans in place for the other six sustainability initiatives.



## Percentage of consumption - recycled/recovered

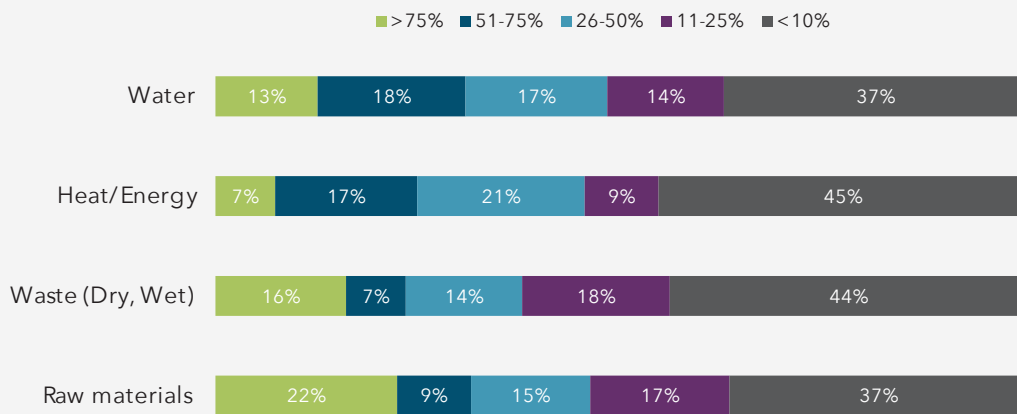


Less than 50% of the total consumption/release of water, energy, waste and raw materials is recycled/recovered by majority of the respondents.



Water and raw materials are most recycled items. More than 30% of the respondents recycle more than 50% of the water and raw materials.

### % share of respondents



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023



# Change in consumption/emission for unit production



When MSMEs were asked about the measures that they had taken to reduce the impact of their business processes on the environment, more than 50% of the respondents said that they have been able to reduce the consumption of water, raw materials heat and energy.

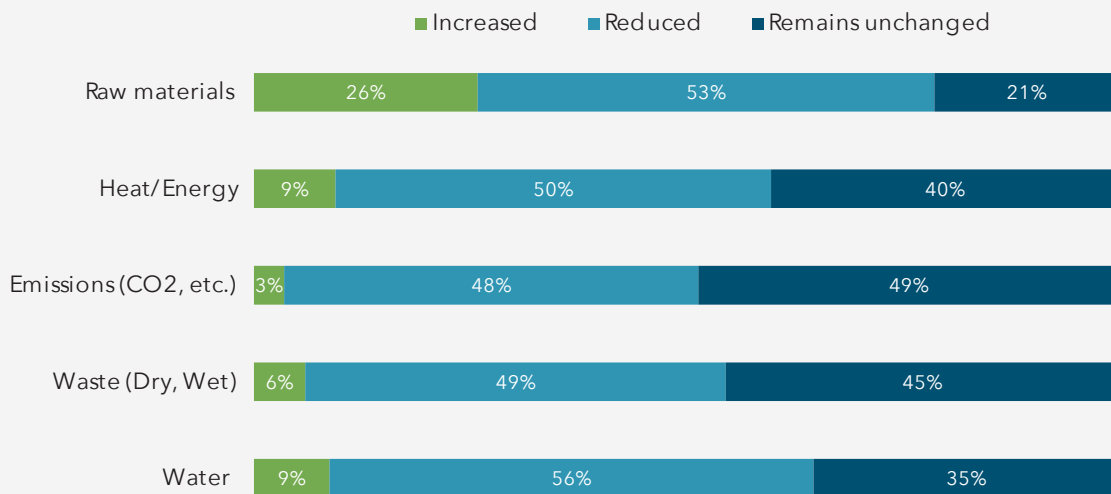


56% MSMEs said that they have been able to reduce generation of waste (wet/dry) for the same unit of production/revenue.



53% have been able to reduce the consumption of raw materials for the same unit of production/revenue, while 50% have been able to reduce the heat/energy generated.

## % share of respondents



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

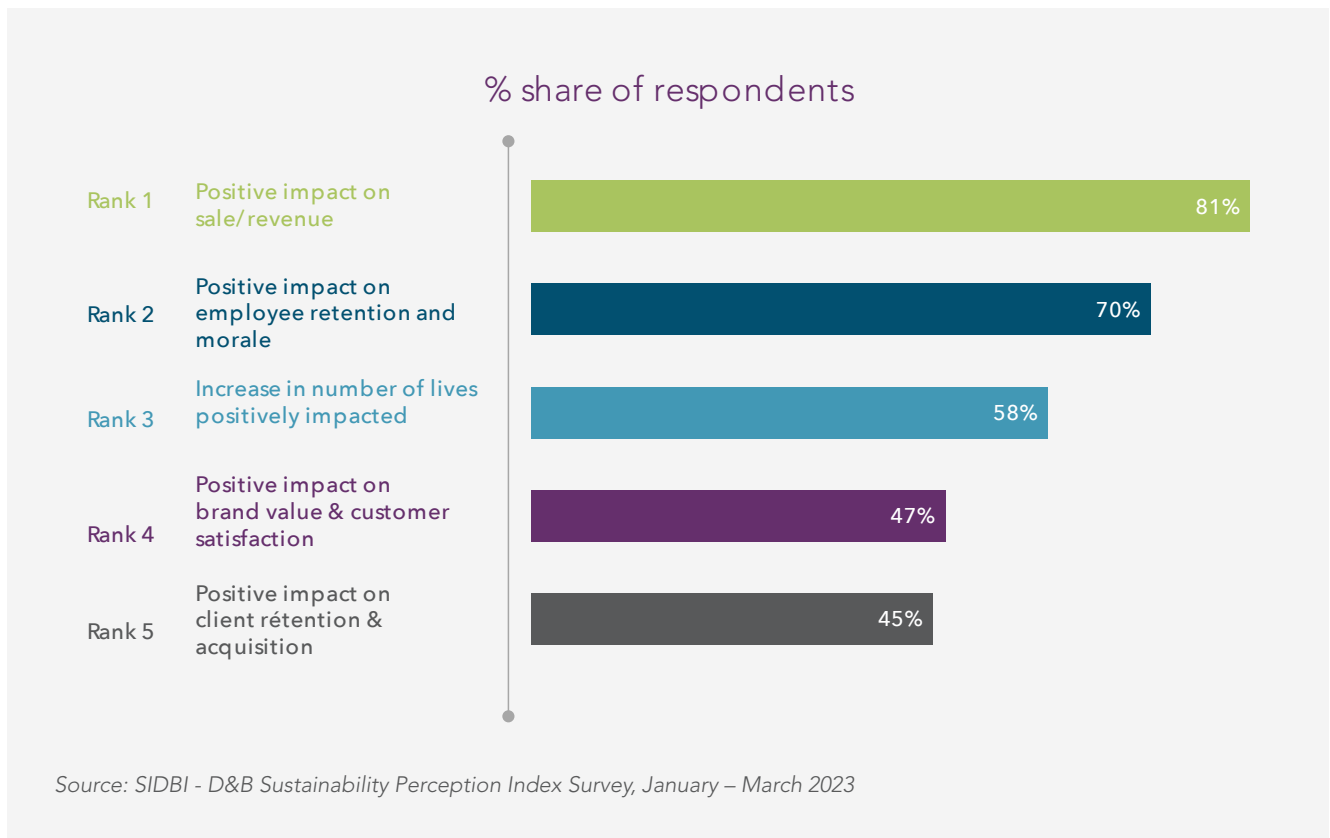
# Outcomes from implementing sustainability measures



Positive impact on sales (81%), employee retention and morale (70%) and increase in lives positively impacted (58%) as been ranked as the top three positive outcomes realised by MSMEs.



Sustainability measures have not enabled the studied MSMEs to have a positive impact on brand value and customer satisfaction (47%) and client retention or acquisition (45%) since the factors occupy the bottom two rankings.





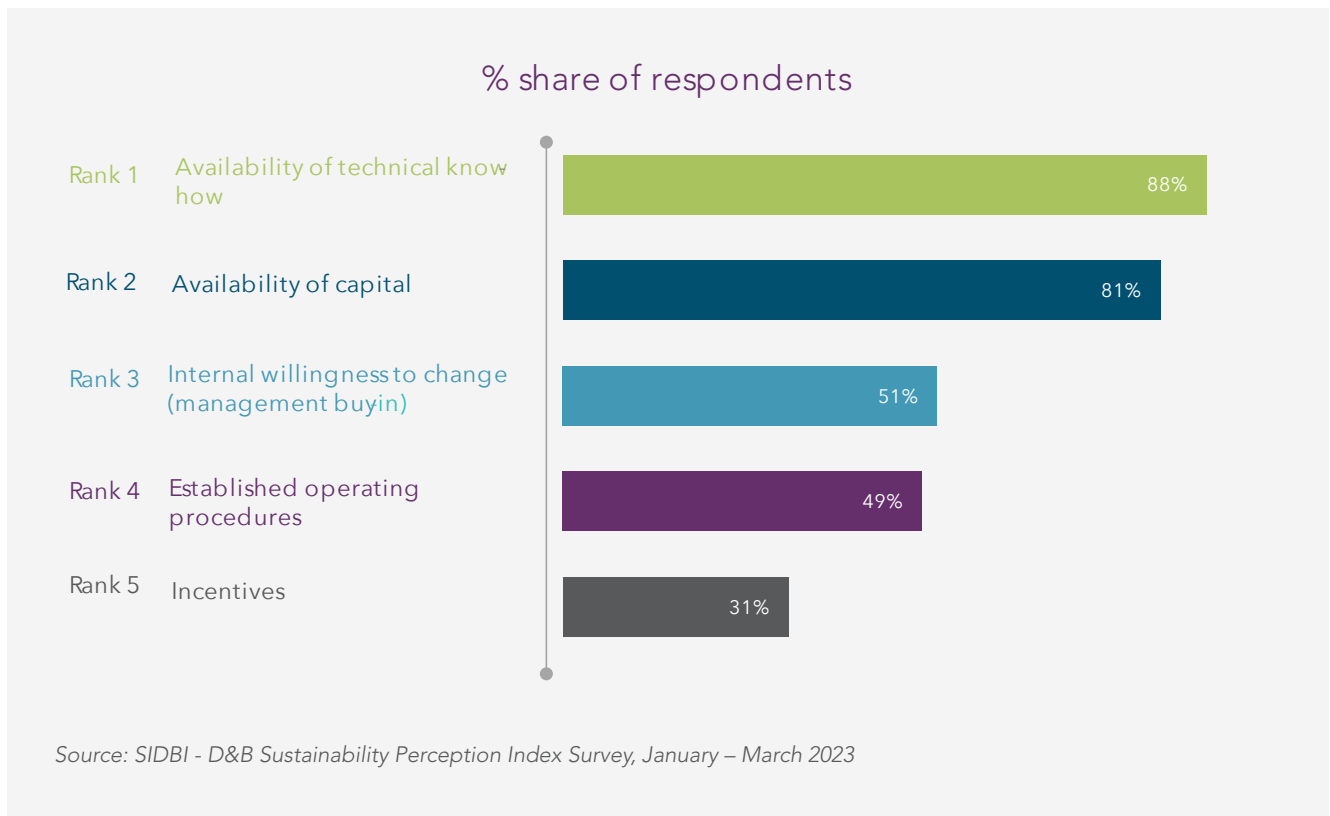
# Challenges in implementing sustainable practices



Availability of technical know how (88%), capital (81%) and internal willingness to change (management buy-in) (51%) have been ranked as the top 3 challenges by SMEs.



Lack of incentives is considered to be least important, with only 31% of MSMEs considering it as a challenge.



# How to encourage MSMEs to adopt sustainable practices?



MSMEs were asked what measures should be taken by various stakeholders so that they are able to adopt various sustainable measures.



Almost everyone stated that stakeholders should increase the awareness of sustainability measures, policies, procedures amongst MSMEs.



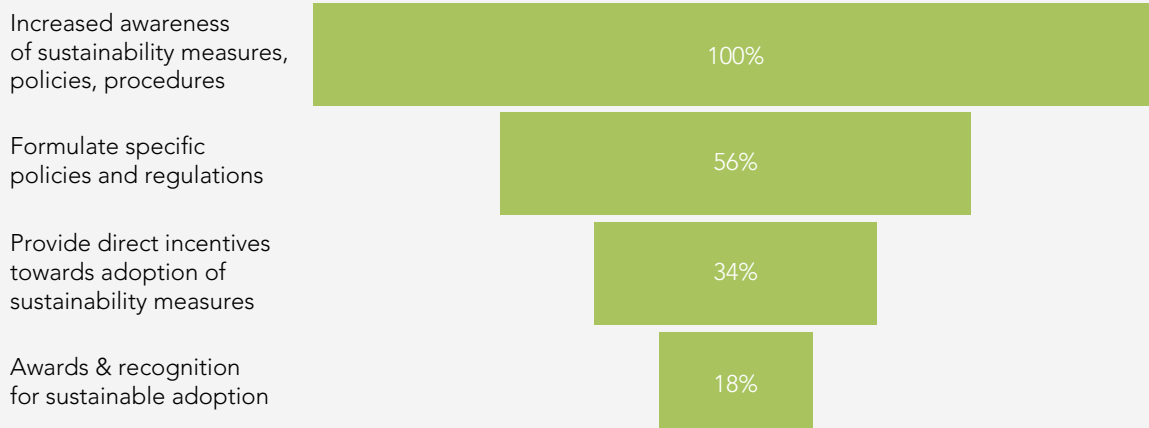
56% said that specific policies and regulations need to be taken to encourage MSMEs to adopt sustainability measures.



Direct incentive or awards of recognition did not emerge as necessary incentives to encourage MSMEs to adopt sustainability measures.

## % share of respondents

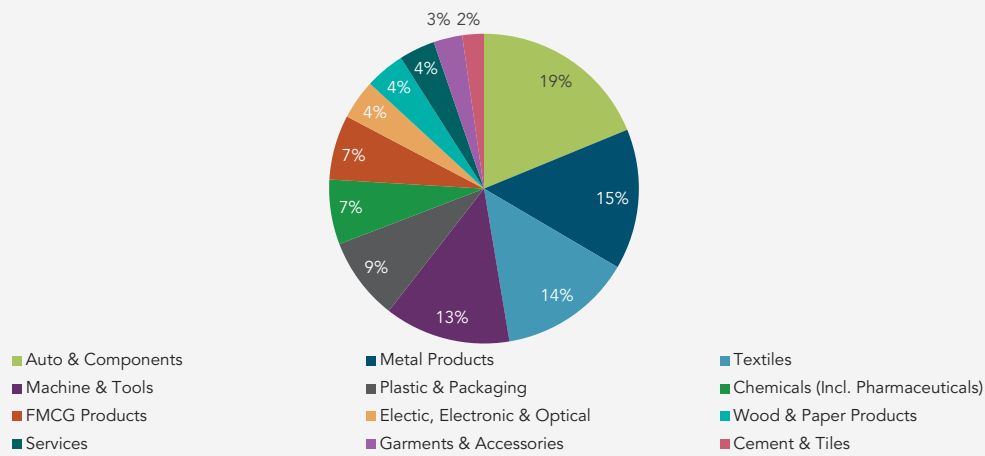
### Requirement for adoption of sustainability measures



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

# Firmographics

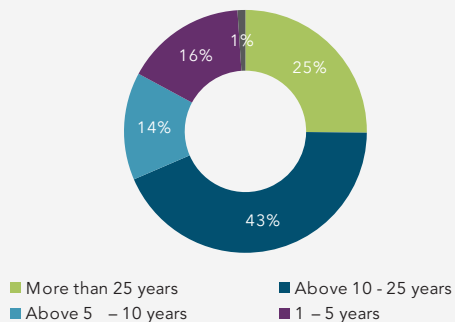
## Sector-wise survey participation



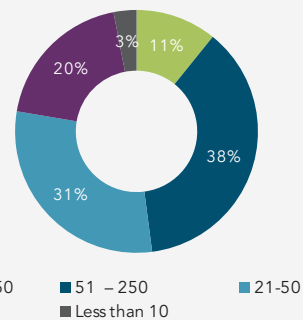
Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

## Size and age of business

Age of (% share)

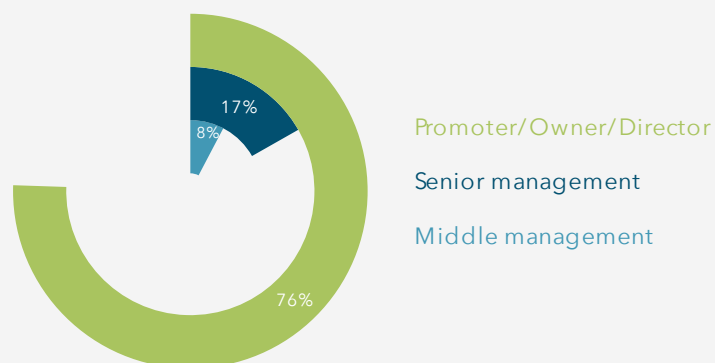


Size of business (% share)



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

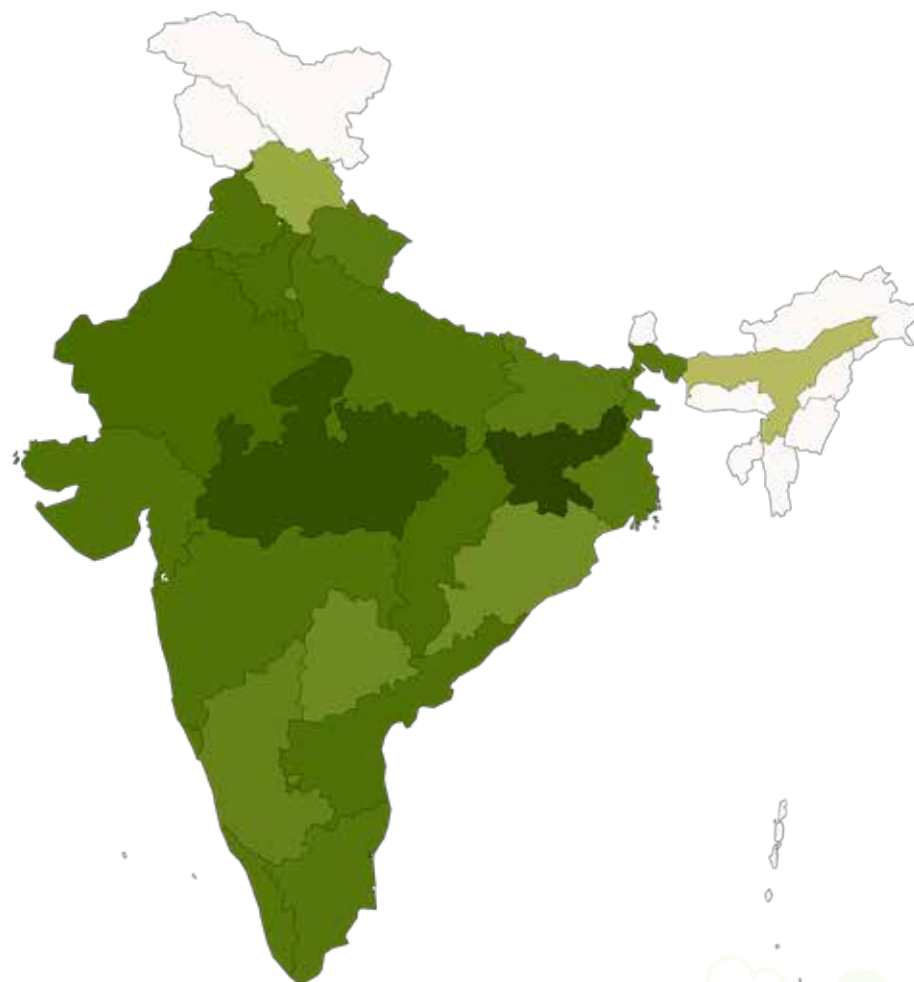
## % share of respondents



Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023

# SPeX at state levels

SIDBI and D&B's Sustainability Perception Index (SPeX)



The index ranges from 0 to 100. Higher the index, higher is the level of perception towards sustainability.  
Source: SIDBI - D&B Sustainability Perception Index Survey, January – March 2023



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