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Only 35% of global SMEs have disaster continuity plans, a new CDRI survey shows. Limited finance, insurance gaps and climate exposure leave Indian SMEs particularly vulnerable to shocks.

As climate shocks become more frequent and severe, most small businesses remain dangerously unprepared—and Indian enterprises are among the most exposed.

Only 35% of small and medium enterprises (SMEs) globally have formal disaster continuity plans, a new survey by the Coalition for Disaster Resilient Infrastructure (CDRI) shows, flagging major risks for countries like India that face high climate vulnerability.

According to the first-ever global survey conducted by the India-headquartered CDRI and exclusively reviewed by Mint , more than half of SMEs lack access to affordable finance, real-time climate information and insurance products, forcing many to treat resilience spending as discretionary.

The findings come as businesses worldwide face rising risks from natural disasters, with climate change intensifying extreme weather and geological events. There are an estimated 358 million SMEs globally.

SMEs hit hardest

SMEs are often the worst-affected by climate disasters and the least equipped to recover. In India's 2015 floods, 8,500 SMEs were impacted, affecting 160,000 workers and causing losses exceeding \$349 million within two weeks.

Globally, similar patterns have emerged. After Japan's March 2011 earthquake, 656 SMEs employing about 10,000 workers went bankrupt within a year. In Malaysia, the December 2014 floods in Kelantan affected more than 13,000 SMEs.

The survey found that SMEs are frequently located in high-risk areas such as coastal zones and unplanned urban settlements, making them particularly vulnerable to flooding, tropical cyclones and infrastructure failures.

India's vulnerability

Indian SMEs face heightened risk due to geography and climate.

“The Indian subcontinent is highly prone to natural calamities due to its unique geography and climatic conditions. Located at the collision zone of the Indian and Eurasian tectonic plates, it is vulnerable to earthquakes, especially in the Himalayan region. Also, its long coastline and monsoon-dependent climate expose it to cyclones, floods, and storm surges,” said Birendra P. Singh, associate professor in the geology department at Panjab University.

Survey scope

The survey covered 50 countries and classified enterprises based on annual turnover, defining small enterprises as those with turnover below \$10 million and medium enterprises as those with turnover between \$10 million and \$50 million.

More than 500 senior executives—including chief executive officers and chief sustainability officers—were interviewed on how disasters affect business operations and how companies respond. India, one of the world's most climate-vulnerable countries, suffers annual disaster-related losses of around \$9–10 billion.

The study focused on three groups—private infrastructure companies and state-owned enterprises such as utilities, railways and ports; large firms including manufacturers, agribusinesses, real estate and logistics companies; and SMEs comprising suppliers and service providers. Six sectors were covered: food, chemicals and pharmaceuticals, consumer goods, heavy industry, logistics and transportation, and real estate.

“Disasters cause cascading impacts that often extend far beyond the direct damage to factories, stores, power grids, and other infrastructure. These ripple effects can significantly delay recovery and magnify economic losses, underscoring the urgent need for businesses to build resilience and invest in disaster preparedness. However, preparedness levels remain worryingly low, especially among small and medium enterprises,” said Amit Prothi, director general of CDRI.

Insurance gap

While insurance for fire, motor and employee compensation is common in India, coverage for business interruption, cyber risks, liability and climate-related losses remains limited. Insurance penetration among Indian SMEs is still low, despite their critical role in employment and GDP.

“Factors such as limited understanding of risk coverage, cash-flow constraints, and reliance on informal risk management continue to slow adoption,” said Gurdeep Singh Batra, head—property underwriting, risk engineering, global accounts and coinsurance at Bajaj General Insurance Ltd.

“Penetration is improving gradually, driven by regulatory push, increased lending-linked insurance, and growing exposure to risks such as cyber incidents, supply-chain disruptions, and climate-related events,” he added.

Structural hurdles

“This situation is caused by low margins, price sensitivity, lack of risk awareness and unfit products for SMEs. Penetration goes up when insurance is sold as a tool for continuity and credit facilitation, followed by simpler products, flexible payment terms and active broking support rather than pure distribution,” said Narendra Bharindwal, president of the Insurance Brokers Association of India (IBAI), the trade body for licensed insurance brokers recognised by the Insurance Regulatory and Development Authority of India (Irdai).

SMEs also tend to operate informally, with limited access to structured finance, early warning systems and institutional recovery mechanisms.

“There is no department that monitors such acts for the MSMEs. Accordingly, the MSMEs are unaware about such preparation. The focus is maximum up to fire control and sanitation,” said Badish Jindal, president of the World MSME Forum.