Volume XI | Issue 10 | October 2026

Mumbai | Rs. 90

businesswise

OFFICIAL MAGAZINE OF INDIA SME FORUM

MICRO, SMALL & MEDIUM ENTERPRISES

THE FOUNDER TRAP

TECHNOLOGY
AI Agents for MSMEs

EXPORT
The MSMEs Behind India's Export Story

INTERNATIONAL
India–Australia ECTA

IN THIS ISSUE

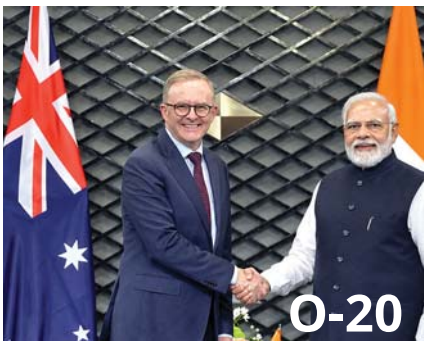
COVER STORY O-3

THE FOUNDER TRAP

A founder can build the business, win the customers and solve every problem, but what happens when every decision still has to pass through the founder? This article explores the hidden bottleneck inside growing MSMEs and why the next stage of entrepreneurship is about building people, processes and systems that keep the business moving even when the founder steps away.

ECOSYSTEM O-12

The Digital Identity of MSMEs: Entity Locker



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A founder can build the business, win the customers and solve every problem, but what happens when every decision still has to pass through the founder? This article explores the hidden bottleneck inside growing MSMEs and why the next stage of entrepreneurship is about building people, processes and systems that keep the business moving even when the founder steps away.

For many MSMEs, the challenge is not getting the business off the ground. It is building a business that can keep moving when the founder is not in the room.

There is a stage in the life of almost every growing enterprise when the question changes from Can this business survive? to Can this business grow without everything still depending on me?

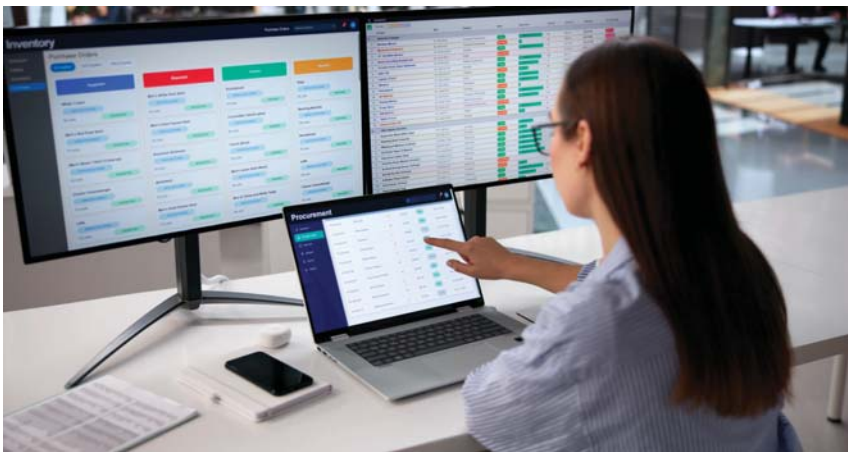
For a first-generation entrepreneur, the transition is rarely straightforward. The founder may have built the customer base, negotiated with suppliers, arranged the first working-capital facility, trained the early employees and personally handled every crisis that threatened the business. That closeness to the enterprise is often one of the reasons the business survived its early years. But as the organisation becomes larger, the same habit of personal control can quietly turn into a constraint on growth.

This is particularly relevant in India's MSME landscape, where most registered enterprises remain micro enterprises. As of September 2026, the Ministry of MSME's dashboard recorded more than 9.57 crore registrations across Udyam and the Udyam Assist Platform, of which over 9.52 crore were classified as micro enterprises. The registrations together reported employment of more than 42.4 crore people. These numbers reflect an enterprise base that is not only enormous but also predominantly made up of businesses operating at a relatively small scale, where the promoter frequently remains the person responsible for sales, finance, procurement, people and operations at the same time.

This is particularly relevant in India's MSME landscape, where most registered enterprises remain at the Micro level. As of June 2026, around 99.3% of registered enterprises were classified as Micro, compared with approximately 0.63% Small and 0.05% Medium. In absolute terms, the registered base comprised around 8.50 crore Micro enterprises, 5.37 lakh small enterprises and about 41,000 Medium enterprises. The numbers underline the scale of India's small-business economy, but they also point to an important organisational reality: for millions of enterprises operating at this level, the founder may remain closely involved in sales, procurement, finance, people and day-to-day operations.

Formalisation, however, does not automatically solve this organisational challenge. Registration can give an enterprise greater visibility and access to institutional finance, government programmes and organised markets, but it does not by itself create managerial capacity, documented processes or independent decision-making. An enterprise can become more formal without becoming less dependent on its founder.

The founder's involvement, therefore, is not the problem. In many MSMEs, it is an advantage. The problem begins when involvement becomes dependence, and dependence becomes a bottleneck.



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When the Owner Becomes the Operating System

A small business can function remarkably well with informal systems. When there are six employees, the owner may know what every person is doing, which customer needs to be called, which supplier has delivered late and which payment needs to be followed up. There may be no formal purchase policy, no elaborate reporting structure and no written operating manual, but decisions still get made because everyone is close to the owner and to one another.

The difficulty emerges as the business grows faster than its internal systems.

A manufacturing unit that has moved from ten employees to 40 may still have the owner approving every purchase above a certain amount. A trading business with a larger customer base may still require the proprietor to approve every price negotiation. An enterprise with an accounts team may still find that no significant payment is released until the founder has seen the file. A sales manager may have years of experience

"The biggest challenge is for successful entrepreneurs to dispassionately analyse one's own role, capabilities and performance for the present and requirements for the future. They need, what I call " detached passion ", an ability to objectively assess and take appropriate decisions and move forward. They should take a couple of steps back and ask the question: " How am I doing? Am I the right person to build the venture? The business is different from me and must grow". This is not easy but can't be postponed or avoided."

Mr. Kavil Ramachandran,
Professor,
Indian School of Business

but still hesitate to offer a customer a modest discount because there is no clearly defined authority to do so.

Individually, none of these decisions appears particularly important. Collectively, however, they create a business in which the speed of the organisation is determined by the availability of one person.

The pattern becomes particularly visible when the founder is travelling, dealing with a personal emergency or simply unavailable for a day. A quotation waits for approval, a purchase order remains pending, a customer complaint is escalated unnecessarily and a payment that could have been released in the morning is pushed to the following day. The enterprise may have people, technology and orders, yet the decision-making capacity remains concentrated in the founder.

There is a useful distinction between working in the business and working on the business. Working in the business means being directly involved in the activities required to keep it running: approving orders, solving customer complaints, checking payments, negotiating with suppliers or supervising employees. Working on the business means stepping back to improve how those activities happen: building the team, strengthening processes, identifying new markets, improving finances and deciding where technology can remove repetitive work.

The objective is not digitalisation for its own sake. It is to ensure that the departure of one person does not also mean the departure of the organisation's knowledge.

For a new entrepreneur, working in the business is often unavoidable. The founder may be the salesperson, purchasing manager, accounts head and operations manager because there is nobody else to perform those roles. The problem arises when the business grows but the founder's role does not change. The entrepreneur remains busy doing the work of the business instead of creating the systems that allow the business to do more without requiring the entrepreneur at every step.

This is the founder trap: the entrepreneur becomes so central to the functioning of the business that growth increases the number of decisions coming to the founder instead of reducing them.

Why This Is a Particularly Important MSME Problem

The structure of India's small-business economy makes this issue more significant than it might appear from a conventional management perspective. The latest Annual Survey of Unincorporated Sector Enterprises estimated 7.34 crore establishments in the unincorporated non-agricultural sector in 2023-24, up from 6.50 crore the previous year. The sector employed more than 12 crore workers, an increase of more than one crore workers over 2022-23.

There is also an important distinction between the size of an enterprise and the maturity of the organisation behind it. Being classified as a Micro enterprise is not, in itself, evidence of weak performance or limited ambition,

particularly after the expansion of MSME classification thresholds from April 2025. The revised framework allows enterprises to grow substantially while remaining within the MSME definition for longer. An enterprise can therefore become larger in terms of turnover, employees, customers or complexity without necessarily moving from Micro to Small in the official classification. The more relevant question is whether its internal systems have kept pace with that growth.

These are not businesses that can simply import the management structures of a large corporation. For many of them, hiring a separate head of finance, HR, procurement, operations and sales is neither practical nor financially viable. The entrepreneur therefore performs several roles because the economics of the business demand it.

That is why the solution cannot simply be "delegate more".

The more relevant question for an MSME is: Which decisions genuinely require the founder's judgement, and which decisions are reaching the founder only because the business has never created another mechanism for making them?

That distinction matters. A founder should probably continue to be involved in deciding whether to enter a new market, take on a major customer with unusual credit terms, invest in a new production line or borrow a substantial amount of money. But whether a regular supplier invoice should be cleared, whether an established customer can receive a standard discount or whether a routine purchase can be made from an approved vendor should not necessarily require the founder's personal intervention every time.

When these two categories become mixed together, the founder spends valuable time on operational decisions while strategic decisions receive whatever time is left at the end of the day.

For an entrepreneur already dealing with tight margins, working-capital pressures and unpredictable demand, that is an expensive way to run a business.

A business can increase turnover, add employees and acquire customers while remaining just as founder dependent as it was five years earlier.

The Hidden Cost of Being Indispensable

The most obvious cost of founder dependence is the founder's time, but the deeper cost is organisational.

When employees know that important decisions will eventually be taken by the owner, they naturally become less inclined to take responsibility themselves. A supervisor who has been questioned for making an independent decision may prefer to call the owner next time. An accounts employee may wait for a signature even when the expenditure is routine. A salesperson may avoid negotiating with a customer because there is no clear boundary within which he or she is authorised to act.

Over time, this creates an unintended cycle. The founder believes the team cannot make decisions independently, so the founder retains more decisions. Because employees receive fewer opportunities to make decisions, they develop less confidence and judgement. The founder then sees this lack of confidence as evidence that greater control is necessary.

The business becomes dependent on the founder partly because the business has been designed to be dependent on the founder.

There is also a cost that is harder to measure: the founder's attention gets consumed by matters that do not necessarily create future value. An entrepreneur who spends several hours every week resolving routine purchase issues, checking individual customer quotations or following up on small operational matters has less time available to think about product development, exports, technology adoption, new customers,

The entrepreneur remains busy doing the work of the business instead of creating the systems that allow the business to do more without requiring the entrepreneur at every step.

productivity or the next stage of financing.

This is particularly significant at a time when many Indian family businesses are themselves recognising the need to professionalise. PwC's 2026 Family Business Survey found that 55% of Indian family businesses were planning to expand aggressively, while 39% prioritised digital transformation and AI. At the same time, the survey identified governance and succession as continuing areas of concern, with 52% reporting resistance from the senior generation as the biggest barrier to next-generation leadership.

The pressure is particularly significant in an environment where access to finance remains constrained. Institutional MSME credit outstanding has been estimated at around ₹31.3 lakh crore against estimated demand of approximately ₹69.3 lakh crore, indicating a financing gap of nearly ₹30 lakh crore. When capital is scarce, the founder's time is also a scarce business resource. Hours spent personally clearing routine decisions are hours not spent on customers, productivity, financing, technology or expansion.

The message is important for smaller enterprises as well: ambition to grow is not enough if the organisation's decision-making structure remains designed for the business the founder built ten years ago.

Delegation Does Not Mean Giving Up Control

For an MSME founder, reluctance to delegate is not necessarily a sign of poor management. There are practical reasons behind it. The consequences of a wrong decision are often immediate in a small enterprise. A bad purchase can lock up scarce working capital. An incorrect price can wipe out the margin on an order. A delayed collection can affect the next payment cycle. A poor hiring decision can disrupt an entire department.

The same principle applies to management systems. The informal arrangements that work when a business has five or six employees may not work when it has 30, 50 or 100. Growth increases not only the number of transactions, but also the number of decisions, relationships and risks that have to be managed. Just as an enterprise's financing needs evolve as it moves from starting a business to expanding one, its management needs also have to evolve from direct founder control to structured delegation.

The founder may therefore feel that personally checking everything is safer.

But control and personal approval are not the same thing.

A business can retain control while allowing decisions to be made at different levels. The founder can decide that purchases up to a defined amount may be approved by a manager, while larger purchases require senior approval. A sales executive can be given a defined discount range, beyond which the matter moves to the sales head. A production supervisor can be authorised to change a schedule within agreed parameters, with only exceptions coming to the owner.

The objective is not to create a complicated corporate hierarchy. It is to create clear boundaries for decision-making.For a small enterprise, even a simple one-page authority matrix can make a significant difference. Who can approve a purchase? Who can negotiate a price? Who can offer credit? Who can hire? Who can release a payment? At what level does a routine matter become an exception?

Once these questions are answered, the founder does not necessarily lose control. Instead, the founder gains visibility without having to personally execute every decision.

The Second Line Is Not a Luxury

The real test of whether an MSME has outgrown founder dependence is what happens when the founder is absent.

Formalisation makes an enterprise visible. Growth makes it larger. Organisational maturity determines whether that growth can continue when the founder steps away.

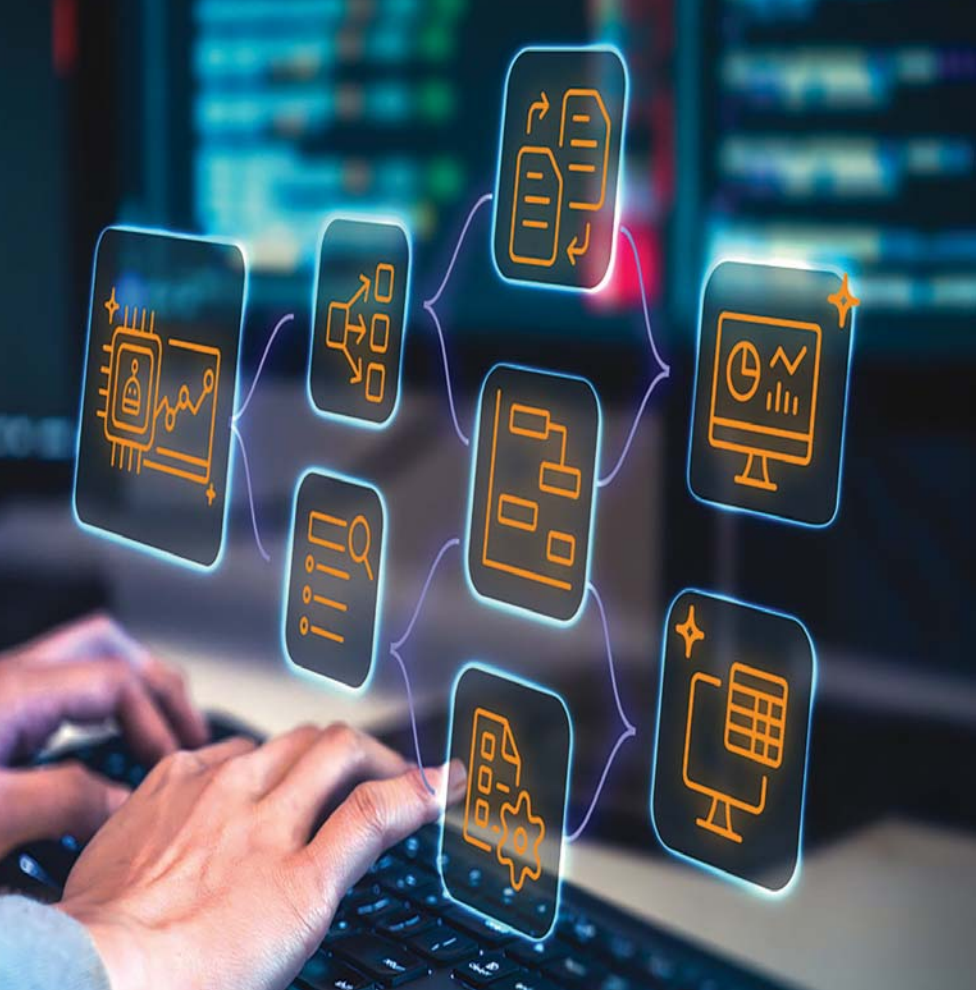
If the owner takes three days away from the business and everything continues broadly as planned, the enterprise has some organisational depth. If those three days result in stalled approvals, unresolved customer issues, delayed purchases and confused employees, the business has a founder-dependence problem.

There is another kind of graduation that does not appear on an MSME registration certificate. A business may remain classified as Micro while becoming considerably more complex in terms of customers, employees, suppliers, technology and capital. At that point, the enterprise has to graduate organisationally even if its formal classification does not change. That means moving from decisions made through the founder's memory and relationships to decisions supported by people, processes and shared information.

This is where the idea of a "second line" becomes important. It does not necessarily mean hiring expensive senior executives. In a small manufacturing unit, it could be a trusted production supervisor who understands scheduling, quality and maintenance. In a trading enterprise, it could be a senior salesperson who knows the key accounts and has defined authority to negotiate. In a service business, it could be an operations manager who can handle customer issues and staff deployment without waiting for the owner.

The important thing is that knowledge should not exist in only one person's head.

This applies even more strongly to family-run enterprises. Succession is often discussed as an issue that becomes relevant when the founder is nearing retirement, but by then it may already be too late to build organisational independence. PwC's 2019 India Family Business Survey found that only **21% of surveyed family businesses had a robust, documented and communicated succession plan,** despite **60% planning to pass management**



and/or ownership to the next generation.

The more recent PwC findings show that the issue remains relevant: in its 2026 India survey, **21% of family businesses said they had delayed leadership transition because of uncertainty,** while resistance from the senior generation remained a significant barrier.

Succession, therefore, should not be viewed merely as deciding who gets the business. It should also involve deciding how knowledge, authority and responsibility move from one person to the organisation and eventually to the next generation.

From Founder's Knowledge to Business Knowledge

Every experienced entrepreneur carries a considerable amount of knowledge that may never appear in the company's records.

The founder knows which customer generally pays late, which supplier can deliver urgently, which machine operator can solve a particular production problem, which product generates the best margin and which customer is likely to place a large order next month. This accumulated judgement is one of the enterprise's most valuable assets, but it becomes a weakness if nobody else can access it.

The first step towards institutionalising the business is therefore not necessarily sophisticated software. It is making important knowledge transferable.

Customer information should be accessible beyond the founder's phone. Supplier details should not exist only in personal notebooks or WhatsApp conversations. Production procedures should be recorded. Pricing rules should be clear. Credit terms should be documented. Recurring problems should have defined escalation processes.

This is where the broader formalisation and digitalisation of India's enterprise ecosystem can become useful at the business level. Digital registration, accounting systems, CRM platforms, inventory

The transition is not about becoming less entrepreneurial. It is about making entrepreneurship institutional.

software and online banking do more than create records for external institutions. Used properly, they can turn information that previously existed only in the founder's memory, phone or WhatsApp history into information that the organisation itself can access and act upon. The objective is not digitalisation for its own sake. It is to ensure that the departure of one person does not also mean the departure of the organisation's knowledge.

This leads to a more fundamental question for a growing entrepreneur: **Can the business keep working when the founder is not working?**

The idea is not about building a business that requires no entrepreneur. It is about building systems that continue to create value when the founder is away. A customer enquiry should enter a defined process rather than remain in the founder's personal phone. An order should move through a workflow. Inventory should be visible. Payments should be tracked. Employees should know what they are authorised to decide and whom to approach when an exception arises.

In that sense, building a business that can work while the founder sleeps is really about making the business **less dependent on the founder's constant availability.** The founder's knowledge has to become business knowledge, personal routines have to become repeatable processes, and individual relationships have to become organisational relationships.

Technology can help, but technology should follow the process rather than replace it. An enterprise can purchase an ERP, CRM or accounting system and

still remain founder-dependent if every important action requires the owner's approval. The objective of digitalisation should not simply be to put existing processes on a screen; it should be to give the organisation better information and enable the right person to act on it.

This distinction becomes particularly important as more MSMEs adopt digital tools. The Ministry of Statistics and Programme Implementation's recent ASUSE data show that digital access is expanding across the unincorporated sector, with **48% of establishments reporting internet use in October-December 2025**, compared with 39% in the preceding quarter. The next step for enterprises is not merely to become connected, but to use that connectivity to improve information flow, accountability and decision-making.

What Happens After the Business Grows?

The more useful test of enterprise maturity may begin after the business has achieved its first level of success. Can a new customer be onboarded without the founder personally managing the process? Can a routine purchase be approved without a call to the owner? Can an employee resolve a customer complaint using a defined process? Can the accounts team explain the company's cash position without waiting for the founder to reconstruct it?

These may appear like operational questions, but together they reveal whether growth has translated into organisational capability.

A business can increase turnover, add employees and acquire customers while remaining just as founder-dependent as it was five years earlier. External growth and internal maturity do not necessarily move at the same pace. A larger order book can create more approvals, more customer relationships, more procurement decisions and more financial transactions, actually increasing the number of matters that reach the founder.

The real transition occurs when the organisation begins to retain knowledge, distribute authority and make routine decisions without constantly returning to the person who started it. Growth should therefore not only make the business larger. It should make the organisation more capable.

The Founder Has to Grow Out of the Job

There is a point in every growing enterprise when the founder's job has to change, even if the founder's title does not.

That change can be understood as a movement through three stages. **First, the entrepreneur works in the business.** The founder makes the sales, solves the problems, manages the people and keeps the enterprise moving. **Then, the entrepreneur begins working on the business.** The focus shifts towards building processes, developing people, improving margins, strengthening systems and deciding where the enterprise should go next. **Eventually, the entrepreneur has to build beyond the business's dependence on the founder.** The organisation should be capable of making routine decisions, retaining knowledge and continuing its operations without requiring the founder's personal intervention at every stage.

The goal is not to make the founder less important. It is to make the founder's time more valuable. The entrepreneur should gradually move away from being the person who keeps everything moving to the person who builds the people and systems that keep everything moving.

In the early years, the entrepreneur's greatest value may come from doing everything necessary to keep the business alive. At a later stage, the greatest value comes from deciding what the business should stop depending on the founder to do.

Growth should therefore not only make the business larger. It should make the organisation more capable.

That transition can be uncomfortable because it requires the entrepreneur to accept that somebody else may perform a familiar task differently. The employee may not negotiate exactly as the founder would. The supervisor may handle a production issue in a different way. A new manager may introduce a process that feels slower initially. Not every decision will be perfect.

But a business cannot scale if perfection requires one person's personal supervision.

The practical starting point is relatively simple. The founder can list the decisions that come to them repeatedly over a typical week and ask three questions: **Does this decision require my judgement? Can somebody else make it if the boundaries are clear? What information would that person need to make it correctly?**

The answers can reveal where the bottleneck really lies.

Some decisions will remain with the founder. Others can move to a manager. A third category may disappear altogether once a proper process is created. That exercise, repeated across finance, sales, procurement, production and people management, gradually changes the organisation from one that depends on the founder's memory to one that operates through shared knowledge.

Five Questions That Reveal the Founder Trap

The maturity of a business is not measured only by turnover, employee count or registration category. It can also be measured by how much of the organisation can function without the founder. Five questions can reveal

where the dependence is greatest:
How many routine decisions still require the founder's approval?
Can someone else access the customer, supplier and financial information that the founder currently holds?
Who can run each major function if the founder is unavailable for a week?
Which processes exist only because the founder personally remembers how they work?
If the founder stopped working in the business tomorrow, what would stop first?

The answers can reveal whether the entrepreneur has built a business that is growing around the founder or an organisation that is becoming capable beyond the founder.

The Business Must Outlive the Bottleneck

Indian MSMEs are entering a period in which scale increasingly matters. Formalisation is expanding, digital tools are becoming more accessible, government procurement opportunities are growing, and more enterprises are looking beyond their traditional markets. The opportunity is no longer simply to build a business that can generate a livelihood for the promoter. For many entrepreneurs, the larger ambition is to build an enterprise that can employ more people, serve larger customers, enter new markets and continue growing across generations. That makes the distinction between business growth and organisational growth increasingly important. India's enterprise ecosystem has become far better at bringing businesses into formal systems and making them visible to institutions. The next challenge for an individual enterprise is more internal: building the organisational capacity to absorb growth without increasing its dependence on one person.

That requires a different definition of entrepreneurial success.

The founder who personally approves 50 decisions a day may appear deeply involved, but that is not necessarily a sign of a well-managed business. A founder who has built a team capable of making 40 of those decisions independently may actually have created the stronger enterprise. The transition is not about becoming less entrepreneurial. It is about making entrepreneurship institutional.

The entrepreneur's job is to build the business. The next stage is to build a business that does not need the entrepreneur to stand behind every decision.

Formalisation makes an enterprise visible. Growth makes it larger. Organisational maturity determines whether that growth can continue when the founder steps away.

An MSME does not need a large corporate bureaucracy to achieve this. It needs a few clear processes, defined authority, reliable information, capable people and the confidence to allow employees to take responsibility within agreed boundaries. Most importantly, it needs a founder who recognises that the habits that helped build the business may not be the same habits required to scale it.

The ultimate test is simple. If the founder is away for a day, does the business pause? If the founder is away for a week, does it struggle? And if the founder eventually steps away permanently, does the enterprise still know how to operate?

The answer to those questions may reveal more about the maturity of an MSME than its turnover ever will.

The entrepreneur's job is to build the business. The next stage is to build a business that does not need the entrepreneur to stand behind every decision. bwise

India SME Forum's ViewPoint
The next challenge for India's growing MSMEs is not only to scale their businesses, but to build the organisational capacity to sustain that scale. A strong enterprise is one where knowledge is shared, decisions are distributed and the founder can spend less time managing every transaction and more time building the business for its next stage of growth.

The Digital Identity of MSMEs: ENTITY LOCKER

Your business documents could do more than sit in folders. Entity Locker could help MSMEs spend less time proving who they are and more time growing their business. Find out how this digital platform could simplify access to finance, procurement, compliance and new business opportunities.

For an MSME, a business document is rarely just a document. It is often a ticket to a loan, a tender, a new customer, an export order, a regulatory approval or a government scheme. Entity Locker could make that documentation easier to access, verify and share.

For years, one of the less visible costs of running a business in India has been the repeated handling of documents.

A registration certificate may be required by a bank. A Udyam certificate may be needed for a procurement process. GST documents may be requested by a customer or lender. An insurance certificate may be needed for compliance. Financial statements, tax records, licences, incorporation documents and authorisation letters may have to move between the business, banks, government departments, buyers, auditors and other institutions.

The problem is not necessarily that these documents do not exist. The problem is that they are often scattered across emails, computers, physical files, accounting systems, government portals and the personal devices of founders or employees.

For a large company, this can be handled by dedicated legal, finance, compliance or secretarial teams. For an MSME, the responsibility may rest with the proprietor, founder, accountant or one administrative employee.

This is the gap that Entity Locker, developed by the Ministry of Electronics and Information Technology (MeitY) through the National e-Governance Division, is designed to address.

Launched as an extension of the DigiLocker ecosystem, Entity Locker is a digital document management and sharing platform for companies, MSMEs, trusts, societies, startups and other organisations. Unlike individual DigiLocker accounts, it is designed around the identity of the organisation itself.

The problem is not necessarily that these documents do not exist. The problem is that they are often scattered across emails, computers, physical files, accounting systems, government portals and the personal devices of founders or employees.

The significance for MSMEs could therefore extend beyond simply replacing paper with digital files. It could change how a small business establishes its identity and credentials when dealing with the wider business ecosystem.

From a Folder of Documents to a Digital Business Identity

The basic proposition is straightforward. Instead of an entrepreneur repeatedly collecting documents from different sources, scanning them, storing copies and sending them to different parties, Entity Locker is intended to provide a secure digital space where an organisation can access, store, manage and share its business documents.

For MSMEs, the platform can be accessed through the entity's verified identity. The current registration process allows entities to authenticate through different routes, including GSTIN, organisational PAN, CIN and DIN for corporate entities, and Udyam details for MSMEs. The Entity Locker registration SOP also provides for verification through these different identifiers.

For an MSME proprietor, this is particularly relevant because Udyam becomes a basis for establishing the enterprise's identity on the platform. For companies and LLPs, corporate information can be verified against information available through the Ministry of Corporate Affairs ecosystem.

The distinction is important. The entrepreneur is not merely creating

another cloud folder. The platform is designed around the verified identity of the business.

That creates the possibility of a future in which an MSME's relationship with a bank, buyer, government department or procurement platform can increasingly rely on verified digital business information rather than repeatedly asking the enterprise to establish the same facts.

Why This Matters More for MSMEs

For a small enterprise, administrative time has an opportunity cost.

A founder who spends an afternoon locating an old registration document, obtaining a fresh copy, scanning it, checking whether the latest version has been submitted and sending it to a bank is not spending that time on customers, production, hiring or business development.

The burden becomes larger when the same information is requested by multiple institutions. This is where Entity Locker could have a disproportionate impact on smaller businesses.

Its stated features include access to entity-related documents, secure sharing, user management and an Enterprise Vault for storing additional business records. The platform can also support digital signatures and controlled access to documents.

The government has identified use cases that are directly relevant to MSMEs, including vendor verification, loan applications, FSSAI-related documentation, GST and MCA processes, tendering and corporate filings. Consider a small manufacturer applying for finance. Today, the lender may need a combination of business registration information, tax records, bank statements, financial documents, ownership information and other supporting papers. Some information may already exist with government or financial systems, but the entrepreneur may still be required to locate and submit copies. A more integrated Entity Locker ecosystem could reduce some of this duplication. The same principle could apply to procurement.

An MSME participating in a tender may need to establish its registration, eligibility and other credentials. If the relevant information can be accessed or verified digitally with the enterprise's consent, the administrative part of the process can potentially become faster.

The word "potentially" matters. Entity Locker does not automatically eliminate every document requirement or guarantee that every bank, buyer or government platform will immediately integrate with it. Its impact will depend heavily on adoption and interoperability across the wider business ecosystem.

What Happens When an MSME Signs Up?

The process is designed to begin with verification of the entity. An authorised representative, such as a company director, authorised representative or MSME proprietor, creates the Entity Locker account. Depending on the nature of the entity, authentication can be undertaken using GSTIN, organisational PAN, CIN-DIN or Udyam details.

For an MSME registered under Udyam, the current registration process requires the Udyam certificate number and the registered mobile number for verification. For other entities, the relevant corporate or tax identifiers are used. Once the entity has been authenticated, the authorised representative becomes the primary user. The business can then access documents made available through the platform and manage additional documents through its Enterprise Vault. The platform also allows the primary user to delegate access to other authorised people within the organisation. This feature could be particularly useful for MSMEs where responsibilities are shared between a proprietor, finance employee, accountant, company secretary, consultant or operations manager.

The real test of Entity Locker will not be how many documents can be stored in it. It will be how many business processes eventually accept those documents without requiring the entrepreneur to repeat the same exercise.

Instead of one founder becoming the permanent keeper of every business document, document access can be organised around authorised roles.

That may sound like a small administrative improvement. For a growing enterprise, it can become an important part of institutionalising the business.

What Problems Is Entity Locker Trying to Solve?

The larger problem is fragmentation.

India already has multiple digital systems containing different pieces of a business's identity. Corporate information is maintained through MCA systems. Tax information sits within GST systems. MSME registration is maintained through Udyam. Trade-related information is handled through DGFT and customs systems. Banks maintain financial and KYC records.

The entrepreneur, however, may still experience these systems as separate processes.

Entity Locker is an attempt to create a business-facing layer through which documents can be accessed, managed and shared more conveniently.

The government's original implementation memorandum identifies several objectives: reducing document-handling costs, simplifying sharing with authorities, regulators and banks, improving security, enabling consent-based data sharing and reducing the risk of document loss. For MSMEs, these benefits translate into several practical gains.

First, less repetitive paperwork. Documents do not have to be recreated or located from scratch every time they are required. Second, faster verification. Where government databases are integrated, documents can be accessed from their underlying source rather than relying entirely on copies held by the enterprise.

Third, better continuity. Business information need not remain dependent on one founder's laptop, email inbox or physical file cabinet.

Fourth, easier delegation. Authorised employees or representatives can be given access without handing over the founder's entire document repository.

Fifth, greater control over sharing. The platform is designed around authorised and consent-based sharing rather than indiscriminate circulation of documents.

These are not merely technology benefits. They can translate into lower administrative friction.

The objective is not simply to create a digital cupboard for MSME documents. It is to make the business itself easier to recognise, verify and transact within a digital economy.

Where Could the Biggest Impact Come From?

The real test of Entity Locker will not be how many documents can be stored in it.

It will be how many business processes eventually accept those documents without requiring the entrepreneur to repeat the same exercise.

Finance could be one of the most important areas.

MSMEs frequently face documentation requirements when seeking working capital, term loans, equipment finance or other forms of credit. A more reliable digital trail of business documents could help lenders verify basic enterprise information more efficiently.

Procurement could be another.

Government and private procurement frequently requires businesses to establish their identity, registration status and eligibility. Digital verification could reduce the amount of administrative work involved in onboarding vendors. Compliance is another obvious area. An enterprise may deal with GST, income tax, labour-related documentation, insurance, licences and sector-specific

requirements. Having a structured repository of documents and access rights could make compliance management less dependent on manual record-keeping.

For exporters, the potential is still wider.

Trade documentation involves multiple parties and multiple systems. If Entity Locker's integrations expand across relevant government and business platforms, a verified digital document layer could eventually contribute to reducing duplication in cross-border business processes.

This is also where the broader Digital Public Infrastructure approach becomes relevant.

The government has increasingly been moving from individual digital services towards interconnected systems designed to reduce friction between businesses and institutions. Entity Locker fits into that direction by bringing the organisational side of digital identity and document management into the DigiLocker ecosystem.

The Founder Problem: When Business Documents Live With One Person

There is another MSME problem that Entity Locker could quietly address: institutional memory.

In many small businesses, the founder knows where everything is.

The Udyam certificate is in one email. The GST documents are with the accountant. The latest insurance policy is on the office computer. A tender document is saved on an employee's laptop. The company's incorporation papers are in a physical file. The bank has another set.

This works until the business grows, the employee leaves, the accountant changes, the founder is unavailable or an urgent document is required.

Entity Locker's role-based access and enterprise-level repository could help move businesses from person-dependent record keeping to organisation-level record keeping.

That transition is important for MSMEs as they scale.

A business becomes more resilient when its critical information does not reside exclusively with one person.

But Digitisation Does Not Automatically Mean Simplicity

Entity Locker also raises questions that will determine whether its promise is fully realised.

A business becomes more resilient when its critical information does not reside exclusively with one person

The first is adoption. A digital locker is most useful when the institutions on the other side of the transaction recognise and accept it. If a bank, buyer, regulator or tendering authority still asks the MSME to download, print, scan and upload the same document separately, some of the administrative burden remains.

Entity Locker can potentially help MSMEs reduce paperwork, organise business records and share documents more efficiently with government departments, banks, buyers and other institutions. However, the larger challenge may not be storing documents digitally, but ensuring that these documents are accepted, trusted and usable across the wider business and government ecosystem. Unless receiving institutions recognise and accept authenticated digital documents, enterprises may continue to face the same paperwork requirements despite having access to a digital platform.

The second is interoperability. Entity Locker is being integrated with government and regulatory systems, but the value of the platform will increase as more systems connect to it. MeitY has indicated that its implementation is phased and that additional government platforms and agencies will be integrated over time.

The third is digital capability within MSMEs. A proprietor who is comfortable using UPI or GST portals may still depend heavily

on an accountant or consultant for compliance documentation. Adoption therefore cannot depend only on launching the technology. Businesses will need clear guidance on account ownership, access delegation, document sharing and security.

The fourth is data governance.

A business document repository can contain highly sensitive information. Access controls, authentication, consent mechanisms, cybersecurity and clear responsibility in the event of misuse will become increasingly important as the platform expands.

The fifth is the question of the source of truth.

A digital copy is useful only when businesses and institutions trust its provenance and authenticity. The strongest value proposition of Entity Locker therefore lies not simply in storing uploaded PDFs, but in connecting enterprises to authenticated documents and verified data wherever such integrations are available.

Addressing these challenges requires clarity on how Entity Locker will be accepted and integrated across the institutions with which MSMEs regularly interact. Several policy questions therefore merit attention. Have Central Ministries, State Governments, public sector undertakings and local authorities issued instructions on accepting eligible documents shared through the platform? Under what circumstances, if any, can an MSME still be required to submit a physical copy when an authenticated digital document is available? Will tendering, licensing, inspection, subsidy, loan and reimbursement processes be redesigned to support end-to-end digital document sharing?

The implementation roadmap also needs to clarify the timelines for integrating Entity Locker with systems such as GST, Udyam, the Government e-Marketplace (GeM), the Ministry of Corporate Affairs (MCA), the Directorate General of Foreign Trade (DGFT) and state single-window clearance portals. Equally important are mechanisms to address the unjustified rejection of eligible digital documents, assisted onboarding for smaller enterprises and clear measures of adoption. The number of accounts created may indicate initial uptake, but the more meaningful measures will be the number of documents successfully verified, physical submissions eliminated and reductions in the time and cost of completing business processes.

A small business spends considerable effort proving that it is a legitimate business: who owns it, where it is registered, what its tax status is, whether it holds particular licences, whether its documents are authentic and whether it meets the requirements of a transaction.

These questions are important because the success of Entity Locker will ultimately depend on how effectively it is embedded in the processes that MSMEs use, rather than on the availability of the platform alone.

The Next Step: From Digital Storage to Digital Business Infrastructure

Entity Locker is still part of a larger evolution.

The first stage of business digitisation was putting paper forms online. The next stage was allowing businesses to file applications and make payments digitally.

The emerging stage is different: systems increasingly talk to one another so that the enterprise does not have to repeatedly carry information between them.

Realising this shift will require government action at three levels. As a user of digital documents, government departments need the systems and procedures to receive and verify them. As an issuer, government agencies need to make more authentic, digitally verifiable documents available directly through the ecosystem. As a process designer, the government must also review application and approval procedures so that documents accepted

digitally do not have to be printed, uploaded again or submitted separately at another stage.

Together, these changes could help move Entity Locker from a document management facility towards a more integrated system for business transactions. The objective should be to reduce duplication across the entire process, rather than simply digitise individual steps.

Entity Locker can become part of that infrastructure.

Its current capabilities already extend beyond simple storage, including entity verification, access to business documents, controlled sharing, delegated user management, an Enterprise Vault and digital signatures.

There are early signs that the platform is moving towards wider adoption. A government backgrounder noted that entities onboarded on Entity Locker increased from around 38,000 in February 2025 to more than 40,000 by December 2025. In September 2026, DPIIT also issued an advisory encouraging DPIIT-recognised startups to adopt Entity Locker for secure management, storage and sharing of business documents. In February 2026, MeitY also constituted a high-level committee to review the regulatory framework and future roadmap for the wider DigiLocker ecosystem, including Entity Locker, ecosystem expansion and potential commercialisation. That indicates that the platform is being considered as part of a continuing digital-governance architecture rather than as a standalone document-storage service.

The next phase will require practical measures to support adoption across institutions. These could include a common framework for accepting eligible digital documents, department-wise monitoring of adoption and integration, and

The strongest value proposition of Entity Locker therefore lies not simply in storing uploaded PDFs, but in connecting enterprises to authenticated documents and verified data wherever such integrations are available.

technical connections that reduce repeated uploads across government portals. Assisted onboarding through MSME Development and Facilitation Offices, District Industries Centres, industry associations and other facilitation networks could help smaller enterprises organise their records and manage digital access. Multilingual guidance, helpdesk support and a grievance mechanism for unjustified rejection of eligible documents would further strengthen usability and trust.

The effectiveness of these measures should be assessed through outcomes that matter to businesses: fewer physical submissions, less duplication, faster verification and measurable savings in the time and cost of completing transactions. Account creation may indicate initial uptake, but actual use across business processes will be a more meaningful measure of Entity Locker's impact.

For India's MSMEs, the significance could ultimately be much broader than convenience.

A small business spends considerable effort proving that it is a legitimate business: who owns it, where it is registered, what its tax status is, whether it holds particular licences, whether its documents are authentic and whether it meets the requirements of a transaction.

If those credentials can increasingly become verified, reusable and shareable digital assets, the cost of proving the business's identity can fall.

That is where Entity Locker's real promise lies.

The objective is not simply to create a digital cupboard for MSME documents.

It is to make the business itself easier to recognise, verify and transact within a digital economy.

And for millions of smaller enterprises, reducing the number of times they have to prove who they are could be just as important as reducing the amount of paper they use. bwise

India SME Forum's ViewPoint
Entity Locker as a promising step towards reducing paperwork and simplifying business transactions for MSMEs. Its true impact will depend on wider integration with government portals, banks and procurement platforms, along with the acceptance of authenticated digital documents. The focus must be on reducing duplication, saving time and lowering compliance costs so that MSMEs can spend less time on documentation and more time on business growth.

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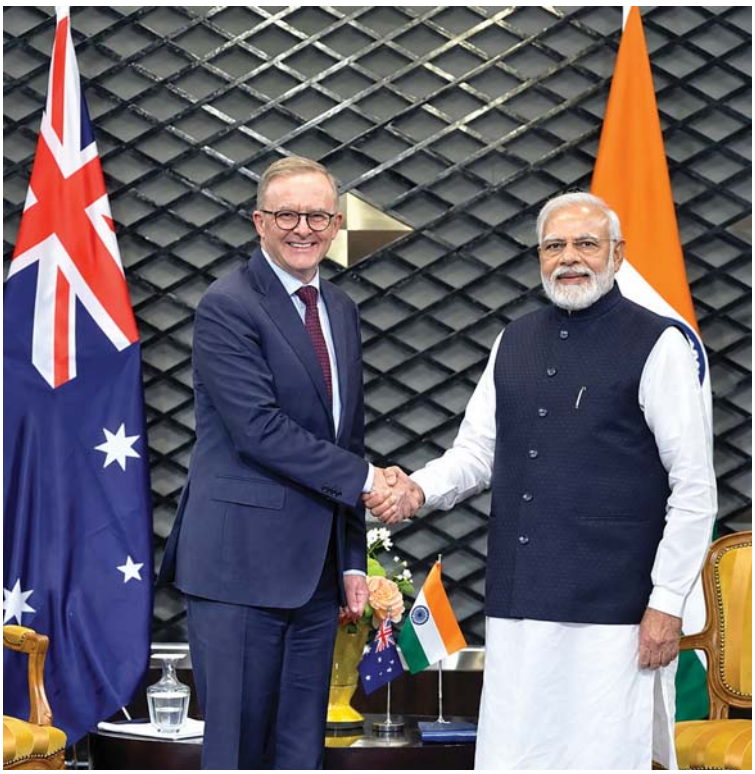


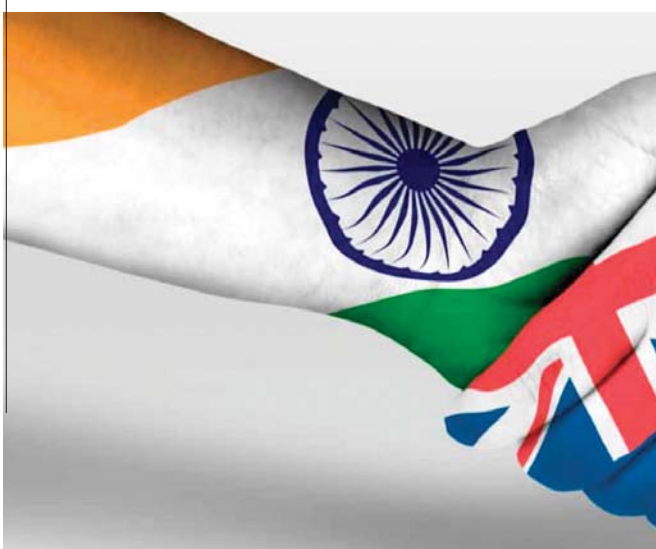
India - Australia's ECTA

ECTA has opened the tariff door to Australia for Indian MSMEs, but turning this advantage into business requires more than zero duty. Understanding the rules, meeting Australian requirements and finding the right buyers will be key to converting preferential market access into sustainable export opportunities.

For Indian MSMEs looking to expand into developed international markets, Australia is emerging as a market worth serious consideration. The India–Australia Economic Cooperation and Trade Agreement (ECTA), which entered into force on 29 December 2022, has significantly improved tariff access for Indian products. From 1 January 2026, products covered under the agreement's phased tariff schedule have reached duty-free treatment, with the Australian Government stating that 100% of Australian imports from India are now eligible for duty-free treatment under ECTA, subject to the agreement's conditions. For MSME exporters, however, the opportunity lies not simply in "zero duty", but in understanding how the agreement works and what requirements still apply.

Australia offers Indian MSMEs an attractive combination of purchasing power, stable demand, transparent business practices and opportunities across both consumer and industrial markets. For businesses that are already exporting or are prepared to meet international quality and compliance requirements, ECTA can provide an additional advantage when competing with suppliers from other countries.

The agreement is particularly relevant at a time when Indian MSMEs are looking to diversify their export markets and reduce dependence on a limited number of destinations. Australia can offer opportunities not only for finished products but also for components, intermediate goods, specialised products and business-to-business supplies. However, converting this market potential into actual exports requires a clear understanding of the conditions attached to preferential access.



ECTA has opened new doors for Indian MSMEs in Australia, but unlocking its full benefits requires more than zero tariffs. Here's what exporters need to know before entering the market.

What ECTA Changes for an Exporter

ECTA can improve the price competitiveness of eligible Indian products by reducing or eliminating customs duties. This can strengthen an exporter's position when negotiating with Australian importers and distributors and improve the landed-cost advantage of Indian products.The first step is to identify the correct HS code, as tariff treatment and Rules of Origin depend on product classification. Exporters can use the Australian Government's Free Trade Agreement Portal and Australian Border Force Working Tariff to check the applicable tariff treatment.The benefit must therefore be assessed product by product rather than assuming that every Indian product automatically receives preferential treatment.

For an MSME, this product-level approach is important. The same company may manufacture several products that fall under different HS codes, and each product can have different tariff treatment and origin requirements. Therefore, exporters should not rely only on broad sector-level information when assessing the benefits available under ECTA.

The tariff advantage can also influence the commercial relationship between an Indian exporter and an Australian buyer. Lower import duties may create greater room for competitive pricing, improve margins or allow the exporter and importer to share the benefit through more attractive commercial terms. However, the actual benefit will depend on the product, the applicable tariff rate, freight and logistics costs, taxes and other costs associated with bringing the product into Australia.

For this reason, MSMEs should calculate the overall landed cost rather than looking at customs duty in isolation. A product that receives preferential tariff treatment may still face other costs related to freight, insurance, certification, testing, packaging, compliance and distribution.

Zero Duty Does Not Mean Zero Requirements

This is the most important point for MSMEs considering the Australian market.

Tariff preference, Rules of Origin, Certificate of Origin and Australian regulatory compliance are separate requirements.

An Indian product must satisfy the relevant Rules of Origin to qualify for ECTA preferences. Depending on the product, these may involve requirements relating to manufacturing processes, imported inputs, tariff classification or regional value content. The exporter must also provide the required Certificate of Origin to support the preferential tariff claim. Indian exporters can use the DGFT Common Digital Platform for Certificates of Origin for this process.However, tariff preference does not remove Australian import requirements. Depending on the product, exporters may still need to meet product standards, labelling, food-safety, biosecurity, technical and other regulatory requirements. For example, an engineering MSME exporting machinery components may qualify for preferential tariff treatment but still need to meet applicable Australian technical requirements. Similarly, a food-processing MSME may benefit from lower or zero customs duty but must separately meet food-safety, labelling and biosecurity requirements.For agricultural, food and other biosecurity-sensitive products, Australia's Biosecurity Import Conditions System (BICON) provides product-specific information on import conditions, permits and documentation.

This distinction is critical because an exporter may satisfy the tariff conditions but still be unable to place a product successfully in the Australian market if other requirements have not been addressed. Preferential tariff treatment should therefore be viewed as one part of the market-entry process rather than as a guarantee of market access.

Rules of Origin are particularly important because ECTA benefits are intended for products that meet the agreement's requirements for Indian origin. MSMEs using imported raw materials, components or inputs should therefore examine the origin criteria applicable to their specific product before making a preferential tariff claim.

Similarly, certification and documentation should be planned before shipment. Errors in product classification, origin documentation or supporting records can create unnecessary delays and may affect the ability of an importer to claim the preferential tariff benefit.

Australian regulatory requirements also vary considerably by product. An exporter of industrial goods may need to consider technical standards and product specifications, while a food exporter may need to address food safety, labelling, ingredients and biosecurity conditions. Products containing agricultural or biological materials may require additional checks before importation.

The practical lesson for MSMEs is simple: tariff access and regulatory access are two different questions, and both must be answered before entering the market.

Where MSMEs Can Find Opportunity

ECTA is particularly relevant for Indian MSMEs with established manufacturing capabilities. Opportunities can arise in engineering products, automotive components, textiles, food products, pharmaceuticals, chemicals and other manufactured goods, depending on product-specific tariff and regulatory conditions.The opportunity also extends beyond finished consumer products. Indian MSMEs can supply components, industrial inputs, packaging materials and specialised parts to Australian manufacturers, distributors and other businesses. An exporter approaching an Australian buyer with the correct HS code, knowledge of ECTA eligibility, relevant certification and a clear understanding of compliance requirements is likely to be better positioned than one relying only on the promise of lower tariffs.

For Indian MSMEs eyeing Australia, ECTA is more than a tariff agreement—it is a market-access opportunity. Understanding the rules behind the benefits can turn preferential access into sustainable business.

For engineering and automotive MSMEs, for instance, Australia can offer opportunities for specialised components, machinery parts, industrial equipment and other manufactured inputs. In textiles and apparel, Indian exporters can build on established manufacturing capabilities while responding to Australian buyer requirements on quality, product specifications, labelling and sustainability.

Food and agricultural products can also offer opportunities, particularly where Indian products have an established or growing consumer base. However, these categories require greater attention to food safety, packaging, labelling and

biosecurity conditions. MSMEs entering these segments should therefore undertake product-specific compliance checks before approaching buyers.

There is also potential for MSMEs to use Australia as a market for niche and specialised products rather than competing solely on price. Products with distinctive designs, specialised applications, established quality credentials or reliable after-sales support may be better positioned to build long-term buyer relationships.

For many smaller exporters, the most practical entry point may be through Australian importers, distributors, wholesalers or specialised sourcing companies. Building such relationships can help MSMEs understand local market preferences, customer expectations and regulatory requirements while reducing some of the challenges associated with entering a new market independently.

From Tariff Advantage to Buyer Opportunity

ECTA provides the framework for improved market access, but exporters still need to actively develop the market. A tariff benefit alone will not create demand. MSMEs must identify suitable Australian buyers, understand their product requirements, prepare competitive quotations and demonstrate their ability to meet quality, delivery and documentation expectations.

Indian exporters should therefore treat ECTA as part of their broader export strategy. Before approaching buyers, they should prepare product catalogues, technical specifications, certifications, pricing information, production capacity and export documentation. Being able to clearly explain the ECTA benefit to an Australian buyer can also strengthen the commercial proposition. Buyer discussions should ideally cover not only price, but also minimum order quantities, delivery timelines, packaging, payment terms, applicable standards, documentation and post-sale support. This can help convert initial enquiries into sustainable business relationships.

The Opportunity Ahead

Four years after ECTA entered into force, the agreement has created a significantly more favourable tariff environment for Indian exporters. However, its greatest value for MSMEs will come from using ECTA as a complete market-access tool, rather than viewing it simply as a zero-duty arrangement.The process should begin with four questions:

What is my HS code? What tariff benefit applies? Do I satisfy the Rules of Origin? And what Australian requirements must I meet before the product can enter the market?

These questions should form part of an exporter's market-entry checklist. MSMEs that undertake this preparation before approaching buyers are more likely to understand their actual cost advantage, respond confidently to buyer queries and avoid compliance-related disruptions after receiving an order. The next stage is to convert tariff access into commercial engagement. Exporters should identify suitable Australian buyers, understand their sourcing requirements, communicate the ECTA advantage clearly and build relationships based on consistent quality and reliable delivery. Government trade portals, export promotion organisations, industry associations and buyer-seller platforms can also help MSMEs access information and identify potential business partners.

For first-time exporters, the Australian market may require investment in certifications, testing, packaging or product adaptation. These should not necessarily be viewed only as costs, but as part of building the capability required to compete in a developed market. Once the necessary systems are established, the same capabilities can also support expansion into other international markets.
By combining preferential tariff access with proper certification, regulatory preparedness and targeted buyer development, Indian MSMEs can use ECTA to build a stronger and more sustainable presence in the Australian market. The agreement has opened an important window of opportunity, but the businesses that benefit most will be those that prepare carefully, understand the rules and approach the Australian market with a long-term export strategy. bvise

India SME Forum's ViewPoint
India-Australia ECTA is a significant opportunity for Indian MSMEs to expand into a stable and developed international market. However, for MSMEs, the real value of the agreement will be measured not simply by reduced or zero tariffs, but by how effectively it translates into new buyers, orders and sustainable export relationships. We believe MSMEs need greater awareness, handholding and market access support to understand product-specific benefits, meet compliance requirements and connect with the right international buyers. As an organisation dedicated to strengthening India's MSME ecosystem, we see ECTA as an important platform to help more Indian MSMEs move from export readiness to actual global market participation and build long-term international businesses.

AI AGENTS FOR MSMEs

The next addition to an MSME's team may not need a desk or a salary—AI agents are becoming digital workers that take on repetitive, multi-step tasks while leaving judgement and accountability firmly human.

Are you ready to hire them? Somewhere around the twelfth interview of the day, a small-business owner stopped asking, "What are your strengths?" The more useful question had become: What if some of this job did not need another person at all?

The role looked familiar, follow up with leads, answer routine customer questions, keep the marketing calendar moving, check invoices and prepare a report at the end of the week. None of it was particularly difficult. But together, these small tasks consumed hours, required constant follow-up and became expensive when every new responsibility meant another person.

That is where the idea of an "AI employee" begins, not as a replacement for the team, but as a different way of dividing work.

For years, AI for small businesses meant asking a tool to perform one task: write a post, draft an email or summarise a document. AI agents change the proposition. Instead of waiting for an instruction at every step, an agent can be given a defined objective, access to selected information and rules for what it can do, allowing it to complete a multi-step workflow and return to a human when a decision or approval is required.

The distinction matters. "Write a customer email" is a task. "Monitor new enquiries, identify which ones need a response, draft the reply, follow up after two days and alert me when a customer shows buying intent" is a workflow.

And India is already moving in this direction. Microsoft's 2026 Work Trend Index found that 32% of Indian AI users qualified as "Frontier Professionals", people using agents for multi-step work and redesigning workflows around them, compared with 16% globally. It also reported that agent workflows were operating at the function level in 34% of Indian organisations.

For an MSME, however, the interesting question is not how advanced the technology sounds. It is where it can remove a genuine business bottleneck.

Take sales. A small manufacturer may receive enquiries through WhatsApp, email and its website. Instead of someone manually sorting every enquiry, an agent could organise incoming requests, identify the product being asked for, prepare a standard response and flag serious leads for the owner. The salesperson still handles the negotiation; the agent simply ensures fewer opportunities disappear into an inbox.

The same principle works in finance. An agent could compare invoices with purchase records, identify missing information, prepare a reconciliation and highlight exceptions. In customer service, it could handle repetitive questions about delivery, product

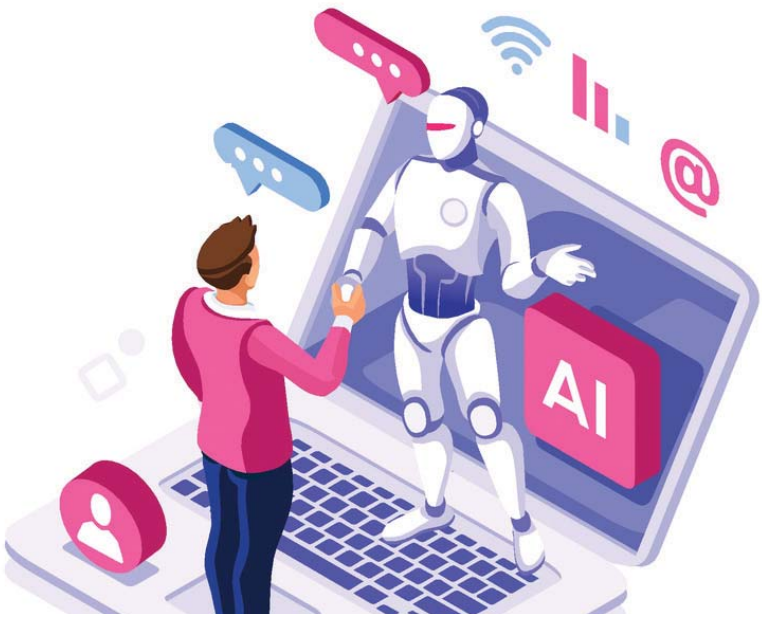
specifications or order status, while sending unusual complaints to a human. For an exporter, parts of the documentation workflow such as checking whether required information is present across shipping documents, could be structured for automated review before a person signs off.

The value is not that a machine is suddenly better than an employee. It is that a business can stop spending human attention on work that follows predictable patterns.

That is already beginning to show up in the Indian SMB market. On September 10, PayU launched Agent HQ, an AI-agent store aimed at Indian small and medium businesses. The offering includes agents for product discovery on AI platforms, customer interactions and payment-related operational tasks such as transaction follow-ups, reconciliations, refunds and settlements.

This is an important shift because it brings the idea of an AI workforce closer to the everyday problems of a small business. An owner does not have to begin by asking, "How do I transform my company with AI?" A more practical question is: Which recurring task is consuming time without requiring my best judgement?

But there is a catch. The more an agent can do, the more carefully its boundaries need to be defined. An agent preparing a social-media draft is relatively low-risk. An agent that can issue refunds, access customer data or initiate payments is different. India's own development of agentic UPI payments illustrates the issue. NPCI has been working on a framework that could allow AI agents to make certain payments under predefined rules, with features such as spending limits,



AI agents are moving beyond simple tools to become digital workers that can handle repetitive business workflows, giving MSMEs a new way to scale productivity without replacing the human judgement that keeps the business moving.

"We built KissanAI for one of the most challenging markets: Indian agriculture. Our Dhenu platform handles millions of conversations with farmers and agribusinesses in their own languages, often over a simple phone call. That experience has shaped how we think about AI readiness. Indian MSMEs are ready for AI, but much of today's AI is not yet designed around how they work. Many tools assume English-speaking users working at desks, while a typical agri-dealer or trader may rely on voice calls, WhatsApp and personal trust. The biggest gains will come from AI that meets MSMEs where they are. Voice-first, vernacular AI agents can help answer customer queries, follow up on leads and explain products across languages, allowing small teams to manage more work without proportionately increasing their workload. My advice to business owners is to avoid starting with a large AI strategy. Choose one repetitive, time-consuming task, such as customer follow-ups or order queries, and test an AI agent for 90 days. Measure the results honestly before expanding its role. The barriers extend beyond technology to trust, language and pricing suited to smaller businesses. Addressing these challenges will be essential to making AI agents genuinely useful and accessible to India's MSMEs."

- Mr. Pratik Desai,
Founder,
KissanAI

identity checks and controls around delegated funds.

For an MSME, the lesson is simple: do not give an AI agent more authority than the job requires. A sensible first experiment could therefore look less like "hire five AI employees" and more like onboarding a junior team member. Start with one repetitive workflow. Write down what the agent is allowed to see, what it is allowed to change and when it must ask for approval. Let it operate on low-risk tasks. Review its work regularly. Only then consider giving it greater access.

The owner remains accountable throughout. That human role is not becoming less important. In fact, Microsoft's India findings suggest the opposite. Eighty-seven percent of Indian respondents said they remain responsible for the thinking and treat AI output as a starting point rather than a final answer. Quality control and critical thinking were also among the skills Indian respondents considered increasingly important.

That may be the real change hidden inside the phrase "AI employee". The owner's job is gradually moving from doing every task to designing how the work gets done.

The small business of tomorrow may therefore not look dramatically different from the outside. The same shop, factory, consultancy or trading office may still have the same people answering phones, meeting customers and making decisions. But behind them could be a quiet layer of digital workers sorting enquiries, checking records, preparing reports and watching for the next action.

The final decision stays human, and the part worth delegating may be the part that was always predictable.

The question is no longer simply whether an MSME should "use AI". The more useful question is much closer to the one that changed that interview room:

Which part of the business is repetitive enough to delegate, important enough to monitor and predictable enough to automate, without handing over the final decision?

That may be the first "AI employee" worth hiring. bwise

India SME Forum's ViewPoint
The rise of AI agents as an opportunity for MSMEs to delegate repetitive, process-driven work while enabling entrepreneurs and employees to focus on decisions, relationships and growth. The priority should be responsible and practical adoption—where MSMEs understand what to automate, maintain human oversight and adopt technology according to their actual business needs. ISF believes that building awareness, access and digital capabilities among MSMEs is essential to helping them use emerging technologies to become more productive, competitive and future-ready.

The MSMEs Behind India's Export Story

MSME-specified products accounted for 45.73% of India's exports in 2023–24 but how many of those businesses actually sell directly to the world? For many Indian MSMEs, the answer lies deeper in the supply chain: they may never meet a foreign buyer, yet their products can travel across borders through exporters, large companies and global value chains. This article explores how indirect exporting can open the door to global markets and why becoming a trusted, reliable supplier may be the first step towards going global.

The opening scene is an illustrative composite of how orders can move through a cluster such as Tiruppur. It is not a portrait of one named firm.Late in the evening, in a small garment unit on the edge of Tiruppur, a carton of shirts is sealed. The collar labels carry the name of a European brand. A tempo takes the carton to a larger exporter's warehouse, and from there the shirts begin their journey to Europe. Nobody in the unit has spoken to the final buyer, negotiated the overseas contract or arranged the international shipment. Those responsibilities sit with the exporter further up the chain. The shirt, however, is already going global.

This is the quieter side of international trade: **indirect exports**. A manufacturer supplies an exporter, large domestic company or multinational and, through that relationship, becomes part of a **global value chain (GVC)**. The product reaches international markets even when the business that made it remains entirely domestic. For Indian MSMEs,

this creates another route to global markets. The question is not only, "How do I find a foreign buyer?" It is also, "How do I become a supplier that an exporter or global company already trusts?"

The part of exports that is harder to see

The scale of indirect participation is difficult to capture because government export statistics generally identify the exporter of record, not every MSME that may have contributed to the product or service being exported. An MSME may manufacture a garment, component, packaging material or other input for an exporter, while the exporter is the company whose name appears on the international shipment.

This means there is no reliable official national figure that can tell us exactly how many Indian MSMEs participate in global value chains indirectly. Rather than assign a number that the available data cannot establish, it is more useful to look at how these supply relationships work on the ground.

For an MSME, becoming part of an export supply chain can mean producing for an established exporter, multinational company or larger domestic manufacturer that already has access to international markets. The MSME may never issue a foreign invoice or deal directly with the overseas customer, but its product can still become part of what is eventually exported.

That is what makes indirect exporting different from conventional direct exports. The product crosses the border, even when the business behind one part of that product does not.

What does an MSME gain by becoming a supplier?

For a small manufacturer, supplying an established exporter or multinational can provide access to **larger and repeat orders** without requiring the business to immediately build its own overseas distribution network. Once a supplier proves itself, the relationship can also provide greater visibility of production requirements, although demand is never guaranteed and orders can still fluctuate.

The bigger benefit can be the exposure to **higher quality standards and global operating practices.** Global buyers may require detailed specifications, inspection procedures, traceability, documentation and consistency that go beyond what a local customer demands. Meeting these requirements can push an MSME to strengthen production systems, record-keeping and quality control. Workers and managers may also gain exposure to new production methods, technology and technical requirements.

The product crosses the border, even when the business behind one part of that product does not.

This makes supplier relationships more than a source of orders. They can become a form of **export exposure and capability building**. The exporter or anchor company may handle the foreign customer and much of the international logistics, while the MSME learns what it takes to produce for that market. For a business that is not yet ready to build its own overseas sales network, this can be a practical first step.

The real entry ticket is reliability

A good product alone does not make an MSME a global supplier. A buyer may need the same product to the same specification every week, which means quality has to be consistent, deliveries have to be reliable and compliance requirements have to be met repeatedly. Over time, these factors build the most important asset in a supply relationship: **trust**.

Quality therefore cannot remain a final inspection at the end of production. It has to be built into the process through clear specifications, trained workers, maintained machinery, controlled raw materials and checks at different stages of production. The same applies

to compliance. Workplace standards, environmental requirements, testing, documentation and traceability can initially seem like additional costs, but they can also force an MSME to build systems that make the business more organised and dependable.

The objective should not simply be to pass one buyer audit. It should be to build a production system that can consistently meet the required standard and therefore make the MSME easier for a buyer to work with over the long term.

The opportunity also comes with risks

Indirect exporting is not a free route into global markets. An MSME can face **working-capital pressure, delayed payments, buyer concentration, compliance costs and pressure on margins.**

Payment is particularly important for smaller firms. Under the MSMED Act framework, buyers are required to make payment to eligible micro and small enterprises within the agreed period, subject to the statutory limit of 45 days. The Ministry of MSME also operates the SAMADHAAN mechanism for delayed-payment disputes. Yet even where legal protections exist, a supplier may have to purchase raw materials, pay workers and complete production well before receiving payment.

A large order can therefore create a financing problem if the business does not have enough working capital. Buyer concentration creates another risk. If one exporter or multinational accounts for most of an MSME's sales, the relationship can provide stability but also leave the supplier exposed if the buyer changes sourcing arrangements or reduces orders.

Compliance also requires investment. Testing, certification, environmental requirements, worker-related standards and buyer audits can add costs that need to be included in the commercial calculation. There is no reliable government-wide figure for the typical margins of MSMEs supplying

The question is not only, "How do I find a foreign buyer?" It is also, "How do I become a supplier that an exporter or global company already trusts?

exporters or multinationals, so the more useful question is whether the price, payment terms, financing costs, rejection rates and compliance expenses together make the relationship commercially sustainable.

What other countries show about supplier development

The lesson from other manufacturing economies is not that India needs to copy an entire national model. It is more specific: **global companies can become channels through which domestic suppliers acquire capabilities, but supplier development often requires deliberate effort**.

Vietnam provides one example. Its Ministry of Industry and Trade has documented the development of Vietnamese suppliers to Samsung. The number of Vietnamese first-tier Samsung suppliers increased from **4 in 2014 to 50 by 2020**, while the number of second-tier suppliers reached 191. The process involved production-improvement consulting and training Vietnamese specialists to support domestic firms.

The relevant lesson for India is not that Vietnam has solved every supplier-development challenge. It is that multinational investment alone does not automatically create strong domestic supplier networks. Potential suppliers need to be identified and supported in closing gaps in productivity, quality, technology and manufacturing processes before they can consistently meet the requirements of large global buyers.

Bangladesh provides a related lesson from its garment industry. Government-backed programmes have focused on helping firms understand buyer requirements and improve environmental, social and quality standards so that they can participate more effectively in global value chains. For India, the lesson is simply that **compliance and buyer-readiness are capabilities that can be built**, rather than paperwork that appears only after an international order arrives

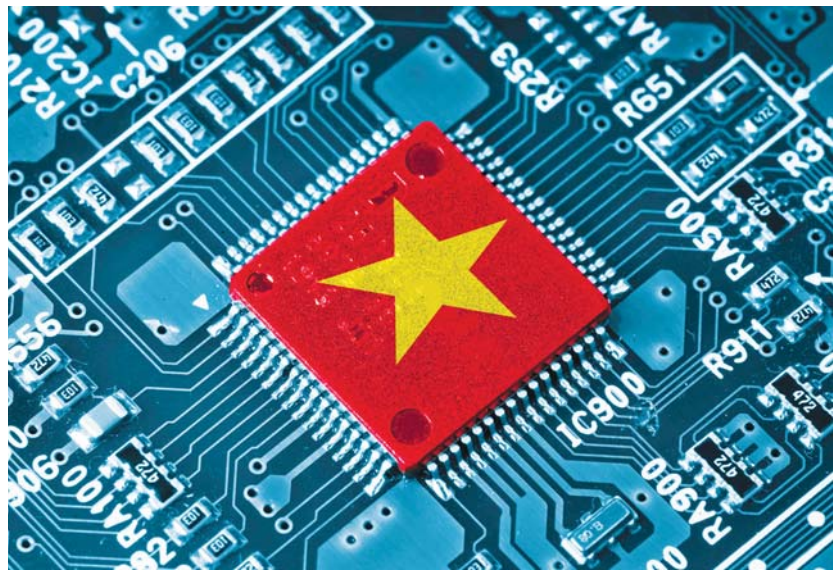
India already has the building blocks

India does not have to start from zero. Tiruppur, Rajkot, Surat and Morbi demonstrate how specialised clusters can bring together manufacturers, exporters, skilled workers, supporting institutions and common infrastructure.

Tiruppur offers a particularly useful example. Government industrial profiles describe it as a major knitwear cluster with thousands of textile units and a strong export orientation. The cluster has also developed common infrastructure around environmental compliance. Following zero-liquid-discharge requirements for dyeing and bleaching units, common effluent-treatment infrastructure was developed alongside individual treatment facilities.

For a small manufacturer, meeting a sophisticated environmental requirement independently can be expensive and technically difficult. Shared infrastructure allows multiple firms to meet a requirement collectively. The cluster has also developed institutions around skills and industry capability, demonstrating how a concentration of firms can create capabilities that individual MSMEs may struggle to build alone.

For a small manufacturer, supplying an established exporter or multinational can provide access to larger and repeat orders without requiring the business to immediately build its own overseas distribution network



The same principle can apply elsewhere. An engineering MSME in Rajkot may not need to become a finished-product exporter immediately if it can become a dependable supplier of a precision component to an exporter. A ceramic manufacturer in Morbi may not need its own overseas office if it can consistently meet the specifications and production schedules of an exporter serving international markets. A textile unit in Surat can enter global value chains by supplying a company that already has relationships with international buyers.

The opportunity is to connect these existing cluster strengths more deliberately to global supply chains.

The objective should be to move up the chain

There is also a danger in celebrating indirect exports too much. If an MSME remains an anonymous subcontractor indefinitely, it may capture only a limited share of the value created further down the chain. The exporter owns the foreign relationship, the brand owns the customer and the larger company may control product design, branding, distribution and market intelligence.

The more useful approach is therefore to treat supply-chain participation as a **learning and upgrading path**. An MSME can first learn to meet a buyer's specifications, then strengthen its production process and quality systems, develop technical capabilities and gradually move towards more complex products or components. It can also diversify its customer base and, where appropriate, eventually develop the capability to export directly.

Indirect exporting can therefore be an entry point rather than an endpoint. The first relationship with an exporter or multinational can provide something that is difficult to learn from theory alone: a real understanding of what a global buyer expects.

What should an MSME do?

For an MSME considering this route, the starting point is not necessarily an international trade fair. It is the business itself. The company needs to assess whether it can consistently produce the same quality, accurately understand its production capacity and lead times, meet larger orders without disrupting existing customers and

The first relationship with an exporter or multinational can provide something that is difficult to learn from theory alone: a real understanding of what a global buyer expects.

maintain the documentation required by buyers.

It also needs to consider whether it can meet the testing, safety, environmental or social requirements relevant to its sector, finance production until payment arrives and access the skilled workers needed to scale. An order that exceeds the firm's ability to deliver consistently can damage the very buyer relationship it was trying to build.

The next question is strategic: **which exporters, anchor companies or multinational manufacturers already buy products like mine?** That changes the way an MSME approaches market access. Instead of beginning only with a search for a foreign customer, the business can identify companies in India that already serve those customers and understand what they require from suppliers. This is where the idea of export readiness becomes broader. Export readiness does not always begin with an IEC, a shipping bill or a foreign distributor. Sometimes it begins with being ready for the **standards, volumes, documentation, consistency and reliability expected by a company that already exports.**

The product can go global before the business does

Return to the carton in Tiruppur. The shirts leave the small factory, reach an exporter, cross the sea and eventually reach a customer in another country. That customer may never know the name of the unit that stitched the shirt. Yet the manufacturer's participation in global trade is real.

The important question is what happens after the first order. Does the MSME remain dependent on one buyer and compete mainly on price, or does it use the relationship to improve quality, skills, technology and production capability? Does it remain an invisible link in someone else's chain, or does it gradually become a supplier that buyers actively seek because it can deliver something difficult to replace?

Indian MSMEs do not all need to become direct exporters at the same time. Some will build their own brands abroad, some will sell through distributors and export houses, while others will supply components, materials, garments, packaging, machinery or services to companies that already operate globally. All can be legitimate routes into international markets.

The product can travel before the company does. For many Indian MSMEs, global participation does not have to begin with finding a foreign buyer. It can begin much closer to home with becoming a globally trusted supplier. bwise

India SME Forum's ViewPoint
Global market access for MSMEs does not always have to begin with finding a foreign buyer. Becoming a trusted supplier to an exporter or multinational can be a practical first step towards building capabilities and moving up global value chains.

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