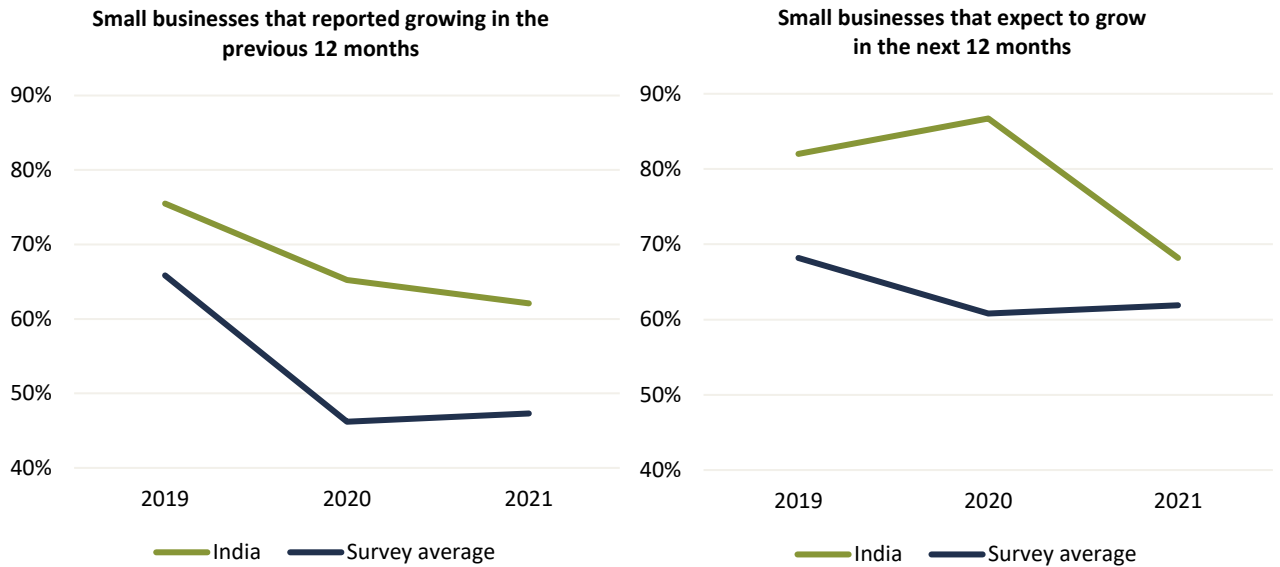


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2021-2022

INDIA MARKET SUMMARY

India

Business and economic growth



	India 2021	Survey average 2021	Rank 2021	India 2020	Rank 2020	India 2019
Businesses that grew in the last 12 months	62.1%	47.3%	3/11	65.2%	1/11	75.5%
Businesses that expect to grow in the next 12 months	68.2%	61.9%	4/11	86.7%	1/11	82.0%
Businesses that expect the local economy to grow in the next 12 months	67.4%	60.6%	3/11	79.9%	2/11	68.2%

2021 was relatively positive for India’s small businesses. 62.1 per cent of businesses stated that they grew last year. This was third highest result among the 11 markets surveyed, however it was down slightly from 2020.

In addition, 46.3 per cent of India’s small businesses stated that they experienced very strong growth – the highest result of the markets surveyed. In comparison, only 2.6 per cent of Hong Kong’s businesses recorded very strong growth in 2021.

2022 is expected to be a good year for India’s small businesses. 68.2 per cent expect to grow, higher than the survey average but down from 2021.

There are many positive aspects of the results from India. Many small businesses have characteristics strongly connected with growth, including a focus on:

- technology
- e-commerce
- improving customer satisfaction
- innovation
- exports

We are therefore likely to see many of India's small businesses continue to grow strongly in 2022 and beyond. Several of India's current small businesses are likely to evolve into large and successful global businesses in the next few years.

Impacts of COVID-19

	India 2021	Survey average 2021	Rank 2021	India 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	44.6%	51.0%	10/11	50.0%	9/11
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	37.0%	24.3%	3/11	31.4%	4/11

As in 2020, small businesses from India considered COVID-19 their biggest challenge in 2021. 44.6 per cent selected the pandemic as having a major negative impact on their business in 2021, which was less than the survey average of 51 per cent, and the second lowest of the markets surveyed.

Thirty-seven per cent of India's small businesses began or increased their focus on online sales in 2021, higher than the survey average. The survey results show a strong relationship between online sales and business growth. This strong focus on e-commerce will help many Indian small businesses navigate COVID-19, and be well placed for future growth.

Use of technology

	India 2021	Survey average 2021	Rank 2021	India 2020	Rank 2020	India 2019
Did not earn any revenue from online sales	6.3%	19.0%	10/11	10.0%	10/11	28.1%
Did not use social media for business purposes	11.4%	17.2%	8/11	14.5%	7/11	23.9%
Investment in technology by the business over the past 12 months has improved profitability	79.6%	53.6%	2/11	75.8%	2/11	59.7%
Technology your business invested in most heavily over the past 12 months	Business intelligence and analytical software	Computer equipment	N/A	Customer Relationship Management software	N/A	Computer equipment
Consider your business likely to be subjected to a cyberattack in next 12 months	77.9%	44.3%	1/11	68.2%	1/11	38.7%
Reviewed your business' cybersecurity protections in last six months	51.0%	46.7%	3/11	51.0%	2/11	38.5%
More than 10 per cent of sales is received through digital payment options such as PayTM, PhonePe and Amazon Pay	85.2%	64.9%	2/11	82.7%	2/11	63.4%

Small businesses from India are strong users of digital technologies. Most make online sales and 82.5 per cent earned more than 10 per cent of their revenue from that channel in 2021.

Further, most use social media for business purposes. Only 11.4 per cent of India's small businesses do not use

social media. 50.5 per cent use it to promote their business to potential customers.

Most of India's small businesses allow customers to pay using new digital payment technologies such as Paytm, PhonePe and Amazon Pay. 85.2 per cent received more than 10 per cent of their sales through such technologies, well above the survey average of 64.9 per cent.

India's small businesses take cybersecurity seriously. 51 per cent reviewed their cybersecurity in the past six months. However, an even stronger focus on cybersecurity would be beneficial given 77.9 per cent believe that they will be cyberattacked in 2022 – the highest result of the markets surveyed.

Helping to drive this focus on technology are the strong returns generated by such investments. 79.6 per cent of India's small businesses that invested in technology in 2021 found that these investments were already profitable. This result is the second highest of the markets surveyed, behind only Vietnam.

Business activity over the past 12 months

	India 2021	Survey average 2021	Rank 2021	India 2020	Rank 2020	India 2019
Increased employee numbers	77.0%	28.7%	1/11	56.4%	1/11	39.5%
Improved customer satisfaction had a major positive impact on my business	38.7%	23.0%	1/11	35.0%	1/11	36.6%
Increasing costs had a major negative impact on the business	39.4%	29.2%	1/11	32.2%	1/11	35.6%
Required funds from an external source	87.8%	60.2%	1/11	79.7%	1/11	59.7%
Sought external funds for business growth	70.5%	48.2%	1/11	58.3%	1/11	58.6%
Sought external funds for business survival	65.7%	49.0%	2/11	46.6%	3/11	22.5%
Found it easy or very easy to access external finance	72.9%	45.9%	1/11	52.5%	2/11	31.1%
A bank was the business' main source of external finance	16.5%	34.2%	10/11	11.3%	11/11	33.8%

Planned business activity over the next 12 months

	India 2021	Survey average 2021	Rank 2021	India 2020	Rank 2020	India 2019
Expect to increase employee numbers	83.2%	39.9%	1/11	70.9%	1/11	57.5%
Will introduce a new product, service or process unique to their market or the world	53.0%	27.0%	1/11	53.3%	1/11	34.2%
Expect revenue from overseas markets to grow strongly	44.6%	19.3%	1/11	44.9%	1/11	27.5%
Will seek external funds	49.9%	27.3%	2/11	50.0%	2/11	29.6%

Expect easy to very easy access to finance	69.2%	40.6%	1/11	48.8%	1/11	26.8%
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Innovation

India's small businesses are very innovative. Fifty-three per cent will introduce a totally new product, process or service to their market or the world in 2022 – the highest result of the markets surveyed. This is a very positive result as the survey results show that innovative businesses are more likely to grow.

Employee growth

Reflecting positive business conditions, India's small businesses were a major source of jobs growth in 2021. Seventy-seven per cent added staff – again the highest result of the markets surveyed. The strong growth expectations of India's small businesses in 2022 is expected to see large numbers of businesses employing additional staff. 83.2 per cent expect to add jobs this year, the highest result on record for this survey.

Access to finance

India's small businesses had very strong demand for external finance in 2021. 87.8 per cent needed external finance last year, up from 79.7 per cent in 2020. This was the highest percentage, among surveyed markets.

Of those businesses that sought external finance, most found the experience easy or very easy. India's small businesses were also the most likely to report easy access to finance. 72.9 per cent found it easy or very easy to access external finance, compared to the survey average of 45.9 per cent. Unique to India and the Philippines, small businesses in those markets are much more likely to source that finance from friends or family than a bank. The survey results show that accessing finance from family or friends is easier than a bank.

Exports

India's small businesses are the most likely to expect an increase in revenue from exporting in 2022. Seeking alternative markets is one way of growing business and diversifying revenue streams in difficult conditions. Exporting also exposes businesses to additional competition and new ideas. The survey results show that businesses that expect to grow their revenue from exporting are significantly more likely to grow.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Indian small business in 2021	Top four factors that had a positive influence on Indian small business in 2020	Top four factors that had a positive influence on Indian small business in 2019
Improved customer satisfaction	Improved business strategy	Improved customer satisfaction
COVID-19	Improved customer satisfaction	Good staff
Technology	Technology	Customer loyalty
Cost control	Customer loyalty	Technology

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	Top four factors that had a negative impact on Indian small business in 2019
COVID-19	COVID-19	Increasing costs
Increasing costs	Cash flow difficulties	Increasing competition
Increasing competition	Poor overall economic environment	Tax
Poor overall economic environment	Increasing competition [^]	Cash flow difficulties

[^] equal third

Small businesses in India found that “improved customer satisfaction” had the most positive impact on their business in 2021. Investing in the customer and their experience should have a positive long-term impact on business.

India’s small businesses found that “increasing costs” also had negative impacts on their business. Materials and staff costs were the costs most detrimental to India’s small business in 2021.

Key figures for 2021 by city

	Delhi/ Gurgaon	Mumbai	Chennai	Bengaluru	Hyderabad	India average	Survey average
Business and economic growth							
Businesses that grew in the past 12 months	68.5%	74.5%	27.8%	70.8%	74.6%	62.1%	47.3%
Businesses that expect to grow in the next 12 months	69.4%	82.1%	33.0%	78.8%	86.6%	68.2%	61.9%
Businesses that expect the local economy to grow in the next 12 months	71.0%	85.8%	29.6%	73.5%	86.6%	67.4%	60.6%
Technology and innovation							
Will introduce a new product, service or process unique to their market or the world in the next 12 months	53.2%	59.4%	20.0%	69.0%	71.6%	53.0%	27.0%
Investment in technology by the business over the past 12 months has improved profitability	78.2%	81.1%	93.0%	69.9%	73.1%	79.6%	53.6%
More than 10 per cent of sales is received through digital payment options such as PayTM, PhonePe and Amazon Pay	77.9%	81.0%	96.5%	88.2%	81.0%	85.2%	64.9%
Did not use social media for business purposes	17.7%	10.4%	6.1%	12.4%	9.0%	11.4%	17.2%
Think it is likely their business will be cyberattacked in the next 12 months	71.0%	70.8%	90.4%	80.5%	76.1%	77.9%	44.3%
Reviewed the business’ cybersecurity protections in past six months	53.2%	49.1%	29.6%	60.2%	71.6%	51.0%	46.7%
Impacts of COVID-19							
COVID-19 had a major negative impact on my business in the past 12 months	41.1%	45.3%	66.1%	30.1%	37.3%	44.6%	51.0%
My business’ major reaction to COVID-19 was to begin or increase its focus on online sales	41.1%	28.3%	57.4%	22.1%	32.8%	37.0%	24.3%

Business activity over the past 12 months							
Increased employee numbers in the past 12 months	75.0%	70.8%	87.0%	74.3%	77.6%	77.0%	28.7%
Required external funds over the past 12 months	86.3%	79.2%	96.5%	91.2%	83.6%	87.8%	60.2%
Found access to external finance easy or very easy over the past 12 months	64.5%	69.0%	90.1%	82.5%	42.9%	72.9%	45.9%
Banks were the main source of external funds	20.6%	21.4%	6.3%	12.6%	28.6%	16.5%	34.2%
Business growth was the main reason for seeking external finance	48.6%	75.0%	72.1%	92.2%	62.5%	70.5%	48.2%
Planned business activity over the next 12 months							
Plan to increase employee numbers over the next 12 months	78.2%	84.9%	92.2%	78.8%	82.1%	83.2%	39.9%
Will seek external funds in next 12 months	41.1%	56.6%	16.5%	77.0%	67.2%	49.9%	27.3%
Expect easy to very easy access to finance in next 12 months	63.2%	60.2%	90.9%	75.7%	43.3%	69.2%	40.6%
Expect revenue from overseas markets to grow strongly over the next 12 months	41.1%	50.9%	20.0%	54.9%	65.7%	44.6%	19.3%
Key demographics							
Respondent aged under 40	37.1%	49.1%	7.0%	64.6%	16.4%	36.2%	45.2%

The results for India were very different between its major cities. Hyderabad small businesses had a very good 2021 in terms of growth, while last year was difficult for Chennai small businesses. The most likely reason for this is COVID-19. The survey results show that the pandemic had the biggest negative impact of Chennai's small businesses.

Other results showed:

- Small businesses from Delhi/Gurgaon were the most likely to source finance from friends or family.
- Small businesses from Bengaluru were the most likely to need external finance for business growth and for business survival.
- Hyderabad small businesses were the most likely to use social media to receive / monitor customer feedback.
- Mumbai small businesses were the most likely to use social media to sell products or services.

Demographics

	India 2021	Survey average 2021	Rank 2021	India 2020	Rank 2020	India 2019
Business has been established for 10 years or less	58.1%	62.8%	7/11	70.3%	5/11	72.1%
Respondent is aged under 40	36.2%	45.2%	7/11	67.6%	3/11	61.3%
Respondent is the business owner	18.9%	39.0%	8/11	50.8%	6/11	55.1%
Business has 10 to 19 employees	38.9%	30.1%	3/11	53.3%	1/11	25.7%