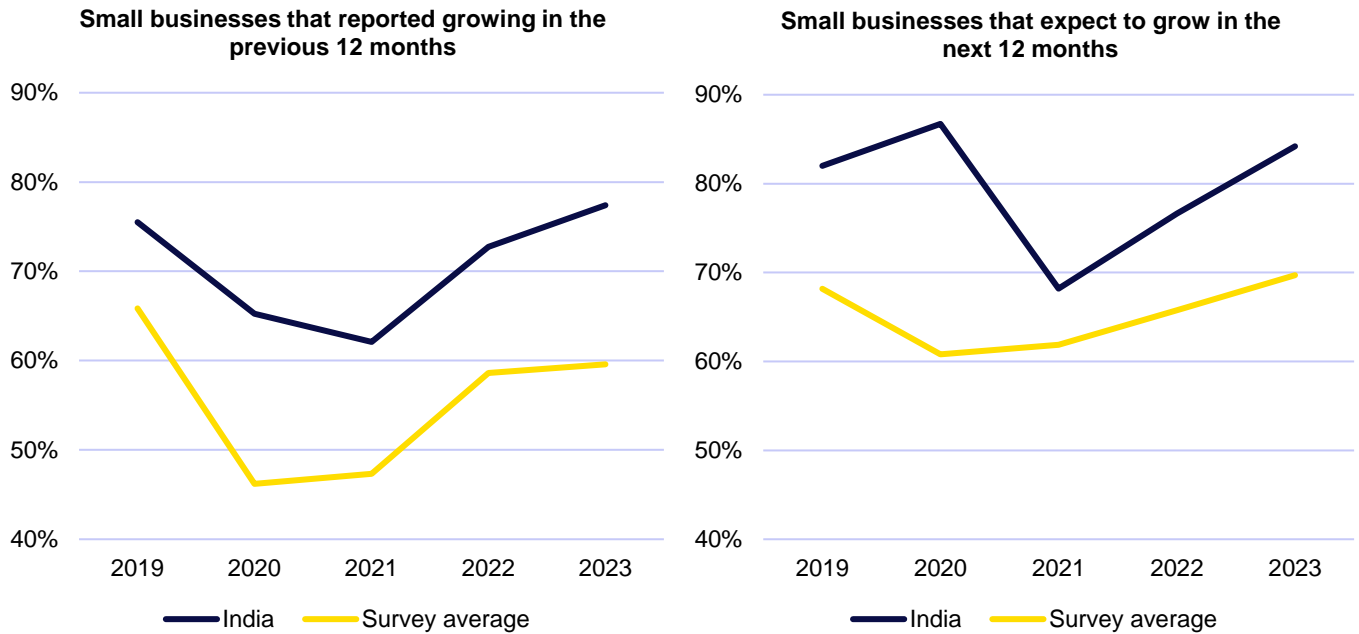


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2023-2024

India market summary

India

Business and economic conditions



	India 2023	Survey average 2023	Rank 2023	India 2022	Rank 2022	India 2021	India 2020	India 2019
Businesses that grew in the last 12 months	77.4%	59.6%	2/11	72.7%	4/11	62.1%	65.2%	75.5%
Businesses that expect to grow in the next 12 months	84.2%	69.7%	3/11	76.6%	4/11	68.2%	86.7%	82.0%
Businesses that expect the local economy to grow in the next 12 months	80.4%	65.0%	2/11	76.3%	3/11	67.4%	79.9%	68.2%
Satisfied or very satisfied with the financial return of the business¹	78.9%	65.3%	1/11	90.2%	1/11	N/A	N/A	N/A

¹ Limited to the owner, director, CEO/managing director or principal.

2023 was a strong year for India's small businesses. 77 per cent said that they grew last year. This was second highest result among the 11 markets surveyed and up from 73 per cent in 2022.

Highlighting what a good year 2023 was for India's small businesses, 33 per cent said they experienced very strong growth – the highest reading of the markets surveyed. In comparison, only 8 per cent of Australian small businesses recorded very strong growth in 2023.

2024 is expected to be an even better year for India's small businesses. 84 per cent expect to grow, which is 14 percentage points higher than the survey average.

Key factors contributing to this positive result is the focus India's small businesses have on technology, e-commerce, innovation, exporting, and improved customer satisfaction and business strategy. Our survey results show these factors are deeply associated with high growth businesses.

This strong focus on drivers of business growth is likely to help several of India's small businesses evolve into large, successful global businesses in the next few years.

High levels of small business confidence in India's economy is also influencing small business growth. Eight in ten small businesses expect the local economy to grow this year, the second highest result of the surveyed markets.

Another likely contributing factor to the success of India's small businesses is the young age profile of their owners. According to our survey, only 16 per cent of India's small business owners were aged 50 or over, below the survey average of 28 per cent. Our survey data shows younger owners are much more likely to run businesses that grow, and use technology such as e-commerce and social media in their business. They are also much more likely to innovate and export.

These positive results are reflected in the very high-level of satisfaction India's small business owners have with the financial return they are receiving from their business.

Technology use

	India 2023	Survey average 2023	Rank 2023	India 2022	Rank 2022	India 2021	India 2020	India 2019
More than 10 per cent of revenue came from online sales	61.6%	62.2%	7/11	84.3%	2/11	82.5%	75.6%	45.5%
Did <u>not</u> use social media for business purposes	17.6%	15.4%	3/11	11.6%	8/11	11.4%	14.5%	23.9%
Investment in technology by the business over the past 12 months has improved profitability	65.0%	52.8%	3/11	82.7%	1/11	79.6%	75.8%	59.7%
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Business intelligence and analytical software	N/A	Business intelligence and analytical software	Customer Relationship Management software	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	46.5%	44.2%	5/11	81.6%	1/11	77.9%	68.2%	38.7%
Reviewed the business' cybersecurity protections in past six months	43.0%	49.5%	8/11	36.9%	9/11	51.0%	51.0%	38.5%

Lost time and/or money due to a cybersecurity incident in the past 12 months	47.7%	40.7%	4/11	N/A	N/A	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Paytm, PayUmoney, Google Pay, Apple Pay	76.9%	70.8%	4/11	89.9%	2/11	85.2%	82.7%	63.4%
Sought advice from IT consultants/specialists	29.5%	25.8%	4/11	42.4%	1/11	48.6%	39.3%	N/A

Online sales play a crucial role for numerous small businesses in India, with 62 per cent of them generating more than 10 per cent of their revenue through this channel. However, this marks a decrease from 84 per cent in 2022.

Related to e-commerce, most of India's small businesses offer their customers the ability to pay using new digital payment technologies such as Paytm, PayUmoney and Google Pay. 77 per cent received more than 10 per cent of their sales through such technologies, above the survey average of 71 per cent.

Cash, however, is still an important payment option for India's small businesses. 51 per cent said that it makes up 50 per cent or more of their sales.

Most of India's small businesses use social media for business purposes. Only 18 per cent said they did not use social media last year.

The strong returns generated by such investments are helping to drive this focus on technology. 65 per cent reported their investment in technology last year improved their profitability, beating the survey average of 53 per cent. It is worth noting that nearly one in three (30 per cent) of India's small businesses sought advice from IT specialists or consultants last year.

48 per cent of respondents from India told us they experienced lost time and/or money due to cyber incident last year. Further, 47 per cent believe they will be cyberattacked in 2024. Despite this, 43 per cent reviewed their cybersecurity measures in the past six months, indicating the need for a stronger focus on cybersecurity by the sector.

Business activity over the past 12 months

	India 2023	Survey average 2023	Rank 2023	India 2022	Rank 2022	India 2021	India 2020	India 2019
Increased employee numbers	52.1%	32.0%	1/11	80.0%	1/11	77.0%	56.4%	39.5%
Improved customer satisfaction had a major positive impact on the business	37.6%	28.6%	4/11	35.7%	2/11	38.7%	35.0%	36.6%
Improved business management had a major positive impact on the business	32.5%	23.5%	2/11	32.1%	1/11	29.5%	28.5%	20.9%
Increasing costs had a major negative impact on the business	44.0%	39.7%	5/11	33.7%	4/11	39.4%	32.2%	35.6%
Required funds from an external source	67.7%	62.7%	5/11	88.4%	1/11	87.8%	79.7%	59.7%
Sought external funds for business growth	67.0%	52.6%	2/11	65.5%	1/11	70.5%	58.3%	58.6%
Sought external funds for business survival	41.5%	39.7%	5/11	58.5%	1/11	65.7%	46.6%	22.5%
Found it easy or very easy to access external finance	41.5%	43.3%	5/11	68.1%	2/11	72.9%	52.5%	31.1%
A bank was the business' main source of external finance	39.8%	40.2%	5/11	62.3%	1/11	16.5%	11.3%	33.8%
Did <u>not</u> spend any time and resources on activities linked to ESG	11.5%	19.9%	8/11	7.1%	10/11	N/A	N/A	N/A

Planned business activity over the next 12 months

	India 2024	Survey average 2024	Rank 2024	India 2023	Rank 2023	India 2022	India 2021	India 2020
Expect to increase employee numbers	66.7%	43.1%	1/11	85.2%	1/11	83.2%	70.9%	57.5%
Will introduce a new product, service or process unique to their market or the world	44.2%	28.7%	1/11	79.3%	1/11	53.0%	53.3%	34.2%
Expect revenue from overseas markets to grow strongly	33.9%	18.9%	1/11	50.8%	1/11	44.6%	44.9%	27.5%
Will seek external funds	36.6%	28.7%	4/11	75.8%	1/11	49.9%	50.0%	29.6%
Expect easy to very easy access to finance	42.2%	40.3%	5/11	63.6%	1/11	69.2%	48.8%	26.8%

Innovation

India's small businesses are the most innovative in the survey, for the fourth consecutive year. 44 per cent said they will introduce a new product, process or service to their market or the world in 2023. This strong focus on innovation should support long-term growth and improve the competitiveness of India's small businesses.

Employment

India's small businesses were the most likely to create new jobs in 2023. Reflecting strong business growth, 52 per cent of India's small businesses added to their head count last year. This is the fourth consecutive year that India's small businesses have led the region in jobs creation.

India's small businesses are also the most likely to create new jobs this year. Rapid growth expectations for India's small businesses in 2024 translates through to 67 per cent expecting to add to their headcount this year.

Access to finance

Most of India's small businesses required external finance in 2023. 68 per cent needed external finance last year, however, this is down significantly from the 88 per cent in 2022. Of those the required finance, 67 per cent used it to fund growth.

Of those businesses that sought external finance, 42 per cent found the experience "easy" or "very easy" compared to the survey average of 43 per cent. 40 per cent indicated that banks were their main source of external finance.

Exports

India's small businesses are the most likely to expect their revenue from exporting will increase in 2024 (34 per cent). Seeking alternative markets is one way of growing business and diversifying revenue streams. Exporting also exposes businesses to added competition and ideas, which should help such businesses. The survey results show that businesses that expect to grow their export revenue are significantly more likely to grow overall.

Environmental, social, and governance (ESG)

India’s small businesses have a strong focus on activities linked to ESG. Only 12 per cent did *not* spend any time or resources on activities linked to ESG last year. The activities linked to ESG that India’s small businesses were most likely to focus on were staff health and safety policies, supply chain sustainability and diversity and inclusion policies.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Indian small business in 2023	Top four factors that had a positive influence Indian on small business in 2022	Top four factors that had a positive influence on Indian small business in 2021
Good staff	Improved customer satisfaction	Improved customer satisfaction
Customer loyalty	Improved business strategy	COVID-19
Technology	Improved business management	Technology

Top four factors that had a negative impact on Indian small business in 2023	Top four factors that had a negative impact on Indian small business in 2022	Top four factors that had a negative impact on Indian small business in 2021
Increasing costs	Increasing costs	COVID-19
Increasing competition	Increasing competition	Increasing costs
Cash flow difficulties	Difficulty expanding new markets	Increasing competition

^ equal rank

Small businesses in India found “good staff” had the most positive impact on their business in 2023. With the sector’s very high demand for new staff, investing in their development should have positive long-term impacts on business.

India’s small businesses found that “increasing costs” was the biggest obstacle to their growth last year. Staff costs, material costs and transportation and storage costs were the costs most detrimental to India’s small businesses in 2023.

Key figures for 2023 by city

	Delhi / Gurgaon	Mumbai	Chennai	Bengaluru	Hyderabad	India average	Survey average
Business and economic growth							
Businesses that grew in the past 12 months	84.8%	76.4%	68.0%	81.0%	76.1%	77.4%	59.6%
Businesses that expect to grow in the next 12 months	87.6	84.9%	82.5%	87.6%	77.2%	84.2%	69.7%
Businesses that expect the local economy to grow in the next 12 months	87.6%	83.0%	73.2%	82.9%	73.9%	80.4%	65.0%
Technology use							
More than 10 per cent of revenue came from online sales	60.0%	54.7%	67.0%	58.1%	69.6%	61.6%	62.2%
Investment in technology by the business over the past 12 months has improved profitability	67.6%	55.7%	61.9%	67.6%	72.8%	65.0%	52.8%
More than 10 per cent of sales is received through digital payment options such as PayPal, Paytm, PayUmoney, Google Pay, Apple Pay	72.0%	69.3%	83.7%	76.8%	84.7%	76.9%	70.8%
Consider the business likely to be cyberattacked in next 12 months	50.5%	40.6%	48.5%	48.6%	44.6%	46.5%	44.2%
Reviewed the business' cybersecurity protections in past six months	48.6%	48.1%	34.0%	40.0%	43.5%	43.0%	49.5%
Lost time and/or money due to a cybersecurity incident in the past 12 months	49.5%	39.6%	56.7%	43.8%	50.0%	47.7%	40.7%
Business activity over the past 12 months							
Increased employee numbers in the past 12 months	54.3%	42.5%	52.6%	49.5%	63.0%	52.1%	32.0%
Required external funds over the past 12 months	68.6%	58.5%	74.2%	66.7%	71.7%	67.7%	62.7%
Found access to external finance easy or very easy over the past 12 months	31.9%	43.5%	54.2%	44.3%	33.3%	41.5%	43.3%
Banks were the main source of external funds	48.6%	37.1%	30.6%	48.6%	33.3%	39.8%	40.2%
Business growth was the main reason for seeking external finance	61.1%	59.7%	72.2%	70.0%	71.2%	67.0%	52.6%

Business survival was the main reason for seeking external finance	27.8%	27.4%	63.9%	44.3%	42.4%	41.5%	43.3%
Planned business activity over the next 12 months							
Plan to increase employee numbers over the next 12 months	70.5%	55.7%	70.1%	66.7%	71.7%	66.7%	43.1%
Will seek external funds in next 12 months	29.5%	27.4%	39.2%	43.8%	44.6%	36.6%	28.7%
Expect easy to very easy access to finance in next 12 months	34.1%	43.6%	56.4%	44.2%	33.3%	42.2%	40.3%
Expect revenue from overseas markets to grow strongly over the next 12 months	37.1%	34.0%	34.0%	34.3%	29.3%	33.9%	18.9%
Will introduce a new product, service or process unique to their market or the world in the next 12 months	41.0%	37.7%	45.4%	46.7%	51.1%	44.2%	28.7%
Key demographics							
Respondent aged under 40	62.9%	51.9%	41.2%	48.6%	57.6%	52.5%	46.0%

The results for India vary between its major cities. Delhi / Gurgaon’s small businesses experienced very strong growth in 2023, while Chennai’s small businesses were the least likely to tell us they grew.

Other results showed:

- small businesses from Delhi/Gurgaon were the most likely to source finance from banks.
- Chennai’s small businesses were the most likely to lose time and/or money due to cybersecurity incidents.
- Chennai’s small businesses were the most likely to have sought external finance for business survival in 2023
- Hyderabad small businesses are the most likely to innovate in 2024.

Entrepreneurship

India 2023	
Primary reason for starting their business	Be your own boss / independence
Biggest concern when first started a business	Irregular income / cashflow Finding good staff ^
Most common attitude and approach to managing business risk of owner	Solo risk taker

^equal rank

When starting their businesses, India's entrepreneurs are most likely to be motivated by the desire to be their own boss. The biggest concern they had when they started their business was irregular income or cashflow, and finding good staff.

The greater likelihood of India's small business owners being solo risk-takers indicates they are more likely to prefer relying on intuition and instincts in making decisions. This may help explain why over the past five years, India's small businesses have been highly likely to embrace new technologies, focus on innovation and seek to expand into new markets. This is because solo risk-takers are often more comfortable with uncertainty and recognise that risk is an inherent aspect of entrepreneurship. Relying on intuition does however come with considerable risks.

Demographics

	India 2023	Survey average 2023	Rank 2023	India 2022	Rank 2022	India 2021	India 2020	India 2019
Respondent aged under 40	52.5%	46.0%	4/11	36.7%	10/11	36.2%	67.6%	61.3%
Business established for less than 11 years	64.0%	61.1%	5/11	35.1%	11/11	58.1%	70.3%	72.1%
Respondent is the business owner	47.3%	37.4%	5/11	31.4%	7/11	18.9%	50.8%	55.1%
Business has 10 to 19 employees	39.6%	38.3%	7/11	58.3%	2/11	38.9%	53.3%	25.7%

One advantage the India enjoys is the high percentage of people under 40 owning or filling important positions in small business. The survey results show that businesses with younger respondents are more likely to be growing, innovating, using emerging technologies and exporting.