



# SIDBI – D&B SPeX

April – June 2023

Sustainability Perception Index (SPeX)  
(THE GREEN PULSE INDICATOR)



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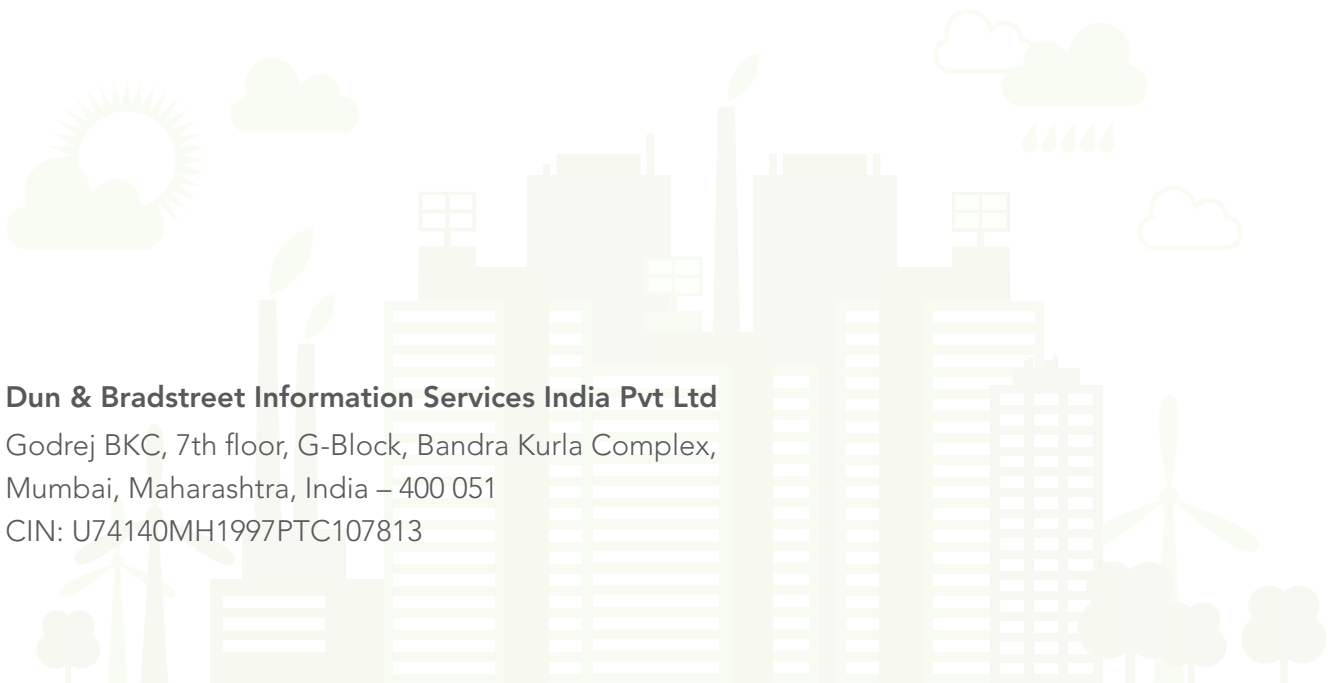
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# Introduction

Sustainability has become a key focus area for businesses globally, and Micro, Small, and Medium Enterprises (MSMEs) are no exception. In India, MSMEs play a vital role in the economy, contributing significantly to the country's GDP and employment generation. However, the sector also faces numerous challenges, including sustainability concerns. To address these challenges, it is essential to understand the current state of sustainability perceptions among MSMEs in India.

It is in this context Dun and Bradstreet, in collaboration with SIDBI introduced a quarterly Sustainability Perception Index (SIDBI - D&B SPeX) - a green pulse indicator. SPeX is a pioneering effort to assess the sustainability perceptions of MSMEs across various industries and locations. The index is designed to provide a comprehensive overview of the sustainability landscape in the Indian MSME sector. The index assesses the internal and external factors that shape sustainability perception of businesses on three dimensions, namely – Willingness, Awareness, and Implementation.

The SPeX is based on a rigorous methodology that considers a range of factors that influence sustainability perceptions, such as environmental regulations, social responsibility, and governance practices. The index uses data from survey of MSME owners and managers to capture an accurate picture of sustainability perceptions. The report provides insights into the current state of sustainability perceptions among MSMEs in India, highlighting trends, challenges, and

opportunities for improvement. It aims to serve as a valuable tool for policymakers, regulators, industry associations, and MSMEs themselves to identify opportunities for improvement and implement strategies to enhance sustainability practices. SPeX acts as an enabler in raising awareness about the importance of sustainability among MSMEs, encourage MSMEs to adopt sustainable practices, and contribute to the overall growth and development of the Indian economy.



# Objective of SPeX



D&B and SIDBI's Sustainability Perception Index (SIDBI - D&B SPeX), the green pulse indicator is the first index globally, measuring perception of MSMEs on sustainability measures across three dimensions of sustainability adoption (willingness, awareness, and implementation).



SPeX aims to provide valuable insights into how industry stakeholders perceive sustainability, identify key areas for improvement, and foster a culture of sustainable practices.



The index report would provide valuable insight for policymakers, sustainability enablers, and businesses towards improving adoption of sustainability measures by Indian MSMEs.



A quantitative measurement for policymakers, enablers, and businesses measuring:

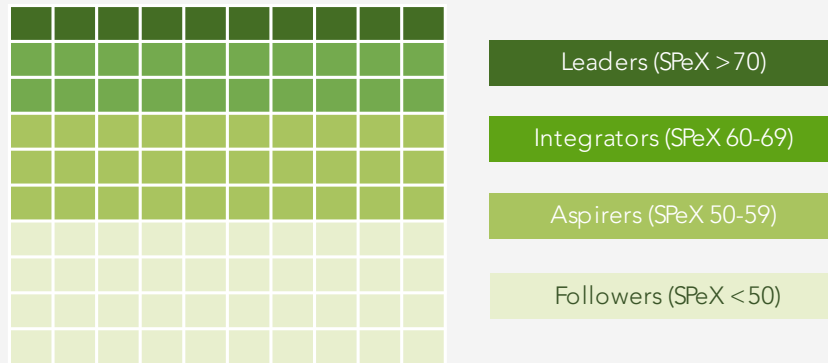
- Trend and level of awareness, willingness, and implementation of sustainability measures
- Implementation of sustainability factors across value/supply chain
- Role and impact of internal drivers – strategy, resources and culture
- Impact of regulations and policies
- Factors impeding/enabling implementation of sustainable practices by MSMEs





# Sustainability leadership categories

We have categorized respondent MSMEs in four SPeX Leadership categories based on their SPeX value (MSMEs with SPeX value higher than 70 are categorized as Leaders, Integrators are with SPeX between 60-69, Aspirers are with SPeX between 50-59 and Followers are with SPeX value less than 50. In the survey, majority of the respondents are Followers (61%), followed by Aspirers (22%), Integrators (13%) and Leaders (4%).



Source: SIDBI - D&B Sustainability Perception Index Survey, April-June 2023

## SPeX Categories



**Leaders:** MSMEs in this category are leading in sustainability perception (measured via SPeX value). They become leader in sustainability performance and are promoters of sustainability practices within the industry. They may set ambitious targets for adoption of sustainability practices and may actively collaborate with others to drive sustainable progress.



**Integrators:** MSMEs in this category are actively integrating sustainability practices in business's overall strategy and operations. Sustainability considerations are taken into account in decision-making processes. They may set higher adoption targets of sustainability practices and at furthering their integration in the organisation.



**Aspirers:** MSMEs in this category are actively seeking to improve their sustainability practices beyond the regulatory requirements. They may engage in setting specific sustainability targets (for example, reducing environmental footprint, improving social impact). They aspire to enhance sustainability adoption, and may be driven by peers, customers etc.



**Followers:** MSMEs in this category are yet to become fully engaged on the sustainability practices, and may not be aware/believe its economic and social benefits. They are looking to understand the potential benefits and risks associated with implementation of sustainable practices. They may assess current practices to identify areas to improve.

# Key takeaways

## Sustainability Perception Index (SPeX)



Note: The index ranges from 0 to 100. Higher the index value, higher is the perception of sustainability  
Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

SIDBI - D&B Sustainability Perception Index (SPeX) – a green pulse indicator value for April - June 2023 stands at 46, primarily on account of significant fall in implementation levels.

All three dimensions witnessed decline in the April - June 2023 quarter compared with January – March 2023 quarter survey. 20% decline in implementation, 17% decline in willingness and 11% decline in awareness scores. The quarter-on-quarter decline in the SPeX value across dimensions (awareness, willingness and implementation) may be due to a loss of institutional knowledge and expertise regarding sustainability. New respondents may not be adequately educated about sustainability practices, leading to a decline in the understanding level and overall SPeX value.

1 in 4 MSMEs have no internal expertise regarding sustainability measures.

1 in 2 MSMEs ask for direct monetary incentive for adopting sustainable measures.

8 in 10 MSMEs feel need to improve awareness of sustainability measures, policies, procedures for adoption of sustainable practices.

1 in 10 MSMEs are recycling more than 75% of water consumption.

MSMEs face a pressing requirement for technical support and capital to embrace sustainability initiatives and these are among their top three challenges.

SPeX category “SPeX Leaders” view sustainability initiatives as a requirement when it comes to collaborating with clients. Whereas for “SPeX Integrators”, “SPeX Aspirers”, and “SPeX Followers” categories, sustainability measures serve as valuable guidance for responsible governance.

Cost reductions via efficiency gains and external factors are major drivers of MSME’s sustainability actions.

Positive impact on revenue and employee morale are the top expected positive outcomes of their sustainability actions.

Environment-related initiatives such as reducing, reusing, and recycling; and employee welfare, training and retention remain in top three sustainability priorities.



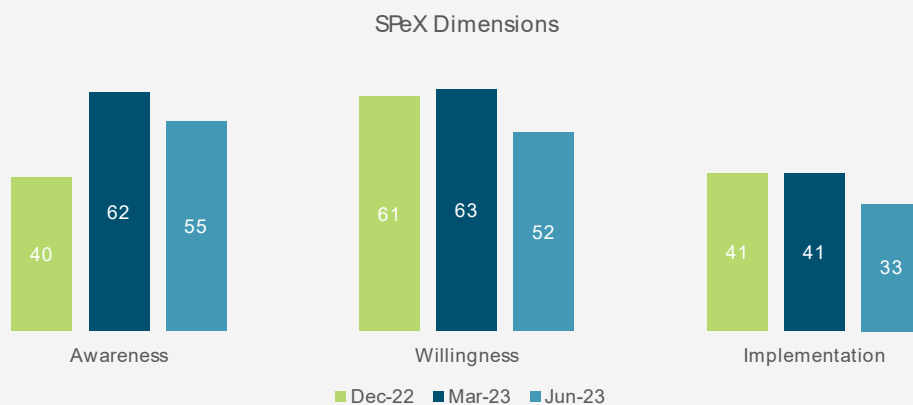


# Key findings of the SPeX

All three dimensions of the SPeX witnessed decline in the April - June 2023 quarter compared with January – March 2023 quarter survey. 20% decline in implementation, 17% decline in willingness and 11% decline in awareness scores

- Awareness to adopt sustainable actions is the highest sub-index with value of 55.
- Index values for awareness, willingness and implementation fell in April-June 2023 compared to January-March 2023. When compared to the September-December 2022 quarter, the index value for awareness stands improved, while index values for willingness and implementation have fallen.
- As sustainability is fast evolving with regard to its applicability to MSMEs, as they engage more with sustainability related initiatives, they may realise that their current expected understanding of the matter is disengaged with realities, leading to humbling realisation of low sustainability awareness.
- To prevent a decline in understanding of sustainability, proactive steps are required such as:
  - Providing regular sustainability training and education materials
  - Establish communication channels to disseminate sustainability information
  - Integrate sustainability metrics into performance evaluations
  - Engage MSMEs in sustainability initiatives and involving them in decision-making processes
  - Foster culture of sustainability and regularly reinforcing its importance
- There is a sizable gap between sub-index value for implementation with that of awareness and willingness; the gap is smallest for the “SPeX Leaders” and “SPeX Integrators” category.
- The index values for the three dimensions are higher for the “SPeX Leaders” followed by “SPeX Integrators”, “SPeX Aspirers” and “SPeX Followers”.

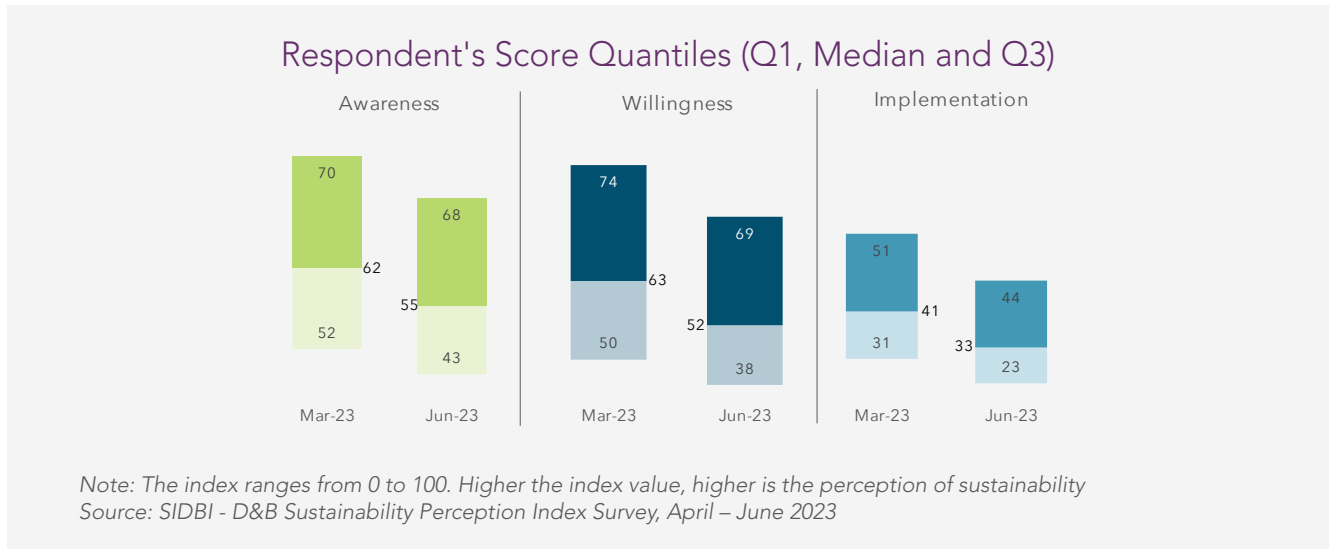
## Change in three dimensions between the two survey periods



Note: The index ranges from 0 to 100. Higher the index value, higher is the perception of sustainability  
Source: SIDBI - D&B Sustainability Perception Index Survey, April-June 2023

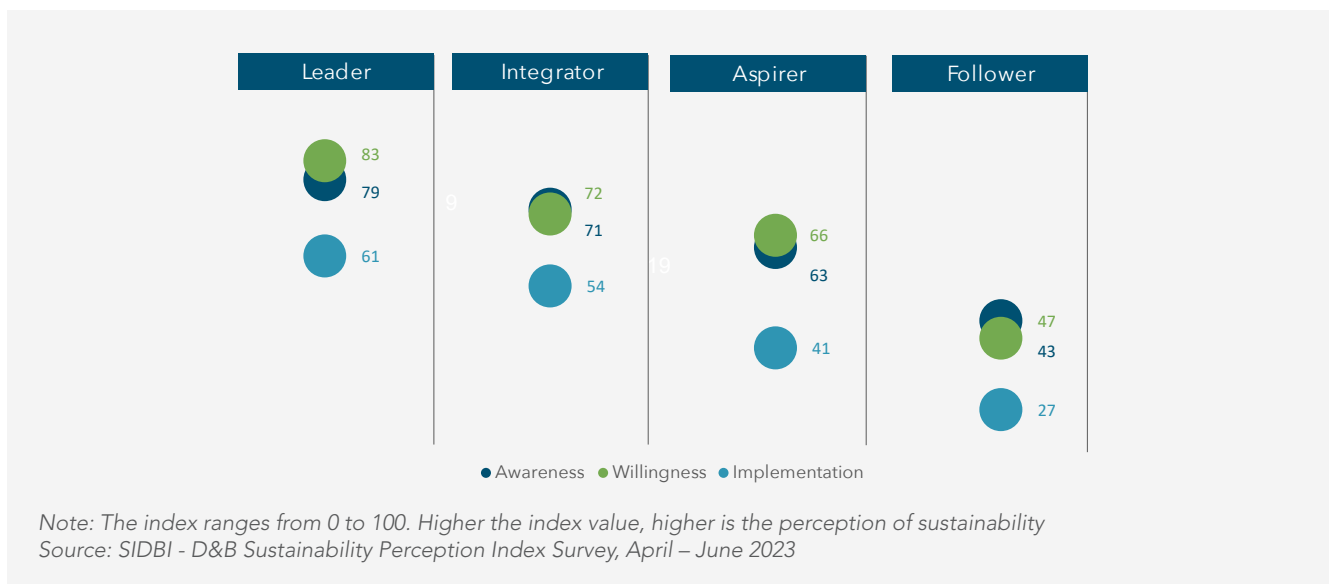
# Quantile analysis of sub-indices suggests wide range on their sustainability perception specially noted for willingness

Median SPeX of surveyed companies decreased from 54 to 46. Quantile analysis of sub-indices suggests wide range on their sustainability perception specially noted for willingness; the median value of willingness is 52 whereas first quartile (Q1) was 38 and third quartile (Q3) was at 69. Last year Q1 was at 50 and Q3 was at 74. For awareness, the median was 55, Q1: 43 and Q3:68 and for implementation median was 33, Q1:23 and Q3:44.



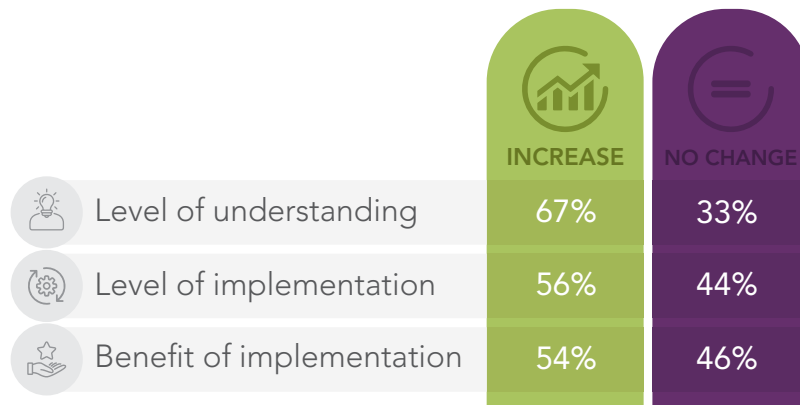
There is a sizable gap between sub-index value for implementation with that of awareness and willingness; the gap is smallest for the “SPeX Leaders” and “SPeX Integrators” category

Although level of awareness and willingness are almost equal across different leadership categories, there is a sizable disparity between level of awareness and willingness with that of implementation amongst the “SPeX Aspirers” besides “SPeX Followers”.



## 67% of MSMEs said their level of understanding of sustainability measures has improved since the previous quarter

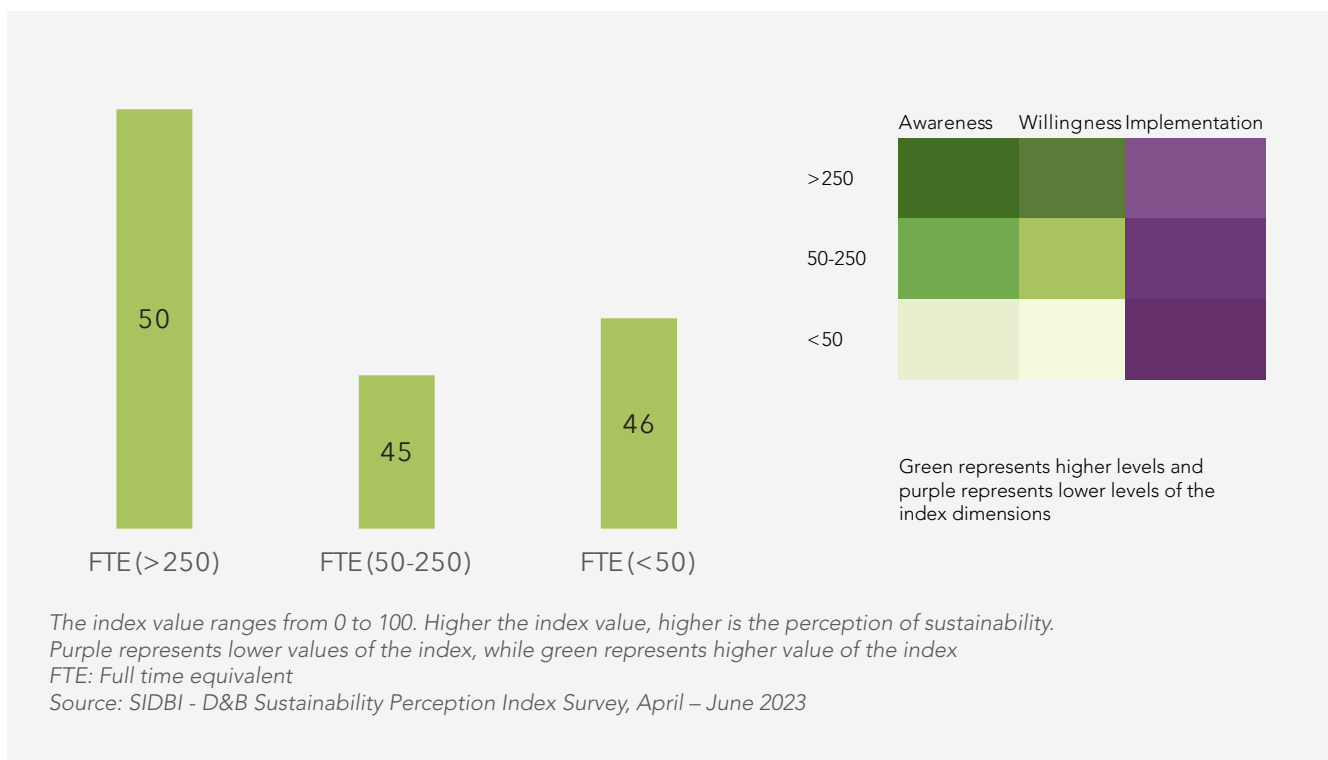
- The percentage of respondents who have implemented (56%) and benefitted from implementation of sustainability actions (54%) is considerably lower than the respondents who claimed to understand the concept of sustainability.



Figures represent % share of respondents  
Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

## Larger companies tend to have a higher SPeX value compared with their smaller counterparts

- Size-wise, micro companies (<50 employees) comprise of 55% of the survey sample followed by 34% of the medium sized companies (50 -250 employees) and 11% of large companies (> 250 employees).
- Level of implementation remains low across all size of businesses, while awareness and willingness remain high for larger companies compared to others.

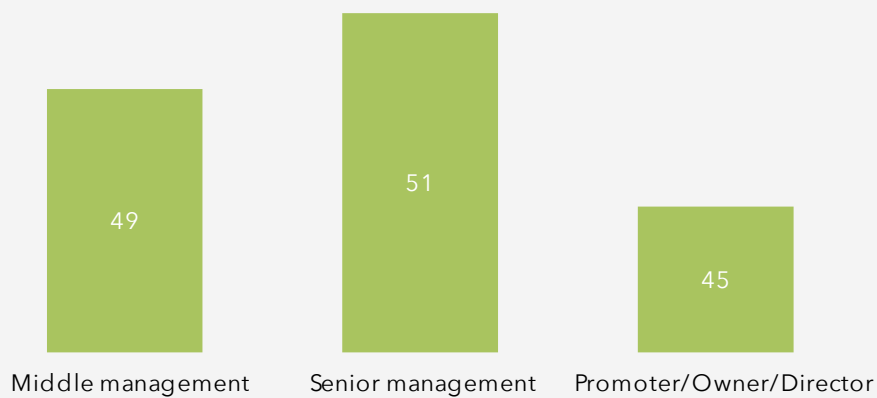


## Perception towards sustainability lowest amongst promoter/owner/director

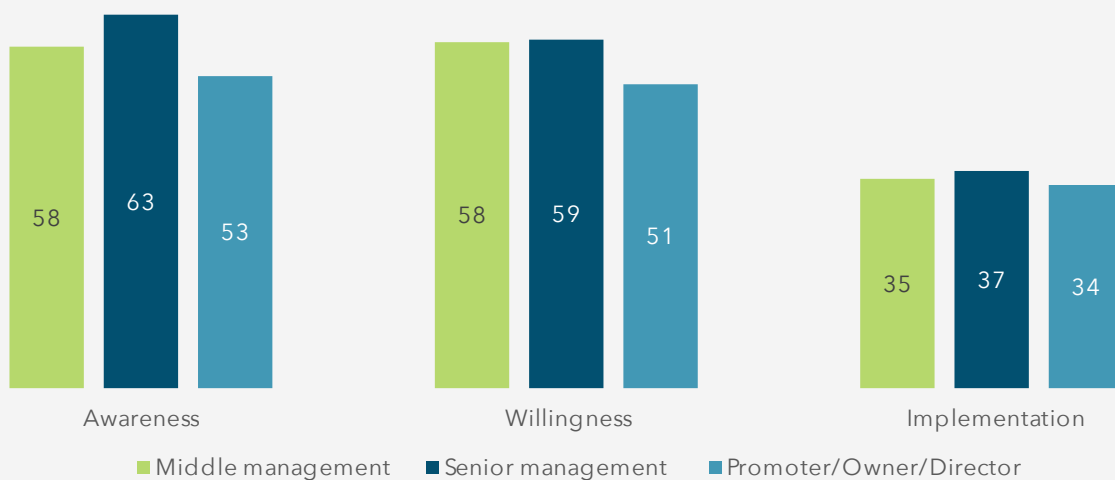
It has traditionally been suggested that the main elements for a company to grow and scale at a successful rate are an unobstructed vision, market access, a good product, a sound and scalable business model, high productivity, customer centricity, and great performance measurements. Now, research shows that to achieve healthy long-term business growth, a mix of sustainability and resilience can help companies with their development ambitions, regardless of their size or maturity.

- As a result, it is important to understand how a company's leadership understands the potential benefits of implementing sustainable initiatives.
- Our survey showed perception towards sustainability is highest amongst senior management and lowest amongst the promoters/owners and directors.

### SPeX by Decision Makers



### Three Dimensions by Decision Makers

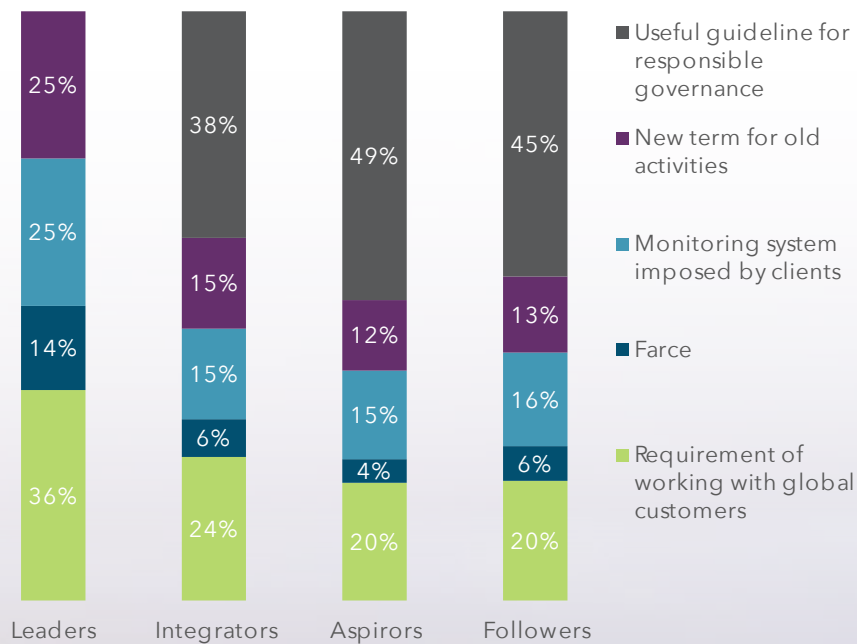


The index value ranges from 0 to 100. Higher the index value, higher is the perception of sustainability.  
Source: SIDBI - D&B Sustainability Perception Index Survey, April - June 2023

## “SPeX Leaders” view sustainability initiatives as a requirement when it comes to collaborating with clients

The survey indicates sustainability initiatives are viewed by “SPeX Leaders” as a requirement when it comes to working with clients and are enforced by clients whereas for SPeX - Integrators, Aspirers, and Followers, sustainability measures serve as valuable guidance for responsible governance followed by client’s need.

What Sustainability Means to MSMEs



Figures represent % share of respondents  
 Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

# 69% of MSMEs are either partially aware or completely unaware of green financing

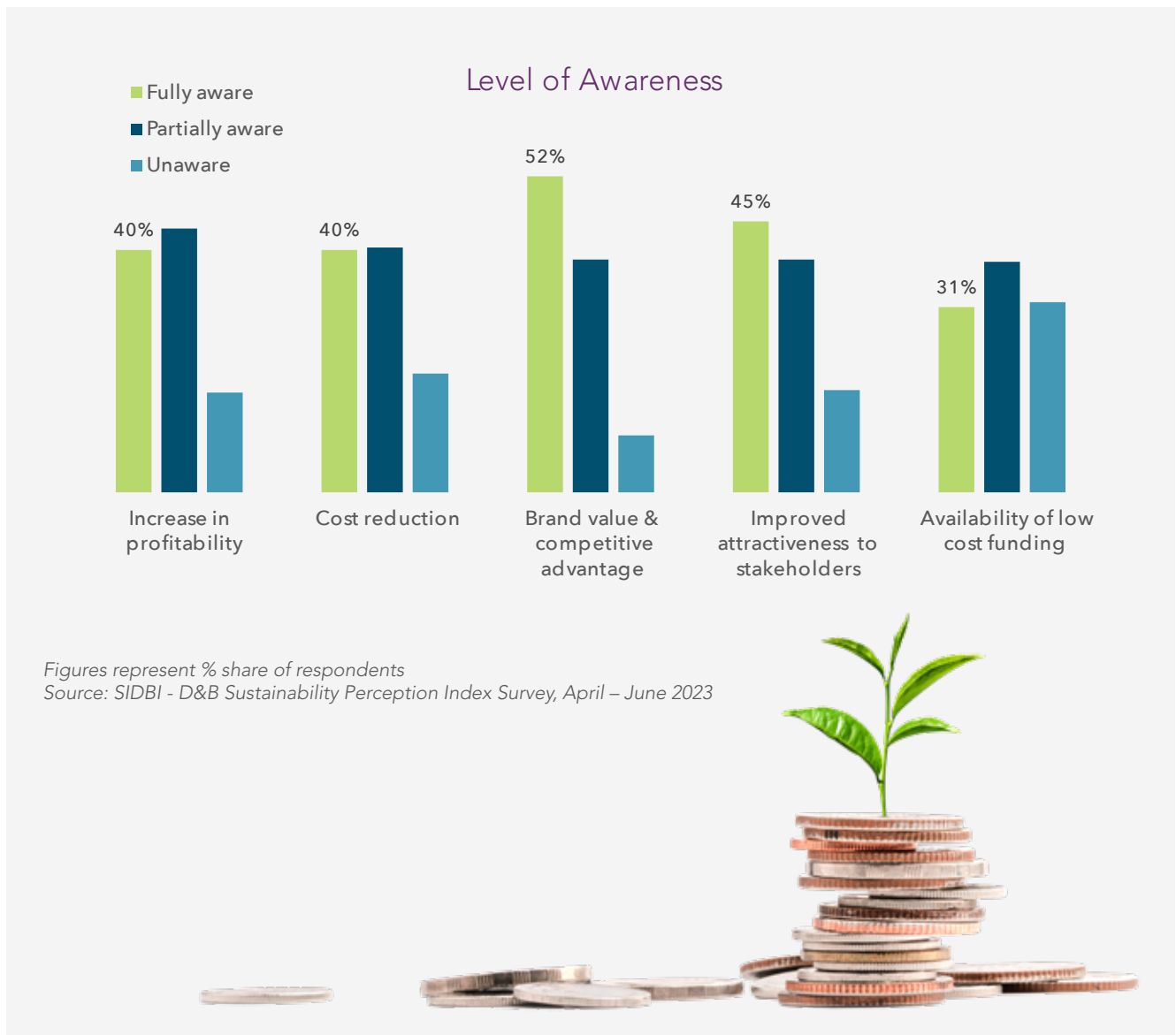
Even while MSMEs might view the concept of sustainability in a variety of ways, from helpful guidelines for responsible governance to client demand, it is important for MSMEs to be aware of the benefits to adopt sustainable initiatives as part of their business strategy.



Awareness about availability of low cost funding (green financing) is quite low amongst MSMEs. 69% of MSMEs are either partially aware or completely unaware of green financing.



While over half of the respondents (52%) acknowledged being fully aware of the enhanced brand image and competitive advantage resulting from adopting sustainability measures, only 40% of them asserted full awareness regarding the impact of these actions on their profitability or cost reduction.





# Cost reductions via efficiency gains and external factors are major drivers of MSME's sustainability actions



Cost reductions and external factors continued to be the top two drivers impacting MSME's decision to implement sustainable practices.



While monetary and non-monetary incentives emerged as the third most important factor in the survey conducted for April to June 2023.



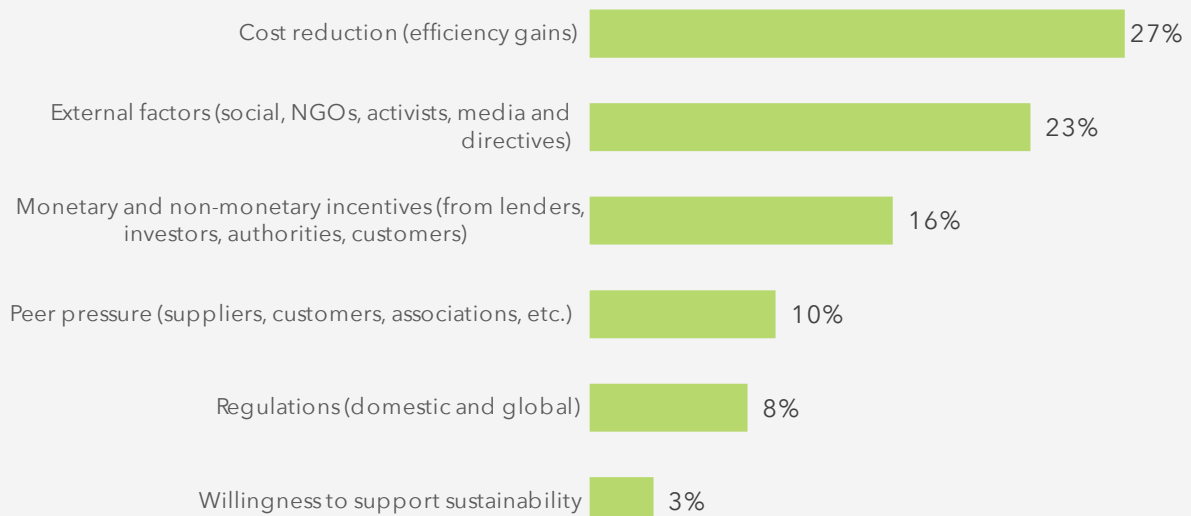
According to 27% of MSMEs, cost reduction is the most crucial factor motivating them to implement sustainability initiatives. External factors are most important to another 23% of respondents, and 16% chose monetary and non-monetary incentives (from lenders, investors, authorities and customers) as the third most important factor.



Willingness to support (3%) has less potential to influence MSMEs.

## Sustainability Drivers

(% share of respondents)



Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

# 1 in 4 MSMEs have no internal expertise regarding sustainability measures



Majority of the MSMEs claim to have some level of internal expertise when it comes to implementing sustainable measures; 50% and above MSMEs claimed that they have some level of internal expertise for implementing all the four measures; Create sustainable business strategy, implement sustainable business measures, supply chain sustainability, sustainable environmental practices.



It was not surprising that only few MSMEs claimed to have complete internal expertise to implement sustainable measures.



One in four MSMEs have no internal expertise regarding sustainability measures.

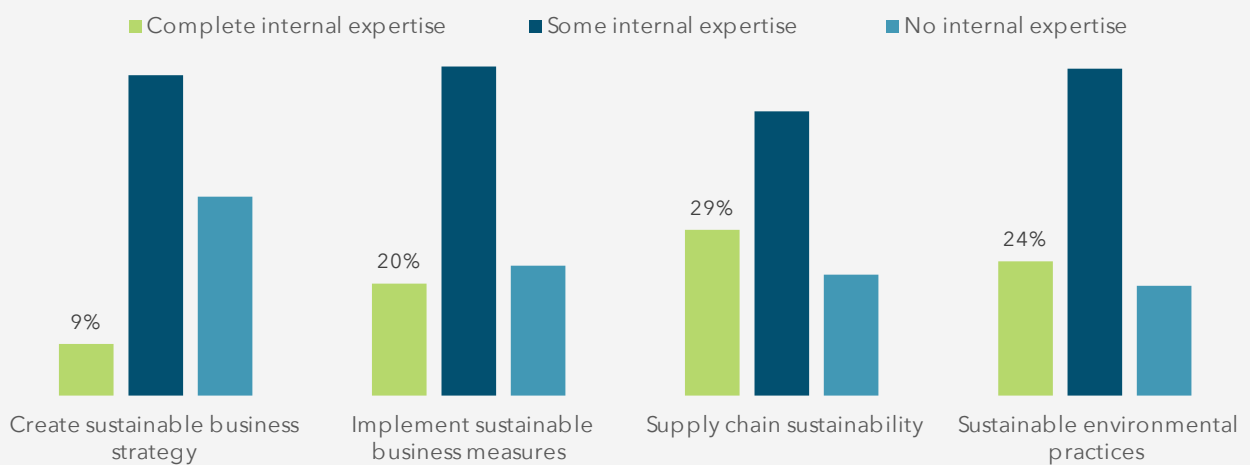


Out of every 10 MSMEs surveyed, only one has complete internal expertise in developing a sustainable business strategy, two have complete internal expertise in implementing sustainable business measures, and three have complete internal expertise in supply chain sustainability.



One fourth of the MSMEs claimed that they have complete internal expertise for implementing sustainable environment practices.

## Implementation Expertise (% share of respondents)



Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

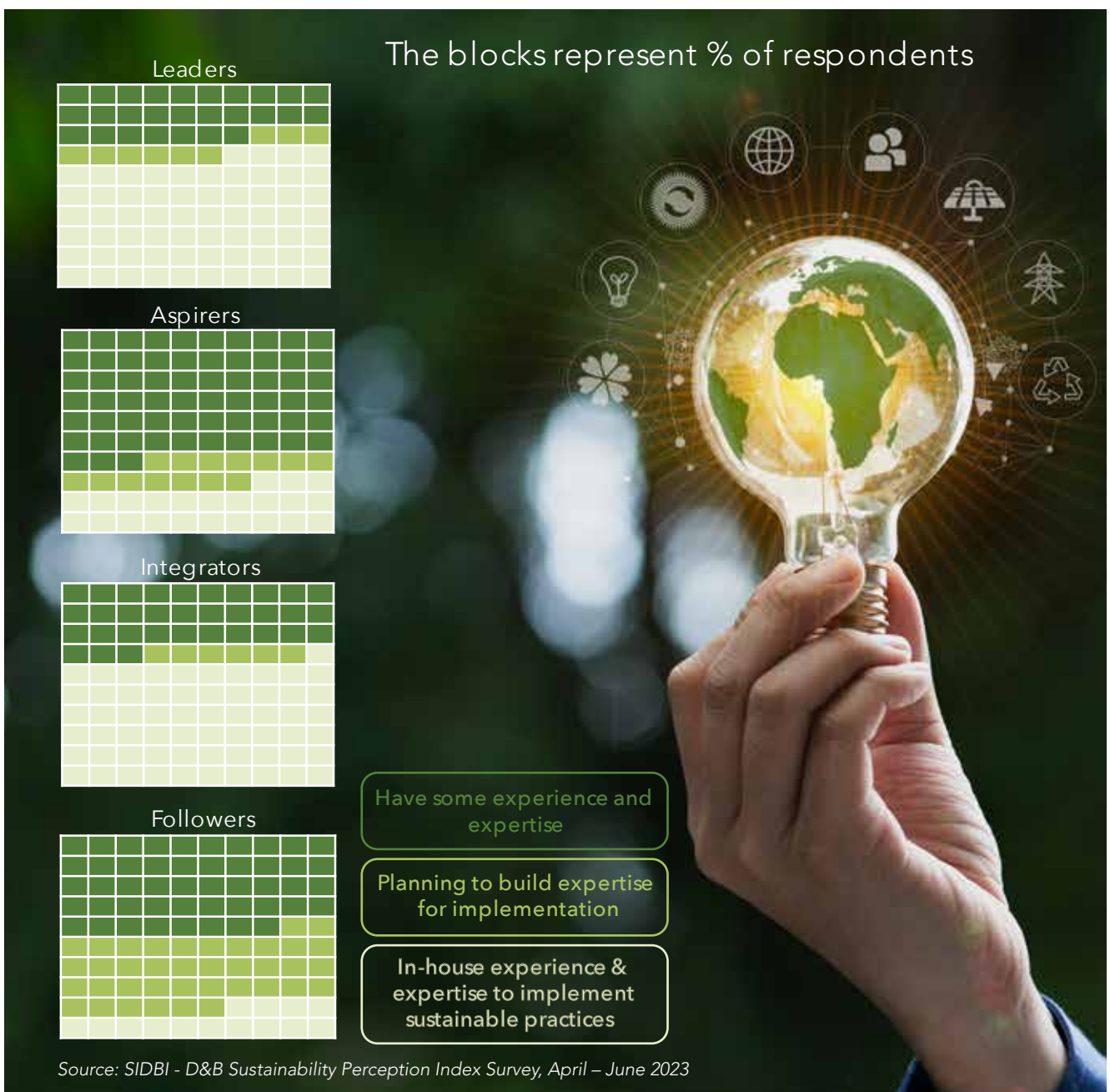
# 64% of "SPeX Leaders" have in-house expertise to implement sustainable practices compared to 14% of "SPeX Followers"



64% of "SPeX Leaders" and 61% of "SPeX Integrators" have in-house experience & expertise to implement sustainable practices while only 23% of "SPeX Aspirers" and 14% of "SPeX Followers" have in-house experience.



Subsequently, 38% of "SPeX Followers" stated that they are planning to build expertise for implementation of sustainable measures while 9% of "SPeX Leaders" are planning to do so.



# MSMEs have opted for environment-related initiatives among the top three priorities for two consecutive surveys

Sustainability in business refers to conducting operations without having an adverse effect on the environment, the local community, or society at large. Amongst the various practices that MSMEs adopt, understandably they might want to prioritize their activities depending on many factors such as their level of understanding, strategic need or expertise or impact on their businesses.

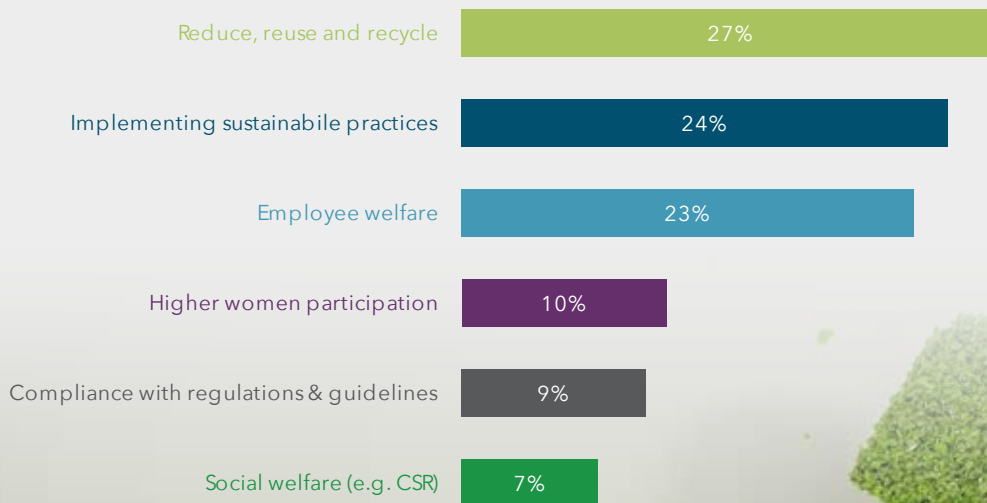


Among the top three priorities, as per two consecutive surveys, MSMEs have opted for environment-related initiatives such as reducing, reusing, and recycling - emissions, waste, water, and energy along with employee welfare, training and retention.



In the survey conducted during April -June 2023, 27% of MSMEs, ranked reduce, reuse and recycle (waste, emissions, water, energy) as the topmost priority while around 24% of MSMEs considered implementing sustainability measures and practices as the second most important priority.

## Top Sustainability Priorities (% share of respondents)



Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023



# 73% of the MSMEs are yet to set their sustainability targets

To further understand the status of implementation of sustainable measures amongst the MSMEs, we asked respondents to reveal their planning status, i.e. whether they are implementing the measures, are preparing to do so, or have no such plans in place.



The sustainable initiatives that we covered were Sustainability targets, Sustainability policy & procedures, Training on sustainability measures, Prompt & full compliance with regulations, Sourcing from ethical suppliers, Use of energy efficient, climate friendly equipment and Reduce, reuse and recycle (emissions, waste, water, energy).



73% of the MSMEs are yet to set their sustainability targets



For each of above seven sustainability initiatives, majority of the players are yet to have any sustainability plan/initiatives in place.



Consequently, 71% of MSMEs were found not to have any policy around sustainability and 75% of them do not have any training initiatives in place.

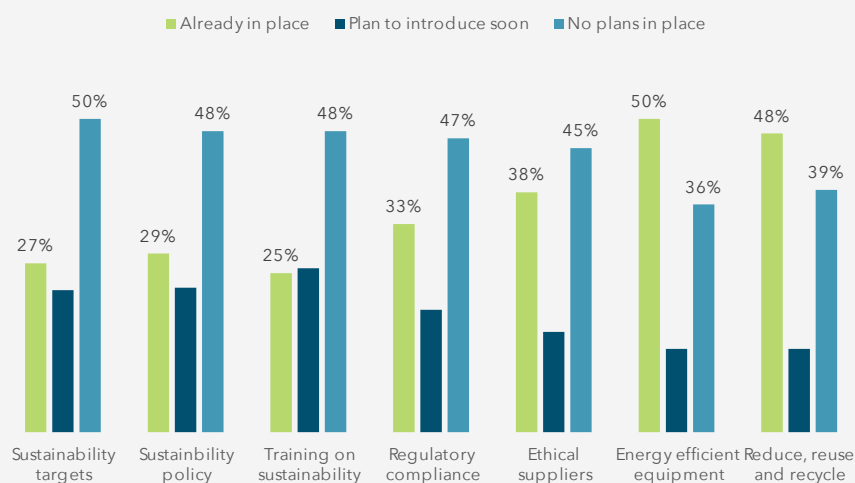


Around 50% of MSMEs claimed that they use energy efficient and climate friendly equipment and reduce, reuse and recycle emissions, waste, water, energy.



Only 33% stated that they have prompt & full compliance with regulations related to sustainability while only 38% source from ethical suppliers.

## % of respondents



Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

# 82% of “SPeX Leaders” have established sustainability targets, yet only 64% provide training to their employees about sustainability actions



For each of the seven sustainability initiatives, higher percentage of “SPeX Leaders” revealed that they already have some measures in place. All the “SPeX Leaders” have implemented measures to reduce, reuse and recycle emissions, waste water and energy.



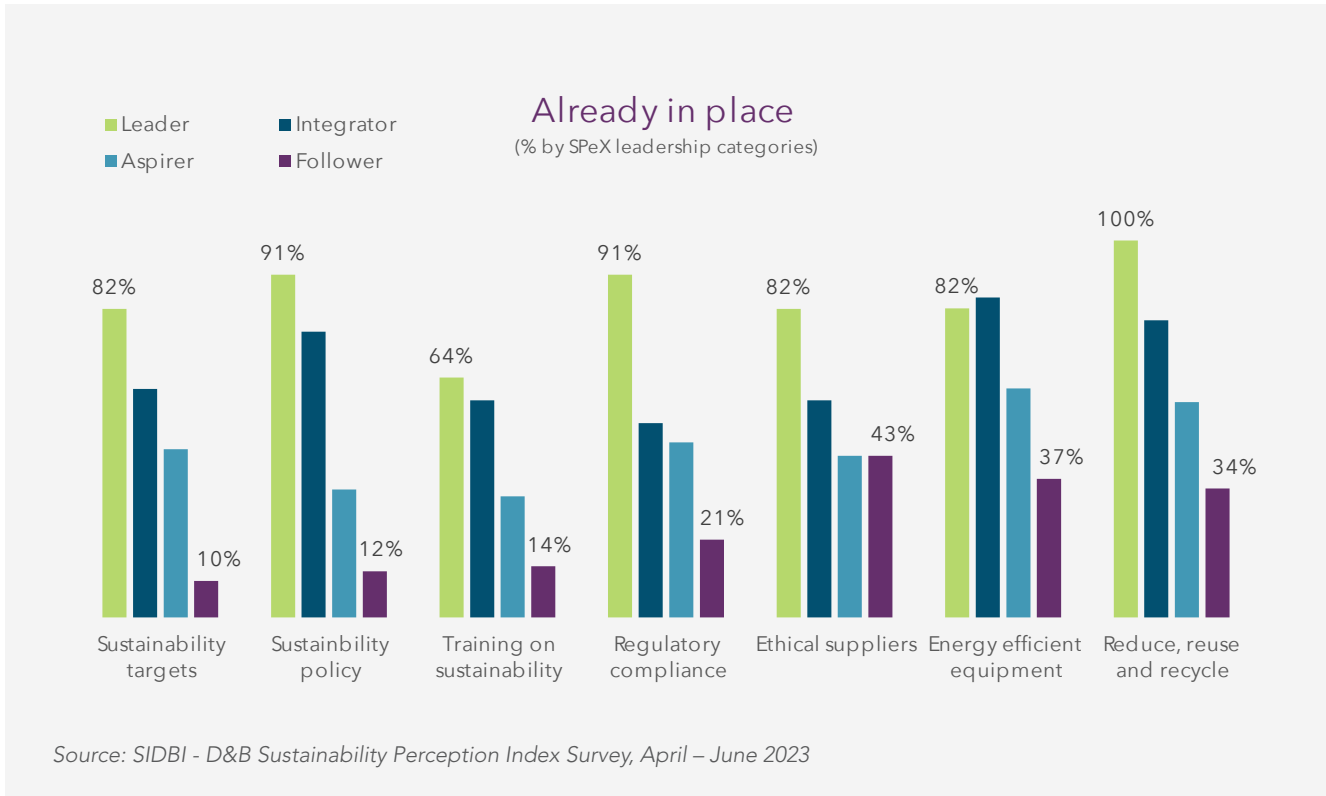
More than 91% of “SPeX Leaders” have sustainability policies and they comply with regulations pertaining to sustainability.



82% of “SPeX Leaders” have established sustainability targets, yet only 64% provide training to their employees about sustainability actions.



More than 50% of “SpeX Integrators” also claimed to have some plans in place for the seven sustainability initiatives that were asked during the survey.





# A higher percentage of “SPeX Followers” have no plans in place for each of the seven sustainability initiatives asked in the survey



None of the “SPeX Leaders” stated that they have no sustainability related plans in place as majority of them already have a plan and the remaining few would introduce them in the near future.



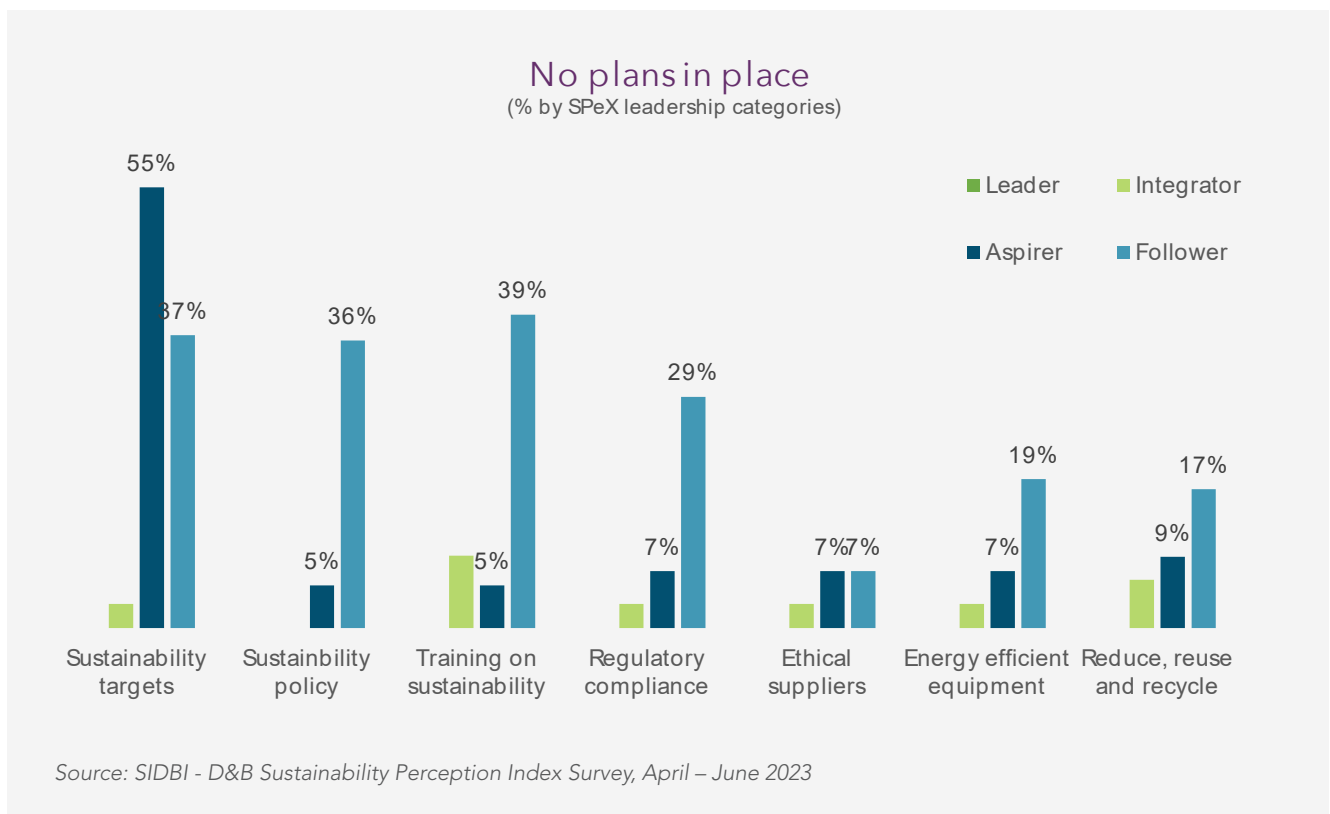
A lower share of “SPeX Integrators” also stated that they no plans in place.



Notably, a lower share of “SPeX Aspirers” also claimed that they have no plans in plans. This is because majority of them plan to introduce sustainability related measures soon.



A higher percentage of “SPeX Followers” said that they had no plans in place or they are planning to introduce measures for each of the seven sustainability initiatives asked in the survey.



# 1 in 10 MSMEs are recycling more than 75% of water consumption

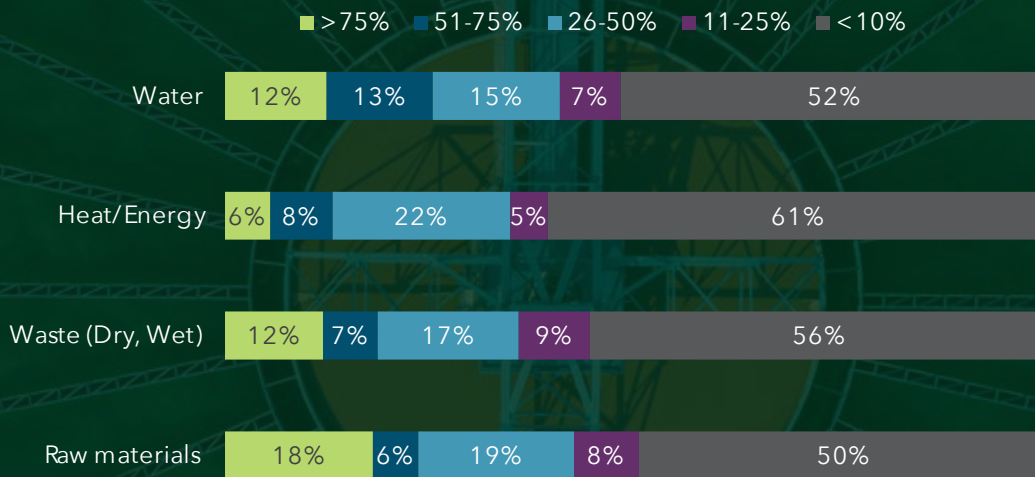


Less than 50% of the total consumption/release of water, energy, waste and raw materials is recycled/recovered by majority of the respondents.



Heat/energy are recycled the least. Around 87% of respondents recover less than 50% of the heat/energy generated. Water is mostly recycled. Around 25% of respondents said that they recycle more than 50% of water that they use. 1 in 2 MSMEs are recycling more than 10% of their water consumption. Only 1 in 10 MSMEs are recycling more than 75% of water consumption.

Percentage Recycled/Recovered (% share)



Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

# 1 in 3 MSMEs are able to reduce the consumption of water, raw materials, heat and energy

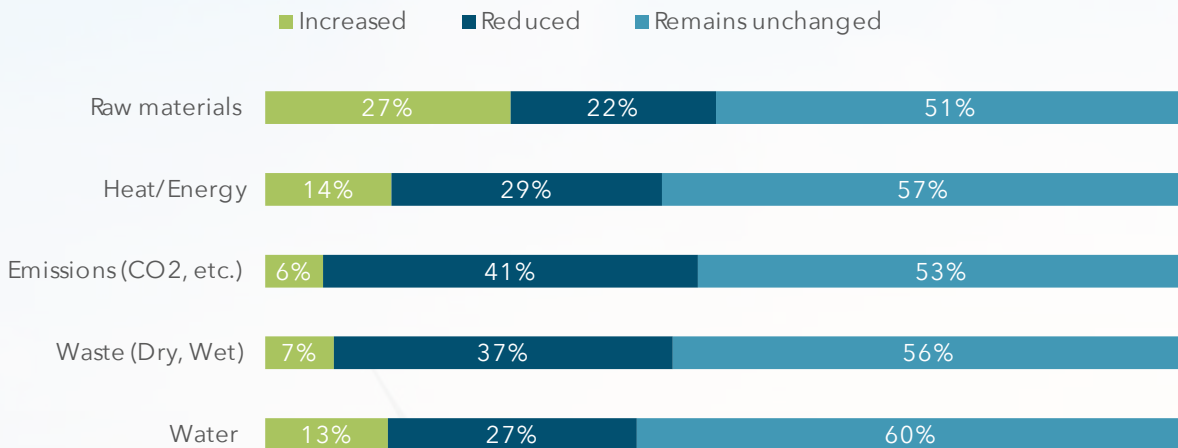


When MSMEs were asked about the measures that they had taken to reduce the impact of their business processes on the environment, it was found that not even 1 in 3 MSMEs are able to reduce the consumption of water, raw materials, heat and energy.



For majority of MSMEs, their consumption/ generation of heat, emissions, waste and water remain unchanged as their level of implementation remain low. The implementation dimension of the sustainability perception index stands quite low at 33; The index ranges from 0 to 100 - higher the index, higher is the level of implementation.

## Change in Consumption/Generation (% share)



Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

Positive impact on sales and employee morale have been considered by the MSMEs amongst the top three positive outcomes for the 2nd consecutive round of the survey



Positive impact on sales (26%), brand value (20%) employee retention and morale (19%) are the top expected positive outcomes of their sustainability actions.



Positive impact on sales and employee morale have been considered by the MSMEs amongst the top three positive outcomes for the 2<sup>nd</sup> consecutive round of the survey.

### Top Expectations from Sustainability (% share)



Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023



# For the 2nd consecutive survey, MSMEs highlighted that they face a pressing requirement for technical support and capital to embrace sustainability initiatives

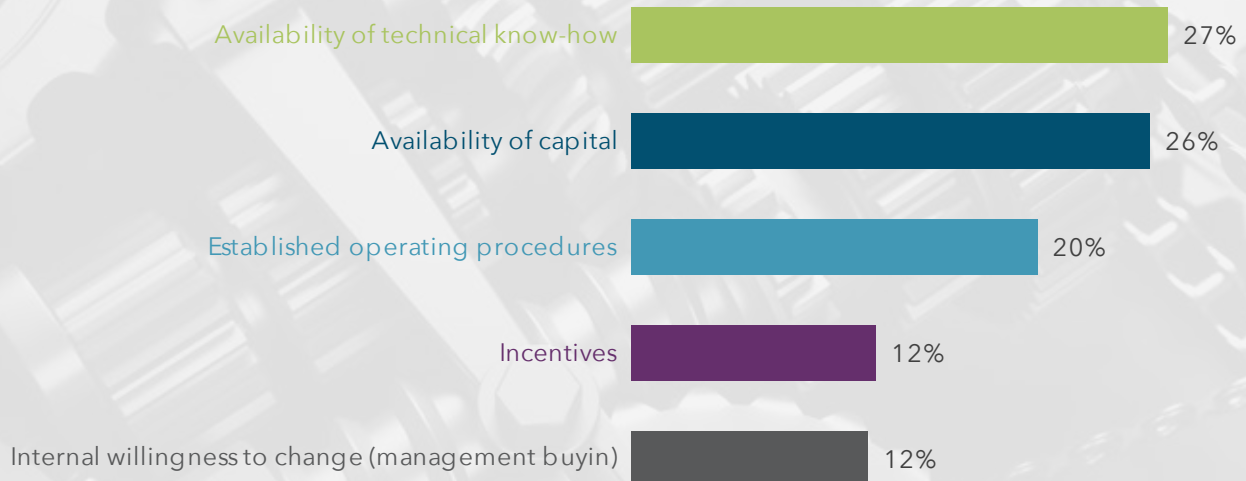


Availability of technical know how (27%), capital (26%) and established operating procedures (20%) have been ranked as the top 3 challenges by SMEs.



For the 2<sup>nd</sup> consecutive survey, it is highlighted that MSMEs face a pressing requirement for technical support and capital to embrace sustainability initiatives, ranking these factors among their top three challenges.

## Implementation Challenges(% share)



Source: SIDBI - D&B Sustainability Perception Index Survey, April – June 2023

# 1 in 2 MSMEs ask for direct monetary incentive for adopting sustainable measures



MSMEs were asked what measures should be taken by various stakeholders so that they are able to adopt various sustainable measures.

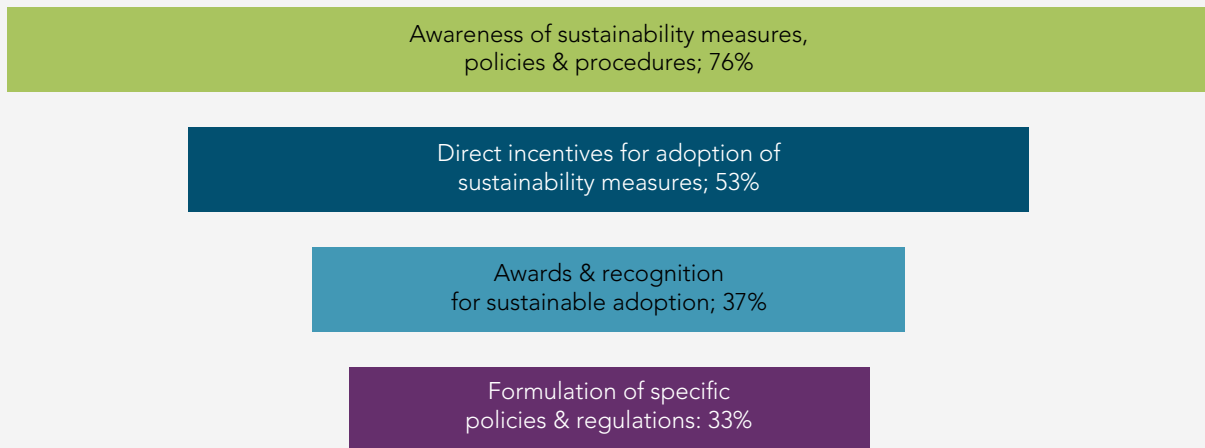


Almost everyone stated that stakeholders should increase the awareness of sustainability measures, policies, procedures amongst MSMEs.



1 in 2 MSMEs ask for direct monetary incentive for adopting sustainable measures.

## What is Needed to Improve Sustainability Adoption (% share)



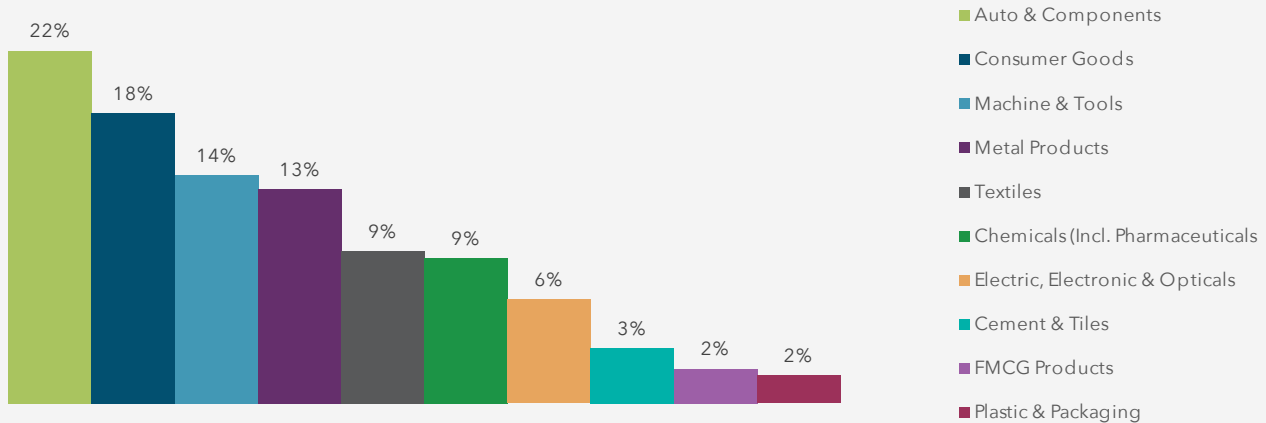
Source: SIDBI - D&B Sustainability Perception Index Survey, April-June 2023





# Firmographics

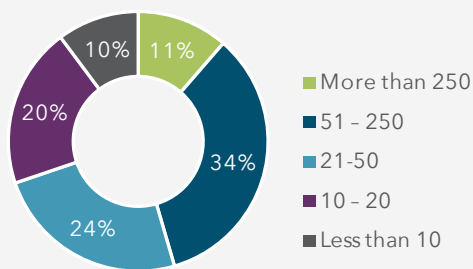
## Sector-wise survey participation



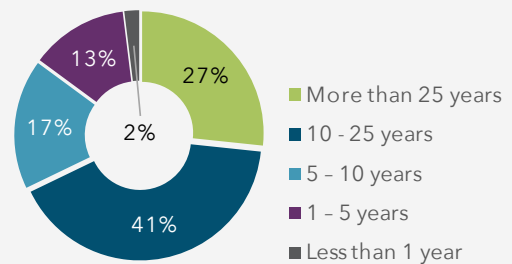
Source: SIDBI - D&B Sustainability Perception Index Survey, April-June 2023

## Size and age of business

### Respondents by Employee Size

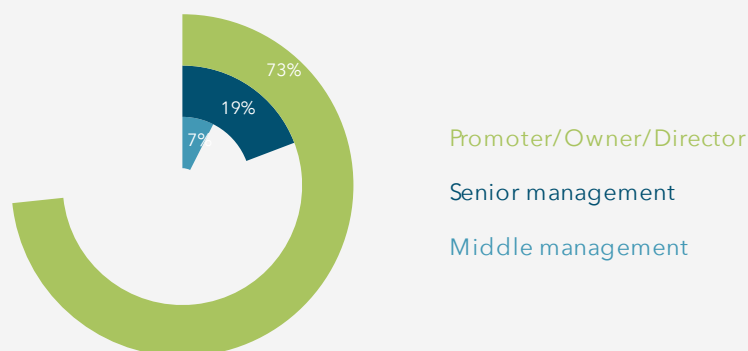


### Respondents by Age of Business



Source: SIDBI - D&B Sustainability Perception Index Survey, April-June 2023

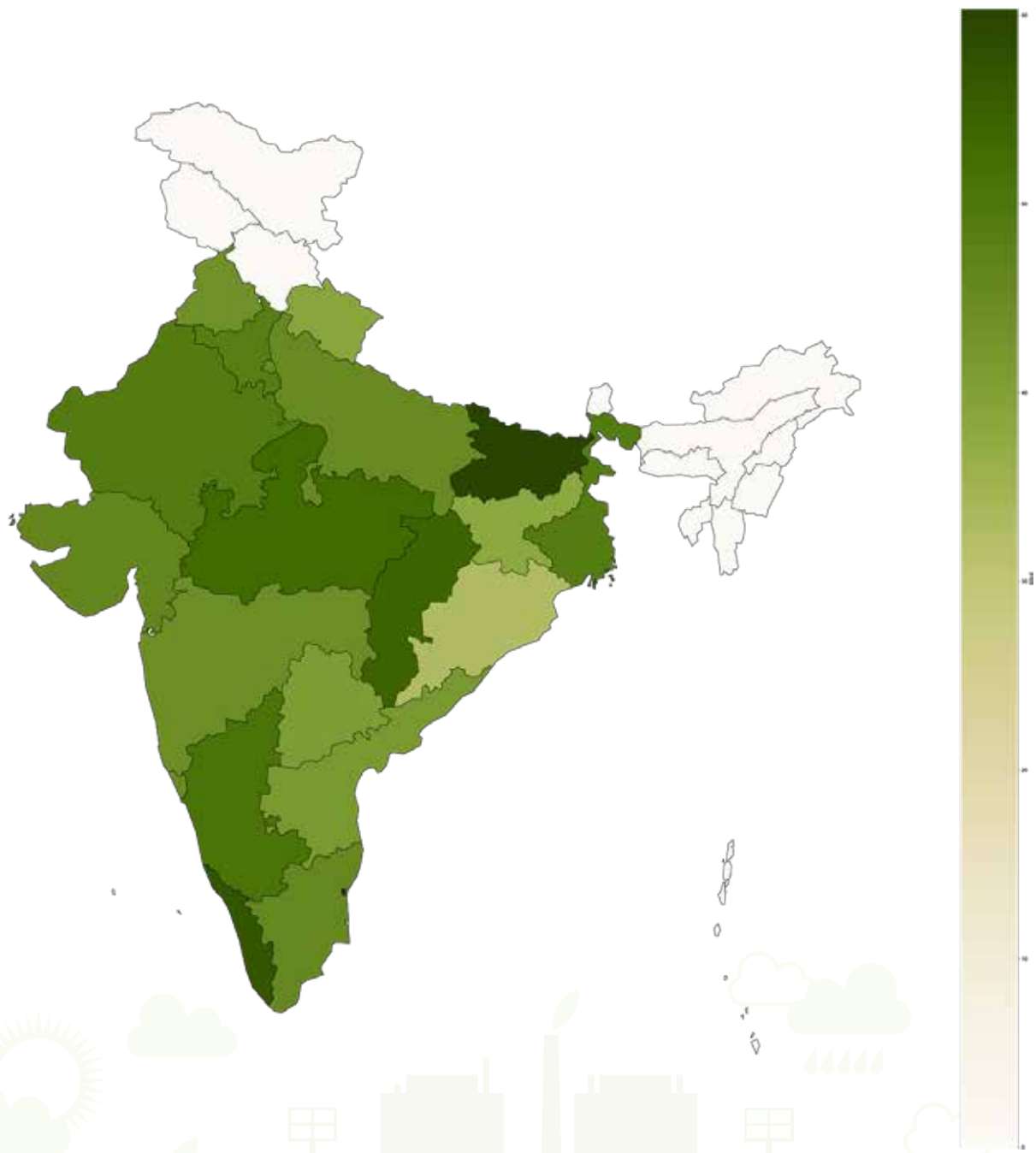
## Share of respondents by position



Source: SIDBI - D&B Sustainability Perception Index Survey, April-June 2023

# SPeX at state levels

SIDBI and D&B's Sustainability Perception Index (SPeX)



The index ranges from 0 to 100. Higher the index, higher is the level of perception towards sustainability.  
Source: SIDBI - D&B Sustainability Perception Index Survey, April-June 2023

# How is SPeX calculated?

SPeX is a quantitative measurement of sustainability perception of MSMEs in India. For quantitative measurement, Dun and Bradstreet conducted survey of MSMEs across India during April-June 2023. Survey participants are to fill a digital questionnaire containing questions aimed to elicit their perception, understanding and implementation of sustainability practices/measures. Based on the responses, Dun and Bradstreet calculated scores on three dimensions: awareness, willingness, and implementation to each MSME (using a scorecard approach). The reported SPeX and sub-index values are the median score of the survey sample. There is some overlap between the survey respondents in the January-March 2023 and April-June 2023 surveys.

A weighted scorecard technique is used to calculate the index, with combinations of relevant question and response being assigned scores, aggregated, and standardized using statistical algorithm to arrive at sub-index values for awareness, willingness, and implementation dimensions. SPeX is a weighted average of sub-indices (weights are determined from statistical analysis to explain most of the variability across responses). SPeX can range from 0 to 100, higher the value, the more positive are respondents' assessment of sustainability measures. All India SPeX value is the median score of the survey respondents.





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