



# India business barometer

## Advancing inclusion

### Introduction

As India grapples with its third major wave of covid-19, its business leaders exhibit a quiet confidence that their companies will weather its fallout. Although expectations for the business environment and their firms' performance have moderated somewhat from the previous edition of the India Business Barometer (IBB), most of those taking part in the research see continued improvement ahead. This sense of calm reflects the experience that businesses have gained in dealing with earlier waves of the pandemic. As previously, the most serious challenge business leaders see to their growth is their ability to acquire the talent needed to support it.

This fourth edition of the IBB is based on a survey of senior executives in the country completed in December 2021.<sup>1</sup> It tracks C-level sentiment as well as the evolution of executives' plans to build their firms' digital capabilities.

The IBB has an additional purpose: to gauge business leaders' views about different challenges facing Indian society, and to determine what their companies are prepared to do about them, including with the help of digital technology. Previous IBB editions have focused on specific challenges, such as digital responsibility (protecting customers and website users from online harm), expanding people's access to digital information, and supporting digital entrepreneurs and ecosystems. In this edition, we take a broader look at the importance business leaders attach to addressing what is arguably India's most overarching challenge: ensuring that all citizens stand to benefit from the advances being made by modern society.

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<sup>1</sup> The survey sample consists of 30 respondents, all of whom are board members, chief executive officers, chief financial officers and others holding C-level positions.

### Learning to live with uncertainty

The barometer readings suggest a recognition among Indian business leaders that the spread of Omicron could temper their firms' growth prospects, at least temporarily. In all five indicators that the IBB tracks, fewer survey respondents expect improvement than was the case in the previous edition. The biggest declines are in evidence when it comes to growth expectations for the global economy over the next quarter (a current reading of 10 on a scale of -50 to +50, down from 21.4 in October 2021) and of consumer confidence (dropping to 20 from the earlier 33.1). Fewer executives in December, compared with October, are also certain of continued improvement in India's economy in the short term.

Notwithstanding concerns about the business environment, the business leaders we surveyed remain upbeat about their own companies' outlook for the coming quarter. Although this reading also declined slightly

**Figure 1: Barometer readings**

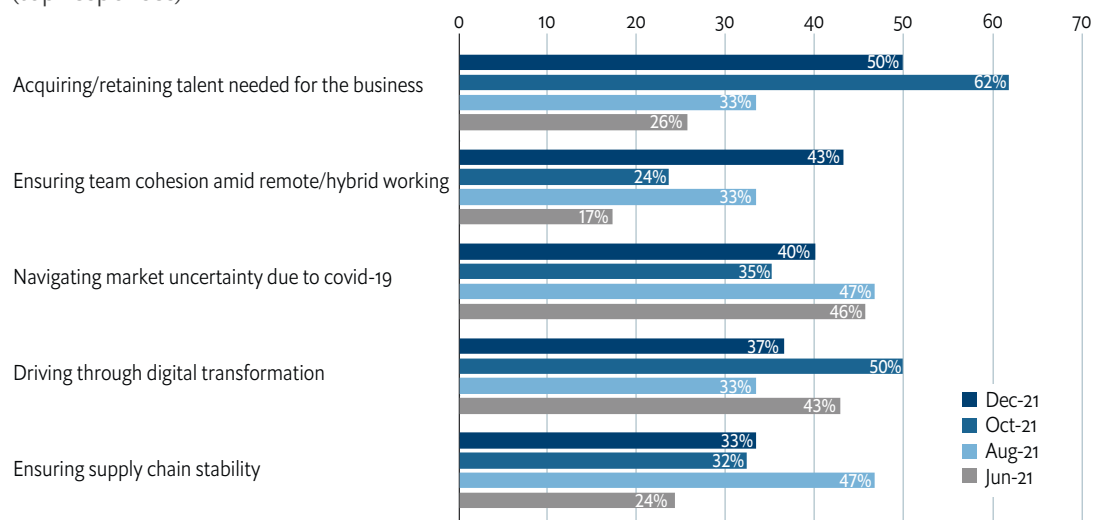
Business expectations for the next three months



Source: Economist Impact

**Figure 2: The continuing talent crunch**

The most significant challenges faced by respondents' businesses over the next 3 months (top responses)



Source: Economist Impact

from October, it remains in decidedly positive territory, at 33.1 on the -50 to +50 scale. Anecdotal evidence suggests that companies are putting business continuity plans into effect, including renewed home and hybrid working regimes and measures to ensure uninterrupted service to customers. But there is no sense of panic, and instead, a confidence that firms can keep businesses running at full speed even amidst the disruption.<sup>2</sup>

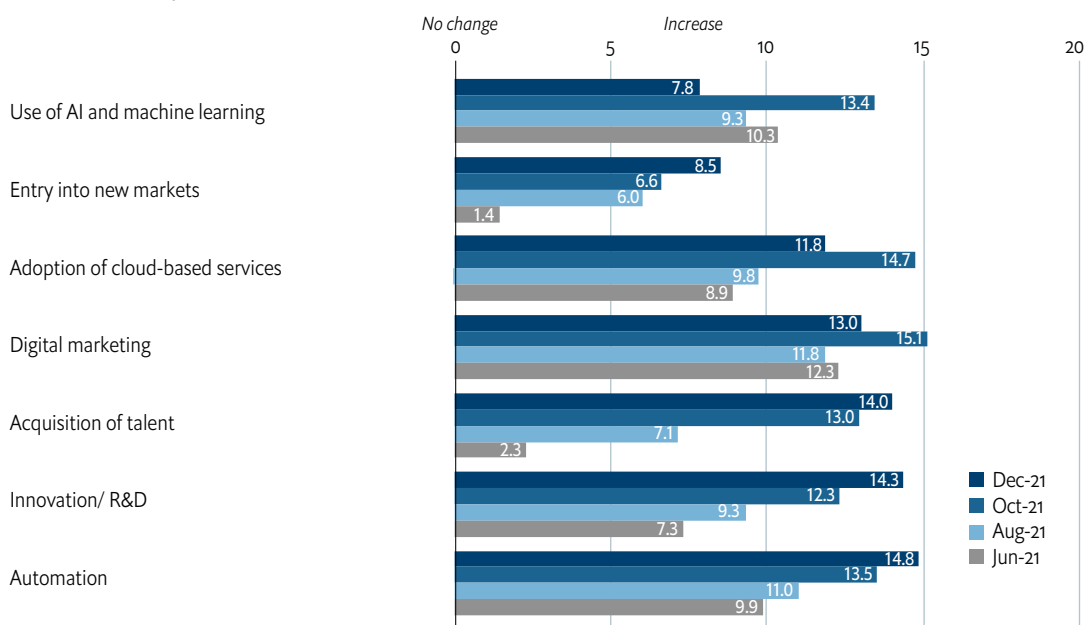
Executives' relative buoyancy about their own business outlook shows through clearly when asked about the most significant challenges they face over the next three months. At the top of the list, as in the October barometer, is acquiring and retaining the talent needed for the business, cited by 50% of respondents. Concerns about navigating market uncertainty are only slightly more widespread today than

in October, and considerably less so than in the August and June barometers. (To be sure, the challenge of ensuring team cohesion has become more prominent as home and hybrid working become the norm again.)

Perhaps in expectation of more subdued markets as the third wave plays out, fewer respondents than previously plan to boost investments in certain areas of technology. This holds true for digital marketing, cloud-based services and artificial intelligence, for example. (It could alternatively mean that, having achieved initial objectives with earlier spending increases, some companies are waiting before committing to new rounds of upgrades.) The exception to this is automation, where over half of the companies in the survey expect to increase spending by more than 10% over the next quarter. Given

**Figure 3: Barometer reading**

Investment expectations for the next three months



Source: Economist Impact

<sup>2</sup> See, for example, <https://economictimes.indiatimes.com/news/company/corporate-trends/india-incs-3rd-wave-mantra-less-panic-more-planning/articleshow/88700406.cms>.

their aforementioned concerns about talent gaps, it should be little surprise that more businesses will be boosting their investment in talent acquisition.

Looking at technology needs more closely, data analytics remains at the top of respondents' list of priorities, with 63% citing it as their top target for investment in the coming months.

### The business push for inclusion

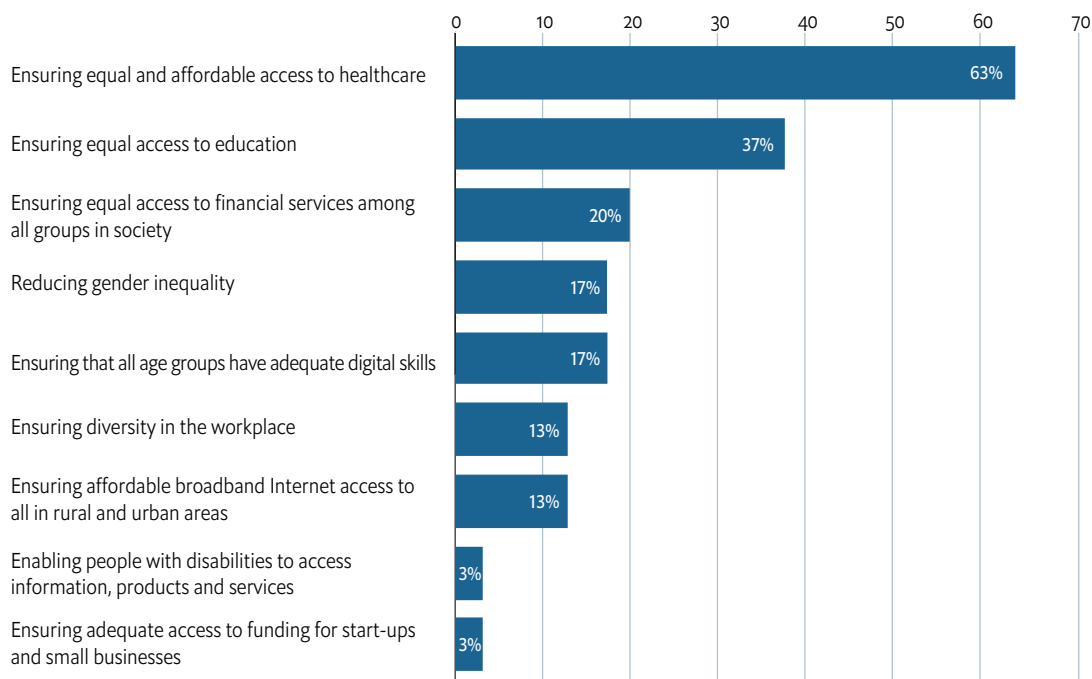
As they steer their businesses toward achievement of their growth and profitability objectives, corporate leaders understand the need to also help address the broader challenges facing Indian society. Almost half

(47%) of those in our survey, for example, assert that setting and pursuing non-financial objectives must not take a back seat to meeting financial targets. While 40% state that meeting financial targets must be paramount, just 7% do so unequivocally.

Asked to identify the most pressing challenges of inclusion facing Indian society today, by far the most frequently cited response is ensuring equal and affordable access to healthcare. This may be partly coloured by the searing experience of covid-19, but many business leaders are probably also aware that diabetes, heart disease, cancer and other chronic illnesses too often go untreated for inadequate access to health information and advice.

**Figure 4: Where inclusion is most needed**

The most pressing challenges of inclusion facing Indian society today (top responses)



Source: Economist Impact

Other major challenges cited by respondents are ensuring that all groups in society have equal access to education and to financial services. Reducing gender inequality also features on their list, as does access to training in digital skills.

Expanding inclusion is the responsibility of both government and the private sector, executives overwhelmingly agree. More than eight in 10 (83%) say government initiatives to address inclusion will be ineffective without active private sector support. The types of companies best placed to provide such support, the respondents say, are technology firms, a response which reflects the recognition that affordable access to digital technology is the key to widening inclusion in society.

What are business leaders doing to translate these broad statements of belief into tangible

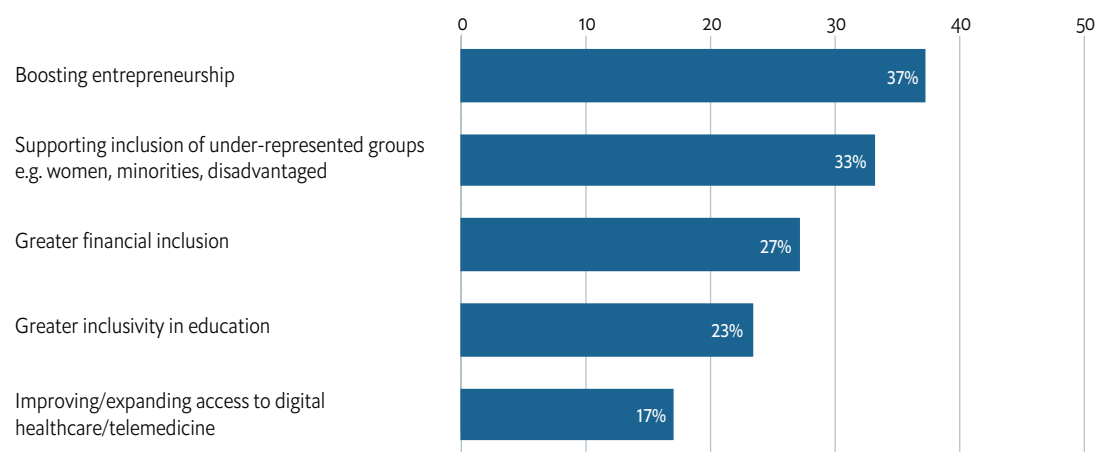
contributions to meeting such challenges? Boosting entrepreneurship is the most common category of initiatives cited by the survey respondents. A previous IBB edition focusing on digital ecosystems outlined how Indian businesses are supporting technology start-ups: through, for example, knowledge-sharing, the funding of accelerators and the provision of venture finance.<sup>3</sup>

One third of surveyed executives also say their firms are supporting the inclusion of under-represented groups, such as women<sup>4</sup> and ethnic or religious minorities. Around one-quarter, for example, emphasise the importance of preferential hiring practices to bring more members of such groups into the workplace.

Business leaders also believe that encouraging employees to volunteer their time to charitable activities and other civic initiatives

**Figure 5: From words to deeds**

In which areas is your business currently organising or financing specific initiatives? (top responses)



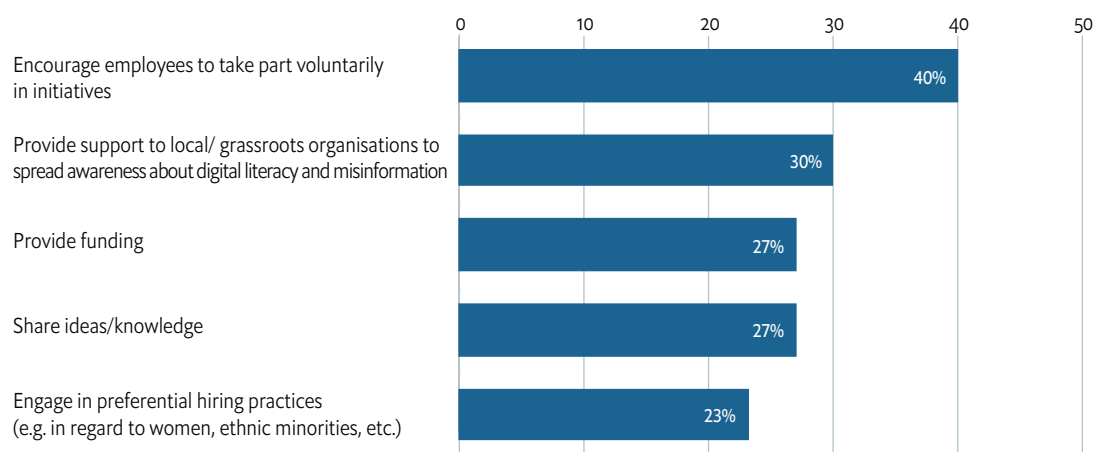
Source: Economist Impact

<sup>3</sup> <https://nowfornext.in/digital-ecosystems/>

<sup>4</sup> According to the World Bank (as reported by Reuters), India's female labour participation rate fell to 16% during the first wave of the pandemic in 2020, among the lowest rates in the world. See: <https://www.reuters.com/world/india/indias-female-labour-participation-rate-falls-161-pandemic-hits-jobs-2021-08-03/>

**Figure 6: Impactful initiatives**

What are the most effective contributions that businesses like yours can make to support initiatives that have a positive impact on Indian society? (top responses)



Source: Economist Impact

is an effective means of addressing social challenges. Many of India’s large companies facilitate this through, for example, the creation of online volunteering platforms that match employee preferences to opportunities with specific initiatives.

Another useful contribution to expanding inclusion is to provide funding, organisational or other types of support to initiatives that strive to increase digital literacy among the population. Technology companies in India often spearhead such initiatives themselves, both to address the wider social need but also to help build talent pools that they can tap in the future.<sup>5</sup>

**Inclusion is also good for business**

Indeed, executives perceive a range of benefits to their business from helping to advance inclusion in society. Being a good corporate citizen, 45% say, helps strengthen

customer relationships. This is largely a by-product of the brand and reputation building that the types of activities described above often enhance. Just over one-third also believe that such initiatives appeal to a wider universe, helping to expand the pool of potential customers for their company. In this context, supporting inclusion can be seen as contributing indirectly to companies’ revenue growth.

Supporting inclusion has one other major benefit for companies: strengthening employee engagement and, by extension, their retention. India’s technology firms have for years struggled to keep hold of their talent, but labour shortages are now affecting businesses in other sectors of the economy as well.<sup>6</sup> Executives understand that good corporate citizenship in areas such as digital inclusion, poverty reduction and sustainability is increasingly important to employees, and initiatives such as those

<sup>5</sup> See, for example: <https://www.forbes.com/sites/sap/2021/05/04/the-amazing-inclusion-story-behind-indias-digital-transformation/?sh=313068c147b5>

<sup>6</sup> See, for example: <https://economictimes.indiatimes.com/jobs/blue-collar-worker-shortage-could-go-from-bad-to-worse/articleshow/88176052.cms?from=mdr>

discussed above are often conceived with stronger employee engagement as one of the desired by-products.

Provided that most of India's businesses, and not just its largest ones, integrate efforts to support wider inclusion into their everyday operations, the benefits accruing to society could be substantial. With private sector help, the government has succeeded in effecting change that has improved people's lives, the best current example being the Clean India campaign, which is aimed at improving public hygiene and sanitation standards. Working in co-ordinated fashion, and leveraging digital technology, there is every reason to believe that government and business can also significantly reduce some of the gaps separating India's haves and have-nots in access to vital services.

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