



## Digital India's SME's Economy – Switching to Digital is a Necessity not a Choice !!!

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### INTRODUCTION

Digitalization of Indian business is majorly driven by the rapidly advancing digitization of consumers. This has led to increased data traffic and accelerated establishment of new tech-based start-ups to take advantage of the growth opportunities.

The Micro, Small & Medium Enterprises (MSME) sector contributes about 8% of GDP. It also plays a pivotal role in development of the economy by employing almost 80 million people, contributing about 45% of the total manufacturing output and 40% of exports of the country.

However, in a rapidly digitalizing economy, these industries fail to keep pace. Online shoppers in India are growing at compounded annual growth rate (CAGR) of 18% and will reach 220 million by the year 2020. Unfortunately, out of the 51 million SMEs in India, less than 5-6% have an online presence.

The companies migrating to an online platform could potentially increase their revenues by 51%, improve operational efficiency and broaden their customer.

### Causes for Low Adoption of Digitalization in the Past:

- Lack of understanding of business benefits technology can deliver across end-to-end value chains
- Lack of guidance on the inherent abilities of technologies and how these can be integrated and institutionalized in their businesses
- Resistance to incurring upfront investment-related costs to implement technology

- Lack of skilled manpower to manage technology setups

According to NASSCOM, the estimated market growth driven by SMAC is expected to be 30% (US\$1 trillion) by 2020.

### Key Drivers Escalating Adoption of Digitalization Today:

In India, the impetus for adopting SMAC has been facilitated by the following factors:

- The exponential growth in adoption of smart devices to enable easy access to 3G or 4G networks
- The increased popularity of social media
- Rapidly increasing volumes of data being captured by businesses across customer touch-points
- Advancement made in analytic tools and technology that is helping to bring analytics closer to business users and not limit it to statisticians and PhD-holders
- Cloud enabling businesses to deploy mobility and analytic solutions in a cost-effective manner and reducing time-to-market

### Indian SME's Need in Global Digital Scenario:

#### ➤ Incubation Platform:

This directly points to the fact that India lacks business incubation setup. The industry majors need to provide mentorship to SMEs of their domain, on how they could be better aligned with their objectives of a low cost structure, broad basing their services and products, and a more reliable environment for operation.

➤ **Support from Government:**

In the most recent UPS Asia Business Monitor report, 81 per cent SME respondents feel that government needs to play a larger role in sustainability practices.

Let us look at the model deployed by Japan, way back in 1953. Japan Finance Corporation for Small Business (JFS) was created to enable a basic law which would represent a shift in policies to enable development and growth of diverse and independent SME businesses. JFS soon became an integral part of policy drafting and implementation process, and established a deep understanding of the SME market. It built a pool of businesses and understood its pulse. Today, it has more than 100,000 businesses and it leverages this information to groom newer businesses.

The essence behind formation of JFS was not just funds, but critical advisory, that would keep the businesses alive in long term. There is a strong need for such a platform to be provided in India.

➤ **Need for Communication:**

India is awakening to the need of communication and its importance to businesses. Till recent past, PR(Public Relations) was considered a luxury and spelt in the same breath as advertising. However, the communication modes and climate is changing. As a result, businesses are making use of various channels of communication to reach out to their audiences such as clients, masses at large, industry bodies, etc. On the globalized platform, global tools like PR need to be used to gather the outreach and use it towards expanding not only clients but further expansion, forming associations and tie-ups.

➤ **Valuation and Consolidation:**

Indian economy has progressed towards building knowledge enterprises to remain competitive in the global arena. Innovation and application knowledge are going to be the key to growth. However, in the SME segment, it remains vastly fragmented across mushrooming businesses. Joint ventures and some kind of consolidation will help pull strengths of companies and businesses together, and fasten the growth and maturity path.

➤ **Specificity of Focus:**

The more SMEs are connected to suppliers, buyers and financial institutions, the smoother transactions and fulfilments will be for enterprises. However, while industry and experts

had known urban India alone wouldn't fuel growth for the country, every stakeholder chasing the same piece of the pie would lead to redundancies. Different stakeholders taking on very specific problems to solve would, in theory, contribute to a stronger ecosystem for Indian SMEs.

**A Stronger Ecosystem for SMEs Increasing Digital India Footprint:**

Digitized B2B (Business to Business) transactions and relationships encompasses more than just Increasing payments access to the Internet even in smaller towns and the rate of Smartphone -led connectivity spreading across the country meant India was prime ground for a campaign like Digital India.

But end-users getting savvier and going online to be connected to services or making purchases isn't the only way Digital India's reach is growing.

With various B2B start-ups viewing the long untapped SME segment as a huge opportunity, Digital India outcomes may beat expectations sooner rather than later.

There are reportedly more than 40 million SMEs in India. Start-up names such as Tolexo, Power2SME, Rubique and Now Floats aiming to move all kinds of B2B relationships and transactions towards full cycle digitisation, indicates more businesses are now online.

**Digital Transformation: How SMEs Can Leverage This Wave Of Technology?**

SMEs will thrive if key enablers powered by SMAC (Social, Mobile, Analytics, and Cloud) in India.

Technologies are created in integrated ecosystems to support their following needs:

- Accessibility of expert knowledge and best practices
- Financial independence and risk mitigation
- Targeted marketing reach and sales
- Operational excellence across locations
- Efficient provisioning of services
- Real time insights and decision-making

**SMAC Technologies: The new wave Of Growth for SME's:**

SMAC technologies are advanced, affordable and pervasive. They are now available to businesses of all sizes. This is opening up an opportunity for SMEs to level the playing field and compete with larger

players. The need of the hour is for SMEs to take the lead in adopting SMAC and make it an integral part of their business strategies. Those that are successful in understanding the power of SMAC and harnessing it across their businesses will lead this new wave of growth.

### Steps for Keeping up SMEs Business:

One of the biggest challenges small businesses face in terms of digitalization is many lack the skill set required. A recent report showed that while most small businesses are aware of digital functions, only 26% have produced opportunities to develop these functions.

All types of businesses can benefit from keeping up with digital developments, but for some it's definitely more important than others. Take traders for example. It would be pretty much impossible to keep up with the markets without technology. To be successful, you need to act fast, especially with Forex trading. So, if you're unsure how to use the latest tech, you could be missing out on a lot of potential profits.

To keep up with digitalization, it's important to not only know about the latest developments, but also how to use them and incorporate them into your company. So, along with a fast internet connection, you are going to need to keep your digital skills topped up.

It's a good idea to bring the team together and see what digital skills you already have in your organization. You may just be surprised by the skills already available. Once you have a good idea of the skills your employees do possess, you can then work out which skills are lacking and where improvements could be made.

Automation is another important thing to focus on. There are a lot of day-to-day tasks which can now be fully automated thanks to technology. This not only speeds up production, but it boosts effectiveness and helps you to keep up with your competitors. Look at how many tasks you still do manually and see whether they could be replaced by automated processes.

### International Solutions Required For Global Developments:

The meeting held in Dusseldorf, largely focused on international digitalization. The leaders suggested an

international framework is required in order to ensure everyone, rather than just a select group, can benefit from global digitalization.

They focused on three key goals they are working towards, which include:

- Continuous Digital Education
- Faster Internet
- Harmonized Technical Standards

SMEs need to continually develop their digital education if they stand any chance of keeping up. In terms of faster internet, the UK is lucky enough to already boast impressive speeds, though further work needs to be done to bring it to all areas of the country. The leaders at the G20 meeting propose setting up faster connections by the year 2025.

### Conclusion:

Much of the growth and innovation in a developed economy is fuelled by the SMEs of that country, and it will be no different for India. With cutting edge technologies being available on a pay-as-you-go model, Indian SMEs would finally get to play a pioneering role in the growth of the economy. Overall, while digitalization is important, many businesses aren't taking full advantage of what it has to offer. If you want your business to be truly successful, it's vital you ensure you're keeping up with the latest digital trends.

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