

# Navigator

Now, next and how for business

India



Together we thrive

# Overview

## India set to weather global trade uncertainties

Over the next 10 to 15 years, India is poised to become one of the world's top three economic powers<sup>1</sup>. Government initiatives such as 'Make in India' and 'Digital India' aim to boost the manufacturing and technology sectors<sup>2</sup>, and Indian businesses are highly optimistic for both the near and long-term future. Adding to this optimism, the country retains its status as the world's third-largest base for fledgling businesses, with more than 4,750 technology start-ups<sup>3</sup>.

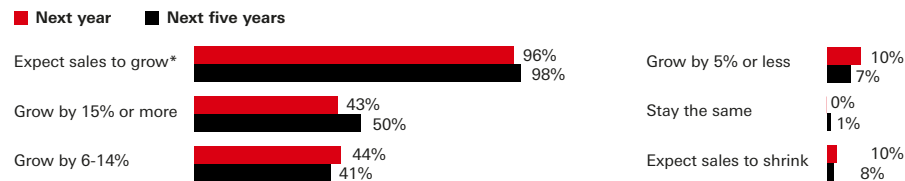
# State of play

## Entering new markets and investing in technology to drive confidence

Over the past year, companies in India have become more optimistic about their business. Almost all (98%) companies surveyed expect their sales to grow over the next five years, while half (50%) anticipate growth of more than 15%. These high-growth firms are more than twice as optimistic as businesses globally.

This confidence comes from the prospect of new markets opening up, the availability of high quality suppliers and plans to invest in technologies that will pave the way for new products and services.

### Expectations for future business growth



\*This is the sum of grow by 5% or less, 6 - 14%, 15% or more.



## What you need to know



Businesses in India are confident about the future. Over the next year, 96% of businesses expect their sales to grow – revealing optimism far above their global and Asia-Pacific (APAC) peers at 79% and 77%, respectively.



Over the next five years, almost all Indian businesses are optimistic in their business outlook – with 98% forecasting growth.

## What your business can do



Capture market momentum. Indian companies are looking at plans to enter new markets (29%), invest in innovation (27%) and improve the quality of products and services (26%) as proactive strategies.



Utilising technology can bring speed, efficiency and cost-savings. In the next three years, 37% of Indian businesses expect to increase the use of digital technology in their supply chains.

<sup>1</sup><https://www.ibef.org/economy/indian-economy-overview>

<sup>2</sup><https://www.ibef.org/economy/indian-economy-overview>

<sup>3</sup>[https://www.business-standard.com/article/economy-policy/oecd-slashes-india-s-economic-growth-forecast-from-7-2-to-5-9-119092000025\\_1.html](https://www.business-standard.com/article/economy-policy/oecd-slashes-india-s-economic-growth-forecast-from-7-2-to-5-9-119092000025_1.html)

# Trade outlook

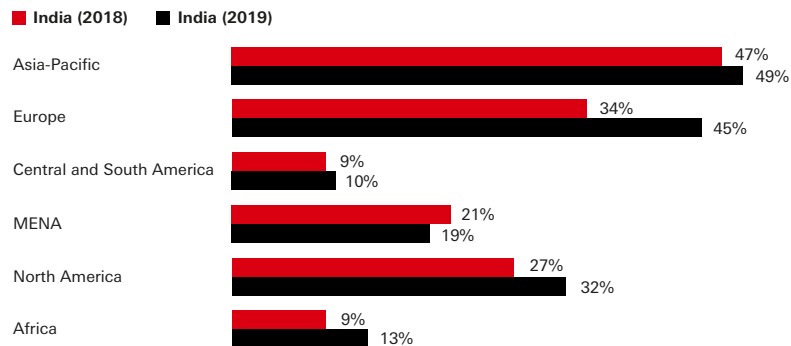
## Companies look further afield as trade horizons shift

Firms in India believe North America, Europe and markets in APAC will continue to be their key trading partners, and there are indications that both Europe and North America will rise in importance over the next three to five years. While firms believe APAC will remain strong (expected to grow from 47% to 49%), Europe (34% to 45%) and North America (27% to 32%) are believed to be increasingly important.

In APAC, mainland China (expected to grow from 9% to 11%) and Japan (expected to grow from 6% to 10%) are expected to gain further importance for Indian firms in the next three to five years. Looking at Europe, the United Kingdom (expected to grow from 10% to 15%) and Germany (8% to 10%) have the most potential. In North America, all three markets – USA (18% to 19%), Canada (14% to 17%) and Mexico (2% to 5%) – are projected to grow.

Alongside shifting trade horizons, Indian companies overwhelmingly see trade as a force for good. More than their global peers, Indian businesses believe that over the next five years, international trade will improve efficiency (India: 91%, global: 78%), provide new business opportunities (India: 89%, global: 79%) and deliver customer benefits (India: 90%, global: 80%).

### Top future growth markets



## What you need to know



India is seen as attractive to foreign businesses for its proven customer demand (42%) and favourable partnership opportunities (31%).



Indian businesses believe they will benefit from making changes to their supply chains. 33% think a benefit will be increasing speed to market, and 30% think it will help them move closer to the end-consumer.

## What your business can do



Expand your business for the right reasons. Indian companies consider the USA's main attraction to be proven customer demand (37%) and proximity to regional markets (36%), for example. The UK and Canada are seen as having a culture of innovation (UK: 38%, Canada: 35%).

# Protectionism and geopolitics

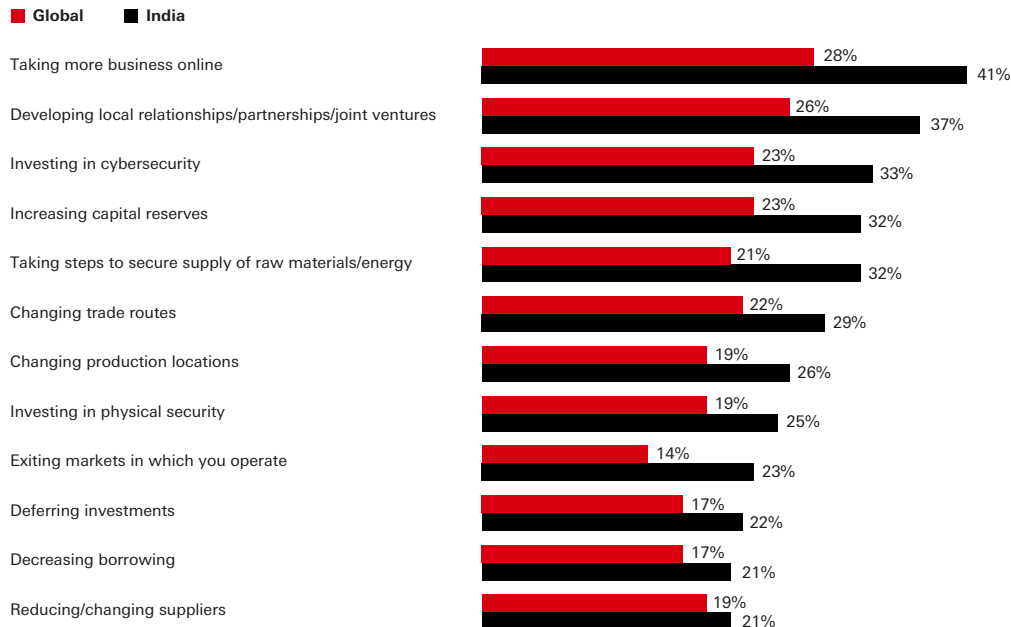
## Risk mitigation strategies help businesses cope with uncertainty

Most businesses in India feel protectionism is increasing in their main markets, but this is generally seen as positive rather than negative for business growth, especially among those trading domestically.

Less than 14% of Indian businesses surveyed feel protectionist policies have had a detrimental effect, which is in line with sentiment globally (16%) and across APAC (17%). 36% of Indian businesses say protectionism has boosted their competitiveness, however the same proportion feel protective policies have also increased restrictions on moving money out of the market.

The strategies used to mitigate the effects of both protectionism and geopolitics are largely the same. Companies in India use a range of approaches, including taking more business online, developing local partnerships and joint ventures, investing in cybersecurity, increasing capital reserves and taking steps to secure the supply of raw materials and energy.

### Ways in which businesses are coping with geopolitics



### What you need to know



Close to two thirds (63%) of Indian companies that feel protectionism is increasing say they have gained more than lost – and this is higher than the global (57%) and APAC (56%) averages.



More than half (53%) of the Indian companies surveyed feel the impact of geopolitics very strongly. This is significantly higher than the global (25%) or APAC averages (18%).

### What your business can do



Moving more business online is one strategy to minimise the adverse impact of protectionist policies in overseas markets. This is the approach being used by 34% of Indian businesses. While 41% are using the same strategy to counter geopolitical risk.



Setting up joint ventures with local companies can be the way forward for companies trading internationally. 29% of companies in India are adopting this strategy.

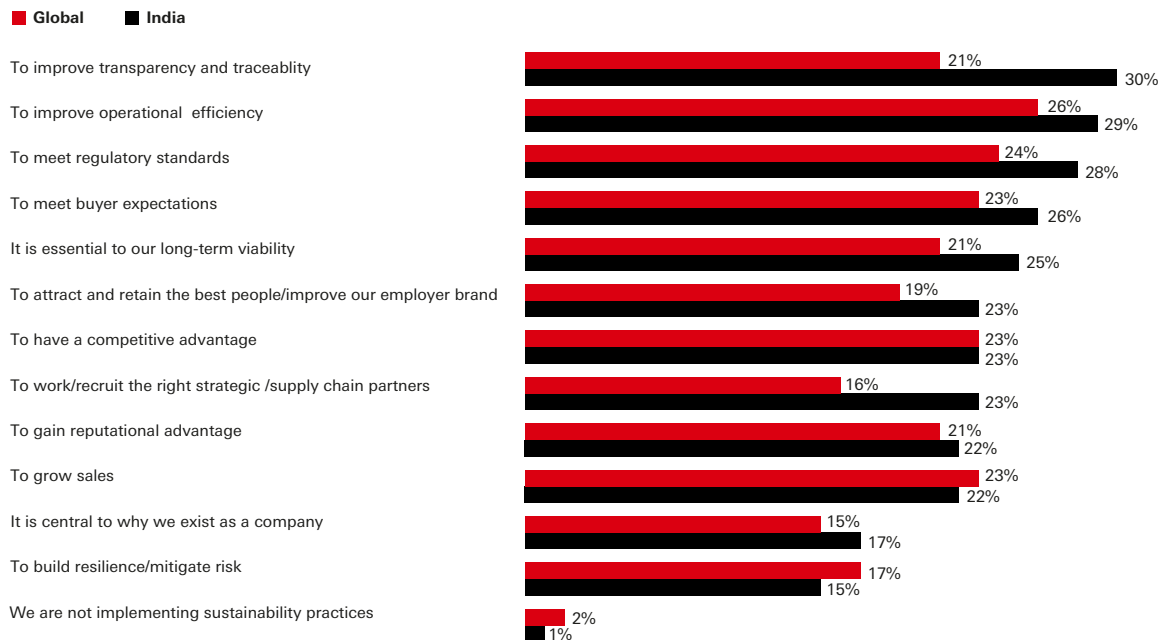
# The sustainable future

## Health and wellbeing seen as key to long-term success

The need to improve both the transparency and efficiency of business operations are the main drivers for sustainability in India, but companies are also under pressure to meet regulatory standards. While customer expectations are less of a motivating factor than in many markets, this is still cited as one of the key reasons to adopt sustainable practices.

Indian businesses feel the most relevant UN Sustainable Development Goals (SDG) are health and wellbeing (38%), followed by quality education (33%), and gender equality, and innovation and infrastructure (both 31%). Across the environmental, social and governance factors, businesses in India focus on executive salary and compensation (relevant for: 35%, measured by: 25%), and product safety and quality (relevant for: 26%, measured by: 17%) the most.

### Motivations for implementing sustainable practices



### What you need to know



Indian businesses are feeling pressure to become more sustainable in the next five years, with impetus from competitors (43%), governments (36%), investors (34%) and consumers (30%).



88% of Indian companies think they need to be part of delivering the UN's SDGs. This is far higher than the global average of 63%.

### What your business can do



Make production more sustainable. Over the next five years, 44% of companies in India plan to invest more in technology, innovation and infrastructure. 40% see investment in technology as among the best ways to monitor their supply chain.



Take the time to build effective wellbeing programmes. Companies in India say they would be helped by management buy-in (54%), internal training (51%), funding (45%) and hiring external experts (44%).

# Breakthrough tech

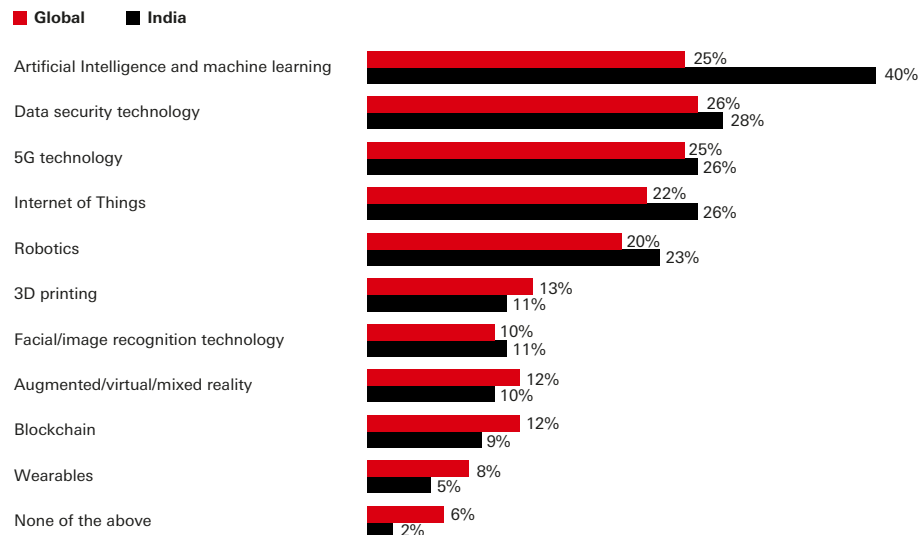
## Cutting-edge technologies boost productivity

Artificial intelligence (AI), data security, 5G and the Internet of Things (IoT) are the technologies Indian companies believe will have the biggest impact on their business in the future.

While technology is seen as an enabler for improving productivity and reducing costs, there are some specific benefits linked to certain innovations. AI, IoT, data security and 5G, for example, are expected to help improve speed to market, while 5G is also seen as likely to lead to improved sustainability. Companies suggest both IoT and 5G have the power to improve product and service delivery, while data security technologies are expected to improve the customer experience.

For businesses in India, the leading centres for technological innovation are believed to be APAC, including India itself, and North America, where the US is considered the main player.

### Technologies businesses think will be important over the next five years



### What you need to know



AI is mentioned most frequently (40%) as likely to have an impact on Indian business in the next five years – considerably above the global average (25%).



Indian companies see China and the US as the leading markets across all technologies, but APAC, including India itself, is considered a leading hub for data security and IoT.

### What your business can do



Invest in the right technology to realise productivity gains. 50% of Indian businesses believe AI and machine learning will improve productivity and 49% also see this as a benefit of IoT.



Product quality is a keen differentiator for Indian businesses operating in competitive international markets. Both robotics (40%) and AI (45%) are seen as having the potential to increase the quality of products and services.

## About HSBC Navigator India

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 350 businesses surveyed in India. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

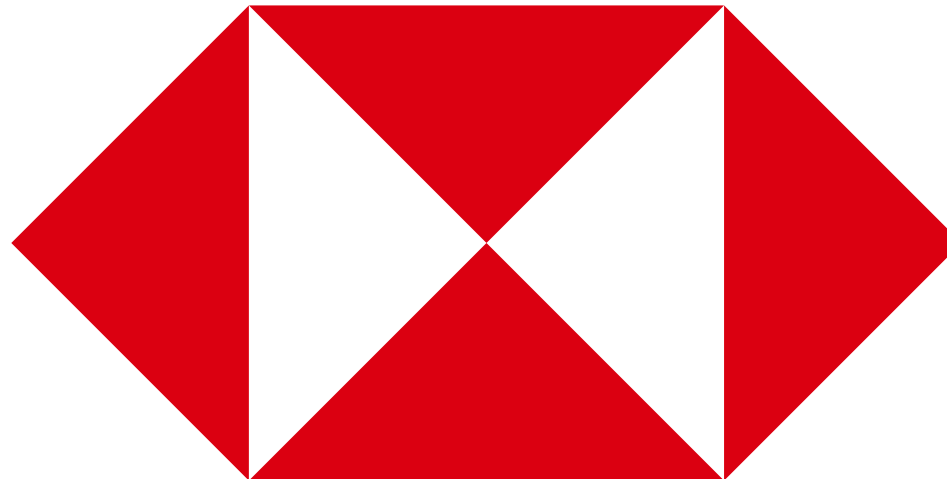
Data visualisations based on the following:

Page 2: all companies. n=350

Page 3: international operators (trend). n=233

Page 4: companies who are impacted by geopolitics.  
n=8629/346

Page 5 & 6: all companies. n=9131/350



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