

Perspective **MSME**

Digital Journey of MSMEs from Non-Metro Cities in Today's Times

Digital Journey of MSMEs from Non-Metro Cities in Today's Times to meet the ongoing challenges of a continuously digitising business world

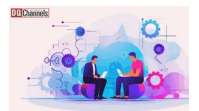
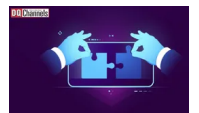
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Digital journey of MSMEs in India has a complex pattern. With the lockdown, remote and hybrid formats of work came into vogue and gradually took a stronghold across various industry segments. This made essential for the businesses to evolve a strong strategy for digital journey, so that they could capture their customers online and then discuss with them about their requirements. Some businesses could operate completely online; software providing companies being in the forefront of them.

Hardware resellers however, found it difficult to transition from a completely offline mode to at least a hybrid mode of doing business, with having a strong online profile alongside their offline stores, thus adopting partial digital journey model. However, with the increasingly changing modes of doing business and the end customers preferring the online model more and more, it is

becoming imperative for them to evolve a strong digital presence. This was especially true of the IT MSMEs.

The MSMEs in the metro cities could still go on a digital journey. However, the MSMEs in the smaller towns have faced a tough challenge in migrating online and going on a digital journey. We discussed this issue with two leaders, one of them based in a non-metro city. Following are the responses –



Figure of MSMEs from non-metro cities availing of their digital services

- Non Metro – 80%
- Metro – 20%

Graph of the business growth of MSME customers after digitising

Within 6 months, clients witnessed 30% growth in revenue. Within 2 months clients witnessed 10% improvement in efficiency

How investment – intensive are your services for the MSMEs?

As a SaaS startup, one of our key focus areas is offering affordable and scalable solutions to our clients. Our package starts from Rs 156 per month. Our product is affordable for every MSME and our platform scales with them – as their needs grow, they can unlock further capabilities that Effitrac's platform offers.

What are the challenges in getting the MSMEs from non-metro cities onboard? How do you resolve these challenges?

- *The challenges are primarily with the MSME owner realising and understanding that there are technology solutions that can directly improve the way they manage and run their operations. Many believe that technology solutions don't work for them, or do not even consider there could be tech solutions for the challenges they face. Some of the common challenges or misconceptions we have faced:*
- *MSMEs believe they are too small to implement full-fledged tech and business process solutions. They mistakenly believe that only large companies need tech*
- *They look at tech as an expense, not as an investment. This leads them to buy software piecemeal, like an accounting solution, and use it only as a data entry tool or for computation. This doesn't really solve the problems they face or make their business efficient, leading them to believe tech does not work for them.*

- *The business owners who understand that they do need tech and that tech can be a strategic solution for them, mistakenly believe that tech needs skilled staff. With SaaS and cloud-based solutions, this is not true anymore. In fact, for using our platform a business owner does not require even subject matter experts to a large extent. For instance, a person with limited accounting knowledge can capture the financial data without understanding the accounting concepts like credit and debit and still generate the P&L statement as our software assigns the correct data to the correct field.*
- *Some also believe that tech is useful only for management. On the contrary, technology can make employees across the value chain more efficient and productive. It empowers the employees, including front-end staff with data and knowledge leading to better decision making and ownership.*
- *There is also fear of technology. Many have the misconception that ERP tech makes life complicated. This is because they have an established 'way' of running their business and are loath to change. They will see improvements in efficiency and in growth only if they 'allow' the tech tools they have invested in to change the established processes and practices.*
- *Many believe tech implementation is time consuming. This is the case when businesses opt for a CAPEX and OPEX heavy, on-premise or installation-focused solution. For MSMEs, such solutions are not needed anymore. A number of SaaS and mobile app based solutions are present now. In fact, Effitrac's implementation time can be as low as a few weeks.*

We have seen that the most effective way to overcome these challenges is to educate MSME owners on technology. Many know they have a problem or a challenge; they do not know the solution. In other cases they know they need technology but do not know what to choose. Our extensive network of partners work with hundreds of MSMEs and they help spread the word. We have seen that once a potential client tries our free trial or demo, the conversion rate is over 70%.

--Logesh Velusamy, CEO and Founder, Effitrac Solutions



Figure of MSMEs from non-metro cities availing of their digital services

The distinction such as tier-1, tier-2 are all based on the quality physical infrastructure. Digital is a great equaliser as the quality of digital infrastructure is similar across various cities in different tiers. During the pandemic, all the MSME business owners were attending events online. The wider distribution of information has improved digital literacy and reduced information inequality. It has resulted in more uniform demand for digital transformation solutions across all tiers of cities and towns. In our view, Digital has blurred even the urban, rural divide as the digital infrastructure is almost similar across most parts of our country.

As far as Gofrugal is concerned, about 1/3rd of our business is from MSME customers in non-metro cities.

Graph of the business growth of MSME customers after digitising

We have experienced a significant increase in demand (50%+) with MSMEs in tier-2 cities primarily due to lower penetration of digital solutions earlier. We expect the demand to increase as every MSME business has realised that digital transformation is a basic hygiene and is critical for their survival.

How investment - intensive are your services for the MSMEs?

MSMEs can adopt Gofrugal solutions starting from Rs.12,000/- per year in the subscription model. The actual annual subscription for a particular business will depend on the modules and the number of users.

What are the challenges in getting the MSMEs from non-metro cities onboard? How do you resolve these challenges?

There are no specific or special challenges as far as on-boarding the MSMEs in non-metro cities as most MSMEs are open to online on-boarding, especially during the pandemic.

--Kumar Vembu, CEO and Founder, GOFRUGAL

The responses of these leaders suggest that digital adoption is quite affordable for the MSMEs and if they look upon it as a long term investment and not as an expense, it can take them a long way. The digital services and solutions offering platforms are continuously evolving and ready to resolve their challenges in their digital journey.