

## Key Highlights of the Survey

ASSOCHAM D&B Small Business Confidence Index survey data reflects a modest uptick of 0.2 percent in business confidence among the business executives for Q3 2024, following three consecutive quarters of rising optimism. 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 100.0 in Q3 2024. While the small businesses continue to maintain their optimistic outlook, the optimism appears to be plateauing with modest 0.2% quarter-on-quarter improvement seen for Q3 2024.

The survey indicates the overall demand sentiments within economy are stabilizing at current levels after riding high for four consecutive quarters. The slight moderation in demand growth is also being echoed in most of parameters recorded in the survey. The underlying demand sentiment has also kept businesses wary of raising selling prices, with somewhat stagnant optimism for price increases in upcoming quarter. On the cost front, while the raw material costs are expected to ease further, the overall cost is expected to remain high compared to long-term average cost line, thus expected to

squeeze profit margins, with sentiment declining by 11 percentage points on a quarterly basis. The lower optimism is also being reflected for exports orders, wherein the optimism has moderated by 8 percentage points on a quarterly basis.

The moderated optimism for order book expansion has led to reluctance in capacity utilization, which in turn, suppresses the optimism for new investments for the upcoming quarter. New hirings continue to remain a major concern for past two quarters despite firms anticipating labor shortages and difficulties in finding appropriate talent. The optimism for fresh hiring of employees have been down by 5 percentage points for Q3 2024.

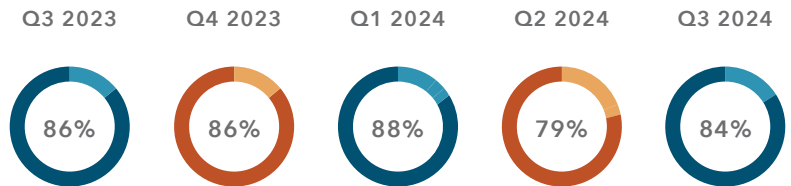
Despite these near-term hiccups with increasing concerns of businesses for continuance of demand outlook exhibited in earlier quarters- the optimism for sales have remained a driving force and managed to keep overall optimism in positive realm, with sales optimism rising by 4 percentage points on quarterly basis. Along with this, credit availability remains another pillar of strength with 51% of firms anticipating easier access and no major concerns regarding working capital.

## Business Confidence Levels

### DEMAND ENVIRONMENT

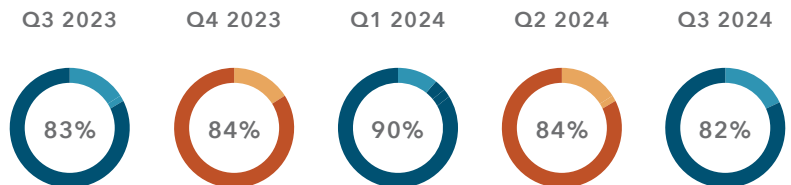
#### SALES VOLUME

84% of the respondents expect an increase in volume of sales in Q3 2024, compared to 79% in Q2 2024, increase of 4 percentage points



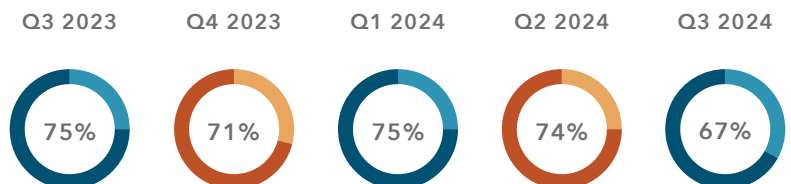
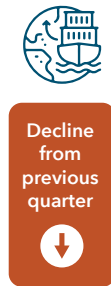
#### DOMESTIC ORDERS

82% of the respondents expect an increase in domestic orders in Q3 2024 compared to 84% in Q2 2024, decrease of 2 percentage points



#### EXPORT ORDERS

67% of the respondents expect an increase in their export orders in Q3 2024, compared to 75% in Q2 2024, decrease of 8 percentage points



The ASSOCHAM D&B Small Business Optimism Survey highlights mixed signals in the Indian economy. There's strong optimism in areas like sales, liquidity, and credit flow. However, optimism about profitability and new investments is slowing down. Higher production costs and stagnant selling prices are likely impacting profitability. The steady Small Business Confidence Index (SBCI) from the previous quarter suggests businesses are consolidating past gains while waiting for new momentum. Due to geopolitical uncertainty, companies are hesitant to invest in new capacity and are instead maximizing existing resources to meet increased sales



## FINANCIAL SITUATION

### NET PROFITS

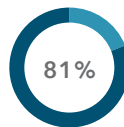
72% of the respondents expect an increase in their net profits in Q3 2024 compared to 83% in Q2 2024, decrease of 11 percentage points



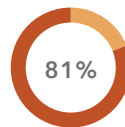
Decline from previous quarter



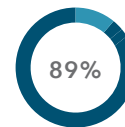
Q3 2023



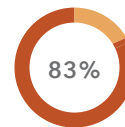
Q4 2023



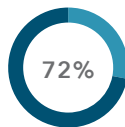
Q1 2024



Q2 2024



Q3 2024



### SELLING PRICE OF THEIR PRODUCTS/SERVICES

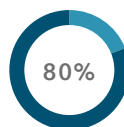
77% of the respondents expect an increase in the selling price of their products and services in Q3 2024, unchanged from the previous quarter



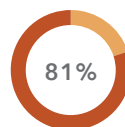
Same level as previous quarter



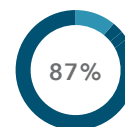
Q3 2023



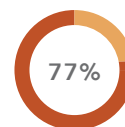
Q4 2023



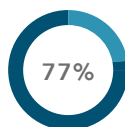
Q1 2024



Q2 2024



Q3 2024



### RAW MATERIAL

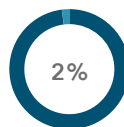
Only 4% of the respondents expect their raw material prices to come down in Q3 2024 compared to 1% in Q2 2024, increase of 3 percentage points



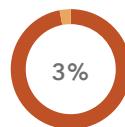
Up from previous quarter



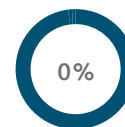
Q3 2023



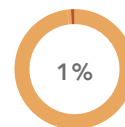
Q4 2023



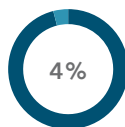
Q1 2024



Q2 2024



Q3 2024

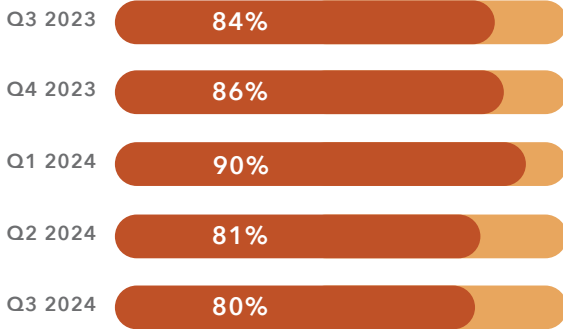


After strong performances over the past four quarters, small businesses in India are now seeking new catalysts as optimism plateaus for the upcoming quarter. In Q3 2024, optimism grew by a modest 0.2% quarter-on-quarter. A sluggish demand recovery, coupled with supply chain challenges and high raw material costs, is making producers hesitant to expand. Businesses are entering the next quarter with caution, focusing on selling off inventory and maintaining capacity utilization, which has dampened enthusiasm for new investments and hiring. Despite these challenges, strong optimism for sales and liquidity provides some support



## Business Confidence Levels

### INVENTORY MANAGEMENT

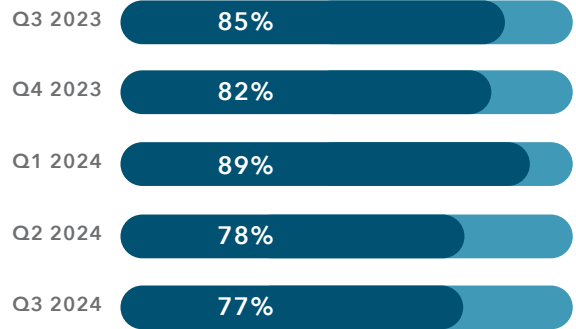


#### INVENTORY OF FINISHED GOODS



80% of the respondents expect an increase their level of inventory of finished goods in Q3 2024 compared to 81% in Q2 2024, decrease of 1 percentage point

Decline from previous quarter



#### INVENTORY OF RAW MATERIALS AND WORK IN PROGRESS

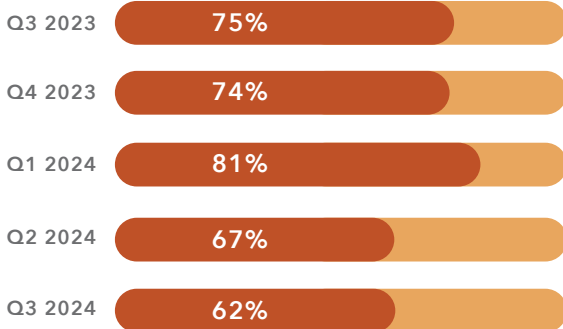


77% of the respondents expect an increase in their level of inventory of raw materials and work in progress in Q3 2024 compared to 78% in Q2 2024, decrease of 1 percentage point

Decline from previous quarter



### INVESTMENT SCENARIO

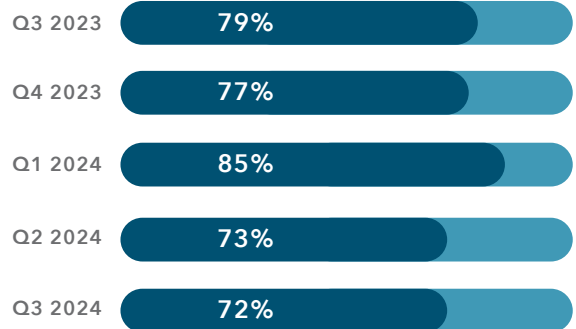


#### WORKFORCE SIZE



62% of the respondent SMEs expect an increase in the size of their workforce in Q3 2024, compared to 67% in Q2 2024, decrease of 5 percentage points

Decline from previous quarter



#### FIXED CAPITAL INVESTMENTS



72% of the respondents expect an increase in their fixed capital investments in Q3 2024, compared to 73% in Q2 2024, decrease of 1 percentage point

Decline from previous quarter

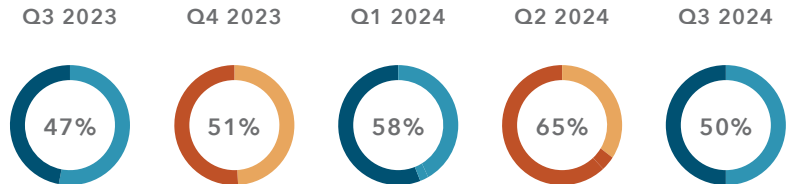


## Business Confidence Levels

### CAPACITY UTILISATION

SMEs anticipate average capacity utilization to be at 50% in Q3 2024, decreasing by 15 percentage points on quarterly basis

Decline from previous quarter  
↓



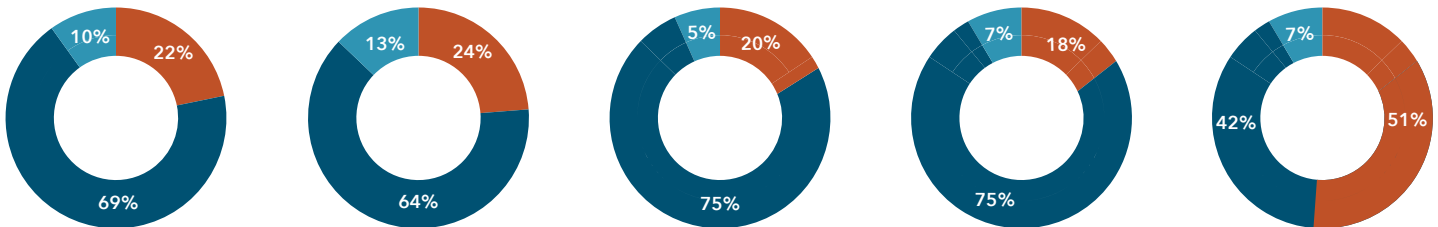
### ACCESS TO CREDIT



51% of the respondents anticipate that access to credit will be easy, while 42% anticipate it to be normal and 7% of the respondents anticipate that access to credit will be tight in Q3 2024

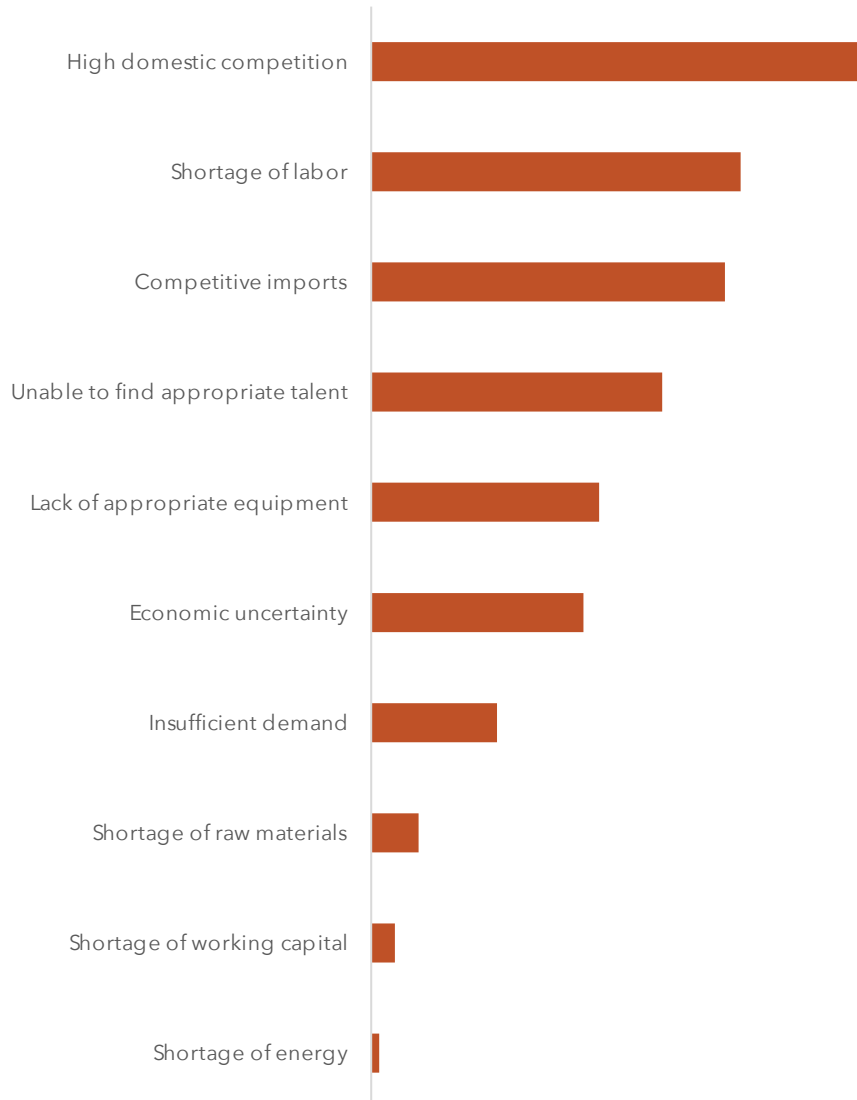
Decline from previous quarter  
↓

Q3 2023      Q4 2023      Q1 2024      Q2 2024      Q3 2024



Easy      Normal      Tight

## FACTORS LIMITING PRODUCTION VOLUME



- 12% of SMEs expect high domestic competition to be the most critical constraint to production in Q3 2024
- 10% of SMEs cite competitive imports to be a significant impediment to production in Q3 2024
- 10% of SMEs anticipate shortage of labor and 7% expect difficulties in finding

appropriate talent to be key constraints that could hamper production in Q3 2024

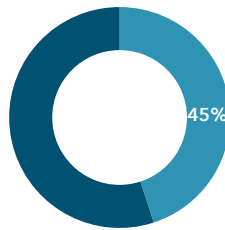
- Number of respondents expecting a shortage of working capital as an impediment to production has significantly decreased for Q3 2024, with only 1% anticipating it as a risk to production



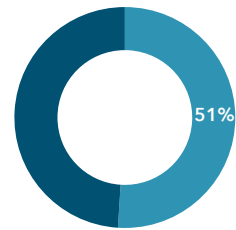
## RISKS AND OPPORTUNITIES FOR BUSINESSES

- 45% of SMEs expect supply chain disruptions to affect the businesses significantly in Q3 2024
- 51% of SMEs expect inflation to be a key risk factor affecting their businesses in Q3 2024

### GEOPOLITICAL EVENT



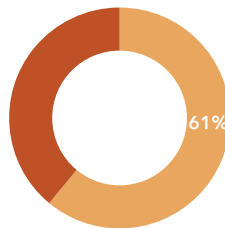
### INFLATION



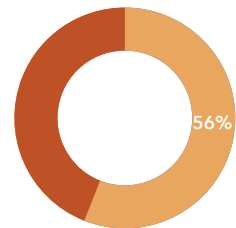
## OPPORTUNITIES FOR SMALL BUSINESSES

- 56% of SMEs are optimistic for the increase in consumer spending for Q3 2024
- 61% of the SMEs are optimistic about adaption or enhancement of digital technologies in their businesses for Q3 2024

### DIGITAL ADOPTION



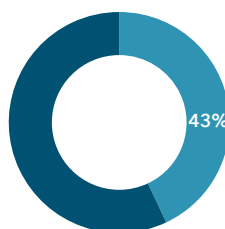
### CONSUMER SPENDING



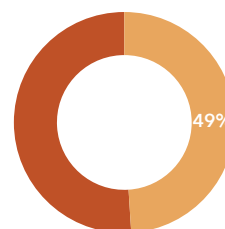
## FOCUS AREAS FOR DIGITAL ADOPTION

- E-commerce and other sales channels and digital marketing continue to be the dominant focus area for digital adoption, with one in two businesses opting for it.
- However, only 2 in 5 businesses expect digital payments and fintech solution to be the focus areas for digital adoption.

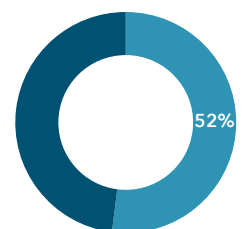
### DIGITAL PAYMENT AND FINTECH SOLUTION



### DIGITAL MARKETING AND SOCIAL MEDIA PLATFORM



### E-COMMERCE AND ONLINE SALES CHANNELS



## 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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