

Can digitization help MSME business prosper post-COVID 19 situation?

Introduction

The unimagined, unexpected recklessness caused by the COVID19 outbreak has caught all nations across the globe unprepared. All activities had to come to a halt with a massive lurch. Lifestyles and workstyles fell into a shamble, and the world went into lockdown.

Our country was statued for more than a year, with nothing but only essential services functioning. The corporates and MNCs fared a little better because a significant part of their activities was IT-enabled. But organizations and enterprises which operate primarily through manual and real-time work had to face severe consequences. Micro, small and medium enterprises(MSMEs) come under this category.

Long intervals of inaction disrupted their production, delivery schedules, their payables, and receivables, which, if left unchecked, would affect their future activity and all the stakeholders along the supply chain. Therefore COVID19's impact is relatively strong on MSMEs. At present, the MSME sector contributes almost 30 percent to India's GDP and approximately half of the country's total exports. It therefore became crucial for them to make the shift to digital. Let's explore how a digital-first approach can or have benefitted MSMEs.

How Can Digitization Benefit MSMEs

Asia Pacific Economic Cooperation (APEC) has always acknowledged that MSME digitalization is crucial for its progress. The 2019 APEC SME Ministerial Statement confirmed that e-commerce channels could serve as an essential platform for SMEs to gain better access to diverse global markets and quickly mitigate risk within supply chains. The plan to globalize MSMEs calls for ICT and e-commerce to be utilized fully to promote the internationalization of MSMEs and integrate them into global value chains.

- **Managing Contactless Transactions**

E-commerce tools and various mobile and digital payment methods are helping MSMEs lock in transactions and deliver goods and services while customers remain at home and many businesses are shuttered.

Services like Amazon, eBay, Shopee, and Alibaba are facilitating B2B, B2C, and C2C transactions through easy-to-set-up online storefronts, which can extend the reach of MSME sellers significantly. Promoting contactless transactions can reduce transaction frictions, lower costs, and help manage COVID19 transmission.

- **Delivering Goods Efficiently**

The digitalization of business logistics is helping MSMEs to maintain on-time product delivery and seek cost savings during lockdown periods, as well as in places where lockdown has been eased, but specific movement control policies remain in place. Many online food delivery

platforms such as Swiggy and Zomato are good examples and have taken on new roles during the pandemic.

- **Facilitating Access to Financial Services**

One of the significant challenges faced by MSMEs during the crisis is getting paid for shipped products and services rendered. Even when there are delays between shipment and payment, some of which can be lengthy, firms must continue to cover fixed costs, such as rent and labor expenses. This process allows MSMEs to sell validated invoices to banks, access payment immediately, and avoid the hassle of handling payment collection.

Digital recovery is the new normal

We live in times where adapting to digitalization is inevitable, especially for those in the business field. There is a vital urge to restructure the ways by which MSMEs will be able to rebuild and relaunch their businesses easily. Here, digital transformation can play a pivotal role.

Before COVID19, digitization was ultimately the second option for small and medium businesses in the industry. But the pandemic transformed everything. It pushed businesses to transform their models where the traditional "in-person" & "social" setting is the norm. As a result, to bounce back, businesses now started realizing that there is a strong need to go digital by introducing an innovative 'contactless' method of delivering their products and services.

Post COVID19 businesses seek new ways to adopt the new normal and strengthen their roots to kick start again. Here, digitization is even more needful for restructuring. An example of this is adapting to accounting software. With its help, businesses can efficiently fight the inconveniences caused by the impact of COVID19. It helps in strategic planning, setting organizational flow, direction, and controlling financial processes within an organization.

For several MSMEs struggling to stay afloat in the market, digitization has supported them at a larger scale by deferring tax filing dates, reducing the interest amounts, and so on. Hence, the need of the hour is to adopt digital transformation as it is the only key to their survival in the present and future. Moreover, it can help MSMEs reduce their costs, standardize the current work structure, automate business processes, and reduce the dependency on the workforce. Apart from this, digitization will also improve competitiveness and help businesses understand consumer behavior in a better way.

The Way Ahead

The emerging digital technologies make it easier for businesses to manage their operations and serve their customers more efficiently. Adoption of these technologies is essential to develop timely financial insights and stay ahead of the competition. As non-digital ventures become obsolete, the new and surviving businesses will embrace digital transformation to rebuild and recover.

Ref

source:

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