

Key Highlights of the Survey

ASSOCHAM D&B Small Business Confidence Index survey data demonstrates the highest level of business confidence among the business executives for the quarter Q1 2024 since the index was constituted in Q2 2022. The index measuring the level of optimism of small and medium businesses on key business parameters such as sales, employment, prices, inventory, and investment, stood at 108.5 in Q1 2024.

In Q1 2024, business optimism among small and medium enterprises (SMEs) reached its highest point in the past eight quarters, showing a 3% quarter-on-quarter growth and a robust 13% year-on-year increase. This heightened optimism among SMEs is largely attributed to the steady rise in consumer demand. Approximately 90% of respondents anticipate further enhancements in new domestic orders, while 87% express increased optimism regarding selling prices. Riding on high demand, businesses are expected to raise their production levels as reflected in higher optimism for capacity utilization, increasing by 7 percentage points, compared to previous quarter. Moreover, despite the ongoing cost pressure remaining a potential downside risk, 89% of the respondents expect net profits to continue staying high benefitting from relatively lower commodity prices. The government's

proactive efforts to enhance infrastructure align with SMEs' capital investment plans, boosting optimism for long-term fixed capital investments, which has seen an 8-percentage-point increase quarter-on-quarter in Q1 2024. This positive outlook is further evident in the anticipation of increased hiring in the upcoming quarter, with 81% of respondents expecting growth.

The survey indicates a notable increase in optimism for export orders, rising by 4 percentage points compared to the previous quarter. This growth is driven by the robust expansion of service exports, demonstrating resilience in the face of ongoing uncertainties in the global economy. Meanwhile capital goods imports have shrunk by 5.7% (y-o-y) in January FY 24, also articulated in lack of appropriate equipment coming out as a major impediment to the growth according to SMEs. Nonetheless, the economy appears to have sufficient liquidity in the system as majority of respondents anticipate easy or normal credit availability. A relatively smaller proportion of enterprises expect availability of working capital to be an impediment to production, allowing small enterprises to accelerate their expansionary efforts.

Business Confidence Levels

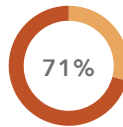
DEMAND ENVIRONMENT

SALES VOLUME

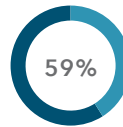
88% of the respondents expect an increase in volume of sales in Q1 2024, compared to 86% in Q4 2023, increase of 2 percentage points.



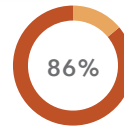
Q1 2023



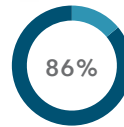
Q2 2023



Q3 2023



Q4 2023



Q1 2024

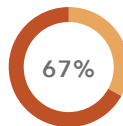


DOMESTIC ORDERS

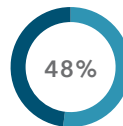
90% of the respondents expect an increase in domestic orders in Q4 2023 compared to 85% in Q4 2024, increase of 5 percentage points.



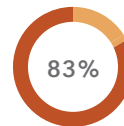
Q1 2023



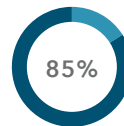
Q2 2023



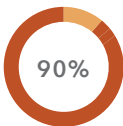
Q3 2023



Q4 2023



Q1 2024

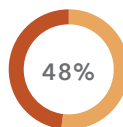


EXPORT ORDERS

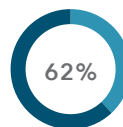
75% of the respondents expect an increase in their export orders in Q1 2024 compared to 71% in Q4 2023, increase of 4 percentage points.



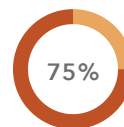
Q1 2023



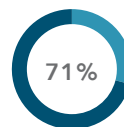
Q2 2023



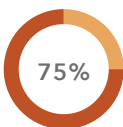
Q3 2023



Q4 2023



Q1 2024



Indian SMEs are currently driven by a positive demand outlook and a business environment that encourages increased investment in long-term capacity building. The credit market is supportive, providing both short-term liquidity for working capital needs and long-term credit for asset investments. This growth momentum is evident in the highest optimism for fixed investments in the past eight quarters, with four out of five respondents anticipating a rise in hiring. SMEs are experiencing improved net profits, up by eight percentage points from the last quarter. Export sentiments have also increased by four percentage points, benefitting from a softer currency that enhances the attractiveness of Indian exports, coupled with a robust domestic market stimulating higher demand



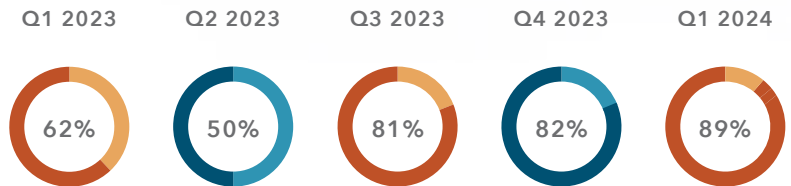
FINANCIAL SITUATION

NET PROFITS

89% of the respondents expect an increase in their net profits in Q1 2024 compared to 82% in Q4 2023, an increase of 7 percentage points.



Up from previous quarter
↑

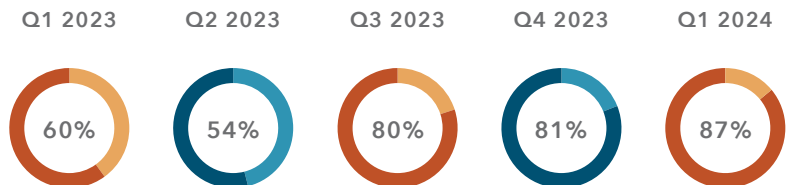


SELLING PRICE OF THEIR PRODUCTS/SERVICES

87% of the respondents expect an increase in the selling price of their products and services in Q1 2024 compared to 81% in Q4 2023, an increase of 6 percentage points.



Up from previous quarter
↑

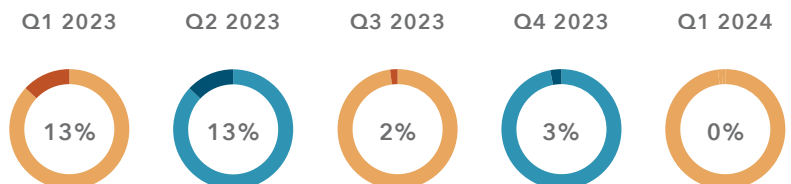


RAW MATERIAL

No respondent expects their raw material prices to come down in Q1 2024 compared to 3% in Q4 2023, a decrease of 3 percentage points.



Decline from previous quarter
↓

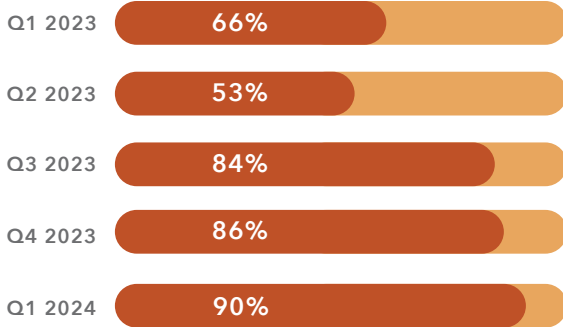


The robust growth of the Indian economy, outpacing global peers, finds its roots in the resilient SME segment. This segment consistently excels by capitalizing on India's robust consumer demand, the availability of credit in the domestic market, reliable cash flow for liquidity, and a proactive approach to capacity expansion, even amidst a subdued global economy. Fueled by their high optimism, Indian SMEs are expanding production and increasing hiring, benefiting from improved credit accessibility and maintaining a healthy order book position. SMEs have further enjoyed the advantages of lower commodity prices, contributing to enhanced profitability, along with a comfortable liquidity position that supports more effective working capital management. However, a potential downside risk looms as growing skepticism arises regarding a potential surge in input prices. This concern stems from the expected recovery of industrial economies in the second half of 2024, placing pressure on global commodity markets.



Business Confidence Levels

INVENTORY MANAGEMENT

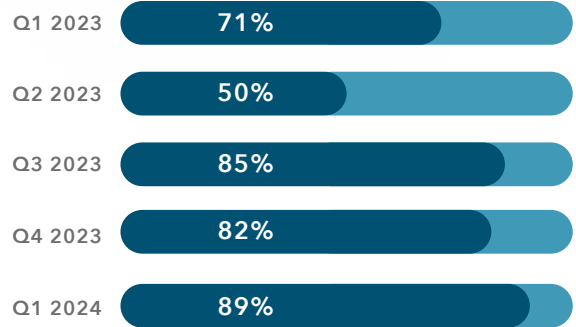


INVENTORY OF FINISHED GOODS

90% of the respondents expect an increase their level of inventory of finished goods in Q1 2024 compared to 86% in Q4 2023, an increase of 4 percentage points.



Up from previous quarter



INVENTORY OF RAW MATERIALS AND WORK IN PROGRESS

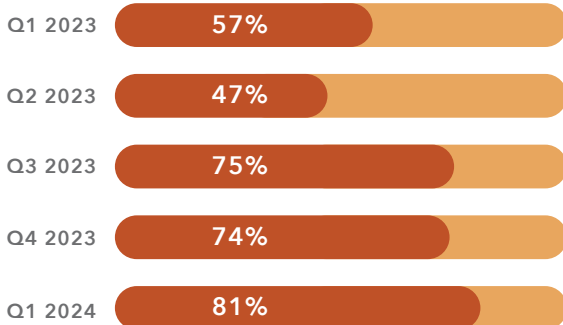
89% of the respondents expect an increase in their level of inventory of raw materials and work in progress in Q1 2024 compared to 82% in Q4 2023, an increase of 7 percentage points.



Up from previous quarter



INVESTMENT SCENARIO

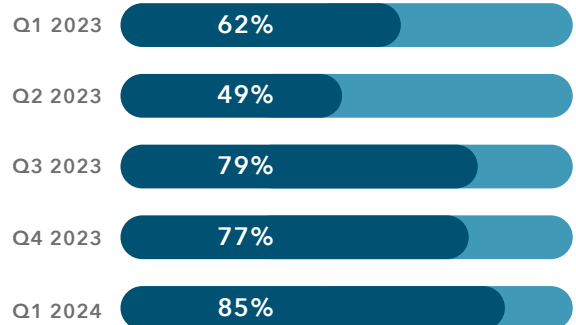


WORKFORCE SIZE

81% of the respondent SMEs expect an increase in the size of their workforce in Q1 2024, compared to 74% in Q4 2023, an increase of 7 percentage points.



Up from previous quarter



FIXED CAPITAL INVESTMENTS

85% of the respondents expect an increase in their fixed capital investments in Q1 2024, compared to 77% in Q4 2023, an increase of 8 percentage points.



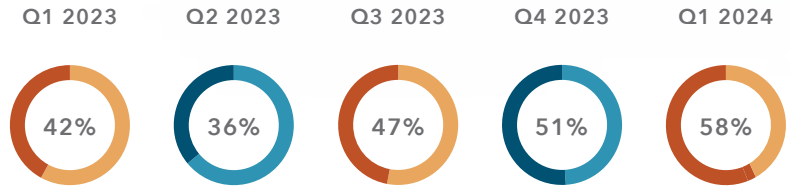
Up from previous quarter



Business Confidence Levels

CAPACITY UTILISATION

SMEs anticipate average capacity utilization to be at 58% in Q1 2024, increasing on q-o-q by 7 percentage points.



ACCESS TO CREDIT



75% of the respondents anticipate that access to credit will be normal, while 20% anticipate it to be easy and 5% of the respondents anticipate that access to credit will be tight in Q1 2024

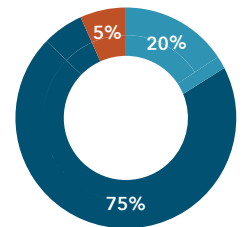
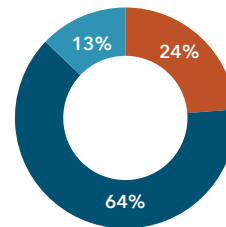
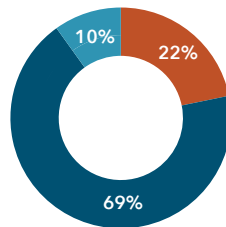
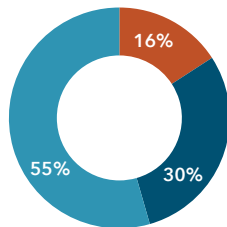
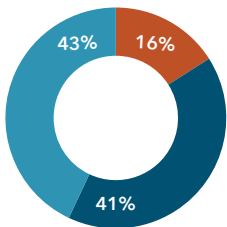
Q1 2023

Q2 2023

Q3 2023

Q4 2023

Q1 2024

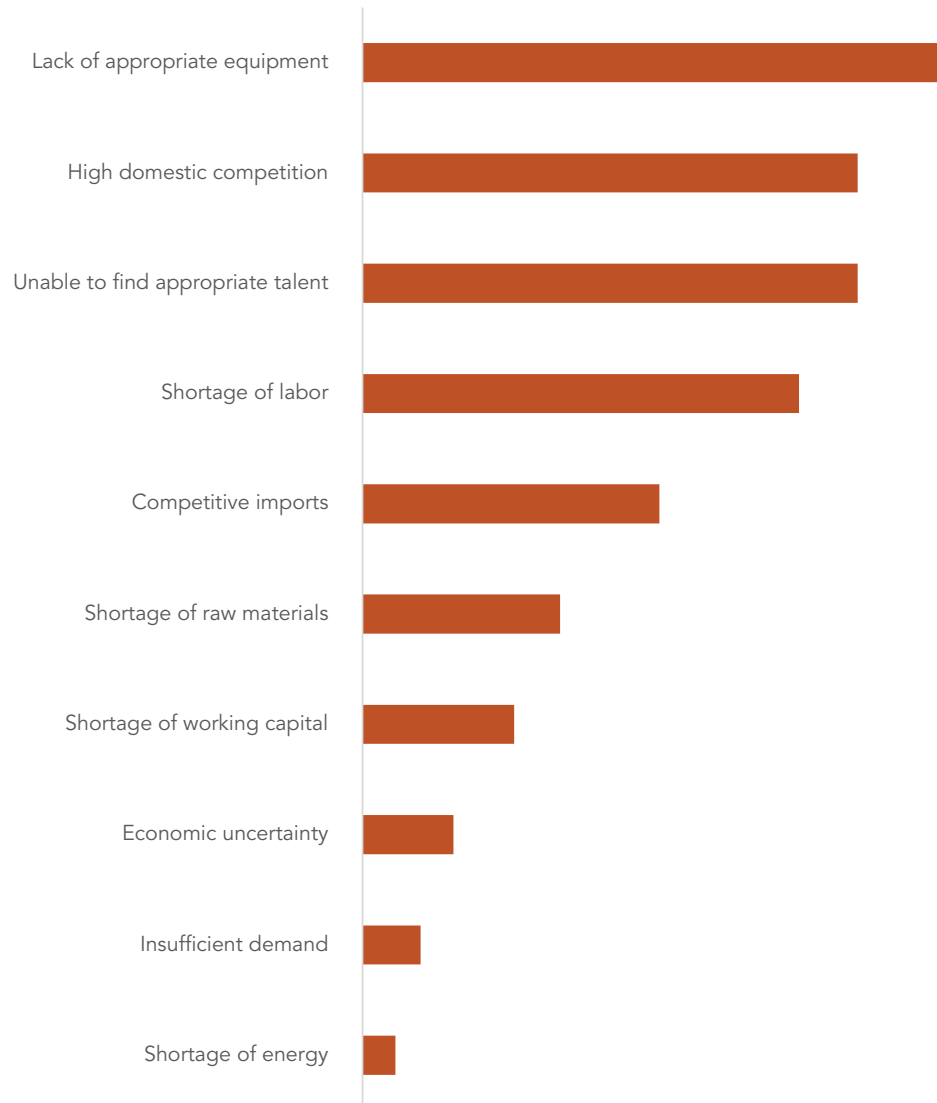


Easy

Normal

Tight

FACTORS LIMITING PRODUCTION VOLUME



- 11% of SMEs expect lack of appropriate equipment to be the most critical constraint to production in Q1 2024.
- Only 3% of SMEs expect economic uncertainty to hamper to production, decreasing by 7 percentage points compared to previous quarter.

- Only 3% of SMEs expect shortage of working capital to be a hinderance to the production, decreasing by 5 percentage points compared to Q1 2024.
- 10% of SMEs expect domestic competition to be a leading impediment to production in Q1 2024.

Methodology

ASSOCHAM, in association with Dun & Bradstreet India, conducted a pan-India survey of small and medium businesses across multiple sectors to understand their optimism level on key business parameters such as sales, employment, prices, inventory, and investment. The individual indices are then calculated by the percentage of respondents expecting an increase. Individual weights are assigned to each of the five parameters. To compute the ASSOCHAM Small Business Confidence Index, the favorable responses for each of the five parameters during the review period are compared to the positive responses in the base period (Q2 2022) and expressed as a ratio. These ratios are then multiplied by their respective parameter weights and combined to determine the overall value of ASSOCHAM Small Business Confidence Index.

Please send your feedback to Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet

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