Digital Empowerment of Rural MSMEs

Why in news?

MSMEs, the economic fabric of India, needs digital empowerment which would help expand the market reach and also make access to easy finance.

Status of MSME in India

• Micro Small and Medium Enterprises (MSMEs) serve as the 'backbone of Indian economy' and the 'growth engines of the country'.
• **Classification**- MSMEs are classified based on the investment in plant & machinery/equipment and annual turnover.
• It includes both manufacturing service rendering enterprises.

Classification	Micro	Small	Medium
Investment in plant & machinery	Not more than Rs.1 crore	Not more than Rs.10 crore	Not more than Rs.50 crore
Annual turnover	Not more than Rs. 5 crore	Not more than Rs. 50 crore	Not more than Rs. 250 crore

Significance

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- Contributes ~ 30% to India's GDP
- Employs ~ 11 crore people
- Constitutes ~ 40% of total exports
- More than half of them located in rural India

What are the advantages of digitalisation in MSMEs?

- **Accessibility-** It will ensure expansion of the geographical reach of MSMEs even in remote areas, and it will be able to acquire new customers.
- MSMEs can manage their customer base effectively and ensure better engagement with them.
- **Women empowerment-** Digitalisation will offer easy access to the *international market for even women-owned enterprises.*
- **Revenue generation**- Internet can be used to source raw materials and manage inventory.
- Digitalization also *increases revenue growth*, estimated to be 27% higher than that of their offline competitors.
- **Risk mitigation**- It helps MSMEs monitor and set customer credit limits which serve as a risk-reduction strategy, control credit loss, and support the maintenance of *productive cash flow* in the company.
- **Time efficiency**- It saves time from paperwork for the availability of funds.
- Real-time operations-oriented funding takes place by going digital, giving MSMEs the required *confidence and resources*.
- **Inclusive growth**- It can foster inclusive economic growth and resilience by

increasing revenue and managing the operations.
- **Operational efficiency**- Artificial intelligence and machine learning can help MSMEs to improve their operations, customer-centricity, and creditworthiness.
- MSMEs need to adopt advanced digital technologies to join the Industry 4.0 revolution and boost their growth and competitiveness.

What are the challenges in digitalisation of MSMEs?

- **Digital illiteracy-** MSMEs may lack the awareness and skills to adopt and use digital technologies effectively, thus hampering the adoption of digitalisation.
- **Cybersecurity risks**- MSMEs will rely on digital assets like intellectual property, emails and employee data. Loss of this data in form of theft or leakage will affect the business continuity.
- **Digital divide-** A majority of MSME units in rural areas, run by women, SC-ST and other marginalised groups, do not have access to basic digital tools.
- **Privacy concerns**- As MSMEs move their operations online, they become potential targets for cyber threats.
- Protecting sensitive data and maintaining privacy becomes a significant challenge.
- **Asymmetric Market Power -** Large tech companies dominate the digital space, making it difficult for MSMEs to compete.
- **Technology adoption**- MSMEs often find it challenging to focus on long-term digital transformation while dealing with immediate business needs.

Steps taken to promote Digitalisation
• **Digital India**- In 2015, it was launched to improve online infrastructure and increase internet accessibility among citizens. • **Unified Payment Interface-**It is a system that powers multiple bank accounts into a single mobile application, merging several banking features, seamless fund routing & merchant payments into one hood. • **Bhasini**- It is an AI powered language translation platform which will support digital inclusion in India's diverse languages. • **Udyam portal**- It provides registration of MSMEs at zero cost, the process is fully paperless, online and based on self-declaration. • **PM-WANI**- PM-Wi-Fi Access Network Interface was launched by the Department of Telecommunication (DoT) in 2020 to provide ubiquitous and affordable internet connectivity. • **GeM**- Government-e-Marketplace is a paperless, contactless, cashless and 100% government owned online marketplace. • **Internet Saathi Program** –It was launched in 2015 by Google India and Tata Trusts to facilitate digital literacy among rural Indian women. • **PM Gramin Digital Saksharta Abhiyan-** It was launched in 2017 to usher in digital literacy in rural India by covering 60 million households.

What lies ahead?

- Digital literacy plays a crucial role in catalyzing the uptake of digital technologies and addressing skill gaps.
- MSMEs need to build their skills and embrace technology including the use of social media and other online channels for business communication.

- The government may provide access to subsidized credit for MSMEs to digitize.
- MSMEs require more promising access to e-platforms, better payment and delivery services, simplified customs procedures, a vigorous data privacy system, and well-targeted talent building to ensure that they prosper from e-commerce.

References

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3. Invest India- Digital empowerment for MSME resilience

