Digital Transformation in India: Driving MSMEs Growth

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Abstract

India possibly is in the arena of its biggest experiment, test in digitalization. Digitalization of most of the Indian commercial enterprise is majorly pushed by the hastily advancing digitization of customers. This certainly has caused accelerated facts traffic and increased establishment of the order of new tech based totally startups to take advantage of the increasingly available possibilities. Approximately 8% of GDP is contributed by the Micro, Small and Medium organizations (MSME) sector. It also provides a pivotal function in the overall improvement of financial system by means of using nearly eight million human beings, thus contributing about 45% of the entire manufacturing output and also 40% of exports of the country. However, in a swiftly digitalizing economy, these industries generally fail to hold a pace. Almost at a compounded annual growth price (CAGR) of 18% online consumers in India are developing and could also reach 220 million by the year 2020. Unfortunately, out of 51 million SMEs in India, much less than 5-6% have an internal presence. India now has embarked on a brand new monetary increase model that which is well aligned with international technological and developmental trends. Constructing around hundred smart cities, rejuvenation transformation of around 500 existing midsized towns that which have a populace of around 1,00,000 digitizing India and also making India an International production hub are number of pillars on which new increase models rests. Digitalization improves performances of SME's and also helps in reducing financial obstacles by providing alternative financing options to SME. Alternative finance has seen increasing access and also has resulted in the significant rise in SME's operating performance, productivity and profitability. A thrilling aspect of increase in projects is the synergy among them and also their sturdy linkages with manufacturing and carrier sectors. Those are large developing sectors and MSME's are dominant stakeholders within the associated ecosystems.

Keywords: Digital India program, digitalization, rejuvenation, alternative finance, digital infrastructure and MSMEs

Introduction

Today MSMEs account for more than 80% of the full quantity of industrial enterprises and also bring over 8000 products. These inputs account for 45% of full production output and 40% of exports from India. Furthermore MSME quarter affords employment to over 117 million people in the country. Adding to this, the government of India has recounted that MSMEs force the growth of Indian economic system and this acknowledgement has certainly come in the form of regulations directed towards reaching their complete potential. Policies and rules are vital in figuring out the nature and course of any financial activity, consequently as the arena observes the worldwide MSME day, we try to look at some of the recent policies and campaigns of central government and also the way they affect MSME sector in India. To reinforce production output the formidable 'Make in India' campaign is government of India's flagship challenge which really does not ignore MSME arena. The campaign came with a number of policy tasks and

investments to address major challenge which MSMEs face. Make in India smooth loan fund released by using Small Industries Development Bank of India (SIDBI) in 2015 which gives loans inside the nature of quasi-fairness and time period loans on softer phrases to fulfill the specified debt fairness ratio for the establishment and boom of MSMEs. Government's scheme of fund for regeneration of traditional industries (SFURTI) scheme which was launched in 2005 focuses mainly on the cluster technique, organizing conventional industries and artisans. These individuals are supported to beautify marketability of their merchandise with design interventions, advanced packaging and infrastructure beneath this scheme. 800 clusters have been proposed in twelfth five year plan after 71 clusters have been evolved inside first phase with an outlay of Rs. 149.44 crores. National Manufacturing Policy has eased regulatory norms as well. Most of the special blessings to SMEs, especially extremely good ones include a tax pass through for challenge capital price range with a focus on SME's in production region, liberalization of Reserve financial institution of India (RBI) and Insurance regulatory and development authority (IRDA) hints for investments by banks and coverage corporations in SMEs. The Entrepreneurship Development Institute (EDI) in 2014-15, made 2, 60,888 youth task-ready through 9,142 programs. Talent mails organized in the same year provided jobs to 9,000 youths in the MSME sector.With increasing penetration of internet-enabled clever phones and a populace that appears up to a generation for solutions to problems massive and small, the MSME region may want to emerge as an outstanding beneficiary. Numerous technology solution companies that have started with a lift from the 'virtual India movement are trying to forge B2B relationships with MSMEs through virtual transactions. Generation systems have also discovered methods to connect MSMEs with shoppers, providers, monetary establishments and other enabling companies.Digital India, although not directly that specialize in MSMEs, has been instrumental in enhancing the commercial enterprise environment - from the ease of filling up paperwork to getting access to finance and markets.

Major objectives of the study

Major objectives of the study pertaining to the present topic are as follows:

i. To study the concept of Digital India

ii. To understand the impact of Digital India

iii. To overview the role of MSME sector in the Indian Economy

iv. To identify the MSME trends to shape Digital India

Overview of Digital India

In aiding growth of India's virtual economy with affordability, accessibility, fine content material and online content digital content performs an important function. Off late India has started experiencing this digital transformation. To experience the whole impact of this variation using digital technology is on the rise in India; nevertheless there exists an extensive 'Digital divide' between cities and rural India which desires to be bridged urgently.

Digital Program Initiatives

With the intention and goal of remodeling the country into a digitally empowered society and knowledge ecosystem. Digital India could certainly ensure that government offerings are available to citizens electronically. It might additionally convey in public accountability through mandated shipping of major presidency services, electronic equipments, E-Pramaan a unique identity based truly operable interoperable and incorporated government packages and data foundation. The digital India program was released in the year 2015 since then it is facing multiple challenges in successful implementation due to lack of clarity in policies and other such infrastructure bottlenecks.

Figure 1 Overview of Digital India Program

Digital Infrastructure

Today information and communication technology (ICT) sector certainly forms a critical part of digital infrastructure that which is required to make sure availability of telecom, broadband, computer systems and other such software program across the country. ICT has developed a primary infrastructure in the process of growth and affordability. India's ICT readiness has remained low, ranking 131 in ICT improvement index in 2015. Digital India application goals to boom the possible reach of virtual infrastructure through an intensive broadband and cellular community with a view to allowing digital delivery of presidency offerings to citizens. An improvement of a robust virtual telecom infrastructure spine is critical. Government in this regard has taken numerous initiatives to improve virtual infrastructure and also additionally deal with software and protection infrastructure as all the three elements are very much required in tandem to make sure that digital India becomes a success.

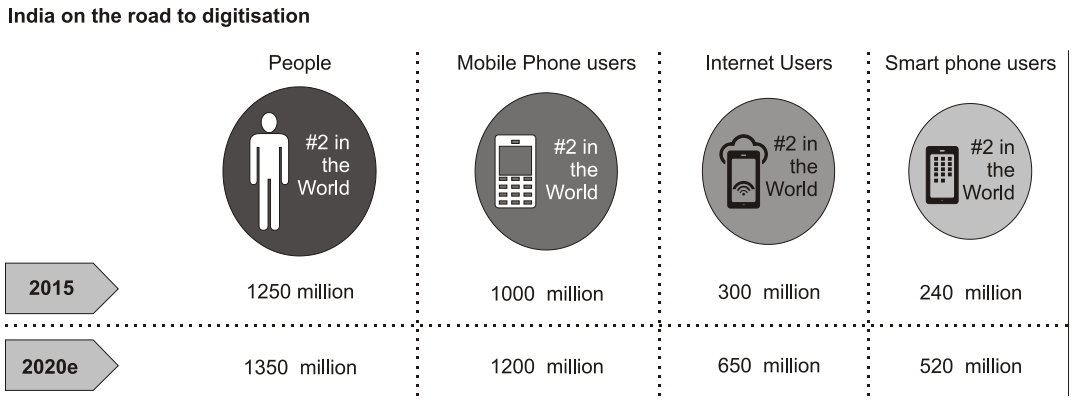

Figure 2 India's Road to Digitalization

Key Projects of Digital India Program

Some of the ambitious and key projects of Digital India Program are as follows:

i. MyGov.in: This has been applied as a major platform for citizen engagement in governance initiatives through 'speak', 'do' and 'disseminate' approach. Also the mobile app for MyGov would deliver these features to customers on a mobile smartphone.

ii. Digital Locker system: One of the major objectives of this system is to decrease the use of physical files and also enabling sharing of e-files across various agencies. The sharing of e-files may be finished through registered repositories thereby making sure the authenticity of the files online.

iii. Online registration system (ORS): Under the hospital utility there has been vital services inclusive of on-line registration, a fee of expenses and appointment, on-line diagnostic reviews, ensuring availability of blood online and many others.

iv. Bharat Net: It is initiated by government of India has undertaken a high-speed digital highway to attach all 2.5 lakh gram panchayats of the country. This will be world's biggest rural broadband connectivity project using optical fiber which is due to be completed by 2019.

v. Broadband Highways: To supply essential services electronically and also improve the way residents and government transact with each other, it's far imperative to have ubiquitous connectivity. Government also realizes this need as contemplated by using 'broadband highways' as one of the major pillars of Digital India. At the same time as connectivity is one of the major criterion, allowing and supplying technology to facilitate delivery of services to citizens from others.

vi. Next Generation Network (NGN): BSNL introduced to update a 30 year old exchange, which is an IP based technology to manipulate all types of major services like voice based, statistics, multimedia/ video and other different sorts of packet switched communication related services. BSNL has undertaken big scale deployment of Wi-Fi hotspots throughout the country. Consumers can latch on to the BSNL wireless network through their mobile devices.

Digital India Progress

Some of the major progress of Digital India Progress till date is as follows:

i. More than 12,000 rural office branches had been connected digitally and payment banking will be a fact for them.

ii. Government has made plans and efforts to make 'digital village' throughout the country, linking schemes with technology like LED lighting, solar energy, various skill development centres and other such e-services (like e-education and e-health).

iii. In 2017, Digital transactions related to e-governance initiatives within the country have almost increased, owing to Digital India program. As per government website e-transaction aggregations and analysis layer (eTaal) 6.95 billion transactions in 2015 and 7.67 billion transactions in 2016 respectively.

iv. Revolutionary policies and competitive awareness on 'Make in India' has played a large function in the regeneration of the electronics manufacturing sector.

Envisaged Impact of Digital India

Economic Impact

The Digital India plan ought to raise GDP up to $1 trillion by way of 2025. It is able to play a key position in the Macro-financial factors which include GDP growth, employment, technology, exertions productivity, and growth in the quantity of corporations and sales leakages for the government. As per the sector financial institution report, a 10% boom in mobile and broadband penetration increases the according to capita GDP by using 0.81% and 1.38% respectively inside the developing international locations. India is the second largest telecom market

in the world with 915 million Wi-Fi subscribers and world's third biggest net marketplace with almost 259 million broadband customers. There is still a big financial possibility in India because the teledensity in rural India is only 45% where greater than 65% of the population lives. Future increase of telecommunication enterprise in phrases of the quantity of subscribers is anticipated to return from rural regions as urban regions more than 160% are saturated with a teledensity.

Social Impact

Social sectors include education, healthcare, and banking are not able to reach out to the citizens due to obstructions and barriers together with an intermediary, illiteracy, lack of expertise, poverty, lack of funds, records and investments. These demanding situations have brought about an imbalanced increase in the rural and urban areas with marked variations in the economic and social status of the people in these areas. Modern ICT makes it less difficult for people to get right of entry to services and sources. The penetration of mobile devices can be quite useful as a complementary channel for public service delivery aside from the advent of totally new services which may have a substantial effect on the life of the customers and cause social modernization. India's poor literacy rate is due to unavailability of bodily infrastructure in rural and urban areas. This is in which many education services can play a significant role by means of achieving remote masses. In India, the digital literacy is just 6.5% and the internet penetration is 20.83 out of a 100 population. The digital India challenge could be useful in imparting real-time education and partly address the assignment of lacks of teachers in the education system through clever and virtual classrooms. Education to farmers, fishermen can be furnished through mobile devices. The excessive speed network can offer the good enough infrastructure for online education platforms which includes Massive Open Online Courses (MOOCs). Mobile and net banking can improve the economic inclusion in the country and can create a win-win situation for all events in the value-chain by way of growing an interoperable environment and revenue sharing enterprise models. Telecom operators get additional sales streams whilst the banks can reach new consumer groups incurring lowest possible costs. Digital platforms can assist farmers in know-how (crop desire, seed variety), context (climate, plant protection, cultivation pleasant practices) and market information related to market prices, demand for market and logistics.

Environmental Impact:

The primary changes within the technology area will not only introduce modifications to the economic system,however will even make a contribution to the environmental modifications. The next generation technologies will assist in decreasing the carbon footprint by using reducing fuel consumption, waste management, greener workplaces and thus leading to a greener ecosystem. The ICT sector facilitates inefficient management and usage of scarce and non-renewable resources. Cloud computing technology minimizes carbon emissions by enhancing mobility and versatility. The power consumption can be decreased from 201.8 terawatt hours (TWh) in 2010 to 139.8 TWh in 2020 by way of better adoption of cloud data centers causing a 28% reduction in carbon footprint since 2010.

Growth of Online MSMEs

India's Small and Medium-sized Enterprises (SMEs) sector is among the most powerful within the Asia Pacific region. The expected 51 million SMEs in India constitutes the country's biggest sector after agriculture. The SME sector has emerged as a dynamic sector in which greater than 6,000 products, contributes about to GDP, 45% to the whole production output and 40% of the exports from the country. The SME sector has the capability to spread commercial increase across the country and might evolve as a primary accomplice in the system of inclusive growth. One of the key drivers for the growth of the SME enterprise is digital transformation. Take as an example, the impact that accelerated digital literacy and higher digital infrastructure had at the SME

sector in India. While greater SMEs are able to take their business online and thereby reach out to a bigger customer base, the scope of operations will extend and in addition development will be increased. The initiatives from the government of India, such as digital India will provide further impetus to the digitization of the SME sector in India. Foremost generation companies have also been visible supporting the reason of SMEs, by growing tools, mainly applied to enhance the business efficiency and productivity of these companies. As an instance, Google India released a new initiative known as Google advantage, designed mainly to assist SMEs leverage the rising Internet user base and also launched every other new product, 'Google My Business' to assist Indian Small Business succeed online.The objective is to assist Small business to create and replace their business facts on Google search, Maps and Google+ from one place, at no cost, in both Hindi and English. Further, Microsoft has released its cloud adoption programme for Small enterprise in India underneath the Cloud Solution Providers (CSP) model. Infosys and GE recently combined developing new Internet of Things solutions a better way to help producers and different industrial firms to improve asset performance and construct greater shrewd linkages among layout, manufacturing and subject testing. These are a few examples of ongoing engagement with Small Business in India. SMEs find out a number of advantages, including a boom in sales; lower advertising and distribution spend and growth in income margins which can accrue from digitization.The improved geographic reach and accessibility, and advanced control of information storage functions also serve to force innovation, enhance customer revel in and facilitate effective hiring through the digital medium. The growing range of SME entrants in the enterprise every year spawns a persevering with need for talent a good way to swell the huge phase of the population that this sector already employs. For example, at Babajob, there are over 230,000 SMEs which have posted jobs within the past year. Blue collar employees, along with drivers, maids, safety guards, delivery boys, etc., are recruited without hassles because specific necessities are staying online, saving time, effort and price. SMEs that select digital hiring systems will stand to advantage in an extraordinarily aggressive and dynamic enterprise environment because lean and contoured workforces will outline the critical side that differentiates the leading players.

Cashless SMEs in Digital India

The Indian Small and Medium Enterprise (SME) sector holds approximately 8% share in the country's GDP, witha 45% contribution to India's production GDP and 40% to exports from India. This makes a critical contribution to India's economic boom. Due to the fact lengthy, the Indian SME proprietors have been undertaking their business the conventional way, be it their core business enterprise operations, advertising or excessive dependency on cash. Whether it's far about making bills for their vendors, suppliers or receiving payments from their clients, cash has been the favored mode of transactions. Organizations should strive for improvement and perfection at every stage of increase. Technology and innovation play a main position in making sure this for SMEs. Companies that use generation to manage to transport ahead, and people who don't remain stagnant and fade out sooner or later. In the closing 5-7 years, numerous steps have been taken to allow a cashless economy. The advent of the Aadhaar device is one such initiative in the course of digital India. Examine directly to recognize methods in which Indian SMEs can move cashless.

Net banking/Account transfers

Also known as account transfers which is a handy option for SMEs to obtain bills. It does include three services for customers to make payments- National electronic funds transfer (NEFT), Real time gross settlement (RTGS) and immediate payment service (IMPS). It is considered as a transaction fee, ranging from Rs 5 to Rs 55 for availing the services. While for RTGS there is a minimal amount of Rs 2 lakhs, there is no minimal restriction of other two services offered.

Aadhaar Payment App

In order to use this app all the SMEs require an author related bank account and also an android smartphone

with web connectivity, biometric reader and also Aadhaar payment app to get immediately credited into bank account which can be done by using POS terminals. Additionally service provider isn't charged any merchant discount rate (MDR) for use of this kind of payment method. Besides there is also no requirement for customers to have a web connection to make a few, by using this app trader can accept payments.

E-Wallets

E-wallets are generally utilized by consumers to make payments for various products and services. Business owners can use e-wallets to simply accept bills for their merchandise, various services to make bills to their companies or suppliers. As a less expensive and quicker payment technique e-wallet transactions can do away with liquidity issues of both clients and business proprietors. Mobiwik, Freecharge, Paytm are some of the very famous e-wallet services in India.

Point of Sale Machines (POS)

All customers intending to use this service need a debit or credit card to swipe on the machine and also PIN code for the card. POS machines cost around 3000 Rs and can also be included with a bank of choice. Major examples of banks like SBI do set up POS machines at commercial enterprise stores that which avail their merchant acquiring offerings.

Conclusion

In increasing and improving social and economic circumstances of human beings a digitally connected India can certainly help serve the purpose through development of non-agricultural economic activities besides from supplying gate entry to education, health and other financial services. It is also very much crucial that IT alone cannot result in standard development of the nation. Overall growth as well as development can be realized through supporting and improving various elements including primary infrastructure facilities, literacy levels, overall enterprise surroundings, certain regulatory surroundings and so forth. Besides Digital India should have a huge scale impact on residents across the country as digital divide wishes to be generally addressed through remaining mile connectivity in farflung rural areas of the country. Also the Central governments, State governments and other Local governmental bodies has to create awareness among citizens on the various use of digitalization which can result in achieving the aim of Digital India i.e., empower citizens to knowledge economy and also engage citizen-government in an effective and efficient manner with automation.

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