



# **INDIAN SME FAMILY BUSINESS**

**Trade Confidence and Internationalization Report  
April 2026**

SPJIMR | Centre for Family Business & Entrepreneurship (CFBE)

# Indian SME Family Business

## Trade Confidence and Internationalization Report

April 2026

*Export Outlook · Risk Perceptions · Risk Mitigation · Trade Confidence Index*

<b>461</b> Respondents	<b>14</b> Indian Cities	TCI Score 74.3/100	Net Trade Confidence Score 56.4/100
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Author: Dr. Tulsi Jayakumar, Executive Director CFBE & Professor, Economics & Policy, SPJIMR India

# Dean's Message

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April 24, 2026

S.P. Jain Institute of Management and Research (SPJIMR), was founded on a conviction that management education must serve several segments of society, including those who are often left out of the mainstream, such as small and medium enterprises (SMEs). These SMEs – which are often family run – contribute to an estimated 70 to 80 percent of India's GDP and employment and to just under 50% of overall exports. Yet this segment remains underserved, lacking the institutional scaffolding available to large enterprises.

The Centre for Family Business and Entrepreneurship (CFBE) at SPJIMR was established to study, support, and amplify the voice of India's family business community. Our earlier series of State of the Family Business in India surveys provided a body of evidence on the governance, succession, and strategic challenges facing family firms across sectors and generations.

This survey based report focuses on SMEs and international trade. When global trade conditions shift, when tariff regimes tighten, supply chains fracture, or geopolitical tensions reshape the architecture of international commerce, SMEs absorb the impact first and feel it longest. Therefore, understanding how SMEs perceive, experience, and respond to trade conditions is a precondition for designing support systems that actually reach them. Therefore our study on Trade Confidence and Internationalisation looks to answer a question that is increasingly urgent: “how are India's family-owned SMEs navigating the volatile global trading environment?”

This report, based on a survey fielded between October to December 2025, across 461 respondents in 14 Indian cities, is our attempt to answer that question with rigour and at scale. Our results highlight the central challenge facing India's SME family exporters in this moment. They represent aspirations that are real, a high degree of confidence, but also a clear-eyed recognition of headwinds that could stall those ambitions.

This report is the first wave of a longitudinal series. The reports in this series will provide a periodic pulse check that tracks the evolution of SME confidence, risk perceptions, and governance challenges, and also sense whether policy prescriptions and interventions are achieving desired results. I applaud CFBE for authoring this commendable first report. We offer this report to policymakers, industry associations, financial institutions, and the family businesses themselves, in the hope that the insights in this report will shape their conversations and responses.

With warm regards,

Dr. Varun Nagaraj

Professor, Information Management and Analytics

Dean, S.P. Jain Institute of Management & Research (SPJIMR), Mumbai, India



# Foreword

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India's SME family businesses are the backbone of the country's export story, and yet they are among the least studied participants in it. They do not command the analyst coverage of India's large conglomerates; neither do they generate the data trails of publicly listed entities. Besides, they carry a dimension of motivation, governance, and risk that no standard business survey captures: the weight of family.

It is this gap, between the economic significance of Indian SME family exporters and the quality of data available about them, that the SPJIMR Centre for Family Business and Entrepreneurship (CFBE) Trade Confidence and Internationalisation Survey was designed to address. The report in your hands presents the findings of the First wave of that survey that we conducted between October-December, 2025 — the first of what we intend to be a regular, periodic pulse on the confidence, outlook, and risk perceptions of this community.

Four hundred and sixty-one owner-managers, directors, CEOs, and senior managers responded to this survey across 14 Indian cities, from Ludhiana to Hyderabad, from Jaipur to Kolkata. Their businesses span every size category from micro to large, every generation from first-generation founders to firms in their third generational transition, and every major industry from manufacturing to trading to mixed enterprises. On average, these firms have been exporting for 16.4 years — 82% have more than a decade of international trading experience. They are not novices. They know what they are doing, and they know what they are facing.

What they are facing, as of Q3 FY 2026, is a paradox that this report attempts to measure with precision. On one side is genuine, grounded optimism, reflected in sixty-six percent expecting their export sales to grow in the next six to twelve months. Sixty-four percent expect new order bookings to increase. Eighty-five percent are confident in the Indian domestic economy. The Trade Confidence Index — our measure of forward-looking export optimism — registers 74.3 out of 100. By any standard, that is a positive reading.

On the other side is a risk environment that is not merely challenging but actively worsening. Every one of the thirteen macro risk dimensions we measured — tariffs, geopolitics, currency, supply chain, logistics, regulatory complexity, trade finance, funding, etc. — sits below the neutral midpoint. And every one of those risks, without exception, has escalated over the past six months. Our Risk Momentum Index, which tracks the direction of risk travel, registers 40.5 out of 100 — well into negative territory.

The Net Trade Confidence Score, the composite measure that weighs optimism against risk reality, registers 56.4. The 17.9-point gap between the TCI (74.3) and the NTCS (56.4) is, in our judgement, the single most important number in this report. It is the quantitative expression of a tension that every exporting SME family business in India will recognise: the gap between what you believe your business can achieve, and the environment in which you must achieve it.

This survey makes several contributions that distinguish it from existing SME-specific surveys, which in any case do not measure export confidence. The first is the four-index architecture. Most confidence surveys produce a single composite number. We have deliberately chosen not to do this, because a single number conceals as much as it reveals. A firm can simultaneously hold high expectations and high anxiety, and collapsing these into a single score obscures the relationship between them. The TCI captures what SME exporters expect. The Risk Environment Index captures what is weighing against those expectations today. The Risk Momentum Index captures whether conditions are moving in their favour or against them. The Family

Governance Risk Index captures a dimension that no standard business survey has, to our knowledge, attempted to measure: the specific governance tensions that arise when the business and the family are, in the deepest sense, inseparable.

The second contribution is that family governance dimension itself. Our finding that intra-family disagreements over internationalisation are escalating faster than any macro risk, including supply chain disruptions, currency volatility, and geopolitical instability, is striking. It suggests that the greatest threat to the international ambitions of India's SME family exporters may not come from foreign shores or even the Red Sea. It may come from within the boardroom, or, more precisely, the dining table, where families with different generational risk appetites and different visions of the family's global future must find common ground. This is a finding that demands both academic attention and policy response.

The third contribution is geographic and generational texture. Aggregate confidence indices conceal enormous variation. South India's NTCS of 61.8 and Eastern India's 60.3 sit alongside Western India's 53.9, a range of nearly eight points within a single country. First-generation founders — the entrepreneurs who built these export businesses from nothing — register the lowest NTCS of any generational cohort (51.5), not because they are pessimistic but because they face the most hostile risk environment of any group we studied. They deserve particular attention from policymakers and support institutions.

The fourth contribution, and the one that makes this report more comprehensive than standard confidence surveys, is its documentation of how firms are actually responding to adversity. Our survey reveals that more than half of respondents are planning some degree of retreat from international markets, that currency hedging is the dominant financial response, and that family-centric governance mechanisms — next-generation capability building, family trade councils, reputation preservation — are being mobilised as risk management tools by more than a third of the sample. The report assesses the institutional ecosystem in which these responses are taking place: 46.6% of respondents are currently availing themselves of no government export scheme; 57.1% are not accessing any FTA market; and 68.1% of non-FTA exporters cite simple lack of awareness as the primary barrier. These are actionable findings, not merely descriptive ones.

The question our data poses to policymakers is direct: if the most experienced, most export-intensive SME family businesses in India are operating in a risk environment that is universally hostile and universally worsening, and responding to it with tools that are only partially adequate, what are we prepared to do about it? Our final section of this report offers six specific, targeted policy recommendations with identified mechanisms, responsible parties, and measurable objectives. We hope they will be read not only by those who commission research of this kind, but by those with the authority and responsibility to act on it.

The first wave of this survey was fielded at a moment of particular turbulence in the global trading system, in Q3 FY 2026. The re-emergence of aggressive tariff politics, with its cascading effects on supply chains, payment cycles, and the confidence of buyers and sellers alike, is visible throughout our data. Our respondents do not use the language of economists when they describe these pressures: they speak of advance payment demands that are straining their working capital, of shipping lanes rerouted at a cost that erodes margins they cannot recover, of regulatory documentation requirements that arrive faster than their teams can absorb them. This report tries to translate that lived experience into data, and then to translate that data back into language that policymakers and support institutions can act upon.

The SPJIMR CFBE Trade Confidence Survey is designed to be a living instrument, conducted periodically, tracking the same dimensions over time to reveal trends that a single wave cannot. The data in this report will

be most valuable when compared with the next wave, and the wave after that. We commend it to you in that spirit: not as a snapshot of a moment, but as the opening chapter of a longer conversation about the ambitions, challenges, and resilience of India's exporting small family businesses.

With warm regards,

Dr. Tulsi Jayakumar  
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Professor, Economics & Policy  
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April 24, 2026



## Executive Summary

This report presents the findings of the first wave of the SPJIMR Centre for Family Business & Entrepreneurship (CFBE) Trade Confidence and Internationalisation Survey fielded in Q3 FY26, between October to December, 2026, with Hansa Research as our partners for administering the survey. Drawing on 461 responses from owner-managers, directors, CEOs, and senior managers of Indian SME family businesses engaged in international trade, it delivers a comprehensive assessment of the near-term export outlook, risk perceptions, internationalisation motivations, and a four-index architecture that measures trade confidence holistically.

### The Index Architecture — Four Lenses on Trade Confidence

A central methodological contribution of this report is the construction of a four-component index architecture, combined into a Net Trade Confidence Score (NTCS), that captures the full complexity of what Indian SME exporters are experiencing. A single confidence measure, however well-constructed, cannot simultaneously represent their optimism about near-term order flows and their anxiety about the geopolitical and regulatory environment in which those orders must be fulfilled.

Index	What it Measures	Score / 100	Key Finding
TCI — Trade Confidence Index	Forward-looking optimism: export sales, order bookings, economic confidence, trade finance	74.3	Firmly positive — SMEs are optimistic about near-term trade prospects
REI — Risk Environment Index	Current macro risk burden across 13 dimensions	45.8	Below neutral — the risk environment is uniformly hostile across all dimensions
RMI — Risk Momentum Index	Direction of macro risk travel over past 6 months — is risk getting better or worse?	40.5	Well below neutral — every risk dimension is actively escalating
FGRI — Family Governance Risk Index	Family-specific governance risk: disagreements, succession, generational risk appetite	45.6	Below neutral — family governance tensions are present and worsening
NTCS — Net Trade Confidence Score	Weighted composite: 40% TCI + 35% REI + 15% RMI + 10% FGRI	56.4	Modestly positive but 17.9 points below the TCI — the risk environment is a substantial drag on net confidence

The 17.9-point gap between TCI (74.3) and NTCS (56.4) is the most analytically powerful finding of the report. It means Indian SME exporters are genuinely and justifiably optimistic about their own near-term prospects, but that optimism is being realised against a risk environment that is simultaneously elevated, deteriorating, and layered with family governance complexity. The NTCS of 56.4 captures this net position: positive, but constrained.

## Seven Headline Findings

**1. Confident exporters in a hostile environment.** TCI = 74.3 signals strong near-term optimism: 66% expect export sales to grow, 64% expect order bookings to increase, and 85% are confident in the domestic economy. But the REI (45.8) confirms the macro risk environment is uniformly hostile, with every one of the 13 measured risk dimensions sitting below the neutral midpoint of 50.

**2. Risk is not just elevated, it is actively worsening.** The RMI of 40.5 as an index reading is worrying. Every macro risk dimension is escalating, with supply chain disruptions showing the sharpest trajectory deterioration, followed by regulatory/customs restrictions and currency fluctuations. No risk is improving. The RMI-TCI negative correlation ( $r = -0.27$ ) reveals a counter-intuitive finding: the most optimistic exporters are also perceiving the fastest risk escalation, likely because the most globally exposed firms see both the greatest upside and the greatest systemic threat.

**3. Family governance tensions are escalating faster than any macro risk.** The FGRI trajectory sub-component for intra-family disagreements over internationalisation produces the worst score of all 18 risk trajectory dimensions measured. This is in fact worse than supply chain disruptions, currency volatility, or geopolitical instability. Second-generation family businesses, who manage 48.6% of exporting SMEs, face a particular double pressure: managing external risk escalation while navigating internal governance complexity as generational transitions approach.

**4. The trade finance gap is the most actionable structural finding.** 62.7% of respondents expect trade finance access to improve (TCI component: 79.2/100), but simultaneously 36.7% are currently struggling to secure finance for their export operations. For Large enterprises this gap is negative: 54.5% face current difficulties while only 36.4% expect improvement. This coexistence of optimism and difficulty points to a systemic gap between macro-level credit conditions and SME-level access that policy instruments must address.

**5. More than half of exporters are planning to retreat from international markets.** Section 5 reveals the most consequential strategic warning in the survey: while 28.4% plan to explore new international markets, 52.5% are planning some degree of retreat, either in the form of a gradual shift toward domestic markets or an immediate complete reorientation. This potential structural contraction in India's SME export base is largely invisible in aggregate trade statistics, which capture revenue from committed exporters rather than the intentions of those considering withdrawal.

**6. The FTA awareness gap is the highest-return policy opportunity in the report.** 57.1% of respondents are not currently exporting to any Free Trade Agreement (FTA) market. Of these, 68.1% cite lack of awareness as the primary reason. Thus, it is not cost, nor disinterest, but simply not knowing these opportunities exist. In a rising-tariff environment where the Most-Favoured Nation (MFN) rates are escalating, this is the most actionable institutional gap identified: a targeted FTA literacy programme would directly address the primary barrier at minimal cost relative to the commercial value of preferential access.

**7. Geographic and generational fractures in confidence:** South India achieves the highest NTCS (61.8), driven by strong performance on every index component. Eastern India, despite the lowest TCI (60.3), achieves the second-highest NTCS (57.1) because it reports the most favourable risk environment scores. This is a striking divergence that reveals how composite confidence differs from simple optimism. First-generation founders register the lowest NTCS (51.5), not because they are cautious optimists but possibly because they face the most hostile risk environment and the greatest family governance pressure of any generational cohort.

## Report Structure

This report is organised across seven main sections:

- **Section 1 (Survey Methodology and Respondent Profile):** Sample composition, enterprise size, geography, generation, export intensity, and market reach — establishing the who and what of the survey population.
- **Section 2 (The Trade Confidence Index):** The five-component TCI, its composite score of 74.3, and breakdowns by region, size, and generation.
- **Section 3 (TCI Component, Trade Finance & Motivations):** Full distributions behind each TCI sub-score, the trade finance gap analysis, and internationalisation motivation profiling.
- **Section 4 (External Risk Environment):** Qualitative interpretation of the six major risk clusters — tariffs, geopolitics, currency, supply chain, regulatory, and family governance — with policy implications for each.
- **Section 5 (Risk — Mitigation Strategies and Commercial Adaptation):** How Indian SME exporters are actually responding: five categories of risk mitigation strategy (financial, market diversification, operational, policy/compliance, and family-centric), commercial terms under pressure (pricing, credit periods, margin changes, cost pressures, payment security shifts), and the currency and FTA impact assessments.
- **Section 6 (The Institutional Ecosystem — Satisfaction, Scheme Utilisation and Future Readiness):** Satisfaction ratings for six export ecosystem players, government scheme uptake (46.6% availing no scheme), the FTA engagement gap (57.1% not in FTA markets; 68.1% of non-users cite awareness as the barrier), new market expansion intentions (Family Business 64.5% vs Non-Family Business 31.4%), investment priorities, and a candid self-assessment of the internal capability gaps holding back international expansion.
- **Section 7 (Policy Priorities):** Six evidence-based policy recommendations for policymakers, export promotion bodies, and financial institutions.

# 1: Survey Methodology and Respondent Profile

The SPJIMR CFBE Trade Confidence Survey is a primary-data research initiative designed to capture a periodic snapshot of the export outlook, risk environment, and internationalisation strategies of Indian SME family businesses. The first wave of this survey, conducted in Q3 2026 (October-December 2025), collected 461 valid responses across 14 Indian cities from family businesses and non-family SMEs using a structured questionnaire. The survey was targeted at owner-managers, directors, CEOs, and senior decision-makers with direct responsibility for international trade activities.

The survey captures responses predominantly from owners and proprietors (45.1%), reflecting the owner-manager character of India's exporting SME family business community. Managers collectively account for 33.8% of respondents, while directors contribute 7.2%. Senior executive roles (CEO/MD) represent 4.1%. This ownership-heavy respondent profile means that the confidence and risk perceptions reported reflect first-hand strategic decision-making perspectives rather than middle-management proxies.

## 1.1 Enterprise Size Profile

The SME export community among our respondents is overwhelmingly composed of micro and small enterprises. More than half of respondents (51.2%) fall in the Small category, with investment in plant and machinery up to ₹25 crore and/or annual turnover up to ₹100 crore. Micro enterprises (up to ₹2.5 crore investment / ₹10 crore turnover) account for a further 37.1%, meaning almost 9 in 10 respondents are micro or small businesses. Medium enterprises represent 9.3%, and Large enterprises just 2.4%.

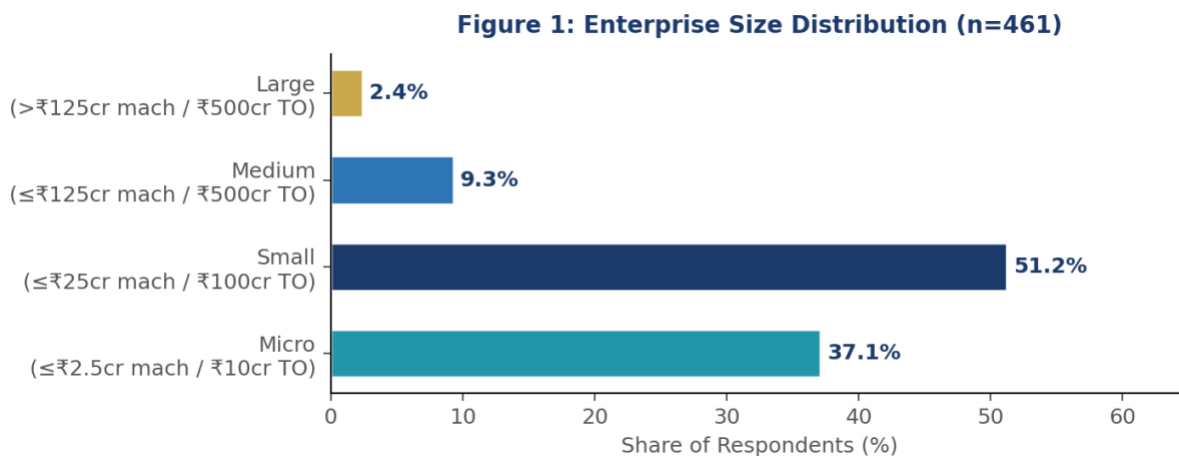


Figure 1: Enterprise Size Distribution by MSME Classification (n=461)

## 1.2 Geographic Distribution

The Northern region dominates with 54.4% of respondents; the South contributes 19.1% (Hyderabad, Bangalore, Madurai), the West 14.8% (Mumbai, Pune, Ahmedabad), and the East 11.7% (Kolkata, Patna, Bhubaneswar). This geographic distribution is an important context when interpreting region-specific findings.

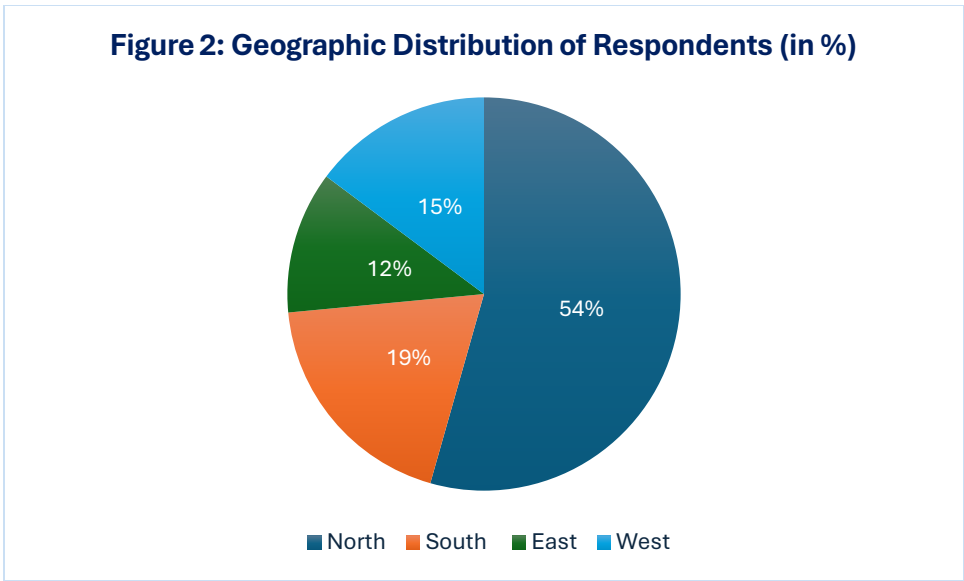


Figure 2: Geographic Distribution of Survey Respondents

### 1.3 Establishment Vintage & Export Experience

The sample is broadly distributed across establishment vintages. The 1990s, 2000s, and 2010s each contribute approximately 25% of respondents, with the 1980s cohort contributing 23.2%, suggesting a mature, established sample. Only 2.4% were established in the 2020s, reinforcing that export-active SMEs tend to have meaningful operating histories.

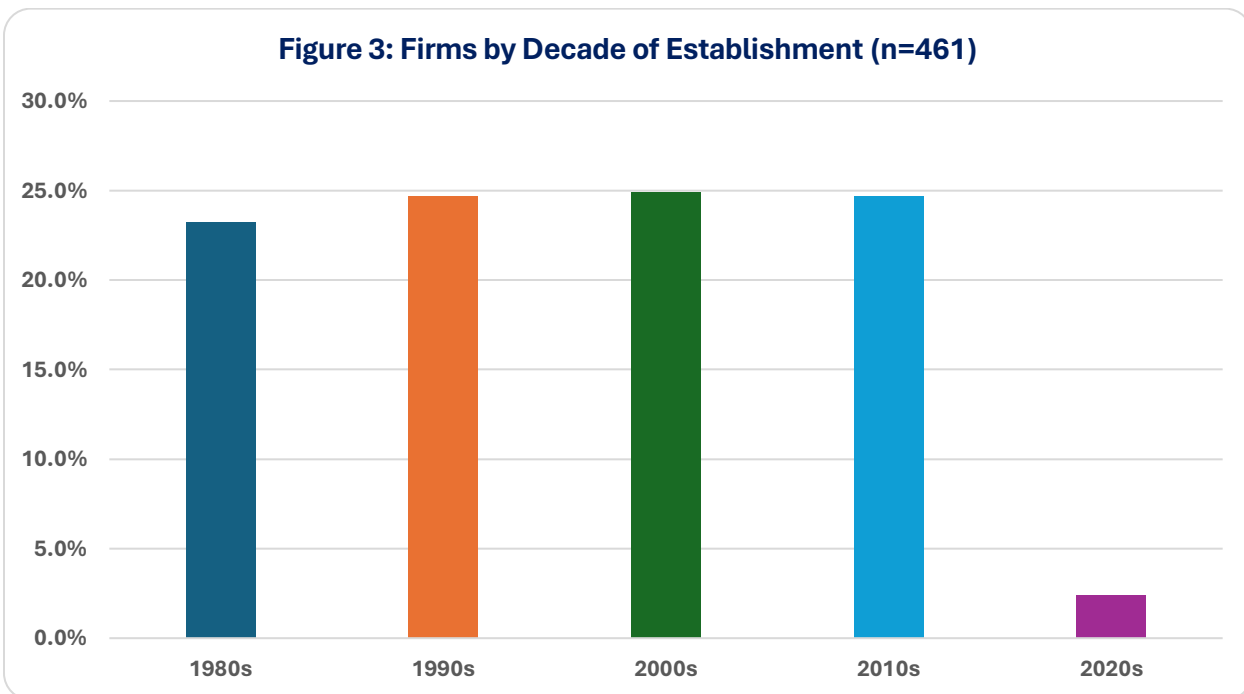


Figure 3: Firms by Decade of Establishment

In terms of export experience, the sample skews towards seasoned exporters. Nearly a third (32.1%) have been exporting for more than 20 years, and a further 24.3% have 15–20 years of export experience. The average exporting career spans 16.4 years, confirming that respondents are not new entrants but established international traders with market-tested strategies.

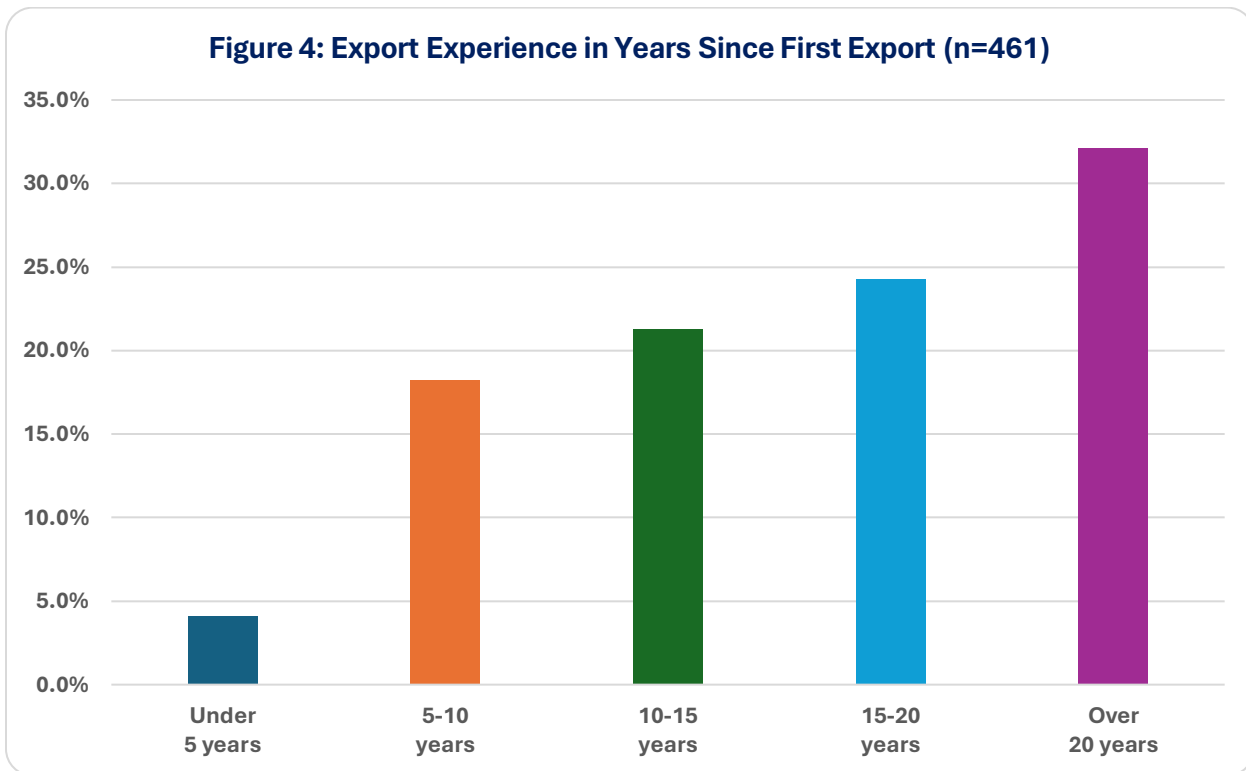


Figure 4: Export Experience in Years Since First Export

### 1.4 Export Intensity

Exports are central to the revenue base of these firms. The mean export revenue share is 51.4% (median 50%), indicating that for the typical respondent, exports are as financially important as domestic sales, or even more so. The modal category (34.3% of firms) sits in the 41–60% export revenue bracket. Only 17.1% derive less than 20% of revenue from exports, while 9.3% are near-total export businesses (81–100%)

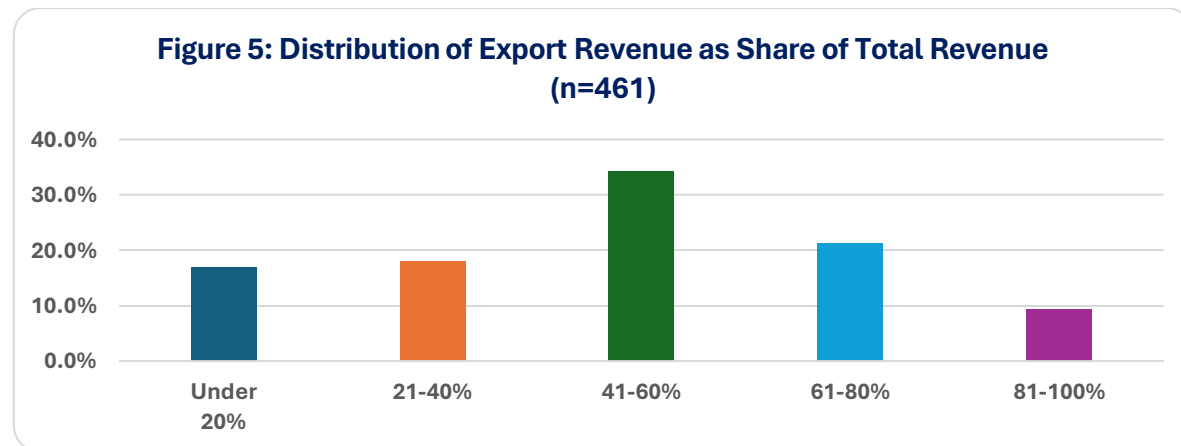


Figure 5: Distribution of Export Revenue as Share of Total Revenue

## 1.5 Family Generation Managing the Business

The second generation is by far the most prevalent steward of exporting family businesses in this sample (48.6%), followed by first-generation founders (24.7%), third-generation managers (8.7%), and a small cohort of third-generation-plus firms (0.7%). The 17.4% of respondents classified as Non-FB or not a family business are included for comparative context.

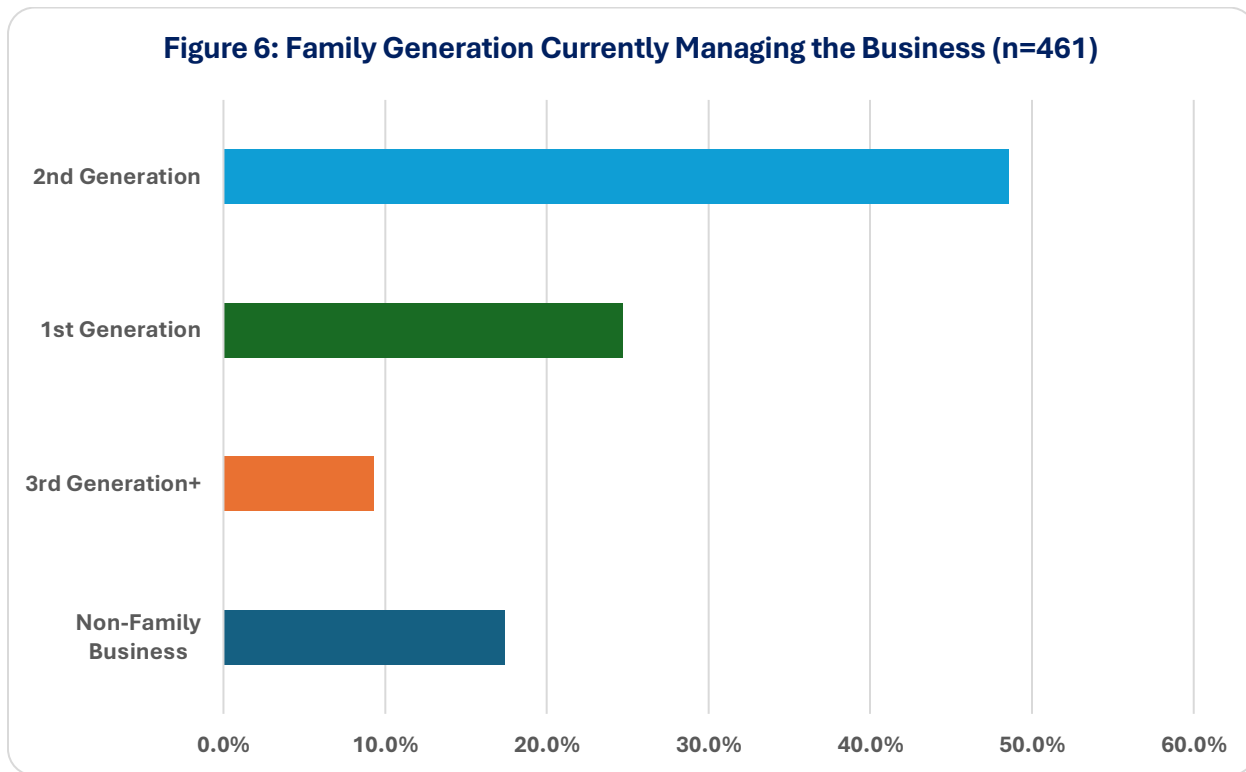


Figure 6: Family Generation Currently Managing the Business

## 1.6 Industry Composition & Export Mode

The survey captures an even split across industry types: Manufacturing (33.2%), Trading (31.7%), and businesses with Mixed manufacturing-trading operations (35.1%).

Direct exports are the dominant mode of internationalisation, with 54.0% of respondents exporting directly to overseas buyers without intermediaries. A further 34.1% use a combination of direct and indirect (agent-mediated) routes, and 11.9% rely exclusively on indirect exports through agents. The high share of direct exporters reflects the growing capability of Indian SME family businesses to manage international buyer relationships without intermediary support.

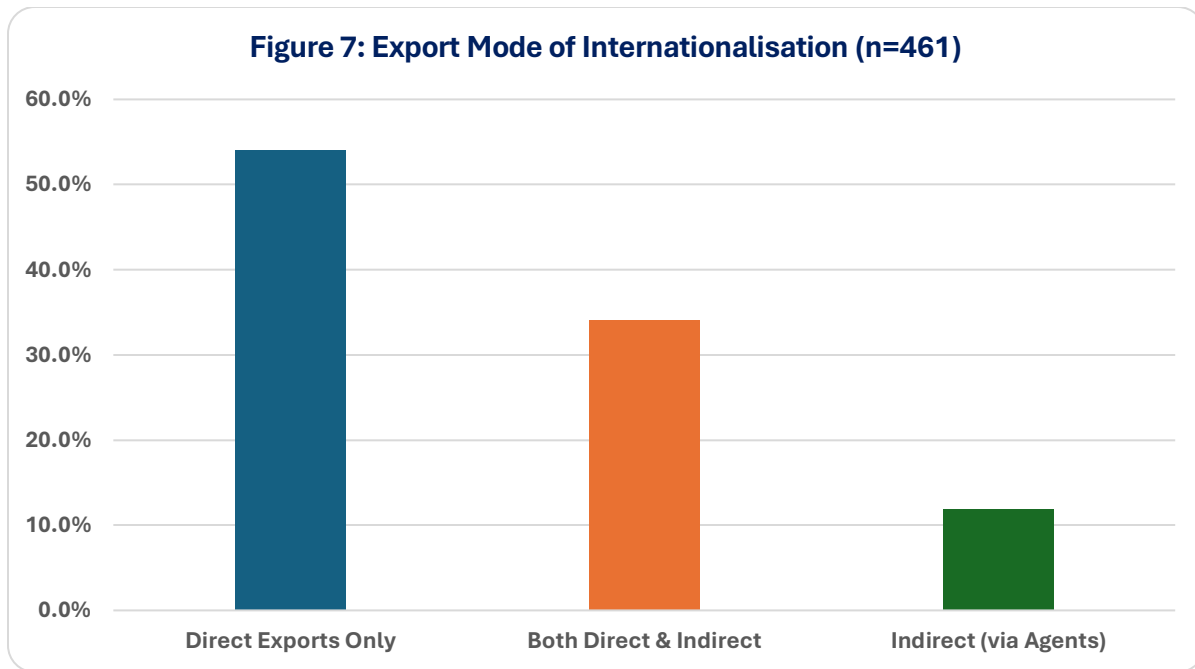


Figure 7: Export Mode of Internationalisation — % of Respondents (n=461)

### 1.7 : Family Ownership & Management Intensity

Two questions relating to the proportion of family owning majority shares and proportion of family members in top management define the governance intensity of the family businesses surveyed. Both show a strongly bimodal pattern. As regards FBs with family owning majority shares, 34.1% strongly agree their family owns majority shares and 22.8% agree, while 41.2% strongly disagree, identifying themselves as non-family businesses. As regards FBs with proportion of family members in top management, 34.9% strongly agree family members are in top management and 43.4% agree.

Figure 8: Family Ownership & Management Intensity (% of n=461)

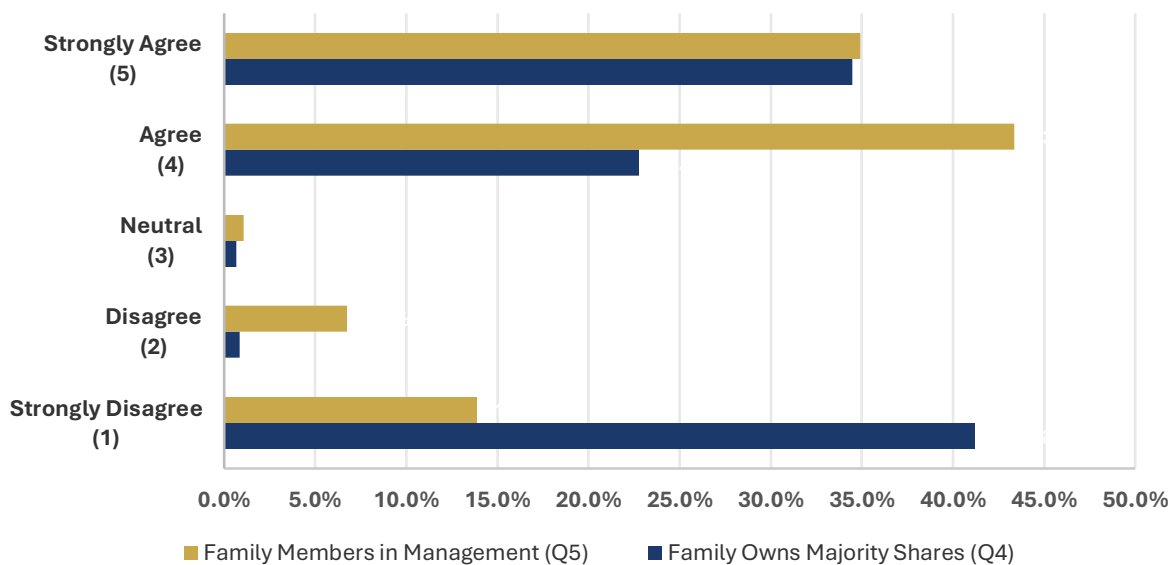


Figure 9: Family Ownership & Management Intensity

### 1.8 : Business Carries the Family Name — by Generation

A distinctive marker of family business identity is whether the enterprise shares its name with the owning family. The data reveals that this eponymous identity strengthens across generations: 75.6% of 1st-generation firms carry the family name, rising to 80.0% among 2nd-generation firms and 83.3% among 3rd-generation+ businesses. This is a counter-intuitive finding: one might expect professionalisation to dilute eponymous branding, but instead suggests that multigenerational family firms double down on family identity as a source of trust, continuity, and reputational capital in international markets.

**Figure 9: Business Carries Family Name by Generation (% within generation)**

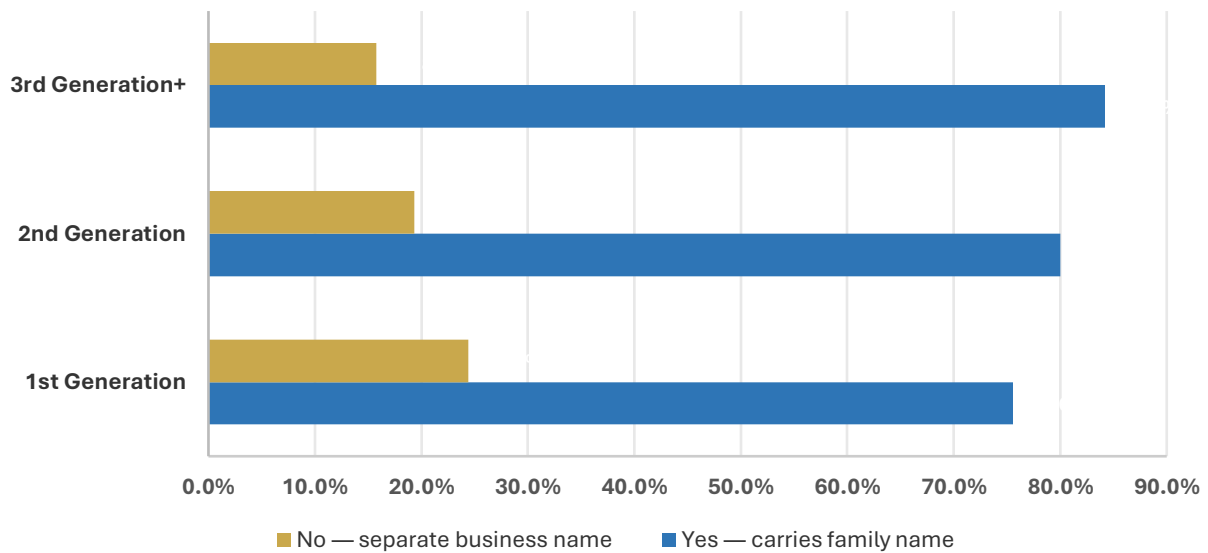


Figure 9: % of Firms Within Each Generation That Carry the Family Name (n=381 family businesses)

### 1.9 : Export Revenue Intensity by Family Generation

First-generation founders are the most export-intensive, deriving an average of 58.5% of total revenue from international sales, which is significantly above the sample mean of 51.4%. This intensity declines with each subsequent generation: 51.1% for 2nd-generation, 48.9% for 3rd-generation+, and 43.0% for non-family businesses. This generational gradient reflects the classic entrepreneurial arc: founders who built the export business from scratch maintain the highest international orientation, while successors may be managing a more balanced domestic-international portfolio or diversifying into new domestic lines.

**Key insight:** The founding generation's export intensity (58.5%) is 15.5 percentage points higher than that of non-family businesses (43.0%), underscoring the pivotal role of founder-driven entrepreneurial vision in India's SME export growth story.

**Figure 10: Export Revenue Intensity by Family Generation (Mean %, n=461)**

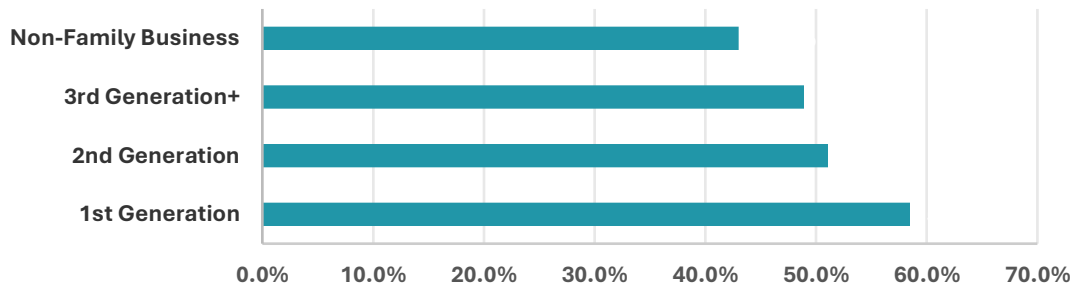


Figure 10 : Mean Export Revenue as % of Total Revenue by Family Generation Managing the Business

### 1.10 : Nature of Products Exported

The product mix of Indian SME exporters is heavily skewed towards finished goods. 62.5% of respondents export finished goods exclusively, making this the single dominant product category. Raw materials only account for 15.6% of firms, reflecting India’s role as both a commodities exporter and a value-added manufacturer. Mixed product exporters, i.e. those exporting two or all three product types, represent a meaningful minority: raw materials combined with finished goods (7.2%), all three types (5.9%), and raw materials with intermediate products (3.7%). The predominance of finished goods suggests that most Indian SME family exporters have moved up the value chain, though significant raw material and intermediate goods export activity persists.

**Figure 11 : Nature of Products Exported — Product Mix (% of n=461)**

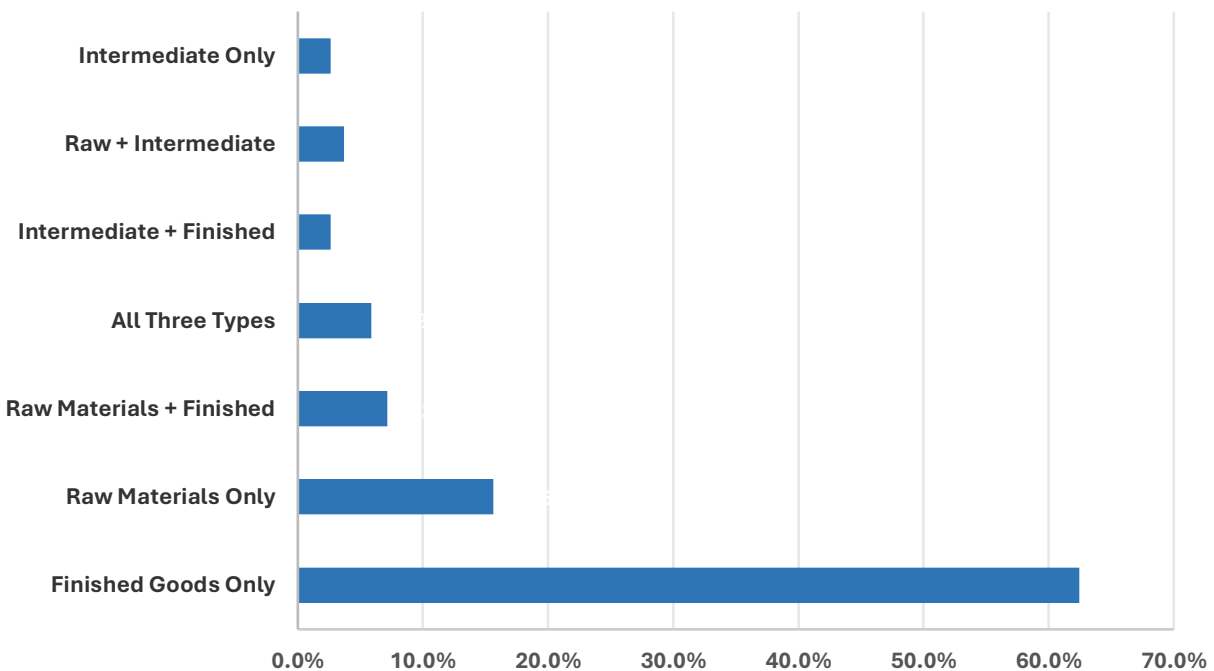
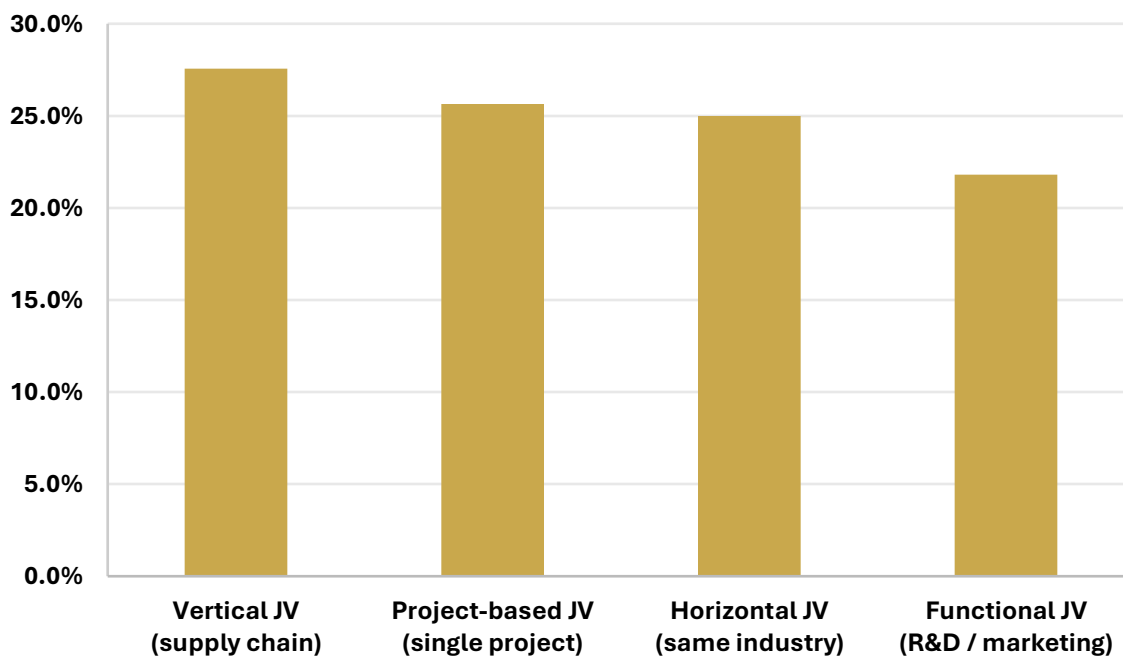


Figure 11: Nature of Products Exported — Product Mix Categories (% of n=461)

## 1.11 : Type of International Joint Venture

Among the 33.8% of respondents (n=156) who have entered into international joint ventures (JVs), four JV types are represented in near-equal proportions, which is a finding that underscores the strategic diversity of Indian SME internationalisation beyond direct trade. Vertical JVs (supply chain integration) are marginally most common (27.6%), followed closely by project-based JVs for specific ventures (25.6%), horizontal JVs with industry competitors (25.0%), and functional JVs leveraging complementary capabilities in R&D or marketing (21.8%). The even distribution across JV types suggests Indian SME family businesses are pragmatic in their international alliance-building, selecting the structure that best fits the opportunity rather than defaulting to a single preferred model.

**Figure 12: Type of International JV Among JV-Active Firms (% of 156 JV firms)**



*Figure 12: Distribution of JV Types Among the 156 Firms with International JV Arrangements*

## 1.12 : Workforce Size Distribution

Total workforce size (regular plus contractual employees combined) reveals a sample dominated by mid-sized employers. The 101–250 employee band is the modal category (32.8%), followed by the 11–50 band (23.2%) and 51–100 band (17.1%). Only 4.8% are micro-employers with 10 or fewer total employees, and 7.4% are large employers with more than 500 workers. Critically, contractual labour accounts for 44% of total employment on average, with a median 60 regular versus 40 contractual employees reflecting the significant role of flexible workforce structures in Indian SME export businesses, particularly in manufacturing and trading sectors with seasonal demand cycles.

**Figure 13: Total Workforce Size Distribution — Regular + Contractual (% of n=461)**

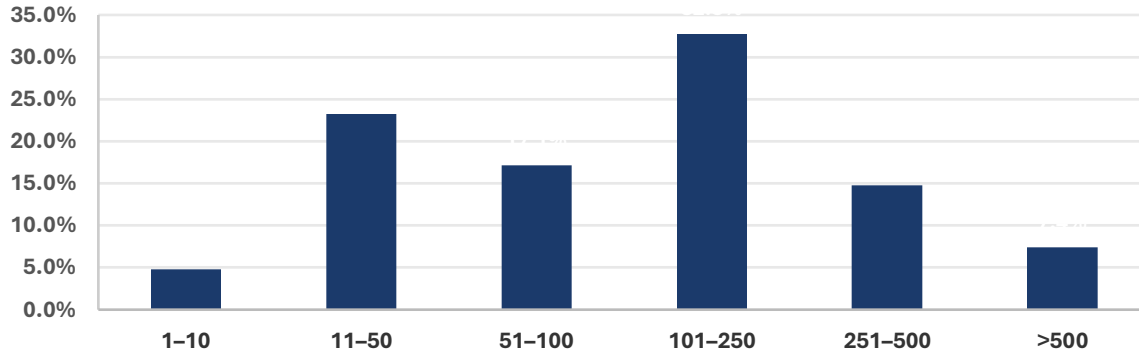


Figure 13: Total Workforce Size Distribution (Regular + Contractual Employees Combined, % of n=461)

### 1.13: Export Market Reach

Respondents export to an average of 3.4 countries (median: 2), indicating that most firms are concentrated in a small number of markets. South Asia is cited by the largest share of respondents as an export destination (59.2% across their top-3 destinations), followed by East Asia and the Pacific (34.7%), Europe and Central Asia (31.2%), and North America (26.5%). The Middle East and North Africa (17.4%), Others (11.3%), Sub-Saharan Africa (7.4%), and Latin America and the Caribbean (4.6%) represent smaller but strategically important corridors. Values represent the percentage of respondents citing each region across their top three export destinations, while respondents may appear in multiple categories.

**Figure 14: Top Export Destination Regions — All Mentions (n=461)**

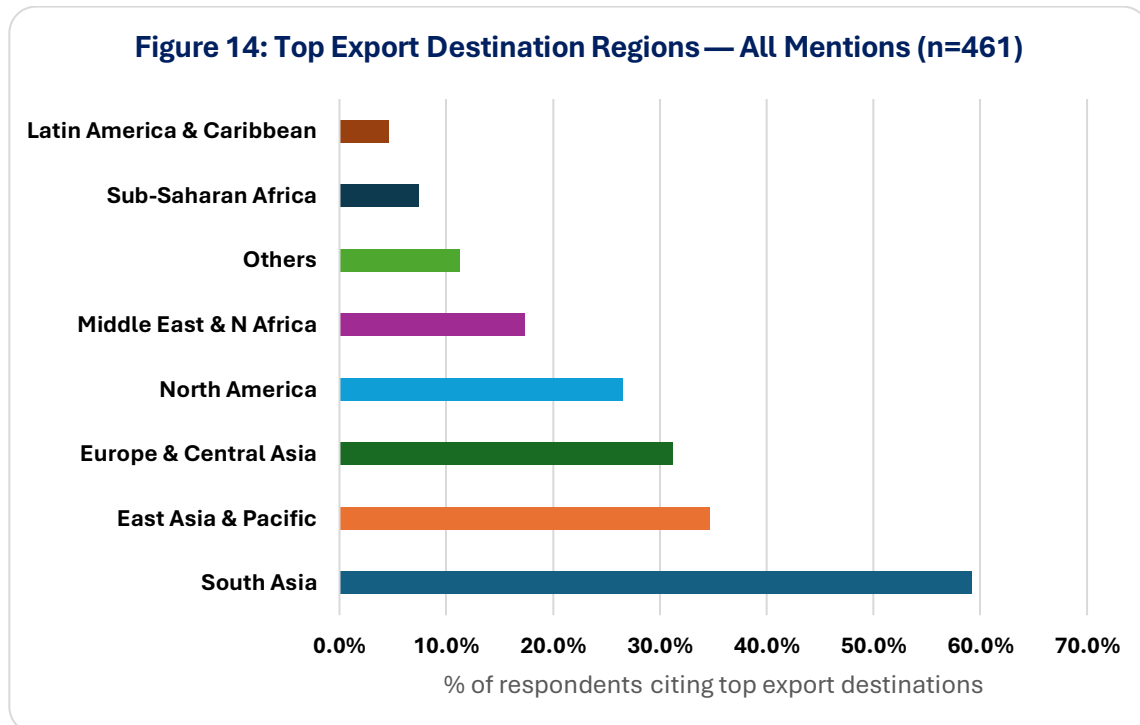


Figure 14: Top Export Destination Regions — All Mentions Across Top-3 Destinations, % of Respondents (n=461)

## 1.14 : Number of Export Destination Countries

The distribution of export destination countries reveals the market concentration risk embedded in India's SME export community. The single largest group (34.5%) exports to just two countries, and a further 16.5% export to only one market. Together, more than half of respondents (51.0%) are concentrated in 1–2 destination markets, which represents a significant structural vulnerability when any one of those markets faces policy disruption, geopolitical shock, or currency volatility. Only 8.9% of firms export to 6 or more countries, suggesting that meaningful geographic diversification remains the preserve of a minority. The median of 2 destination countries contrasts sharply with the mean of 3.4, indicating a small number of highly diversified exporters pulling the average upward.

Policy implication: Over 50% of Indian SME exporters depend on 1–2 markets. Targeted market diversification support — through Market Access Assistance (MAI) grants, trade fair participation, and bilateral buyer-matchmaking — could meaningfully reduce systemic concentration risk.

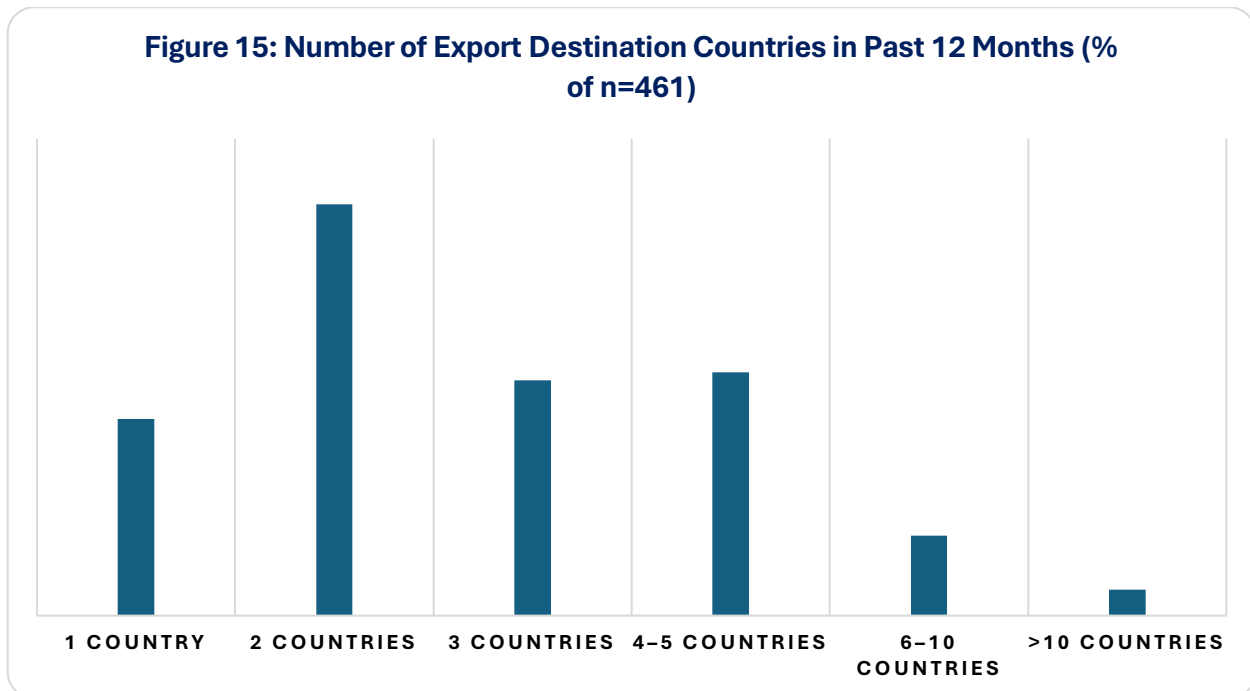


Figure 15: Number of Export Destination Countries in the Past 12 Months (% of n=461)

## 1.15 : Current vs Planned Export Regions

Comparing current export destinations with planned expansion regions reveals both the direction of India's SME export ambition and its strategic constraints. South Asia is currently the most reached region (59.2%) but planned mentions drop sharply to 35.1%, suggesting many South Asian exporters are not planning further regional deepening and are instead looking to diversify westward and eastward. East Asia and the Pacific (34.7% current vs 26.7% planned) and Europe and Central Asia (31.2% vs 26.7%) both show planned contraction relative to current presence, likely reflecting tariff and geopolitical headwinds in these corridors. Sub-Saharan Africa (7.4% current vs 8.5% planned) and Latin America and the Caribbean (4.6% vs 7.8%) both show planned expansion, indicating emerging interest in frontier markets as diversification destinations.

25.4% of respondents (117 firms) are not planning to expand into any new markets in the next 12 months, representing a significant consolidation-oriented minority that may reflect risk aversion in the current geopolitical climate.

**Figure 16: Current vs Planned Export Regions — % of Respondents Citing Region**

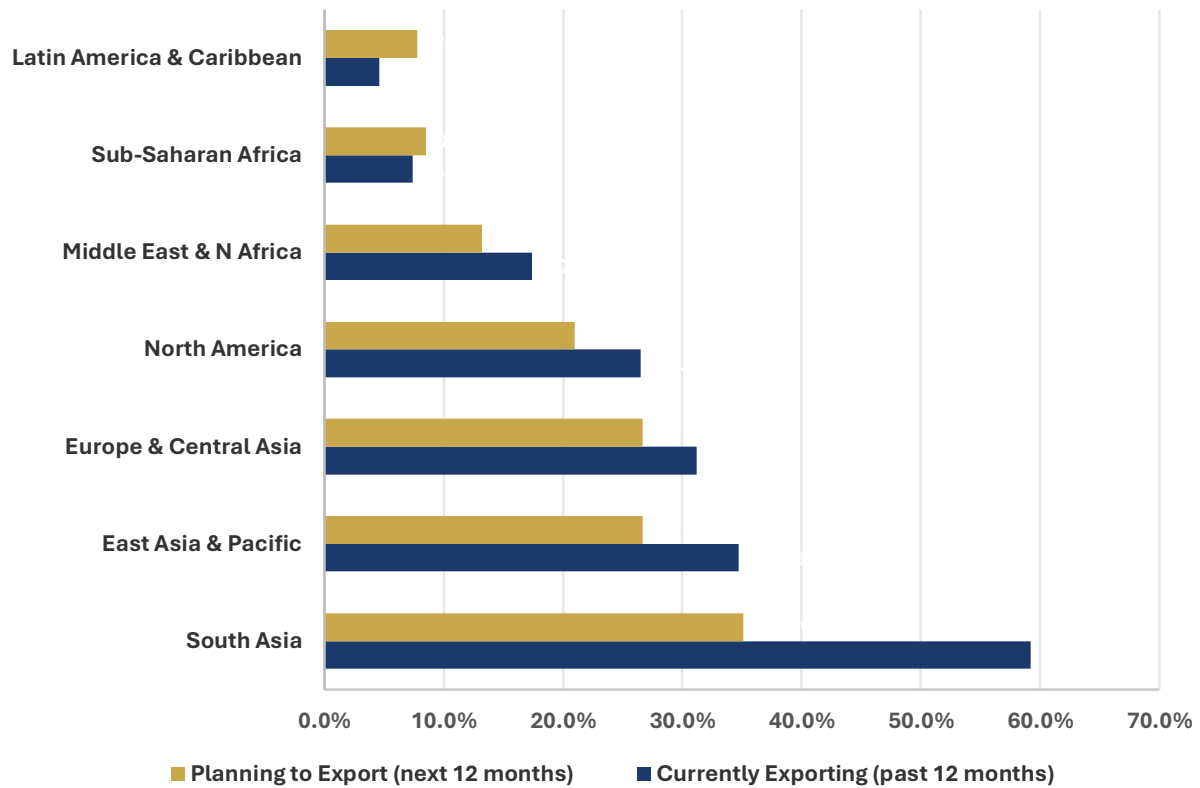


Figure 16: Current Export Regions (past 12 months) vs Planned Regions (next 12 months) — % of n=461

### 1.16 : Export Revenue Intensity by Industry Type

Mixed enterprises, i.e. those engaged in both manufacturing and trading, are the most export-intensive, deriving a mean 56.9% and median 55.0% of revenue from international sales. This reflects the dual advantage these firms enjoy: manufacturing capability creates product differentiation while trading operations provide market access and distribution flexibility. Pure trading firms are the second most export-intensive (mean 52.6%), consistent with their business model's inherent orientation toward intermediation between domestic producers and international buyers. Manufacturing-only firms are notably less export-intensive (mean 44.2%, median 42.0%), possibly reflecting the heavier domestic demand for manufactured goods or the higher capital intensity required to pivot manufacturing capacity toward export markets.

The mean-median gap for trading firms (52.6% mean vs 43.0% median) reveals significant right-skew: a small number of near-total-export traders are pulling the average considerably above the typical firm's export share.

**Figure 17: Export Revenue Intensity by Industry — Mean vs Median %**

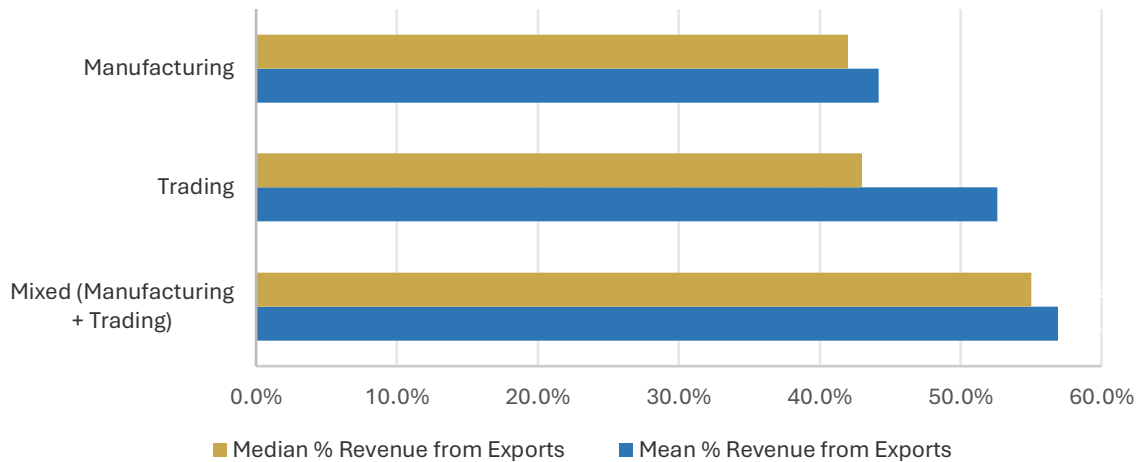


Figure 17: Mean and Median Export Revenue as % of Total Revenue by Industry Type (n=461)

### 1.17: Export Revenue Intensity by Enterprise Size

Medium enterprises are by far the most export-intensive by size, with a mean of 67.0% and median of 70.0% of revenue derived from exports. This reflects the structural position of medium-sized firms: large enough to have dedicated export infrastructure, established buyer relationships, and sufficient working capital, yet agile enough to be export-dependent rather than diversified across a large domestic market. Large enterprises (mean 51.3%, median 60.0%) and Small enterprises (51.1% mean, 44.0% median) occupy a similar average position, though the lower median for Small firms reflects greater dispersion. Micro enterprises are the least export-intensive (mean 47.8%, median 42.0%), consistent with their limited market reach and resource constraints.

Medium enterprises present the clearest case for targeted export finance and market access support: they are the most export-dependent size category, meaning export market disruptions have the greatest proportionate impact on their revenues.

**Figure 18: Export Revenue Intensity by Enterprise Size — Mean vs Median %**

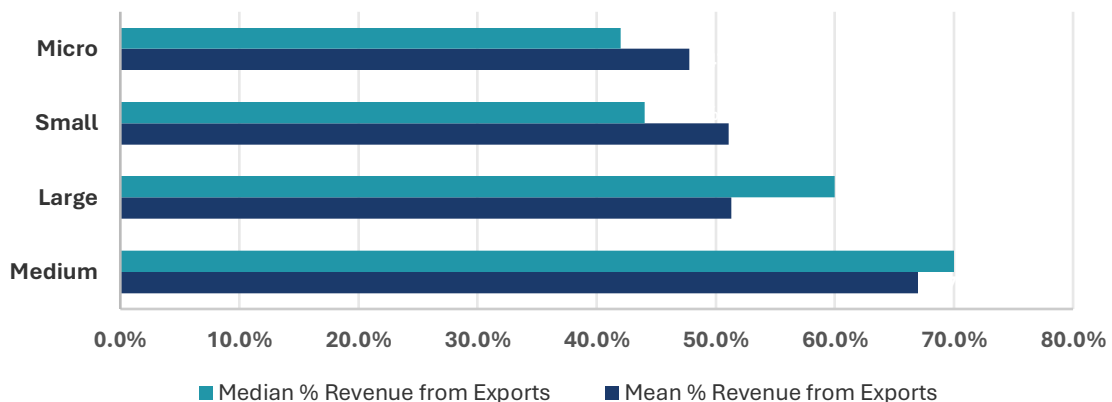


Figure 18: Mean and Median Export Revenue as % of Total Revenue by Enterprise Size Category (n=461)

## 2: The Trade Confidence Index (TCI)

This section presents the full index architecture developed to measure the trade confidence of Indian SME family businesses. Four component indices are constructed from the survey data, and combined into a Net Trade Confidence Score (NTCS) that captures the complete picture, comprising the optimism of near-term expectations, the weight of the current risk environment, the direction in which that environment is moving, and the specific governance tensions within family businesses. Each index is grounded in survey questions with clear conceptual relationships; each weight is derived from analytical reasoning and empirical validation.

### 2.1. The Index Architecture — Overview

A single measure of trade confidence, however well-constructed, cannot capture the full complexity of what Indian SME exporters are experiencing in the current scenario. A firm can be simultaneously optimistic about its own near-term order book while deeply anxious about geopolitical conditions, and this coexistence of individual optimism and environmental anxiety is precisely the defining feature of the current moment. The index architecture is therefore designed as a two-layer structure:

- Layer 1 — Component Indices: Four distinct indices, each measuring a conceptually separate dimension of the trade confidence landscape.
- Layer 2 — Net Trade Confidence Score (NTCS): A weighted composite of all four component indices, providing a single interpretable number that balances outlook, risk state, risk direction, and governance context.

The four component indices and their roles in the architecture are:

**TCI (Trade Confidence Index):** Forward-looking optimism — what SMEs expect to happen in the next 6-12 months. This is the 'headline' measure, analogous to established business confidence indices.

**REI (Risk Environment Index):** Current macro risk state — how concerned SMEs are about 13 specific external threats to their export business today. The inverted score measures the degree to which the risk environment is benign or hostile.

**RMI (Risk Momentum Index):** Direction of risk travel — whether the macro risk environment has been getting better or worse over the past six months. The inverted score measures whether momentum is positive (risk receding) or negative (risk escalating).

**FGRI (Family Governance Risk Index):** Family-specific governance risk — the current level and trajectory of three dimensions unique to family businesses: intra-family disagreements over internationalisation, succession risk, and generational differences in risk appetite.

$$\text{NTCS} = 0.40 \times \text{TCI} + 0.35 \times \text{REI} + 0.15 \times \text{RMI} + 0.10 \times \text{FGRI}$$

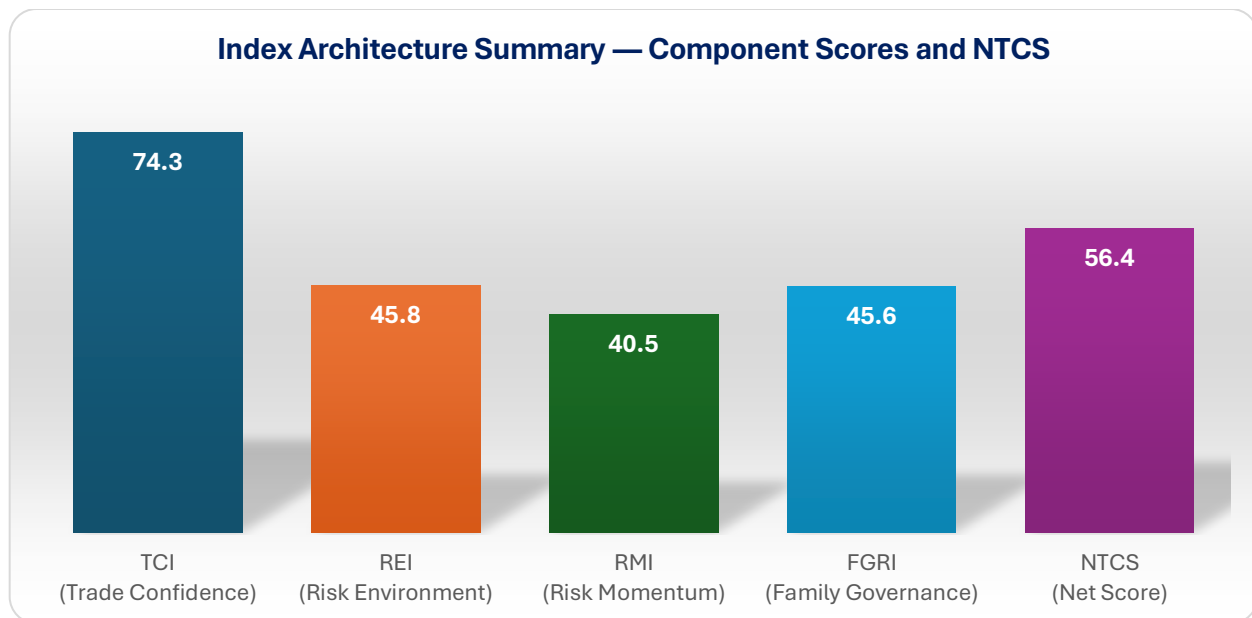


Figure I-1: All Four Component Indices and the NTCS (Score out of 100; 50 = neutral midpoint)

The divergence across the four components is the central finding of the index architecture. TCI reads 74.3, and hence firmly positive. But all three risk-related indices read below the neutral midpoint of 50: REI at 45.8, RMI at 40.5, and FGRI at 45.6. The NTCS of 56.4 represents the net balance: a meaningful positive, but one that is being held back substantially by a hostile, worsening, and governance-constrained risk environment.

## 2.2. Index Construction Methodology

This section documents the complete step-by-step methodology by which each of the four component indices is constructed from raw survey responses, covering: (i) guiding principles; (ii) source question mapping; (iii) normalisation to a common 0-100 scale; (iv) inversion of risk scores; (v) sub-component aggregation; (vi) NTCS construction; and (vii) a score interpretation guide.

### 2.2.1 Guiding Principles

Four principles govern construction of all indices:

- **Conceptual coherence:** Questions grouped into an index share a common conceptual object. TCI groups forward-looking expectation questions; REI groups current macro risk concern questions; RMI groups risk trajectory questions; FGRI groups family governance risk questions. Cross-dimensional mixing is avoided.
- **Scale comparability:** All raw responses are normalised to a common 0-100 continuous scale before aggregation, ensuring no sub-component exerts disproportionate influence due to scale differences.
- **Interpretive anchor:** A score of 50 is the neutral midpoint on every index and sub-component. Scores above 50 signal net positive sentiment or benign conditions; scores below 50 signal net negative sentiment or adverse conditions.

- Directionality alignment: For risk and concern questions, higher raw scores indicate worse conditions. These are inverted before aggregation so that higher always means better — consistency of directionality across all four indices and the NTCS.

## 2.2.2 Source Question Mapping

The table below maps each survey question to its index, documents the response scale used, and states the directionality treatment applied.

Index	Question(s)	What It Measures	Response Scale	Treatment
TCI	Q32	Expected change in export sales volume (next 6-12 months)	5-pt: Significant Decrease to Significant Increase	Direct — high = optimistic
TCI	Q33	Expected trend in new export order bookings	3-pt: Decrease / Same / Increase (mapped 1/3/5)	Direct — high = optimistic
TCI	Q34	Confidence in the global economy	5-pt: Not Confident to Very Confident	Direct — high = confident
TCI	Q35	Confidence in the domestic economy	5-pt: Not Confident to Very Confident	Direct — high = confident
TCI	Q36	Expected change in trade finance / working capital access	3-pt: Deteriorate / Same / Improve (mapped 1/3/5)	Direct — high = optimistic
REI	Q39-Q50 (13 items)	Current concern across 13 macro risk dimensions: tariffs, geopolitics, currency, ESG, reputational, supply chain, logistics, regulatory, political (target and domestic), trade finance, funding, MSME size	5-pt: Not Concerned to Extremely Concerned	INVERTED: high concern = low REI score
RMI	Q54-Q65 (12 items)	Change over past 6 months in 12 macro risk dimensions (same as REI excluding reputational Q42b)	5-pt: Significantly Decreased to Significantly Increased; midpoint 3 = No Change	INVERTED: risk rising = low RMI score
FGRI	Q51	Current concern: intra-family disagreements over internationalisation	5-pt: Not Concerned to Extremely Concerned	INVERTED
FGRI	Q52	Current concern: succession risks affecting export business	5-pt: Not Concerned to Extremely Concerned	INVERTED
FGRI	Q53	Current concern: differing risk appetites across family generations	5-pt: Not Concerned to Extremely Concerned	INVERTED
FGRI	Q66	Trajectory: change in family disagreement risks over past 6 months	5-pt trajectory; midpoint = No Change	INVERTED
FGRI	Q67	Trajectory: change in succession-related risks over past 6 months	5-pt trajectory; midpoint = No Change	INVERTED

FGRI	Q68	Trajectory: change in generational risk appetite divergence over past 6 months	5-pt trajectory; midpoint = No Change	INVERTED
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### 2.2.3 Normalisation: Mapping Responses to a 0-100 Scale

Every raw response is converted to a normalised score on a continuous 0-100 scale using min-max normalisation:

$$\text{Normalised Score} = (\text{Raw Score} - \text{Scale Minimum}) / (\text{Scale Maximum} - \text{Scale Minimum}) \times 100$$

For 5-point Likert scales: minimum = 1, maximum = 5. The formula becomes  $(\text{Raw Score} - 1) / 4 \times 100$ . A response of 1 maps to 0; midpoint 3 maps to 50; response of 5 maps to 100.

For 3-point direction scales: responses are first mapped to a 5-point equivalent before normalisation. 'Increase / Improve' maps to 5; 'Stay the same' maps to 3; 'Decrease / Deteriorate' maps to 1. This preserves the neutral anchor at 50 and creates comparability with 5-point scales.

All normalised scores are computed at the individual respondent level. Component index scores are the simple mean of all normalised sub-component scores per respondent. The reported headline scores are the mean of all 461 respondents' component index scores.

### 2.2.4 Inversion of Risk and Concern Scores

The REI, RMI, and FGRI are derived from questions where higher raw scores indicate worse conditions. Without inversion, high risk concern would produce high index scores — directionally opposite to the TCI. All normalised scores entering REI, RMI, and FGRI are therefore inverted:

$$\text{Inverted Score} = 100 - \text{Normalised Score}$$

After inversion: a raw concern score of 5 (Extremely Concerned) normalises to 100 then inverts to 0, and is a maximum risk drag. A raw score of 1 (Not Concerned) normalises to 0 then inverts to 100, and is a minimum risk drag. A midpoint score of 3 normalises to 50 and inverts to 50, which is interpreted as neutral. This inversion is applied to all sub-components of REI, RMI, and FGRI.

### 2.2.5 Sub-Component Aggregation Within Each Index

Each component index is the simple, equally-weighted mean of its constituent normalised (and inverted, where applicable) sub-component scores, computed at the respondent level. Equal weighting within each index reflects the judgement that each dimension is equally material to the overall construct. Sub-component counts:

- TCI: 5 sub-components. All direct. Each weighted at 1/5.
- REI: 13 sub-components. All inverted. Each weighted at 1/13.
- RMI: 12 sub-components. All inverted. Each weighted at 1/12.

- FGRI: 6 sub-components — three current concern and three trajectory. All inverted. Each weighted at 1/6. This gives each family governance dimension (disagreements, succession, risk appetite) an effective combined weight of 1/3 of the FGRI.

## 2.2.6 NTCS Construction

The Net Trade Confidence Score is the weighted linear combination of the four component index scores, computed at the respondent level:

$$\text{NTCS} = 0.40 \times \text{TCI} + 0.35 \times \text{REI} + 0.15 \times \text{RMI} + 0.10 \times \text{FGRI}$$

Weights are applied to each respondent's individual component scores. The reported NTCS of 56.4 is the mean of all 461 respondent-level NTCS scores. This respondent-level approach ensures the headline score accurately reflects the distribution of individual scores and is not distorted by unequal group sizes. The rationale for the specific weights is detailed in Section 2.3.

## 2.2.7 Score Interpretation Guide

The following guide applies uniformly to all index scores, sub-component scores, and the NTCS throughout this report. A score of 50 is the neutral midpoint in every case.

Score Range	Signal	Interpretation
75 - 100	Strong Positive	High optimism / very low risk concern / risk actively improving. Conditions strongly favourable.
60 - 74	Moderate Positive	Net positive sentiment. Broadly favourable conditions with manageable headwinds.
50 - 59	Mildly Positive	Marginally above neutral. Cautious optimism; uncertainty present but not dominant.
50	Neutral	Exact midpoint. No net signal. Responses cluster around the scale midpoint on average.
40 - 49	Mildly Negative	Marginally below neutral. More concern than comfort; conditions somewhat adverse.
25 - 39	Moderate Negative	Net negative sentiment. Broadly unfavourable; significant risk concern or pessimism.
0 - 24	Strong Negative	Highly adverse conditions. Extreme concern / pessimism. Rarely observed at aggregate level.

The neutral anchor of 50 corresponds precisely to the midpoint response on every source scale — 'Stay the same' or 'No change' for direction scales; 'Somewhat Concerned' or 'Neutral' for Likert scales. All deviations from 50 are analytically meaningful signals of directional sentiment.

## 2.3. Weighting Rationale

### 2.3.1 The Primacy of Forward Expectations: TCI at 40%

The Trade Confidence Index receives the highest weight (40%) because it is the most direct measure of what a confidence index is designed to capture: how businesses expect conditions to evolve. This is consistent with established practice across published business confidence indicators — the RBI's Business Assessment Index, the CII-IBA Financial Conditions Index, and the OECD Consumer Confidence Index all anchor their composite on forward-looking expectation questions. TCI captures five dimensions of that forward expectation (export sales, order bookings, confidence in the global economy, confidence in the domestic economy, and trade finance access), each surveyed directly. Assigning the highest weight to TCI ensures the NTCS retains the essential character of a confidence index rather than becoming a pure risk-aversion measure.

Empirical support: TCI has the highest standard deviation of all components ( $SD = 17.5$ ), meaning it captures the widest range of respondent variation, making it the most discriminating signal in the composite.

### 2.3.2 The Weight of the Current Risk Environment: REI at 35%

The Risk Environment Index receives the second-highest weight (35%) on two grounds. First, conceptually: the current state of the risk environment directly conditions whether forward expectations will be realised. A firm may expect its order book to grow, but if the geopolitical and regulatory environment is sufficiently hostile, that growth may be frustrated. The risk state is not merely a background factor; it is a binding constraint on confidence. Second, empirically: REI has the highest correlation with the NTCS ( $r = 0.82$ ), meaning it explains more of the variation in the composite score than any other component. This high predictive power justifies substantial weight.

Empirical support: REI-NTCS correlation is  $r = 0.82$ , the strongest of all four components. Crucially, TCI and REI are nearly uncorrelated with each other ( $r = 0.09$ ), confirming they capture genuinely independent dimensions of the confidence landscape and both deserve substantial independent weight.

### 2.3.3 Risk Direction as a Supplementary Signal: RMI at 15%

The Risk Momentum Index receives a moderate weight (15%) because trajectory, which refers to the direction in which the risk environment is moving, is a meaningful but secondary signal. It is secondary because it reflects the past six months rather than current state or future expectations, and because its correlation with the NTCS is the lowest of the four components ( $r = 0.33$ ). However, it earns its 15% weight on an important conceptual ground: a risk environment that is currently elevated but improving warrants a higher confidence score than one that is currently the same level but deteriorating. Direction of travel matters. The RMI converts this directional signal into a quantitative adjustment to the NTCS.

Notable finding: TCI and RMI are negatively correlated ( $r = -0.27$ ). Firms that are most optimistic about their near-term outlook are also perceiving the risk environment as worsening fastest, likely because the most globally exposed firms see both the greatest upside and the greatest risk escalation. This counter-intuitive relationship would be invisible in a TCI-only index and validates the value of including the RMI.

### 2.3.4 Family Governance as a Contextual Modifier: FGRI at 10%

The Family Governance Risk Index receives the smallest weight (10%) not because family governance risk is unimportant, but because it is a contextual modifier specific to the family business structure of the survey respondents rather than a universal driver of trade confidence. For the 17.4% of respondents classified as Non-Family Businesses, family governance risk is essentially zero, and FGRI scores accordingly approach neutral. Assigning FGRI a higher weight would systematically disadvantage family businesses in the NTCS ranking relative to non-family businesses in a way that would not reflect genuine differences in trade confidence. The 10% weight ensures that family governance risk — which is real, structurally embedded, and escalating registers meaningfully in the NTCS without distorting cross-group comparisons.

**Structural justification:** The FGRI is the only index that combines both current concern (Q51-Q53) and trajectory (Q66-Q68) within a single index, rather than treating them separately. This is because family governance risk operates on longer time horizons than macro risks, while succession tensions and generational disagreements unfold over years, not quarters, making the current-plus-trajectory combination the most analytically meaningful unit.

### 2.3.5 Sensitivity Analysis — How Robust is the NTCS?

The chosen weighting scheme (40/35/15/10) was tested against four alternative approaches to assess stability. The results confirm that the headline NTCS of 56.4 is robust. Thus, even under equal weighting (25/25/25/25), the NTCS reads 51.6, which is still above the neutral midpoint of 50 but modestly more pessimistic. The TCI-heavy scheme (60/25/10/5) produces 62.4, reflecting a more optimistic reading that underweights the risk drag. The risk-heavy scheme (30/45/15/10) produces 53.5. In all scenarios, the NTCS falls in the 51-62 range, confirming that the core finding — a modestly positive net confidence score constrained by significant risk headwinds — is not an artefact of the specific weights chosen.

**Sensitivity result:** NTCS ranges from 51.6 (equal weights) to 62.4 (TCI-heavy). The chosen 40/35/15/10 scheme yields 56.4, which represents a centrist, analytically defensible position that balances forward optimism against measured risk realism.

## 2.4. Component Index Deep Dives

### 2.4.1 REI Sub-Components — What is Dragging Risk Confidence Down?

All 13 REI sub-components are ranked in strict ascending order of their score, with bars below representing the most severe risk drag on trade confidence. Geopolitical Instability (43.3) and Tariffs / Trade Barriers (43.5) are the two most adverse dimensions, followed by Regulatory / Customs Restrictions (43.8) and Funding for International Expansion (43.9). Supply Chain Disruptions and Rising Logistics / Freight Costs are tied at 44.9. MSME Size / Resource Constraints (49.2) approaches the neutral midpoint of 50, suggesting that firms have a degree of acceptance of their structural scale constraints even as external macro risks weigh heavily. ESG compliance (47.9) and reputational challenges (48.5) are the least severe macro risks, likely because these are perceived as more manageable and longer-term in nature. The axis is zoomed to 40-52 to reveal the ordering of tightly-clustered scores; all bars remain below 50, confirming the risk environment is uniformly hostile across every dimension.

**Figure 19: REI Sub-Component Scores — Risk Burden by Dimension**

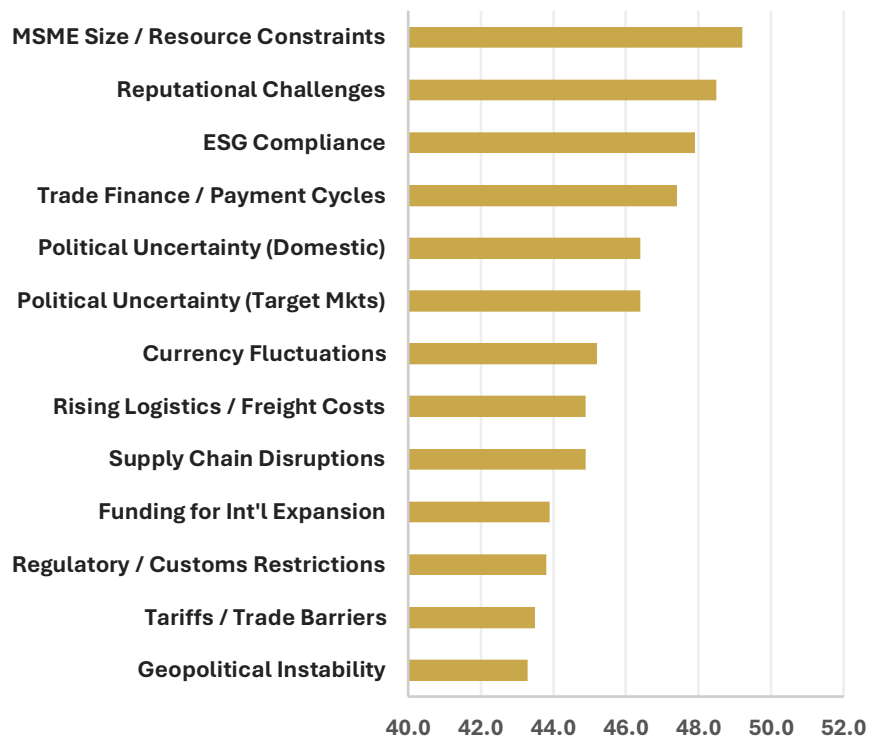


Figure 19: REI Sub-Component Scores — 13 dimensions ranked by ascending REI score (0-100 inverted scale; lower = greater risk burden; 50 = neutral midpoint). Axis range 40-52. n=461.

### 2.4.2 RMI Sub-Components — Where is Risk Escalating Fastest?

All 12 RMI sub-components are ranked in strict ascending order of their score, with bars below representing the fastest-escalating risks (lowest RMI score = steepest upward risk trajectory). Supply Chain Disruptions (38.0, meaning the strongest upward trajectory) show the sharpest escalation of any dimension, followed by Regulatory / Customs Restrictions (38.4) and Currency Fluctuations (39.2). Trade Finance and Funding for International Expansion are tied at 40.1. MSME Size / Resource Constraints (43.8) shows the least severe deterioration, suggesting firms feel this structural constraint has been relatively stable rather than worsening. The axis is zoomed to 35-48 to reveal the sequential ordering; all bars sit below the neutral midpoint of 50, confirming that every risk dimension is actively worsening, and no trajectory is stable or improving. The breadth of deterioration, with 12 out of 12 dimensions all worsening simultaneously, is a systemic finding that a TCI-only index would completely obscure.

**Figure 20: RMI Sub-Component Scores — Risk Momentum by Dimension**

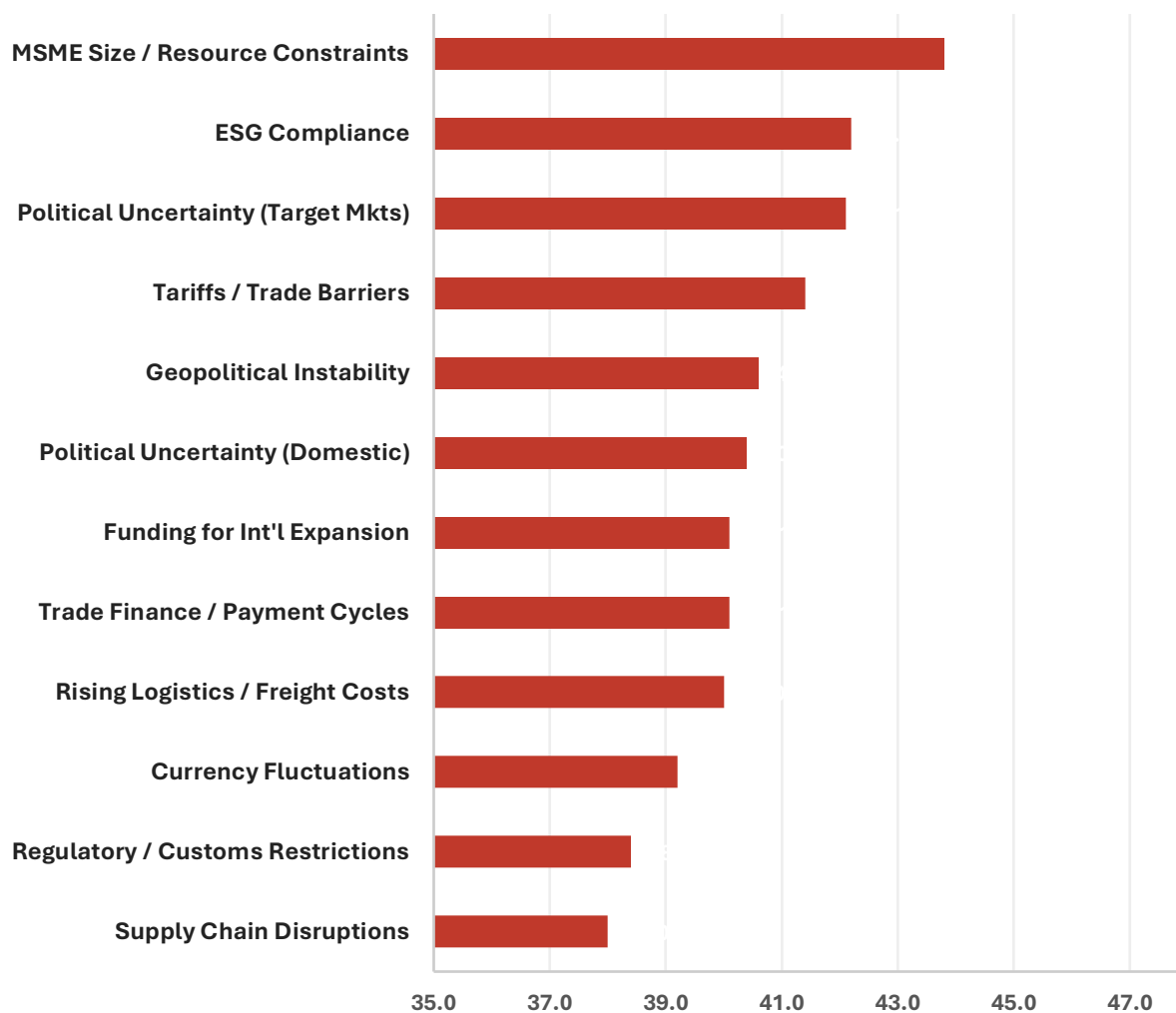


Figure 20: RMI Sub-Component Scores — 12 dimensions ranked by ascending RMI score (0-100 inverted scale; lower = faster risk escalation; 50 = no change). Axis range 35-48. n=461.

### 2.4.3 FGRI Sub-Components — Family Governance Under Pressure

The FGRI integrates both current concern levels and trajectory for three family governance dimensions. The pattern is consistent and concerning: all three dimensions are experiencing heightened current concern and all three are worsening in trajectory. Family disagreements over internationalisation show the worst trajectory score (36.9 — the lowest of all 18 trajectory sub-components across both the RMI and FGRI), meaning this risk is escalating faster than any macro risk including supply chain disruptions. Succession risk (trajectory 42.7) and generational risk appetite divergence (trajectory 46.2) show more moderate but still negative momentum. The current concern levels are closest to neutral for family disagreements (51.3) and generational risk appetite (51.5), suggesting these tensions exist but have not yet become acute. The trajectory data, however, signals they are moving in the wrong direction.

**Figure 21: FGRI Sub-Components — Current Concern vs Trajectory (0-100, inverted)**

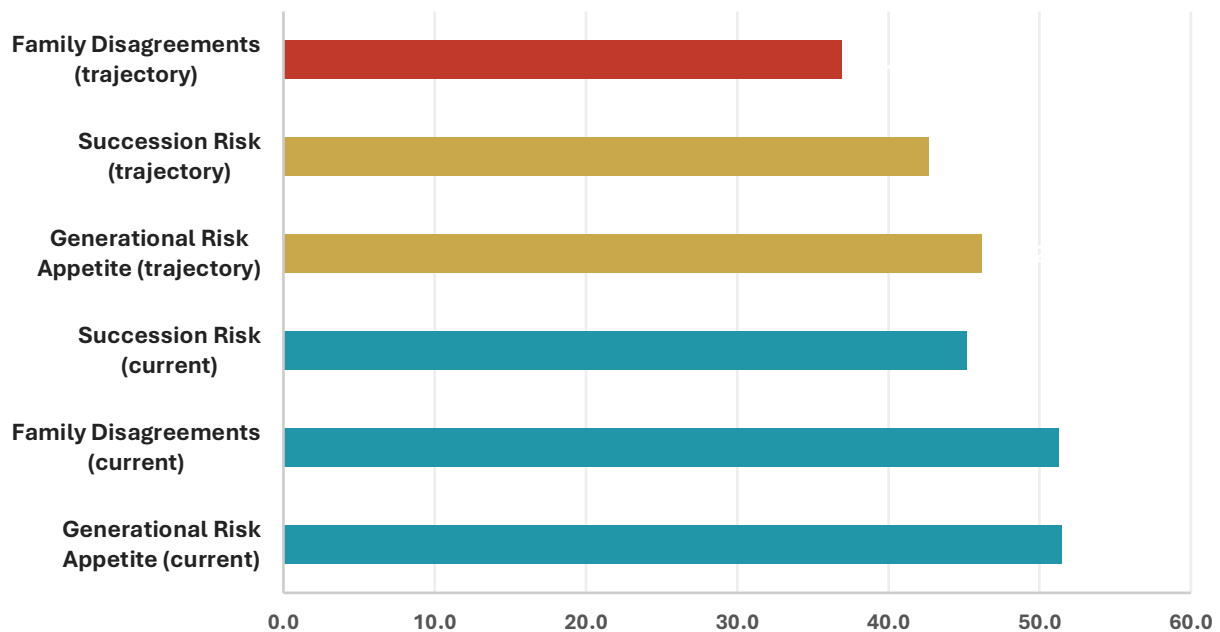


Figure 21: FGRI Sub-Component Scores — Current Concern (Q51-Q53) vs Trajectory (Q66-Q68). Higher = less risk; 50 = neutral current / no change trajectory.

## 2.5. Net Trade Confidence Score

### 2.5.1 NTCS by Region

Southern India achieves the highest NTCS (61.8), reflecting the combined advantage of the highest TCI (82.4), a moderate REI (48.0), and relatively benign family governance risk (FGRI 56.0). Eastern India, despite posting the lowest TCI (60.3), achieves the second-highest NTCS (57.1) because it also reports the most favourable risk environment (REI 55.2) and the best family governance risk profile (FGRI 58.3), suggesting Eastern exporters are less optimistic about growth but also less exposed to the macro and family governance pressures that constrain other regions. Northern India's NTCS (55.0) is dragged down heavily by its REI (42.5) and FGRI (39.8), which represent the worst risk environment and worst family governance scores of any region, despite its high TCI (76.2). Western India records the lowest NTCS (53.9).

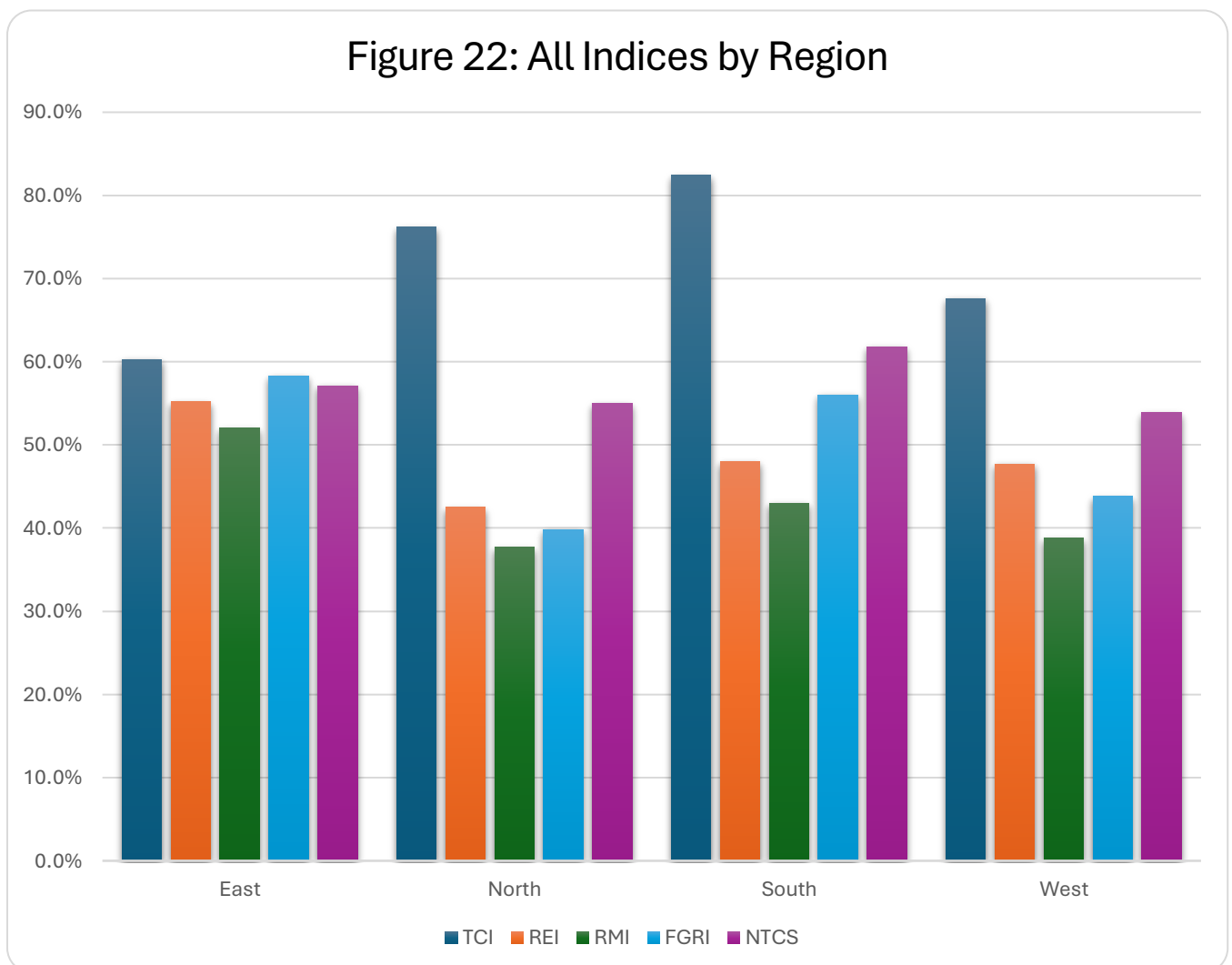


Figure 22: All Four Component Indices and NTCS by Region

### 2.5.2 NTCS by Enterprise Size

Medium enterprises achieve the highest NTCS (59.4), driven by the highest TCI (80.2), consistent with their established export infrastructure and buyer relationships. Micro enterprises post the second-highest NTCS (57.4), a notable result: despite their scale constraints and lower TCI (70.8), Micro firms report better risk environment scores (REI 50.5, FGRI 51.6) than Small firms — possibly because smaller firms with fewer export markets have lower systemic exposure to the full range of macro risks. Small enterprises record the lowest NTCS (55.2) despite a high TCI (76.4), because they face the worst macro risk environment (REI 41.6) and weakest family governance profile (FGRI 41.4) of any size group — a finding that points to the particularly exposed position of the 'squeezed middle' of India's SME exporting community. Large firms score 54.6 on the NTCS, constrained by the lowest TCI (60.0) despite a relatively benign risk environment.

**Figure 23: All Indices by Enterprise Size**

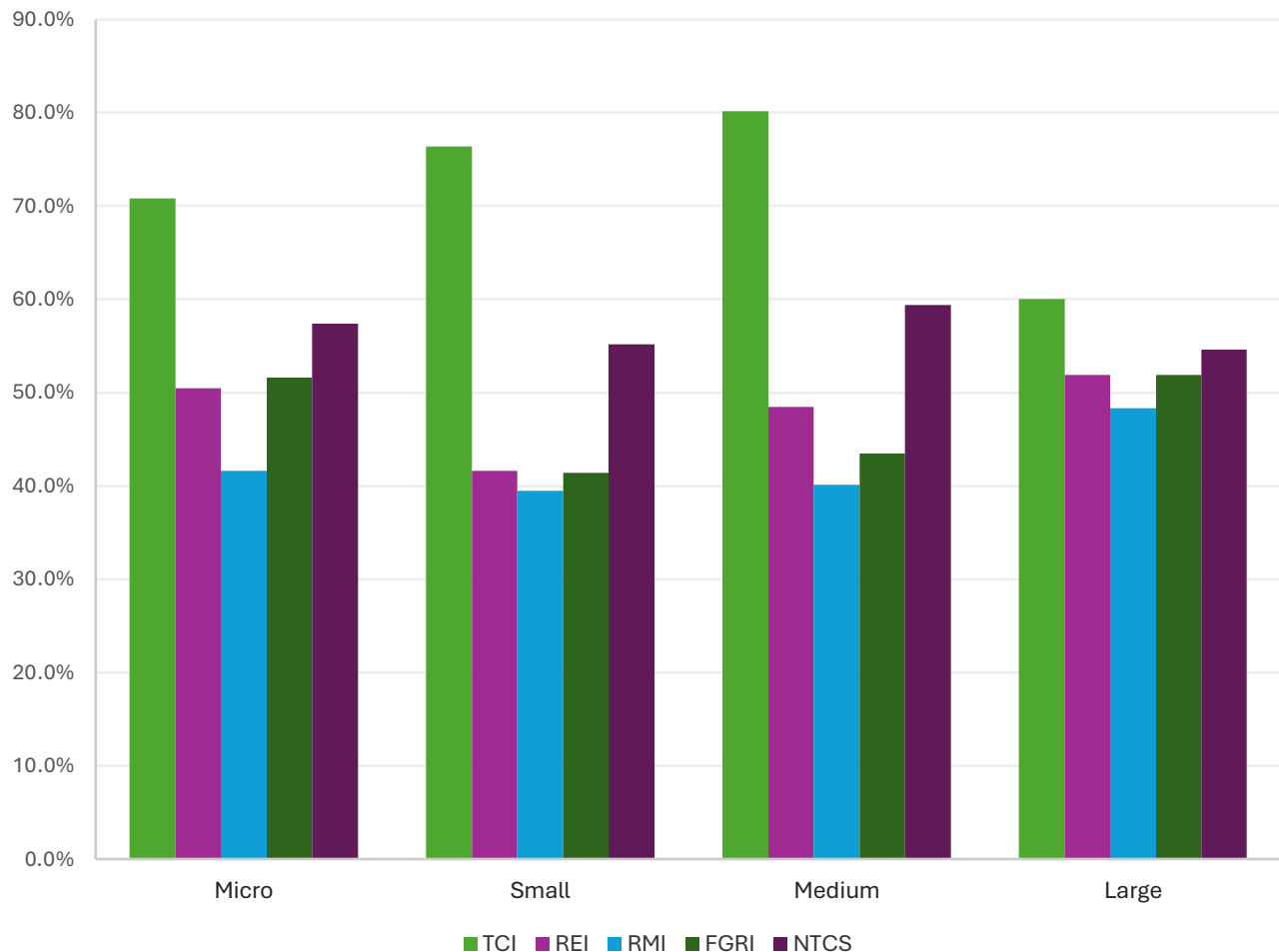
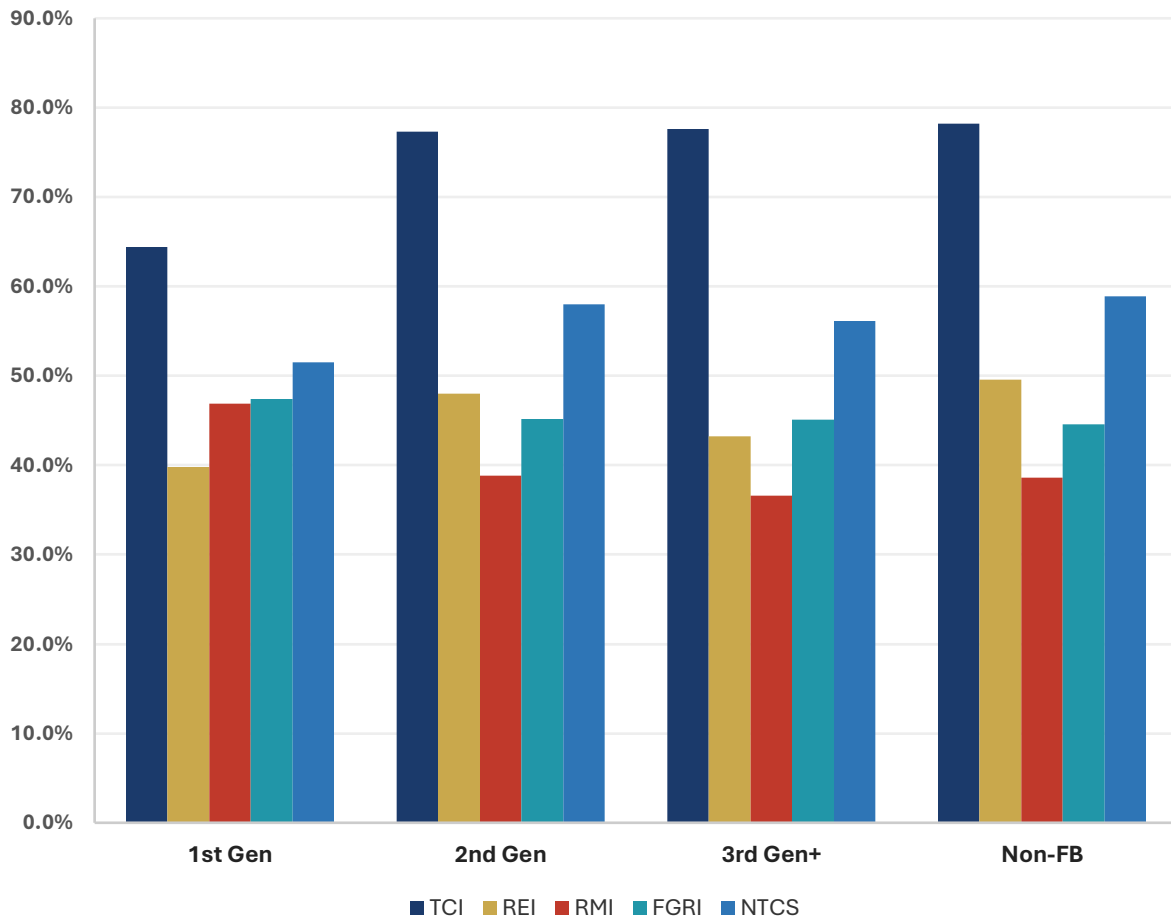


Figure 23: All Four Component Indices and NTCS by Enterprise Size

### 2.5.3 NTCS by Family Generation

Non-Family Businesses record the highest NTCS (58.9), followed by second-generation firms (58.0), third-generation+ firms (56.1), and first-generation founders (51.5). The first-generation NTCS of 51.5, which is the lowest of all generational groups, is a critical finding. First-generation firms have the lowest TCI (64.4), the worst REI (39.8), and the worst FGRI (47.4) of any generational group. This is the inverse of the simple TCI finding, which might suggest that 1st-generation founders are simply more cautious optimists. The full index picture reveals that 1st-generation founders face genuinely harsher conditions: they are more risk-exposed (lower REI) and carry greater family governance tension (lower FGRI) than firms managed by later generations or non-family managers. The entrepreneurial energy that drives their international ambition is being tested by the most challenging operating environment of any generational cohort.

**Figure 24: All Indices by Family Generation**



*Figure 24: All Four Component Indices and NTCS by Family Generation*

## 2.6. Summary — Reading the Index Scores

The table below consolidates all four component index scores and the NTCS across all breakdowns. Scores above 50 indicate net positive sentiment in that dimension; scores below 50 indicate net negative. The neutral midpoint of 50 is the analytical reference point throughout.

**TCI:** All groups positive. Optimism about near-term exports is broadly shared. Variation reflects size and regional advantages in export infrastructure.

**REI:** All groups below 50. The macro risk environment is universally hostile. No group is operating in a risk-benign environment. Eastern India is least affected; Small enterprises are most affected.

**RMI:** All groups below 50. The risk environment is deteriorating for every group. Eastern India shows the most stable trajectory; 2nd and 3rd generation firms face the fastest deterioration.

**FGRI:** Straddles 50. Family governance risk is more variable: Eastern India and Micro firms report the least family governance tension; Small firms and Northern India face the greatest pressure.

**NTCS:** Range 51.5-61.8. The net picture is positive but constrained. South India leads; 1st-generation founders and Western India trail. The maximum theoretical spread between optimism and risk drag is captured in the 17-point gap between the South (61.8) and 1st-generation founders (51.5).

The defining finding of the index architecture is captured in a single comparison: TCI = 74.3 vs NTCS = 56.4. The 17.9-point gap between what Indian SME exporters expect to happen (high optimism) and the net confidence they can justify given their risk environment (moderate positive) is the most analytically precise measure of the tension between aspiration and environment that characterises Indian SME exporting in Q3 FY2026. The REI (45.8) and RMI (40.5) together explain why this gap exists: the risk environment is not merely elevated — it is actively worsening.

### 3: TCI Components, Trade Finance & Internationalisation Motivations

The Trade Confidence Index (TCI), introduced in the Index Architecture section, is constructed from five survey questions covering export sales expectations, order bookings, global and domestic economic confidence, and trade finance access. This section goes beneath the composite score: it unpacks each component's full distribution and cross-sectional variation, examines the critical trade finance gap between outlook and current reality, and analyses the internationalisation motivations that underpin why Indian SME family businesses engage in international trade in the first place.

#### 3.1 TCI Component Distributions

Each of the five TCI components is based on a distinct survey question. Reporting headline sub-scores (e.g., 'Export Sales Outlook: 66.9/100') necessarily compresses information. This sub-section shows the full distribution of responses for each component, revealing the spread of optimism and caution beneath the average, and in particular, which respondent groups are driving or moderating each sub-score.

#### Export Sales Volume Outlook — TCI Component Score: 66.9/100

The export sales outlook sub-score of 66.9 translates into a strongly positive distribution: 66.0% of respondents expect sales to increase or significantly increase over the next 6-12 months, with only 7.6% projecting a decline. The 26.5% expecting volumes to stay the same prevents the sub-score from reaching higher levels. The distribution is appropriately asymmetric: more than eight times as many respondents are in the 'increase' bucket as in the 'decrease' bucket.

**Figure 25: Export Sales Volume Outlook — Next 6-12 Months (n=461)**

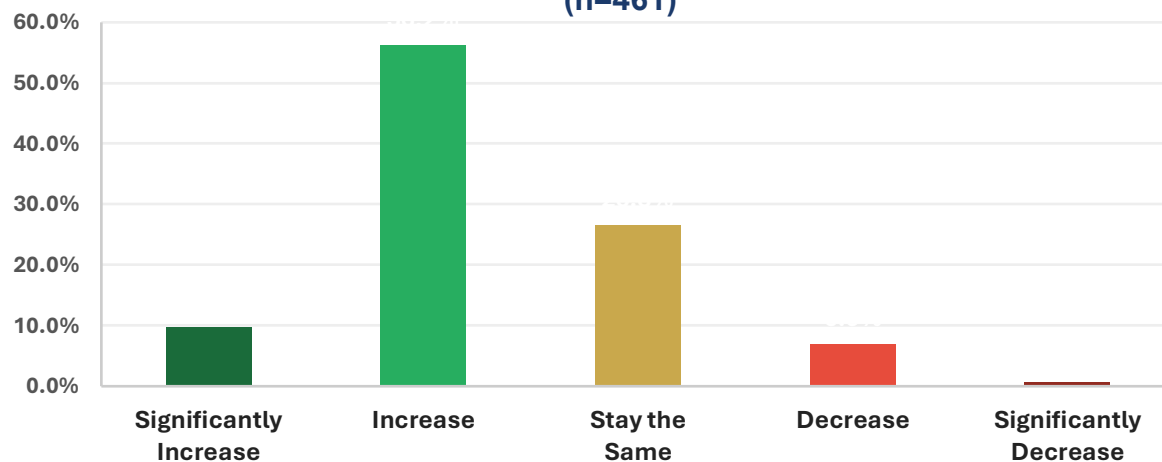


Figure 25: Export Sales Volume Outlook — % of Respondents (n=461). Green = positive; gold = neutral; red = negative.

## New Export Order Bookings — TCI Component Score: 78.7/100

Order bookings are the most buoyant of all five TCI components (78.7/100). 64.0% of respondents expect new export orders to increase, and only 6.5% project a decline — an 8:1 positive-to-negative ratio. The higher order bookings score relative to the sales volume score (78.7 vs 66.9) is analytically meaningful: it suggests firms are more confident about demand intake than about their capacity to fulfil and ship. In manufacturing-heavy export sectors, this gap reflects real-world fulfilment constraints, with orders that are placed, but logistics, compliance, and working capital bottlenecks delaying revenue realisation.

**Figure 26: New Export Order Bookings Outlook (n=461)**

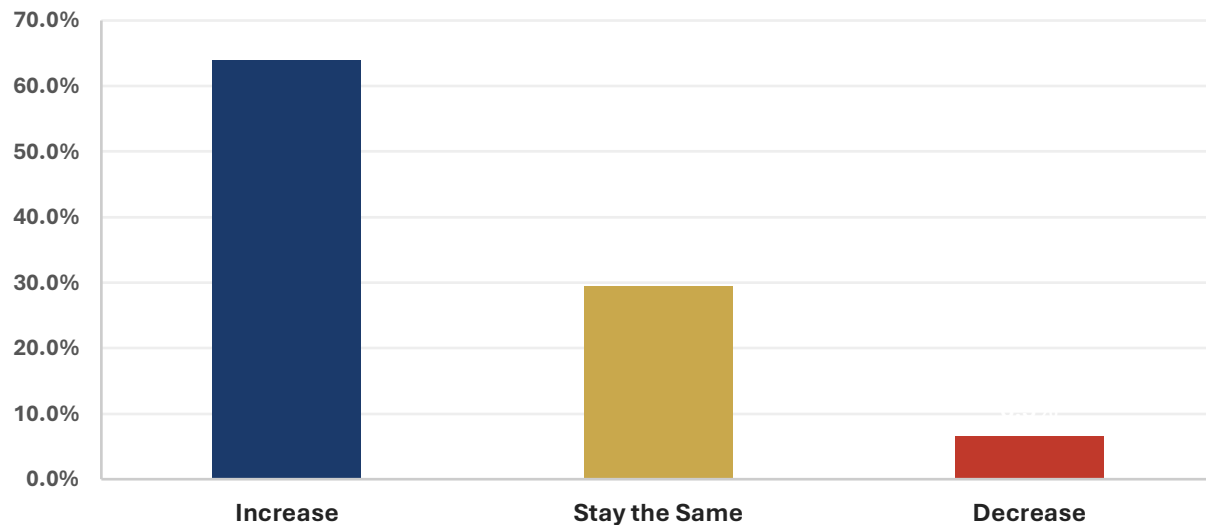


Figure 26: New Export Order Bookings Outlook — Q33, % of Respondents (n=461).

## Global and Domestic Economic Confidence — Sub-Scores: 71.0 and 75.7/100

A striking and consistent finding across both economy confidence questions is that Indian SME exporters are more confident in the domestic economy than in the global economy, and this holds across every region and size group. For domestic confidence, 85.0% of respondents rate themselves as Confident or Very Confident, with only 6.3% Not Confident. For global confidence, 76.2% are Confident or Very Confident, but 7.8% are Not Confident. This divergence reflects the stronger insulation of India's domestic economic trajectory from global geopolitical and trade volatility, and it signals that Indian SME exporters draw a meaningful psychological distinction between home conditions and international conditions when assessing their outlook.

**Figure 27: Confidence in Global Economy vs Domestic Economy — % of Respondents**

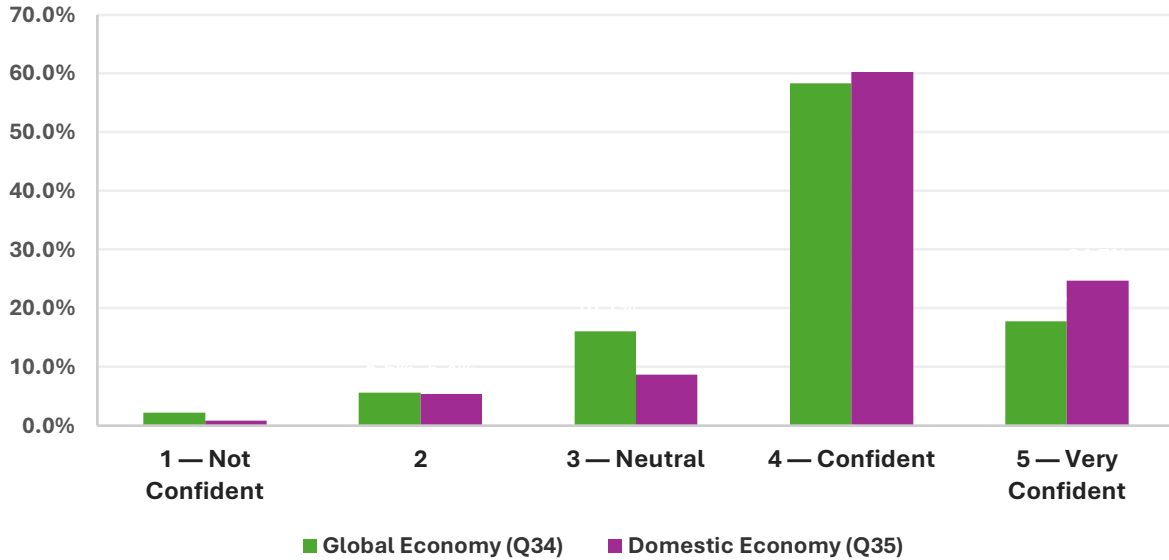


Figure 27: Confidence in Global Economy vs Domestic Economy — % of Respondents by Response Category (n=461).

**Trade Finance Access Outlook — TCI Component Score: 79.2/100**

Trade finance access is the highest-scoring TCI component (79.2/100), with 62.7% of respondents expecting access to working capital to improve and only 4.3% expecting it to deteriorate. However, as the following sub-section documents, this macro-level optimism coexists with significant ground-level difficulty, creating what the data reveals as the most important structural tension in the current export environment.

**Figure 28: Trade Finance Access Outlook (n=461)**

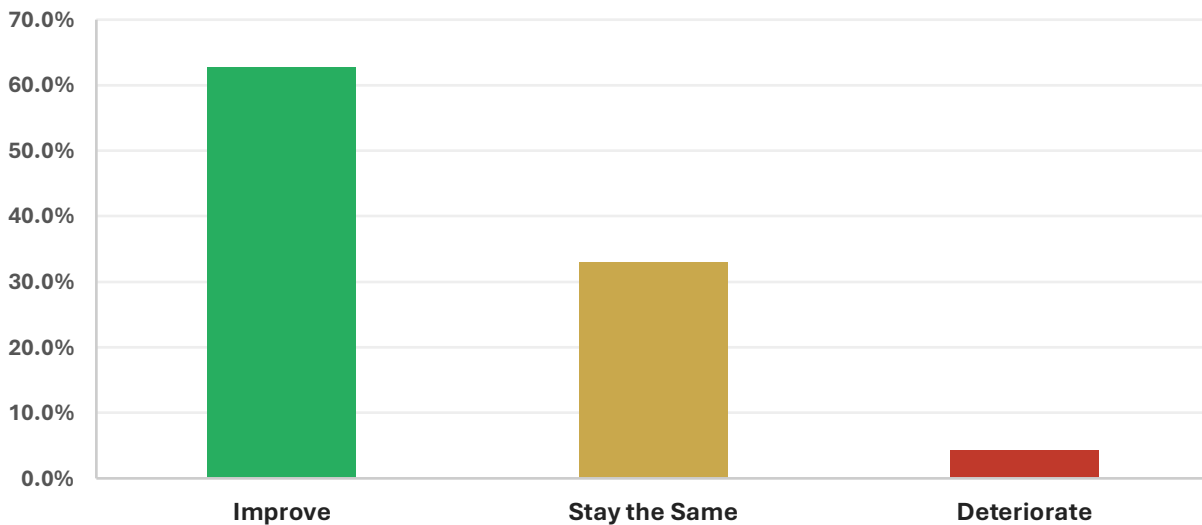


Figure 28: Trade Finance Access Outlook — % of Respondents (n=461).

### 3.2 TCI Components by Enterprise Size

Decomposing TCI component scores by enterprise size reveals that the composite TCI gap between size groups (Medium: 80.2 vs Large: 60.0) is not driven by a single dimension and reflects differential performance across all five components simultaneously. The chart below shows each of the five TCI sub-scores for each enterprise size, making it possible to identify precisely where size-group confidence diverges.

**Figure 29: TCI Component Scores by Enterprise Size (0-100 scale; 50 = neutral)**

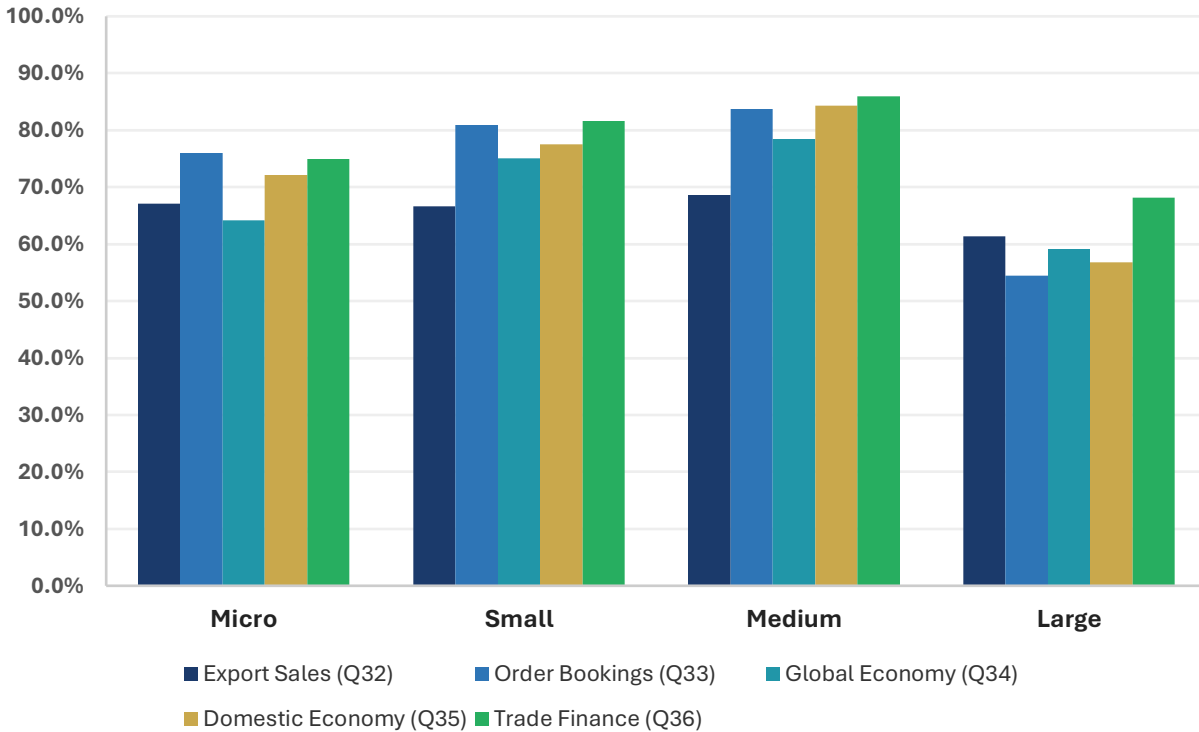


Figure 29: TCI Component Scores by Enterprise Size — All Five Sub-Components (0-100 scale; 50 = neutral). n=461.

Three patterns stand out. First, Large enterprises are an outlier on Order Bookings (54.5 vs 76-84 for other groups), which constitutes the most dramatic single-component divergence in the entire dataset. This suggests that large firms are facing buyer hesitancy or order cancellations at a level not experienced by smaller exporters, possibly due to their higher exposure to tariff-sensitive and geopolitically volatile markets. Second, Medium enterprises lead on every single component, and their TCI dominance is consistent rather than driven by any one outlier sub-score. Third, Micro enterprises underperform relative to Small on Order Bookings and Economic Confidence but slightly outperform on Export Sales Outlook, suggesting that Micro exporters are relatively optimistic about their own sales pipeline while being less confident about broader economic conditions.

**Key insight:** The Large enterprise score on Order Bookings: 54.5/100 is barely above the neutral midpoint of 50 — meaning Large exporters have a near-neutral expectation for new order intake. This is the single most concerning component-level finding in the TCI and warrants dedicated attention from export promotion bodies.

### 3.3 TCI Components by Region

Regional TCI variation — South 82.4, North 76.2, West 67.6, East 60.3 — is most sharply reflected in the Order Bookings component, where South India scores 92.0/100 (near the maximum possible) against East India's 64.8. Southern India's order bookings confidence may reflect its stronger presence in services exports, pharmaceuticals, and IT-adjacent manufacturing, which have more resilient global demand profiles than the commodity and trading sectors that dominate the East. Eastern India's weak performance on Global Economy Confidence (51.4 — barely above neutral) is particularly notable: Eastern exporters appear to have the most pessimistic view of global economic conditions of any region, which is consistent with their higher exposure to commodity export markets sensitive to global growth cycles.

**Figure 30: TCI Component Scores by Region (0-100 scale; 50 = neutral)**

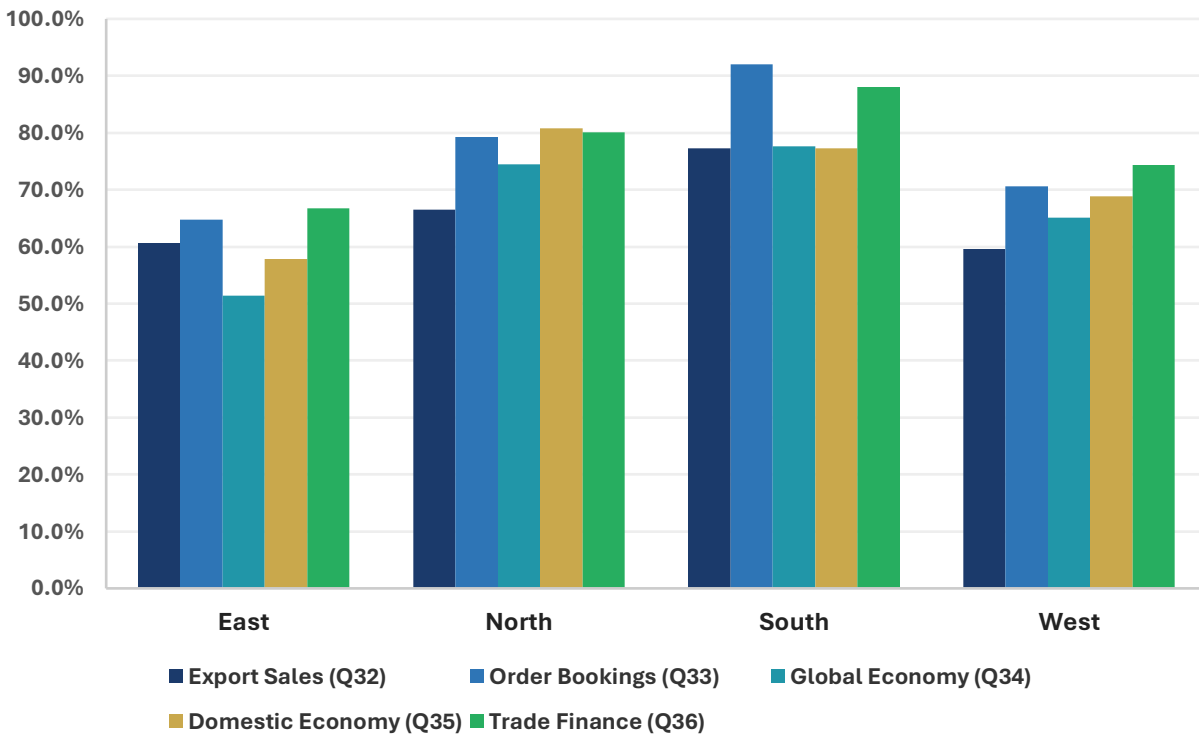


Figure 30: TCI Component Scores by Region — All Five Sub-Components (0-100 scale; 50 = neutral). n=461.

### 3.4 The Trade Finance Gap — Optimism vs Ground-Level Reality

The most structurally important finding in the TCI component analysis is the trade finance gap: the divergence between expectations about future access to working capital (TCI component) and the reported reality of current trade finance difficulty (not a TCI component). This gap reveals that macro-level confidence in the financial environment has not yet translated into a smooth and accessible credit environment for all exporters.

36.7% of respondents — more than one in three — report currently facing challenges in securing trade finance for their export operations. This sits alongside 62.7% expecting future improvement, creating a striking tension. The gap is not uniform across size groups: Large enterprises face the most acute current difficulties (54.5% report challenges), even as they show the most muted optimism about future improvement (only 36.4% expect conditions to improve).

**Figure 31: Trade Finance Gap by Enterprise Size — Optimism vs Current Reality**

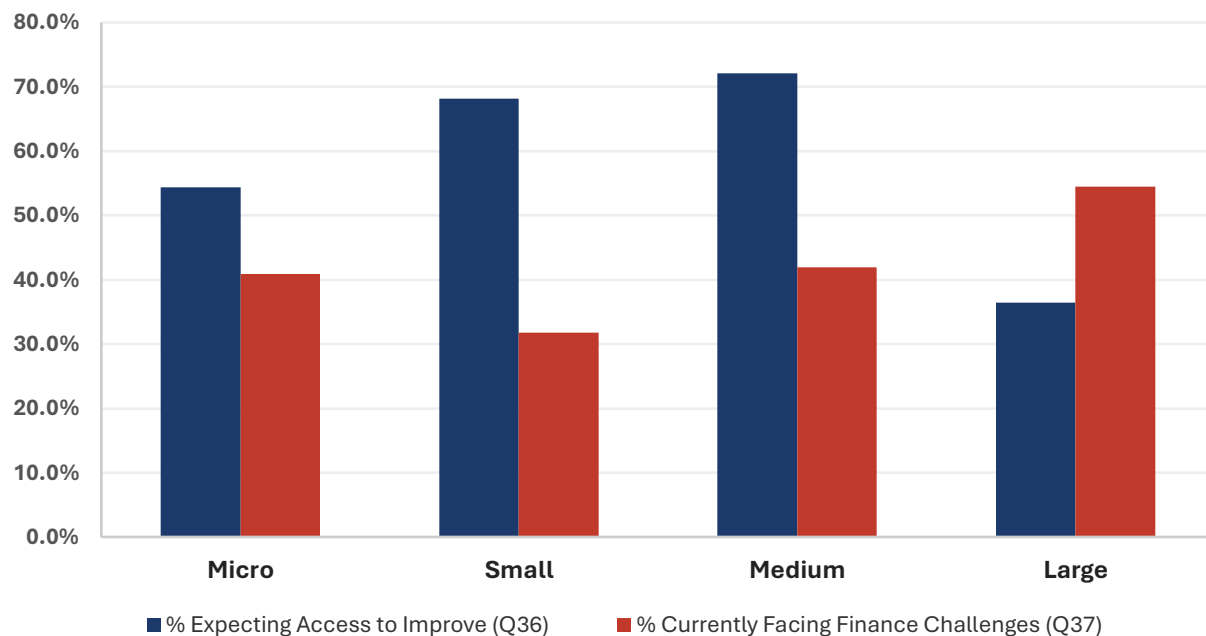


Figure 31: Trade Finance Gap by Enterprise Size — % Expecting Improvement vs % Currently Facing Challenges. A positive gap = net optimism; a negative gap = more current difficulty than future optimism. n=461.

The nature of reported trade finance challenges from the open-ended responses spans: advance payment requirements imposed by buyers navigating their own uncertainty; high interest rates on export credit facilities; complex documentary credit processes; and currency exchange friction. These are not simply financial access problems, but rather are symptoms of a broader trust deficit in the international trading system, where buyers and sellers alike are responding to geopolitical and tariff uncertainty by shifting risk onto counterparties through payment terms.

**Policy implication:** The Large enterprise trade finance gap (54.5% facing challenges vs 36.4% expecting improvement) suggests the largest SME exporters, who generate the highest export volumes, are in the most precarious financing position. This warrants specifically designed trade credit

instruments for upper-bracket MSME exporters, distinct from the micro-credit instruments typically targeted at smaller firms.

### 3.5 Internationalisation Motivations — What Drives Global Engagement

Understanding why Indian SME family businesses engage in international trade is essential context for interpreting their confidence levels and risk perceptions. A firm driven by financial necessity (seeking price realisations unavailable domestically) will respond to risk differently from one driven by family legacy (building an enduring global brand). The survey captures three distinct motivation categories. This section summarises the key patterns.

- **Financial Wealth Goals** (cited as primary motivation by 67.2% of respondents) dominate the motivational landscape of Indian SME internationalisation: Growing profits and growing sales volumes are tied as the top financial goals (204 mentions each, 44.3% of respondents). Access to better price realisations abroad (182 mentions, 39.5%) reflects the premium-pricing advantage Indian SMEs often capture internationally. Business valuation for future family generations (110 mentions, 23.9%) reveals the long-term, generational investment orientation characteristic of family businesses.
- **Strategy Goals** (cited as primary by 15.8%) capture the competitive, capability, and policy-oriented rationales for internationalisation: Technology exposure (99 mentions, 21.5%) and market position strengthening (97 mentions, 21.0%) lead the strategic motivation set, confirming that Indian SME family businesses see international engagement as a capability-building exercise, not merely a revenue channel. Risk diversification (17.4%) and competitor-following behaviour (15.8%) reflect the cluster and peer-effects shaping export decisions in concentrated industrial hubs. Foreign Trade Agreement (FTA) utilisation is cited by only 67 respondents (14.5%) — a significant under-utilisation of India's expanding FTA network that represents a material policy gap that better export awareness programmes could help close.
- **Family-Centric Goals** (cited as primary by 13.0%) reveal the legacy, identity, and stewardship motivations unique to family businesses. Enhancing the family's international reputation leads (77 mentions, 16.7%), followed by associating the family with a respected global brand (66 mentions, 14.3%) and creating international business opportunities for future generations (63 mentions, 13.7%). Expanding the global footprint while retaining family control (12.8%) underscores the distinctive governance tension — the desire to grow globally without ceding strategic authority to non-family partners or intermediaries. Engaging diaspora and family connections abroad (12.1%) reflects the social capital that family businesses deploy as a competitive asset in international markets. These motivations are not financially driven; instead, they reflect the stewardship and legacy orientation that distinguishes family businesses from purely commercially-oriented entities.

The motivational hierarchy matters for risk tolerance. Financially-driven exporters (67.2%) are likely more responsive to tariff and currency risks that directly affect profit margins. Family-centric exporters (13.0%) may show greater resilience to short-term financial headwinds — willing to absorb temporary margin compression to preserve long-term market presence and family reputation. This heterogeneity in motivation suggests a one-size-fits-all approach to export support programmes will be sub-optimal.

**Figure 32: Financial Wealth Goals — % of Respondents**

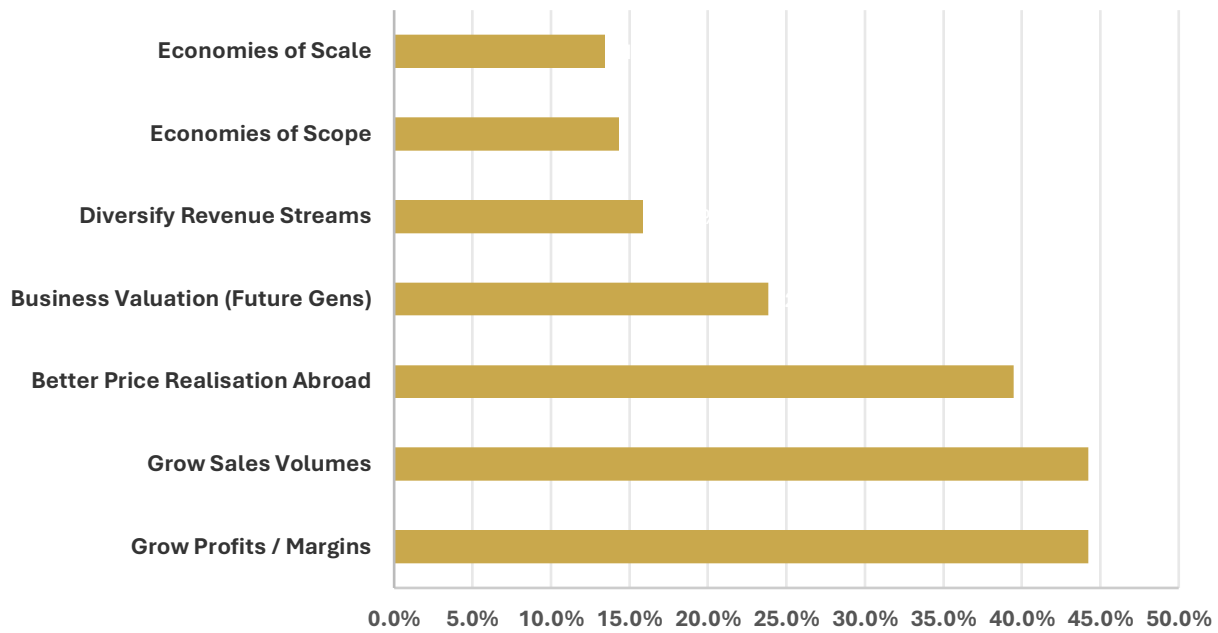


Figure 32: Financial Wealth Goals Driving Internationalisation — All Mentions (n=461)

**Figure 33: Strategy Goals — % of Respondents**

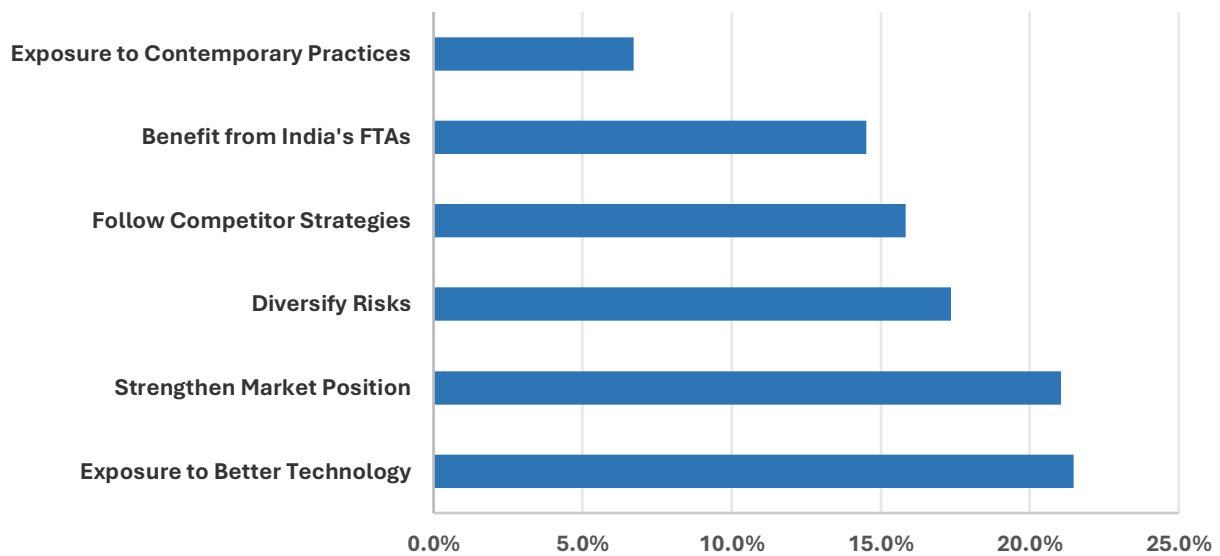


Figure 33: Strategy Goals Driving Internationalisation — All Mentions (n=461)

**Figure 34: Family-Centric Goals — % of Respondents**

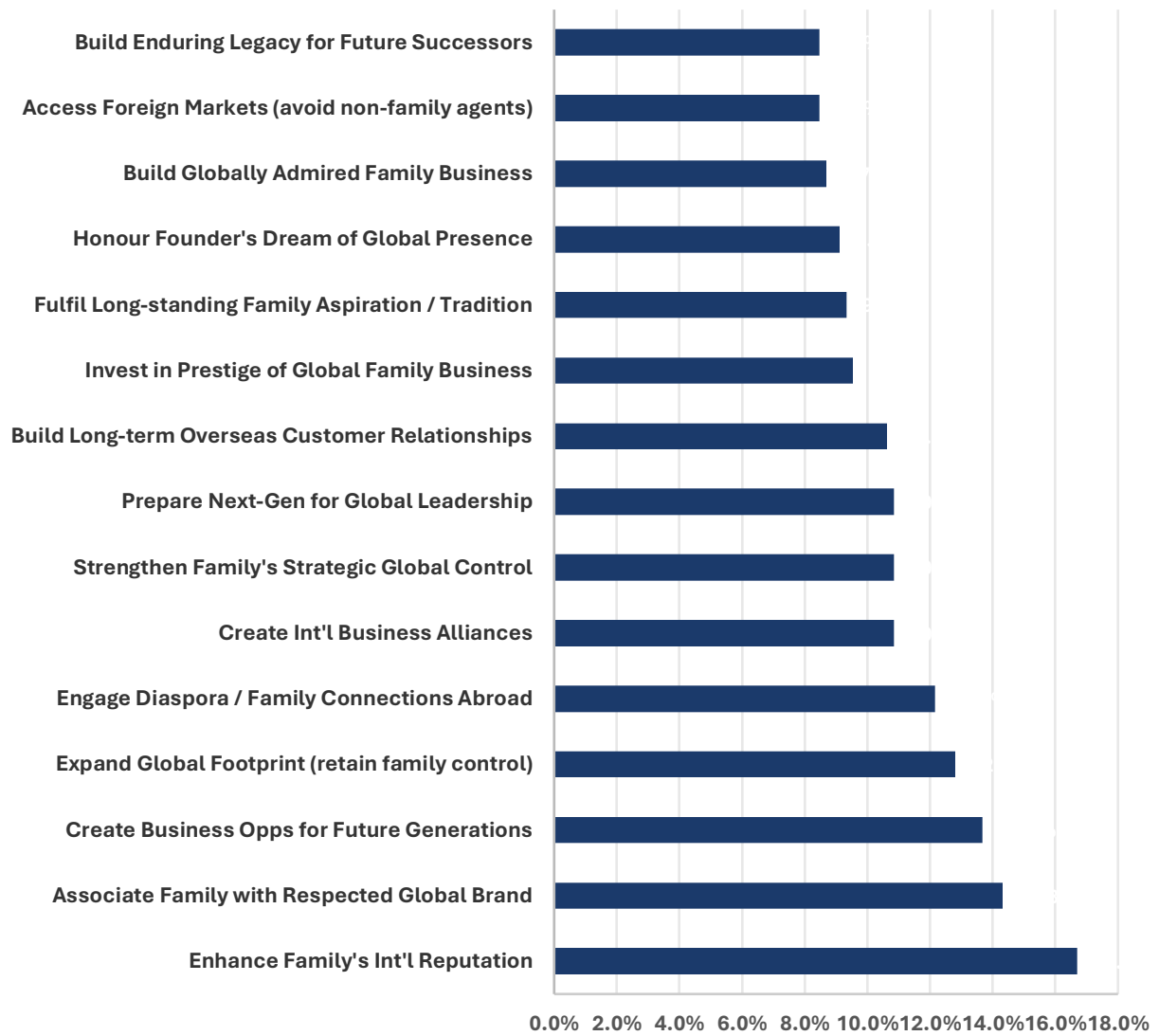


Figure 34: Family-Centric Goals Driving Internationalisation — All Mentions (n=461)

## 4: The External Risk Environment — Qualitative Analysis

The quantitative picture of the risk environment, comprising the Risk Environment Index (REI), Risk Momentum Index (RMI), and their sub-component scores, is fully documented in the Index Architecture section of this report. That section establishes that all 13 macro risk dimensions are in negative territory (REI sub-scores all below 50), and that all 12 trajectory dimensions show upward risk escalation (RMI sub-scores all below 50). This section documents what each major risk actually means for Indian SME exporters, how it manifests in their operations, what is driving its escalation, and what the implications are for export strategy and policy. Six risk clusters are examined — those with the highest concern scores and/or the sharpest escalation trajectories.

### 4.1 Tariffs, Trade Barriers & Trade Policy Uncertainty

Tariffs and trade barriers rank joint-first in current concern among Indian SME exporters (REI sub-component score: 43.5/100 — the second worst in the REI). The concern is not simply about existing tariff levels, which Indian exporters have learned to manage. It is about policy unpredictability — the inability to price, plan, and contract in an environment where tariff structures can change with little notice. Open-ended survey responses are unambiguous: the words 'trade war', 'tariff challenge', 'high tariff', and 'advance payment tariffs' appear repeatedly across respondents from different regions and sectors, with several, unsurprisingly, specifically citing US tariff policy as a disruptive force.

The practical impact on SME operations is multi-channel. Direct margin erosion occurs where tariffs in destination markets increase the landed cost of Indian goods relative to competitors from non-affected origins. Working capital stress arises where buyers, anticipating tariff increases, demand advance payment or rush orders, compressing payment cycles and straining credit lines. Market redirection costs arise where SMEs must pivot from tariff-affected markets (particularly North America for some product categories) to alternative destinations. This is a resource-intensive process that is disproportionately costly for smaller firms with limited market development capacity.

The FTA opportunity: Only 14.5% of respondents cite India's Free Trade Agreements as a motivation for internationalisation. This is an under-utilisation rate that is striking given the expanding network of Indian FTAs. In an environment of rising MFN tariffs, the preferential access offered by FTA corridors becomes increasingly valuable. Proactive FTA utilisation advisory, identifying which products qualify for preferences in which FTA markets, could meaningfully offset tariff headwinds for a significant subset of exporters.

### 4.2 Geopolitical Instability

Geopolitical instability is the single highest-scoring risk concern in the REI (43.3/100 — the worst sub-component score). Its escalation trajectory (RMI sub-component: 40.6/100) confirms that this is not a static backdrop risk but an actively worsening one. For Indian SME exporters, geopolitical risk is not abstract; it manifests through specific operational channels. Shipping lane disruptions (Red Sea, Suez Canal rerouting) have added cost and transit time to shipments affecting MENA-bound and Europe-bound cargo. Conflict-adjacent market demand shocks affect SMEs with exposure to the Middle East and Eastern European markets. Sanctions compliance complexity has increased for firms whose supply chains intersect with sanctioned entities or origins.

A particularly important dimension for Indian SME exporters is geopolitical risk in destination markets (REI sub-score: 46.4/100) versus domestic political risk (REI sub-score: 46.4/100). Both score identically — a finding that suggests Indian SME exporters perceive the political risk environment as symmetrically challenging at home and abroad, rather than seeing India as a stable island in a turbulent world. For policy credibility and investor confidence, this symmetry warrants attention.

The concentration risk amplifier: Firms exporting to 1-2 markets (51% of respondents) face amplified geopolitical risk exposure: a single conflict or sanctions event in a primary destination market can eliminate a majority of their export revenue. Geographic diversification is the primary structural hedge against geopolitical risk, yet over a quarter of respondents (25.4%) are not planning new market expansion in the next 12 months.

### 4.3 Currency Fluctuations

Currency risk scores 45.2/100 in the REI, is moderate in current concern terms but alarming in trajectory: the RMI sub-score for currency (39.2/100) represents the third-sharpest escalation of any macro risk dimension. The rupee's behaviour against major trading currencies — the US dollar, euro, pound, and yen — directly affects export receivable values, import input costs, and hedging economics. For Indian SME exporters, currency risk is fundamentally asymmetric: revenue is typically priced and received in foreign currency, while costs (labour, domestic inputs, finance) are incurred in rupees. A rupee appreciation against billing currencies compresses export margins without any corresponding cost reduction. Equally, a currency depreciation for exporters who rely largely on imported inputs would be detrimental.

The hedging access problem is acute. Large Indian corporates typically have access to forward contracts, options, and cross-currency swaps that can substantially neutralise currency exposure. Most SME exporters, particularly Micro and Small enterprises, lack the treasury sophistication, minimum contract sizes, and relationship banking access required to hedge effectively. The result is that smaller exporters bear the complete currency risks, making their margins directly sensitive to exchange rate movements that are entirely outside their control. Several open-ended responses explicitly link currency volatility to the advance payment demands documented in the trade finance section: both buyers and sellers are seeking to shift exchange rate risk onto the counterparty through payment timing.

The ECGC and export credit insurance system could be expanded to include currency risk protection products accessible to smaller exporters, analogous to the hedging support mechanisms that some export promotion agencies in East Asia have developed for their SME exporter communities.

### 4.4 Supply Chain Disruptions

Supply chain disruption risk has the worst RMI sub-component score of any risk dimension (38.0/100), meaning it is escalating faster than any other risk. The current concern level (REI sub-score: 44.9/100) ranks it among the more severe risks. This combination of high current concern and the sharpest upward trajectory makes supply chain disruption the most dynamically dangerous risk in the current environment for Indian SME exporters.

The sources of supply chain disruption during the survey period, and even currently, are multiple and interacting. Red Sea shipping disruptions had increased transit times and freight costs for cargo moving between Asia and Europe or MENA, with knock-on effects on inventory buffers and delivery reliability. Port congestion in major hub markets (Singapore, Rotterdam, Colombo) has introduced unpredictability into shipping schedules. Input supply volatility, particularly in electronics components, specialty chemicals, and industrial intermediates, has made production planning more difficult for manufacturing exporters. ESG-driven supply chain due diligence requirements in the EU and UK are adding compliance documentation complexity that smaller firms struggle to absorb.

Manufacturing exporters are disproportionately affected. Their production cycles create hard dependencies on timely input arrival and output shipment windows, and the delays cascade into customer penalties, inventory financing costs, and reputational damage. For mixed manufacturing-trading enterprises (35.1% of the sample), supply chain disruption can simultaneously affect both their input procurement and their export logistics.

Supply chain resilience investment, including inventory buffers, multi-supplier strategies, and digital tracking tools, is increasingly a competitive necessity rather than a discretionary expense. Export promotion bodies could facilitate SME access to supply chain visibility platforms and introduce resilience grants targeted at manufacturing exporters in disruption-exposed sectors.

## 4.5 Regulatory and Customs Complexity

Regulatory and customs restrictions rank third in current REI concern (43.8/100) and second in RMI escalation (38.4/100), with the combination placing this risk cluster at the nexus of high concern and fast deterioration. The escalation reflects structural tightening of import and compliance regulations in India's primary export markets. In the European Union, the Carbon Border Adjustment Mechanism (CBAM), the EU Deforestation Regulation (EUDR), and revised product safety directives are adding layers of documentation and certification requirements. In the United States, the Uyghur Forced Labor Prevention Act (UFLPA) supply chain due diligence obligations create documentation burdens for firms whose supply chains pass through affected regions.

For Indian SME exporters, the compliance bandwidth problem is acute. Large multinationals have dedicated regulatory affairs teams; SMEs typically do not. The cost of regulatory non-compliance, in the form of shipment rejection, customs delay, or market exclusion, falls disproportionately on smaller firms that have less margin to absorb disruption. ESG-related compliance requirements (REI sub-score: 47.9/100 and escalating at 42.2/100 on the RMI) reflect this emerging compliance burden. These are currently less acute than tariffs or geopolitics, but on an upward trajectory that signals increasing materiality over the medium term.

Export Promotion Councils and the Directorate General of Foreign Trade (DGFT) could develop standardised compliance toolkits — pre-populated documentation templates, certification checklists, and regulatory update alerts — specifically calibrated for SME exporters in the most affected product categories. Digital compliance platforms that auto-generate required documentation from product data could substantially reduce the per-export compliance cost for smaller firms.

## 4.6 Financial Environment Risks — Funding, Trade Finance & Payment Security

Three financial environment risks — funding availability for international expansion (REI: 43.9/100), trade finance and payment cycle terms (REI: 47.4/100), and MSME size and resource constraints (REI: 49.2/100) — form a cluster that defines the financial vulnerability of Indian SME exporters. While individually these rank below tariff and geopolitical risks in current concern, their interconnection is important: a firm that is cash-constrained (MSME size risk), facing complex payment terms (trade finance risk), and unable to access expansion capital (funding risk) is structurally incapable of responding to the market opportunities that its order bookings optimism (78.7/100 TCI component) identifies.

The funding availability concern (43.9/100 REI, escalating at 40.1/100 RMI) is particularly pressing for firms seeking to enter new markets or invest in export-oriented capacity. International market development is capital-intensive: trade fair participation, overseas marketing, compliance certification, pilot shipments, and buyer relationship development all require upfront investment with delayed payback. Micro and Small enterprises comprising 88.3% of the sample face this capital requirement with limited access to long-horizon, concessional export finance.

MSME size constraints (REI: 49.2/100 — the closest to neutral of all risk dimensions) represent a structural reality rather than an acute market-driven risk. Smaller firms know they are resource-constrained; what registers as escalating concern is the perception that these constraints are becoming more binding relative to the demands of the international trading environment. Higher compliance requirements, larger minimum order quantities from sophisticated buyers, and more complex logistics all raise the bar for effective export participation.

## 4.7 Family-Specific Risk Dimensions — Governance Under Pressure

The survey's unique contribution to the risk literature on Indian SME exporters is its capture of family-specific governance risks: intra-family disagreements over internationalisation strategy, succession risk, and generational risk appetite divergence. Three interpretive points are worth emphasising here in the context of the external environment.

First, the most critical trajectory finding in the entire survey, across all 18 risk dimensions measured, is the escalation of family disagreements over internationalisation (RMI sub-component: 36.9/100, the lowest score of any risk trajectory). This means that intra-family tensions over whether and how to pursue international markets are escalating faster than any macro risk, including supply chain disruptions. This is not simply a governance problem internal to family firms, but has direct implications for their export behaviour. Firms whose families are divided on internationalisation strategy are less likely to make long-term market commitments, invest in compliance infrastructure, or absorb the short-term losses inherent in new market entry.

Second, succession risk (current concern: 45.2/100 FGRI sub-component) is approaching the macro risk concern levels of tariffs and geopolitics. With 48.6% of the sample managed by second-generation family members and many approaching third-generation transitions, succession planning is not a theoretical future concern, but rather a present-day strategic priority with direct implications for export continuity. Buyer relationships, market knowledge, and network connections built by exiting generation members are organisation-specific intangibles that succession planning must explicitly address.

Third, differing risk appetites across generations (current concern: 51.5/100 — still near neutral) are nonetheless on a rising trajectory (trajectory: 46.2/100). As the global trading environment becomes more volatile and complex, the gap between older-generation caution and younger-generation ambition, or vice versa, is widening. Family governance frameworks that provide structured forums for aligning generational perspectives on international risk are increasingly necessary.

The FGRI finding that family disagreements over internationalisation are escalating faster than any macro risk should prompt Export Promotion Councils and industry associations to include family governance workshops, covering succession planning, inter-generational strategy alignment, and internationalisation governance, within their support programmes for SME exporters.

## 5: Risk-Mitigation Strategies and Commercial Adaptation

The preceding sections of this report have documented in detail the risk landscape facing Indian SME exporters, comprising a Risk Environment Index of 45.8 and a Risk Momentum Index of 40.5 that together describe a risk environment that is simultaneously hostile and actively worsening across all 13 dimensions measured. This section asks the critical complementary question: what are Indian SME exporters actually doing in response? The survey captures five categories of strategic response and the commercial terms and pricing outcomes that reflect the cumulative effect of that response. Together they provide the first comprehensive picture of how this community is adapting to adversity, and, crucially, where adaptation is inadequate relative to the scale of the risk.

### 5.1 Risk Mitigation Strategy Portfolio

Respondents identified their risk mitigation strategies across five thematic categories: financial and pricing strategies, market and customer diversification, operational adjustments, policy and compliance actions, and family-centric strategies unique to family businesses. The overall picture reveals a community that is reacting primarily through financial and operational hedging, managing risk at the margin, rather than executing the deeper structural repositioning that the severity of the risk environment would seem to warrant.

#### Financial and Pricing Strategies

Currency hedging is the most widely adopted financial risk response, cited by 34.9% of respondents as their primary financial strategy. Margin revision (32.8%) and freight contract renegotiation (30.2%) are broadly parallel in uptake. Only 13.7% have arranged alternate financing or credit insurance, which is a strikingly low figure given that 36.7% currently report difficulty securing trade finance. The gap between the prevalence of trade finance difficulty and the uptake of insurance as a mitigation strategy is a direct manifestation of the structural access problem documented in Section 3.4.

**Figure 35: Financial & Pricing Risk Mitigation Strategies (n=461)**

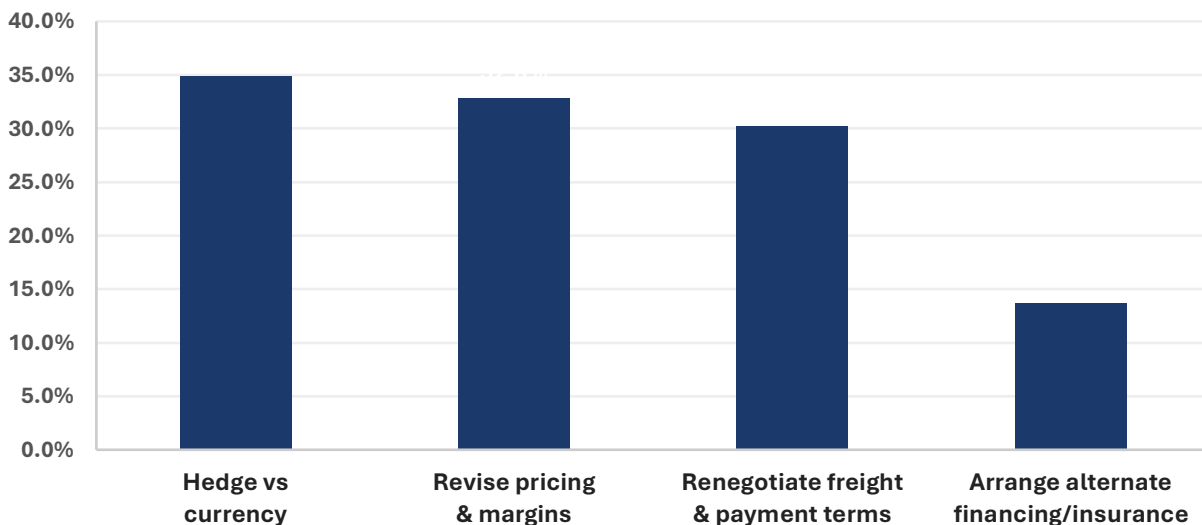


Figure 34: Financial and Pricing Risk Mitigation Strategies — % of Respondents Citing Each Strategy (n=461). Multiple responses permitted.

### Market and Customer Diversification

The market diversification response data contains the most significant strategic warning in the entire survey. While 28.4% intend to explore new international markets which is a positive sign, an almost identical proportion (28.2%) are planning a gradual shift towards domestic markets with the intention of exiting export markets entirely, and a further 24.3% plan an immediate full shift to the domestic market. In aggregate, more than half of respondents (52.5%) are planning some degree of retreat from international markets, either gradual or immediate. Only 6.3% plan to redirect exports towards FTA markets as a diversification strategy, consistent with the low FTA awareness and utilisation documented in Section 6.3 below.

**Figure 35: Market & Customer Diversification Responses (n=461)**

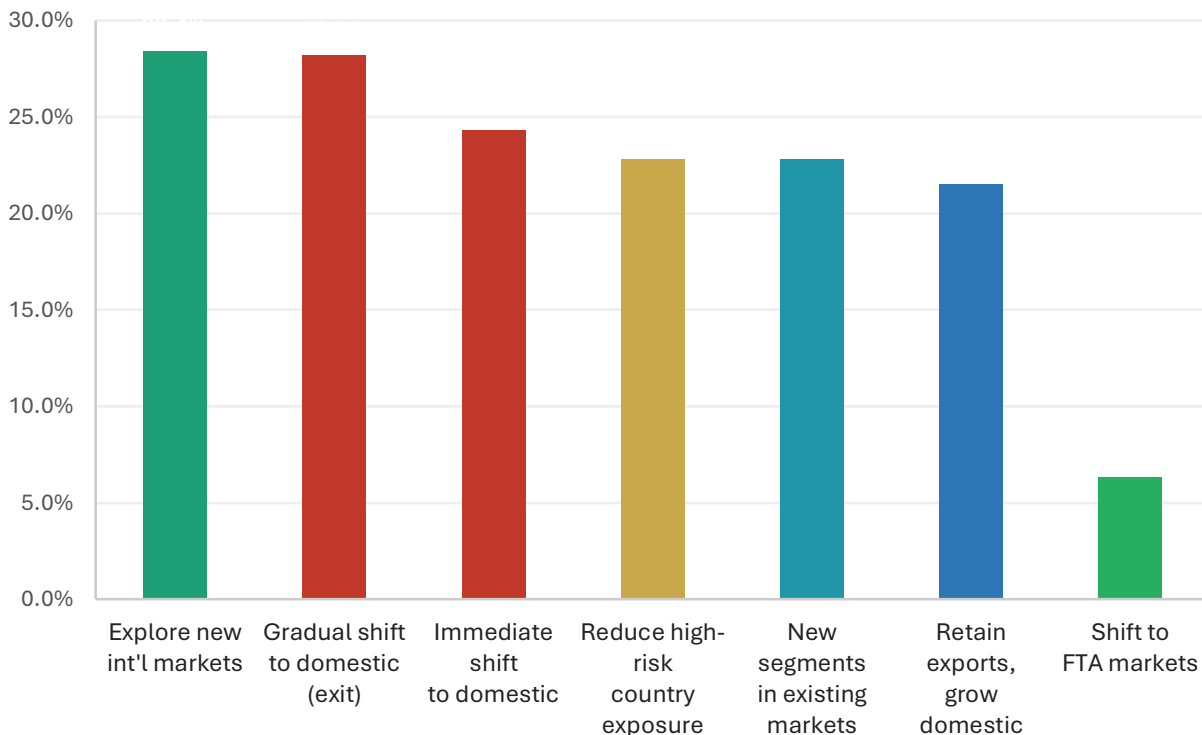


Figure 35: Market and Customer Diversification Responses — % of Respondents Citing Each Strategy (n=461). Multiple responses permitted; colours indicate strategic orientation: green = expansionary, red = retreating, amber/blue = repositioning.

More than 50% of respondents are planning some degree of retreat from international markets in response to current conditions. This is not a marginal adjustment; it represents a potential structural contraction in India's SME export base that is largely invisible in aggregate export statistics, which report revenues from firms already committed to exporting rather than the intentions of those considering withdrawal.

## Operational Adjustments and Policy/Compliance Actions

Supplier and logistics partner diversification is the dominant operational response (33.6%), followed by inventory buffer building (30.6%) and investment in overseas warehousing (20.4%). On the compliance and policy side, ESG framework development leads (30.4%), which is consistent with the escalating ESG compliance risk documented in the REI and RMI. This is followed by trade policy monitoring (24.1%), engagement with export promotion bodies (22.1%), and trade fair participation (21.7%). The high uptake of ESG framework development (30.4%) relative to the low REI score for ESG concern (47.9 — the least hostile dimension) suggests that firms are proactively anticipating ESG compliance requirements from export markets rather than simply responding to current pain, which is a relatively sophisticated strategic response.

**Figure 36: Operational Adjustments and Policy/Compliance Actions**

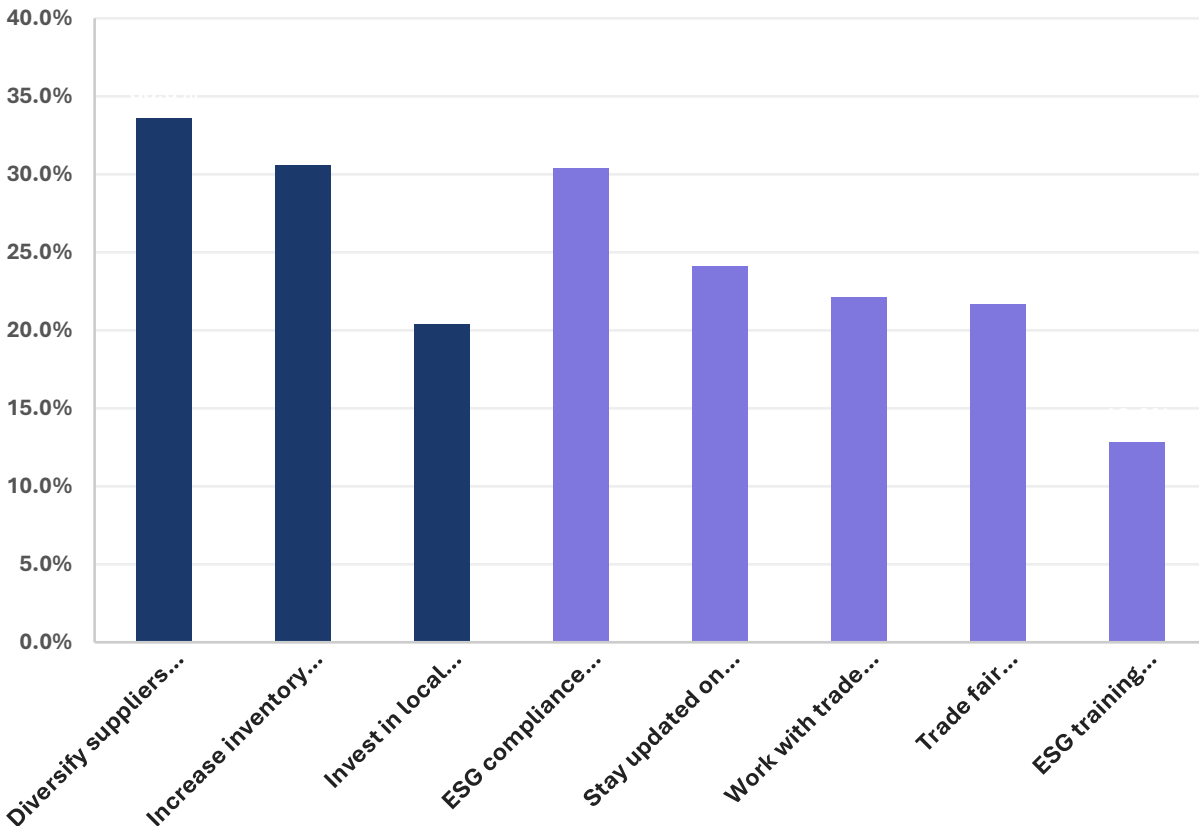


Figure 36: Operational Adjustments (navy bars) and Policy/Compliance Actions (purple bars) — % of Respondents Citing Each Strategy (n=461). Multiple responses permitted.

## Family-Centric Strategies

Family-centric strategies are cited by 175 respondents as primary responses (38.0% of the sample), with a further 152 listing them as secondary or tertiary, indicating that approximately one-third of the full sample incorporates family-specific governance mechanisms as part of their risk response toolkit. Building export capabilities in the next generation of family members is the leading family-centric strategy (26.5% of all

respondents), reflecting the generational transition logic documented in Section 3.1 — later generations take over the export responsibility from founders, making capability transfer an explicit strategic priority. Establishing a family trade council to align on risk appetite (25.4%) and prioritising family reputation preservation over high-risk business (23.4%) follow closely. The prominence of reputation preservation as an explicit strategy is directly consistent with the Socio-emotional Wealth (SEW) theory framework used in the academic analysis: family businesses manage risk partly by protecting the non-financial capital embedded in their family name and market relationships.

**Figure 37: Family-Centric Risk Mitigation Strategies (n=461)**

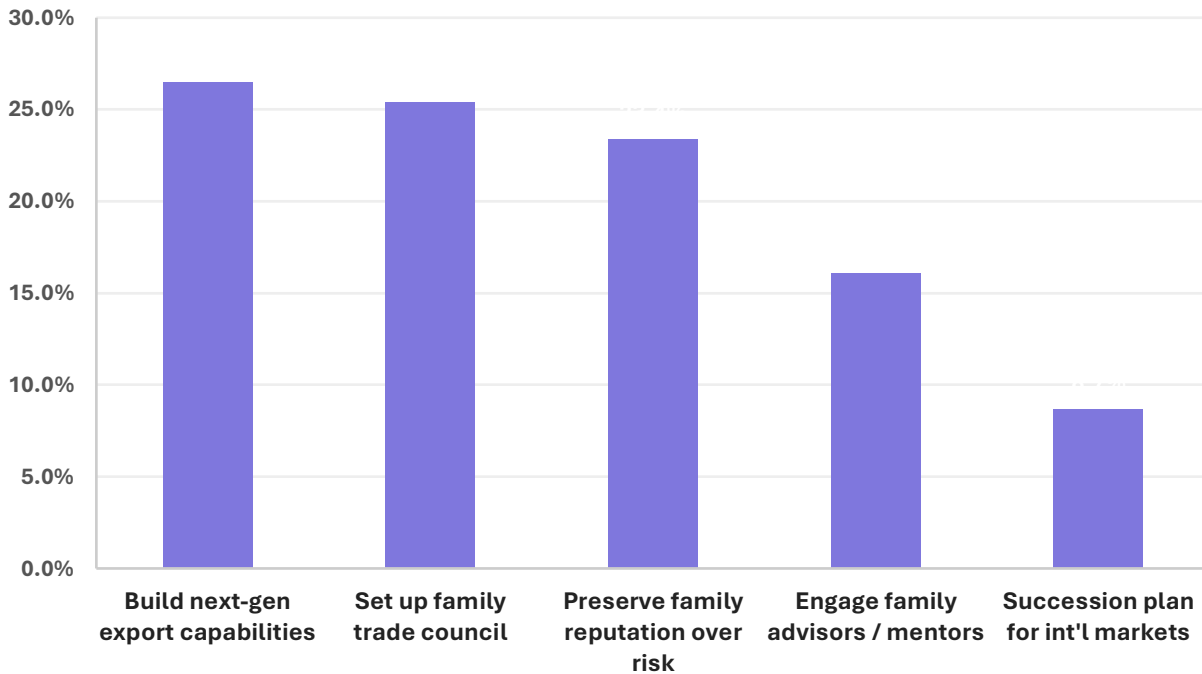


Figure 37: Family-Centric Risk Mitigation Strategies — % of All Respondents (n=461). Multiple responses permitted.

## 5.2 Commercial Terms Under Pressure

The risk mitigation strategy data shows what firms intend to do. The commercial terms data shows what the risk environment has already done to their pricing, credit, payment, and margin outcomes — the cumulative commercial footprint of a sustained hostile environment.

### Export Pricing — Premium and Trajectory

Indian SME exporters command a meaningful price premium in international markets: 71.0% price their exports higher than their equivalent domestic sales, with 19.5% achieving premiums above 20%. This international pricing premium is a structural competitive advantage that warrants explicit protection in risk management strategy. Over the past 12 months, 66.3% have achieved price increases (14.5% significantly, 51.8% moderately), while only 6.0% have experienced price reductions. This positive pricing trajectory is a genuine bright spot, but it coexists with significant margin pressure from rising costs (documented in Figure 39), suggesting that price increases have been necessary to offset cost escalation rather than representing genuine margin expansion in all cases.

## Credit Period Changes and the Payment Shift

46.4% of respondents have extended longer credit periods to international buyers over the past 12 months, while 46.4% have simultaneously seen profit margins improve. The apparent paradox of credit extended yet margins improved, resolves on closer examination: it is primarily medium and small enterprises that are experiencing margin improvement (58.1% and 53.0% respectively), while these same size groups are also extending longer credit. The margin improvement likely reflects their price premium power (linked to product quality and buyer relationships), not despite the credit extension but alongside it. Large enterprises tell a different story: only 18.2% show margin improvement, while 27.3% report margin deterioration, which accounts for the most adverse performance of any size group, consistent with their weak order bookings confidence (TCI order bookings component 54.5/100 — barely above neutral).

**Figure 38: Profit Margin Change in Past 12 Months by Enterprise Size (n=461)**

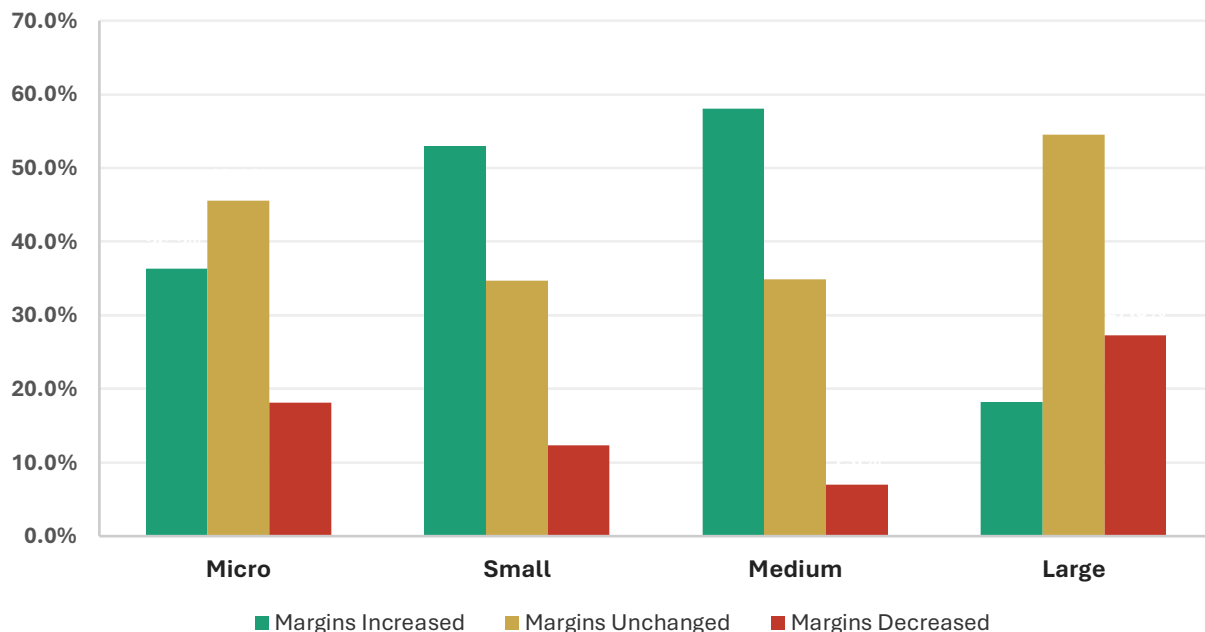


Figure 38: Profit Margin Change Over Past 12 Months by Enterprise Size — % of Respondents in Each Size Category (n=461).

## Cost Pressures Impacting Margins

Freight and logistics costs are cited as the top margin pressure by 59.2% of respondents, by far the most widely felt commercial constraint, consistent with the global container freight cost escalation that followed supply chain disruption events. Raw material costs (47.1%) and duties and tariffs (42.5%) follow. Currency fluctuations and hedging losses together account for 70.8% of respondents across both dimensions (38.0% and 32.8% respectively), confirming that currency risk is not merely a financial anxiety but a direct commercial cost that is already depressing margins for many exporters. Customs delays (30.6%) and credit period extensions (28.4%) round out the top seven cost pressures, both reflecting operational friction rather than structural input cost increases.

**Figure 39: Top Export-Related Costs Impacting Margins (Q79, all mentions, n=461)**

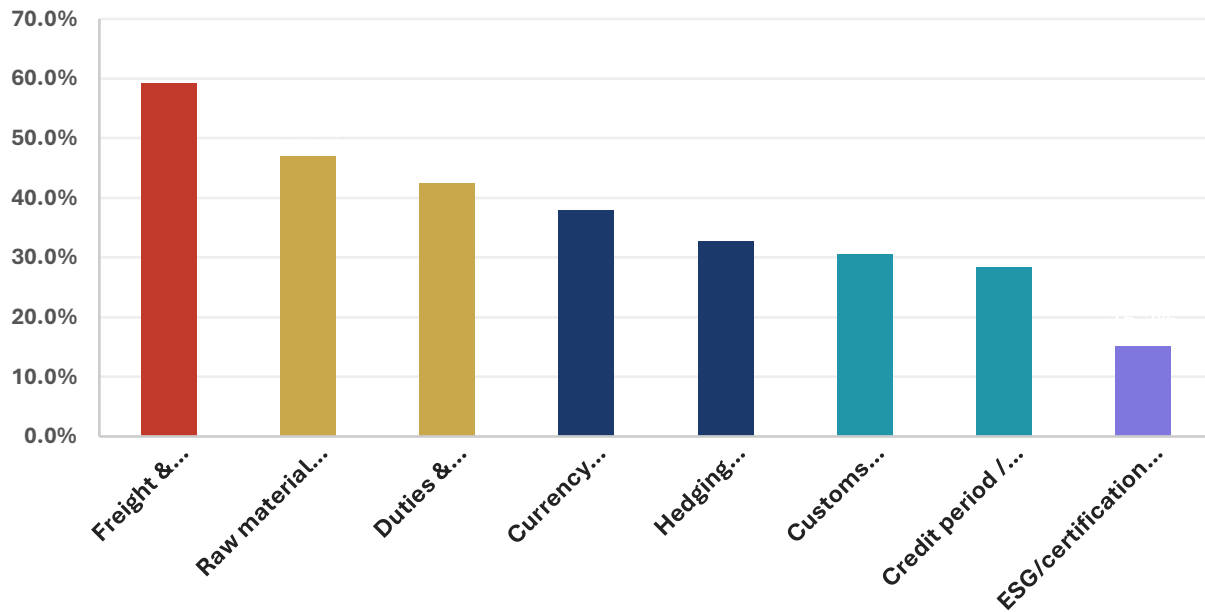


Figure 39: Top Export-Related Costs Impacting Margins (Q79, all three mentions combined) — % of Respondents Citing Each Cost (n=461). Multiple responses permitted.

### Payment Security Changes

The shift in payment security instrument usage reflects both the worsening risk environment and the limitations of available institutional mechanisms. ECGC cover is the dominant instrument, with 53.4% increasing reliance on ECGC over the past 12 months, which constitutes a significant uptick that underscores the growing importance of formal credit protection even as (paradoxically) family businesses use it less than non-family businesses. Private credit insurance has increased for 22.3% of respondents, and bank-backed risk cover for 8.2%. Notably, 14.5% report no change in payment security mechanisms despite operating in a worsening risk environment — a segment that merits targeted outreach from ECGC and export promotion bodies.

**Figure 40: Changes in Payment Security Usage — Past 12 Months (n=461)**

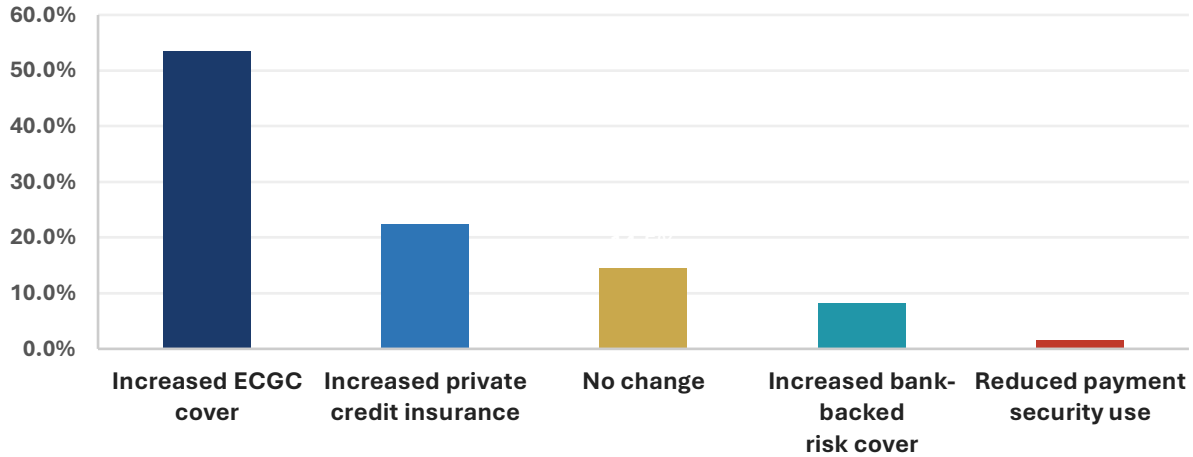


Figure 40: Changes in Payment Security / Insurance Mechanism Usage Over Past 12 Months (Q84, primary response) — % of Respondents (n=461).

### 5.3 Currency and FTA Impact

Exchange rate movements and the availability of FTA market access represent two of the most significant structural factors shaping Indian SME export competitiveness. The survey captures both their current impact and — in the case of FTAs — the degree to which their potential is being realised.

Currency fluctuations are imposing substantial real costs: 54.9% of respondents rate the rupee's impact on export profitability as High or Very High, and 47.5% rate its impact on pricing decisions similarly. The mean impact scores (profitability 3.38/5, pricing 3.36/5) both sit above the moderate midpoint, confirming that currency is not a marginal concern but a central commercial management challenge. This reinforces the case made in Section 4.3 for expanded currency risk management tools accessible to SME exporters. India's FTA network is rated as having High or Very High impact on exports by 52.3% of respondents, suggesting that for the segment already utilising FTA markets, the commercial benefit is meaningful. The challenge, as documented in Section 6.2, is that 57.1% of the sample is not yet accessing FTA markets.

**Figure 41: Currency and FTA Impact Ratings — High, Moderate, Low (n=461)**

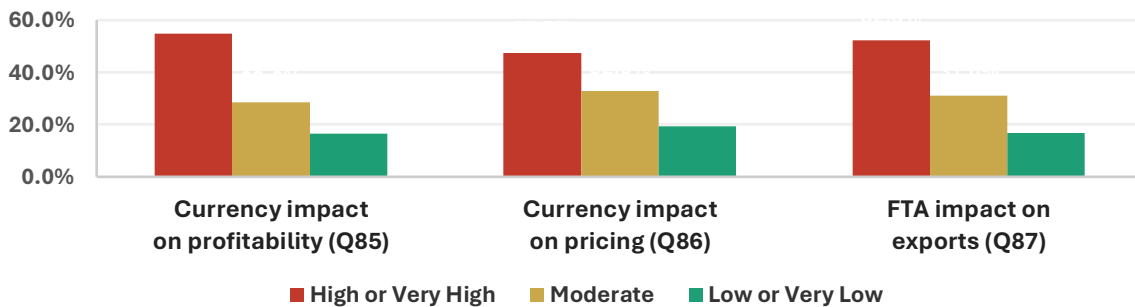


Figure 41: Currency and FTA Impact Ratings — % of Respondents Rating Each as High or Very High, Moderate, or Low. n=461.

## 6: The Institutional Ecosystem — Satisfaction, Scheme Utilisation and Future Readiness

The quality of India's export support ecosystem, encompassing government schemes, export promotion bodies, financial institutions, logistics providers, and chambers of commerce, is a critical determinant of how effectively Indian SME exporters can translate their internationalisation ambitions into sustained performance. This section analyses respondent satisfaction with six key ecosystem players, the utilisation of government export schemes, the FTA engagement gap and its causes, new market expansion intentions, investment priorities for future export growth, and the internal capability gaps that respondents themselves identify as holding back their international expansion.

### 6.1 Institutional Satisfaction — The Export Ecosystem Report Card

All six measured ecosystem players receive net positive satisfaction ratings: more respondents are satisfied or very satisfied than dissatisfied or very dissatisfied across every institution. However, the margins of satisfaction vary meaningfully, and the dissatisfied minorities represent a non-trivial 10-12% of respondents for each institution — sufficient to indicate systemic rather than idiosyncratic service failures. Export Promotion Councils and Banks / Trade Finance Institutions lead on satisfaction (both 3.80/5), followed by ECGC / Credit Insurance (3.78/5), Local Chambers of Commerce (3.75/5), Logistics and Shipping Providers (3.72/5), and DGFT / Government Export Schemes (3.62/5). DGFT's lower satisfaction score, and its 9.8% dissatisfied minority, reflects the documented complexity of government scheme access and documentation requirements that disproportionately burden smaller exporters.

**Figure 42: Institutional Satisfaction Scores — Mean Rating 1-5 (n=461)**

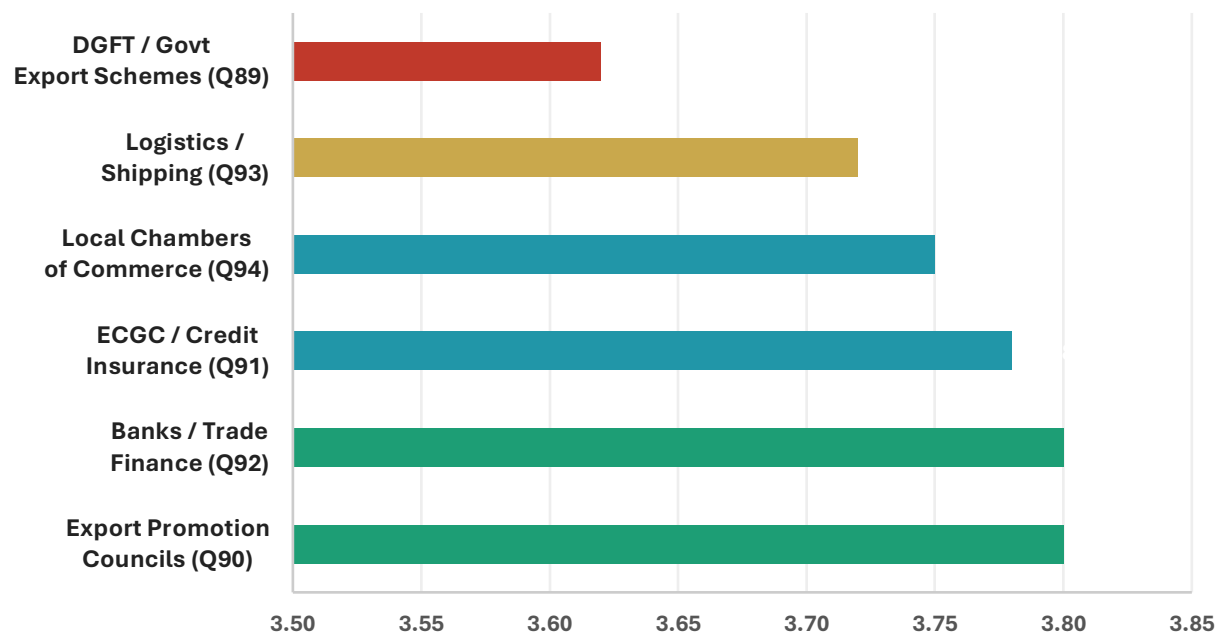


Figure 42: Institutional Satisfaction Scores — Mean Rating (1-5) for Each Export Ecosystem Player (n=461). Higher = more satisfied; 3.0 = neutral midpoint.

## Satisfaction Gap: Family Businesses vs Non-Family Businesses

A consistent and significant satisfaction differential runs across all six ecosystem players: non-family businesses are more satisfied than family businesses with every institution. The gap is most pronounced for DGFT (Non-FB 3.76 vs FB 3.53, a gap of 0.23 mean points) and Export Promotion Councils (Non-FB 3.90 vs FB 3.73). This differential may reflect the greater engagement of professionally managed non-family businesses with formal institutional mechanisms. They use these institutions more regularly and are better equipped to navigate their processes, generating more positive experiences. It may also reflect a genuine service design gap: institutional support programmes are often calibrated for professionally managed entities and may not accommodate the governance structures and decision-making timelines of family-owned businesses. This is a finding that export promotion institutions should take seriously in designing their outreach and service delivery.

**Figure 43: Institutional Satisfaction — Family Business vs Non-Family Business**

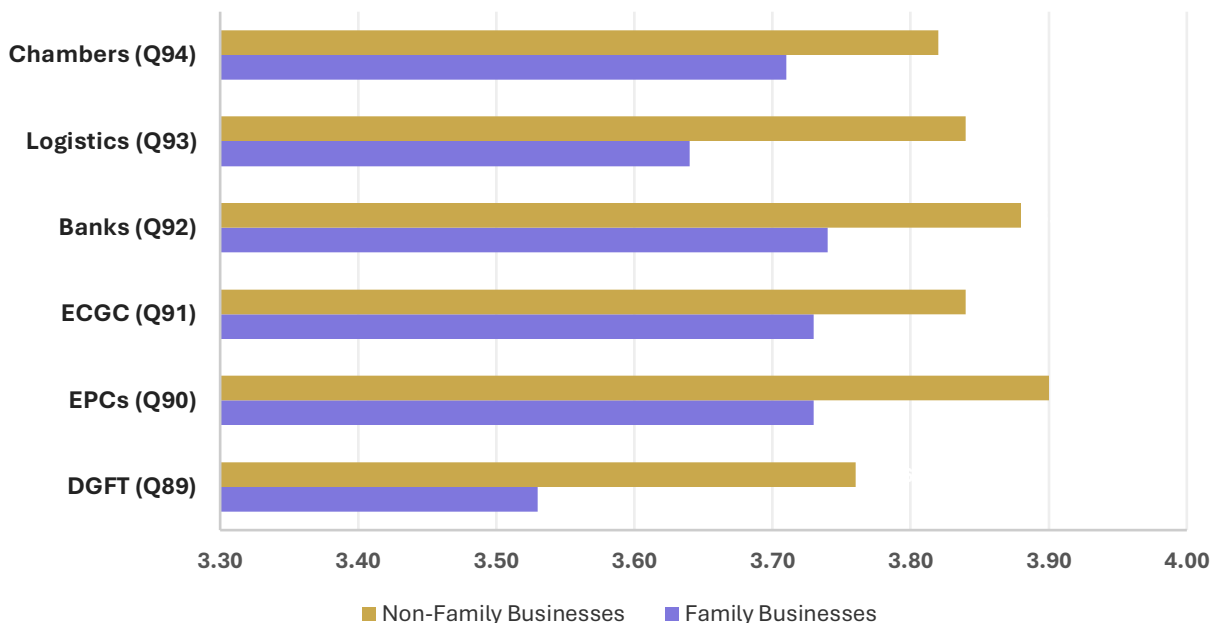


Figure 43: Institutional Satisfaction by Family Business vs Non-Family Business Status— Mean Rating (1-5). n=461.

## 6.2 Government Scheme Utilisation and the FTA Engagement Gap

### Government Scheme Uptake

46.6% of respondents are currently availing of no government export scheme, which represents a majority non-utilisation rate that represents both a lost opportunity for SME exporters and a policy implementation gap. Among the 53.4% who do use schemes, the Technology Upgradation Fund Scheme (TMA) leads with 20.4% of total respondents, followed by Export Promotion Capital Goods (EPCG) (17.8%), Remission of Duties and Taxes on Exported Products (RoDTEP)<sup>1</sup> (16.5%), and the Market Access Initiative (MAI)

<sup>1</sup> RODTEP refers to a scheme introduced by the Government of India in January 2021 to refund to exporters the embedded taxes and duties that are incurred during the manufacturing and distribution of export goods but are not otherwise refunded or remitted under any existing mechanism. It replaced the earlier MEIS (Merchandise Exports from India Scheme), which was ruled non-compliant with WTO subsidy disciplines.

scheme most directly targeted at market diversification at only 13.9%. The relatively low uptake of RoDTEP (16.5%) despite its design as the flagship successor to MEIS is notable: even India's primary duty remission scheme reaches fewer than one in six respondents, suggesting that scheme awareness and administrative accessibility remain material barriers to utilisation.

**Figure 44: Government Export Scheme Utilisation (n=461)**

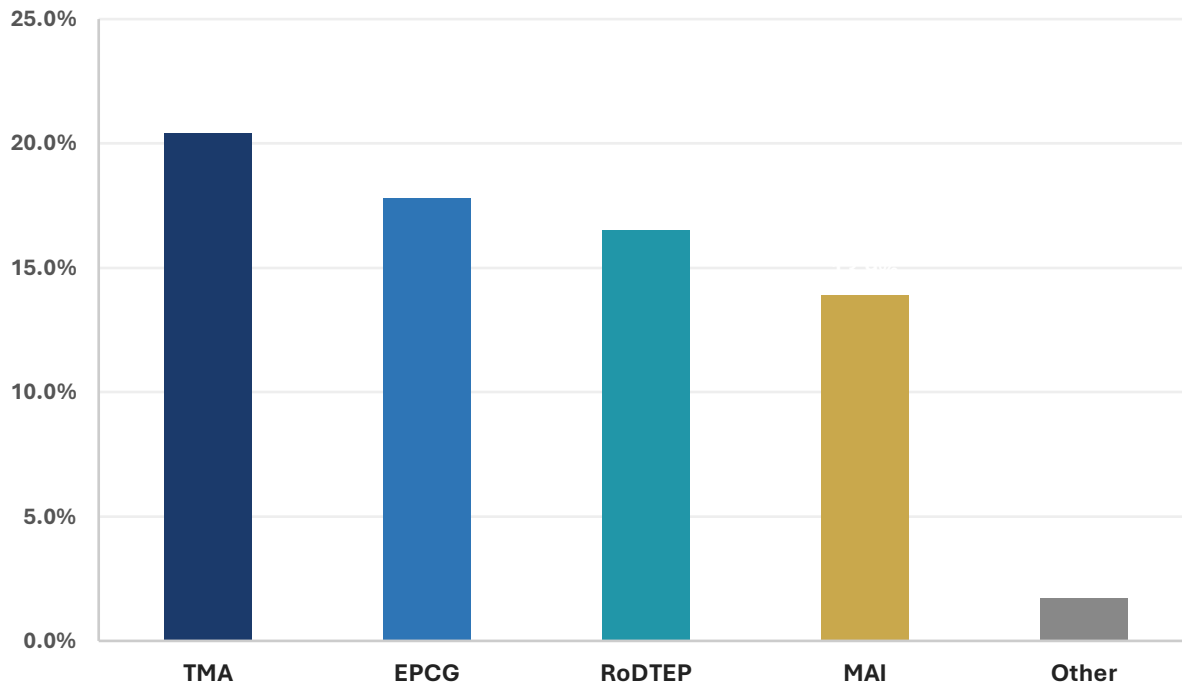


Figure 44: Government Export Scheme Utilisation — % of All Respondents Availing Each Scheme (n=461). Multiple schemes permitted; 46.6% avail no scheme.

## The FTA Engagement Gap

57.1% of respondents (263 firms) are not currently exporting to any country with which India has a Free Trade Agreement, which is a striking non-utilisation rate for an instrument that, as our survey question establishes, has High or Very High commercial impact for the 42.9% who do use FTA corridors. The dominant reason for non-utilisation is lack of awareness, cited by 68.1% of non-FTA exporters. This is a remarkable finding: more than two-thirds of the firms not accessing FTA markets have not done so primarily because they do not know these opportunities exist or how to access them, not because they have evaluated and rejected them. Preference for existing trade partners (31.9%) and high compliance/administrative costs (30.4%) are the next most cited reasons. The awareness gap dwarfs all other barriers by a factor of more than two, making it the single highest-return target for export promotion intervention.

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but are not otherwise refunded or remitted under any existing mechanism. It replaced the earlier MEIS (Merchandise Exports from India Scheme), which was ruled non-compliant with WTO subsidy disciplines.

**Figure 45: Reasons for Not Exporting to FTA Markets (n=263 non-FTA users)**

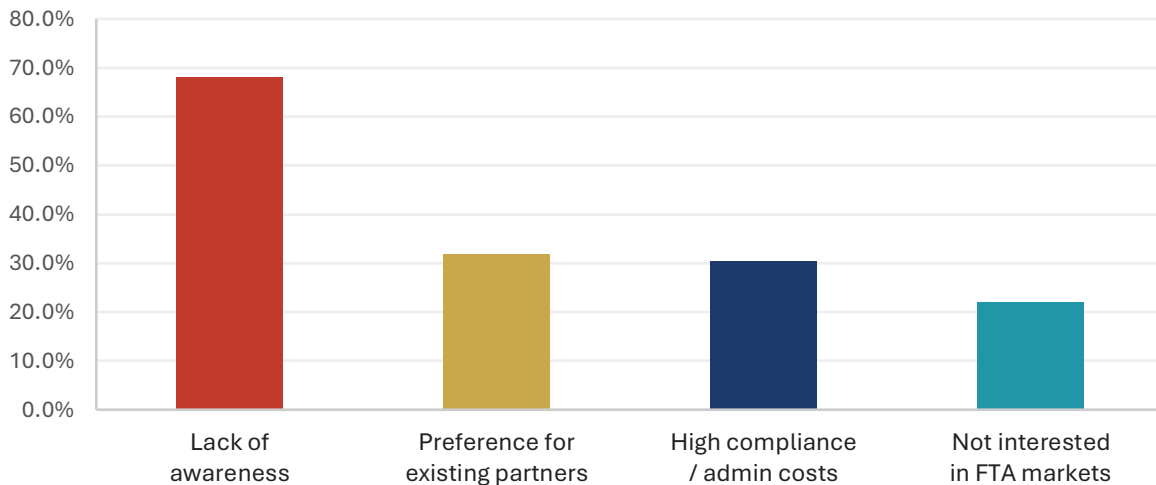


Figure 45: Reasons for Not Exporting to FTA Markets — % of the 263 Non-FTA Exporters Citing Each Reason. Multiple responses permitted.

The FTA awareness gap is the highest-return policy intervention in this report. 68.1% of non-FTA exporters are not in FTA markets primarily because they lack awareness, and not because they have rejected it. In a rising-tariff environment where MFN rates are increasing, FTA preferential access is becoming progressively more valuable. A targeted FTA literacy programme reaching the 263 non-FTA firms in this sample alone would directly address the most significant institutional utilisation gap identified.

### 6.3 New Market Expansion Intentions

51.0% of respondents are planning to expand into new international markets in the next 6-12 months, while 49.0% are not. This near-even split, which is somewhat more cautious than the TCI's 74.3 optimism score might suggest, reflects the moderating effect of the risk environment on translating confidence into commitment. The family business vs non-family business divergence on this question is the sharpest split in the entire dataset: 64.5% of family businesses plan new market entry, compared to only 31.4% of non-family businesses. This extraordinary 33-percentage-point gap confirms one of the core findings of the academic analysis — that family businesses maintain greater internationalisation commitment under adversity than non-family businesses, even when they face a more hostile risk environment. For non-family businesses, the risk environment appears to be sufficient to deter new market commitment; for family businesses, internationalisation intent appears to be more resilient to adverse conditions, consistent with their SEW-rooted preference for long-term market presence over short-term risk avoidance.

Family businesses plan new market entry at more than double the rate of non-family businesses (64.5% vs 31.4%,  $p < 0.001$ ). This is the most striking single finding in this section, and suggests that family businesses route risk through relational expansion rather than institutional protection or strategic retreat.

## 6.4 Investment Priorities for Export Growth

When asked where they intend to invest to support future export performance, respondents reveal a priorities profile that is primarily market-facing rather than operationally defensive. New product development leads (46.4%), followed by overseas marketing and branding (42.7%), improved packaging and design for overseas markets (33.8%), and digital export platforms (33.2%). Logistics and warehousing investment (28.2%) and international business alliances (25.4%) follow. The prominence of new product development as the top investment priority, ahead of marketing, digital, and logistics, suggests that Indian SME exporters are seeking to compete through product differentiation rather than purely through price or distribution. This is a strategically sophisticated orientation that, if executed, could provide a sustainable competitive advantage in premium international markets.

**Figure 46: Planned Investment Areas to Support Export Growth (n=461)**

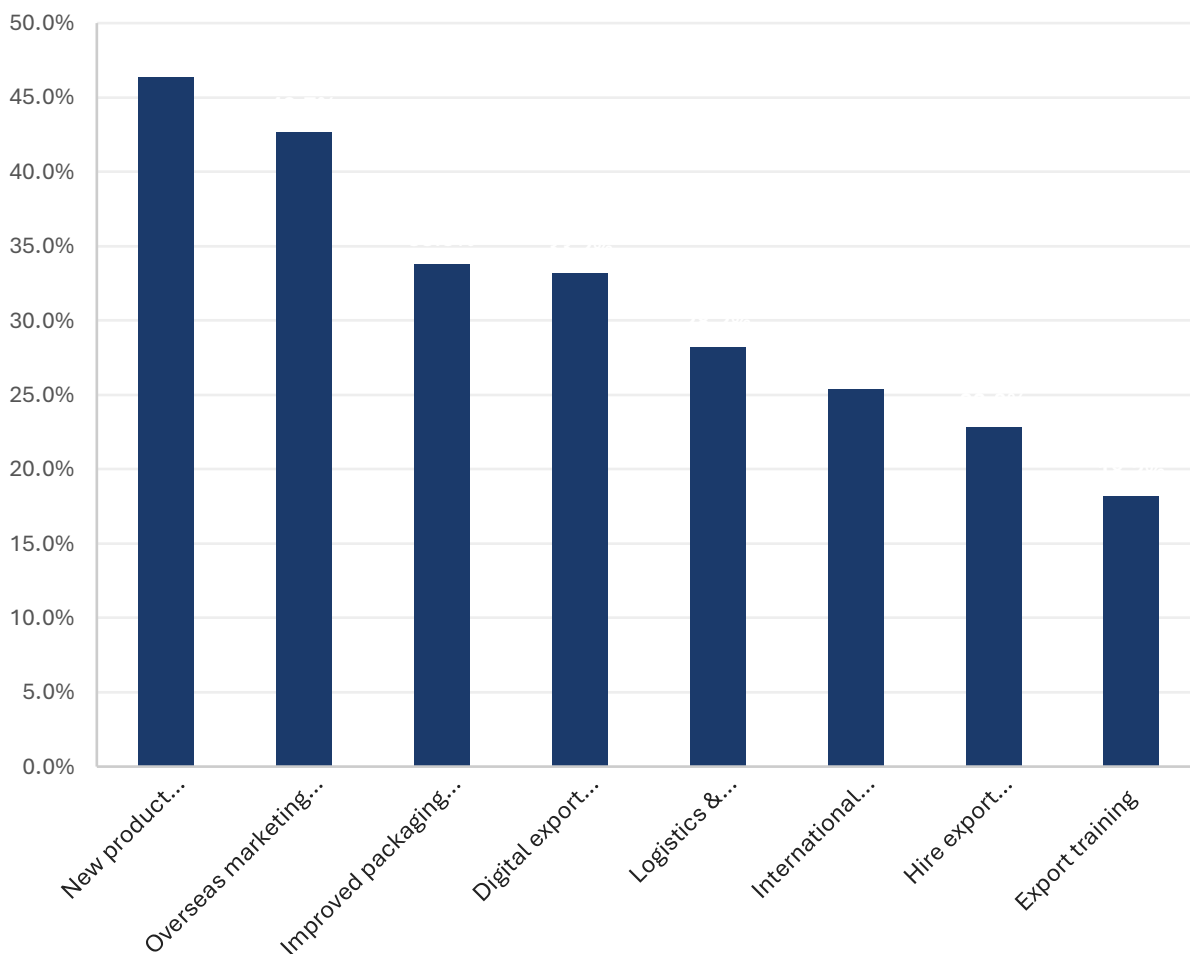
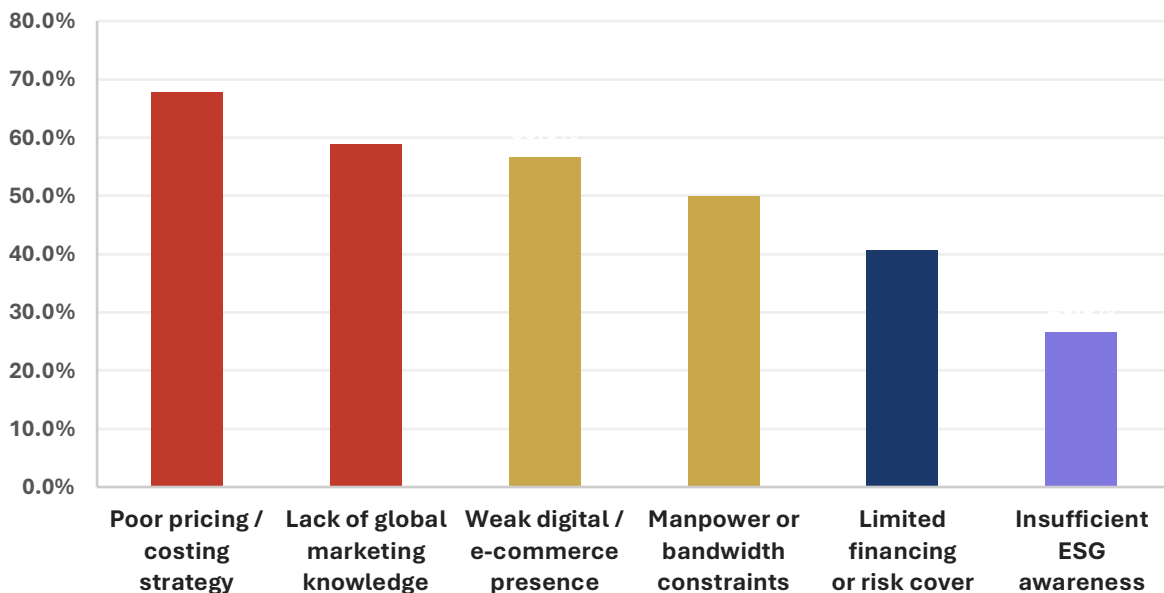


Figure 46: Planned Investment Areas to Support Export Growth ( all mentions combined) — % of Respondents Citing Each Area (n=461). Multiple responses permitted.

## 6.5 Internal Capability Gaps — The Self-Assessment

The survey also sought to get the respondents' self-assessment of the internal capability gaps holding back their international expansion. Poor pricing and costing strategy is identified as the number one capability gap by 67.7% of respondents, which is a striking admission given that 71.0% are pricing their exports above domestic levels. The implication is that even firms achieving international price premiums believe their pricing strategy is sub-optimal. They suspect they are leaving money on the table, or that their costing methodology is insufficiently rigorous to optimise margins across markets, currencies, and product lines. Lack of global marketing knowledge follows (58.8%), then weak digital and e-commerce presence (56.6%), manpower and bandwidth constraints (49.9%), and limited access to financing or risk cover (40.6%).

**Figure 47: Internal Capability Gaps Holding Back International Expansion (n=461)**



*Figure 47: Internal Capability Gaps Holding Back International Expansion (all three mentions combined) — % of Respondents Citing Each Gap (n=461).*

The capability gap profile has important implications for the design of SME export support programmes. The top three gaps — pricing/costing strategy, global marketing knowledge, and digital/e-commerce presence — are all knowledge and skill deficits rather than financial constraints. They are not primarily addressable through credit facilities or insurance products; they require training, mentoring, market intelligence, and digital capability building. Export Promotion Councils and chambers of commerce, whose core mandate includes exactly these advisory and capacity-building functions, should read this data as a precise specification of what the SME exporting community needs from them most urgently.

The capability gap hierarchy inverts the conventional policy focus. More respondents cite poor pricing/costing strategy (67.7%) and lack of global marketing knowledge (58.8%) as barriers than cite limited financing (40.6%). Export support policy that focuses primarily on financial instruments is addressing the third-order problem. Structured pricing advisory, international market intelligence services, and digital export platform facilitation would address the first- and second-order gaps that respondents themselves identify as most binding.

## 7: Policy Implications

The data from the Q3 2026 survey points to specific, actionable priorities for policymakers, export promotion councils, financial institutions, and family business support organisations. This section translates the report's findings into six evidence-based policy recommendations. Each recommendation identifies the specific finding that motivates it, the structural gap it addresses, and the type of intervention required. Findings are referenced to the relevant sections and index scores rather than restated here.

### 7.1 Trade Finance Accessibility — Bridging the Optimism-Reality Gap

The finding (Section 3.4): 62.7% of respondents expect trade finance access to improve, but 36.7% are currently struggling to secure it. For Large enterprises, the gap is negative, with more facing current difficulties than expecting future improvement. The REI sub-component for trade finance (47.4/100) confirms this as a material current concern; the RMI sub-component (40.1/100) confirms it is worsening.

Policy Priority 1: Simplify and expand SME access to export credit guarantee and risk-mitigation mechanisms. Key actions:

- (a) Direct ECGC to develop digital, paperless onboarding and claims interfaces specifically calibrated for micro and small exporters, reducing the documentary burden that currently deters uptake among the smallest firms.
- (b) Create a dedicated government-backed export credit guarantee window — operated by ECGC, SIDBI, or EXIM Bank — for upper-bracket MSME exporters (annual turnover Rs. 25–500 crore) who currently fall between the micro-credit schemes designed for smaller firms and the corporate banking facilities available to large exporters.
- (c) Expand ECGC's buyer-risk insurance product suite, and extend approved-insurer status to private export credit insurers operating in India, to allow Indian SME exporters to offer buyers deferred payment terms without bearing the full credit risk on their own balance sheets.
- (d) RBI and DGFT should jointly mandate scheduled commercial banks to report SME export credit disbursement data quarterly, disaggregated by enterprise size category, enabling evidence-based policy monitoring and corrective intervention where credit gaps persist.

### 7.2 Tariff Intelligence & FTA Utilisation

The finding (Section 4.1): Tariffs and trade barriers are the joint-highest REI concern (43.5/100) and are actively escalating (RMI: 41.4/100). Yet only 14.5% of respondents cite India's Free Trade Agreements as a motivation for internationalisation, which represents a significant under-utilisation of the preferential access India's FTA network provides. In a rising-tariff environment, FTA corridors become increasingly valuable competitive differentiators for Indian SME exporters.

Critically, our data reveals that 68.1% of the 263 firms not currently exporting to FTA markets cite lack of awareness as the primary barrier. It is neither cost, nor disinterest, but simply not knowing these opportunities exist (Section 6.2). This makes FTA literacy the highest-return single intervention available to export promotion institutions.

Policy Priority 2: Build a real-time tariff intelligence and FTA utilisation infrastructure for SME exporters. Key actions:

- (a) Launch a DGFT-integrated digital platform that provides product-specific tariff comparisons across Most-Favoured Nation (MFN) and Free Trade Agreement (FTA) rates for all major Indian export markets.
- (b) Commission Export Promotion Councils to produce sector-specific FTA utilisation guides identifying which products qualify for preferential rates in which markets.
- (c) Establish FTA compliance clinics in major export clusters (Jaipur gems, Ludhiana textiles, Hyderabad pharma) to build ground-level awareness and documentation capability.
- (d) Set a target of doubling FTA utilisation rates from the current approximately 15% baseline within two survey cycles.

### 7.3 Supply Chain & Logistics Resilience

The finding (Section 4.4): Supply chain disruptions have the worst RMI trajectory score of any risk dimension (38.0/100), escalating faster than any other macro risk. Rising logistics/freight costs rank closely behind (RMI: 40.0/100). These are not passing disruptions; they reflect structural changes in global shipping, compliance requirements, and geopolitical routing that will persist across multiple planning cycles. Manufacturing exporters are disproportionately affected.

Policy Priority 3: Invest in supply chain resilience infrastructure for SME exporters. Key actions:

- (a) Negotiate aggregated freight contracts between Export Promotion Councils and major shipping lines, enabling SME exporters to access container-line pricing currently available only to large shippers.
- (b) Develop state-level export logistics hubs, particularly in Eastern India (Kolkata, Bhubaneswar) where logistics scores are weakest, with bonded warehousing<sup>2</sup>, customs facilitation, and freight aggregation services.
- (c) Fund supply chain mapping and alternative sourcing advisory for manufacturing exporters in disruption-vulnerable sectors (electronics, specialty chemicals, pharma inputs).
- (d) Provide SME access to supply chain visibility platforms on a subsidised basis through Export Promotion Councils.

### 7.4 Regulatory & ESG Compliance Readiness

The finding (Section 4.5): Regulatory and customs restrictions rank third in REI concern (43.8/100) and second in RMI escalation (38.4/100). ESG-related compliance (REI: 47.9/100, escalating at RMI:

<sup>2</sup> Bonded warehousing is a secured storage facility — licensed and supervised by customs authorities — where imported goods or goods intended for export can be stored without payment of customs duties or taxes until the goods are released for domestic sale, re-exported, or further processed. The "bond" refers to a financial guarantee (a surety bond) that the warehouse operator provides to customs authorities, assuring the government that duties will be paid when goods are eventually released into the domestic market. If the goods are re-exported rather than sold domestically, no duty is ever paid.

42.2/100) is currently less acute but on an upward trajectory that signals increasing materiality. The EU's Carbon Border Adjustment Mechanism (CBAM), EU Deforestation Regulation (EUDR), and revised product safety directives, and the US Uyghur Forced Labour Prevention Act (UFLPA) supply chain due diligence requirements, are creating compliance documentation burdens that SMEs typically cannot absorb without dedicated support.

Policy Priority 4: Develop a proactive regulatory compliance readiness programme for SME exporters.

Key actions:

- (a) Publish standardised compliance toolkits — pre-populated documentation templates, certification checklists, and regulatory update alerts — for the 10 highest-volume Indian SME export product categories facing new EU and US requirements.
- (b) Create an ESG readiness certification scheme, through which SME exporters can demonstrate baseline compliance with CBAM, EUDR, and supply chain due diligence requirements, reducing the cost and complexity of responding to individual buyer enquiries.
- (c) Establish a regulatory early-warning system within DGFT that alerts registered exporters to upcoming market-access regulation changes 12 months in advance, allowing planning time that SMEs currently lack.
- (d) Fund compliance training within Export Promotion Councils specifically addressing the documentation and certification requirements of the EU and US regulatory frameworks.

## 7.5 Export Market Diversification

The finding (Sections 1.6 and 4.2): 51% of Indian SME exporters depend on just 1-2 destination markets, creating acute concentration risk in an environment of escalating geopolitical instability (REI: 43.3/100). South Asia dominates as a destination (59.2% of respondents cite it), much of which may represent proximity-driven, lower-value trade rather than premium-market diversification. 25.4% of respondents are not planning any new market expansion in the next 12 months. Sub-Saharan Africa and Latin America — markets with India's strongest relative price competitiveness — are each cited by fewer than 10% of respondents as current or planned destinations.

Section 5.1 reveals a more alarming signal than concentration alone: more than half of respondents (52.5%) are actively planning some degree of retreat from international markets in response to current conditions — gradual or immediate. Export market diversification support must therefore address both the structural concentration problem and the active retreat dynamic simultaneously.

Policy Priority 5: Restructure export market diversification support around concentration-risk reduction. Key actions:

(a) Reorient MAI (Market Access Initiative) grant allocation to prioritise markets where Indian SMEs are under-represented relative to competitive potential, specifically Sub-Saharan Africa, Latin America, ASEAN, and Gulf Cooperation Council markets.

(b) Create a Market Diversification Incentive: a supplementary duty drawback or Remission of Duties and Taxes on Exported Products (RODTEP) enhancement for firms that demonstrate successful entry into a new export market for the first time in a 3-year window.

(c) Commission Indian Trade Promotion Organization (ITPO) to organise SME-only buyer-seller meets in frontier markets (Nairobi, Lagos, Bogota, Ho Chi Minh City) specifically targeted at the 51% of exporters currently concentrated in 1-2 markets.

(d) Develop a Market Diversification Risk Guarantee through ECGC, covering losses in initial market entry shipments to qualifying new destinations.

## 7.6 Family Business Governance & Succession Support

The finding (Section 4.7): Family governance tensions are escalating faster than any macro risk. Intra-family disagreements over internationalisation produce the worst risk trajectory score of all 18 dimensions measured. Succession risk (FGRI sub-component: 45.2/100) is approaching the concern levels of macro risks. 48.6% of exporting family businesses are managed by second-generation members, and many are approaching generational transitions. These are not peripheral concerns; they directly affect export continuity, long-term market commitment, and investment in compliance and capability.

Section 5.1 shows that family businesses are already responding, with 25.4% establishing family trade councils and 26.5% building next-generation export capabilities. Policy should scaffold these organic governance responses rather than creating parallel structures.

Policy Priority 6: Integrate family business governance support into the export promotion ecosystem. Key actions:

(a) Include family business succession planning and internationalisation governance workshops within Export Promotion Council programme calendars, not as optional add-ons but as structured components of export readiness certification.

(b) Commission expert institutions/personnel trained in family business governance to develop a Family Business Internationalisation Governance Framework — a practical tool that provides structured protocols for aligning generational perspectives on international risk, market commitment, and resource allocation.

(c) Create a Family Business Mentorship Programme matching 3rd-generation export-experienced family business leaders with 1st-generation exporters, who face the most challenging NTCS profile of any generational cohort (NTCS: 51.5).

(d) Develop ECGC insurance products and SIDBI lending schemes that specifically recognise the governance structures of family-owned SMEs, including provisions for continuity of export credit relationships across succession transitions.

## Appendix: Survey Framework and Variable Reference

The SPJIMR CFBE Trade Confidence and Internationalisation Survey for SMEs / Small Family Businesses is a comprehensive structured questionnaire covering ten thematic sections. The table below maps each survey section to its theme, the question numbers covered, and the coverage — including the specific index(es) to which each section's questions contribute in the four-index architecture.

Section	Theme	Questions	Coverage & Index Mapping
1	Business & Family Profile	Q2-Q26	Designation, FB status, ownership, generation, size, turnover, export year, destinations, products, JVs, workforce, industry
2	Reasons for Global Trading	Q27-Q31	Financial Wealth Goals (Q28), Strategy Goals (Q29), Family-Centric Goals (Q30), Other motivations (Q31)
3	Export Sales Outlook	Q32-Q35	Volume expectations (Q32 — TCI), order bookings (Q33 — TCI), global economy confidence (Q34 — TCI), domestic economy confidence (Q35 — TCI)
4	Trade Finance Outlook	Q36-Q38	Trade finance access outlook (Q36 — TCI), current challenges (Q37), nature of challenges open-ended (Q38)
5	External Risk Perceptions — Current	Q39-Q53	13 macro risk dimensions (Q39-Q50 — REI inputs): tariffs, geopolitics, currency, ESG, reputational, supply chain, logistics, regulatory, political (target and domestic), trade finance, funding, MSME size. 3 family governance risk dimensions (Q51-Q53 — FGRI current inputs): disagreements, succession, risk appetite
6	External Risk Perceptions — Trajectory	Q54-Q68	12 macro risk trajectory questions (Q54-Q65 — RMI inputs) parallel to Q39-Q50 (excluding reputational). 3 family governance trajectory questions (Q66-Q68 — FGRI trajectory inputs) parallel to Q51-Q53
7	Operational Environment	Q69-Q74	Competitor landscape changes, domestic regulatory and competitive environment shifts
8	Pricing, Credit & Payment	Q75-Q83	Export price changes, margin trends, credit period changes, payment method shifts, ECGC and export credit insurance usage, exchange rate impact
9	Institutional Support	Q84-Q90	Satisfaction with DGFT, Export Promotion Councils, ECGC/credit insurance, banks, logistics providers, chambers of commerce; government scheme utilisation; FTA awareness and usage
10	Future Export Intentions	Q91-Q102	New market expansion plans, investment priorities, internal capability gaps, competitor landscape evolution

## Survey Administration Details

Parameter	Detail
Survey instrument	Structured questionnaire — SPJIMR CFBE Trade Confidence and Internationalisation Survey for SME Family Businesses
Survey mode	Questionnaire (Physical Survey)
Data collection period	October-December 2025
Total valid responses	461 respondents
Geographic coverage	14 cities across North, South, East, and West India
Target respondents	Owner-managers, Directors, CEOs, and senior managers of Indian SME family businesses engaged in international trade
Response confidentiality	All responses kept strictly anonymous; used for research and academic purposes only
Author	Dr. Tulsi Jayakumar, Executive Director, Centre for Family Business & Entrepreneurship, and Professor, Economics & Policy, SPJIMR India
Institutional affiliation	Centre for Family Business & Entrepreneurship (CFBE), S.P. Jain Institute of Management & Research, Mumbai

## Index Score Reference

The following table provides a consolidated reference of all index and NTCS scores reported in this survey wave, cross-referenced to the source questions and companion documents where full methodology is documented.

Index	Source Questions	Score	Reference
TCI — Trade Confidence Index	Q32, Q33, Q34, Q35, Q36	74.3 / 100	Section 2; Index Architecture Document Section 2-3
REI — Risk Environment Index	Q39-Q50 (13 items, inverted)	45.8 / 100	Index Architecture Document Sections 2-3
RMI — Risk Momentum Index	Q54-Q65 (12 items, inverted)	40.5 / 100	Index Architecture Document Sections 2-3
FGRI — Family Governance Risk Index	Q51-Q53 + Q66-Q68 (6 items, inverted)	45.6 / 100	Index Architecture Document Sections 2-3
NTCS — Net Trade Confidence Score	Weighted composite of TCI, REI, RMI, FGRI	56.4 / 100	Index Architecture Document Sections 2-3
Neutral midpoint (all indices)	n/a — methodological reference	50.0 / 100	All scores above 50 = net positive; below 50 = net negative

**Survey Designed and Conducted by: Centre for Family Business & Entrepreneurship, SPJIMR**  
**Survey Administered by: Hansa Research**

Author: Dr. Tulsi Jayakumar, Executive Director, CFBE & Professor, Economics & Policy, SPJIMR, Mumbai, India

Data collection period: October-December 2025 | Total sample: n = 461 respondents | Cities covered: 14

Method: Structured questionnaire (online survey) | Target respondents: Owner-managers, Directors, CEOs and senior managers of Indian SME family businesses engaged in international trade, and non-family SMEs.

## ABOUT SPJIMR

S. P. Jain Institute of Management & Research (SPJIMR), established in 1981 in Mumbai, is a leading management institute, recognised by Financial Times Global Rankings 2024 as India's #1 business school, by Business Today as one of the country's top five business schools, and by the Positive Impact Rating (PIR), a Swiss Association, as a 'pioneering' school with the highest 'Level 5' rating for its societal impact and sustainability achievements.

A constituent of Bharatiya Vidya Bhavan, India's visionary educational trust established in 1938, SPJIMR offers a broad portfolio of management programmes to individual participants and organisations. Accredited by the Association to Advance Collegiate Schools of Business (AACSB), Association of MBAs (AMBA) (UK), and EFMD Quality Improvement System (EQUIS), SPJIMR is part of an elite group of institutions globally to achieve the prestigious 'Triple Crown' of accreditations, placing it among the top 1% of global business schools. It is a category-I management institute in India under AICTE.

## ABOUT THE CENTRE FOR FAMILY BUSINESS & ENTREPRENEURSHIP

The Centre for Family Business and Entrepreneurship (CFBE) at SPJIMR is a specialised centre dedicated to nurturing the legacy, leadership, and enterprise of India's family businesses. The Centre oversees the flagship Post Graduate Programme in Family Managed Business (PGPFMB), which has been transforming family enterprises for over 28 years. It also offers other programs such as the Family Business Dynamics Advisory Certification - a 3-Day Advisory Programme Designed for senior family business leaders to guide the next generation and strengthen governance, legacy, and continuity; LiFE – Ladies in Family Enterprise — a programme that helps women from business families explore their role, develop leadership capabilities, and pursue entrepreneurial aspirations; Start Your Business — a hands-on programme for aspiring entrepreneurs that helps them explore business ideas and take the first steps towards launching a venture; EnPower Certificate Programme in Entrepreneurship—an immersive programme for undergraduates and young minds to experience entrepreneurship early and build an entrepreneurial mindset. And initiatives like Sashakt that support entrepreneurs from low-income backgrounds.

The Centre, through its research and outreach activities, seeks to be a thought leader in the family business space. It is a member of the STEP Project Global Consortium - a global research initiative with specific focus on family businesses.



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