



SIDBI – D&B SPeX

OCTOBER – DECEMBER 2024

Sustainability Perception Index (SPeX) – The green pulse indicator



Analytical contacts

SIDBI

Dr R.K Singh
singhrk@sidbi.in

Ms. Sumita Chowdhury
sumichow@sidbi.in

Dr. Rajendra Prasad
rajendrapd@sidbi.in

Mr. Neeraj Verma
neerajverma@sidbi.in

Dun & Bradstreet

Dr. Arun Singh
singharun@dnb.com

Mr. Jayesh Kumar
kumarjay@dnb.com

Ms. Dipshikha Biswas
biswasd@dnb.com

Dun & Bradstreet Information Services India Pvt

Ltd Godrej BKC, 7th floor, G-Block, Bandra Kurla
Complex, Mumbai, Maharashtra, India – 400 051
CIN: U74140MH1997PTC107813

Table of contents

Introduction	4
Key takeaways	5
Objective of SPeX	6
How is SPeX calculated?	7
Key findings	8
Firmographics	19
SPeX at State Levels	20

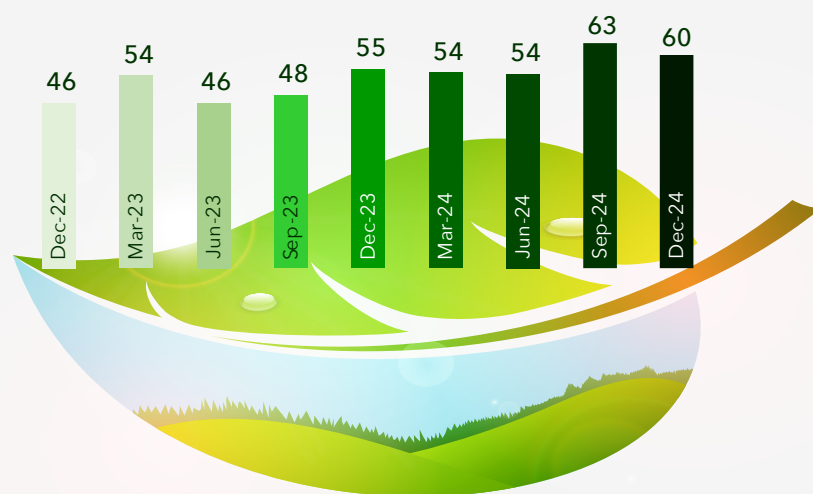
Introduction

Sustainability has become a key focus area for businesses globally, and Micro, Small, and Medium Enterprises (MSMEs) are no exception. In India, MSMEs play a vital role in the economy, contributing significantly to the country's GDP and employment generation. However, the sector also faces challenges, including sustainability concerns. To address these challenges, it is essential to understand the current state of sustainability perceptions among MSMEs in India.

It is in this context Dun and Bradstreet, in collaboration with SIDBI introduced a quarterly Sustainability Perception Index (SIDBI - D&B SPeX) - the green pulse indicator. SPeX is a pioneering effort to assess the sustainability perceptions of MSMEs across various industries and locations. The index is designed to provide a comprehensive overview of the sustainability landscape in the Indian MSME sector. The index assesses the internal and external factors that shape sustainability perception of businesses on three dimensions, namely –Awareness, Willingness, and Implementation of sustainability measures.

The SPeX is based on a rigorous methodology that considers a range of factors that influence sustainability perceptions, such as policy and regulations, social responsibility, and governance practices. The index uses data from survey of MSME owners and managers to capture an accurate picture of sustainability perceptions. The report provides insights into the current state of sustainability perceptions among MSMEs in India, highlighting trends, challenges, and opportunities for improvement. It aims to serve as a valuable tool for policymakers, regulators, industry associations, and MSMEs to identify opportunities for improvement and implementation strategies to enhance adoption of sustainability practices. SPeX acts as an enabler in raising awareness about the importance of sustainability among MSMEs, encourage MSMEs to adopt sustainable practices, and contribute to the overall growth and development of the Indian economy.

Sustainability Perception Index (SPeX)



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, October-December 2024

Key takeaways



AWARENESS

- Over the course of 2024, awareness about **green financing** among MSMEs increased significantly, rising from 45% in Q1 to 69% in Q4. However, the percentage of MSMEs utilizing green financing dropped sharply, from 41% in Q3 to just 7% in Q4. However, MSMEs (45%) sought alternative financial or policy support, highlighting their focus to access policy support to drive sustainability adoption.
- Both medium and small sized firms identified "difficulty quantifying outcomes," and "uncertain returns," as the top barriers for not investing in sustainability practices in 2024. Micro enterprises were primarily deterred by "uncertain returns," and "long-term returns" from sustainability initiatives.
- The perception that sustainability investments were preferred by select **global customers** is less pronounced in Q4 compared to Q3, reflecting the expanding scope of global policies and regulations.
- Established businesses with more than 10 years of operation regard increased stakeholder attractiveness as a primary **benefit** for adopting sustainability initiatives. Younger businesses with 5 to 10 years of operation, indicated lower confidence in cost reduction as a benefit compared to other factors, reflecting concerns about upfront investments and/or challenges in measuring returns on sustainability adoption.



WILLINGNESS

- Environment related initiatives like reducing emissions, waste, water, and energy remain the topmost sustainability **priority** in 2024, with an average of 76% of MSMEs focusing on these areas. Employee welfare, training, and retention followed closely at 75%. However, social welfare and compliance continue to lag, with an average of only 36% and 34% of MSMEs respectively prioritising these aspects in 2024.
- Cost reduction remains the primary **driver** for sustainability adoption in 2024, with an average of 63% of MSMEs citing this factor. Peer pressure and regulatory compliance have become increasingly significant with higher percentage of MSMEs indicating this over the year (2024).
- Small and medium businesses are prioritising environmental goals amid rising regulatory pressure, while micro enterprises to expand their current sustainability measures and take **new sustainability initiatives**.
- Interestingly, firms less than 10 years old are placing greater **emphasis** on women's workforce participation (37%) and compliance (26%) in Q4 2024 as compared to older firms (21% on women's participation and 14% on compliance).



IMPLEMENTATION

- MSMEs increased their efforts toward **implementation** of various sustainability measures in Q4 2024 compared to Q3 2024, with a stronger focus on environmental sustainability measures compared to governance and compliance initiatives.
- Firms with over 10 years of operation demonstrated a greater inclination toward implementing various sustainability initiatives in Q4, showing notable improvement from Q3. Conversely, majority of firms under 10 years old reported being in the process of implementation. The proportion of MSMEs still planning or yet to begin implementation was higher among younger firms compared to those with over a decade of operation.
- The percentage of MSMEs planning to **adopt additional sustainability measures** in the first half of 2025 saw a significant rise, with 87% stating this in Q4 2024 compared to just 49% in Q3 2024. This upward trend was observed across businesses of all sizes, with medium-sized firms (95%) leading the way in their commitment to sustainability initiatives.
- In 2023 and 2024, the implementation cost and capital availability consistently emerged as key challenges for MSMEs in adopting sustainable practices. Meanwhile, factors such as environmental labelling and certification, operating procedures, and management buy-in were the least obstacles, reflecting MSMEs are keen to adopt sustainability and seek financial and technical support.

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).



SPeX aims to provide valuable insights into how industry stakeholders perceive sustainability, identify key areas for improvement, and foster a culture of sustainable practices.



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 250+ MSMEs across India during October-December 2024. Survey participants are to fill a digital questionnaire containing questions 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 may be overlap between the survey respondents in the current and previous surveys.

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



Key findings

Firms with longer operational history exhibit higher sustainability awareness, willingness and implementation, while newer firms show stronger awareness and willingness, but lag in actual implementation.

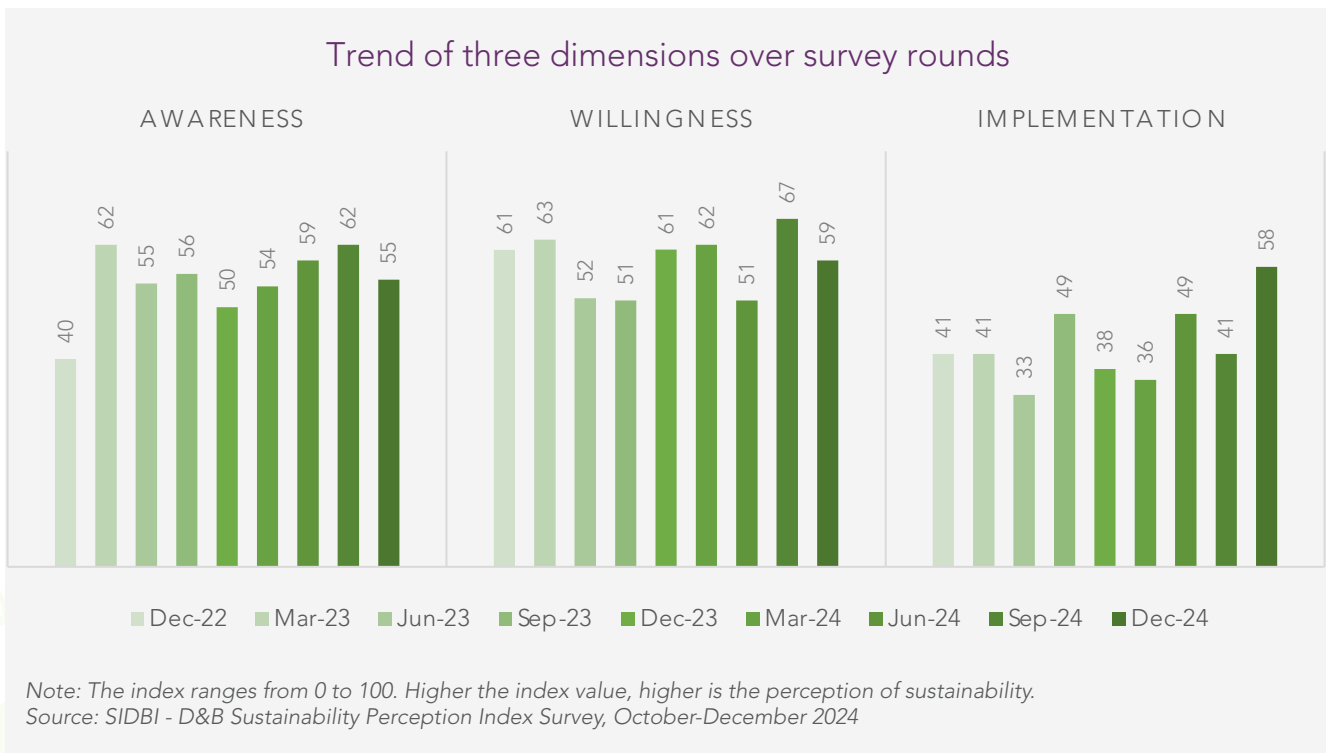
The SPeX for Q4 2024 declined by 5.3% in q-o-q, yet increased y-o-y by 8% to 60, the 2nd highest value in 9 quarters since Q4 2022.

Implementation Dimension:

Implementation dimension in Q4 2024 reached its highest level of 58 in the last nine quarters, reflecting progress of MSMEs in adopting sustainability measures.

Willingness Dimension: This dimension saw a decline, falling below both the previous quarter and the same period in the prior year.

Awareness Dimension: While the awareness dimension scored 55 in Q4 2024, this marks a decrease compared to the previous two quarters. However, it remains higher than the levels recorded during the six quarters spanning Q4 2022 to Q1 2024.



Firms with longer operational history exhibit higher levels of awareness, willingness and implementation, while newer firms show

stronger awareness and willingness, but lag in actual implementation.

AWARENESS



Familiarity with ESG initiatives related to their businesses

Given the evolving ESG landscape, MSMEs are increasingly recognizing the need to enhance their familiarity to remain competitive and meet the demands of stakeholders, including global clients. Global players are further driving adoption through supply chain mandates, as they align with international regulatory frameworks and sustainability goals.

Higher share of MSMEs indicating limited **familiarity** across environment, social and governance factors in Q4 compared to Q3 of 2024, particularly in the context of environmental measures, reflects the intention of MSMEs to catch up with the changes in regulations in the sustainability space.

Key benefits of sustainability

In 2024, MSMEs identified improved brand image and competitive advantage (83%), and enhanced attractiveness to stakeholders, such as employees, investors, and customers (85%) as key **benefits** of sustainability adoption. Notably, profitability (80%) and cost reduction (80%) ranked lower as perceived benefits across most firms, except for small businesses where cost reduction (85%) held greater importance.

Availing the benefits of financial or other policy support to adopt sustainable practices

Financial and policy support from the government and other institutions remain crucial for motivating MSMEs to adopt sustainability measures. Over the course of 2024, awareness about **green financing** among MSMEs significantly increased, rising from 45% in Q1 to 69% in Q4. However, the percentage of MSMEs utilizing green financing dropped sharply, from 41% in Q3 to just 7% in Q4. However, MSMEs (45%) sought **alternative financial or policy support**, highlighting their focus to access policy support to drive sustainability adoption.

Challenges in investing in sustainability initiatives

The predominant reason MSMEs cited for not **investing in sustainability** practices remains the medium-to-long-term nature of returns. Although, the medium-to-long-term return on sustainability investments remains a barrier, concerns about uncertain returns are declining with growing recognition of long-term benefits. Additionally, the perception that ESG investments are mostly preferred by specific global customers is less pronounced in Q4, reflecting the expanding scope of global policies and regulations.

WILLINGNESS



Sustainable priorities

Environment related initiatives like reducing emissions, waste, water, and energy remain the topmost sustainability **priority** in 2024, with 76% of MSMEs focusing on these areas. Employee welfare, training, and retention followed closely at 75%. However, social welfare and compliance continue to lag, with only 36% and 34% of MSMEs respectively prioritising these aspects in 2024.

Influencing factors

In 2024, regulatory compliance (59%) and peer pressure (41%) have become increasingly important factor influencing adoption alongside cost reduction (63%) across all size of firms.

Focus on sustainability initiatives over the next six months

The willingness to **adopt** new sustainability initiatives remains low, with most MSMEs concentrating on enhancing existing efforts in environmental, social, and governance (ESG) domains in Q4 2024.

Expertise

Having already built some **expertise** in sustainable supply chains and implementing sustainable measures MSMEs have shifted their focus to developing sustainable business strategies and implementing environmental practices in Q4 2024. The number of businesses building expertise in these areas surged from 53% and 56% in Q3 to 82% and 61% in Q4, respectively. The share of MSMEs having expertise in sustainable supply chains and implementing sustainable measures have improved from 25% each in Q3 2024 to 53% and 58% respectively.



IMPLEMENTATION



Status of implementation

MSMEs increased their efforts toward **implementation** of various sustainability measures in Q4 2024 compared to Q3 2024, with a stronger focus on environmental sustainability measures compared to governance and compliance initiatives.

Implementation of additional sustainability measures over the next two quarters

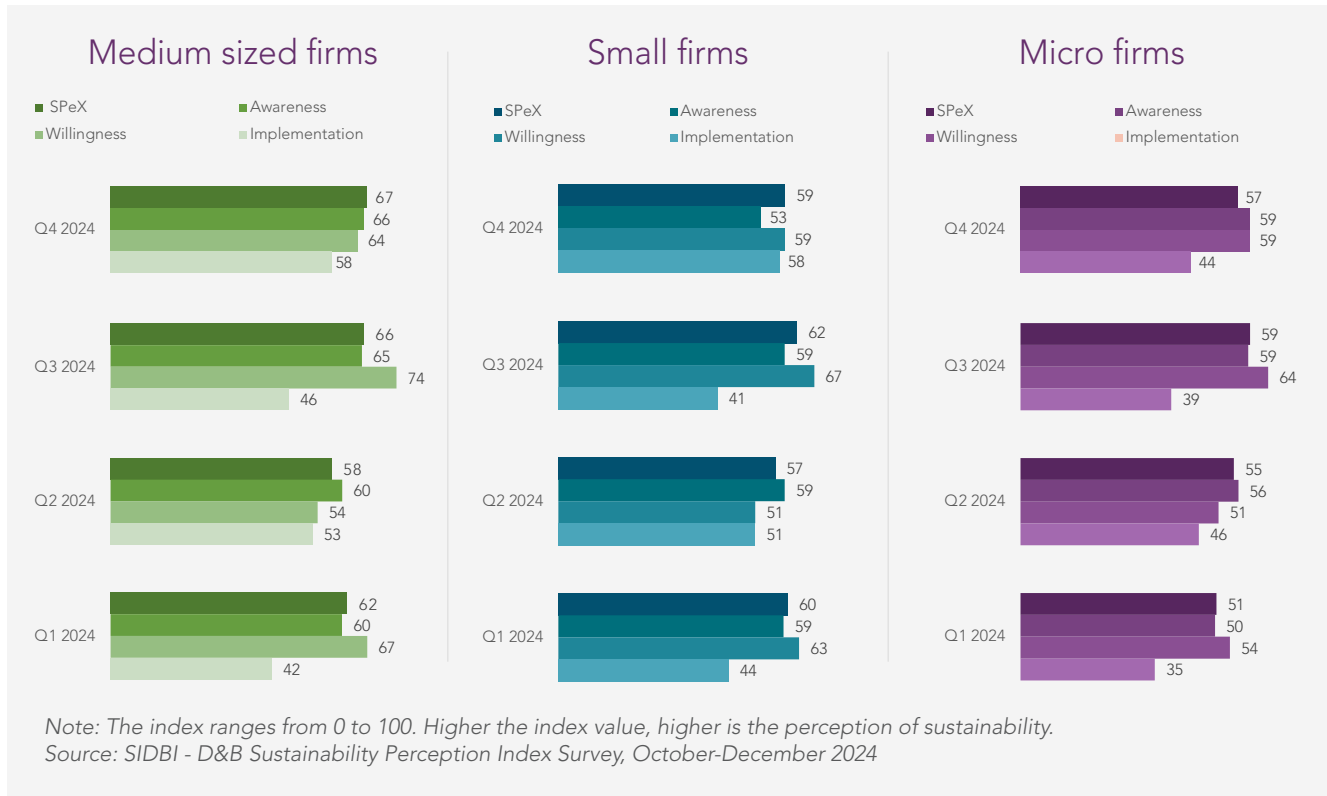
The percentage of MSMEs planning to adopt additional sustainability measures in the first half of 2025 saw a significant rise, with 87% stating this in Q4 2024 compared to just 49% in Q3 2024.

In 2023 and 2024, the implementation cost and capital availability consistently emerged as key challenges for MSMEs in adopting sustainable practices. Meanwhile, factors such as environmental labelling and certification, operating procedures, and management buy-in were the least obstacles, reflecting MSMEs are keen to adopt sustainability and seek financial and technical support.



SPeX by size of firms

Medium firms lead in ESG awareness, but implementation lags across MSMEs



Insights by size of firms

- Medium-sized firms consistently ranked the highest on the SPeX index throughout all four quarters of 2024, followed by small and micro firms.
- In Q4 2024, the SPeX index for medium-sized firms increased modestly by 1% compared to the previous while it declined by 5% for small firms and by 3% for micro firms.
- **The awareness dimension** improved modestly (1%) for medium-sized firms but declined for small firms and remained unchanged for micro firms in Q4 compared to Q3.
- **The willingness** dimension declined across all firm sizes, indicating a broader challenge in driving intent.
- **The implementation** dimension improved across all firm sizes, with small firms demonstrating the highest gains. However, the implementation dimension remained the lowest among micro firms throughout all four quarters of 2024.

Key insights by size of firms

Awareness



MSMEs cite limited familiarity with environmental measures reflecting the evolving changes in environmental rules and regulations and difficulty in quantifying benefits from sustainability.

- Firms across all sizes indicated limited familiarity with environmental measures compared to social and governance aspects, reflecting the evolving changes in regulations and requirements by various stakeholders (clients, customers).
- Awareness of green financing has grown especially among medium-sized businesses, followed by small and micro enterprises. However, the uptake of green financing dropped across all firm sizes in Q4, with medium and small businesses seeing a steeper drop (from an average of 42% in Q3 to 7% in Q4). This trend coincides with an increase in their reliance on alternative financial or policy support, which rose from 41% to 49% during the same period. In contrast, both green financing uptake and policy support utilization dropped for micro businesses, from 37% in Q3 to 11% in Q4 2024.
- Both medium and small sized firms identified "difficulty quantifying outcomes," and "uncertain returns," as the top barriers for not investing in sustainability practices in 2024. Micro enterprises were primarily deterred by "uncertain returns," and "long-term returns" from sustainability initiatives.
- In Q4 2024, medium (98%) and small businesses (91%) consider improved attractiveness to stakeholders as higher benefits to be derived from adopting sustainability practices. Small businesses also indicated cost reduction (94%), reflecting their need for immediate financial gains. Micro businesses exhibit the least confidence in realizing benefits, particularly regarding cost reduction (62%), highlighting potential resource constraints or lack of clarity in deriving sustainability's tangible impact.





MSMEs prioritise environment & workforce related sustainability initiatives in 2024, while compliance also gains importance; micro businesses show greater adaptability in expanding initiatives

- In 2024, MSMEs across all sizes prioritised environment and workforce related sustainability measures, over compliance and social welfare, with an average of 76% focusing on these areas.
 - In 2024, regulatory compliance has become an increasingly important factor influencing adoption alongside cost reduction across all size of firms.
 - In Q4 2024, small and medium-sized firms were particularly hesitant to start new initiatives compared to Q3 2024.
- However, micro businesses were keen to expand their current sustainability measures and as well as take new initiatives signaling greater adaptability among the smallest players.
- Medium and small businesses are building expertise on sustainable business strategies and environmental practices, while micro enterprises are simultaneously enhancing expertise in sustainability implementation and policy formulation in Q4 2024.



Implementation



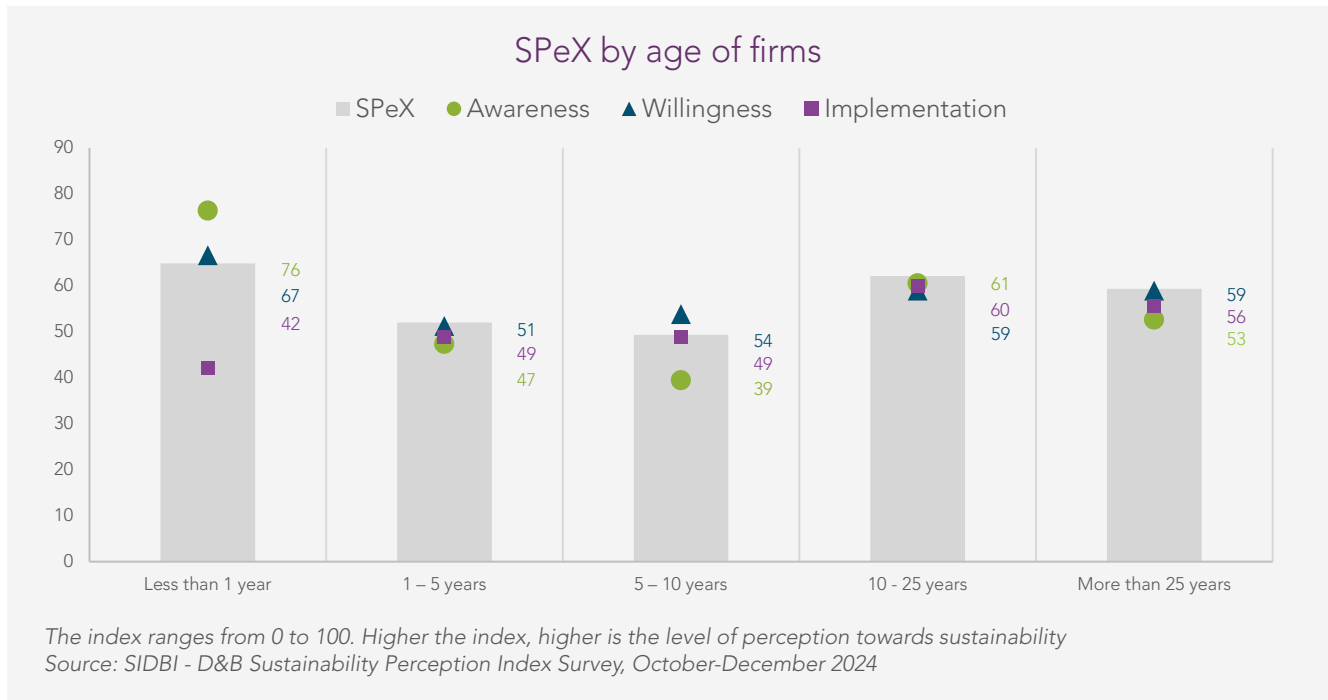
Medium and small businesses are focusing on implementing sustainability initiatives in Q4 2024, while micro firms show growing interest but lag in implementation

- Medium and small businesses have increased their implementation of sustainability initiatives in Q4 2024 compared to the previous quarter, prioritising environmentally sustainable measures over governance and compliance.
- Among micro businesses, a higher proportion indicated they are in the process of implementing various sustainability practices in Q4 2024, particularly in setting sustainability targets and establishing policies and procedures. However, the share of micro firms that have implemented sustainable practices continued to remain low both in Q4 and Q3.
- 85% of MSMEs are planning to adopt additional sustainability measures in next two quarters compared with only 49% in the previous quarter. This upward shift is across business sizes, with medium-sized firms leading the way (95%) in their commitment towards sustainability.
- Medium and small-sized enterprises cited technical expertise and cost as their primary challenges in implementing sustainability practices. In contrast, for micro-enterprises, the key difficulties lay in cost and capital availability, underscoring the financial vulnerability of smaller firms when pursuing sustainability initiatives.



SPeX by age of firms

Age of firms influences ESG engagement: Younger firms struggle with financing and implementation, while older firms excel in certifications and sustainable practices



Insights by age of firms

- The SPeX index declined across all firms except those less than one year old. Similarly, awareness and willingness dimensions dropped across all age groups, excluding newly established firms.
- Implementation dimension increased across all age of firms.
- Firms with longer operational history show a higher level of sustainability implementation, with awareness, willingness, and implementation nearly at the same level.
- On the other hand, awareness and willingness to adopt sustainability practices are stronger among newer firms. However, these businesses lag behind their older counterparts in actual implementation.

Awareness



Older firms prioritise stakeholder appeal, younger firms struggle with uncertain returns from sustainability adoption.

- Established businesses with more than 10 years of operations regard increased stakeholder attractiveness as a primary benefit for adopting sustainability initiatives. Younger businesses with 5 to 10 years of operation, indicated lower confidence in cost reduction as a benefit compared to other factors, reflecting concerns about upfront investments and/or challenges in measuring returns on sustainability adoption.
- Younger firms (less than 10 years old) stated increase in awareness of green financing from Q3 to Q4. However, their adoption of both green financing and alternative financial or policy measures fell in Q4 compared to Q3. Meanwhile, older firms (10+ years) showed a decline in availing green finance but increase in availing financial or policy support, emphasizing their readiness to adopt sustainability practices compared to their younger counterparts.
- Firms over 10 years old struggled most with "difficulty quantifying outcomes" and "uncertain returns" in making decisions to invest in sustainability practices. While younger firms (under 5 years) face challenges such as "uncertain returns" and a perceived lack of competitive advantage.

Willingness



Firms willing to expand Governance initiatives; Younger firms are prioritising cost & compliance, older firms are more influenced by peer influence.

- In Q4 2024, firms across all ages are more willing to increase their current initiatives, particularly in governance over social and environment rather than take new initiatives.
- Younger firms (less than 10 years old) are influenced predominantly by cost reduction and regulatory requirements to adopt sustainability practices, while older firms (10+ years) are increasingly motivated by peer pressure followed by regulations in Q4 2024.
- Interestingly, firms less than 10 years old are placing greater emphasis on women's workforce participation (37%) and compliance (26%) compared to older firms in Q4 2024 (21% on women's participation and 14% on compliance).



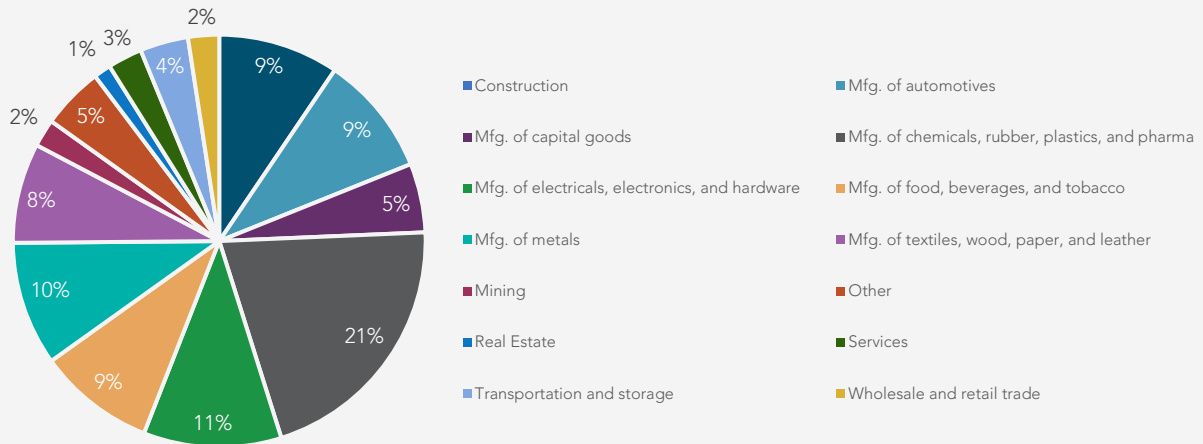
Older firms lead sustainability efforts, younger firms lag in implementation amid technical expertise & capital challenges.

- Firms with over 10 years of operation demonstrated a greater inclination toward implementing various sustainability initiatives in Q4, showing notable improvement from Q3.
- Conversely, the majority of firms under 10 years old reported being in the process of implementation. The proportion of MSMEs still planning or yet to begin implementation was higher among younger firms compared to those with over a decade of operation.
- The age of the business also influenced the nature of challenges faced. For younger firms (less than 5 years old) and established businesses (over 10 years old), the availability of technical expertise was the most significant impediment to implementing sustainable practices. However, for mid-aged firms (5–10 years old), availability of capital was the dominant challenge.
- Firms across all age groups plan to increase sustainability measures in H1 2025. Notably, businesses aged 10–20 years exhibited a more bullish outlook, with 80% planning to take additional initiatives.



Firmographics

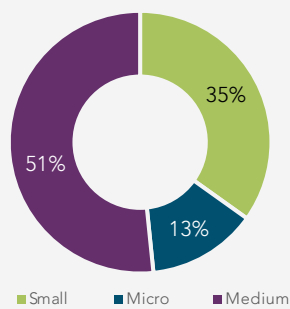
Sector-wise survey participation



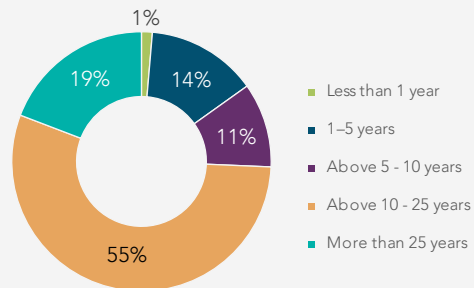
Source: SIDBI - D&B Sustainability Perception Index Survey, October-December 2024

Size and age of business

Respondents by employee size (% share)

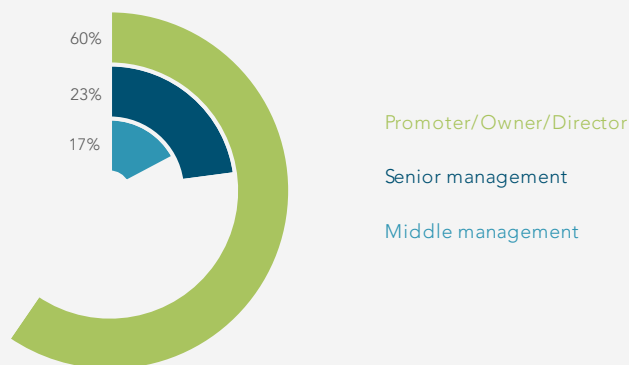


Respondents by age of businesses (% share)



Source: SIDBI - D&B Sustainability Perception Index Survey, October-December 2024

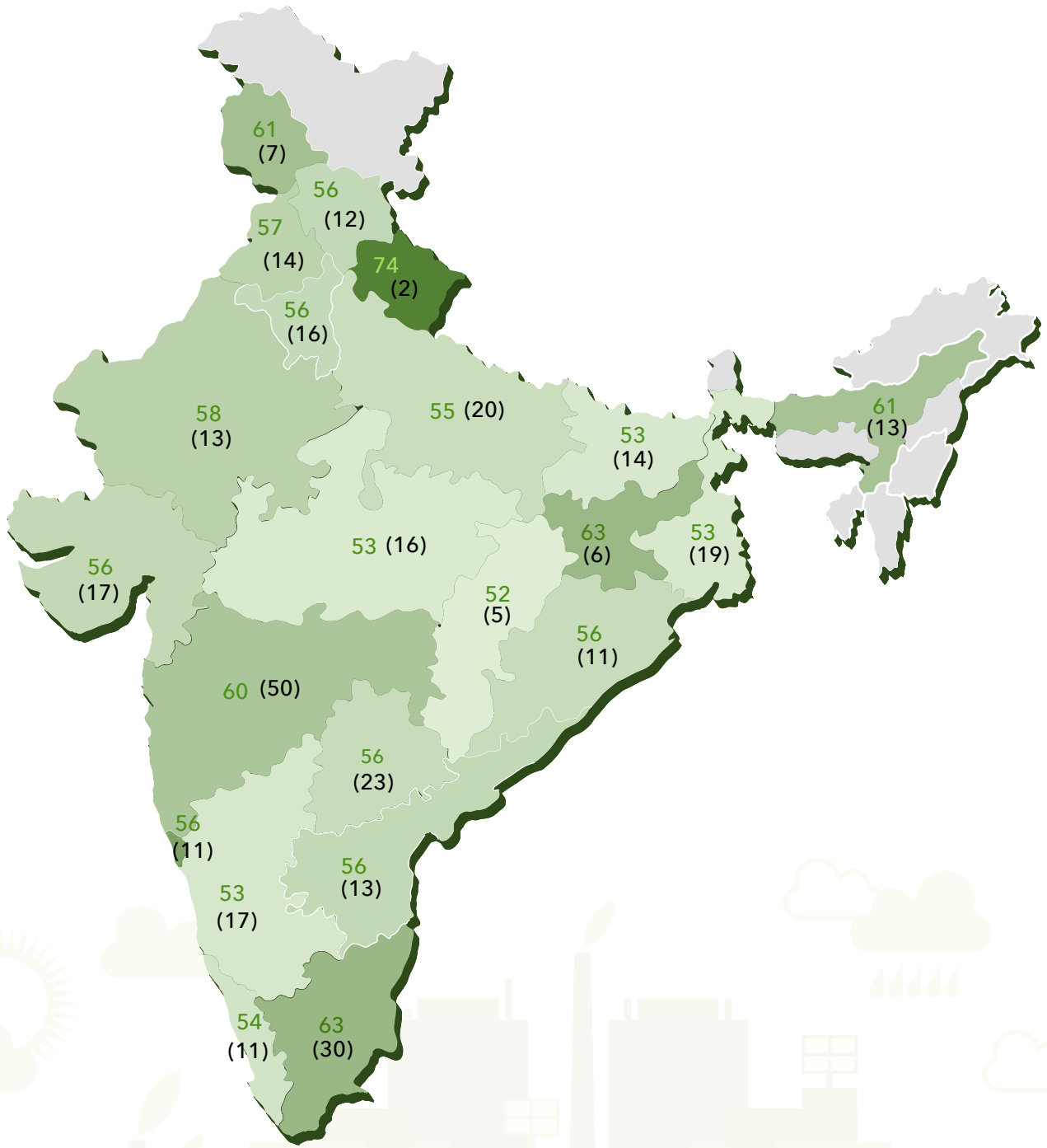
Share of respondents by position



Source: SIDBI - D&B Sustainability Perception Index Survey, October-December 2024

SPeX at state levels

The colour gradients denote the average SPeX values for each state
(The sample size is indicated in parenthesis)



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, October-December 2024



The information contained in this electronic message and any attachments to this message are intended for the exclusive use of the addressee(s) and may contain proprietary, confidential or privileged information. It should not be used by anyone who is not the original intended recipient. If you receive this transmission in error, please notify the sender by reply email and then destroy the message. Opinions, conclusions and other information in this message that do not relate to official business of SIDBI or its subsidiaries & associates, shall be understood to be NEITHER given NOR endorsed by our organisation. Internet communications cannot be guaranteed to be timely, secure, error or virus-free. The recipient should check this e-mail and any attachments for the presence of viruses/malware. Our organisation accepts no liability for any damage caused by any virus/malware transmitted by e-mail. The sender does not accept liability for any errors or omissions.

Twitter: sidbiofficial; Facebook: SIDBIOfficial; Instagram: sidbiofficial; LinkedIn: SIDBI(Small Industries Development Bank of India); YouTube: SIDBI Official