

## Key Highlights of the Survey

Business Confidence level for Q2 2022 is high according to business executives responding to the ASSOCHAM D&B Small Business Confidence Index survey. The index, which measures the level of optimism of small and medium businesses on key business parameters such as sales, employment, prices, inventory and investment, stood at 87 in Q2 2022. An index value above 50 signals an improvement or increase in the forthcoming quarter compared to the same quarter in the previous year.

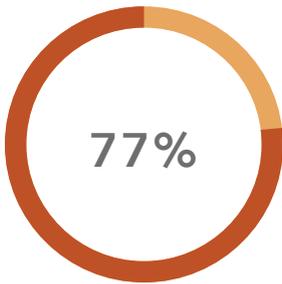
All indicators suggest a likely expansion in economic growth during Q2 2022. The percentage of responding SMEs that expect an increase in their net sales and new export orders stood at 77 and 86, respectively, suggesting export-led demand growth in Q2 2022. On the other hand, 75% of SMEs expect an increase in their domestic orders.

Subsequent to the anticipated increase in sales, businesses plan to increase their average capacity utilization rate to 63% in Q2 2022, up from 57% in Q1 2022. 77% of SMEs expect an increase in their new fixed capital investment, which is indicative of the optimism for future demand. The percentage of SMEs that expect an increase in their workforce size stood at 76.

Businesses expect price pressures to firm up in Q2 2022. 80% of SMEs expect raw material prices to increase, whereas only 75% of SMEs expect to increase their selling prices. This indicates that not all producers may be able to pass on higher raw material prices to consumers. Consequently, the percentage of SMEs expecting an increase in their net profits stood a tad below other indicators at 77.

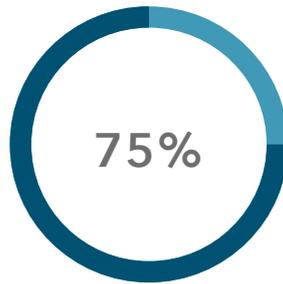
## Business Confidence Levels

### DEMAND ENVIRONMENT



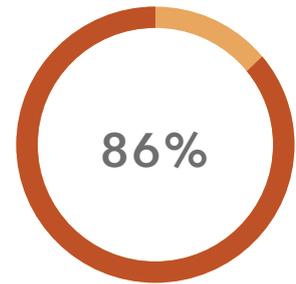
#### SALES VOLUME

77% of the responding SMEs expect an increase in their volume of sales in Q2 2022



#### DOMESTIC ORDERS

75% of the responding SMEs expect an increase in their domestic orders in Q2 2022



#### EXPORT ORDERS

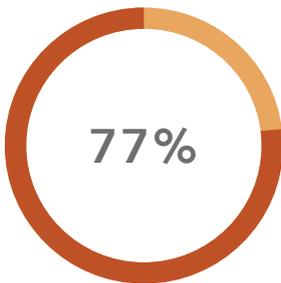
86% of the responding SMEs expect an increase in their export orders in Q2 2022



The high level of optimism on export orders could be a result of the Comprehensive Economic Partnership Agreement that India signed with the United Arab Emirates and the Economic Cooperation and Trade Agreement with Australia, as well as the prospects of similar agreements with the UK and Canada in 2022 and 2023. These agreements are expected to boost India's export of agricultural products, footwear, gem & jewellery, leather, and textiles. Supply chain disruptions caused by the Russia-Ukraine crisis has improved India's export prospects of iron ore, iron & steel products, and wheat. In addition, businesses are increasingly looking for alternate suppliers to de-risk their operations since the outbreak of COVID-19. Cost competitiveness makes India an attractive destination for sourcing. These factors will lend to India's export momentum in Q2 2022

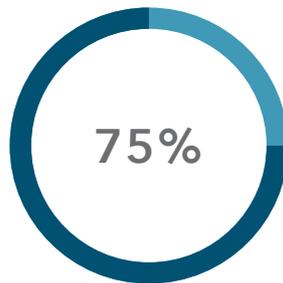


**FINANCIAL SITUATION**



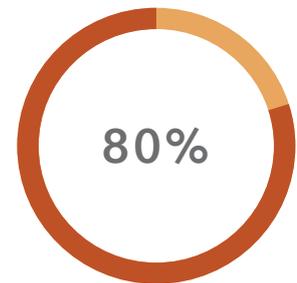
**NET PROFITS**

77% of the respondents expect an increase in their net profits in Q2 2022



**SELLING PRICE OF THEIR PRODUCTS/SERVICES**

75% of the responding SMEs expect an increase in the selling price of their products and services in Q2 2022



**RAW MATERIAL**

80% of the responding SMEs expect an increase in their raw material prices in Q2 2022



Energy prices have reached their highest level since 2008 as a result of the Russia-Ukraine crisis, while base metals prices have reached a record high. The combination of rising input costs and increasing freight expenses is a key source of concern for businesses. Given that the majority of newly ordered tonnage is not planned for delivery until 2023, global container freight rates will continue to remain elevated in the coming months. As the survey indicates, not all producers will be able to pass on the increased costs to their customers, eroding profit margins



## Business Confidence Levels

### INVENTORY MANAGEMENT



76%

#### INVENTORY OF FINISHED GOODS

76% of the respondents expect an increase in their level of inventory of finished goods in Q2 2022



76%

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

76% of the respondents expect an increase in their level of inventory of raw materials and work in progress in Q2 2022

### INVESTMENT SCENARIO



76%

#### WORKFORCE SIZE

76% of the respondent SMEs expect an increase in the size of their workforce in Q2 2022



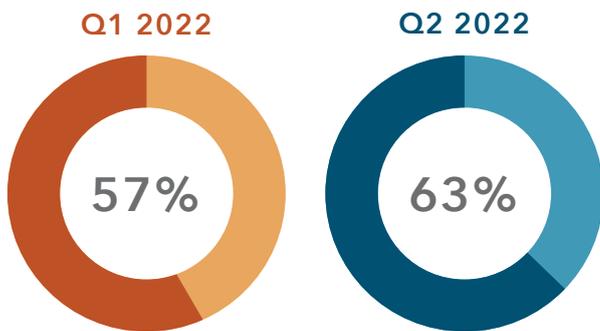
77%

#### FIXED CAPITAL INVESTMENTS

77% of the respondents expect an increase in their fixed capital investments in Q2 2022

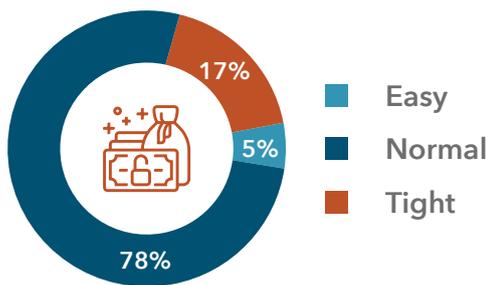
## Business Confidence Levels

### CAPACITY UTILISATION



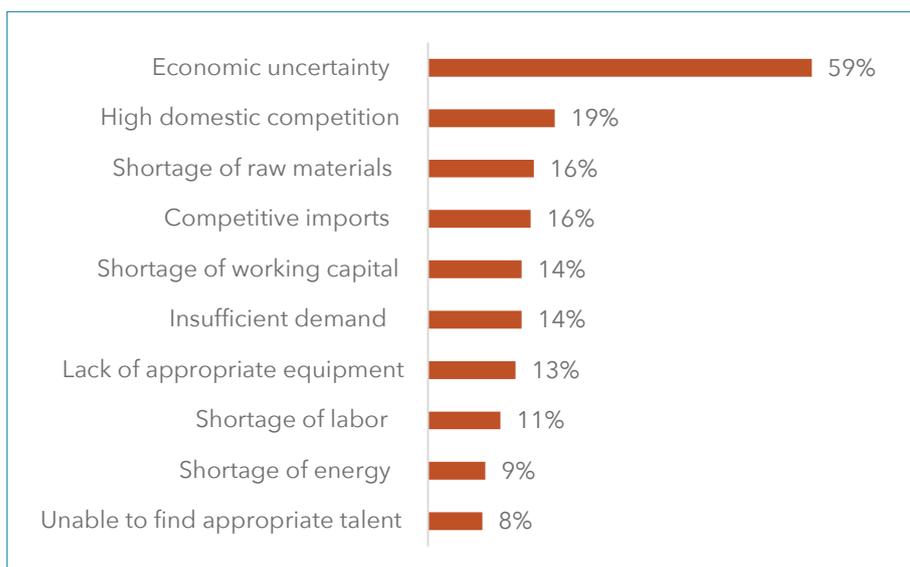
Responding SMEs anticipate their average capacity utilisation rate to increase to 63% in Q2 2022 from 57% in Q1 2022

### ACCESS TO CREDIT



78% of the respondents anticipate that access to credit will be normal, while another 5% anticipate it to be easy in Q2 2022

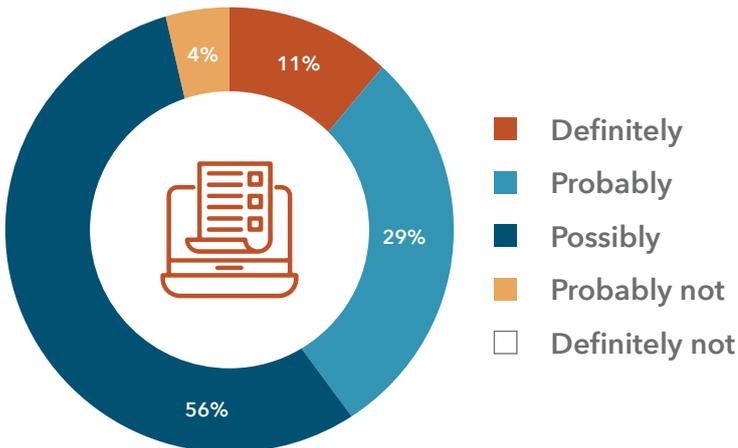
### FACTORS LIMITING PRODUCTION VOLUME



- Nearly 3 in 5 respondents cited economic uncertainty as a limiting factor to production
- Nearly 1 in 5 respondents cited high levels of domestic competition as a limiting factor to production
- Inability to find the appropriate talent was the least cited factor that hindered production

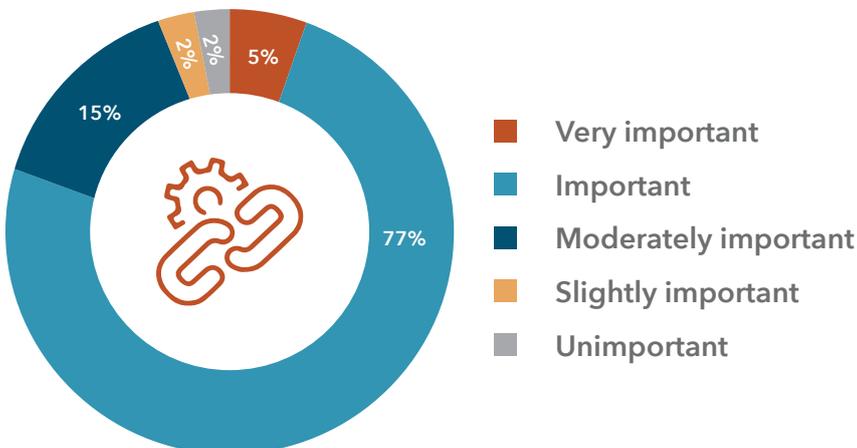
## The Hits and Misses of Budget FY23

### E-BILL SYSTEM



Only 4% of respondents express reservations regarding the efficiency of a completely paperless, end-to-end online e-Bill System for use by all central ministries for their procurements in helping the MSME community by improving payment time, increasing transparency, and minimising corruption

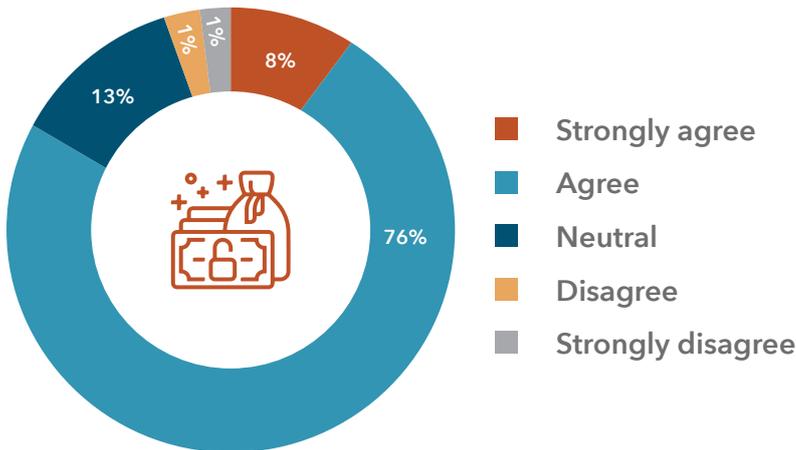
### PRODUCTION LINKED INCENTIVE SCHEMES



A majority (98%) of the respondents value the importance of Production Linked Incentive Schemes in providing greater business opportunities and a level playing field to the MSME community

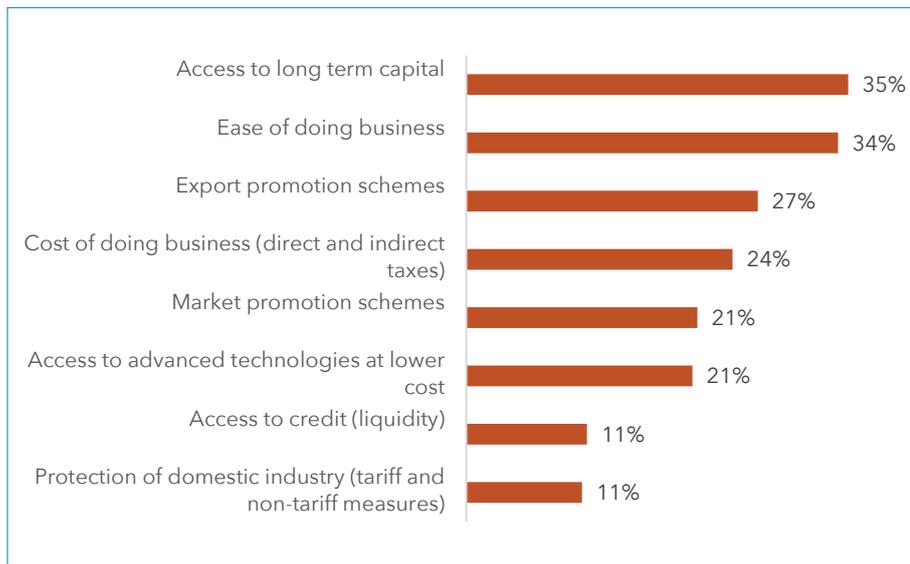
# The Hits and Misses of Budget FY23

## ACCESS TO CREDIT



85% of the respondents anticipate that the initiatives proposed in the budget will aid in improving access to credit for MSMEs

## MISSES OF THE BUDGET



- More than one-third of respondents wished the budget prioritised long-term capital access and ease of doing business
- Nearly a quarter of the respondents wished the budget prioritised export promotion schemes and the cost of doing business

## 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 responses to selected questions were aggregated to create a diffusion index for each parameter. The overall index - ASSOCHAM D&B Small Business Confidence Index - was then calculated by taking a weighted average of the sub-indices. The weights for the sub-indices were determined using appropriate statistical techniques. An index value above 50 signals an improvement or increase in the forthcoming quarter compared to the same quarter in the previous year. A value below 50 signals a deterioration or decrease in the forthcoming quarter compared to the same quarter in the previous year.

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