Annual Survey of MSMEs in India 2025: The Role of Digitalisation

A VentureBean Industry Analysis

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This analysis distils key findings from the source report and frames them through VentureBean's lens — helping scaling Indian enterprises (₹10Cr–100Cr) translate macro insights into leadership and growth strategy.

VentureBean's Perspective

The recent ICRIER 2025 Annual Survey of MSMEs in India confirms a narrative we at VentureBean see playing out across the mid-market: Indian enterprises are demonstrating remarkable resilience, with digitalisation acting as a profound catalyst for revenue growth and market access. The report rightly highlights that integrating with digital platforms unlocks unprecedented reach and even eases traditional bottlenecks like working capital through data-backed, cash-flow-based financing. However, for ambitious SMBs aiming to scale from ₹10Cr to ₹100Cr, a critical distinction must be made between merely adopting digital tools and fundamentally building a business that can scale. Setting up an e-commerce storefront or digitizing a supply chain is just the entry ticket. To grow beyond founder-led execution, companies cannot rely on software alone; they must build the underlying systemic architecture that allows the business to absorb exponential growth without breaking.

As the ICRIER findings reveal, the moment an enterprise digitalises, its operational bottlenecks immediately shift. The constraints evolve from basic market access and survival to complex execution challenges—specifically, the unavailability of skilled manpower, the inability to manage shifting customer expectations, and the friction of handling sudden volume. This is exactly where many growing businesses stall. Digital adoption creates a sudden influx of demand and data, but without structured data visibility and deep managerial capability, founders quickly become the primary bottleneck in their own companies. Converting a digital footprint into genuine operating leverage requires institutionalizing process discipline. It means moving away from ad-hoc, hero-driven problem solving and establishing repeatable frameworks that can handle everything from dynamic inventory cycles to nuanced customer retention, all without requiring the founder's daily intervention.

This pivot from digital presence to operational scalability lies at the very heart of our work at VentureBean. Scaling to ₹100Cr is fundamentally a leadership and execution challenge, not just a technological one. To truly harness the second-order benefits of digitalisation highlighted in the report—such as global export potential and expanded profit margins—founders must elevate their role from chief problem-solver to chief architect. By investing in leadership readiness, developing a highly capable second-line management team, and establishing a rigorous operating cadence, mid-market companies can ensure their operational systems outpace their sales growth. Ultimately, technology accelerates the velocity of a business, but it is the execution discipline and the maturity of its leadership that dictate how far it can safely scale.

Significance of the Report

Published in March 2025 by the Indian Council for Research on International Economic Relations (ICRIER), the Annual Survey of Micro, Small and Medium Enterprises in India 2025: The Role of Digitalisation offers a critical examination of how digital adoption is reshaping the country's enterprise landscape. The comprehensive study draws on primary data from 2,365 Udyam-registered manufacturing MSMEs spread across 12 states and more

than 20 clusters, providing a robust overview of sector-wide trends. At its core, the report presents a detailed comparison between e-commerce-integrated and non-integrated firms, conclusively demonstrating that digitalized businesses consistently outperform their traditional counterparts in sales growth, profitability, and hiring. Beyond basic business metrics, the survey highlights significant second-order benefits of digital integration, particularly in mitigating persistent hurdles like limited access to formal finance and international export markets. For Indian business leaders, these findings provide actionable evidence that embracing digital platforms is an indispensable strategy for accelerating enterprise growth and sustaining long-term competitiveness. Furthermore, the survey underscores the crucial link between digitalization and formalisation, illustrating that transitioning toward registered, technologically enabled operations is essential for scaling fragmented businesses into resilient engines of national economic development.

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Findings

About 50% of the surveyed enterprises experienced an increase in turnover and profits in 2023-24 compared to 2021-22, demonstrating strong post-Covid resilience.

This robust performance counters the common perception that MSMEs are inherently vulnerable, highlighting a sustained trajectory of recovery and financial resurgence.

Small businesses in India are currently only one-fourth as productive as large enterprises due to the highly fragmented and informal nature of the sector, where over 98% of registered firms are micro-sized.

This severe productivity gap acts as a critical structural bottleneck, preventing MSMEs from effectively scaling up to their full employment and output potential.

Digital adoption has accelerated significantly, with 71% of surveyed enterprises joining e-commerce platforms during or after 2020 to expand their market reach.

This rapid e-commerce integration is a vital driver of enterprise development, as over 90% of these integrated firms reported subsequent growth in both sales and profit margins.

Nearly 50% of firms integrated with e-commerce platforms hired new employees after integration, and notably, about 75% of these firms specifically hired women.

This indicates that digitalization not only drives immediate business expansion but also serves as a crucial catalyst for inclusive job creation and workforce growth.

While 70% of MSMEs continue to face financial challenges post-Covid, e-commerce integration is mitigating this barrier, with 51% of integrated firms finding their digital presence helpful for raising external finance.

Furthermore, 30% of these firms successfully leveraged e-commerce data to secure collateral-free loans, proving that digital footprints can effectively substitute traditional physical collateral.

Digital Public Infrastructure, such as the Account Aggregator framework, facilitated INR 45.25 billion in unsecured MSME loans during the first half of 2024-25.

This shift from collateral-based to cash-flow-based lending is revolutionary for MSMEs, as it directly addresses their historical lack of fixed assets and documentation.

Only 16% of surveyed enterprises currently export, but an impressive 93% of those export-oriented, integrated firms use e-commerce to reach international markets.

This demonstrates that e-commerce is a powerful gateway for global trade export readiness, empowering even micro-enterprises to overcome traditional geographical and informational barriers.

Following e-commerce integration, 62% of firms invested in employee training, and nearly 50% invested in research and development for new products.

This demonstrates that digitalization encourages essential second-order benefits like innovative business practices and skill development, which are critical for long-term sustainability.

Operational constraints differ vastly by digitalization status; while non-integrated firms primarily struggle with traditional market access, 33% of integrated firms rank the shortage of skilled online manpower as their top challenge.

This divergence highlights a critical policy shift needed from solving conventional physical access problems to addressing specialized digital skill gaps.

Despite the clear business benefits of digital adoption, offline channels remain dominant, with approximately 70% of firms still conducting the majority of their business offline.

This heavy reliance on offline sales underscores that while digital adoption is growing, there is still massive untapped potential for further e-commerce integration to drive future MSME growth.

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Thought Triggers

Provocative questions for CEOs, founders, and CXOs of scaling Indian businesses:

1. Are you bolting on digital tools, or actually rewiring your business operations? You might have successfully integrated e-commerce into your sales strategy to drive revenue, but if your back-office logistics, returns management, and customer service are still running on manual, ad-hoc processes, your operational immaturity will eventually cap your growth.

2. Is your data working for you, or is it just sitting in a dashboard? The modern financial ecosystem increasingly uses digital transactional data and cash-flow footprints to unlock collateral-free working capital. If your leadership team isn't actively organizing and leveraging your digital sales data to negotiate better financial terms and fund expansion, you are leaving your most valuable asset on the table.

3. Are you building a digitally capable team, or is the founder still the chief problem solver? The most prominent hurdle for digitally integrated businesses isn't market access—it's the severe shortage of specialized talent to manage online operations, run targeted marketing, and handle compliance. If every platform algorithm change or digital disruption requires your direct intervention, you have a founder bottleneck, not a scalable system.

4. Are you trapped in a single channel, or building a resilient, diversified machine? While third-party e-commerce accelerates initial growth, the most competitive and mature firms use it as a launchpad to diversify—building their own direct-to-consumer websites, exploring social commerce, and testing international export markets. If your revenue is entirely dependent on one marketplace's ecosystem, you do not truly own your growth.

5. Do your internal standards match your newfound digital reach? Selling online exposes your products to immediate, global scrutiny, where high return rates, delayed dispatch times, and poor customer feedback can instantly sink a brand. If you haven't standardized your quality control, packaging requirements, and internal workflows to meet strict platform standards, your expanded digital visibility will become a liability rather than a strength.

6. Are you using digital platforms purely to clear inventory, or to drive continuous product innovation? The most successful scaling businesses don't just use digital tools for distribution; they actively mine customer feedback, monitor competition, and use those insights to invest in R&D and launch improved products. If your digital presence isn't feeding directly into your product development cycle, you are operating a transactional storefront rather than building an enduring brand.

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Ready to Apply These Insights?

If this report resonated with you, let's explore how VentureBean can help your organisation navigate these challenges.

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