



## 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

- - 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

1. [Business Line- Need of Rural MSME's digital empowerment](#)
2. [IBEF- MSME industry in India](#)
3. [Invest India- Digital empowerment for MSME resilience](#)



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