

Rural MSMEs need to be digitally empowered

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Using digital tools will not only help expand the market reach, but also make access to finance easier

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MSMEs are yet to fully benefit from the transformative power of technology | Photo Credit: BIJOY GHOSH

India has embarked on an economic and digital revolution and is gearing up to emerge as the third-largest global economy. But the transformative power of technology is yet to fully benefit micro, small, and medium enterprises (MSMEs), which serve as the backbone of India's economic fabric, contributing to around 30 per cent of India's GDP.

The country has taken commendable steps with initiatives like Digital India, the Unified Payments Interface (UPI), and the AI-powered language translation platform 'Bhashini' to promote digital and financial inclusion. Programmes to boost the potential of MSMEs, such as the Udyam portal, the MSME Champions portal, the Government e-Marketplace (GeM), and others, will further help in this sector's growth.

But 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. The larger units have yet not fully embraced artificial intelligence (AI) and machine learning (ML), which are crucial for establishing connection and customer-centricity. AI tools can also analyse critical factors such as traffic, real-time road conditions and weather forecasts, which will help avoid unnecessary detours and minimise logistical delays. No one solution exists that will fit the needs of all MSMEs, especially when the world is fast progressing towards Industry 4.0. This crucial sector needs augmentation of the all-important digital infrastructure by multi-stakeholders, to empower MSMEs at large.

Lack of awareness

According to a 2022 survey by Bharatiya Yuva Shakti Trust across 12 States of over 5,000 micro-entrepreneurs (31 per cent female) employing between 2 and 10 workers, only 39 per cent use social media for marketing and a mere 22 per cent use e-commerce sites, primarily due to a lack of awareness about online business (44 per cent), and a lack of skilled personnel (17 per cent).

A recently launched Cisco-supported programme that also prioritises cyber-security aims to digitally empower underprivileged micro-entrepreneurs in Tamil Nadu and Haryana. In 11 months, it has raised digital literacy among 15,000 young people, promoted an impressive cohort of over 200 grassroots start-ups, and equipped them with digital tools and business knowledge. Among other things, entrepreneurs create visibility for their businesses on social media platforms, register on Google My Business and e-commerce portals, develop a website, and later use WhatsApp for sharing product catalogues.

Entrepreneurs are encouraged to adopt financial tools such as QR codes into their collateral and point-of-purchase displays or adopt popular UPI platforms like Google Pay, PhonePe, etc. Gurjeet Singh of Faridabad clocked an annual business revenue of ₹24 lakh in 12 months leveraging social media to generate retail walk-ins and digital payment tools to enhance in-store customer experience. The 100 per cent vegetarian, artisanal chocolates prepared by Rafiya Fathima of Chennai are promoted to customers across India through digital marketing platforms like Instagram where she runs a virtual mini store.

Empowering rural MSMEs to adopt cutting-edge digital technologies beyond the basics requires access to financing. This has remained a key bottleneck, restricting the growth of the sector to its full potential. Integrating AI and ML tools into business operations can revolutionise the financial landscape for MSMEs. AI tools can analyse financial data and turn it into valuable insights on the overall creditworthiness of MSMEs, which lenders can access and verify before loan disbursement.

Per government data, exports by MSME firms in Uttar Pradesh increased by 38 per cent due to e-commerce access in 2020–21, and nearly 64 per cent sold their products online.

This clearly shows that unlocking access to markets with digital technologies can boost MSME growth, especially in rural areas, and expand their reach beyond traditional boundaries to make enterprises more successful.

Leveraging appropriate digital technologies, including advanced tools such as AI, to boost MSMEs' growth, competitiveness and resilience is no longer a choice but a necessity. Indian MSMEs, especially in rural areas, thus need to join the Industry 4.0 revolution and race ahead to achieve tangible growth and prosperity.

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