

India business barometer

The digital imperative

Introduction

Notwithstanding a devastating second wave of the covid-19 pandemic, Indian corporate leaders are decidedly bullish about recovery in their markets and the growth prospects for their businesses.

India's economic downturn in 2020 was the second-largest among major global economies, and the sudden contraction in the second quarter of 2021 was almost as steep.¹ While they have concerns about the domestic economic outlook, Indian business leaders surveyed by Economist Impact are confidently plotting a course for expansion and investing accordingly. The accelerated development of their digital capabilities lies at the heart of their growth strategies.

To track how Indian corporate leaders' views about their growth prospects are evolving and how businesses are approaching the challenges of digital transformation, Economist Impact has launched the India Business Barometer. The findings of this inaugural edition are based on a survey of 70 India-based C-level executives conducted in May-June 2021.² A majority of the business leaders are members of the Now for Next Leaders Dialogue, an invitation-only community of Indian business leaders, supported by Google. The survey will be repeated, and a new barometer published, periodically over the coming months.

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¹ India's GDP contracted by 7.4% in 2020 (only the UK's decline of 9.9% was higher). Economist Impact estimates the quarter-on-quarter contraction in April- June 2021 to have been 7%. <https://country.eiu.com/india>

² CEOs, COOs, CFOs and board members constitute 57% of the survey sample, with the remainder consisting of other C-level executives. They represent companies in a wide range of sectors, including technology, financial services, manufacturing, construction and real estate, healthcare, and entertainment and media. Just over 70% are businesses earning Rs1bn or more in annual revenue (and 46% earning Rs5bn or more).

A particular focus of this edition is digital responsibility. As their interaction with customers shifts increasingly to digital channels, what steps are Indian businesses taking to ensure their customers and other users of those channels are adequately protected from online harm? Our research suggests executives are aware of their responsibilities in this area, and understand that failure to meet them could harm their business considerably.

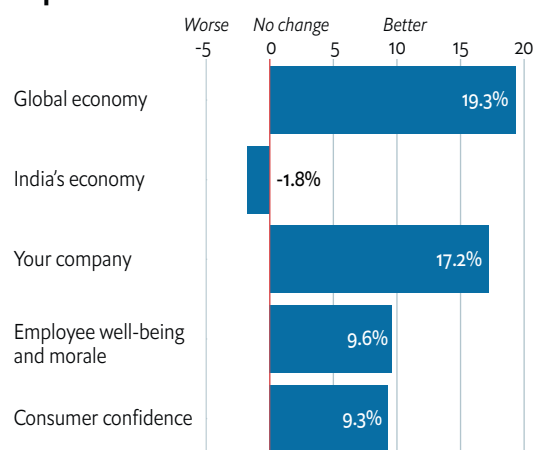
The business outlook

With one exception, the surveyed executives' expectations for the next quarter are unequivocally optimistic, and these reflect in upbeat barometer readings. On a scale of -50 (much worse) to +50 (much better), the reading for the global economy for the next three months is a positive 19.3. The reading is in negative territory, however (-1.8), when it comes to India's economy. This is likely an effect of the sobering estimates of the second-quarter downturn that executives no doubt had been reading.

Indian executives appear to believe their own businesses are resistant to the pressures bearing down on the country's economy. When it comes to prospects for their companies' growth, the barometer reading generated is a positive 17.2. In fact, this number slightly masks the extent of executive optimism: while around one-third of respondents expect their performance to be "somewhat better" over the next quarter, another third expects it to be "much better". Indeed, most business leaders expect their company to outperform industry rivals when it comes to growth of both top-line revenue (57%) and profitability (56%).³

Coronavirus dangers nevertheless remain at the forefront of executives' minds. When asked about the top challenges their businesses face over the next three months, atop the list—cited by 50% of respondents—is keeping their employees safe and healthy. Next, 46% say navigating the market uncertainty generated by the pandemic, at home and overseas, is a top challenge. Third on the list, cited by 43%: driving through digital transformation.

Figure 1: Barometer reading—growth expectations for the next three months



Source: Economist Impact

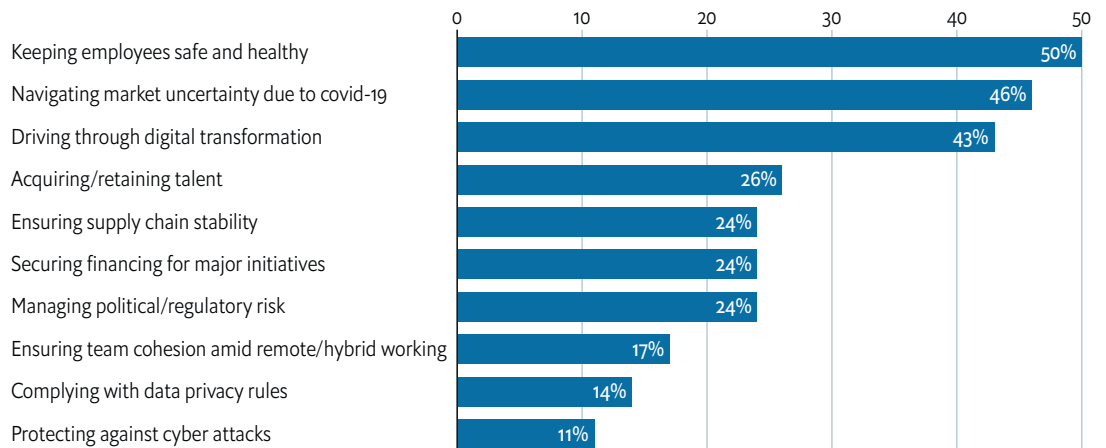
Full steam ahead for digital

The prominence of the digital challenge in business leaders' minds provides a clear hint of how they plan to meet their growth ambitions. A large share of businesses are planning to boost investment in different business areas over the next three months. For example, 37% will spend more to support their firms' entry into new markets; 41% plan to invest in bringing required talent into the business; and a majority, 60%, will increase spending on innovation and R&D.

³ This *Financial Times* article provides anecdotal confirmation of corporate India's bullishness in the face of the second coronavirus wave. <https://www.ft.com/content/c8228d3b-a4a4-4615-a5c8-d3cfbf3f7c34>

Figure 2: Covid-19 continues to fix minds

The most significant challenges faced by respondents' businesses over the next three months (top responses)

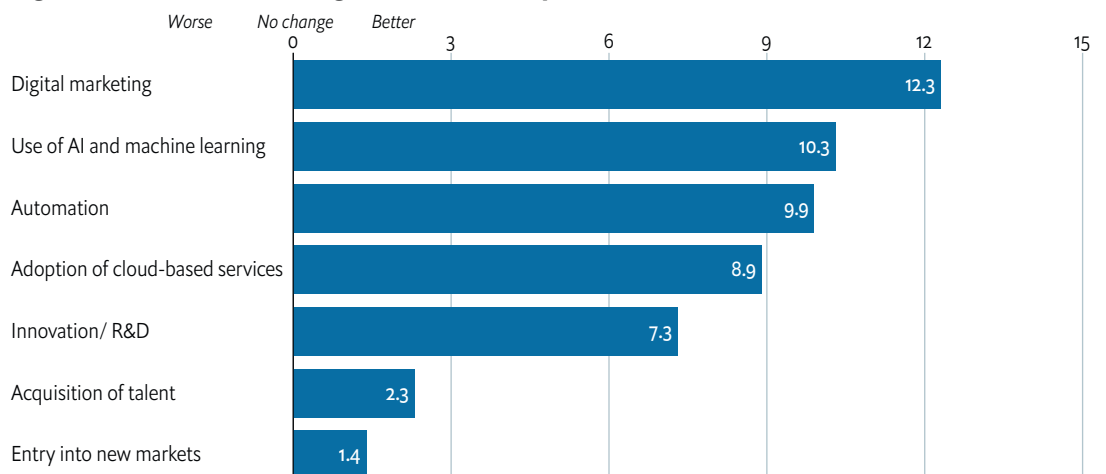


Source: Economist Impact

The figures increase considerably, however, when it comes to investments in different aspects of digital transformation. This is not surprising, as arguably the biggest business impact of the pandemic has been an accelerated flight of consumers and organisations to digital means of interaction. Three years ago, just 23% of our respondents' businesses interacted with existing and potential customers primarily online, such as via a website or a mobile app. Today, that figure is 83%.

Accordingly, most respondents' companies are ramping up investment in different types of digital capabilities with the dual objectives of providing better customer experience and doing so more efficiently. Spending increases are targeted, for example, at the adoption of cloud-based applications and IT infrastructure, as well as the wider automation of processes in customer service, finance, HR, IT and other areas. The vast majority of surveyed businesses are boosting investment in the development of AI and machine learning

Figure 3: Barometer reading—investment expectations for the next three months



Source: Economist Impact

capabilities, which can add new dimensions to the customer experience. A vast majority are also spending more on improving their digital marketing capabilities.

These responses translate into positive barometer readings for each category of digital investment: 8.9 for cloud adoption, 9.9 for automation, 10.3 for developing AI and machine learning capabilities, and 12.3 for improving digital marketing.

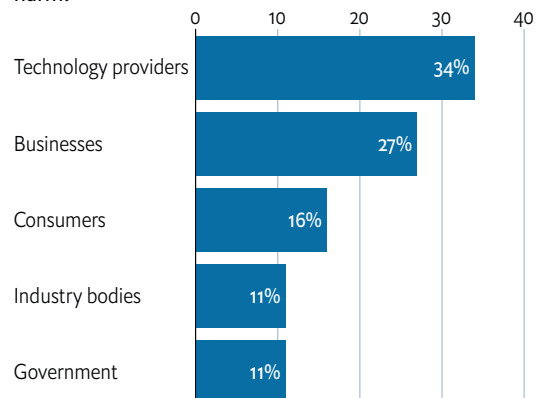
Taking digital responsibility

As businesses ramp up their digital marketing efforts—and interact with consumers on a wider variety of channels, collecting and analysing ever greater amounts of their personal data—their responsibilities in protecting consumers from data breaches and other online harm increase. The same is true of the well-being and privacy of their employees as well. To their credit, business leaders we surveyed appear to understand and accept this responsibility. Eight in ten (83%) say that taking responsibility for the digital safety of consumers and employees is critical to ensure the long-term success of their business.

They understand digital harm to mean a variety of potential types of damage. These include financial loss, including losses brought about through cyber-attacks; misinformation; and theft or misuse of personal data. Such data breaches are an uncomfortably common occurrence in India and can have potentially damaging consequences for consumers.³ Two-thirds of surveyed executives (67%) also understand that failure to protect user data is bad for their brand and reputation.

Figure 4: The burden of protection

In your opinion, which of the following carries primary responsibility for protecting consumers from digital harm?



Source: Economist Impact

Who bears responsibility for protecting users from digital harm? Our respondents tend to believe that the burden rests with technology companies—such as internet providers, mobile and other telecoms operators. Indeed, these companies could be subject to legal jeopardy for content on their websites or platforms under rules passed recently by the Indian government.⁵ Next are businesses themselves, well ahead of government or industry bodies—an acknowledgment by respondents that their companies must do more to protect the users of their digital channels.

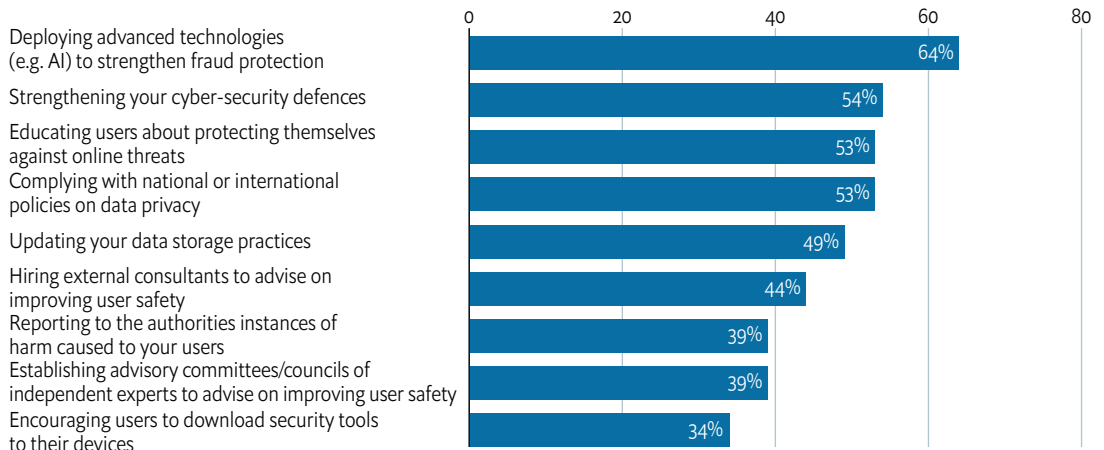
Business leaders say their companies are taking steps to do so. Bolstering fraud protection with the help of AI, machine learning and other advanced technology capabilities is the action most frequently cited, along with efforts to strengthen their cyber defences to guard against incursions from attackers. More than half also say their companies are taking

⁴ For recent examples, see: <https://www.bloomberg.com/news/articles/2021-05-22/cyber-attack-on-air-india-led-to-data-leak-of-4-5-million-fliers>; <https://indianexpress.com/article/technology/tech-news-technology/dominos-data-breach-name-address-other-details-of-over-18-crore-orders-leaked-7328416/>; and <https://cisomag.eccouncil.org/unacademy-data-breach/>

⁵ The rules, which primarily apply to technology and media companies, are controversial and have elicited considerable debate. See, for example: <https://www.economist.com/asia/2021/06/05/indias-government-goes-after-twitter-and-its-ilk>; <https://www.indiatoday.in/technology/news/story/eff-says-new-indian-rules-on-online-content-threaten-the-free-and-open-internet-1788706-2021-04-08>

Figure 5: Tightening the defences

What steps is your company taking to protect users of its website(s), apps or other digital channels? (top responses)



Source: Economist Impact

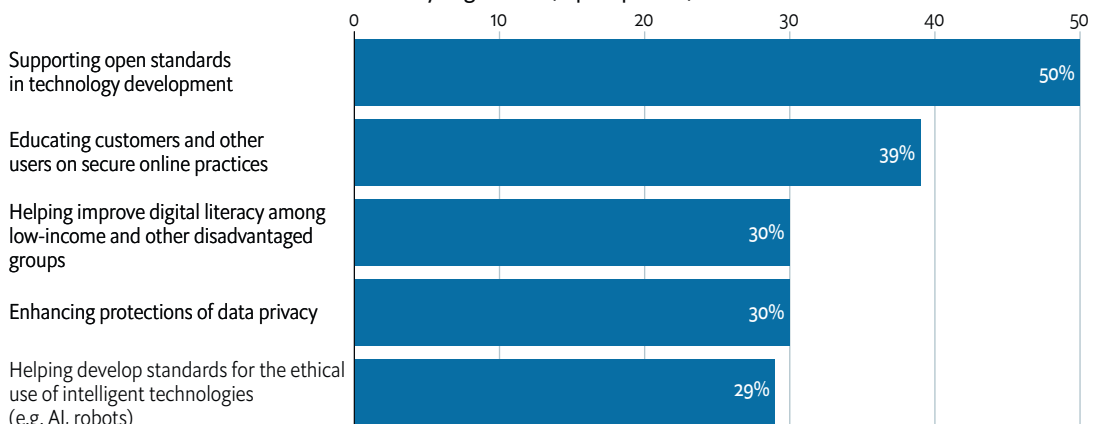
initiatives to educate users about how to strengthen their own safeguards. Indeed, when it comes to educating society more broadly on digital use, three in four (76% of) executives believe businesses, and not government, should take the lead.

There are other measures Indian companies can take to enhance online protection of

their digital users and employees. Just under 40% of respondents' firms, for example, have established or are considering establishing advisory committees to help them improve user safety. Another helpful measure would be to consolidate internal responsibilities for digital safety in one function or role, as a majority of respondents believe these responsibilities are currently too fragmented.

Figure 6: The most valuable digital contributions to society

Thinking of how your company uses digital technology, what are the most important contributions it could make to consumers, other stakeholders and society in general? (top responses)



Source: Economist Impact

Conclusion: from intent to action

India's economy is booming again as the worst of the pandemic appears to recede. As in much of the world, digital technology now underpins a greater share of business and economic activity than was the case just 18 months ago, and Indian business leaders increasingly see their firms' fortunes hinging on their ability to interact seamlessly and efficiently with customers. Greater digitisation brings opportunity but also greater risks, for companies, their customers and others the companies interact with.

We find encouraging that Indian businesses take the responsibility of protecting customers and other users from digital harm seriously. The true test of their seriousness, though, is translating aspiration and intent into concrete action. A failure to do so may eventually result in users shifting allegiances as a result. Genuine action, by contrast, can engender greater customer loyalty and, more importantly, make a signal contribution to bettering society.

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