

Key Highlights of the Survey

ASSOCHAM D&B Small Business Confidence Index survey data has observed moderation in the level of business confidence among the business executives for the quarter Q2 2024, after rising for the previous three quarters. 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 99.8 in Q2 2024.

The strong rebound in the optimism for businesses seen in last four quarters continues undeterred and registered an impressive 17% (y-o-y) growth in Q2 2024. Businesses are benefitting from buoyancy in both export as well as domestic market demand outlook. Three out of four respondents of this survey expect improvement in export orders for the upcoming quarter. The same is resonated with the fact that, merchandise exports have continued to grow for 4 consecutive months and have reached a 12-month high value of \$40.7 Bn in March 2024. Similarly, the domestic order book position also remains strong in with 4 out of 5 businesses expecting an increase in Q2 2024. Momentum in demand, with recovery in rural economy continues to support optimism for sales volume and selling prices, by 21 percentage points and 23 percentage points,

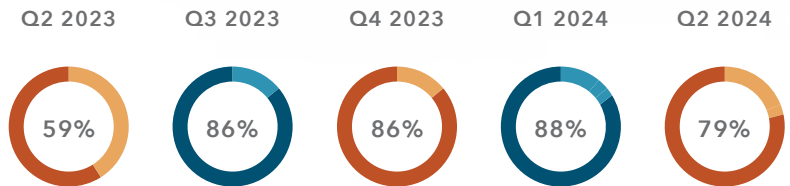
respectively. Profitability outlook has remained undeterred with optimism rising by strong 33 percentage points in Q2 2024 on annual basis. Small and medium sized firms in India find themselves well placed in the market to withstand the supply side vulnerabilities and the uncertainties attached with rapidly evolving global landscape. Businesses are increasingly more confident in managing their working capital requirements as liquidity situation remains managed. This is reflected with more than 90% respondents expecting the fund availability to be easy to normal. Despite high cost of borrowings, small businesses are prioritizing investments for expansion, with optimism for fixed investments and hiring increasing by 24 percentage points and 20 percentage points, respectively, on annual basis. Further, businesses feel more confident in utilizing existing capacity with 65% respondents expecting an increase, 29 percentage points higher on annual basis. However, businesses anticipate that optimism regarding raw material prices to remain subdued, with 12-percentage-points (y-o-y) decrease in optimism for reduction in raw material prices in the upcoming quarter. With input costs are showing signs of reversal, posing a downside risk to the growth story of Indian SMEs.

Business Confidence Levels

DEMAND ENVIRONMENT

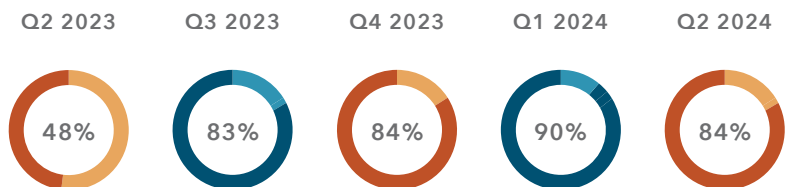
SALES VOLUME

79% of the respondents expect an increase in volume of sales in Q2 2024, compared to 59% in Q2 2023, increase of 21 percentage points.



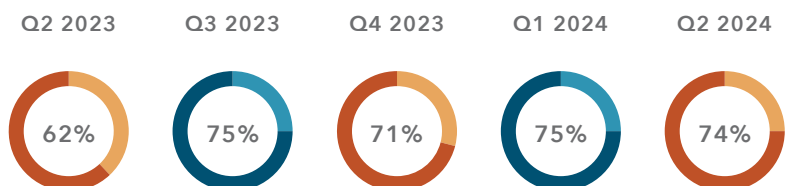
DOMESTIC ORDERS

84% of the respondents expect an increase in domestic orders in Q2 2024 compared to 48% in Q2 2023, increase of 36 percentage points.



EXPORT ORDERS

75% of the respondents expect an increase in their export orders in Q2 2024, compared to 62% in Q2 2023, increase of 13 percentage points.



Small businesses remain on the high growth trajectory, following an all-time high performance in previous quarter and witnessing strong year-on-year growth, with optimism rising by 17% (y-o-y) in Q2 2024. The long-term growth story remains intact, supported by robust demand outlook and resilience of small businesses in handling challenges in supply environment. This survey shows that the Strong outlook for sales as well as profitability continue to drive the steady performance of small businesses. Businesses are embracing the tight market environment, while keeping the expansionary plans undeterred, with 3 out of 4 businesses expecting an increase in fixed investments for the upcoming quarter. Overall, Small businesses are optimizing their market access, amidst the uncertainties, broadening the horizons across domestic and global fronts.



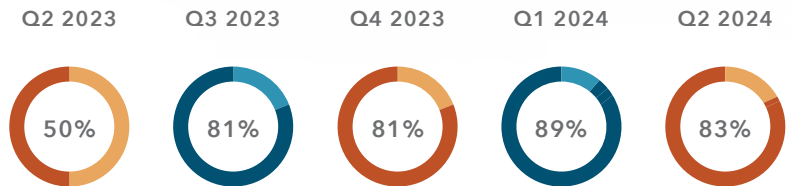
FINANCIAL SITUATION

NET PROFITS

83% of the respondents expect an increase in their net profits in Q2 2024 compared to 50% in Q2 2023, increase of 33 percentage points.



Up from previous quarter
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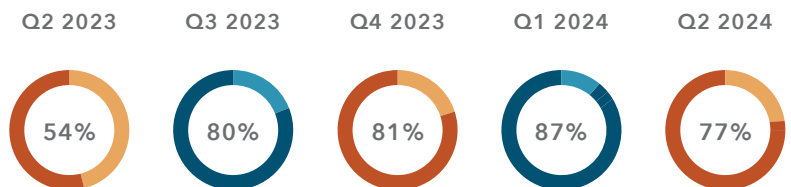


SELLING PRICE OF THEIR PRODUCTS/SERVICES

77% of the respondents expect an increase in the selling price of their products and services in Q2 2024 compared to 54% in Q2 2023, increase of 23 percentage points.



Up from previous quarter
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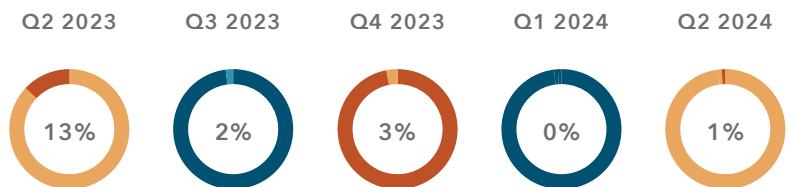


RAW MATERIAL

Only 1% of the respondents expect their raw material prices to come down in Q2 2024 compared to 13% in Q2 2023, decrease of 12 percentage points.



Decline from previous quarter
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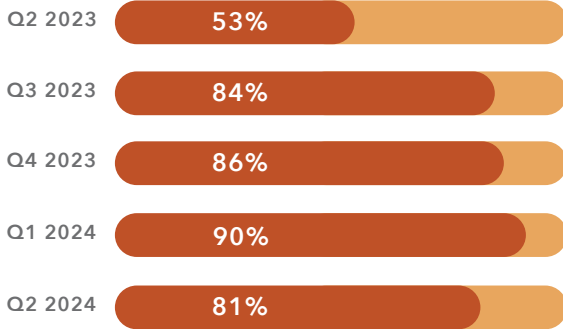


The small businesses in India continue to reflect the inherent optimism in the Indian economy - with strong domestic demand further supplemented by rising export orders. Rural demand appears high on anticipation of good monsoon and broad basing of the consumer demand to the rural economy. Despite the expected reversal of raw material costs, businesses anticipate the strength of consumer demand to percolate well into its profitability levels. The sustained optimism among small businesses reflects their preparedness in handling limited sources of supplies, managing the short-term funding requirements, and planning long-term investments.



Business Confidence Levels

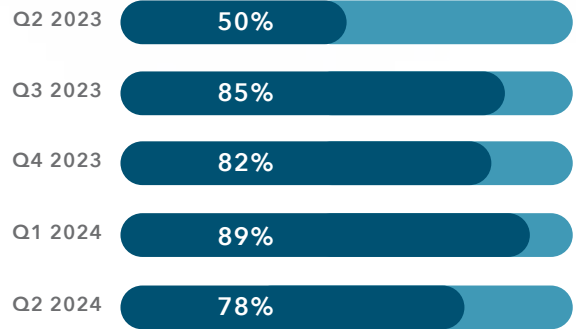
INVENTORY MANAGEMENT



INVENTORY OF FINISHED GOODS



81% of the respondents expect an increase their level of inventory of finished goods in Q2 2024 compared to 53% in Q2 2023, increase of 28 percentage points.



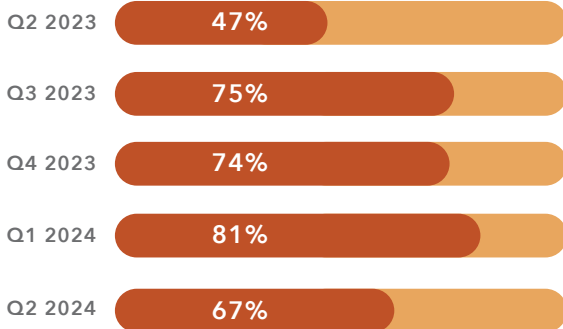
INVENTORY OF RAW MATERIALS AND WORK IN PROGRESS



78% of the respondents expect an increase in their level of inventory of raw materials and work in progress in Q2 2024 compared to 50% in Q2 2023, increase of 28 percentage points.



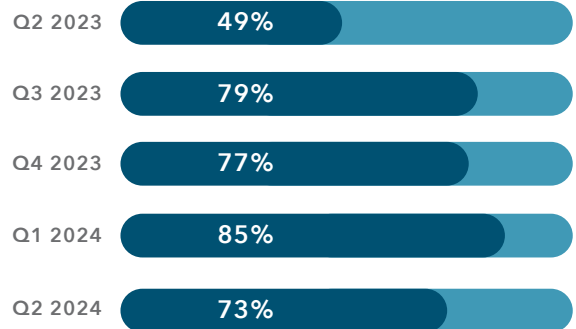
INVESTMENT SCENARIO



WORKFORCE SIZE



67% of the respondent SMEs expect an increase in the size of their workforce in Q2 2024, compared to 47% in Q2 2023, an increase of 20 percentage points.



FIXED CAPITAL INVESTMENTS



73% of the respondents expect an increase in their fixed capital investments in Q2 2024, compared to 49% in Q2 2023, an increase of 24 percentage points.

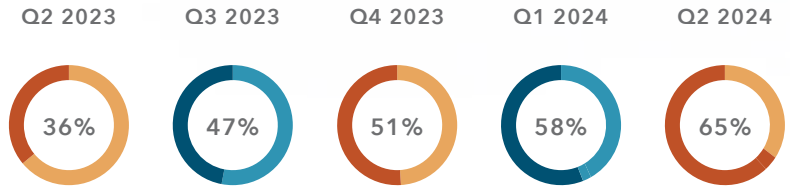


Business Confidence Levels

CAPACITY UTILISATION

SMEs anticipate average capacity utilization to be at 65% in Q2 2024, increasing on o-y by 29 percentage points.

Up from previous quarter
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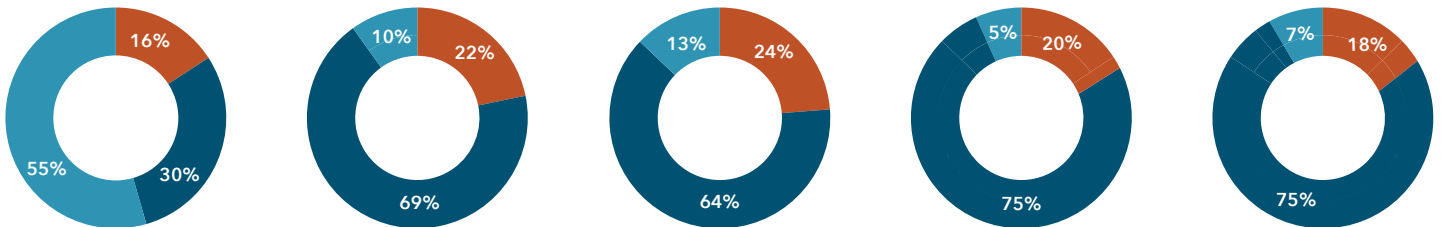
ACCESS TO CREDIT



75% of the respondents anticipate that access to credit will be normal, while 18% anticipate it to be easy and 7% of the respondents anticipate that access to credit will be tight in Q2 2024

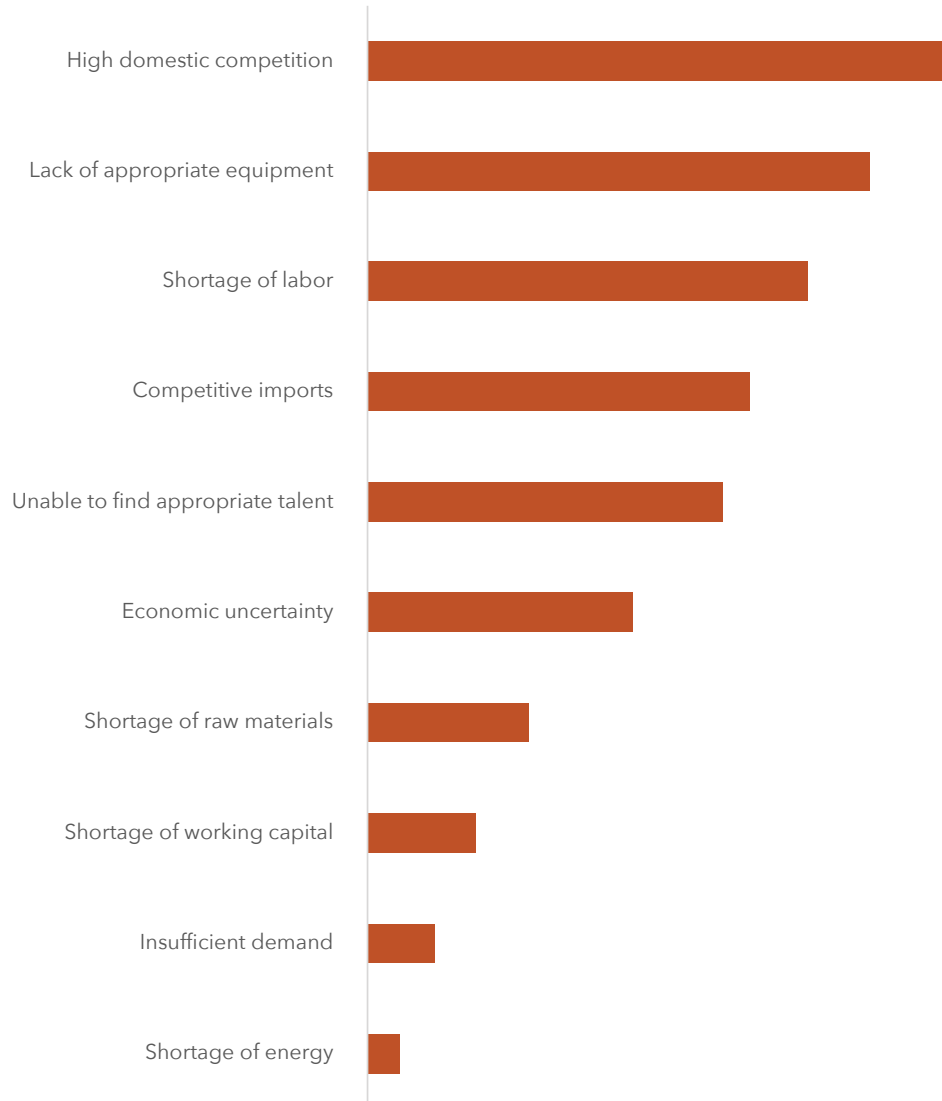
Up from previous quarter
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Q2 2023 Q3 2023 Q4 2023 Q1 2024 Q2 2024



Easy Normal Tight

FACTORS LIMITING PRODUCTION VOLUME



- 12% of SMEs expect high domestic competition to be the most critical constraint to production in Q2 2024.
- Only 3% of SMEs expect shortage of working capital to hamper to production, decreasing by 13 percentage points on annual basis.

- 10% of SMEs expect lack of appropriate equipment to be an impediment to the production, increasing by 6 percentage points compared to Q2 2023

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.

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