Empowering
Small Businesses through
Digital Advertising

December 2025

Preface

India's MSMEs form the foundation of our economic fabric and are the first schools of entrepreneurship for millions. They span a remarkable continuum from master artisans carrying forward cultural traditions to innovative manufacturers, digital enterprises, and frontier technology firms shaping new industries. Together, they safeguard India's heritage, create livelihoods, and build the momentum of tomorrow's economy. As the business environment evolves, these enterprises face new demands for competitiveness, market access, branding, technology adoption and resilience. Understanding the forces that are reshaping MSME performance is essential if India is to unlock their full potential.

The core purpose of this report is to deepen our understanding of how digital advertising and AI-enabled marketing can enhance MSME competitiveness, expand market access, and strengthen long-term business resilience across diverse clusters. As India's digital economy evolves, these tools are not simply promotional channels but they are strategic enablers of productivity, innovation, and customer participation. The findings of this study illustrate that MSMEs leveraging digital advertising are experiencing stronger revenue growth, wider geographic reach, and improved visibility in increasingly competitive markets. The growing adoption of AI-driven personalization underscores how data and technology are reshaping the relationship between small businesses and customers, helping enterprises operate more intelligently and creatively. By examining adoption patterns, performance outcomes and emerging opportunities, this report highlights how digital advertising can support India's broader MSME development agenda and accelerate inclusive economic progress.

As India moves toward a digitally empowered and inclusive economy, it is essential that MSMEs have the skills, market intelligence and innovative tools needed to thrive. With continued collaboration between government, industry, financial institutions and technology platforms, MSMEs can evolve from digital adopters to digital leaders driving growth, jobs and inclusive prosperity.

The study also aligns with Institute for Competitiveness's broader work on MSME competitiveness by showing how digital advertising and AI-enabled tools can address long-standing bottlenecks in branding, diversification and market visibility. The Survey findings indicate that enterprises using digital tools see stronger customer reach and sustained commercial gains, reinforcing the value of market intelligence and affordable technology adoption across clusters. By expanding digital capabilities, improving discovery and strengthening customer participation, MSMEs can accelerate productivity, deepen resilience and participate more confidently in India's evolving marketplace.

I congratulate the research team on producing a rigorous and comprehensive body of work that brings fresh insights to a nationally significant agenda and offers meaningful guidance to policymakers, financial institutions, and industry partners alike.

Amit Kapoor,
Chair, Institute for Competitiveness (IFC)

Foreword

Digital advertising has emerged as one of the most powerful equalizers for India's small businesses, giving them the power to compete and increase efficiency in operations and improve customer engagement given the possibility of personalizing the process. As India advances toward an increasingly digital-first economy, small businesses should be empowered to effectively harness online advertising, and this report seeks to address that.

The past years' reports on "Online Advertising by Indian MSMEs: Insights, Impact & Way Forward" and "Leveraging Online Ads for India – Unpacking the Impact of Online Ads on MSMEs and Startups: A Multistakeholder Perspective", have emphasised how smaller firms are adopting digital advertising tools, by examining real-world use cases, market trends, and the practical challenges faced by small business owners, and offered actionable insights to support the MSMEs further.

The present report reiterates some early findings and emphasises that as small businesses come online to advertise, issues around consumer protection, transparency, data privacy, digital literacy become relevant alongside the basic issues of ensuring connectivity for the use of these tools in the first place. Small businesses often find themselves navigating a complex web of shifting algorithms, platform policies and consumer expectation around trust and transparency. It is therefore imperative that India's digital advertising ecosystem evolves in a way that does not amplify existing inequities but instead fosters a catalytic environment for micro and small enterprises from underserved regions.

These dynamics underscore the need for evidence-based studies, and the present study seeks to illuminate practical pathways for small businesses. We hope this report contributes meaningfully to India's economic aspirations of accelerating the MSME growth story through responsible and effective digital advertising practices. BIF is proud to have supported Primus Partners on this crucial initiative.

T.V Ramachandran,
President, Broadband India Forum

Executive Summary
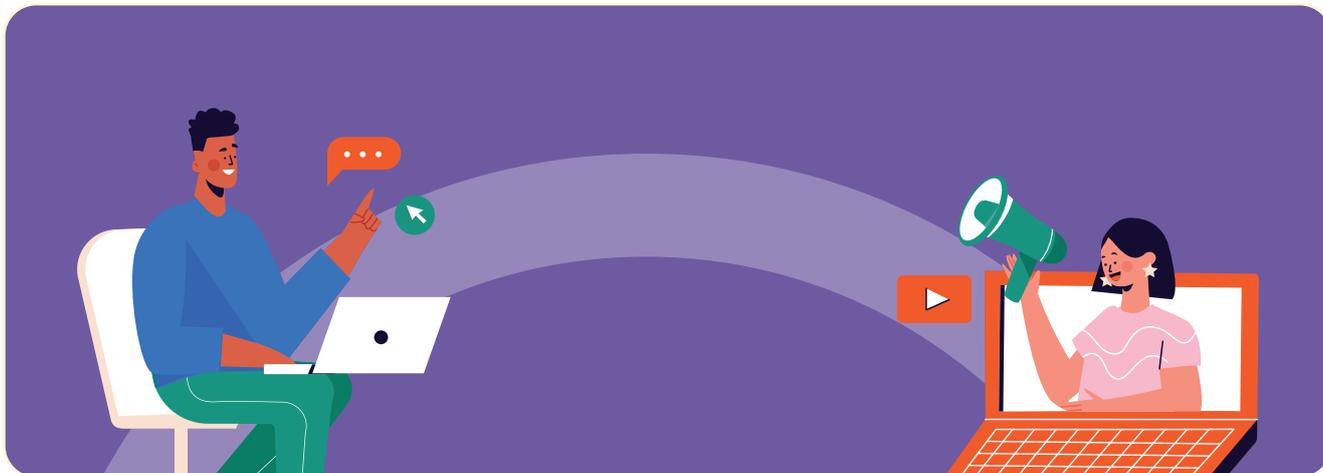
India's digital advertising landscape has evolved rapidly, emerging as a key growth driver for small and medium businesses (SMBs). As of 2025, digital advertising accounts for nearly 49% of total ad spend, reflecting a shift toward data-driven, performance-oriented marketing. For SMBs, online advertising has become a vital enabler of visibility, competitiveness, and innovation in an increasingly digital economy.

The 2025 edition of this study builds on previous insights to assess how SMBs are leveraging digital advertising to expand reach, enhance customer engagement, and improve business outcomes. Drawing on survey responses from **1,000 SMBs** across sectors and sizes, the study presents a nuanced view of adoption patterns, challenges, and emerging trends such as AI integration and personalization.

Key findings reveal that **69.2%** of SMBs currently use online advertising, while another **27%** plan to adopt it within three years. **57%** of businesses reported revenue having **doubled or tripled** since adopting online advertising, supported by improved targeting, performance analytics, and ROI measurement capabilities.

Businesses using online advertising typically diversify – **73.7%** use more than two platforms, suggesting cross-platform strategies are common. On an average, over **50%** of SMBs use **3-4 different online advertising platforms** at a given point of time. In terms of online advertising formats, **~65%** of SMBs use **3–5 different formats** on an average.

94.7% of businesses felt that online advertising enables clear insights into ad effectiveness to inform key business decisions and strategies. In fact, **91%** of the businesses stated that their business continuously monitors the effectiveness and ROI of different advertising approaches to adjust their strategy accordingly. A vast majority, **93%**, of businesses reported having access to digital tools and metrics to track their online advertising performance.

The study also finds that a large number of businesses are embracing personalization as a core pillar of their digital advertising strategy. Over **92%** of respondents believe that personalized advertising is the most effective approach to ensuring ads are targeted, relevant, and engaging. At the same time, over

95% of businesses also believe it is crucial to strike a balance between user privacy and delivering a relevant user experience.

Artificial intelligence (AI) is also transforming SMB marketing strategies – nearly **80%** SMBs already use AI tools. Furthermore, **92.5%** of businesses believe that AI can significantly enhance efficiency, creativity, and ROI, while **90.3%** also acknowledge the need for responsible AI implementation.

However, challenges persist – **34%** cite limited budgets and internal resources as barriers to scaling, and over **70%** find navigating the growing range of ad formats complex. Restricted budgets, the increasingly competitive online advertising landscape and IT infrastructure limitations remain significant constraints, particularly for smaller firms.

Recommendations emerging from the study emphasize:

- Expanding access to digital tools and analytics infrastructure.

- Encouraging collaboration between government, industry, and platforms to democratize digital capabilities.

- Fostering responsible and inclusive AI adoption.

- Simplifying data privacy and compliance frameworks.

India's SMBs are steadily evolving from digital adopters to digital leaders. With the right policy support and ecosystem collaboration, they can fully harness online advertising to expand market reach, enhance brand visibility, and drive sustainable business growth, cementing their role as engines of inclusive economic progress.

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1. Introduction and Context

1.1. Background and Objectives of the Study

The digital advertising sector in India is witnessing a significant transformation driven by the convergence of various factors such as the availability of affordable data, widespread access to smartphones, and increasing consumer engagement. The Indian digital advertising sector has grown by 21.1% in 2024, reaching a market size of approximately $5 billion (~Rs. 49,000 crore) and is expected to expand at a CAGR of 19.09%, to reach nearly $7 billion (~Rs. 69,000 crore) by 2026[1].

MSMEs and startups remain the cornerstone of India's economic aspirations, driving innovation, employment, and nation-wide development. Together, they form the foundation of India's entrepreneurial ecosystem, bridging local production with global markets and creating resilient value chains.

As per the latest official definition, an MSME refers to a manufacturing or service rendering enterprise having investment in Plant and Machinery or Equipment as follows:

- Micro- Not more than Rs. 2.5 crore and Annual Turnover not more than Rs. 10 crore

- Small- Not more than Rs. 25 crore and Annual Turnover not more than Rs. 100 crore

- Medium- Not more than Rs. 125 crore and Annual Turnover not more than Rs. 500 crore

MSMEs contribute approximately 30% to India's GDP, account for nearly 46% of exports, and represent 41% of manufacturing gross value added (GVA). The sector comprises 7.34 crore enterprises, collectively employing around almost 26 crore people[2]. MSME exports have grown from ₹3.95 lakh crore in FY21 to ₹12.39 lakh crore in FY25, highlighting their expanding footprint in domestic and global markets[3].

The startup ecosystem of India adds to this momentum. With over 1.57 lakh DPIIT-recognized startups and more than 100 unicorns, India is now the third-largest startup ecosystem globally. These ventures have generated almost 17.28 lakh jobs, with more than 75,000 startups featuring at least one-woman director, reflecting growing gender inclusion in entrepreneurship[4].

While MSMEs are the second-largest employment source after agriculture offering decentralized job opportunities across industries, startups are redefining employment in high-skill sectors such as technology, fintech, and health-tech. Cities like Bengaluru have emerged as global innovation hubs, featuring among the world's leading startup destinations.

As digital adoption increases across the nation, online advertising can stand out as a powerful enabler for these enterprises. By providing cost-

1. India Digital Advertising Report, 2025

2.https://www.sidbi.in/uploads/publicationreport/ Understanding_Indian_MSME_sector_Progress_and_ Challenges_13_05_25_Final.pdf

3. https://www.pib.gov.in/PressReleasePage. aspx?PRID=2098452&reg=3&lang=2

3.Press Release:Press Information Bureau https://www.pib.gov. in/PressReleasePage.aspx?PRID=2087361&reg=3&lang=2

efficient visibility, precise targeting, and real-time performance insights, it allows smaller businesses to compete on equal footing with larger players, contributing to India's broader goals of innovation-led and inclusive growth.

For an entity to be considered a startup in India:

- The period of existence and operations should not exceed 10 years from the date of incorporation.

- Should be incorporated as a Private Limited Company, a Registered Partnership Firm, or a Limited Liability Partnership.

- Should have an annual turnover not exceeding Rs. 100 crore for any of the financial years since its incorporation.

- An entity should not have been formed by splitting up or reconstructing an already existing business.

- Should work towards the development or improvement of a product, process, or service and/or have a scalable business model with high potential for the creation of wealth and employment.

"Digital tools such as online advertising have emerged as catalysts that can help rural entrepreneurs, small businesses from Tier-2/3 towns, and women-led startups break geographic and economic barriers. With the right ecosystem- one that simplifies digital adoption and builds trust- these enterprises can scale with confidence."

Dr. Sasmit Patra,

Hon'ble Member of Parliament, Rajya Sabha and Member, Committee on Communications and Information Technology

1.2. Reflections from Last Year's Report

The 2024 study, "Leveraging Online Ads for India – Unpacking the Impact of Online Ads on MSMEs and Startups", laid the foundation for understanding how small businesses across India are harnessing digital platforms for their growth. Drawing on survey responses from over 800 small and medium businesses, it captured both the scale and substance of India's digital shift.

The findings demonstrated the following tangible benefits of online advertising:

80% of respondents used online advertisements for business promotion.

42% allocated over **40% of their marketing budgets** to online ads.

72% used more than **two platforms** to diversify their reach.

76% found online ads more effective than traditional media.

80% reported that their revenues more than **doubled.**

94% achieved a **Return on Ad Spend (ROAS)** greater than **2x.**

The study also showcased the role of AI in enhancing efficiency as 74% of respondents highlighted AI's impact on ad creation, audience targeting, and budget optimisation. However, persistent knowledge gaps (49%), budget limitations (43%), and regulatory compliance hurdles (35%) continued to challenge smaller firms.

These insights confirmed that while online advertising offers significant growth potential, the ecosystem requires consistent capacity-building and regulatory clarity to ensure that small enterprises can access its full benefits.

1.3. Approach and Methodology for This Year

Building on these insights, the present study seeks to broaden the understanding of how India's small and medium business or SMBs (comprising India's MSME and Start-up sector) are using digital advertising to drive their growth and competitiveness.

The study adopts a two-phase research methodology to provide a year-on-year perspective on digital advertising among small and medium businesses.

The objectives of the study is to:

- Examine the usage patterns of digital advertising tools and platforms among SMBs.

- Evaluate the role of online advertising in increasing visibility, sales, and return on investment.

- Identify the challenges that create barriers in effective scaling of digital campaigns, including cost, compliance, and capacity constraints.

- Provide actionable insights on how SMBs can maximise the potential of digital advertising in India.

Research Methodology

The study employs a phased, mixed-methods research approach to provide a holistic assessment of digital advertising adoption among SMBs in India. By integrating primary and secondary data, the methodology ensures an evidence-based, multi-stakeholder perspective.

- **Survey of SMBs:** The findings of the research are primarily based on a survey of 1,000 SMBs, across industries in India investigating their online advertising strategies and experiences, including their growth plans.

- **Secondary Research:** Supplementing the survey, a rigorous review of existing reports, industry articles, and datasets was conducted. This served to validate emerging patterns and findings comprising of:

  » **Key Informant Interviews (KIIs):** Conducted with a diverse group of stakeholders, including academia, industry experts, and think-tanks.

  » **Case Studies:** Detailed examinations of specific businesses to uncover ground-level insights, challenges, and best practices.
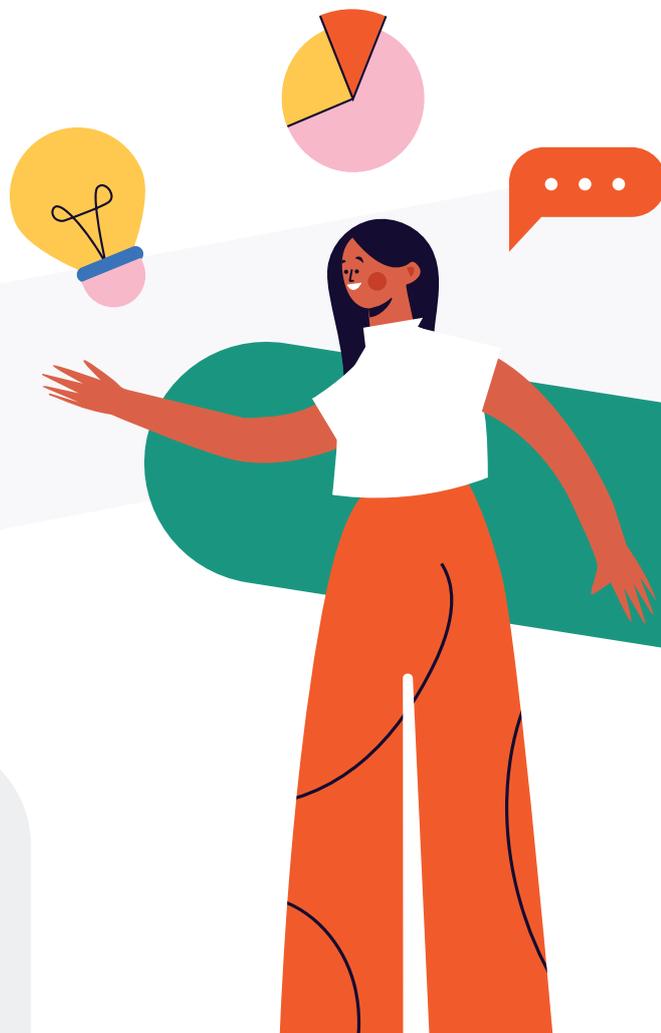
2.1. Respondent Profiles

The analysis below includes results from the primary survey that covered 1000 MSMEs and startups.

Categorization of Survey Respondents

- 32% Startup
- 30% Both MSME & Startup
- 38% MSME

Mode of Business

- 27% Both Evenly
- 5% Mostly Physical
- 29% Mostly Digital
- 39% Fully Digital

Legend: Fully Digital, Mostly Digital, Both Evenly, Mostly Physical | MSME, Startup, Both MSME & Startup
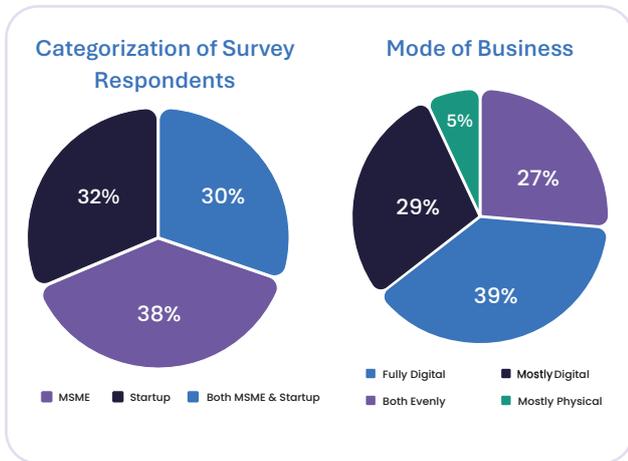
The SMBs surveyed belonged to varied sectors that included:

- Hospitality (including tourism)
- FMCG
- Financial services
- IT, software, and telecom
- Media and entertainment
- Healthcare
- Retail
- Wholesale
- Manufacturing

Nearly half of the SMBs operated on a B2C model, with around **50%** serving a primarily national (pan-India) customer base and **20%** primarily export-oriented.

53% of the SMBs were women-owned, with female entrepreneurs holding over **50%** ownership in their businesses.

Business Model

- 48% B2C
- 31% B2B
- 17% Hybrid
- 1% B2G
- 3% Other

Legend: B2C, B2B, Hybrid, B2G, Other

Primary Customer Base

- 49.3% National
- 30.6% Local (within State)
- 20.1% International

Legend: National, Local (within State), International
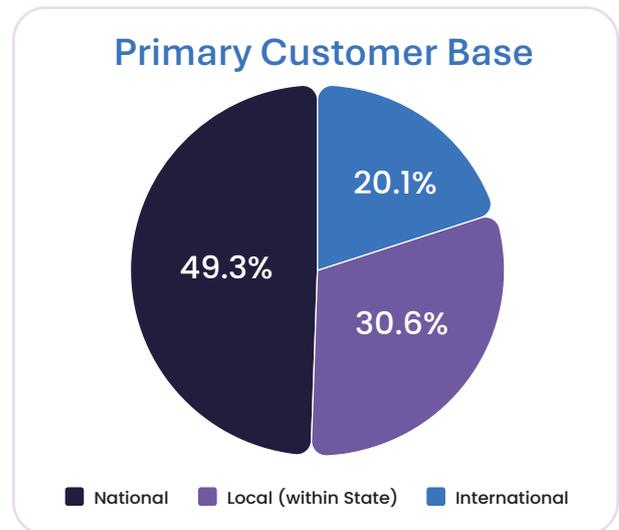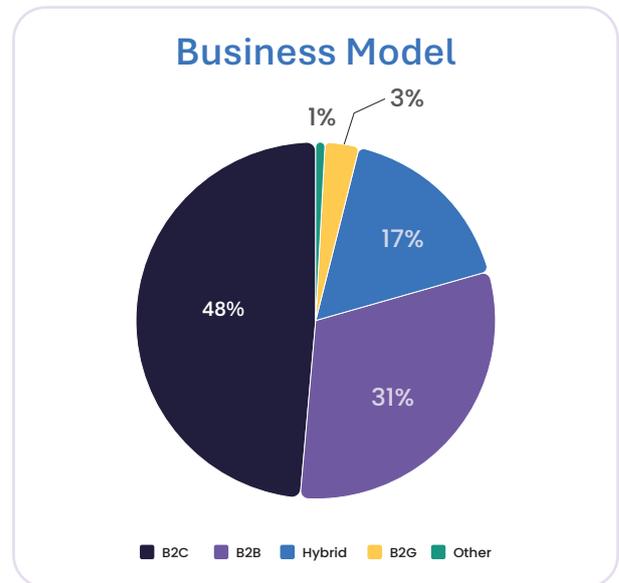
2.2. Emerging Patterns in Adoption & Usage

About **56%** of respondents allocate **up to 40%** of their revenue toward advertising (both traditional[5] and online).

Current Advertising Spend (as % of revenue)

Legend: 0–20% | 21–40% | 41–60% | 61–80% | 81–100%

8% | 31.1% | 24.6% | 18% | 18.3%
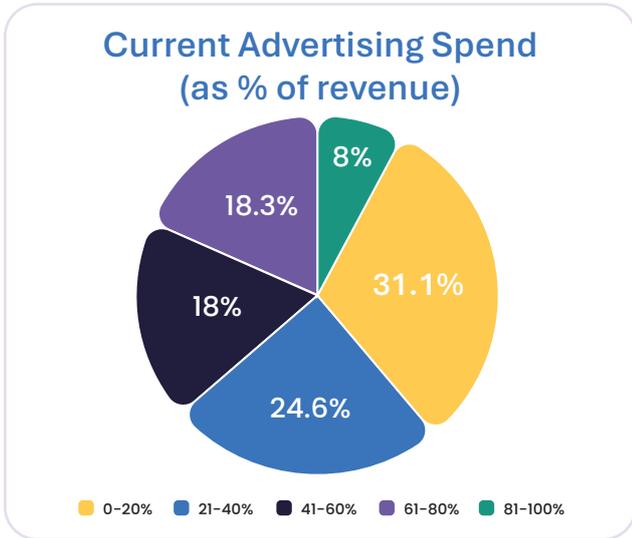
The share of online advertising in total budgets has grown steadily, and is expected to increase.

89.5% of businesses said their workforce finds it easier to manage their online advertising initiatives than traditional advertising initiatives.

Over **70%** of businesses have been using online advertising for up to 5 years, while **30%** have been using it for over 5 years. In terms of frequency, **39.6%** conduct **weekly** campaigns, while **25.9%** and **25.3%** opted for **daily** & **monthly** ads respectively, indicating consistent engagement with digital platforms.

The study also sought to understand the role of external advertising agencies hired by SMBs. **73%** of the businesses currently work with external advertising agencies. Over **91%** of businesses who use external agencies, acknowledge that the agencies have simplified their adoption of online advertising and provided advanced analytical tools to better understand consumer preferences and the effectiveness of their online advertisements.

Online Advertising Share in Total Advertising Spend (2021, Today & 2028)

	0–20%	21–40%	41–60%	61–80%	81–100%
2028 (E)	7.5%	11%	12.3%	28.3%	40.9%
Today	7.7%	15.7%	20.5%	35.4%	20.7%
2021	13.6%	22.5%	25%	28.8%	10.1%

Legend: 2021 | Today | 2028 (E)
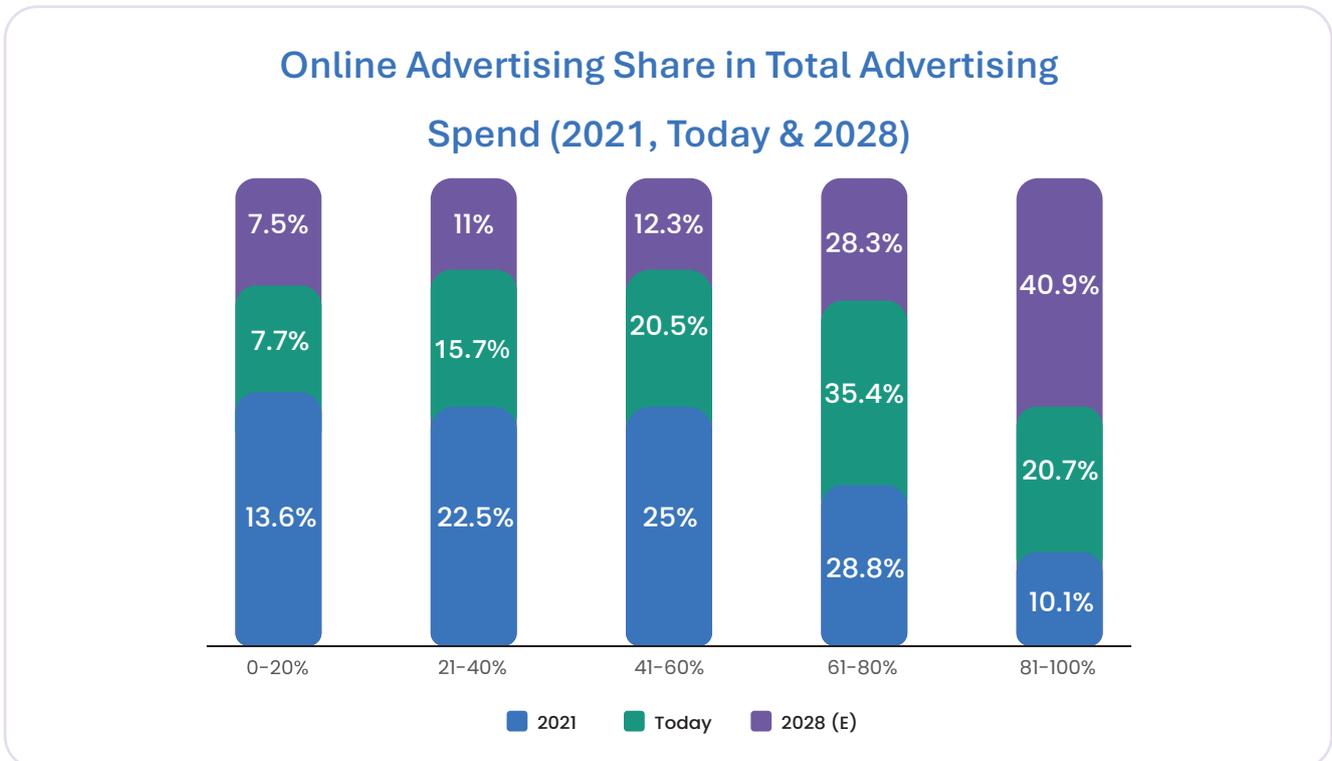
5. Traditional advertising refers to channels other than digital advertising including print, broadcast, and outdoor (such as billboards)

2.3. Use of Multiple Platforms & Formats

Businesses using online advertising typically diversify – **73.7%** use more than two platforms, suggesting cross-platform strategies are common. On an average, over 50% of SMBs use **3-4 different online advertising platforms** at a given point of time.

Usage of Various Online Ad Platforms

No. of platforms used

No. of platforms used	Percentage
8	3.1%
7	2.9%
6	4.8%
5	11.8%
4	20.6%
3	30.5%
2	18.5%
1	7.8%

Online Ad Platforms Used

Platform	Percentage
Sharechat	10.3%
Apple	11.6%
Snapchat	16.1%
X	25.5%
Microsoft	33.4%
Amazon	38.4%
Meta	48.2%
Google	58.2%
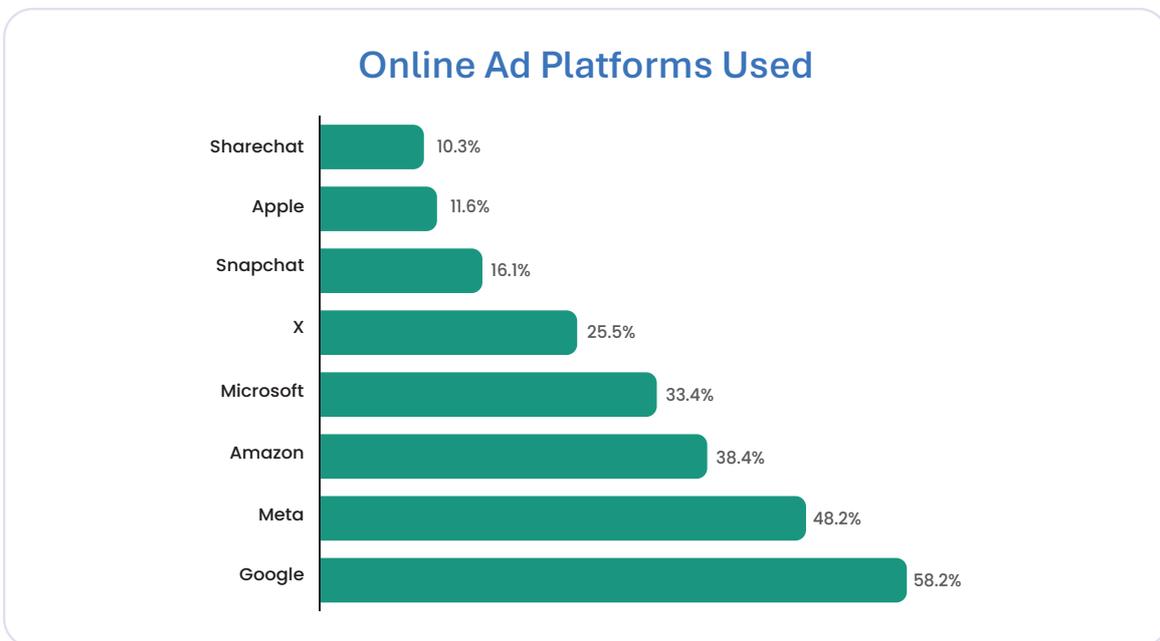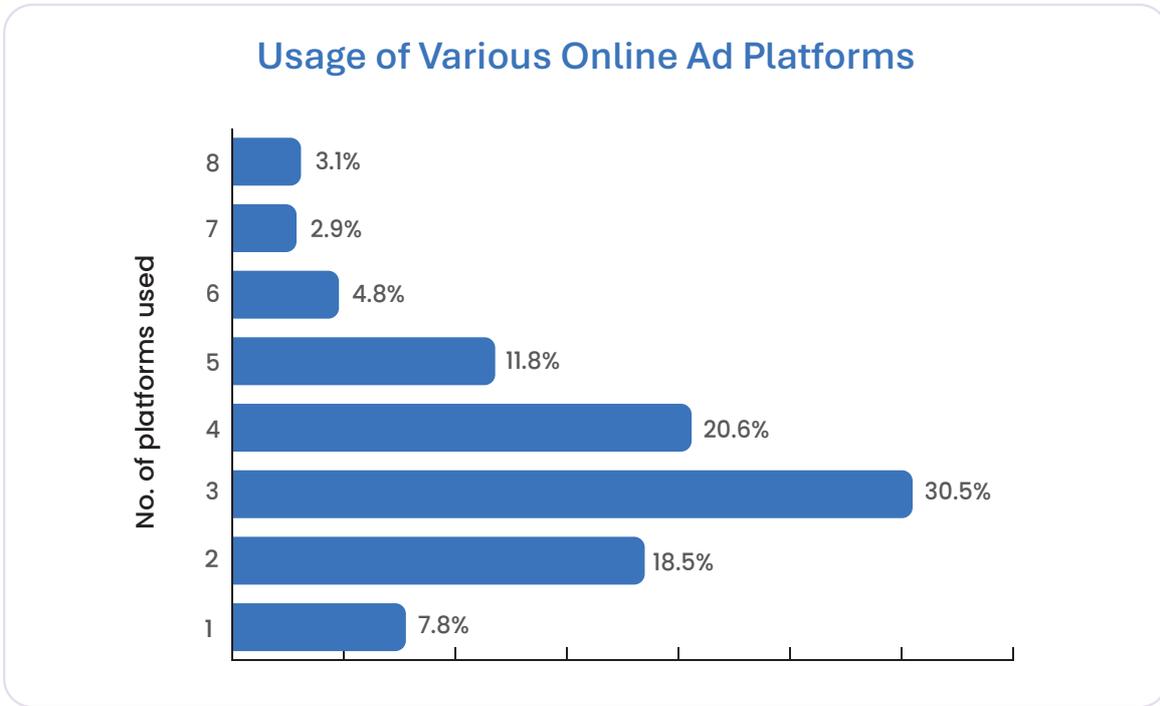
There are various factors that lead SMBs to use online advertising platforms. Out of these, top 3 considerations are: **brand trust and safety (21.7%)**, **effectiveness/ROI (19.9%)** and **wider geographic reach (17.8%)**

Top Considerations While Choosing an Online Advertising Platform

Consideration	Percentage
Brand Trust & Safety	21.7%
Effectiveness & ROI	19.9%
Wider Reach Domestically in India	17.8%
High Conversion Rate	14.2%
Ease to Use	13.9%
International Reach	12.6%
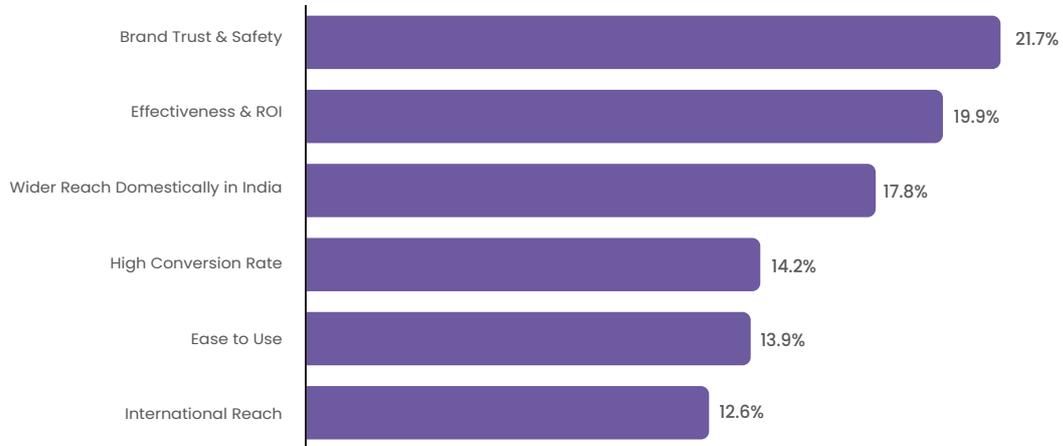
On an average, **~65%** of SMBs use **3–5 different online advertising formats.**

Usage of Different Online Ad Formats

No. of ad formats used

No. of ad formats used	Percentage
8	5.9%
7	5.6%
6	10.8%
5	18.4%
4	26.4%
3	(not labeled)
2	8.7%
1	3.3%

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Online Ad Formats Used

Format	Percentage
Social Media	57.3%
Video	39.5%
Mobile	38.7%
Search	35.7%
Display	35.3%
E-Commerce	35.1%
Email	34.8%
OTT/CTV	22.9%
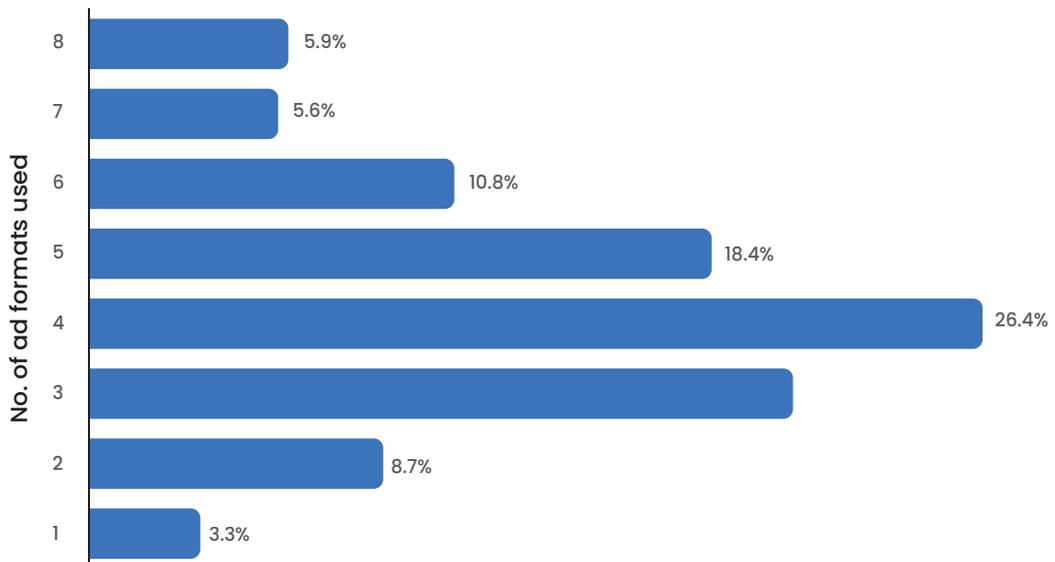
72% of SMBs are also using influencer marketing as part of their advertising strategy.

2.4. Effectiveness of Digital Advertising

Digital advertising has been more effective for the majority of SMBs compared to traditional advertising across most metrics.

(a) Reaching new customers

- **76.7%** businesses find online advertising effective, i.e., significantly more effective and more effective, than traditional advertising, in enabling revenue growth. 18.8% find it equally effective, while 4.5% find it less effective than traditional advertising.

- Nearly **57%** of businesses reported their revenues having doubled or tripled since adopting online advertising – with 28.8% recording a 1-2x increase and 38% seeing a 2-3x rise, while another 19.4% experienced a surge of 3-4x.
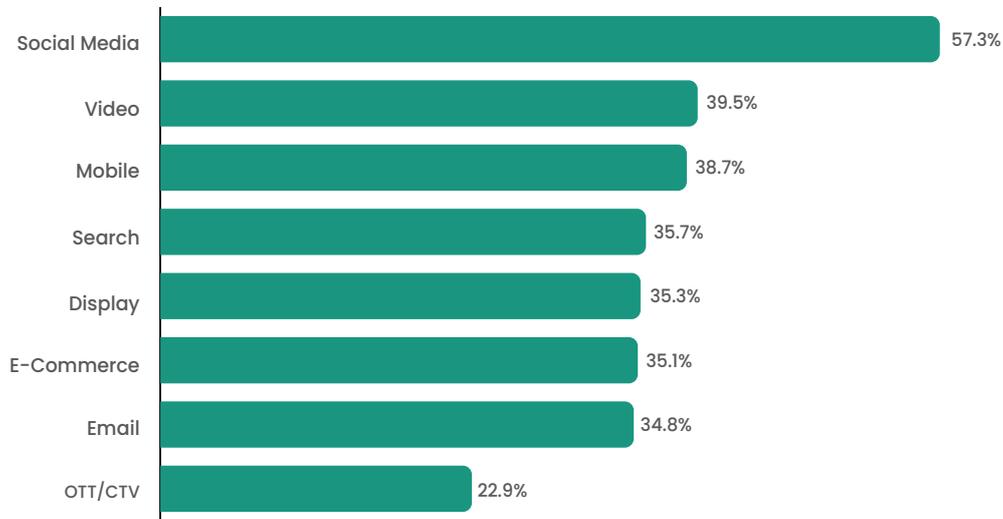
(b) Reaching new customers

- **76.4%** find online advertising effective in acquiring new customers vis-à-vis traditional advertising. 24.7% find it equally effective, while 4.5% find it less effective.

- **70.2%** find online advertising more effective to engage existing customers through online advertising. 24.7% find it equally effective, while 5% find it less effective.

(c) Expansion in market reach

- **75.4%** of SMBs find online advertising more effective in expanding market reach within India while 19.9% find both equally effective, and 4.6% find it less effective than traditional advertising.

- **70.1%** of SMBs find online advertising more effective in expanding market reach outside India while 22% find both online and traditional advertising equally effective, and 7.9% find it less effective than traditional advertising.

(d) Higher returns

Online advertising also performs across various factors that demonstrate a higher yield from amount spent:

- *Higher return on investment of advertising campaigns*: **67.3%** of SMBs find online advertising delivers a higher return on their investments while 28% find both equally effective, and 4.6% find it less effective than traditional advertising.

- *Accurate targeting*: **73%** of SMBs find online advertising ensures accurate and effective delivery of their ads (i.e. reaching the right audience) while 20.5 % find both equally effective, and 6.5% find it less effective than traditional advertising.

- *Higher conversion rate*: **69%** of SMBs find online advertising provides a higher conversion rate (i.e. effectively engage

customers) while 26.7% find both equally effective, and 4.3% find it less effective than traditional advertising.

(e) Perceived parity with respect to cost of advertising

Interestingly, our survey finds SMBs do not find significant cost advantages with respect to online advertising.

56.8% of SMBs believe that online advertising reduces their advertising costs while 30.5% find both online advertising and traditional advertising to be equally placed and 12.7% find traditional advertising to be less costly than online advertising.

This finding challenges notions that online advertising is cost effective. However, this could be on account of SMBs (i) keeping their overall advertising budgets at par; (ii) challenges that SMBs face in effectively utilizing digital advertising (Section 4, below). Notwithstanding, this merits further investigation and assessment.

Effectiveness of Online Advertising vs. Traditional Advertising

Factor	Significantly More Effective	More Effective	Equally Effective	Less Effective
Revenue growth	30.2%	46.5%	18.8%	4.59%
Acquiring new customers	29.8%	46.7%	19.1%	4.59%
Wider geographic reach in India	31.6%	43.8%	19.9%	4.69%
Accurate and effective targeting of ads	28.0%	44.9%	20.5%	6.5%
Engaging with existing customers and building relationships	23.8%	46.4%	24.7%	5.1%
Reach new export markets	25.9%	44.2%	22.0%	7.9%
Higher conversion rate	21.0%	48.0%	26.7%	4.3%
Higher ROI of advertising campaigns	22.4%	44.9%	28.0%	4.6%
Lower advertising costs	21.8%	35.0%	30.5%	12.7%

Case Study: IAC Group

Founded in 2005, IAC Group is a small enterprise based in Pune, Maharashtra. While its business growth has remained stable over the past three years, the firm has gradually started using online advertising to increase visibility and customer engagement.

In 2024, IAC Group allocated about 10% of its overall revenue to advertising, with 28% of its online work handled in-house and the remainder outsourced. The firm views the ability to measure performance and gain visibility over ad success as the biggest advantage of digital advertising compared to traditional media. WhatsApp Business and ShareChat serve as the company's primary digital platforms, particularly suited for regional and conversational outreach. This illustrates the adoption of digital advertising within regional MSMEs.
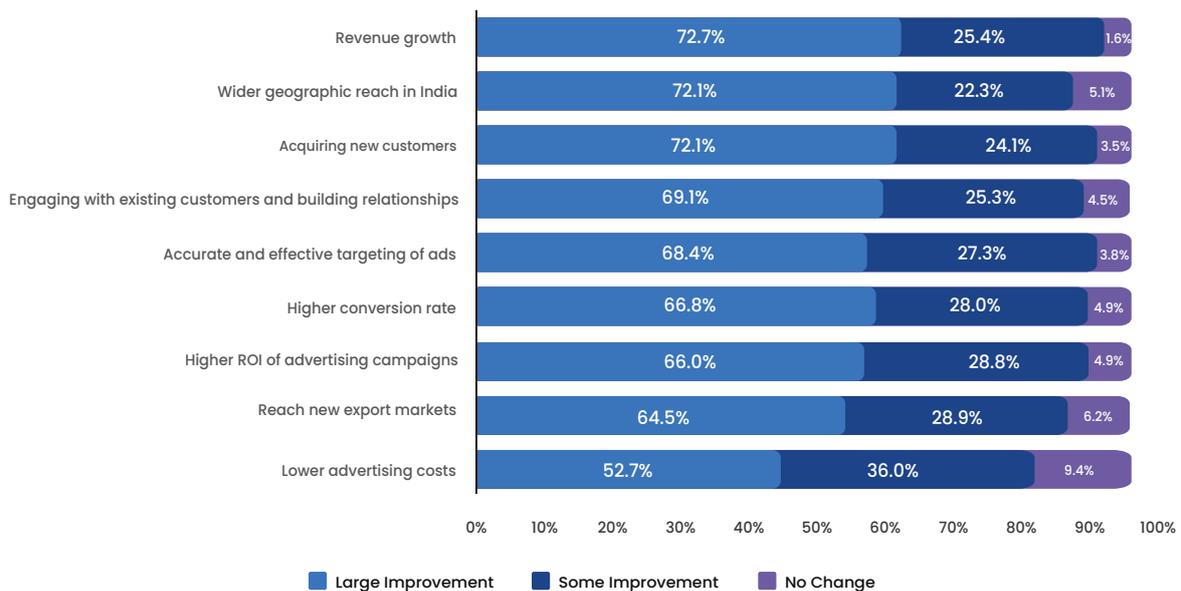
2.5. Continuous Expectation of Efficacy

The survey also captures how SMBs perceive returns and effectiveness of online advertising in the next three years.

In terms of the impact expected by businesses from online advertising over the next three years, more than **70%** expect large improvements across key performance areas, notably in **revenue growth, customer acquisition,** and **customer retention,** reflecting strong confidence in the continued effectiveness of online advertising.

A significant **44.2%** of businesses reported online advertising helped them expand into both domestic and international markets, highlighting the medium's versatility and global reach. Over **70%** expect online advertising to widen their geographic reach within India, while **60%** expect online advertising to help them reach new export markets over the next three years.

Expected Impact of Online Advertising on Business Over the Next 3 Years

Category	Large Improvement	Some Improvement	No Change
Revenue growth	72.7%	25.4%	1.6%
Wider geographic reach in India	72.1%	22.3%	5.1%
Acquiring new customers	72.1%	24.1%	3.5%
Engaging with existing customers and building relationships	69.1%	25.3%	4.5%
Accurate and effective targeting of ads	68.4%	27.3%	3.8%
Higher conversion rate	66.8%	28.0%	4.9%
Higher ROI of advertising campaigns	66.0%	28.8%	4.9%
Reach new export markets	64.5%	28.9%	6.2%
Lower advertising costs	52.7%	36.0%	9.4%

2.6. Measurement

94.7% of businesses felt that online advertising enables clear insights into ad effectiveness to inform key business decisions and strategies. In fact, **91%** of the businesses stated that their business continuously monitors the effectiveness and ROI of different advertising approaches to adjust their strategy accordingly.

93% of businesses reported having access to digital tools and metrics to track their online advertising performance. Among them, **85.9%** emphasized that performance measurement is critical to their business strategy. Around **60%** of businesses said they use more than two performance measurement tools, reflecting growing sophistication in marketing analytics.

When it comes to metrics, **'cost-per-click (CPC)'** emerged as the most commonly tracked indicator, followed by **'conversion rate'** and **'ad frequency and reach',** highlighting a focus on efficiency and impact measurement. Over **70%** of businesses now deploy multiple analytics tools simultaneously, signalling a shift toward integrated performance tracking and optimization rather than reliance on a single reporting source.

2.7. Personalization

A vast majority of businesses are embracing personalization and AI as core pillars of their digital advertising strategy. Nearly **92.8%** of respondents believe that personalized advertising is the most effective approach to ensuring ads are targeted, relevant, and engaging. Interestingly, **93.5%** of businesses also emphasized that being a trustworthy steward of customer data is critical to their business success, highlighting the growing prioritization of data ethics and consumer trust in digital operations.

Additionally, an overwhelming **95.7%** of businesses believe it is crucial to strike a balance between user privacy and delivering a relevant user experience, underscoring growing awareness of the need for ethical and privacy-conscious advertising practices. Further, **85.8%** of respondents expressed confidence that their businesses can run online advertising campaigns without compromising brand trust and safety, reflecting a maturing understanding of responsible digital marketing.
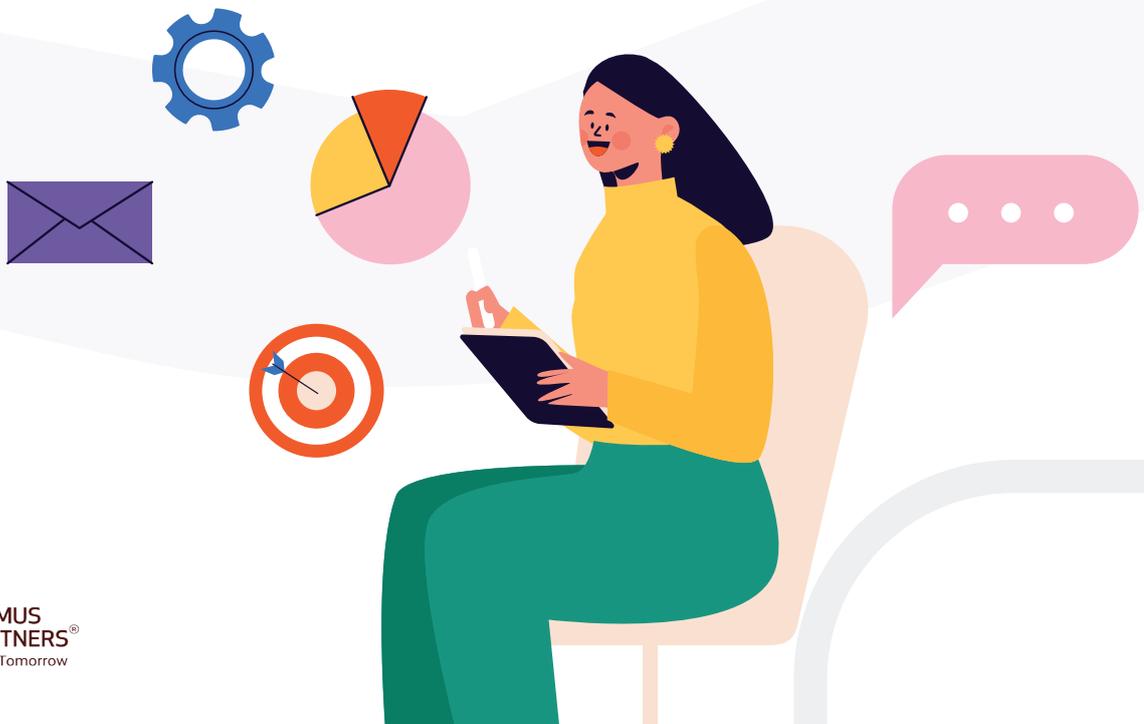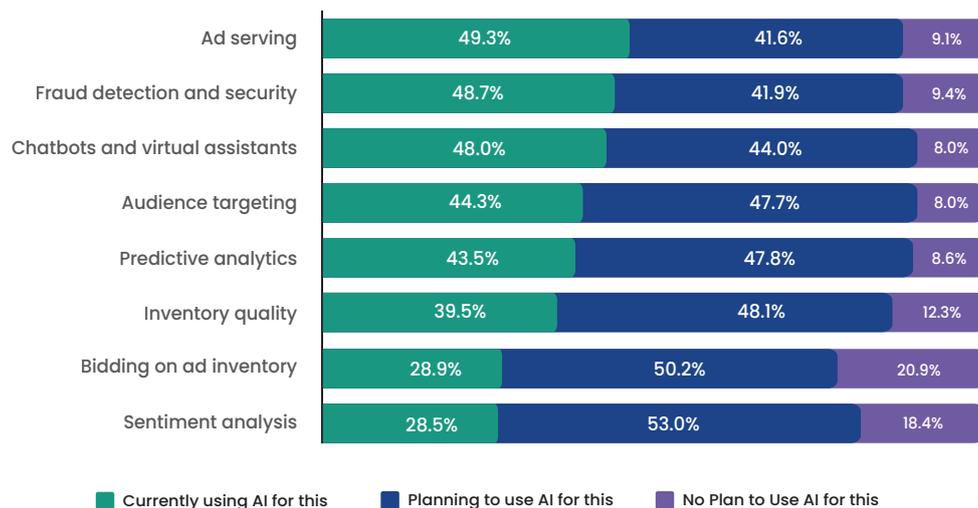
3. AI Catalysing Digital Advertising Use by SMBs

The adoption of AI-driven advertising tools is already widespread, with **79.9%** of businesses currently using AI or AI-supported tools in at least one online advertising initiative, and another **17.3%** planning to do so within the next year. This indicates that AI integration in advertising is nearing universality, driven by its proven impact on performance.

Businesses are already using AI extensively in key areas such as **ad serving (49.3%), fraud detection and security (48.7%),** and **chatbots or virtual assistants (48%),** indicating that AI has become central to optimizing ad delivery, automation, and brand safety.

Usage of AI-Supported Tools and Functions for Online Advertising

Function	Currently using AI for this	Planning to use AI for this	No Plan to Use AI for this
Ad serving	49.3%	41.6%	9.1%
Fraud detection and security	48.7%	41.9%	9.4%
Chatbots and virtual assistants	48.0%	44.0%	8.0%
Audience targeting	44.3%	47.7%	8.0%
Predictive analytics	43.5%	47.8%	8.6%
Inventory quality	39.5%	48.1%	12.3%
Bidding on ad inventory	28.9%	50.2%	20.9%
Sentiment analysis	28.5%	53.0%	18.4%

Case Study: Ventac Elevators

Founded in 2009, Ventac Elevators is a Delhi-based MSME catering primarily to international B2B clients. Since implementing digital advertising, the company's revenue has grown by more than 2x.

The firm primarily uses social media and email marketing to reach international customers and measures campaign effectiveness through Google Analytics, Semrush, and email marketing tools like MailChimp and Zoho Campaigns. For Ventac, international reach and higher ROI are the main considerations guiding platform selection.

Ventac employs several AI-supported tools for fraud detection, bidding optimization, and predictive analytics, reflecting its data-driven approach. The firm believes AI will continue to increase the efficiency, creativity, and ROI of Ventac's future online advertising campaigns.

92.5% of businesses believe that AI can significantly enhance efficiency, creativity, and ROI, reflecting optimism about its transformative potential. This enthusiasm is also accompanied with awareness – **90.3%** acknowledge the need for responsible AI implementation to mitigate risks such as synthetic or deceptive content and misinformation, highlighting a maturing perspective where innovation is balanced with accountability.

> *"Indian MSMEs and startups stand to gain significantly from rapidly evolving digital tools such as online advertising. With the growing integration of AI in these tools, small businesses can now access smarter, more precise, and cost-effective marketing solutions that strengthen market access, improve ROI, and enhance competitiveness. At the same time, this must be done within a framework of strong consumer protection, transparency, and accountability. By upholding these principles while fostering innovation, we can build a trustworthy and future-ready digital ecosystem that empowers small businesses and safeguards consumer interests in equal measure."*

Mr. Rohit Kumar Singh,

Member, Board of Governors, The Advertising Standards Council of India and Former Secretary, Department of Consumer Affairs

In terms of digital maturity in using AI (excluding generative AI), **43.8%** of businesses believe they are ahead of their industry peers, while **34.7%** see themselves as on par, which indicates a strong sense of competitive confidence in AI adoption and integration across advertising functions.

On generative AI, **40.9%** of businesses consider themselves ahead of their peers, and **34.9%** report being in line with peers.

Case Study: Welspun One

Welspun One is a Mumbai-based micro MSME operating in the retail sector. Founded in 2019 and with a team of 50 or fewer employees, the company relies solely on online advertising to engagecustomers and drive sales, without partnering with external advertising agencies.

The firm's campaigns, conducted monthly, primarily utilize social media and mobile advertising, with Meta as the most used platform followed by ShareChat. The company employs Meta Ads Manager and social media analytics tools like Meta Business Suite to track ad performance.

To achieve higher conversion rates and more accurate ad targeting, Welspun One plans to integrate AI-supported audience targeting tools, marking its next phase of digital maturity.

4. Barriers & Challenges for SMBs

Top Hurdles To Scaling Online Advertising Efforts

Hurdle	Percentage
Unsuitable to reach our customer profile	1.6%
Shifting compliance and regulatory requirements	2.0%
Customer resistance to online advertising	2.4%
Lack of visibility and understanding of customer ad preferences	2.4%
Advertising content quality, diversity, and creativity	3.6%
Confusing online advertising insights and analytics	4.5%
Limited technical expertise and specialized knowledge	6.7%
Lack of leadership support and buy-in	8.1%
Lack of internal IT infrastructure and digital tools	14.8%
Competitive online advertising landscape	24.7%
Limited budget and internal resources	29.3%

4.1. Financial Constraints and Budget Prioritization

When considering investment in online advertising, limited budgets and internal resource constraints emerged as the most significant barrier for **34.4%** of businesses.

Looking ahead, these challenges are expected to persist: **29.3%** of respondents foresee budgetary and resource limitations continuing to impede scaling efforts.

4.2. Competitive Online Advertising Landscape

25.9% of businesses cited the highly competitive online landscape as a major hurdle.

24.7% anticipate the pressure from intense digital competition to continue.

While a vast majority **(93%)** of businesses believe they understand their customers' preferred advertising formats and platforms, over **70%** said that the broad range of advertising formats and approaches can be confusing to navigate, indicating that they still find it challenging

to determine the optimal mix. The importance of addressing this issue was also identified in our 1:1 interviews with one marketing expert pointing out that companies must apply tools within the right strategic framework.

4.3.Lack of IT Infrastructure & Expertise

14.8% identified the lack of adequate IT infrastructure and digital tools as a growing concern. Additionally, **8.1%** cited a lack of leadership support and buy-in, while **6.1%** stated they had limited technical expertise and specialized knowledge on online advertising.

In terms of investment maturity in digital technology, including cloud infrastructure, hardware, and software, **46.9%** of businesses rated themselves on par with industry peers, while **40.4%** believed they were ahead, and **10.4%** felt behind.

Case Study: Utkrast Landbase

A Gurugram-based start-up specializing in real estate and investment services, Utkrast Landbase has been leveraging online advertising for over five years now. For the company, cost-effectiveness stands out as the most significant advantage of digital advertising compared to traditional marketing channels. Their marketing strategy relies heavily on social media advertising, with Google (YouTube ads) and Meta (Instagram and Facebook ads) serving as their two primary platforms for targeted outreach and lead generation. The company considers wider domestic reach across India, strong effectiveness and ROI, and the overall ease of use of digital tools as the most important factors when selecting platforms for their online advertising efforts. Through strategic use of online ad campaigns, Utkrast Landbase has been able to achieve an estimated Return on Ad Spend (ROAS) of 2-3x.

5. Recommendations

There is a huge opportunity for online advertising in India, and domestic SMBs are making steady progress in taking advantage of it. However, our research highlights that some businesses continue to struggle to realize their full potential.

To close the gap and unlock the benefits of digital advertising, we recommend the following actions for stakeholders:

Expand access to digital tools and invest in skills

SMBs still face budgetary and IT infrastructure constraints that limit their ability to scale online advertising. Policymakers should consider initiatives that encourage SMBs to enhance their digital capabilities through investments in advanced measurement tools and targeted upskilling initiatives.

When asked about the kind of government support that would most benefit their adoption of online advertising, **28.1%** highlighted the importance of government-led reskilling and

Case Study: Kasturi Automotives

A small enterprise based in Ballia, Uttar Pradesh, Kasturi Automotives has been leveraging online advertising for over two years to grow its customer base beyond local markets. For the business, the most significant advantage of digital advertising over traditional methods has been the ability to reach customers across India, something previously unimaginable with limited on-ground marketing resources.

Among the platforms they use, Meta emerged as their primary channel, followed by Amazon. When selecting platforms, the company priority is effectiveness and return on investment (ROI) – a critical factor for small businesses operating with tight budgets.

Kasturi Automotives believes that government-led incentive schemes promoting digital-first solutions could greatly accelerate their adoption of online advertising. Such initiatives, they say, would not only ease the financial burden but also encourage more MSMEs in smaller towns to embrace digital marketing as a growth strategy.
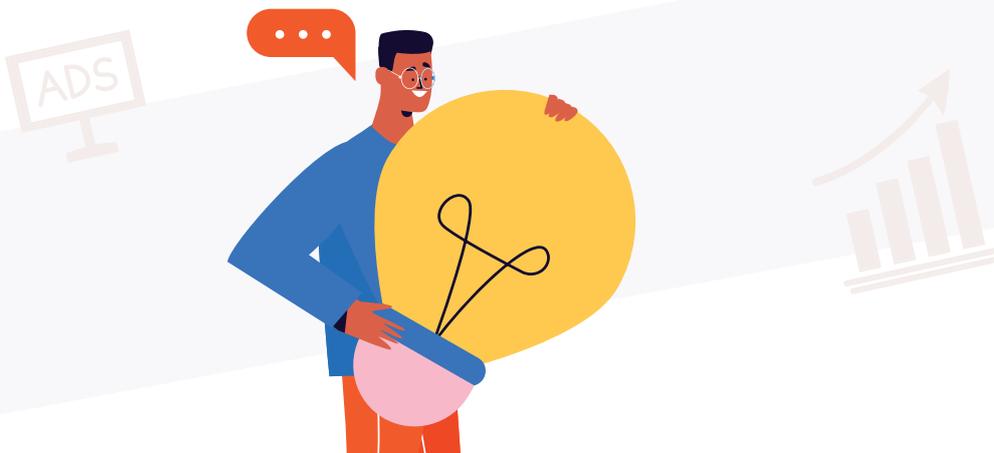
digital literacy initiatives to strengthen online advertising capabilities. Targeted reskilling and upskilling programs, co-designed with the industry, can equip SMBs with the competencies to plan, execute, and measure effective online campaigns

> *Significant gaps in digital and AI skills exist. Basic familiarity with tools is becoming essential as AI is becoming a layer to all work, it is as basic as digital literacy. Addressing this requires a multi-pronged effort from schools, colleges, industry bodies, government, and platforms."*

Ms. Manisha Kapoor,

CEO & Secretary General, The Advertising Standards Council of India (ASCI)

Mobilize government and industry partnerships

Strengthening partnerships between government bodies and industry stakeholders can provide SMBs with greater access to resources and training programs. These collaborations can facilitate the digital transformation necessary for SMBs to compete effectively and harness the full potential of online advertising.

Foster responsible AI adoption and readiness

With nearly **80%** of businesses already using AI tools and many planning to expand their use, there is a need to develop responsible AI adoption frameworks. The market itself is demanding innovation with responsibility. Our survey results and interviews have demonstrated that for long-term credibility, innovation has to go hand in hand with responsibility. India is already taking a lead in ensuring a balanced framework reflected in the India AI governance framework guidelines 2025. Taking a similar approach across various frameworks would indeed be beneficial in ensuring that AI continues to be an enabler for online advertising while also limiting associated harms.

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"Digital advertising is an essential driver of the digital economy, especially for small and medium businesses. It serves as a critical gateway for businesses to discover and access markets, enabling them to achieve consumer engagement and increased revenue. Equally, it allows consumers to access new products and services. As the ecosystem matures, it is important that the regulatory architecture upholds consumer protection while preserving innovation. The regulatory aim to safeguard Indian consumers from harms such as fraud and deceptive ads can be achieved through a proportionate framework which allows the scope for credible self-regulation. This ensures that egregious conduct is effectively addressed without pushing compliant advertisers towards subscription-driven models, which may adversely impact consumers' access to relevant information. This also underscores the need for a harmonious whole-of-government framework that is rooted in transparency through structured collaboration with the industry."

Mr. Cyril Shroff,

Managing Partner, Cyril Amarchand Mangaldas

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Broadband India Forum (BIF) functions as an independent policy forum and think-tank that works for the development & enhancement of the entire broadband ecosystem in a holistic, technology-neutral and service-neutral manner. BIF's endeavour is to promote, support and enhance all policy, regulatory & standards initiatives for the proliferation of high-quality broadband in the country to empower consumers with efficient and economical broadband to realize the true Digital India. BIF works closely with the Government and the Regulator in this mission. Formed in October 2015, BIF is a dedicated forum with participation from all stakeholders, including Technology Providers, Telecom Operators, Internet Service Providers, Value-Added Service Providers, Satellite Operators and service providers, MSOs, Startups and professional entities, as well as seasoned Industry professionals who are familiar with different technologies, operations, regulations and policies. BIF has, in this short period of time, established itself as a thought leader, having contributed significantly to regulatory and policy consultations, and built up a good level of credibility, reputation and standing with key institutions in India.

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