



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN INDIA 2021

A REPORT FROM TEAM SWEDEN IN INDIA

KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in India

Anjali Bholā & Ankit Tiwari

Swedish Chamber of Commerce in India

Karan Dua

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FOREWORD

Welcome to **2021 Business Climate Survey** where we share insights about the Swedish business community in India. The Business Climate Survey has been conducted in India on an annual basis for over ten years by the Swedish Chamber of Commerce India, in partnership with Embassy of Sweden, Consulate General in Mumbai and Business Sweden.

In 2020, Business Sweden and Swedish Chambers International introduced a Global Business Climate Survey, to enable comparison between countries and over time. This report contains the India specific data from the global questions. We hope that this report will give a useful overview of the business environment in India especially to you that have not yet entered the market. We in Team Sweden India stand ready to welcome you!

Swedish companies have been operating in India for over a century, with a large influx in the last decade. The group is active in various sectors and business areas – building long-term, sustainable, and meaningful business.

This Business Climate Survey report is the result of the survey conducted in India in spring 2021, just before India witnessed the outbreak of the second wave of Covid-19. Still, the outcome of this survey remains valid and shows that companies are overall positive about the business climate, as over 60 per cent find it favourable/very favourable, and are looking to further increase investments. The pandemic has of course impacted people, organisations, and business leading to new ways of working and redefinition of business models.

Going forward, the thrust is on the sustainability conundrum. Both in terms of technology, operations, and shift of perception. India and Sweden have much in common here, with collaboration in key areas as Health, Energy, and Environment.

About 210 Swedish companies were asked to participate in the survey, and 190 did, which corresponds to a response rate of 90 per cent. This speaks to the sense of community and collaboration that is there in the business group, and might also be seen in the measurement that more than 75 per cent of the companies recognise 'Brand Sweden' as a positive factor for the business. Thank you to all of you who took the time to participate in the survey and contributed with your thoughts and experience.

We trust you will find this report valuable as well as informative, and we welcome you to India.



Cecilia Oskarsson
Trade & Invest
Commissioner of
Sweden to India



Sara Larsson
General Manager
Swedish Chamber of
Commerce India

EXECUTIVE SUMMARY



COVERAGE

- **90** per cent of the Swedish companies in India answered the survey
- **56** per cent work in the Industrial Space



ECONOMIC OUTLOOK

- **52** per cent of the Swedish companies reported profitability in 2020
- **51** per cent of the respondents plan to slightly or significantly increase the investment in the India during upcoming year
- **80** per cent of the respondents expects that their turnover in India would increase slightly or significantly during the upcoming 12 months



BUSINESS CLIMATE

- **61** per cent of the Swedish companies describe the business climate in India as good or very good
- Advantages: availability of low-cost skilled workforce, access to supplier and service providers
- Challenges: sustainability policies, tax rates and stable regime



KEY SUCCESS FACTORS

- The highest-ranking key success factors are cost efficiency, product development/adaptation, and partnership and local relationship
- **76** per cent of the Swedish companies believe that the "Swedish brand" contributes to their success



SUSTAINABILITY

- **41** per cent of respondent's customers consider environmental aspects in their purchasing decision much or very much
- **36** per cent of the respondents perceive that corruption in India affects their business very little or little

ABOUT THE SURVEY

Respondents constitute a mixed crowd

How are the Swedish companies experiencing the business climate in India? Team Sweden, spear-headed by the Swedish Chamber of Commerce India carries out the survey that tracks how Swedish companies operating in India perceive the market conditions and the economic prospects of their business, and if and how the views diverge across company type.

Currently, more than 200 Swedish companies are present in India. All of them were invited to participate and share their sentiments. Conducted in February-March 2021, this survey seeks to understand the perceptions of economic and market developments and what opportunities and challenges our companies are facing. With a total of 190 respondents, a response rate of 90 per cent was achieved. The web-based survey contained over 40 questions, whereof 17 questions are reported on here, as a subset of the Global Business Climate Survey.

This report is presented in four main sections. First off, we elaborate on the economic situation, including current business performance and Swedish companies' outlook for the upcoming year. We then move on to the Indian market, including respondents' view on the business climate in general and which factors contribute positively and negatively to their commercial success. The third section covers Swedish companies' operations and perceived success factors in the market, and the last section explores sustainability-related aspects and how they are interpreted in the market.

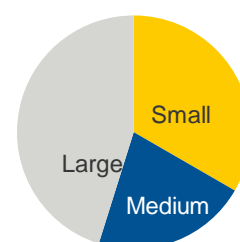
Out of the respondents, 44 per cent are large companies with a global turnover exceeding USD 50 million and/or 1000+ global employees. 21 per cent of the companies are classified as medium sized with a global turnover of between USD 11-50 million and/or a number of employees between 250-1000. The remaining 33 per cent make up small companies.

The diverse range of business areas represented in this report are grouped into three broad categories: industrial companies (56 per cent), professional services (33 per cent) and consumer companies (11 per cent).

Representatives from Newcomer companies, classified as companies established in India after 2013, constitute the smallest group of respondents in the 2021 survey. The Newcomer companies make up 19 per cent of the respondents, compared to 55 per cent experienced companies (established during 2001-2012) and 26 per cent Mature (established prior to 2001).

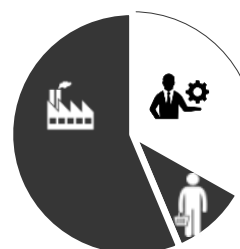
We hope that this report will provide you with valuable insights on how Swedish companies within different industries are affected by changes in the business climate, and what they expect to see in the future.

SIZE OF COMPANIES



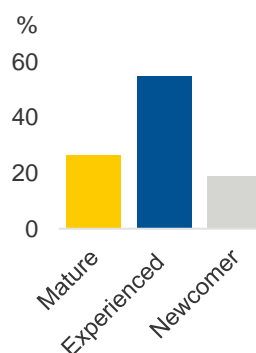
NOTE: Global employees. Large >1000. Medium 250-1000. Small 0-249.

MAIN INDUSTRY



NOTE: 56 per cent Industrial. 33 per cent Professional services. 11 per cent Consumer.

AGE OF COMPANIES



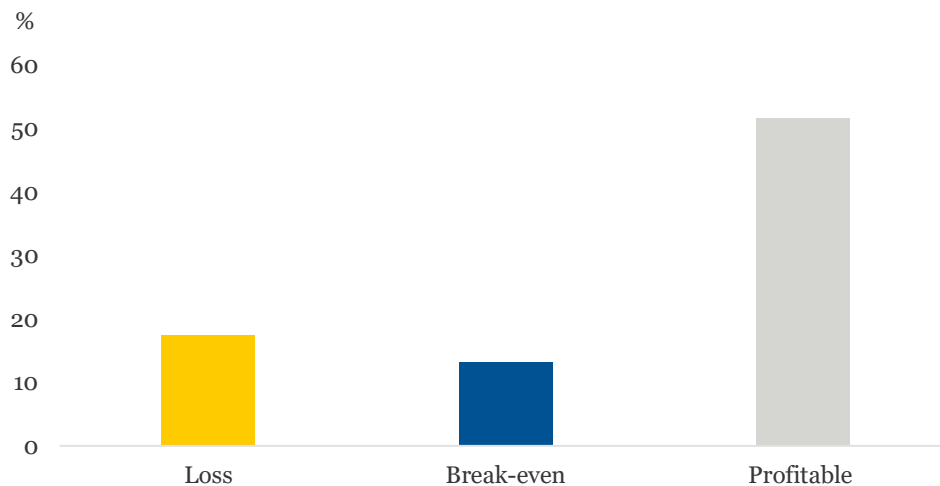
NOTE: Mature (-2000). Experienced (2001-2015). Newcomer (2016-)

ECONOMIC OUTLOOK

Steering time of uncertainty

The Indian economy has gone through ups and downs over the last decade. The decade started with the robust growth of more than 10 per cent GDP growth and ended with ~4 per cent. Still, India remains Asia's third-largest economy after China and Japan. After two decades of stop-start economic growth, India's long term economic fate depends upon the third decade, which decides whether India to elevate itself to a middle-income economic powerhouse.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN INDIA IN 2020?



NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in India 2021.

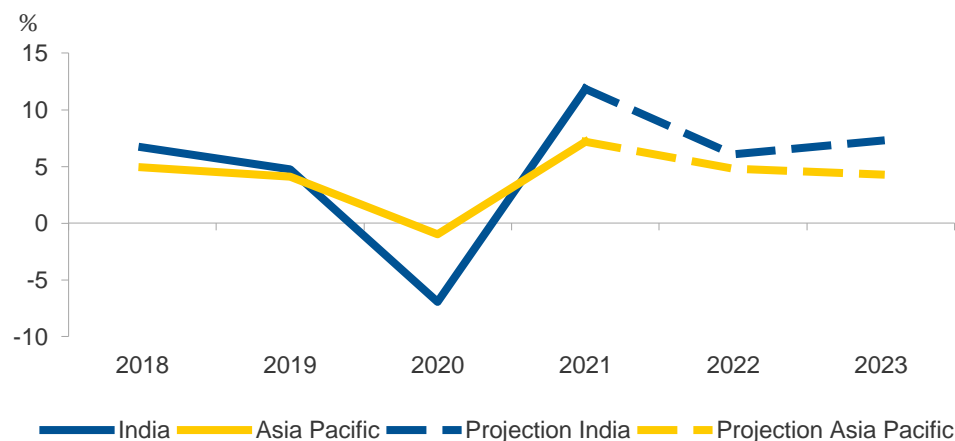
Despite the slowing growth of the Indian economy in recent years, the vast majority of respondents in our survey report a profitable financial performance in 2020. Breaking down the respondents into company size, a more nuanced picture emerges. 52 per cent of respondents in the Business Climate Survey reported that their business in India was profitable in 2020. Only 17 per cent, or 33 companies out of 190, reported a loss in 2020. Results were quite evenly distributed among different industries and sizes of companies. Even one out of three small newcomers to India that are in initial start-up and investment phases reported a profit in 2020.

India's GDP – quickest to fall and fastest to rebound

India's GDP contraction was worst in 2020 compared to the Asia Pacific region but expected to rebound better than the whole Asia Pacific region in 2021 and beyond. The Covid-led lockdown and travel restrictions resulted in a 24.4 per cent contraction in GDP in Q1, followed by a V-shaped recovery with a 7.4 per cent decline in Q2, improving to 0.5 per cent in Q3 and 1.6 per cent in Q4 as per the Economic Survey of India (PIB). The Services and Industry sector were estimated to contract by 8.8 per cent and 9.6 per cent. Whereas, Agriculture and allied sectors offset this de-growth of other sectors with positive growth of 3.4 per cent and provided some cushion to India GDP in FY 2020-21.

Worldbank is optimistic about India's economic growth in the near term but correlating it with the success of the ongoing vaccination drive and estimating the FY 2021-22 growth rate to be in the range of 7.5 to 12.5 per cent. Also, as economic activities across domestic market and in key export markets stabilises, the current account is anticipated to return to mild deficits (~1 per cent in FY22 and 23) along with expected capital inflows by accommodative monetary policy and plentiful international liquidity condition.

PROJECTED GDP GROWTH IN INDIA

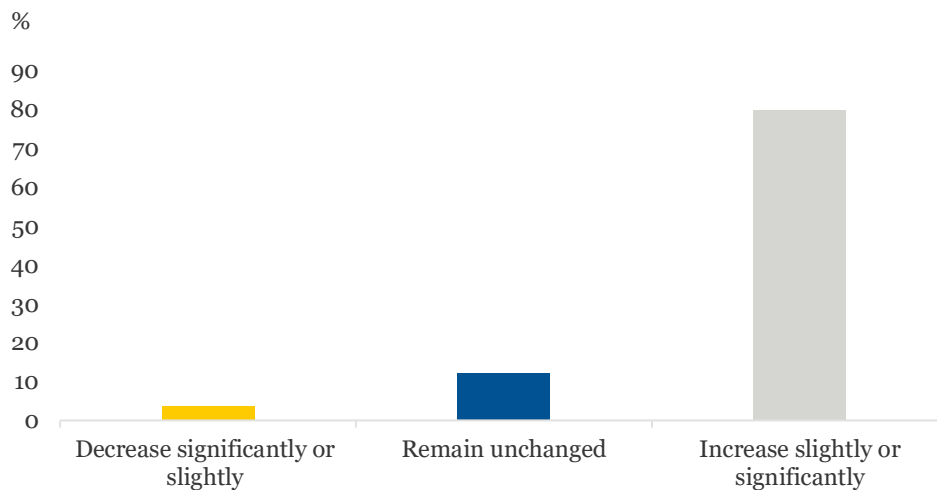


NOTE: Constant prices.
SOURCE: Oxford Economics [March 31, 2021]

In these uncertain times, increased government spending can bring a multiplier effect in the economic growth and result in the boosted private sector's sentiments and demand. In the union budget 2021-22, to combat the impact of the COVID-19 pandemic and to revive economic growth, the Government of India announced a special package under AtmaNirbhar Bharat including measures taken by RBI amounting to about Rs. 27.1 lakh crore, which is more than 13 per cent of India's GDP. The package includes credit guarantee and equity infusion-based relief measures for MSMEs and NBFCs and regulatory and compliance measures.

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN INDIA REGARDING TURNOVER?

TURNOVER WILL...



NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in India 2021.

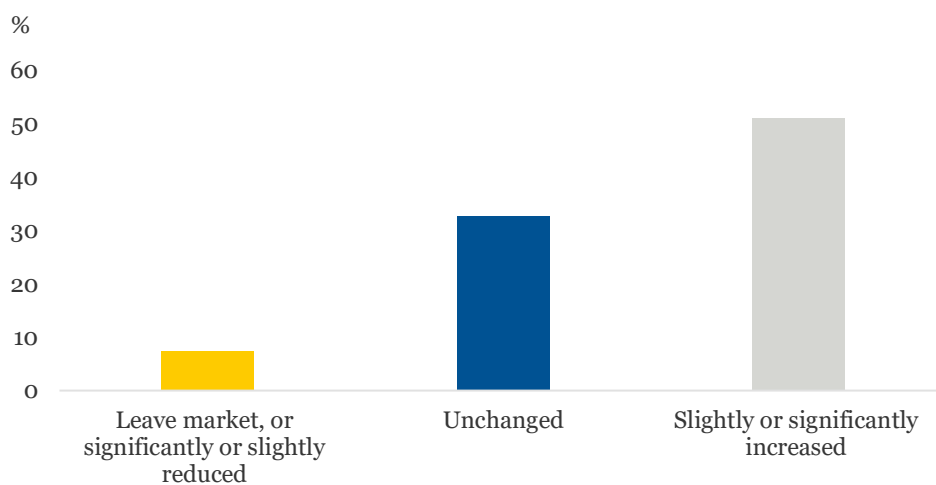
A review of the outcome of the India Business Climate Survey 2021 reveals that despite the Covid pandemic, the performance expectations on the market have not much shifted in India. There are 80 per cent of companies reporting that their sales will go up slightly or significantly in the coming 12 months. Conversely, only 4 per cent of surveyed Swedish companies in India expect their sales to drop.

Robust investment plans

The majority of Swedish companies are very optimistic about the Indian market and plan to expand operations in India; 51 per cent of respondents want to increase investments during the upcoming 12 months. These are mainly medium and large-sized companies. Meanwhile, only 7 per cent of Swedish businesses have indicated they will significantly or slightly reduce their investment in the coming year, while zero per cent say they will leave the market.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN INDIA, COMPARED TO THE PAST 12 MONTHS?

INVESTMENTS WILL BE...



NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in India 2021.

THE MARKET

Indian government plays an important role to open doors for international players

Most of the Swedish companies that responded to this survey are established in India in the 21st century. Over 40 per cent of companies in this survey established operations on the Indian market in the past 10 years compared to only 30 per cent in a decade before. These companies are predominantly small- or medium-sized and active within industrial and professional services, with few large players entering the market in recent years.

Government's push to bring efficient and effective norms for MSMEs, start-ups, business and entrepreneurs likely to be one of the primary reasons behind increasing interest of Swedish players to enter the Indian market. As per the World Bank's flagship report "*Doing Business*" India has improved its ranking by 79 positions over the past six years from 142nd in 2014 to 63rd position in 2020. FDI policies and Make in India initiatives are a few of the policies launched by Government of India in favour of foreign companies.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN INDIA?

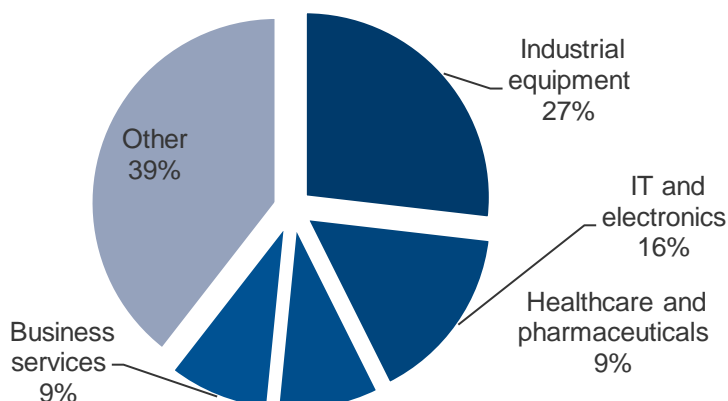


NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in India 2021.

Respondents in our survey are mixed of matured (entered before 2000) and experienced (entered between 2001 and 2015) with respect to their experience in India – however maximum number of Swedish players (55 per cent) entered India in the period of 2001-2015 with the least (19 per cent) in the period of 2016-2021.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN INDIA?

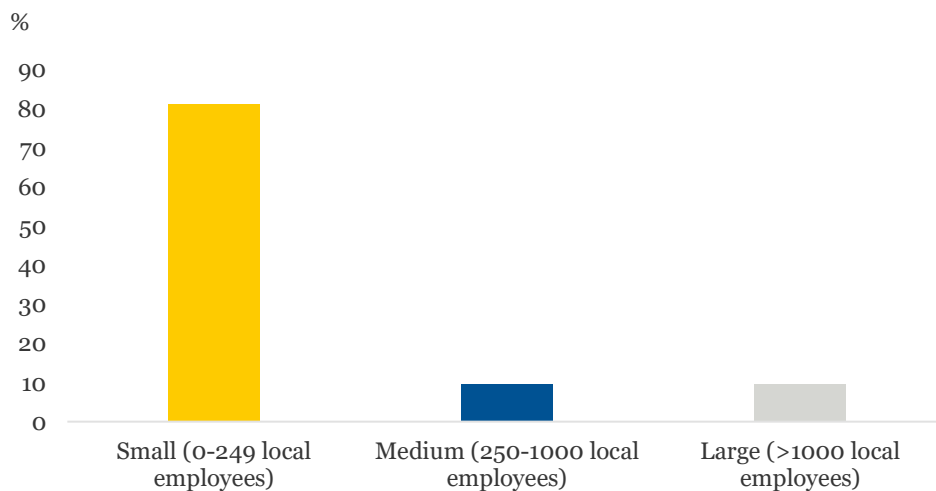


NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in India 2021.

Respondents in our survey are active across a wide range of industries, with the largest share operating within industrial equipment industry. The industrial segments of the respondents of this survey are in order; Industrial equipment (27 per cent), IT & Electronics (16 per cent), Business Services (9 per cent), and Healthcare and pharmaceuticals (9 per cent).

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN INDIA IN 2021



NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

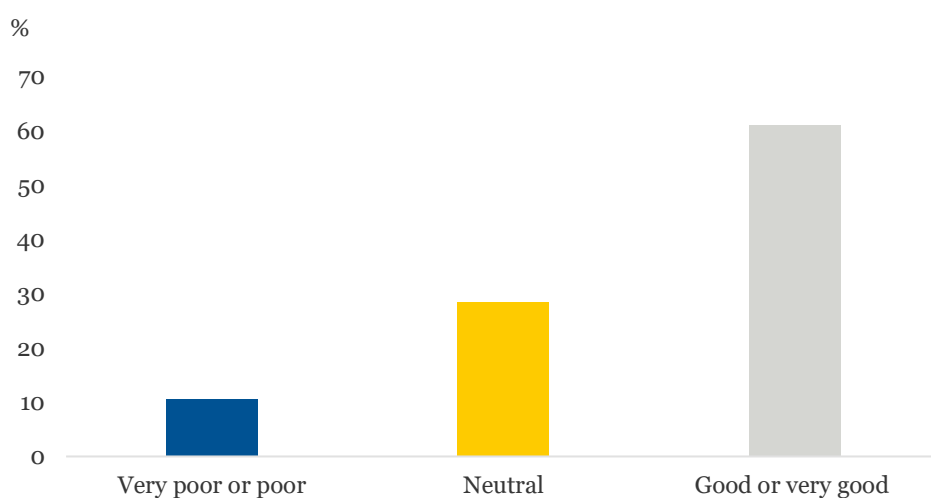
SOURCE: Business Climate Survey for Swedish Companies in India 2021.

The majority of companies employ only a small number of local employees (ranging between 0-249 local employees), with only 9 per cent employ a local workforce of over 1,000 employees. Unsurprisingly, we see that this holds especially true for small and medium-sized businesses, and find that only around 21 per cent of large companies in our sample employ more than 1,000 local employees. There are no industry differences in employment patterns.

Swedish companies view the current business climate in India as good or very good

More than half of all respondents (60 per cent) indicated that they perceive the business climate in the India is Good or Very Good, with only 11 per cent companies holding a negative than a positive view. Positive sentiments on the business environment are equally prevalent among large, medium and small-sized companies across all the industries. More optimistic towards the India business environment are mature and experienced Swedish companies established in the market, independently of their size and industry.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN INDIA?



NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

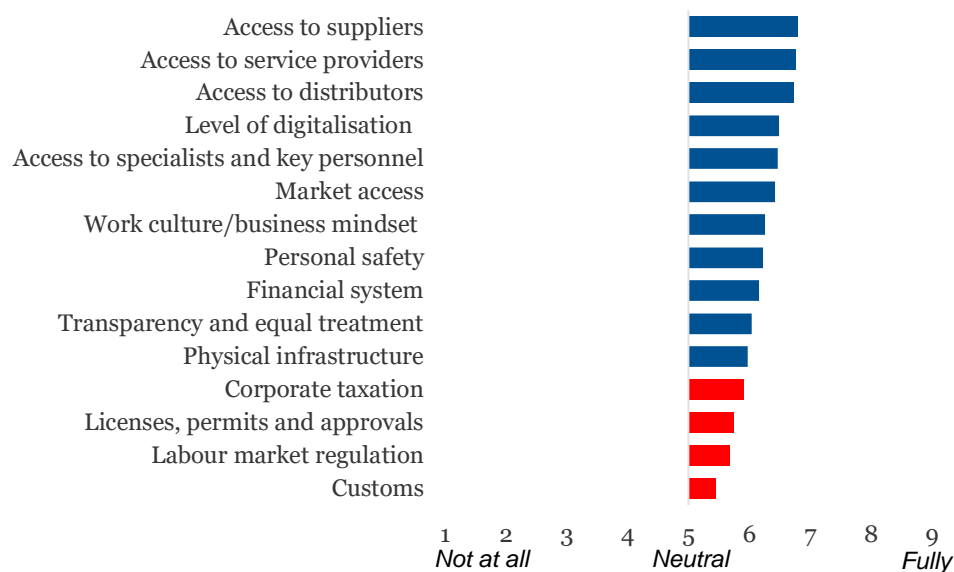
SOURCE: Business Climate Survey for Swedish Companies in India 2021.

Ease of doing Business- South Asia



Note: Ease of doing business ranking in South Asia region, published by World Bank 2020

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN INDIA?



NOTE: The number of respondents for this question was 180.
SOURCE: Business Climate Survey for Swedish Companies in India 2021

Regarding the different components of the business climate are the access to suppliers and access to service providers regarded as excellent in India. Whereas, the labour market regulation, corporate taxation, and Licenses, permits and approvals are the least favorable conditions brought up by respondents in the survey.

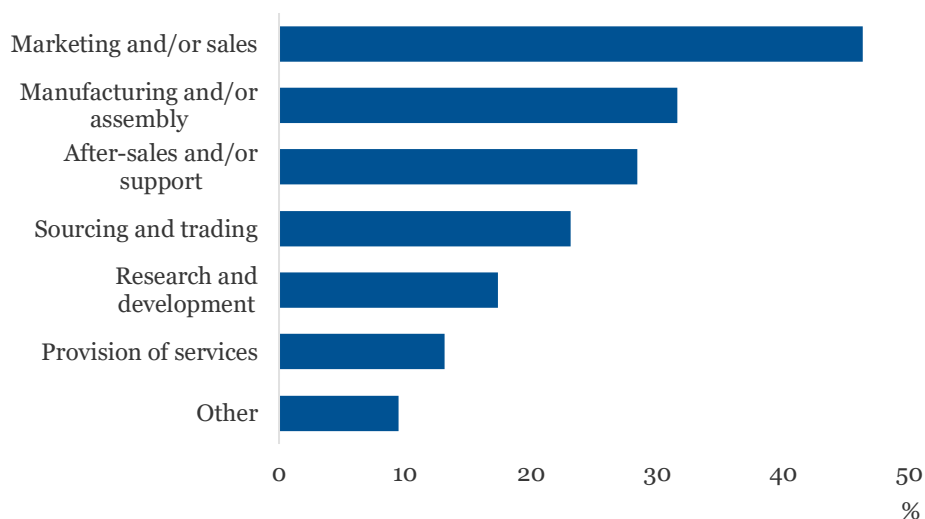
HOW SWEDISH COMPANIES SUCCEED IN INDIA

Companies' local operations focused on sales and marketing activities

When asked about the kinds of operations undertaken by their company on the Indian market, most respondents (46 per cent) reported sales and marketing activities followed by 17 per cent of companies in our sample utilise the Indian ecosystem for Research & Development on their products. Around 13 per cent of respondents are involved in the provision of services in India.

Swedish companies enter the market with marketing and sales operations, which is the common trend irrespective of company size and sector. As companies mature in the country, they start exploring the manufacturing and assembly activities; 58 per cent of mature Swedish players carry out manufacturing and (or) assembly operations in India whereas, only 11 per cent of newcomers carry out manufacturing operations in the country.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

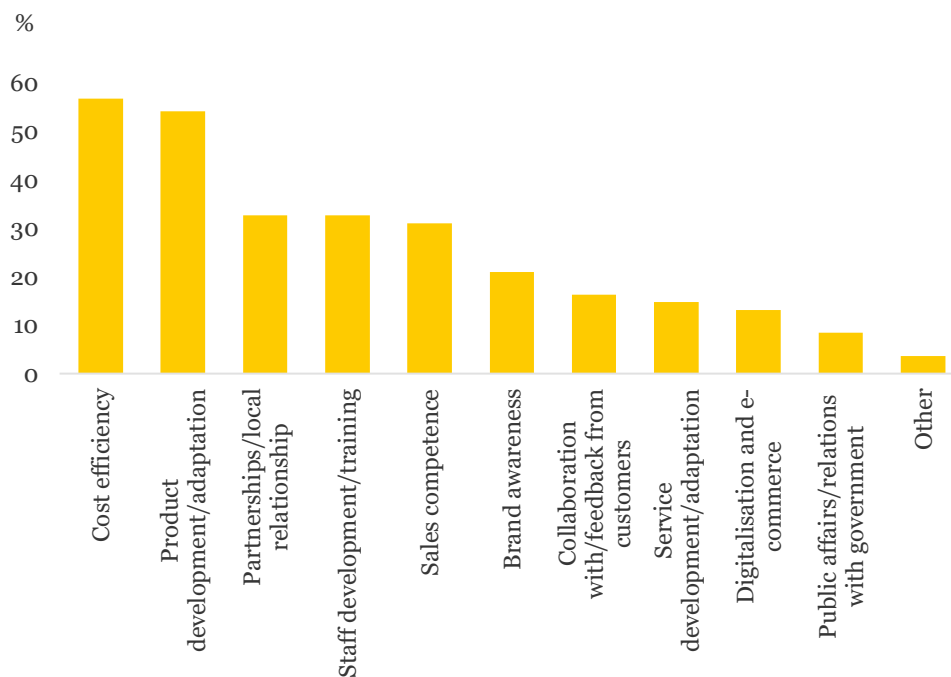
SOURCE: Business Climate Survey for Swedish Companies in India 2021.

Competitiveness driven by cost efficiency and product development

It has always been a challenge for budding start-ups to generate a willingness to pay for their products and services. Despite increasing incomes, Indian customers are still inclined towards a low-price range and have little willingness to pay for products and services. Therefore, most Swedish players especially in the services industries are considering cost-efficiency as one of the major areas in maintaining competition in India.

Whereas, Swedish companies operating in industrial and consumer segments consider product innovation and adaptation as one of the key ingredients in maintaining competitiveness in the country. India has been consistently improving its position among the most tech innovative economies list. As per KPMG global survey, India secured 2nd position as the global hub for tech innovation, and Bengaluru has become a part of the top 10 innovative cities globally.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN INDIA?



NOTE: The number of respondents for this question was 190 "Don't know/Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in India 2021

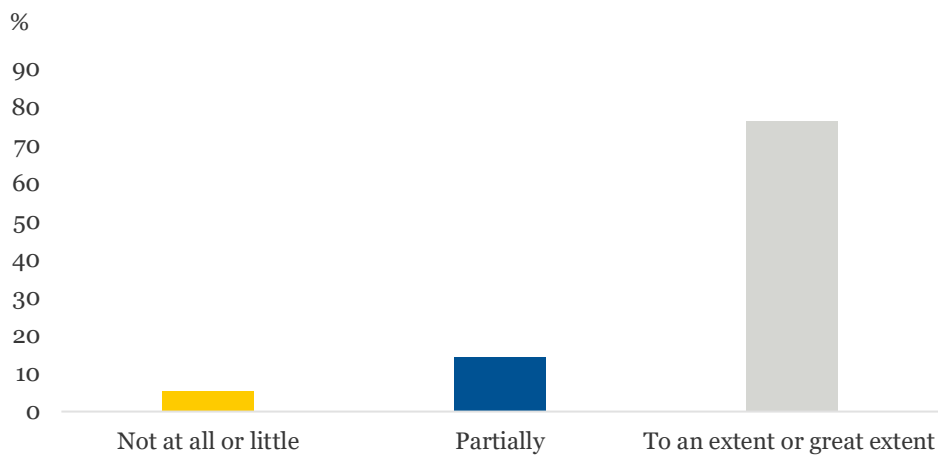
▶ **India is very cost sensitive market which demand high specification at low cost. Organisation needs to identify market requirement precisely from local perspective & design products which suits demand**

Swedish Automotive Company in India

Swedish brand supports companies' value proposition

The vast majority of companies in our sample reports that this “Swedish brand” positively contributes to their business activities in India irrespective of the company size and sectors. Only five per cent of all the players report that it has no or only little impact on their business success.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN INDIA?



NOTE: The number of respondents for this question was 190. “Don't know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in India 2021

ACTING SUSTAINABLY

What does it mean to act sustainably as a company in India?

The Business Climate Survey cover three aspects of acting sustainably: 1) corruption, 2) human rights, and 3) environmental aspects. As per the collective response received from the participants, lack of policies around the sustainable environment is one of the biggest problems, followed by Corruption and Human rights.

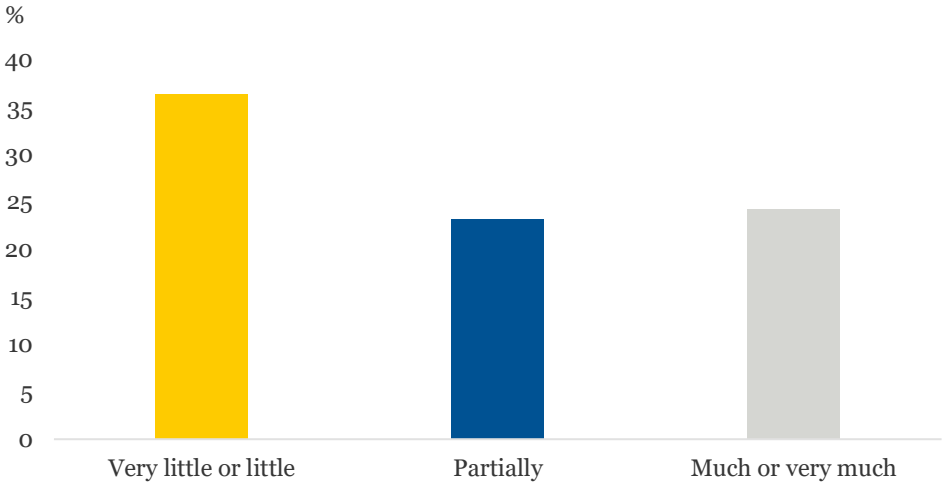
Some comments from responding companies are as follows:

- Lack of clear environmental regulations in Industrial areas create problems for the Company. There could be incentive systems from the Government for Companies pursuing sustainability.
- Lack of Government infrastructure to support organisations with sustainability actions (like poor availability of waste processing facilities for smaller organisations)
- Need to have clear and supportive rules for business to carry forward. Corruption in implementation will have negative repercussions.
- Mainly sustainability challenges in India emanate from large population and scarce resources. Beacuse of large population, there is a pressure on resources, which makes sustainable growth a challenge.
- The challenge is to keep updated with changing regulations and measure success in terms of attaining sustainability.

Mixed viewpoints on the impact of corruption on business

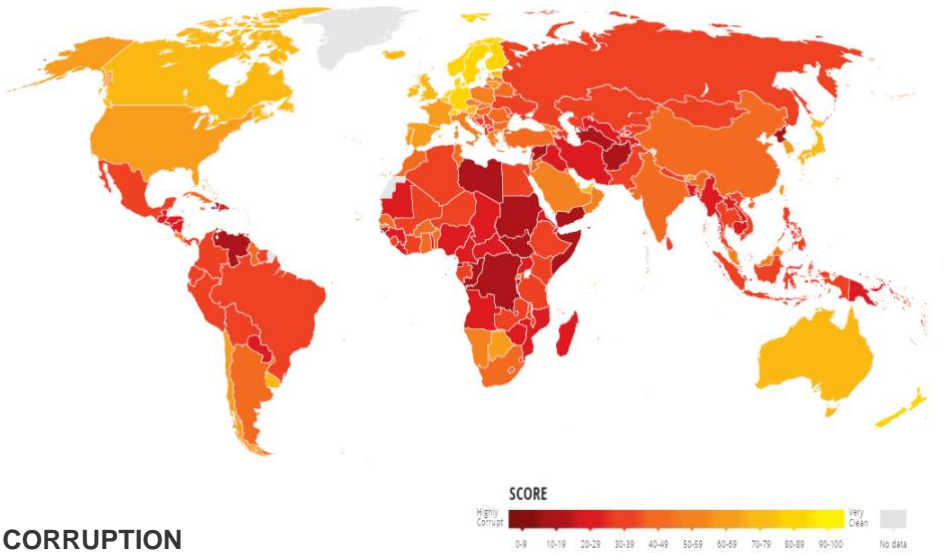
Swedish companies operating in India have mixed views on the impact of corruption on their respective business. 36 per cent of respondents report corruption doesn't affect their business in India. Whereas, 23 per cent of respondents indicate it partially impact the business and 24 per cent says it has much or very much impact on their business in India

TO WHAT EXTENT DO YOU PERCEIVE THAT CORRUPTION IN INDIA AFFECTS YOUR BUSINESS?



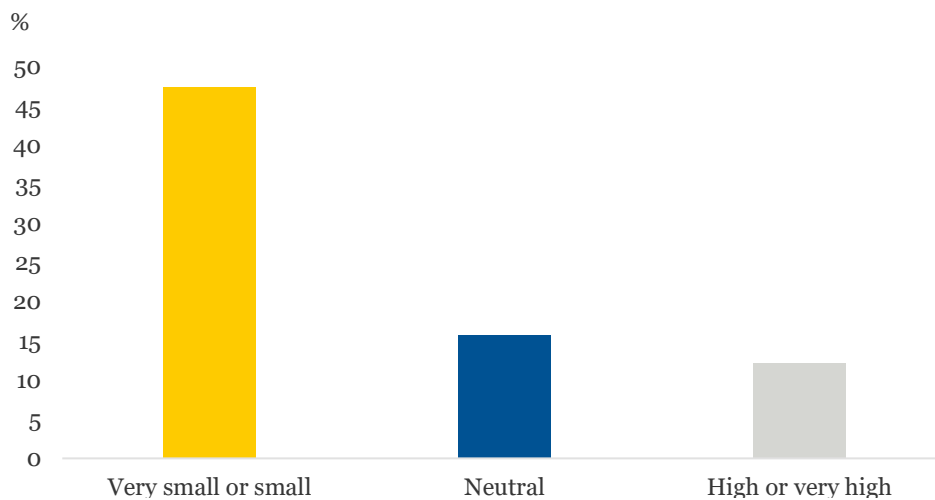
NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in India 2021



SOURCE: Transparency International.

HOW DO YOU PERCEIVE THE RISK OF ENCOUNTERING HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSES WHEN CONDUCTING BUSINESS IN INDIA?



NOTE: The number of respondents for this question was 190. Don't know/Not applicable" responses are included but not shown in figure.

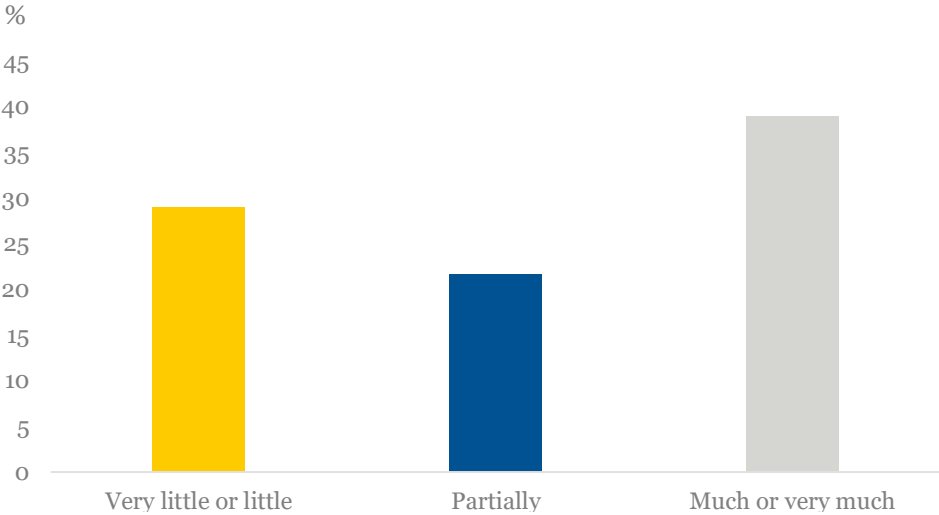
SOURCE: Business Climate Survey for Swedish Companies in India 2021

47 per cent of companies do not perceive any risk of encountering human rights violations and/or labour rights abuses when conducting business in India. 12 per cent of companies indicate high risk, mainly matured and experienced category of companies within the consumer segment.

Purchasing decisions are increasingly driven by sustainability consideration

Amid the increasing rate of deforestation, climate control, and high level of pollution, Indians are increasingly inclining towards environmental sustainability, so does their buying behaviour. Especially millennials and Gen Z prefer buying products from the organisations who prioritises sustainable production. As per business climate survey's findings, 39 per cent of the Swedish players report that their customers consider environmental aspects of a product or services in their purchasing decision.

IN YOUR VIEW, TO WHAT EXTENT DO CUSTOMERS IN YOUR INDUSTRY IN INDIA CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 190. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in India 2021.

CONTACT US

BUSINESS SWEDEN

Anjali Bholā- Project Manager

Anjali.Bhola@business-sweden.se

Ankit Tiwari- Consultant

Ankit.Tiwari@business-sweden.se

Team Sweden

