

Key Highlights of the Survey

The ASSOCHAM D&B Small Business Confidence Index for Q1 2025 stands at 107.3, marking a 1% y-o-y decline but an 18.4% q-o-q rise, signaling a cautious rebound in businesses sentiments. Improvements in sales, selling price, and investment, supported by better credit availability, suggest small businesses are seeing early signs of recovery.

Sales volumes have risen by 1 percentage point y-o-y, showing some growth, but the sentiment around new domestic orders is weaker, with a 7-percentage point decline y-o-y. However, export sentiment improved, with optimism for new export orders rising 60 percentage points q-o-q and 12 percentage points y-o-y. Profitability expectations remain stable at Q1 2024 levels, driven by an anticipated 8% rise in selling prices, helping offset cost pressures. Meanwhile, moderating inflation has led to easing expectations for raw material costs, indicating a more stable cost environment for small businesses.

Moreover, new capital investment expectations have surged by 21 percentage points from the previous quarter Q4 2024. However, there has been a slight 1 percentage point decline y-o-y, indicating businesses are still wary of scaling operations insistently. On the credit front, 52% of businesses expect easier credit access, a sharp increase from 20% last year. Concerns over tight credit have also

eased significantly, with only 2% of businesses perceiving difficulties, compared to 5% in Q1 2024.

Despite these improvements, business sentiment on inventory management remains cautious, with finished goods and raw material inventories down 8% and 5% y-o-y, indicating a focus on maintaining leaner stock levels in Q1 2025. Capacity utilization expectations fell by 6 percentage points y-o-y, reflecting businesses are prioritizing efficiency over expansion amid slow demand recovery. Employment sentiment also remains subdued, with a 15-percentage point decline in expectations for workforce expansion y-o-y.

Going forward, sustained policy support is crucial. The RBI's recent rate cut and the Union Budget 2025-26's expansion of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is expected to improve credit availability. Tax relief for middle-income earners and streamlined TDS/TCS provisions in the recent Budget will likely stimulate consumption, driving business growth. Additionally, the budget's focus on simplifying export credit, reducing non-tariff barriers, and introducing 'BharatTradeNet' is anticipated to strengthen small businesses' global competitiveness and the positive business outlook in the upcoming quarters.

Business Confidence Levels

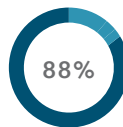
DEMAND ENVIRONMENT

SALES VOLUME

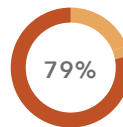
89% of the respondents expect an increase in volume of sales in Q1 2025, compared to 88% in Q1 2024 - a rise of 1 percentage points.



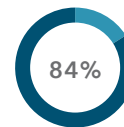
Q1 2024



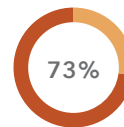
Q2 2024



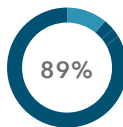
Q3 2024



Q4 2024

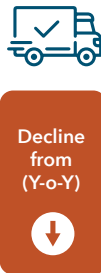


Q1 2025

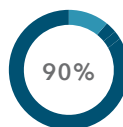


DOMESTIC ORDERS

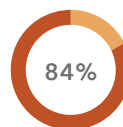
83% of the respondents expect an increase in domestic orders in Q1 2025 compared to 90% in Q1 2024 - a decrease of 7 percentage points



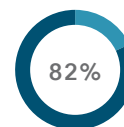
Q1 2024



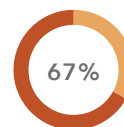
Q2 2024



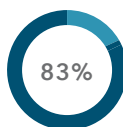
Q3 2024



Q4 2024



Q1 2025

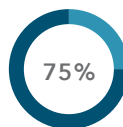


EXPORT ORDERS

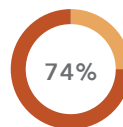
87% of the respondents expect an increase in their export orders in Q1 2025, compared to 75% in Q1 2024 - a rise of 12 percentage points



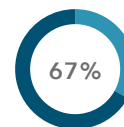
Q1 2024



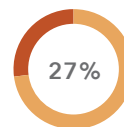
Q2 2024



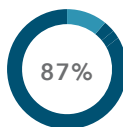
Q3 2024



Q4 2024



Q1 2025



The ASSOCHAM D&B Small Business Confidence Index for Q1 2025 reflects a cautious yet improving outlook among small businesses. The uptick in sales, export orders and selling price expectations reflects early signs of recovery. However, subdued capacity utilization and hiring outlooks suggest that businesses are prioritizing operational resilience rather than rapid scale-up. Inventory management remains conservative, with firms maintaining lean stock levels to mitigate demand volatility. Looking ahead, the Union Budget 2025-26's focus on supporting MSMEs through enhanced credit guarantees, tax rationalization, and improved trade facilitation is expected to reinforce business optimism and drive sustainable growth in both domestic and international markets." Said Mr Avinash Gupta, Managing Director, Dun & Bradstreet India.

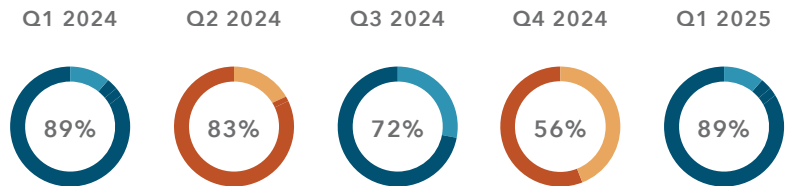


FINANCIAL SITUATION

NET PROFITS



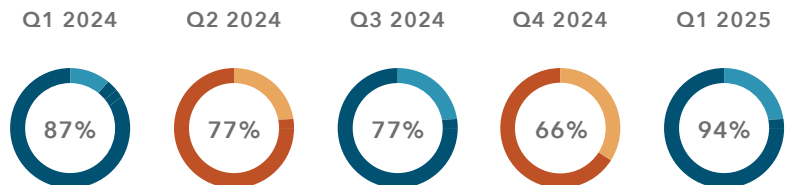
Optimism for net profit for Q1 2025 remain at Q1 2024 levels, with 89% of respondents anticipating a rise, showing no y-o-y change.



SELLING PRICE OF THEIR PRODUCTS/SERVICES



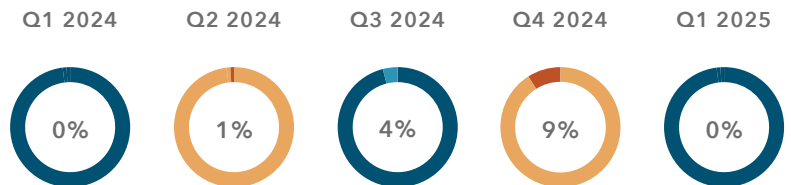
94% of the respondents expect an increase in the selling price of their products and services in Q1 2025, compared to 87% in Q1 2024 - a rise of 8 percentage points



RAW MATERIAL



While none of the respondents expect their raw material prices to come down in Q1 2025, 8% expect prices to remain unchanged from the previous year.

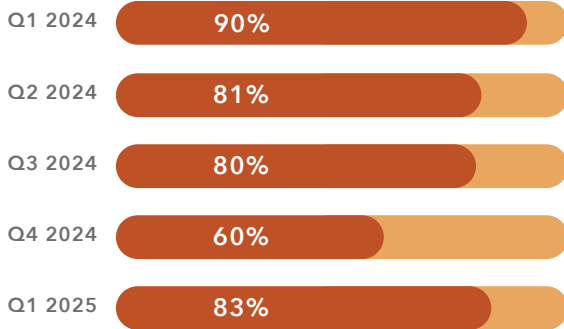


In 2025, India's economy faces slower growth, influenced by monetary easing and shifting fiscal policies. While small businesses show signs of recovery, the ASSOCHAM D&B Small Business Confidence Index for Q1 2025 reflects mixed results. Improvements in sales, prices, exports, and investments suggest gradual recovery, but capacity constraints and cautious hiring show businesses are prioritizing stability. Economic uncertainties and fluctuating demand remain concerns. The RBI rate cut, and expanded MSME credit guarantees aim to support liquidity and investment, while tax changes could boost consumption. Initiatives like 'BharatTradeNet' may enhance export competitiveness, supporting recovery. "Said Dr Arun Singh, Global Chief Economist, Dun & Bradstreet



Business Confidence Levels

INVENTORY MANAGEMENT

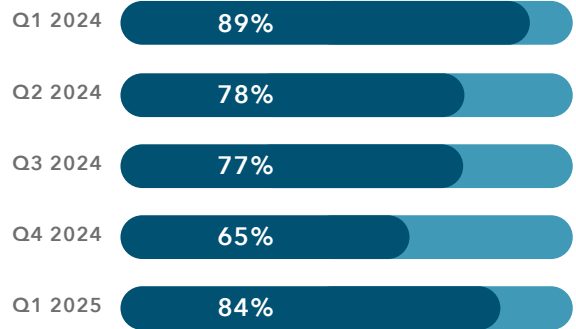


INVENTORY OF FINISHED GOODS



83% of the respondents expect an increase their level of inventory of finished goods in Q1 2025, compared to 90% in Q1 2024 - a decrease of 8 percentage points

Decline from (Y-o-Y)



INVENTORY OF RAW MATERIALS AND WORK IN PROGRESS

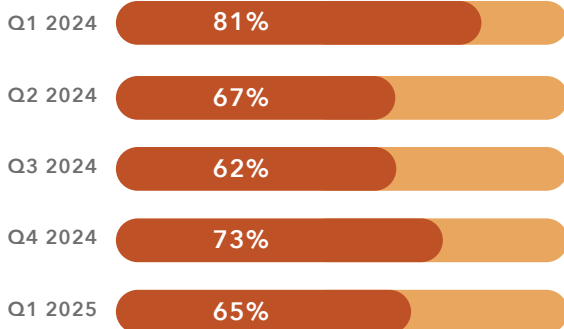


84% of the respondents expect an increase in their level of inventory of raw materials and work in progress in Q1 2025, compared to 89% in Q1 2024 - a decrease of 5 percentage points

Decline from (Y-o-Y)



INVESTMENT SCENARIO

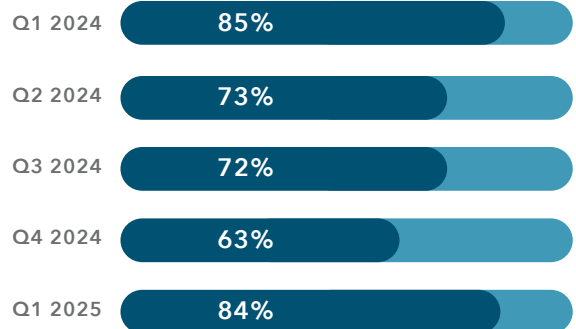


WORKFORCE SIZE



65% of the respondent SMEs expect an increase in the size of their workforce in Q1 2025, compared to 81% in Q1 2024 - a decrease of 15 percentage points

Decline from (Y-o-Y)



FIXED CAPITAL INVESTMENTS



84% of the respondents expect an increase in their fixed capital investments in Q1 2025, compared to 85% in Q1 2024 - a decrease of 1 percentage points

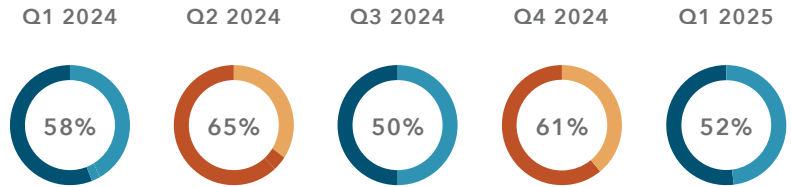
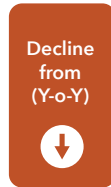
Decline from (Y-o-Y)



Business Confidence Levels

CAPACITY UTILISATION

SMEs anticipate average capacity utilization to be at 52% in Q1 2025, decreasing on y-o-y basis by 6 percentage points.



ACCESS TO CREDIT



Around 52% of the respondents anticipate that access to credit will be easy, while around 45% anticipate it to be normal and only around 2 % of the respondents anticipate it to be tight in Q1 2025



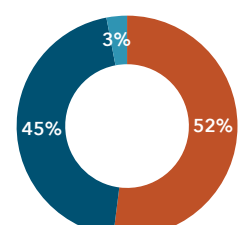
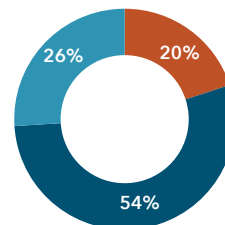
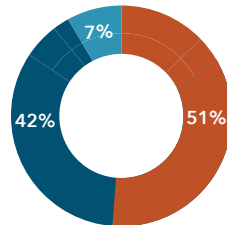
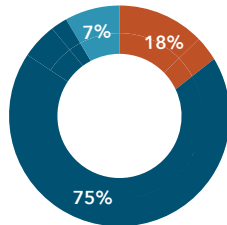
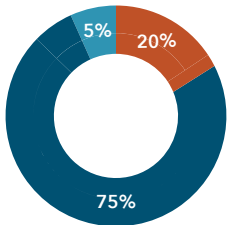
Q1 2024

Q2 2024

Q3 2024

Q4 2024

Q1 2025

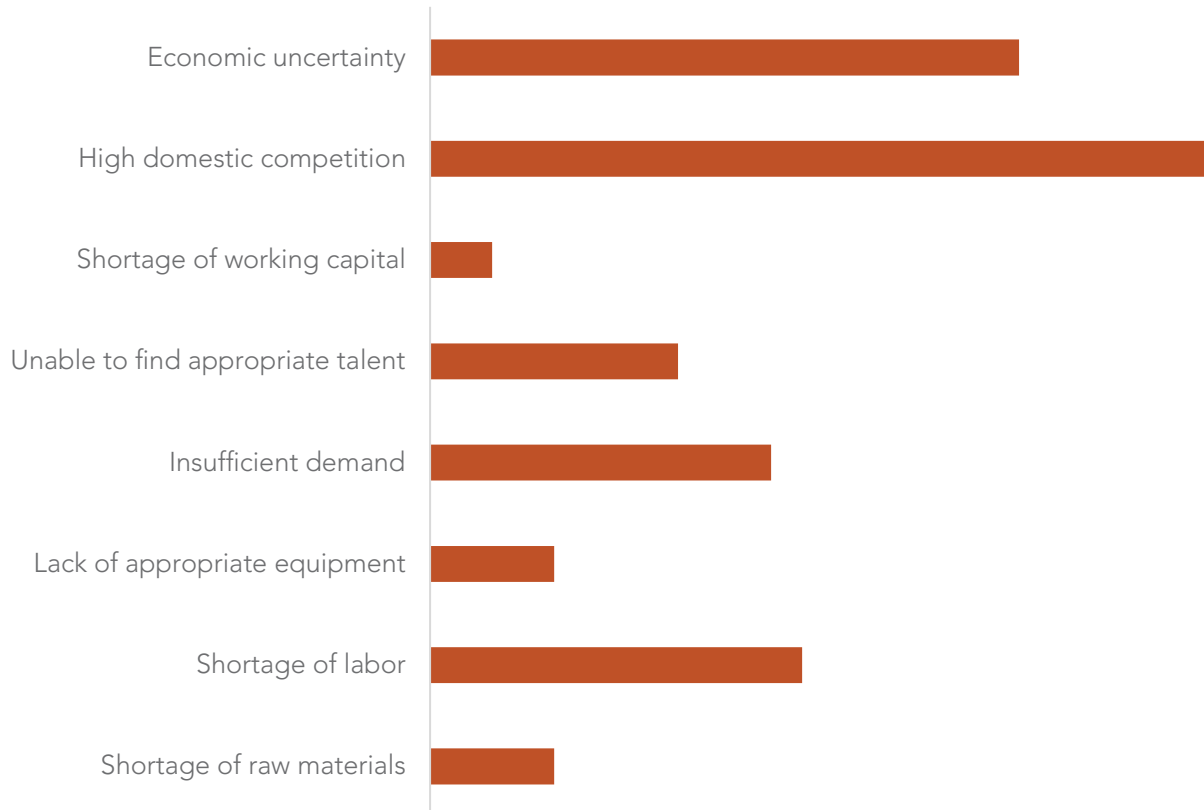


Easy

Normal

Tight

FACTORS LIMITING PRODUCTION VOLUME



- High domestic competition remains the biggest challenge, rising sharply to 25% in Q1 2025 from 10% in Q1 2024.
- Economic uncertainty has become a major concern for small businesses in Q1 2025, with 19% citing it as an impediment, up from 3% in Q1 2024.
- Insufficient demand has significantly increased, affecting 11% of businesses in Q1 2025, up from just 2% in Q1 2024.
- Shortage of labor has become a growing concern, with 12% of business reporting it as a challenge in Q1 2025, up from 9% in Q1 2024.
- Concerns over raw material shortages have remained unchanged, with 4% of businesses reporting it as an issue in both Q1 2025 and Q1 2024
- Shortage of working capital has eased, dropping from 3% in Q1 2024 to 2% in Q1 2025.
- The challenge of finding appropriate talent has eased, with 8% of businesses citing it as a constraint in Q1 2025 compared to 10% in Q1 2024.
- Concerns over lack of appropriate equipment have declined, from 11% in Q1 2024 to 4% in Q1 2025.

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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