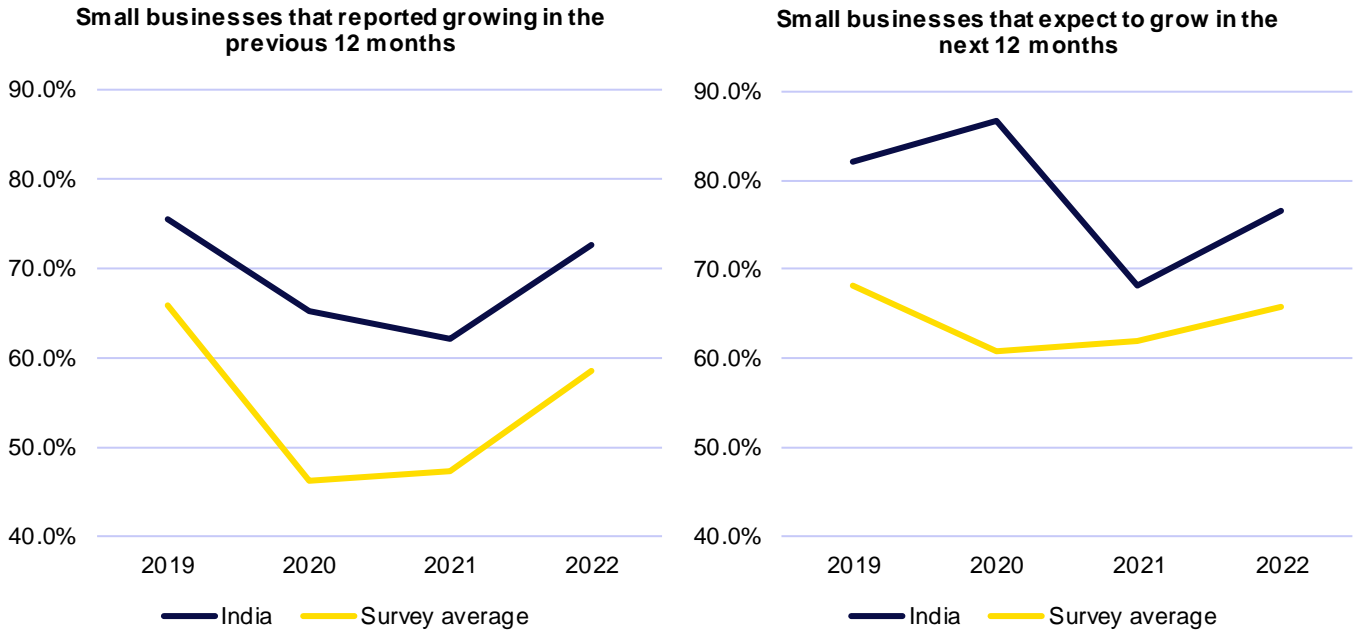


# CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

India market summary

# India

## Business and economic conditions



	India 2022	Survey average 2022	Rank 2022	India 2021	Rank 2021	India 2020	India 2019
<b>Businesses that grew in the last 12 months</b>	72.7%	58.6%	4/11	62.1%	3/11	65.2%	75.5%
<b>Businesses that expect to grow in the next 12 months</b>	76.6%	65.7%	4/11	68.2%	4/11	86.7%	82.0%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	76.3%	62.5%	3/11	67.4%	3/11	79.9%	68.2%
<b>Satisfied or very satisfied with the financial return of the business<sup>1</sup></b>	90.2%	68.9%	1/11	N/A	N/A	N/A	N/A

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

2022 was a strong year for India's small businesses. 72.7 per cent said that they grew last year. This was fourth highest result among the 11 markets surveyed and up from 62.1 per cent in 2021.

Highlighting what a good year 2022 was for India's small businesses, 57.2 per cent said that they experienced very strong growth – the highest reading of the markets surveyed. In comparison, only 3.6 per cent of Mainland China's small businesses recorded very strong growth in 2022.

2023 is expected to be a slightly better year for India's small businesses. 76.6 per cent expect to grow, which is 10.9 percentage points higher than the survey average. This is in line with the percentage of small businesses that expect India's economy will grow this year.

There are many positive aspects of the results from India. Many of India's small businesses focus on characteristics strongly associated with growth, especially:

- technology
- e-commerce
- improving customer satisfaction
- business management
- innovation
- exports.

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.

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.

## Use of technology

	India 2022	Survey average 2022	Rank 2022	India 2021	Rank 2021	India 2020	India 2019
<b>More than 10 per cent of revenue came from online sales</b>	84.3%	67.9%	2/11	82.5%	2/11	75.6%	45.5%
<b>Did not use social media for business purposes</b>	11.6%	15.4%	8/11	11.4%	8/11	14.5%	23.9%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	82.7%	55.2%	1/11	79.6%	2/11	75.8%	59.7%
<b>Technology the business invested in most heavily over the past 12 months</b>	Business intelligence and analytical software	Computer equipment	N/A	Business intelligence and analytical software	N/A	Customer Relationship Management software	Computer equipment
<b>Consider the business likely to be cyberattacked in next 12 months</b>	81.6%	47.2%	1/11	77.9%	1/11	68.2%	38.7%
<b>Reviewed the business' cybersecurity protections in past six months</b>	36.9%	46.0%	9/11	51.0%	3/11	51.0%	38.5%
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Paytm,</b>	89.9%	73.7%	2/11	85.2%	2/11	82.7%	63.4%

PayUmoney, Google Pay, Apple Pay							
<b>Sought advice from IT consultants/specialists</b>	42.4%	28.6%	1/11	48.6%	1/11	39.3%	N/A
<b>Business operation is frequently or very frequently affected by internet connectivity issues</b>	72.7%	30.5%	1/11	N/A	N/A	N/A	N/A

One factor driving the growth of India's small businesses is their strong use of technology. Online sales are particularly important for many of India's small businesses. 84.3 per cent receive more than 10 per cent of their revenue from that channel, the second highest result of the markets surveyed.

Related to e-commerce, most of India's small businesses allow customers to pay using new digital payment technologies such as Paytm, PayUmoney and Google Pay. 89.9 per cent received more than 10 per cent of their sales through such technologies, well above the survey average of 73.7 per cent.

Cash, however, is still an important payment option for India's small businesses. 68.3 per cent said that it makes up 50 per cent or more of their sales. This result is largely unchanged from 2021.

Most of India's small businesses use social media for business purposes. Only 11.6 per cent said they did not use social media last year. 50.5 per cent use it to learn about the behaviours of their customers and potential customers.

Helping to drive this focus on technology are the good returns such investments are generating. 82.7 per cent of India's small businesses said that their investment in technology in 2022 was already profitable. This is the highest result of the markets surveyed. It is worth noting that many (42.4 per cent) of India's small businesses sought advice from IT specialists or consultants last year.

36.9 per cent reviewed their cybersecurity in the past six months. However, a stronger focus on cybersecurity would be beneficial given 81.6 per cent believe that they will be cyberattacked in 2023 – the highest result of the markets surveyed.

Internet connectivity is another key concern for India's small businesses. 72.7 per cent reported their business operations were frequently or very frequently affected by internet connectivity issues. This is well above the survey average of 30.5 per cent. The high reliance of India's small businesses on digital technologies could help explain why connectivity issues are keenly felt.

## Business activity over the past 12 months

	India 2022	Survey average 2022	Rank 2022	India 2021	Rank 2021	India 2020	India 2019
Increased employee numbers	80.0%	35.0%	1/11	77.0%	1/11	56.4%	39.5%
Improved customer satisfaction had a major positive impact on the business	35.7%	27.0%	2/11	38.7%	1/11	35.0%	36.6%
Improved business management had a major positive impact on the business	32.1%	22.0%	1/11	29.5%	1/11	28.5%	20.9%
Increasing costs had a major negative impact on the business	33.7%	31.1%	4/11	39.4%	1/11	32.2%	35.6%
Required funds from an external source	88.4%	62.5%	1/11	87.8%	1/11	79.7%	59.7%
Sought external funds for business growth	65.5%	52.1%	1/11	70.5%	1/11	58.3%	58.6%
Sought external funds for business survival	58.5%	44.3%	1/11	65.7%	2/11	46.6%	22.5%
Found it easy or very easy to access external finance	68.1%	45.9%	2/11	72.9%	1/11	52.5%	31.1%
A bank was the business' main source of external finance	62.3%	38.2%	1/11	16.5%	10/11	11.3%	33.8%
Did not spend any time and resources on ESG practices	7.1%	21.4%	10/11	N/A	N/A	N/A	N/A

## Impacts of COVID-19

	India 2022	Survey average 2022	Rank 2022	India 2021	Rank 2021	India 2020
COVID-19 had a major negative impact on the business in the past 12 months	28.2%	36.7%	10/11	44.6%	10/11	50.0%
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	25.5%	24.8%	7/11	37.0%	3/11	31.4%
My business' major reaction to COVID-19 was to increase investment in technology	27.6%	19.1%	1/11	32.4%	2/11	33.2%

## Planned business activity over the next 12 months

	India 2023	Survey average 2023	Rank 2023	India 2020	Rank 2020	India 2021	India 2020
<b>Expect to increase employee numbers</b>	85.2%	44.9%	1/11	83.2%	1/11	70.9%	57.5%
<b>Will introduce a new product, service or process unique to their market or the world</b>	79.3%	34.4%	1/11	53.0%	1/11	53.3%	34.2%
<b>Expect revenue from overseas markets to grow strongly</b>	50.8%	23.7%	1/11	44.6%	1/11	44.9%	27.5%
<b>Will seek external funds</b>	75.8%	33.6%	1/11	49.9%	2/11	50.0%	29.6%
<b>Expect easy to very easy access to finance</b>	63.6%	42.3%	1/11	69.2%	1/11	48.8%	26.8%

### COVID-19

The negative impact COVID-19 had on India's small businesses eased considerably in 2022. 28.2 per cent said the pandemic had a major negative impact on their business, lower than the survey average of 36.7 per cent and the second lowest result of the markets surveyed.

India's small businesses were ranked first in increasing their investment in technology as a response to the pandemic. With the survey results showing a positive relationship between technology investment and business growth, this growing focus on technology will help many of India's small businesses expand at an even faster pace.

### Innovation

India's small businesses are the most innovative in the survey. 79.3 per cent said they will introduce a new product, process or service to their market or the world in 2022. 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 2022. Reflecting stronger business conditions, 80 per cent of India's small businesses added to their head count last year.

India's small businesses are also the most likely to create new jobs this year. Rapid growth expectations for India's small businesses in 2023 translated through to 85.2 per cent expecting to add to their headcount this year.

### Access to finance

India's small businesses were the most likely to require external finance in 2022. 88.4 per cent needed external finance last year, up slightly from 87.8 per cent in 2021.

Of those businesses that sought external finance, most (68.1 per cent) found the experience "easy" or "very easy" compared to the survey average of 45.9 per cent. In 2022, there was a shift in the main source of external financing. In previous years, the main source of finance for many of India's small businesses was friends or family. In 2022, the percentage of small businesses who nominated banks as their main source of external finance skyrocketed from 16.5 per cent in 2021 to 62.3 per cent.

## Exports

India’s small businesses are the most likely to expect their revenue from exporting will increase in 2023. Seeking alternative markets is one way of growing business and diversifying revenue streams. Exporting also exposes businesses to added competition and innovative ideas, which will help such businesses eventually. 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 the second strongest ESG adoption rates among the markets surveyed. Only 7.1 per cent did not spend any time or resources on ESG practices. Key ESG focus areas for India’s small businesses were employee health and safety policies, and water and energy use monitoring.

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on Indian small business in 2022	Top four factors that had a positive influence Indian on small business in 2021	Top four factors that had a positive influence on Indian small business in 2020
Improved customer satisfaction	Improved customer satisfaction	Improved business strategy
Improved business strategy	COVID-19	Improved customer satisfaction
Improved business management	Technology	Technology
Business location	Cost control	Customer loyalty
Customer loyalty^		
Entering new markets^		

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	Top four factors that had a negative impact on Indian small business in 2020
Increasing costs	COVID-19	COVID-19
Increasing competition	Increasing costs	Cash flow difficulties
Difficulty expanding new markets	Increasing competition	Increasing competition
Government regulation	Cash flow difficulties	Poor overall economic environment^

^ equal rank

Small businesses in India found that “improved customer satisfaction” had the most positive impact on their business in 2022. Investing in the customer and their experience 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. Fuel costs for vehicles or machinery, and transportation and storage costs were most detrimental to India’s small business in 2022.

## Key figures for 2022 by city

	Delhi / Gurgaon	Mumbai	Chennai	Bengaluru	Hyderabad	India average	Survey average
<b>Business and economic growth</b>							
Businesses that grew in the past 12 months	67.8%	59.4%	84.8%	71.3%	81.7%	72.7%	58.6%
Businesses that expect to grow in the next 12 months	76.9%	63.4%	77.8%	78.7%	85.6%	76.6%	65.7%
Businesses that expect the local economy to grow in the next 12 months	74.4%	68.3%	77.7%	78.7%	81.7%	76.3%	62.5%
<b>Use of technology</b>							
Investment in technology by the business over the past 12 months has improved profitability	81.0%	85.1%	82.9%	86.0%	77.9%	82.7%	55.2%
More than 10 per cent of sales is received through digital payment options such as PayPal, Paytm, PayUmoney, Google Pay, Apple Pay	94.1%	76.3%	90.8%	95.5%	89.8%	89.9%	73.7%
Consider the business likely to be cyberattacked in next 12 months	87.6%	66.3%	85.9%	84.6%	81.7%	81.6%	47.2%
Reviewed the business' cybersecurity protections in past six months	33.1%	50.5%	32.4%	29.4%	42.3%	36.9%	46.0%
Business operation is frequently or very frequently affected by internet connectivity issues	71.1%	54.5%	79.8%	78.7%	77.9%	72.7%	30.5%
<b>Impacts of COVID-19</b>							
COVID-19 had a major negative impact on my business in the past 12 months	25.6%	57.4%	23.2%	19.9%	18.3%	28.2%	36.7%
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	32.2%	41.6%	20.2%	19.9%	14.4%	25.5%	24.8%
My business' major reaction to COVID-19 was to increase investment in technology	28.1%	31.7%	32.3%	25.7%	21.2%	27.6%	19.1%
<b>Business activity over the past 12 months</b>							
Increased employee numbers in the past 12 months	82.6%	62.4%	89.9%	83.1%	80.8%	85.2%	44.9%



Required external funds over the past 12 months	87.6%	74.3%	98.0%	90.4%	91.3%	88.4%	62.5%
Found access to external finance easy or very easy over the past 12 months	66.0%	74.7%	38.2%	78.0%	83.2%	68.1%	45.9%
Banks were the main source of external funds	87.7%	22.7%	26.8%	82.1%	75.8%	62.3%	38.2%
Business growth was the main reason for seeking external finance	72.6%	78.7%	88.7%	46.3%	48.4%	65.5%	52.1%
Business survival was the main reason for seeking external finance	72.6%	66.7%	75.3%	43.9%	37.9%	58.5%	44.3%
Fuel costs for vehicles, machinery etc. were most detrimental to the business	28.1%	50.5%	36.4%	20.6%	21.2%	30.5%	23.9%
<b>Planned business activity over the next 12 months</b>							
Plan to increase employee numbers over the next 12 months	90.9%	75.2%	88.9%	85.3%	84.6%	85.2%	44.9%
Will seek external funds in next 12 months	80.2%	52.5%	85.9%	80.9%	76.9%	75.8%	33.6%
Expect easy to very easy access to finance in next 12 months	67.5%	58.4%	35.0%	74.2%	80.4%	63.6%	42.3%
Expect revenue from overseas markets to grow strongly over the next 12 months	53.7%	29.7%	42.4%	60.3%	63.5%	50.8%	23.7%
Will introduce a new product, service or process unique to their market or the world in the next 12 months	81.8%	63.4%	83.8%	83.1%	82.7%	79.3%	34.4%
<b>Key demographics</b>							
Respondent aged under 40	38.0%	30.7%	23.3%	43.4%	45.2%	36.7%	47.6%

The results for India vary between its major cities. Chennai's small businesses had a very strong 2022 in terms of growth, while Mumbai had the smallest percentage of small businesses that grew in India. The most likely reason for this is COVID-19. The survey results show that the pandemic had the biggest negative impact on Mumbai's small businesses.

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 have sought external finance for business growth and business survival.
- Chennai had the most small businesses using social media to promote their business to potential customers.

- Mumbai's small businesses were the most likely to use social media to communicate with existing customers.

## Demographics

	India 2022	Survey average 2022	Rank 2022	India 2021	Rank 2021	India 2020	India 2019
<b>Respondent aged under 40</b>	36.7%	47.6%	10/11	36.2%	7/11	67.6%	61.3%
<b>Business established for less than 11 years</b>	35.1%	61.1%	11/11	58.1%	7/11	70.3%	72.1%
<b>Respondent is the business owner</b>	31.4%	36.9%	7/11	18.9%	8/11	50.8%	55.1%
<b>Business has 10 to 19 employees</b>	58.3%	37.1%	2/11	38.9%	3/11	53.3%	25.7%

## Policy suggestions

Policymakers should consider how to increase the number of Indian small businesses focusing on cybersecurity and reduce the number relying on cash sales.