



General Studies-3; Topic: Inclusive growth and issues arising from it.

Adopting Technology for MSMEs

Introduction

- The MSME sector in India continues to demonstrate remarkable resilience.
- The sector has sustained an annual growth rate of over 10% for the past few years.
- The sector has shown admirable innovativeness and adaptability to survive economic shocks, even of the gravest nature.

Significance of MSME

- The significance of MSMEs is attributable to their calibre for **employment generation, low capital and technology requirement.**
- They are also important for **promotion of industrial development in rural areas**, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products.
- According to the estimates of the Ministry of MSME, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country.
- With 38% contribution to the nation's GDP and 40% and 45% share of the overall exports and manufacturing output, respectively - they play a role in social and economic restructuring of India.
- The sector is engaged in the manufacturing of over 6,000 products ranging from traditional to hi-tech items.
- MSMEs are likely to **play a significant role in the government's \$5 trillion economy vision by 2025**, provided technology adoption becomes the key focus for enterprises ahead.

Adopting technology

- Adopting technology improves all aspects of their business including engagement with stakeholders, financial management, marketing, supply chain management, product innovation, skill development, employee engagement and other areas.
- The current business landscape across the globe is being led by digital technologies that are transforming the way systems and processes work.
- In fact, **it wouldn't be incorrect to say that unless companies adopt digitization now, they will never be able to gain a competitive advantage.**
- An initiative being led by the CII, **Digital Saksham** embarks on the beginning of a digital adoption movement.
- The goal is to strengthen over three lakh MSMEs through digital adoption, improved business skills and financial inclusion, thus strengthening their competitiveness through digital know-how and acceptance.
- Among existing digital tools, cloud computing has been the prominent go-to solution for small businesses during the pandemic to secure their data and enable a remote work environment.

Concerns / Challenges

- MSMEs face multiple challenges, ranging from **limited budgets to a lack of know-how** and expertise required in the adoption of digital technologies, security and trust issues.
- Lack of finance prevents MSMEs from investing in innovative projects, improving their productivity, and seizing opportunities for expanding to enter new markets.
- Unavailability of right technology talent, and fundamentally being averse to the adoption of the latest technologies have been and would remain among key challenges.

Way Forward

- **Improved access to finance is needed** to boost the widespread technological transformation of MSMEs across the country.
- **MSMEs need to be better integrated into the digital economy** to expand their market access, diversify their customer base and solidify their supply chain.
- They need to become digitally trained rather than outsourcing the digitization work.
- The integration of MSMEs into the digital economy can begin with digital and financial education leading to improved business practices and digital acceptance.
- There is a high demand for digital and cognitive skills, and MSMEs need to react quickly by becoming digitally enabled.
- Focussed effort to provide both funding as well as capability building through R&D for the MSMEs to flourish.
- Industry and the Indian economy along with MSMEs would reap the benefits of leveraging technology, that will have positive ripple effects on the nation's GDP and the creation of more jobs.