

dun & bradstreet

India Financial and Investment Confidence



Indices Report - Q4 2026

India Financial and Investment Confidence Index Q4 2026

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.



Executive Summary

- Q4 2026 reveals a widening gap between ambition and financial capacity. The Investment Confidence Index (ICI) rose 5.3% quarter on quarter (QoQ) to 116.4, while the Financial Confidence Index (FCI) fell 3.6% to 109.9, its lowest level in ten quarters. Businesses remain willing to invest, but they are approaching execution with less financial headroom.
- The increase in ICI was led by stronger optimism around long-term funding requirements (+10.7% QoQ), Capital expenditure (+6.8% QoQ) and the M&A environment (+6.3% QoQ). Sentiment for employment remained flat (-0.3% QoQ), indicating capital is prioritising consolidation over capacity expansion and recovery is selective rather than broad-based.
- Manufacturing is driving the improvement in investment appetite. Manufacturing ICI rose (+12.1% QoQ) compared with services sector (1.8%, QoQ). Yet, FCI, weakened in both sectors, showing that stronger investment plans are developing alongside tighter financing and margin conditions.
- Medium sized firms' confidence improved significantly as both ICI (25.9% QoQ) and FCI (8.1% QoQ), but both indices remained below 100, indicating recovery from a weak base rather than a firmly established improvement in confidence. Small firms retained high investment confidence, but their weaker financial confidence could limit their ability to convert plans into spending.
- The clearest pressure point appears in professional and administrative services. The segment reported particularly weak sentiment on the cost of raising funds (20.0), cost of borrowing (26.7) and risk appetite (36.7), despite reporting the strongest liquidity position (86.7). For business leaders, this combination suggests that holding cash is not the same as having the confidence to deploy it.

Index Analysis

A Divergence Emerges Between Investment Intent and Financial Conditions



Source - Global Business Optimism Insights Survey Q4 2026

Investment appetite is strengthening, but execution conditions are tightening

Manufacturing Leads the Recovery in Investment Confidence



Source - Global Business Optimism Insights Survey Q4 2026

Financial Confidence Softens Across Sectors



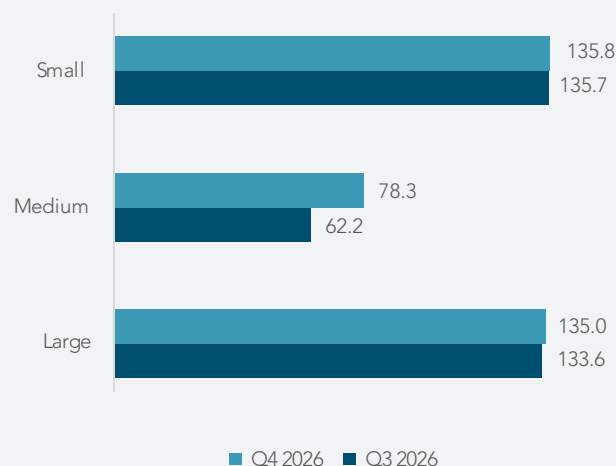
Source - Global Business Optimism Insights Survey Q4 2026

- The headline movement is not simply a fall in confidence. It is a divergence between businesses' willingness to invest and their confidence in the financial conditions needed to execute those plans. FCI declined 3.6% to 109.9, while ICI rose 5.3% to 116.4.
- Four of the five investment indicators improved. Long term funding requirements (+10.7%), capital expenditure (+6.8%) and the M&A environment (+6.3%) led the increase. Employment was the exception, declining 0.3%. The pattern suggests that firms are prioritising asset productivity, technology, modernisation and consolidation over labour intensive expansion.
- Capital availability and capital affordability are moving in different directions.
- Investment confidence strengthened for Q4 2026, with the ICI rising 5.3% QoQ to 116.4. The improvement was broad-based across four of the five investment indicators, led by stronger

optimism around long-term funding requirements (+10.7% QoQ), capital expenditure (+6.8% QoQ), and the M&A environment (+6.3% QoQ). Employment sentiment deteriorated marginally (-0.3% QoQ).

- Investment confidence improved across both services and manufacturing for Q4 2026, although financial confidence weakened for both.
- Services ICI rose 1.8% QoQ to 115.8, while manufacturing ICI increased more sharply by 12.1% QoQ to 117.3. In contrast, services FCI declined 4.9% QoQ to 109.5, while manufacturing FCI fell 1.4% QoQ to 110.7.
- The environment for raising capital improved 3.6% QoQ for Q4 2026, extending the 2.6% QoQ increase recorded in the previous quarter.
- Suggesting finance may be accessible, but it is not perceived as economical. This can lengthen approval cycles, raise return thresholds and favour projects with faster or more certain payback.

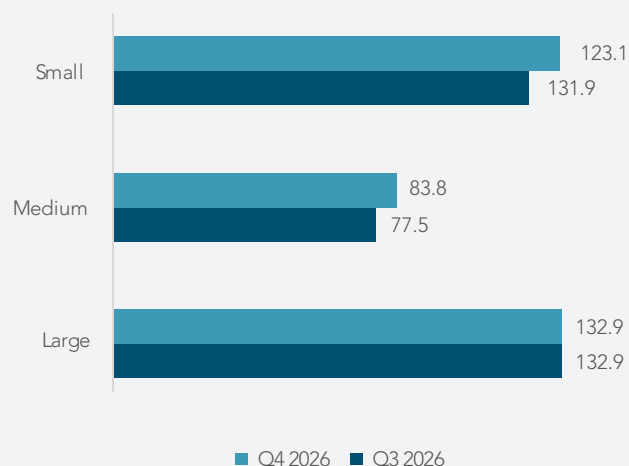
Firm Size Dynamics: Investment Recovery Remains Uneven



Source - Global Business Optimism Insights Survey Q4 2026

- Confidence of businesses are increasingly becoming uneven across firm sizes. Large firms' FCI shifted from 4.5% QoQ increase for Q3 2026 to 7.6% QoQ decline for Q4 2026, reaching 122.8, while small firms moved from a 3.6% QoQ increase to a 6.6% QoQ decline, reaching 123.1.
- Medium-sized firms improved sharply from depressed levels but remained below the base-year benchmark. FCI rose 8.1% QoQ to 83.8 after declining 5.3% QoQ for Q3 2026. The results point to an early recovery among medium firms alongside growing financial caution among firms which previously reported stronger confidence.
- Large firms are adopting a more cautious stance as cost and working-capital pressures broaden. Confidence weakens for cost of borrowing (-17.2%), cost of raising funds (-14.6%) and risk appetite (-11.4%), although liquidity sentiment improved 4.6%. Pointing to caution in capital allocation rather than a shortage of financial resources.

Firm Size Dynamics: Financial Conditions Diverge Across Businesses

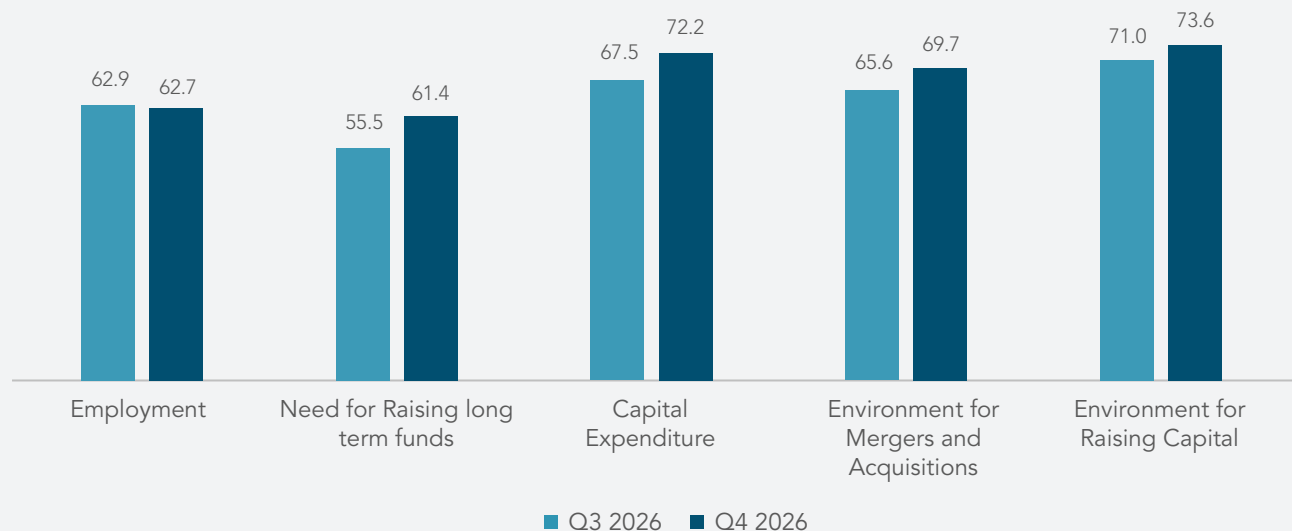


Source - Global Business Optimism Insights Survey Q4 2026

- Medium enterprises are showing signs of recovery, but the improvement is not yet firmly established and is still below base period. Their FCI increased 8.1% QoQ to 83.8, supported by improved sentiment for sector-level financial risk (+80.3%), short term funding requirements (+35.8%), balance sheet risk (+25.6%), cost of raising funds (+22.5%) and risk appetite (+20.3%). Payment sentiment declined 10.1% and operating margin sentiment fell 4.5%, indicating that financial conditions remain challenging despite the quarterly rebound. The rebound is meaningful, but the index remaining below 100 indicates that conditions are still weaker than in the base period.
- Small firms maintained investment intent (0.1% Q4), but weaker financial confidence (-6.6% Q4) may constrain execution. Their ICI remained high at 135.8, supported by improved capital-expenditure sentiment (+4.5% QoQ), while FCI fell amid borrowing costs, weaker payment conditions and risk appetite.

ICI: Investment is shifting towards productivity and consolidation

Investment Confidence Index : Sub-Indices

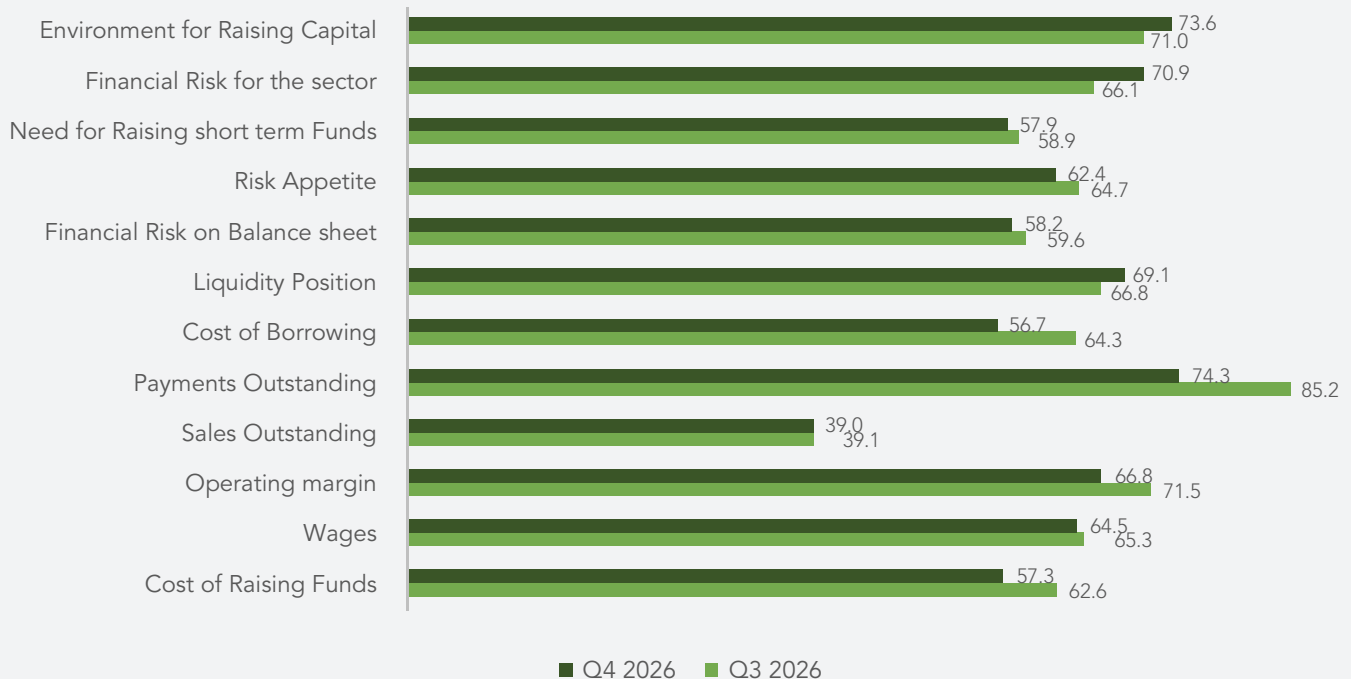


Source - Global Business Optimism Insights Survey Q4 2026

- Investment confidence strengthened for Q4 2026. Employment optimism stayed flat, down 0.3% QoQ, indicating that firms are looking to invest without a corresponding expansion in workforce plans, suggesting productivity- and capacity-led investment cycle.
- However, the simultaneous deterioration in funding-cost sentiment suggests that firms will remain disciplined about project economics and financing structures.
- The 10.7% QoQ rise in long-term funding requirements, the strongest increase among the ICI components, signals greater interest in longer-horizon investment plans. Alongside improved capital-raising conditions, indicates firms are considering longer investments with caution around funding costs and financial conditions.
- For suppliers and lenders, the opportunity is likely to be strongest where investments can demonstrate measurable productivity gains or resilient cash flows.
- Capital-expenditure sentiment rose 6.8% QoQ, reversing the 5.3% QoQ decline for Q3 2026. The turnaround indicates renewed willingness among firms to revisit deferred spending and consider capacity addition or operational modernisation.
- Improving M&A sentiment (+6.3% QoQ), together with a second consecutive rise in the environment for raising capital (+3.6% QoQ), points to greater confidence in pursuing both organic and inorganic expansion.
- Together, these movements point to greater confidence in both organic and inorganic expansion. With employment sentiment flat, consolidation, automation and capability acquisition may take precedence over broad-based hiring.

FCI: Affordability and margins are the binding constraints

Financial Confidence Index: Sub-Indices



Source - Global Business Optimism Insights Survey Q4 2026

- Financial confidence fell 3.6% QoQ to 109.9, its lowest level in ten quarters. Although the index remained above the base-year benchmark, the decline suggests that firms are entering Q4 with less financial headroom and greater caution around operating and funding conditions.
- Weaker sentiment around the cost of borrowing (-11.7% QoQ) and the cost of raising funds (-8.5% QoQ) indicates growing pressure on the affordability of finance. Higher funding costs could delay discretionary spending and make firms more selective about new commitments.
- Operating-margin sentiment declined 6.6% QoQ, pointing to expectations of greater pressure on profitability. Combined with higher funding costs, weaker margin expectations may encourage tighter cost control and a stronger focus on returns from planned investment.
- When weaker margin expectations coincide with higher perceived funding costs, the hurdle rate for new investment rises. Planned expenditure may continue, but management teams are likely to scrutinise payback periods, pricing power and working-capital effects more closely.
- The environment for raising capital improved 3.6% QoQ for a second consecutive quarter, even as overall financial confidence weakened. Access to finance appears to be improving, but the cost and expected profitability of using that finance remain the principal constraints on execution.

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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