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Digitally Empowered MSMEs Drive India's Economic Growth

New Research Reveals How Legislative and Regulatory Practices Could Impact Digital Ecosystem Benefits for India's MSME Sector



India's Largest Not for Profit Organisation for Micro, Small & Medium Enterprises
www.indiasmeforum.org

TABLE OF CONTENTS

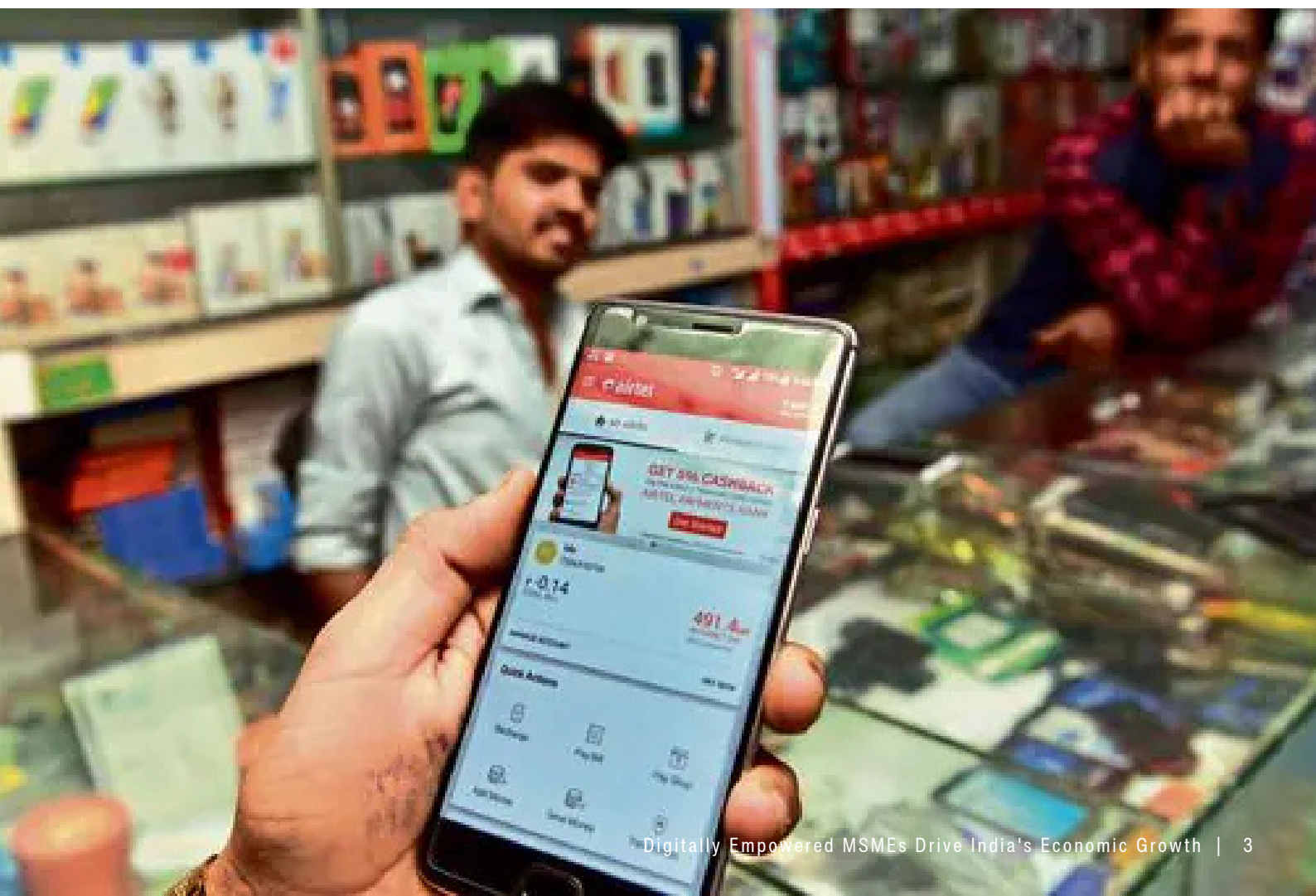
Executive Summary	3
Introduction	6
Methodology	8
Chapter 1: Digital Tools as Essential Growth Drivers for MSMEs	10
Chapter 2: Digital Advertising and the Role of Data in MSME Success	15
Chapter 3: Case Study: MSME Impact of a Recent Regulatory Action on a Digital Platform	19
Conclusions	23
Key Recommendations	24
References	25
About Us	27

EXECUTIVE SUMMARY

India's 57 million micro, small, and medium enterprises (MSMEs) are the backbone of the nation's economy, driving employment, innovation, and economic growth. In today's increasingly competitive marketplace, these businesses have embraced digital transformation as essential to their operations and future success. To understand the depth of this digital integration and assess the potential impact a regulatory event can have on MSMEs, the India SME Forum commissioned a comprehensive survey of over 1,000 MSME leaders across the country.

Our research reveals that digital tools have moved beyond being merely helpful additions and are now indispensable components of MSME operations, in accord with several previous studies in India and worldwide. Amid persistent challenges in customer acquisition and retention—with 67% of MSME leaders reporting difficulties keeping customers and 65% struggling to find new ones—these businesses have turned to digital platforms as their main solution. The average MSME now uses nearly seven different categories of digital tools and more than five distinct digital communication channels to connect with customers, suppliers, and partners.

Such digital adoption correlates with MSME leaders' business optimism. MSMEs that use an above-average number of digital tools are more likely to rate India's economy positively (81% vs. 70% of below-average users) and expect their businesses to grow in the coming years (95% vs. 86%). This pattern suggests that digital tools provide practical operational benefits and contribute to greater confidence and future-oriented thinking among MSME leaders.



The survey results also highlight how signals-driven marketing has become critical for these businesses. Contemporary MSMEs rely on personalised digital advertising to reach customers efficiently:

- Among those who buy digital ads, 94% of MSME leaders consider such ads crucial for acquiring and retaining customers.
- MSMEs advertise across many different digital platforms, with Facebook (49%), YouTube (47%), Google Search (43%), Instagram (40%), and Amazon (24%) being the most popular.
- 85% of MSME leaders said Google Search ads have been important or critical to the overall success of their business, and 83% said the same of YouTube ads, 82% of ads on other Google platforms, 80% of Facebook ads, 71% of Amazon ads, and 63% of Instagram ads.
- 77% of MSME leaders who buy digital ads say receiving fewer data and insights would be a problem for their business. Without such data-driven insights, MSME employees would be forced to spend more on less effective advertising strategies, making competing with larger and/or more sophisticated rivals harder.

As India develops regulations to implement the Digital Personal Data Protection Act (DPDPA) and regulators start dealing with data cross use practices, our findings raise important considerations about how this can impact MSMEs, and the importance of policymakers and regulators paying close attention to MSMEs even while the primary focus may be on a player which is not an MSME. For many MSMEs, ICT enablers, often large platforms, are uplifting and instrumental to success and they together create a win-win economic fabric.

Recently, there has been a spate of legislative and regulatory developments impacting data collection and processing in India. The developments include the release of (i) the draft Digital Personal Data Protection Rules, 2024 (DPDP Rules) which is the overarching framework for regulating data collection and processing in India, (ii) the Draft Digital Competition Bill, 2024 (DCB) which restricts intermixing of data across different core digital services of systemically significant digital intermediaries without user consent, and (iii) now finally an order of the Competition Commission of India in the space of data protection.

The fear is whether overly restrictive policies may limit an MSME's ability to leverage digital tools for marketing, customer engagement, and business growth. We did a detailed case study of one such recent regulatory intervention where a large platform popular amongst MSMEs was mandated by the competition regulator to restrict user data sharing from their OTT communication surface to their ads surface.

The large platform in discussion here is Meta. The Competition Commission of India's (CCI) decision dated 18th November 2024 is one of its kind as for the first time the competition regulator dealt with data protection issues while at the same time applying measures which extended beyond a monetary penalty. Measures put in place included determination of (i) what data could be shared between different services provided by Meta and (ii) what conditions must be met before data allowed to be shared between different services provided by Meta, hence, putting at risk MSMEs who may presently be leveraging such data sharing. We tried to understand from surveyed MSMEs if they felt affected or impacted:

- Leaders of MSMEs advertising on Facebook (75%) and Instagram (72%) said that restrictions on cross-platform data for advertising purposes would be a problem for their business.
- According to 91% of MSME leaders using WhatsApp for Business, features which leverage cross-platform connectivity such as click-to-WhatsApp ads (which 47% of WhatsApp for Business users employ) streamline operations and improve business efficiency.
- 76% of MSME leaders found it problematic if they could no longer purchase ads with “Click to WhatsApp” functionality directly from the WhatsApp for Business app.
- 76% of MSME leaders also said that it would be problematic if their business were unable to use WhatsApp for Business’ many other data-driven features.

The findings underscore the need for a balanced regulatory approach that both protects consumers and recognizes the unique needs of smaller businesses and also consultative approach which takes into account impact on MSMEs. Overly restrictive limitations on use of data or signals within and across platforms could disproportionately harm the most digitally advanced MSMEs—precisely those businesses demonstrating the strongest growth potential and economic optimism.

By developing regulations that accommodate the practical realities of MSME operations, policymakers can support the continued digital transformation of India's vital small business sector while addressing legitimate data protection concerns. This balanced approach will be essential to preserving the digital tools that increasingly drive MSME success and, by extension, India's economic growth.



INTRODUCTION

Global economic uncertainty—exacerbated by the lingering aftereffects of the COVID-19 pandemic and persistent inflation—has pushed businesses worldwide to rapidly adapt their growth strategies. For Indian MSMEs, which are the backbone of the nation’s economy and pivotal in driving employment and innovation, digital transformation has become indispensable. In commissioning this report, the India SME Forum (ISF) sought to illuminate how these enterprises are integrating digital tools to secure a competitive edge while navigating an increasingly complex regulatory landscape.

According to the Ministry of Micro, Small and Medium Enterprises: “Information Technology... gives rise to competitiveness among the Small and Medium Enterprises (SMEs) making them think about the research and development along with the availability of the latest technology. IT is a mechanism, which enables SMEs to respond to customers’ complaints and requirements efficiently by enabling information to be transmitted through various mediums including emails, telephonic, and social media channels. Enterprises can use various platforms of IT services for learning, marketing and advertising, selling their products and services, as well as trading, among various other uses of this technology.”

The digital transformation of small businesses is a global phenomenon with diverse manifestations. In Nigeria, digital technologies are enabling microenterprises to overcome infrastructural and resource challenges (Odufuwa et al., 2024). In South Africa, mobile app adoption among micro-entrepreneurs has revealed how such tools empower business operations (Slinger, Pather, & du Plessis, 2024). Australian research also highlights the importance of digital marketing service providers in overcoming business-to-business challenges for small businesses (Sutherland et al., 2023). In the United States, studies have shown that digital ecosystems provide a critical “digital safety net” for small businesses during challenging times and empower their growth during better times (Data Catalyst Institute, 2020; Connected Commerce Council, 2024; Goldman Sachs, 2025; TechNet, 2025), while in Europe, SMEs demonstrated remarkable resilience and innovation during the pandemic (Data Catalyst Institute, 2021). Moreover, global research underscores that digitally advanced entrepreneurship is key to building resilience (Audretsch et al., 2023) and that effective digital strategies significantly boost business performance (Wang et al., 2024).

Within the Indian context, MSMEs are aggressively adopting digital tools to address a highly competitive and fragmented market. The integration of mobile communications, social media, and data analytics is driven by the need to reach an increasingly tech-savvy customer base and optimize operational efficiency across diverse geographic and demographic landscapes. Academic studies from India reinforce this trend. For instance, research by Chadha, Pingali, and Sokol (2023) demonstrates that digital platforms are reshaping the competitive dynamics for small businesses, while investigations by Goel, Veluri, and Mishra (2024) emphasize that digital marketing is critical for rural micro-entrepreneurs. Furthermore, the work of Ravindran et al. (2023) illustrates how digital marketing and other tools significantly enhance sales performance and ensure business sustainability for MSMEs.

And the survey results we present here align with independent survey findings. For example, a 2024 survey of 10,000 MSMEs by PayNearby (2024) found that 68% of MSMEs realized business growth after adopting digital tools. The same study revealed that 31% of MSMEs reported enhanced business growth through improved operational efficiency and 27% experienced increased sales and income directly attributed to technology adoption.

However, this transformative potential can face challenges from evolving regulatory frameworks that establish new restrictions on data usage and sharing across digital platforms. ISF's research presented in this report offers a rigorous, evidence-based exploration of these dynamics. By documenting the current state of digital adoption among Indian MSMEs, this report provides the reader with a comprehensive view of the interplay between digital innovation and regulatory intervention. Our findings underscore the need for a balanced regulatory approach that protects consumer interests and ensures fair competition without stifling the digital infrastructure critical to the growth and sustainability of India's MSME sector.

METHODOLOGY

In January 2025, ISF commissioned market research firm Ipsos to conduct a survey of Indian MSMEs. Here, we outline the research approach used to gather and analyze data on MSME digital tool usage and also on some regulatory impacts. Our methodology was designed to ensure representative sampling across various business sizes, sectors, and geographic regions while maintaining rigorous quality standards. By employing multiple data collection methods and accommodating linguistic diversity, we sought to capture authentic insights from India's diverse MSME ecosystem while acknowledging the inherent limitations of the sampling approach.

Survey Firm. To survey MSME leaders across India, we commissioned Ipsos Research Pvt. Ltd., the India-based division of the global research firm Ipsos Group S.A. We collaborated with Ipsos to develop the survey questions.

Study Design and Target Group. This study employed a mixed-methods approach to assess feedback from Micro, Small, and Medium Enterprises (MSMEs) in India regarding their utilization of digital tools for business promotion and sales. The research design was informed by precedent studies on digital adoption while expanding the scope to include regulatory impacts. The target respondents were decision-makers (owners, managers, or partners) aged 18+ responsible for marketing and sales decisions within MSMEs across the manufacturing, trade, and service sectors.

MSME Classification Framework. Enterprises were categorized according to the MSMED Act classification system as follows. The sample's sectoral distribution aligned with the proportions in the Annual Report (2023-2024): Manufacturing (31%), Trade (36%), and Other Services (33%).

- Micro: Investment \leq 1 crore INR, Turnover \leq 5 crore INR
- Small: Investment \leq 10 crore INR, Turnover \leq 50 crore INR
- Medium: Investment \leq 50 crore INR, Turnover \leq 250 crore INR



Sampling Methodology. A purposive sampling technique was utilized to ensure appropriate representation across business sizes, sectors, and geographical locations.

Fieldwork and Duration. Pilot interviews were conducted on January 29, 2025, to understand the duration of the survey and the flow of the interview questions. The main fieldwork took place between February 4 and February 28, 2025. The average interview duration was 40 minutes.

Sample and Geographic Coverage. A total of 1,010 MSMEs were surveyed across major MSME-concentrated states in India. Most of the geographic distribution was as follows, with the sample additionally including respondents from Punjab, Haryana, Telangana, Orissa, and Assam:

- Uttar Pradesh: 142 (Manufacturing: 43, Services: 47, Trading: 52)
- West Bengal: 85 (Manufacturing: 37, Services: 25, Trading: 23)
- Tamil Nadu: 85 (Manufacturing: 29, Services: 28, Trading: 28)
- Maharashtra: 82 (Manufacturing: 26, Services: 27, Trading: 29)
- Karnataka: 70 (Manufacturing: 25, Services: 21, Trading: 24)
- Bihar: 70 (Manufacturing: 23, Services: 17, Trading: 30)
- Andhra Pradesh: 53 (Manufacturing: 16, Services: 18, Trading: 19)
- Gujarat: 52 (Manufacturing: 16, Services: 17, Trading: 19)
- Rajasthan: 42 (Manufacturing: 12, Services: 14, Trading: 16)
- Madhya Pradesh: 45 (Manufacturing: 13, Services: 13, Trading: 19)
- Delhi: 284 (Manufacturing: 101, Services: 88, Trading: 95)

Data Collection. A hybrid fieldwork approach was implemented where eligible respondents were interviewed via their preferred method: face-to-face, Computer-Aided Telephone Interviews (CATI), or digital platforms. The survey was conducted in the respondent's preferred language, including English and regional languages (Hindi, Bengali, Tamil, Kannada, Telugu, Gujarati, Oriya, and Assamese).

Quality Control Measures. To ensure data integrity, the following quality control measures were implemented.

- Supervisors, field executives, and managers accompanied initial interviews – up to 5% of the survey sample.
- 10% of each interviewer's work was accessed for voice analysis.
- A Quality Control Team checked up to 20% of the survey samples.
- Geo-tagging technology was implemented to ensure the locations were correctly visited for the interview.

Potential biases. Several sources of potential sample bias were identified:

- The chosen sample, which focuses on selected industries using digital tools, may not accurately represent the entire MSME population.
- The sample of MSMEs chosen for the survey within industrial belts/clusters might not accurately represent the entire MSME population.
- The MSMEs in the sample are registered on government portals, but many MSMEs in India are informal enterprises.
- In terms of non-response bias, firms that chose not to participate may have had different characteristics or experiences than those that did participate.

Dataset. The data was delivered in cross-tabulations. The full results of the survey can be found next to this report on the ISF website.



CHAPTER 1

Digital Tools as Essential Growth Drivers for MSMEs

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This chapter examines how India's micro, small, and medium enterprises have integrated digital technologies into their core business functions and the impact of this adoption on their outlook and performance. As MSMEs navigate customer acquisition and retention challenges, digital tools have become fundamental to their operations.

Our survey results reveal a clear connection between digital adoption levels and business confidence, suggesting that embracing technology correlates strongly with optimism about future growth and economic conditions. The findings below illustrate how MSMEs are leveraging multiple digital platforms to overcome business challenges and position themselves for success in India's increasingly digital economy.

MSMEs are confident about their future but face persistent customer acquisition and retention challenges

Indian micro, small, and medium enterprises (MSMEs) demonstrate remarkable confidence in their growth prospects despite operating in a competitive market environment marked by economic fluctuations and evolving consumer preferences. Despite significant business hurdles, MSME leaders express strong confidence in their future. These challenges highlight the critical need for digital marketing and engagement tools to sustain growth.

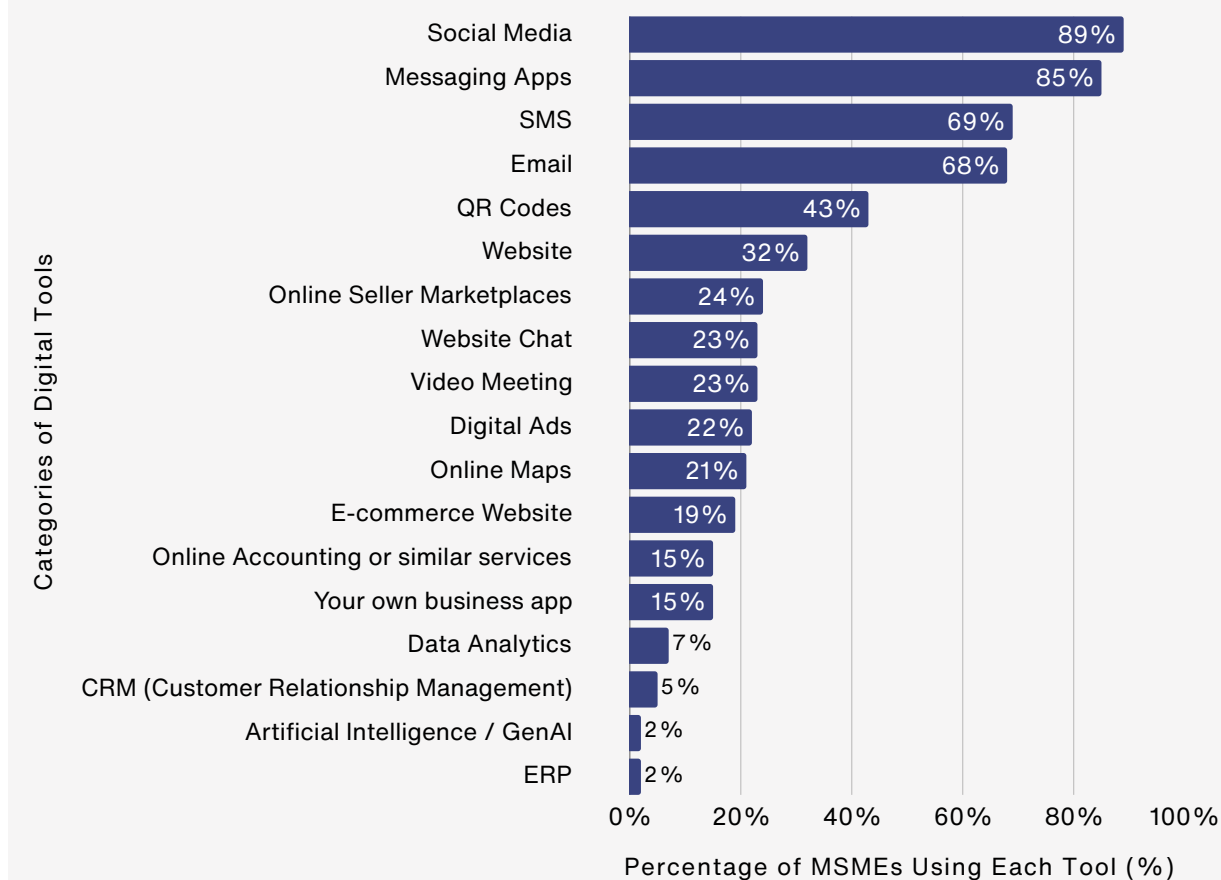
Our survey found that 88% of MSME leaders expect their business to grow in the next two years, and 71% anticipate higher revenues in 2025 than in 2024. However, many MSMEs struggle with customer acquisition and retention—their top concerns. 67% report difficulties keeping customers, 65% struggle to attract new ones, and 63% find it challenging to understand customer behavior. Other common MSME leader challenges include finding financial resources (59%), sustaining business operations (55%), collaborating with staff (53%), and hiring new staff (52%).

MSMEs rely on a wide range of digital tools to operate, communicate, and grow

In today's digital economy, MSMEs have moved beyond traditional business methods to embrace technologies that enable them to compete effectively with larger enterprises. These businesses are adopting multiple tools simultaneously to create comprehensive digital ecosystems that support various aspects of their operations, from customer service to inventory management.

Our survey found that MSMEs use an average of seven (6.7) different categories of digital tools. Among the most popular, 100% of MSMEs use mobile phones, 89% use social media, and 85% use messaging apps for customer interactions, sales, and logistics. Many also use SMS (69%) and email (68%) as core communication channels, while others leverage QR codes (43%), business websites (32%), online marketplaces (24%), video meetings (23%), website chat (23%), and e-commerce websites (19%) to engage with customers and streamline operations.

Categories of Digital Tools Used by Indian MSMEs

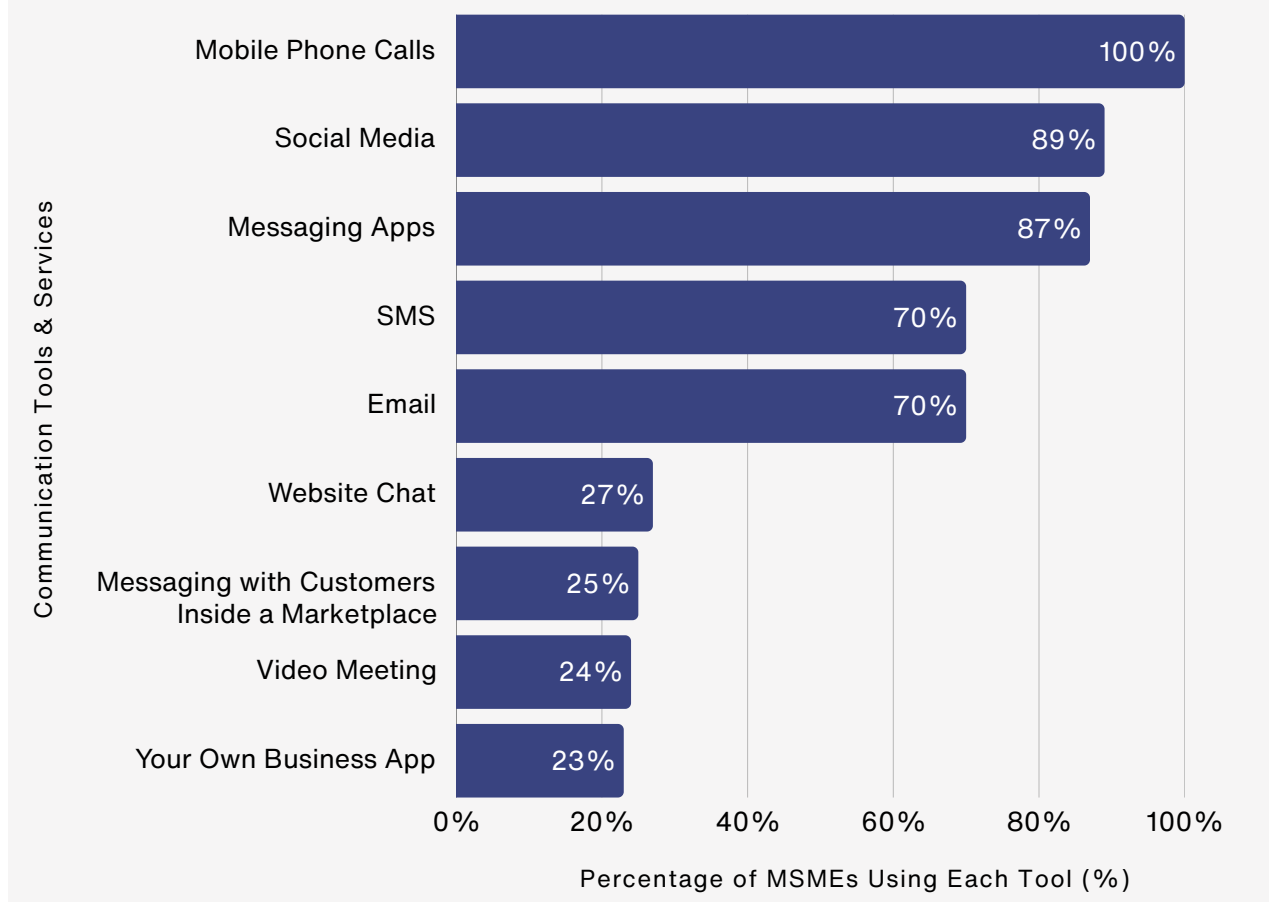


MSMEs leverage multiple communication tools to connect with customers

In India's diverse and fragmented digital landscape, successful MSMEs have moved beyond single-channel communication strategies to meet customers through their preferred platforms. This multi-channel approach allows these businesses to maintain continuous customer engagement across different demographics and use cases while also providing redundancy if one channel experiences technical issues or regulatory changes. The ability to combine different platforms allows businesses to reach customers where they are most active, respond quickly to inquiries, and build stronger relationships.

Our survey found that MSMEs use an average of five (5.2) different communication tools to engage with customers, suppliers, and partners. Among the most popular communications tools, 100% use mobile calls, 89% use social media, 87% use messaging apps (e.g., WhatsApp, Telegram), 70% use SMS, and 70% use email. We also found that, among specific messaging services, personal WhatsApp was the most popular (76% of MSMEs use it), followed by WhatsApp for Business (60%), Instagram Messaging (32%), Telegram (31%), and Zoom (15%). It is notable that MSMEs do not use any of these communications tools or platforms exclusively (i.e., MSMEs are engaging with multiple competing platforms simultaneously). Most use at least a few platforms, for instance WhatsApp for Business users average six (5.6) different communications tools, higher than the overall average.

Digital Tools Used by Indian MSMEs to Communicate with Suppliers, Partners, and Customers



MSMEs with greater digital adoption have a stronger economic outlook

The relationship between digital tool adoption and business confidence reveals how technology integration serves as both a practical advantage and a psychological boost for small enterprise leaders. MSMEs that embrace digital transformation appear to gain operational efficiencies that translate into real business advantages while also developing a more positive perspective on broader economic conditions and their competitive position within the market.

Our survey found that 80% of MSME leaders say digital tools are important to their businesses today, and 81% say they will remain critical over the next two years. In fact, we found that the more digital tools an MSME integrates into their business operations, the more confident they are in their future. For example, 81% of MSMEs using an above-average number of digital tools rate India's economy as good or excellent, compared to 70% of those using fewer tools, a difference of 11%. Similarly, 95% of MSMEs using more digital tools are confident their business will grow in the next two years, compared to 86% of lower adopters. The same pattern holds true of MSMEs that use an above- vs. below-average number of communications-specific tools.

Relationship between MSME digital tool use and MSME leader business and economic outlook

% of MSME leaders who:	Use an above-average number of digital tools compared to those below-average	Use an above-average number of comms tools compared to those below-average
rate the economy in India today as good or excellent	81% vs. 70% (+11)	78% vs. 68% (+10)
are confident that their business will grow in the next two years	95% vs. 86% (+9)	93% vs. 85% (+8)
think their annual revenue will be higher in 2025 than in 2024	78% vs. 70% (+8)	77% vs. 67% (+10)

The following chapter examines how signal-driven targeting and analytics have become foundational to MSMEs' ability to effectively market their products and services.



CHAPTER 2

Digital Advertising and the Role of Data in MSME Success

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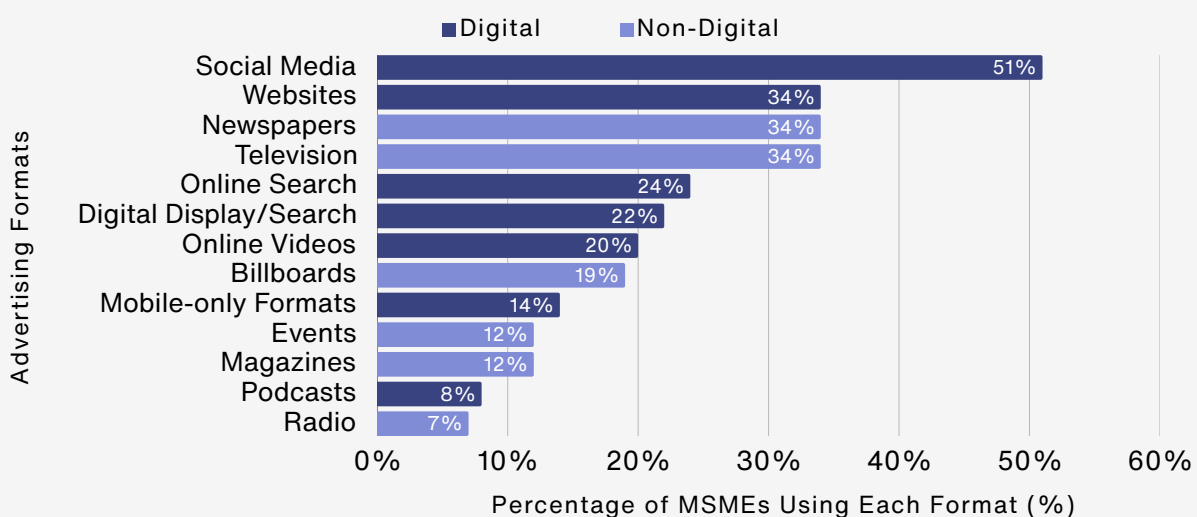
This chapter examines how MSMEs leverage digital advertising platforms and the critical role that useful signals or data plays in their marketing strategies. Our survey results demonstrate that both access to digital advertising platforms and the ability to use signals or data for targeting and optimization have far-reaching implications for MSMEs across India's digital marketplace. As these businesses navigate resource constraints, their reliance on cost-effective digital channels and data-driven insights becomes increasingly critical to their competitiveness and survival.

Advertising on digital platforms is crucial for MSMEs to attract customers and grow their business

With limited resources for traditional advertising channels like print, television, or outdoor media, digital platforms provide MSMEs with cost-effective alternatives to reach personalised audiences. This democratization of advertising has created new opportunities for smaller businesses to compete for consumer attention in ways that were previously accessible only to larger enterprises with substantial marketing budgets.

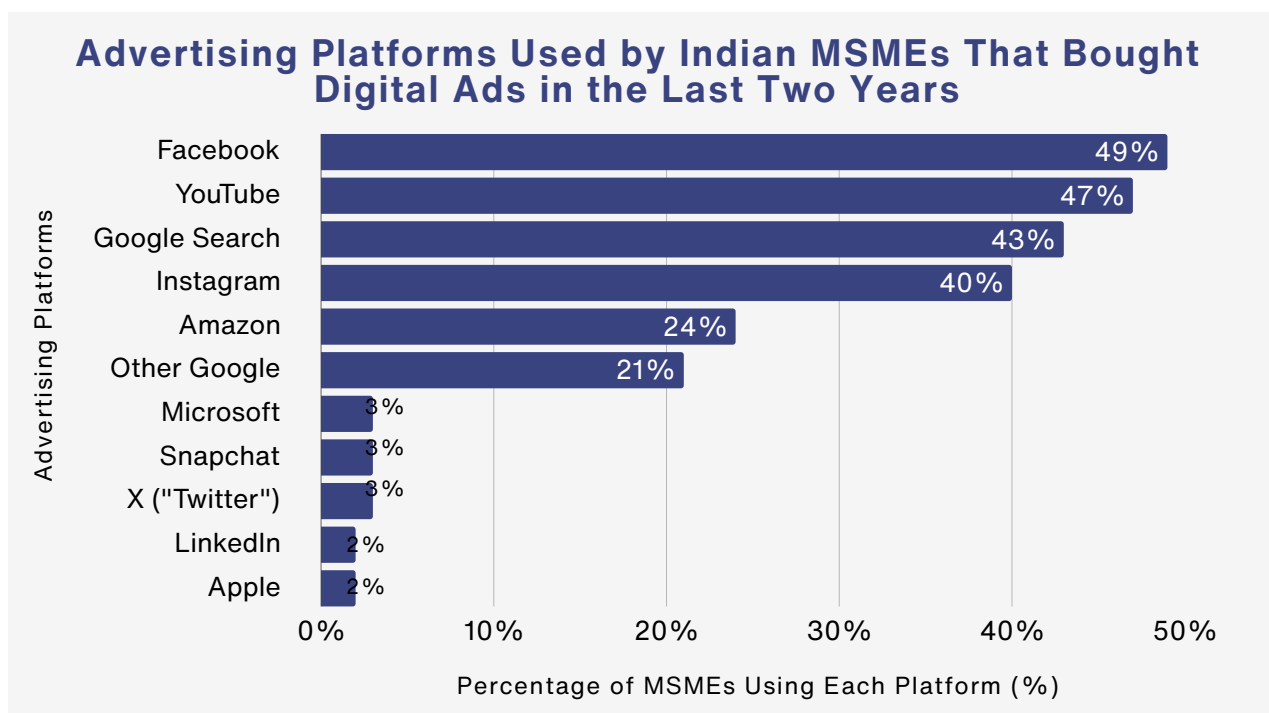
Our survey found that among MSME leaders who buy digital ads, 88% say they are important or extremely important for their business now, and 85% say they will be important or extremely important during the next two years. Nearly all (94%) agree that digital advertising is crucial to their business's success and growth. MSMEs have paid for a broad mix of ad formats during the past two years: 51% have run social media ads, 34% advertised on websites, 24% advertised via online search, 22% via digital display/search, 20% via online video, and 14% in mobile-specific formats. And, interestingly, MSME also advertised in traditional formats such as newspapers (34%), television (34%), billboards (19%), and events (12%).

Advertising Formats Used by Indian MSMEs That Bought Ads in the Last Two Years



During the past two years, MSMEs have advertised on a variety of advertising platforms, with 49% advertising on Facebook, 47% on YouTube, 43% on Google Search, 40% on Instagram, 24% on Amazon, and 21% on other Google platforms and formats. Small numbers also advertised on Microsoft ad platforms (3%) and Snap (3%).

We asked MSME leaders how important these specific branded platform ads were to their business and found that 85% of MSME leaders said Google Search ads have been important or critical to the overall success of their business, and 83% said the same of YouTube ads, 82% of ads on other Google platforms, 80% of Facebook ads, 71% of Amazon ads, and 63% of Instagram ads.



MSMEs rely on ad performance data to optimize their marketing strategy

Performance analytics and measurement tools and personalised advertisements have transformed how small businesses approach marketing, enabling a shift from intuition-based decisions to insights-driven optimization. This capability is particularly valuable for MSMEs with constrained budgets who need to extract maximum value from every advertising rupee and cannot afford the trial-and-error approach that was once standard practice in marketing.

Our survey found that 63% of MSME leaders say they use insights related to the performance or effectiveness of their digital ads to improve the effectiveness of their advertising, and more than three-quarters (77%) of MSME leaders who buy digital ads say receiving fewer insights would be a problem for their business. Without such insights, MSME employees would be forced to spend more on less effective advertising strategies, making competing with larger and/or more sophisticated rivals harder.

Recent Legislative and Regulatory Developments Affecting Data Practices in India

Recently, there have been a spate of legislative and regulatory developments impacting data collection and processing in India. The legislative developments include the release of (i) the draft DPDP Rules and (ii) the DCB.

Digital Personal Data Protection Act (DPDP) Rules

The DPDP Rules deal with the implementation aspects of the Digital Personal Data Protection Act (DPDP Act). Range of issues covered include the notice by the Data Fiduciary to the individuals, registration and obligations of Consent Manager, applicability of reasonable security safeguards, intimation of personal data breach, providing details about availing of their rights by the individuals, processing of personal data of child or of person with disability, setting up the Data Protection Board, etc.

The entity that determines the purpose and means of processing of personal data is called a data fiduciary and MSMEs also fall within the ambit of the term. Accordingly, MSMEs are also required to comply with the DPDP Act and DPDP Rules. Broadly, a key challenge for MSMEs could be ensuring a skilled workforce that understands and educates other employees about the compliances under the DPDP Act and the DPDP Rules. MSMEs have limited resources whereas data protection measures and compliance is a complex subject.

Digital Competition Bill

Clause 2(2) of the Digital Competition Bill restricts Systemically Significant Digital Enterprise from freely cross-using or intermixing data of users across different digital services that they provide unless they obtain user specific consent. Further, advertisement services have been defined as a separate service necessitating user consent before they can be shown contextual or personalised ads.

This obligation is particularly problematic for MSMEs. Such restrictions would degrade the effectiveness and quality of ads and negatively affect the ability of MSMEs to rely on affordable but effective ads. Today MSMEs heavily utilize marketing and ads tools throughout the marketing funnel - from consumer discovery and awareness, to consideration, to conversion (e.g. sales) and today these have become mission critical for small and medium sized businesses which cannot afford large marketing campaigns.

Having established the critical importance of data-driven advertising for MSMEs, we now examine a specific case study of the impact on MSMEs of a recent regulatory action on a digital platform. The following chapter explores how that digital platform is being leveraged by MSMEs in their operations and how potential regulatory changes could significantly impact business outcomes for millions of MSMEs.



CHAPTER 3

Case Study: MSME Impact of a Recent Regulatory Action on a Digital Platform

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As a case study of the value of digital tools to MSMEs, this chapter focuses on our research about Meta's ecosystem of platforms and small business products: Facebook, Instagram, WhatsApp, WhatsApp for Business, and Meta Verified for Business—against the backdrop of recent regulatory developments. The Competition Commission of India's recent directive exemplifies how policy frameworks that primarily target large platforms can overlook effects on smaller businesses in the digital ecosystem. This regulatory approach establishes constraints on data practices that our research suggests will have substantial negative impacts on the small businesses that rely on these platforms.

As we explore the leveraging of Meta's tools in MSME operations, the potential disruption from such regulatory actions becomes increasingly apparent. Our survey results reveal the extent to which these MSMEs are leveraging Meta's services into their core functions and their concerns about potential regulatory changes that might disrupt access to these tools. The findings highlight how even recently introduced features are already considered essential by many MSMEs, particularly for establishing trust with customers and streamlining sales processes.

Restrictions on data-sharing would harm MSMEs across multiple platforms

As explained earlier, data usage restrictions may have unintended consequences for MSMEs that rely on personalised advertising to reach potential customers efficiently. Unlike larger companies that can absorb increased marketing costs, MSMEs operate with thin margins and limited resources, making personalized ads a critical competitive tool—rather than a luxury.

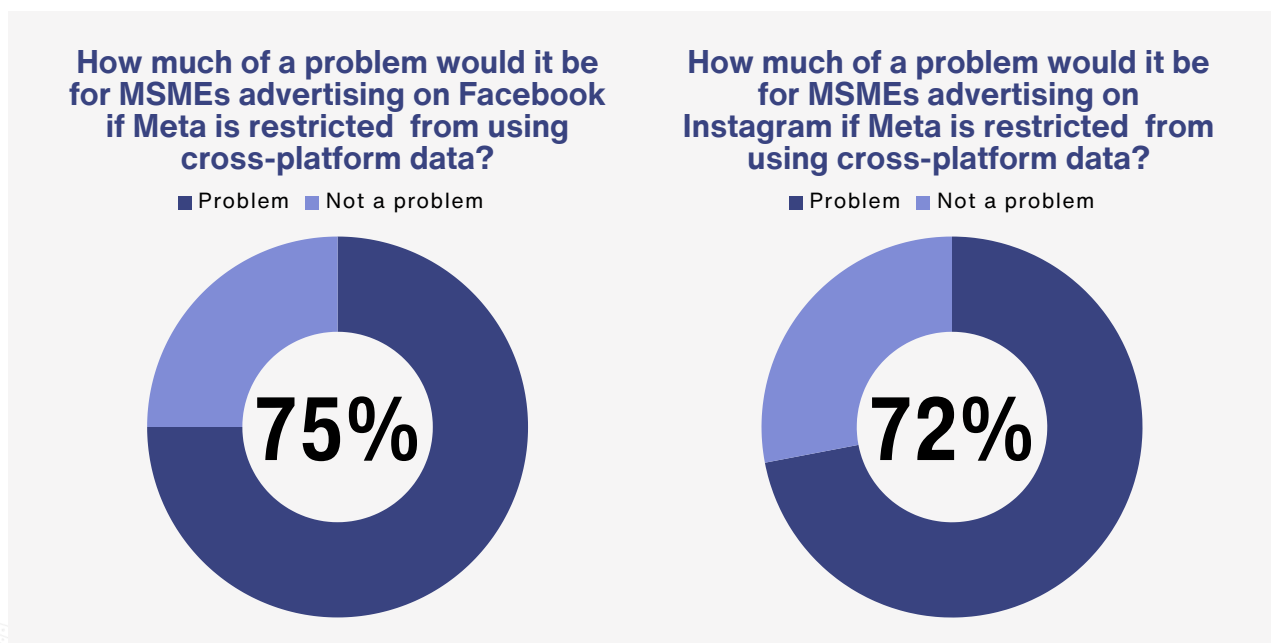
More than two-thirds (70%) of MSME leaders whose businesses buy ads know that advertising platforms like Facebook use data about users' behavior and interests to target business ads to the most relevant audiences—in other words, the people who would be most interested in their advertised product or service.

With the above backdrop, we asked if platform-specific digital ads were delivered to more general audiences instead of to audiences more likely to be interested in your business product or service, how much of a problem—if at all—would that be for their business. We found that 71% of MSMEs that have recently advertised on Google Search, 70% on YouTube, 69% on Amazon, 67% on Instagram, 65% on Facebook, and 58% on other Google platforms say that reduced data-driven ad personalization would be a problem for their businesses. Clearly, restrictions on data-sharing would disrupt MSMEs' ability to advertise effectively across digital ecosystems. The Meta ecosystem offers a particularly illustrative example of how these data-sharing restrictions would impact MSME operations in practice.

Surveyed MSMEs leverage Meta's tools and products extensively

It appears that surveyed MSMEs are using Meta's tools to build brand awareness, engage with customers, and drive sales across multiple channels and communication formats. An ecosystem where signals can be shared across different products significantly enhances MSME capabilities to market effectively.

Our survey found that social media is the most popular format for MSME advertising, with 49% of MSMEs that buy digital ads having bought them on Facebook and 40% on Instagram during the last two years (see Chapter 2). Using the signals arising out of interactions between the MSME and its customers enhances the MSMEs' ability to connect with potential customers more effectively. Interacting with businesses is entirely optional for a user. However, the CCI directive explicitly prohibits cross-platform data sharing for advertising purposes, which 75% of MSMEs advertising on Facebook and 72% on Instagram say would be a problem for their business.



WhatsApp for Business is a powerful tool for customer engagement and sales

Our survey results show that WhatsApp for Business has proven to be a natural fit for the practical needs of small merchants in India. It offers MSMEs a low-friction entry point into digital commerce that aligns with existing customer behaviors while providing business-specific features that enhance professionalism and efficiency.

We found that WhatsApp for Business has been leading in MSME communication, with 60% of MSMEs using it for customer interactions, product promotions, and direct sales. 91% of MSME leaders using WhatsApp for Business say the ability to share product catalogs and update customers on orders with that service has improved their sales process. Commonly used WhatsApp for Business features include quick replies for faster responses (56% of WhatsApp for Business users), product catalogs for easy sharing of product information (45%), status posting (45%), and automated greeting and away messages (45%).

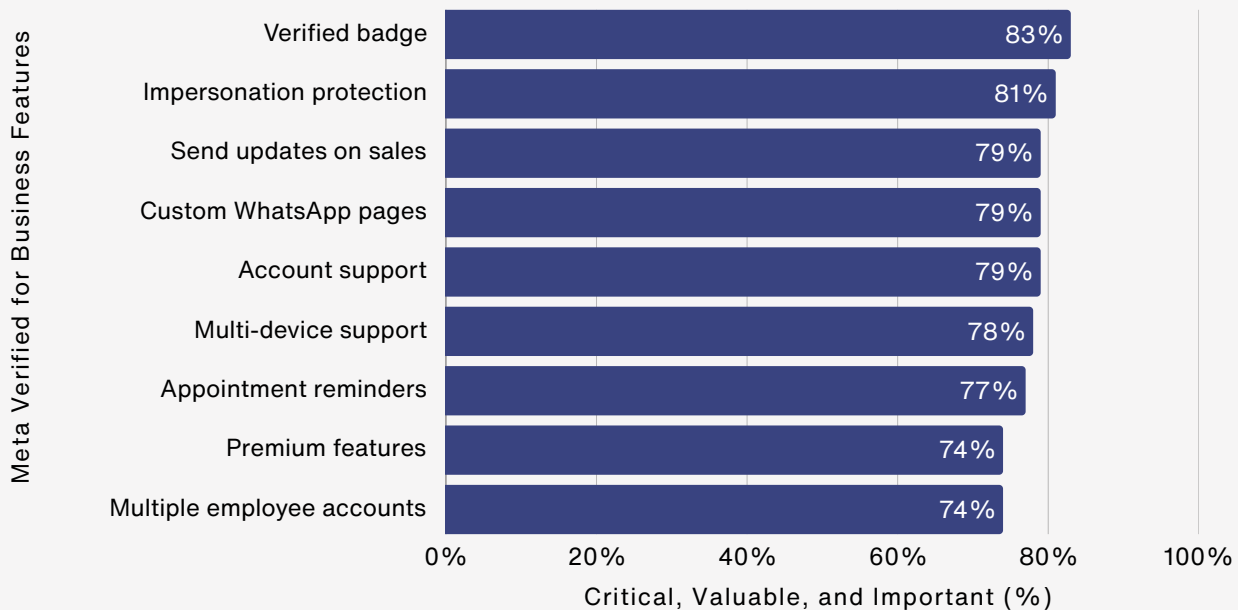
Click-to-WhatsApp ads (which 47% of WhatsApp for Business users employ) which leverage cross-platform connectivity streamline operations and improve business efficiency according to 91% of MSMEs using WhatsApp for Business. 76% of MSME leaders said that if they could no longer purchase ads with “Click to WhatsApp” functionality directly from the WhatsApp for Business app it would be a problem for their business. 76% of MSME leaders also say that it would be problematic if their business were unable to use the many other WhatsApp for Business features and services, including Business Profile (59% of WhatsApp for Business users), Status (54%), Marketing Messages Lite (31%), Away Messages (30%), Catalog Links (29%), and Quick Replies (25%).

Surveyed MSMEs are also leveraging newer product offerings

Establishing legitimacy can be a significant challenge for MSMEs as customers grow increasingly cautious about potential scams and fraudulent online businesses. Meta Verified for Business helps MSMEs with trust building while offering protection against fraud and impersonation.

Our survey found that security and legitimacy are key MSME concerns, and 22% use Meta Verified for Business (MVB) to enhance trust with customers. 83% say MVB-verified badges are important for credibility, 81% say MVB impersonation protection is critical, 79% say sending updates on sales is important, 79% say having WhatsApp pages discoverable on the web is important, 79% rely on MVB account support, 77% say appointment reminders are important, and 74% say the ability to have multiple employee accounts is important. 84% of MSMEs that use MVB were concerned about any impact that would make MVB less effective and trustworthy.

Features of Meta Verified for Business that MSME Users Say Are Important



CONCLUSIONS

India's 57 million MSMEs have embraced digital transformation as a key driver of business success, with our survey revealing how deeply integrated these tools have become in their daily operations. The average MSME now uses an average of seven different categories of digital tools and over five distinct communication channels to connect with customers, suppliers, and partners. This digital integration is correlated with MSME leaders' business confidence and growth expectations, with more digitally advanced MSMEs demonstrating higher economic optimism.

The data-driven nature of contemporary digital advertising is particularly critical for MSMEs. Unlike larger companies with more substantial marketing resources, MSMEs rely on personalised, cost-effective digital advertising across multiple platforms to reach potential customers efficiently. Our research survey clearly demonstrates that restrictions on data sharing and ad targeting would harm smaller businesses by raising costs, hindering marketing efficiency, and limiting their ability to compete effectively.

Our case study highlights that 60% of surveyed businesses use WhatsApp for Business and 76% of those say that disruptions to its features would be a problem. These digital tools are no longer supplementary but essential business infrastructure. Similarly, the security and trust provided by verification services—like those that are a part of Meta Verified for Business—address fundamental needs in India's expanding digital marketplace.

Policymakers developing digital regulations should carefully balance privacy concerns with the practical needs of MSMEs. Our research suggests that a thoughtful, nuanced approach to regulation would recognize the unique constraints faced by smaller businesses and their reliance on digital tools for growth and competitiveness. By considering the potential economic impact of proposed restrictions and engaging with MSME stakeholders throughout the regulatory process, policymakers can develop frameworks that protect consumer interests while supporting the continued digital transformation of India's vital MSME sector.

Rather than inadvertently hindering MSME economic growth, regulations should aim to balance fair market concerns with the practical needs of India's MSME sector. Unfortunately, measures such as those imposed by the CCI would paradoxically harm the most digitally advanced and growth-oriented MSMEs—precisely, the businesses that contribute most significantly to employment generation and economic development.

By incorporating these considerations into the regulatory framework, policymakers and regulators can better support the continued digital transformation of MSMEs while addressing legitimate data protection concerns, ultimately strengthening India's position in the global digital economy.

KEY RECOMMENDATIONS

1. Reduce compliance burdens on small businesses that rely on third-party advertising and data analytics.
2. Ensure protection and availability of targeted marketing solutions available for MSMEs in India.
3. Adopt a flexible approach for MSMEs to facilitate responsible data use without excessive regulatory overhead.

The India SME Forum urges policymakers to take a balanced approach to regulation—one that safeguards consumer data privacy while ensuring that MSMEs continue to benefit from digital innovations essential for business growth and economic expansion.



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ABOUT US

About India SME Forum



Formed in May 2011, with the objective to propel a Small and Medium Business Movement across the country, India SME Forum is a non-governmental, non-political, not for profit organization with 19 State Chapters across India. Starting out with 400 members in 2011, today we have over 98,000+ MSMEs as members (9,400 are women) and 1,236,000+ MSMEs as subscribers. India SME Forum has selected 7000+ high growth sustainable enterprises in its membership, ready for internationalization.

India SME Forum has been a member of India's National Board of MSME, the apex MSME Statutory Body, between 2015-2020, a member of the 3-member Advisory Committee of the Ministry of MSME under the MSMED Act, a member of the RBI's Standing Advisory Committee on Flow of Institutional Credit to MSME Sector, a member of the Ministry of MSMEs International Co-operation Committee, a member of the MSME Export Promotion & Development Task Force, the Government of India and member of the GMIS Task Force.

