



INDIA FINANCIAL AND INVESTMENT CONFIDENCE

Indices Report - Q4 2025

Dun & Bradstreet India Financial and Investment Confidence Indices Report - Q4 2025

The Dun & Bradstreet India Financial and Investment Confidence Indices (IFICI) Report offers a comprehensive quarterly assessment of business sentiment in India through two distinct indices - the Investment Confidence Index (ICI) and the Financial Confidence Index (FCI). The ICI and the FCI are based on a quarterly survey of 300 businesses in India, conducted alongside similar surveys in 32 major economies across the world as part of Dun & Bradstreet's Global Business Optimism Insights report. While the FCI serves as an early warning signal for financial distress and potential bankruptcies, helping stakeholders anticipate risks across sectors, the ICI offers insights into business sentiment around investment activity, reflecting the willingness of firms to launch new projects, expand operations, and pursue growth. Both indices track optimism across 17 sectors - grouped under industry and services - and span three business sizes, providing a comprehensive view of business confidence in the economy.

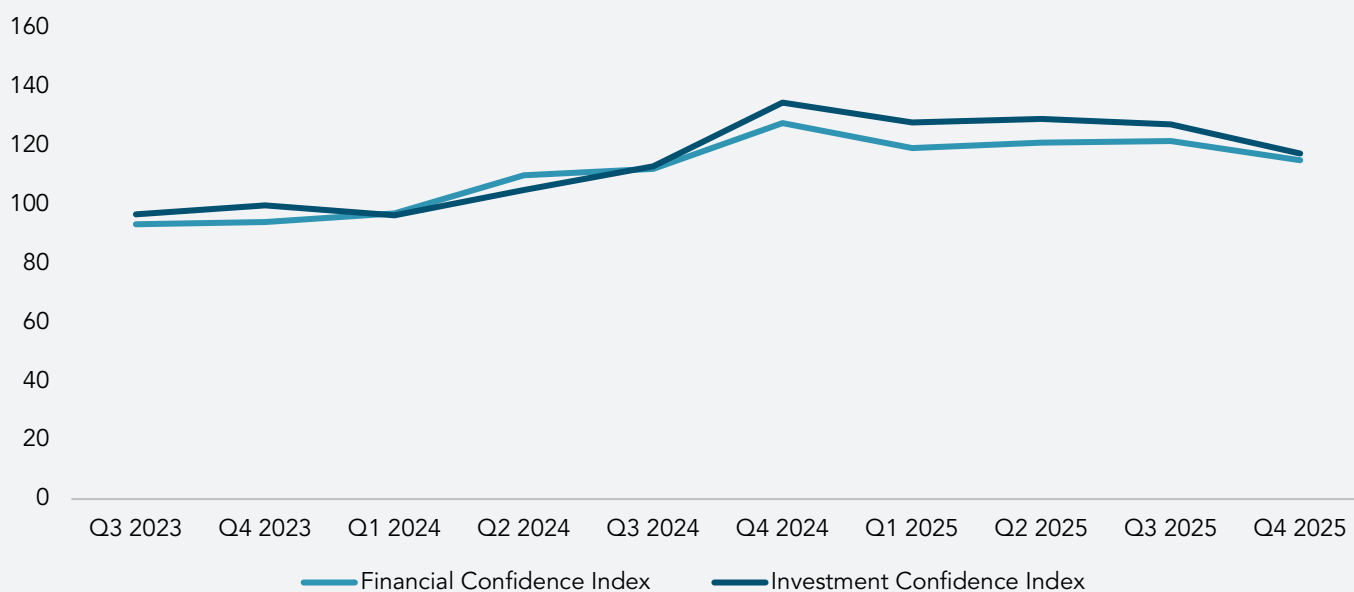


Indian Macro Environment

- India's Foreign Direct Investment (FDI) fell sharply to USD6.1bn in August from USD11.1bn in July, largely due to both increased overseas investments by Indian firms and possible divestment by foreign companies operating in India.
- Gross Fixed Capital Formation grew 7.4% in Q1 FY26, signalling sustained investment optimism.
- India's credit growth rose 10.4% YoY in September 2025, supported by RBI measures, including a cumulative 100 bps repo rate cut since February 2025 and targeted liquidity support for NBFCs. The GST revamp effective 22 September 2025 is likely to reinforce credit expansion, by bolstering consumer demand.
- Large-scale investments in the Artificial Intelligence sector are likely to boost near-term employment, in line with the government's IndiaAI Mission, supported by significant private sector commitments over 2025, including Google's USD15bn and Microsoft's USD3bn investments in data centres and workforce training.
- India's payroll rose 10% MoM in July 2025, adding 21 lakh EPFO members, signalling continued workforce formalisation and strong job creation.
- Small and micro businesses witnessed the highest growth in bank credit deployment within the manufacturing sector, with gross credit rising 22% YoY in September 2025.
- Gross credit to the services sector grew by 10.2% YoY in September 2025, outpacing the 7.3% growth recorded in the manufacturing sector.



India Financial and Investment Confidence Index Analysis



Source - Global Business Optimism Insights Survey Q4 2025

Executive Summary

- The Financial Confidence Index (FCI) decreased by 5.4% QoQ, while the Investment Confidence Index (ICI) fell by 8% QoQ.
- The decline in ICI has been primarily driven by reduced optimism around mergers and acquisition (M&A) activity, as businesses adopted a more cautious stance amid global uncertainty and concerns over post-service payment risks.
- The decline in FCI largely reflects heightened financial risk perceptions, indicating that businesses are increasingly prioritising strategic investments over broader expansion.
- India's ICI (by 8%) and FCI (by 5.4%) recorded a steeper drop compared to the decrease in the global ICI (at 3%) and FCI (at 2%), respectively, reflecting a more cautious approach towards investments in emerging markets like India.
- Business risk appetite weakened QoQ, reflecting expectations of tighter liquidity (-11%) and higher borrowing costs (-7%).
- Operating margin optimism has steadily weakened since Q1 2025, signalling possible cuts in hiring, stricter working capital control, longer supplier payment cycles, and lower long-term investments in the coming quarters.

- Optimism among India's small businesses to raise long-term funds has declined by 17% QoQ for Q4 FY25, driven by seeming expectations of tighter credit conditions.
- Optimism for pursuing M&A among businesses has fallen by 10%, weighing on employment outlook (-4% QoQ) as firms delay expansion and hiring plans.
- Medium-sized businesses are the least optimistic about both investment and financial prospects, with the sharpest declines in short-term and long-term funding sentiment, indicating a potential wait-and-watch approach amid prevailing global economic and geopolitical uncertainties.

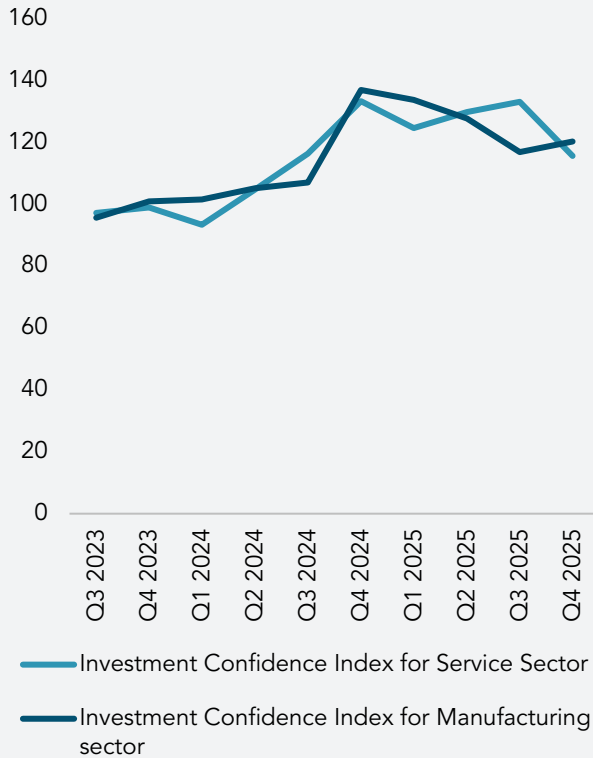




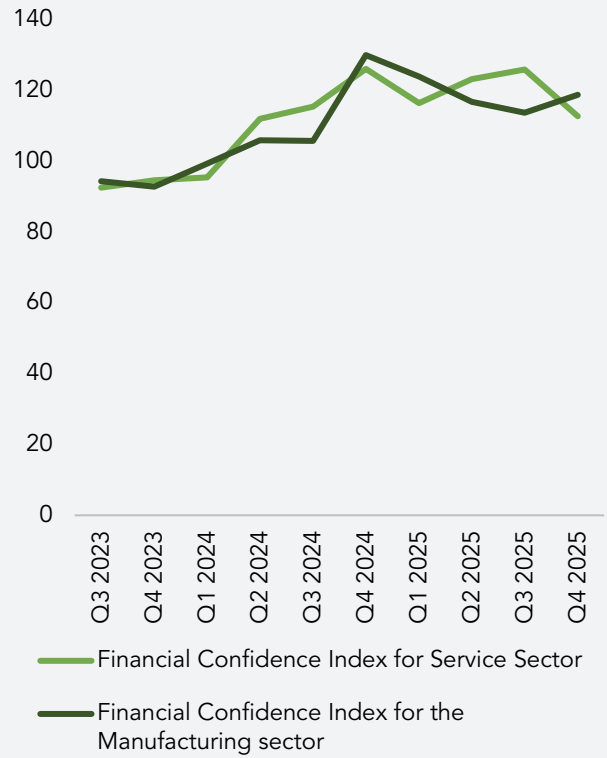
ICI Investment Confidence Index



FCI Financial Confidence Index



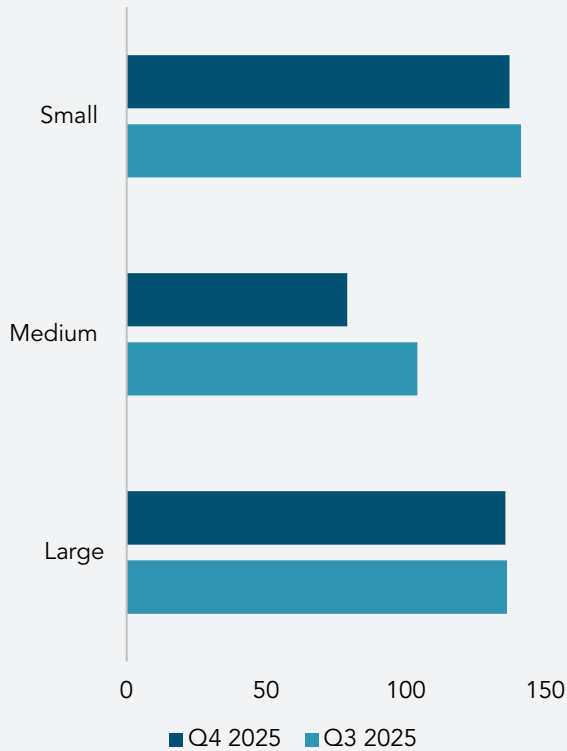
Source - Global Business Optimism Insights Survey Q4 2025



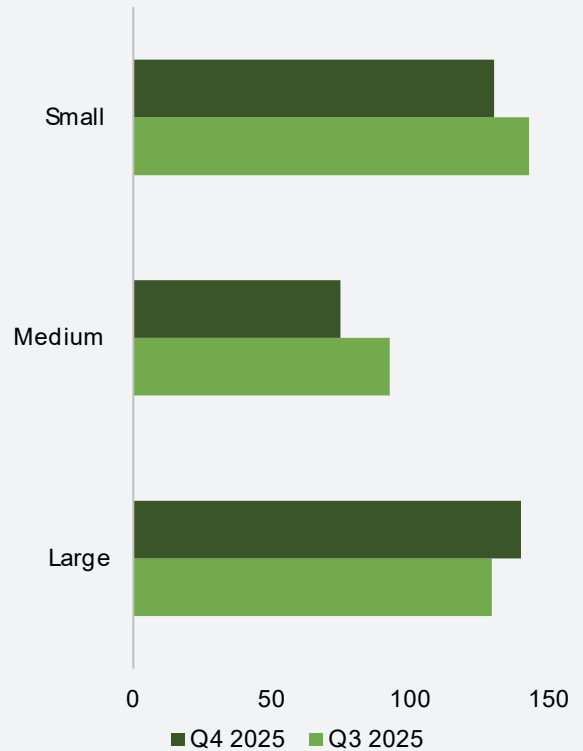
Source - Global Business Optimism Insights Survey Q4 2025

- India's manufacturing sector optimism strengthened in Q4, reflected by a 3% QoQ rise in ICI and a 4% QoQ increase in FCI, while services lagged, signalling sectoral divergence in investment sentiment.
- Confidence among India's manufacturing sector remains robust, with ICI growth in India (3%) outpacing the global average (2%). The rise in ICI for manufacturing has been driven by stronger optimism around long-term loan availability and labour supply, which has increased by 7% and 6% QoQ, respectively.

- Within the manufacturing sector, ICI recorded its strongest increase in the metals subsector at 22% QoQ, while FCI rose most sharply for automotives at 12% QoQ, reflecting sector-specific confidence being supported by robust demand and policy support.
- Conversely, optimism among India's services sector declined more sharply than global trends: ICI fell 10% versus 4% globally, and FCI dropped 13% versus 5% globally, underscoring the economy's heavy reliance on services exports amid persistent global uncertainty.
- Among nine sub-sectors from services sector, construction, real estate, and wholesale/retail trade saw the steepest declines in both ICI and FCI.



Source - Global Business Optimism Insights Survey Q4 2025



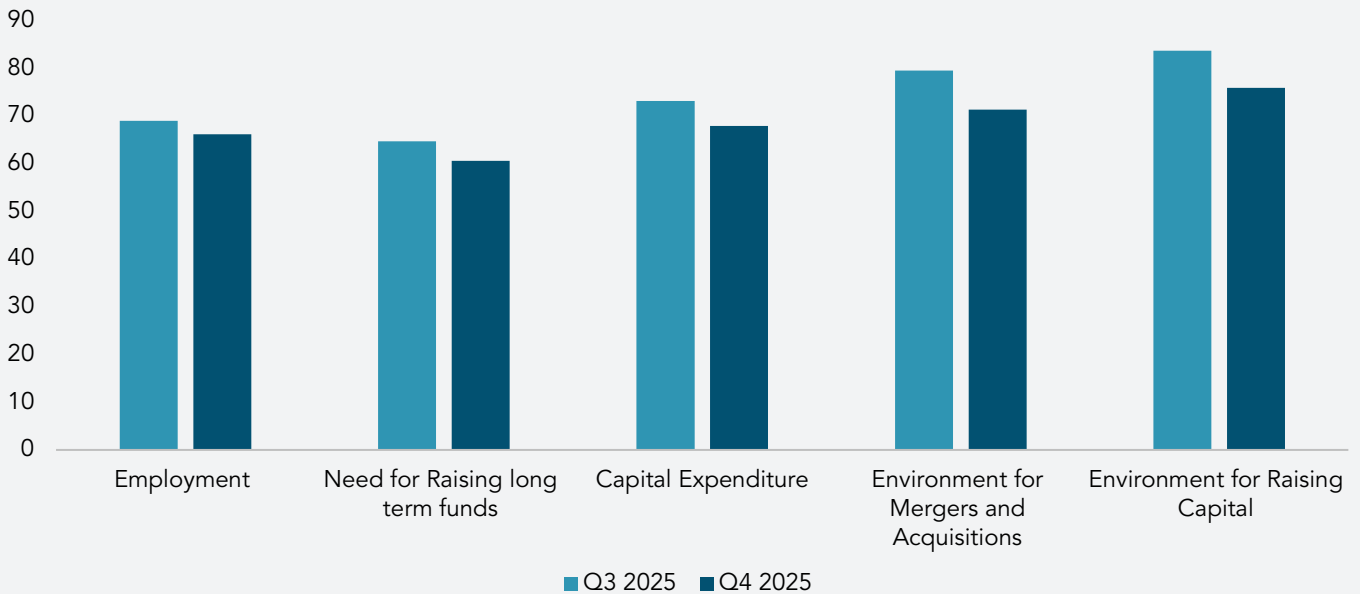
Source - Global Business Optimism Insights Survey Q4 2025

- Large businesses remain upbeat about operating margins and short-term funding availability, reflected in an 8% overall QoQ increase in FCI.
- In contrast, medium businesses have seen confidence erode consistently since Q1 2025. In Q4, investment optimism fell 24% QoQ and financial optimism dropped 19% QoQ, signalling persistent uncertainty about future prospects.
- A sharp divergence in confidence regarding cost of funds has emerged: large businesses reported a 9% QoQ increase, while confidence among

medium and small businesses fell by 31% and 13%, respectively, signalling tighter access to finance and higher borrowing costs for smaller firms.

- Large businesses' willingness to invest in strategic ventures is evident in a 24% QoQ rise in optimism for long-term funding.
- India's medium-sized businesses reported a steep ICI decline (-24%, QoQ), contrasting with a slight uptick among its global counterparts (+1%), signalling heightened domestic caution.

Investment Confidence Index : Sub-Indices

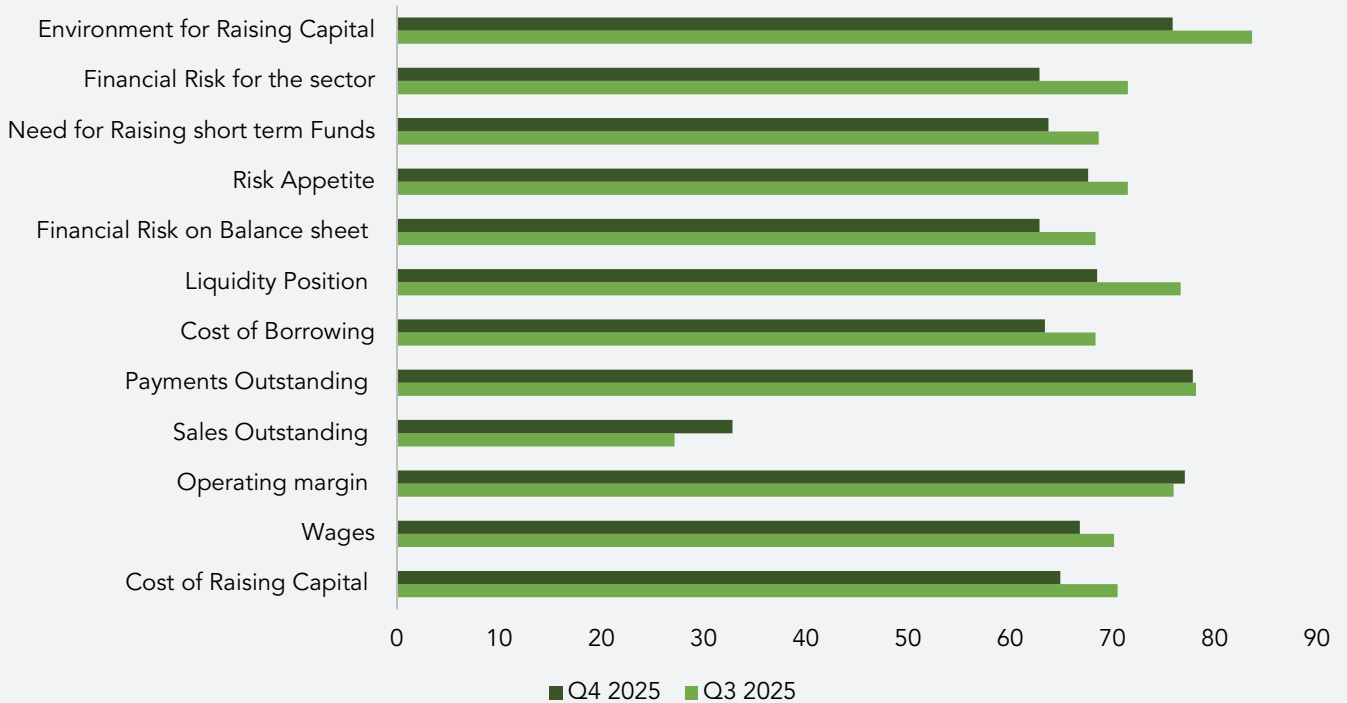


Source - Global Business Optimism Insights Survey Q4 2025

- Optimism regarding fresh mergers and acquisitions fell 10% QoQ in Q4 2025, the sharpest drop since Q1 2024, signalling that businesses are prioritising only strategically critical deals in the near-term.
- Optimism around capital expenditure (CapEx) fell by 7% QoQ in Q4, alongside a 9% decline in sentiment toward capital-raising conditions. These trends point to businesses prioritising cost optimisation over expansion.
- Increased focus on cost optimisation has dampened optimism for long-term funding by 6% QoQ, as firms avoid high-risk commitments amid global uncertainty.
- The 4% QoQ drop in hiring optimism, alongside weakening CapEx sentiment, suggests businesses are likely to take a cautious approach to workforce growth amid prevailing investment uncertainty.



Financial Confidence Index: Sub-Indices



Source - Global Business Optimism Insights Survey Q4 2025

- Optimism around sales outstanding increased by 21% QoQ, reflecting wider adoption of the TReDS platform and supportive RBI measures, such as lowering of the buyer threshold to accelerate settlement process.
- Confidence in operating margins increased by only 1% QoQ, pointing to sustained cost pressures from competitive wages, which continues to weigh on the liquidity sentiment outlook.
- Confidence on payments outstanding dipped 0.4% QoQ, signalling liquidity strain, reinforced by an 11% drop in overall liquidity optimism in Q4 2025.
- Optimism for accessing short-term funds declined 7% QoQ, aligned with a 5% drop in risk appetite, as businesses adopt more defensive financial strategies.
- Risk appetite optimism remains subdued, as businesses anticipate elevated uncertainty and tighter capital-raising conditions.
- Optimism for raising capital has weakened down 9% QoQ, alongside softer sentiment on short-term funds (-7%) and borrowing costs (-7%), signalling constrained investment capacity.



Methodology

Dun & Bradstreet conducted a stratified random survey of around 300 businesses in India, covering 17 sectors and three business size segments. A diffusion index is calculated for each parameter and normalized against base year values (Q3 2023 to Q2 2024). An index reading above 100 indicates an improvement in optimism

relative to the base year, while an index reading below 100 signifies a deterioration. The composite index at size and sector level is calculated using factor-weighted averages of the parameter-level indices. Economy-level indices are weighted averages of sector-level indices by their contribution to GDP.





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