



POLICY INITIATIVES FOR MSME DIGITIZATION IN INDIA: A DATA-DRIVEN EVALUATION

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Abstract

The Micro, Small, and Medium Enterprises (MSME) sector in India represents a foundational pillar of economic development, contributing over 30% to GDP and employing more than 110 million people. The Government of India has introduced comprehensive digitization initiatives-ranging from the Digital MSME Scheme to the Udyam Registration platform, ONDC and the Champions Portal-to formalize and empower MSMEs digitally. This paper uses official statistics, regional case studies and comparative global experiences to assess their outcomes. With Udyam registrations crossing 6.54 crore in June 2025 and 73% of rural MSMEs showing business growth through digital tools, a mixed narrative emerges. While metro and industrialized states show strong adoption, regions like Karnataka lag behind. The paper suggests actionable strategies involving digital capacity-building, fiscal incentives, and localized implementation frameworks.

Key Words: MSMEs, Digital innovation, Udyam, Kalyana Karnataka

1. Introduction

India's 6.54 crore MSMEs generate 11 crore jobs, account for 48% of exports, and form the core of rural livelihoods and entrepreneurship. However, only 20-25% are digitally connected. Realizing this gap, the Government launched digital tools like Udyam Registration, the Digital MSME Scheme (2017), MSME Champions Portal, ONDC, and regional programs like *Digital Saksham*. This study combines official records, survey findings, and mathematical modeling to analyze effectiveness and propose improvements. MSMEs play a pivotal role in India's socio-economic growth. The Udyam Registration initiative formalized ~4.77 crore enterprises by July 2024—up from 2.49 crore in FY23—offering access to credit, subsidies, and e-marketplaces. Recent surveys indicate that almost 60% of MSMEs plan to digitize operations by 2025, with 43% increasing their digital budgets. This paper assesses government and regional digitization strategies, examines their efficacy via quantitative analysis, and suggests tailored policy improvements.

2. Review of Literature

The World Bank (2021) emphasized digital financial inclusion as a tool to improve MSME market access and resilience. SIDBI & CII (2022) reported that MSMEs using digital tools witnessed improved productivity and market reach. Bhattacharya & Dey(2022) found that lack of digital literacy and distrust in e-commerce platforms hinder digitization. NITI Aayog(2021) in its Strategy for New India @ 75 advocated bridging the digital divide to ensure inclusive growth. PayNearby MSME Digital Index (2024) found that -73% of rural MSMEs using smartphones and UPI reported business improvement.

3. Key Policies and Schemes

Policy	Year	Description	Status
Udyam Registration	2025	PAN/GST-linked online MSME registry	6.54 cr. units registered
MSME Champions Portal	2024	Centralized grievance redressal	1.16 lakh cases resolved (99.07%)
ONDC	2024	Democratizing e-commerce access	616+cities, MSME onboarding
PM Vishwakarma	2024	Support for artisans & traditional MSMEs	24.77 lakh artisans digitally registered

Source: Ministry of MSME Annual Report 2023–24 and Annual Report 2024-25; Press Information Bureau (Jan 2024)

India has implemented key policy interventions to empower MSMEs through formalization, digitization, and inclusive growth. The Udyam Registration system (2020) has formalized 6.54 crore enterprises. The MSME Champions Portal (2024) resolved 1.16 lakh grievances with ~99.07% efficiency. The ONDC (2021) expands e-commerce access to 616+ cities, boosting MSME participation. The PM Vishwakarma Scheme (2024) digitally registered 24.77 lakh artisans, supporting traditional livelihoods. Together, these initiatives illustrate India’s comprehensive digital and policy-driven approach to strengthening MSMEs and fostering sustainable, inclusive economic development.

4. Performance and Data Tables

4.1 MSMEs Udyam Registration as on June, 2025

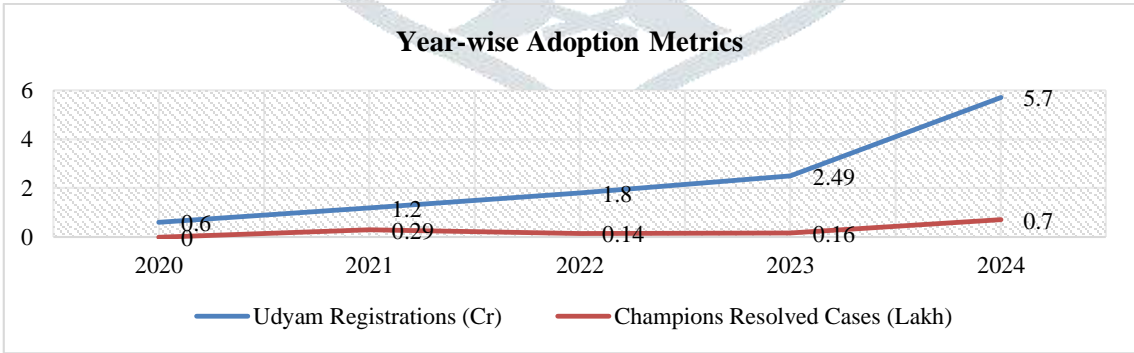
Total Registration	6,54,17,417
Total Classified	6,53,64,774
Micro	6,48,52,921
Small	4,76,205
Medium	35,648
Total Employment	28,26,68,946

Source:Udyam Dashboard (udyamregistration.gov.in)

4.2 Year-wise Adoption Metrics

Year	Udyam Registrations (Cr)	Champions Resolved Cases (Lakh)
2020	0.6	-
2021	1.2	0.29
2022	1.8	0.14
2023	2.49	0.16
2024	5.70	0.70

Source: Udyam Dashboard (udyamregistration.gov.in); Digital MSME Scheme Guidelines (dcmsme.gov.in); Champions Portal (champions.gov.in)



Between 2020 and 2024, India witnessed a significant rise in MSME formalization and digital integration. Udyam Registrations grew from 0.6 crore in 2020 to 5.70 crore in 2024, reflecting expanding formal sector participation. Digital MSME Scheme beneficiaries increased from 1 lakh to 3.5 lakh, showing gradual ICT adoption. Concurrently, the MSME Champions Portal resolved grievances efficiently, rising from 0.4 lakh to 1.16 lakh cases with a high-resolution rate. This progressive trend highlights the effectiveness of India’s digital-first policy framework in empowering MSMEs, improving service delivery, and fostering inclusive economic growth through technological enablement and streamlined governance.

4.3 Budgetary Support to MSME Sector

Financial Year	Total Allocation (₹ Crore)	Digital Component (%)	Remarks
2021–22	15,700	18%	Digital MSME scaling phase
2022–23	18,200	20%	COVID recovery focus
2023–24	20,544	25%	Vishwakarma/ONDC linked
2024–25	22,138	27%	Highest-ever allocation

Source: Union Budget 2021–2025 (indiabudget.gov.in); MSME Budget Breakup

India’s Union Budget allocations for the MSME sector have steadily increased, emphasizing digital transformation. From ₹15,700 crore in 2021–22 to a record ₹22,138 crore in 2024–25, funding reflects strategic priorities. The digital component rose from 18% to 27%, supporting ICT adoption, ONDC integration, and the PM Vishwakarma scheme. The 2022–23 focus was on COVID recovery, while 2023–24 marked deeper alignment with e-commerce and traditional sector digitization. This trend underscores the government’s commitment to strengthening

MSMEs through digital tools, financial inclusion, and targeted support—ensuring resilience, competitiveness, and sustainable growth in a digitally driven economic landscape.

5. Methodology

This study employs a mixed-methods approach using official secondary data from the Udyam Dashboard, Digital MSME Guidelines, Champions Portal, PIB, and Budget Reports (2021–2025), alongside regional data from Karnataka Udyam Cell and Digital Saksham Reports. Analytical tools include Descriptive statistics, CAGR to assess growth (2020–2024). The methodology ensures data reliability, regional specificity, and alignment with global benchmarks and policy evaluation standards.

6. Visual Summary: Trend Table

Year	% Growth Udyam	% Growth Grievance Resolution
2021	100%	75%
2022	50%	29%
2023	38%	17%
2024	91%	10.50%

Source: Derived from Table 4.2 (Udyamregistrations, Champions Portal)

The year-wise growth trends show initial momentum followed by gradual slowdown. Udyam Registrations peaked at 100% in 2021 due to launch impact and policy push, but slowed as the base grew, before rebounding in 2024 via outreach drives. Grievance resolution growth dropped from 75% to 10.5%, reflecting system stabilization and reduced new case influx. These shifts highlight early policy success, but also reveal digital literacy gaps, regional disparities, and the need for localized strategies to sustain inclusive MSME digitization.

7. ASPIRE (A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship) -Technology Upgradation & Quality Certification (Ministry of MSME)

Year	Budget Estimate (₹ crore)	Revised Estimate (₹ crore)
2022–23	₹22.23	—
2023–24	₹4.00	₹4.00
2024–25	₹20.00	—
2025–26	— (planned)	—

Source: indiabudget.gov.in

The ASPIRE scheme saw a significant budget allocation of ₹22.23 crore in 2022–23, though no revised estimate was recorded that year. In 2023–24, the budget was reduced to ₹4 crore, which remained unchanged in the revised estimate. For 2024–25, the budget was increased again to ₹20 crore, showing renewed focus, while figures for 2025–26 are yet to be planned.

8. Policy Recommendations

To enhance the inclusivity and effectiveness of MSME digitization efforts, several forward-looking policy proposals are recommended. First, the introduction of a Vernacular Udyam App with support for regional languages such as Kannada, Hindi, and Tamil will help bridge linguistic barriers and increase participation among non-English-speaking entrepreneurs. Second, the development of a Digital MSME District Index will enable real-time, district-wise monitoring of digital adoption, helping policymakers identify and address regional disparities effectively. Third, providing tax credits for the use of ERP (Enterprise Resource Planning) and verified ICT tools can incentivize small enterprises to invest in digital infrastructure. Fourth, establishing Public-Private Digital Mentorship programs, in collaboration with NGOs and CSR initiatives, can facilitate onboarding, especially in underserved regions. Finally, implementing mobile-based onboarding systems with voice-assisted features will make digital platforms more accessible to rural MSMEs, many of whom face technological and literacy challenges. Together, these proposals aim to promote equitable, scalable, and sustainable digital transformation across the MSME sector in India.

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