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News Release

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India's family businesses trust next-gen leadership but see shifting succession trends: HSBC report

~ Only 7% of Indian heirs felt obligated to join family businesses, reveals HSBC study~

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~ Family-owned businesses in India contribute to approximately 79% of the country's GDP, one of the highest ratios globally ~

Indian family-owned businesses owners are optimistic about the abilities in their next generation to manage family enterprises and wealth, however, only 7% of Indian respondents felt a sense of obligation to take on the family business, finds HSBC Global Private Banking's new report titled 'Family-owned businesses in Asia: Harmony through succession planning'. The report delves into the preparedness of family-owned businesses in India and across Asia for the future of their enterprise and their wealth, offering key insights into succession planning and intergenerational dynamics.

The findings reveal that while 88% of Indian entrepreneurs trust the next generation's ability to manage family wealth, 45% of surveyed entrepreneurs (55% of first-generation and 35% of multi-generation) do not expect their children taking over the family business. This trend highlights a shift in the traditional approach to succession planning, even as family-owned businesses continue a pivotal role in India's economy, contributing approximately 79% of the country's gross domestic product (GDP)—one of the highest ratios globally.

Interestingly, only 7% of Indian respondents felt obligated to take on the family business when the business was passed on, reflecting a growing openness to exploring opportunities outside the family enterprise. This sentiment is supported by strong feelings of encouragement within multi-generational families, with 83% of respondents stating they felt empowered to pursue other interests when they first took over the business.

Despite this shift, the report highlights that 79% of Indian entrepreneurs still plan to pass their businesses to family members, aligning closely with global trends (77% in the UK and 76% in Switzerland). Notably, Indian second- and third-generation entrepreneurs feel a strong sense of trust from their predecessors, with 95% reporting they felt trusted when taking over the business—significantly higher than the global average of 81%.

India is on the brink of a significant intergenerational wealth transfer. According to Hurun data, in 2024 India had 334 billionaires in US dollar terms with the number rising 29% year-on-year. Nearly 70% of the list are on the cusp of a $1.5 trillion intergenerational wealth transfer that equates to more than one third of India's GDP. This underscores the importance of robust succession planning to ensure the seamless transition of wealth and business leadership.

Commenting on the findings, Sandeep Batra, Head, International Wealth and Premier Banking, HSBC India, said, "India's family-owned businesses are balancing legacy preservation with modernity. While there is trust in the next generation to uphold the values and culture of the family business, there is also need for open communication and robust succession planning. This proactive approach not only strengthens family bonds but also safeguards the long-term sustainability of these businesses. By integrating sound financial advice into this process, families can optimize wealth management, mitigate risks, and strategically plan for growth, ensuring their legacy thrives across generations."

India's family-owned businesses are unique in their longevity, with some thriving for over a century. However, many of these businesses were established in the 1990s, following the government's economic liberalization, ushering in a generational shift. Second-generation entrepreneurs, often educated abroad and raised in cosmopolitan settings, bring new perspectives to the table.

Unlike the humble beginnings of many first-generation entrepreneurs in India, the second generation, have grown up in cosmopolitan urban environments. However, family-business owners do trust ability of the next generation to maintain the values and culture of the family business. Multi-generational family businesses accord a high value to extended family and kinship. Second and third generation entrepreneurs in the Indian subcontinent almost unanimously acknowledge the faith that their predecessors placed in them when they took over the business.

Like India, second and third generation entrepreneurs across the rest of Asia trust the next generation to maintain the values and culture of the family business.

Key regional differences in business owners' motivations and preferences for exit include:

- Of those who have succession planning in place, India has the highest percentage of entrepreneurs who intend to pass their business on to a family member, with 79% intending to do so, which puts Indian business owners on a level with their counterparts in the UK (77%) and Switzerland (76%). However, fewer than half of the respondents in Hong Kong share this intention (44%), along with just 56% in mainland China and 61% in Taiwan.
- Entrepreneurs in Asia, with the exception of India, are not planning ahead to the same degree as their counterparts elsewhere.

- Entrepreneurs in mainland China (25%), Hong Kong (29%) and Taiwan (27%), plus to a slightly lesser extent Singapore (22%), show the most interest in selling their business as the exit route of the 10 surveyed markets. The sector most favoured for sale globally is electronics (21%), a sector in which Asia accounts for almost two-thirds of world exports.
- This varied appetite for selling may also be connected to the lived experience and motivations of respondents who themselves inherited the family business. Among the second- and third-generation entrepreneurs surveyed, almost 60% of respondents in mainland China say they felt a sense of obligation to take on the family business, compared to only 7% in India.
- Nevertheless, many multi-generational entrepreneurs across the region feel supported by older generations in the family. In Singapore, this stands at 83%, and even in Taiwan, which sits at the bottom of the Asian pack, it still remains high at 70%.

Although families in Asia are planning for succession less than their global counterparts, they increasingly recognise the need to formalise their wealth structures. The importance of succession planning for family businesses in Asia is also underscored by their economic contribution. These enterprises account for about 79% of GDP in India, one of the highest ratios globally, and around 50% of GDP in mainland China, dominating the private sector.

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Note to editors:

About HSBC's 'Family -owned businesses in Asia: Harmony through succession planning' report

The findings are based on extensive research conducted by Ipsos UK on behalf of HSBC among 1,798 high net worth business owners with at least USD2 million of investable assets. The research was conducted online in mainland China, France, Hong Kong, India, Singapore, Switzerland, Taiwan, UAE, UK and US. See the report for the full methodology.

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