

Digital Enablers *of* MSMEs



SWAVALAMBAN

बेचैन सपनों को पंख..

Info Series
Volume-V

Small Industries Development Bank of India



Preface

Dear Swavalambi,

Swavalamban Greetings from SIDBI!

With the adoption of Vision 2.0, SIDBI has reoriented its focus on Promotion & Development with theme of **Sampark** (connect), **Samwad** (interaction), **Suraksha** (security) and **Sampreshan** (disseminate). Vision 2.0 aims at innovative and wider impact programme to benefit the MSEs both in “setting up” and “stepping up”, which will in turn generate more employment and overall economic growth in the country. Further, the Bank launched Mission Swavalamban in 2018 to spread entrepreneurship culture and turn youth from “Job seekers” to “Job creators”, restrict rural migration to urban areas and promote sustainable livelihood opportunities with thrust on bottom of pyramid, unserved/underserved pockets/segments and overall MSEs.

Swavalamban Info Series is one such attempt to connect with the present and potential Swavalambis and help them in their voyage of shaping their dream entrepreneurial ventures. It brings the basic as well as advanced knowledge of entrepreneurship to your doorstep as well as keeps you up to date with the latest happenings/schemes/initiatives which you can utilize for your and others’ benefit.

We keep evolving with readers’ feedback. Kindly send your feedbacks/queries/suggestions to us so that we can improve with each volume. We hope you will enjoy reading the series as much as we enjoy writing it.

Happy Reading!

Team Swavalamban, SIDBI

Digital Enablers: Concept

The world around us is changing fast. In our lifetime, we have witnessed laptops replacing desktop computers, CDs and DVDs making way for USB Flash drives. There has been a shift from people in villages watching “Ramayan” on the National Television together to binge watching web series on their individual devices. Thanks to Google Maps, no one gets lost in the way to their destination these days. Home delivery, e-commerce and e-books are all new age things, mostly unheard of and largely unthinkable a few years back.

Technology in the banking space is bringing sweeping changes from how we avail services to how banks introduce new products. Long queues in front of the cash counters gave way to ATMs. Now digital wallets, mobile applications and UPIs are challenging the dominance of ATMs. Some banks are even considering discontinuing debit cards.

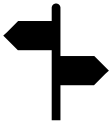
While Core Banking Solution (CBS) has transformed the relationship of customer with the bank by making it independent of the branch, Customer Relationship Management (CRM) has aided the banks in better understanding the requirements of a customer and providing customized solutions by engaging with them accordingly. With the technology reach brought by smart phones, the financial institutions are making sure the services are available to the customer at the click of a button.

Digital technology is not limited to providing real time services to the customers, but through the rapidly growing IT infrastructure, the traditional industry models are being disrupted which has not only provided better services to the customer, but has also led to increased portability, ease of usage, customer engagement, smart marketing, etc. The era belongs to end to end digitization where every service to the customer is provided digitally minimizing human intervention and increasing speed, transparency, quality, responsiveness, accountability and ease.

Our present edition of Info series is about such digital enablers who are poised to transform the lives of MSMEs by providing digital solution to many of their perennial problems.

Challenges faced by MSMEs

Information asymmetry



Access to credible and or trusted information on schemes, programmes, initiatives is very important for an entrepreneur during his enterprise development cycle of ideation to setting up to stepping up to exit and re-entry in diversified or upcoming business. MSMEs, both aspirant and existing, look out for such credible channels/institutions. Filtering the EXCESS information is crucial for easing ACCESS. RIGHT, adequate and appropriate information are a must for evolving a BRIGHT venture

Easy loans



The contribution of the MSMEs to the GDP of the country is well acknowledged. Still, the share of credit flow to the MSME sector has remained disproportionately low for a long period of time. Despite the low delinquency ratio of the MSMEs in overall banking sector, the banks have generally perceived the MSMEs to be a risky zone of lending. Moreover, the legacy lengthy procedure adopted by the lenders make it difficult for the MSMEs to avail credit at ease. There has always been a demand of availability of easy and quick, hassle free credit which can be applied and availed by the entrepreneurs at their convenience.

Receivable Financing:



MSMEs play a critical role of supplier of goods and services to the medium & large industries. However, due to the high bargaining power of the medium & large industries, the realization of the receivables of the MSMEs gets delayed. As a result, the sector has been plagued by the issue of delayed payments, mainly due to its dependency on corporate buyer as well as their inability to raise the issue of delayed payments through appropriate institutional channels. The quick conversion of trade receivables, one of the key components of current assets, is quite crucial for availability of liquidity for an MSME.

Handholding support:



This has been a major challenge faced mainly by the micro/new entrepreneurs wherein despite of possessing the critical business acumen, they often get lagged behind the big enterprises in terms of basic knowledge of credit availability, statutory compliances and market reach. This includes issues as simple as application filling to availing subsidy/preparing project report/balance sheet, returns filing etc. The entrepreneur ultimately becomes lost in the labyrinth of business world which leads to weakening of the very foundation of their credit worthiness and ability to do business, and hence the untimely demise of their business.

Market Connect:



Typically, an MSME operates in a small geography or with a small set of customer base. One of the major causes of failures and business stagnancy in MSMEs is their inability to find new markets. A low customer base increases their counterparty risk and vulnerability to market fluctuations.

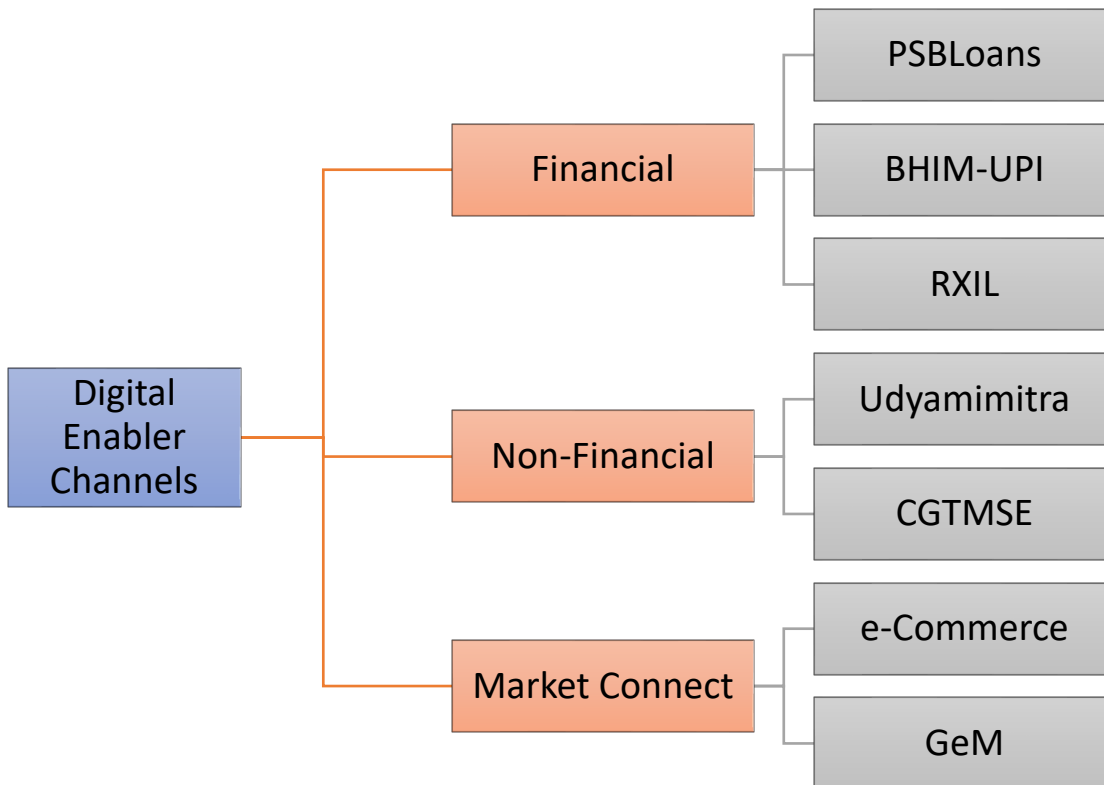
Lack of Collateral Security:



An MSME requires bank funding at initiation stage as well as in the growth stage. There is a mismatch between aspirant having no collateral and lender looking for it. While guarantee institutions like CGTMSE and NCGTC are doing yeoman service, MSMEs struggle to know their eligibility.

Solutions Through Digital Enablers

Digital enablers provide effective solution to the challenges faced by MSMEs through several channels which can be categorized as:



FINANCIAL

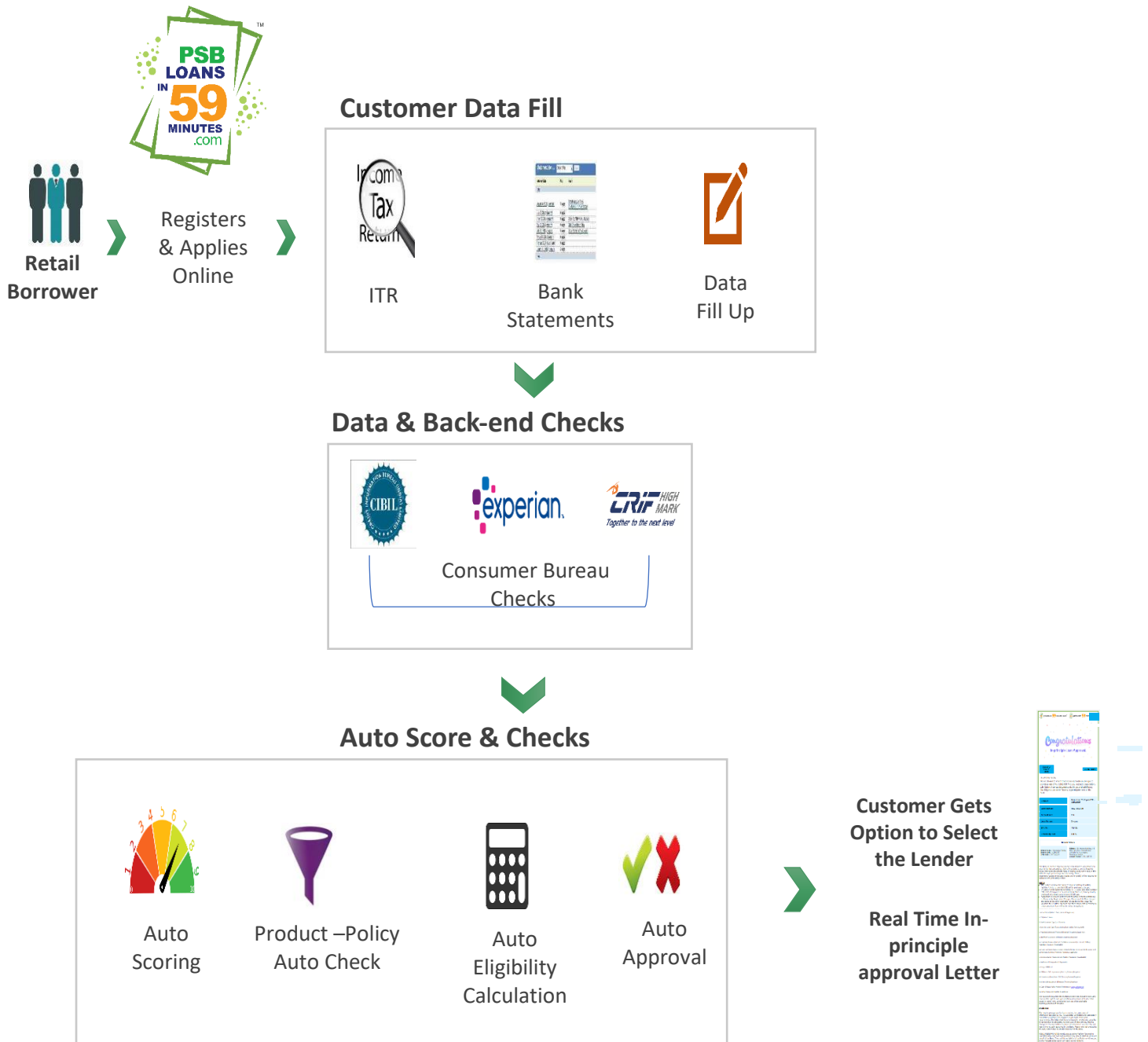
A) PSB Loans:

Fintechs are bringing paradigm shift in the financial sector. The use of technology for analysing the available data has not only accelerated the credit delivery process but has also reduced risk associated with lending. One such platform, PSBLoansin59minutes was launched by SIDBI in association with a consortium of leading banks of the country. It is an online marketplace which enables In-principle approval for MSME Business Loans (Term Loan /Working Capital Loan) and Retail Loans (Personal Loan, Home Loan and Auto Loan) in less than 59 minutes from Public & Private Sector Banks and NBFCs.

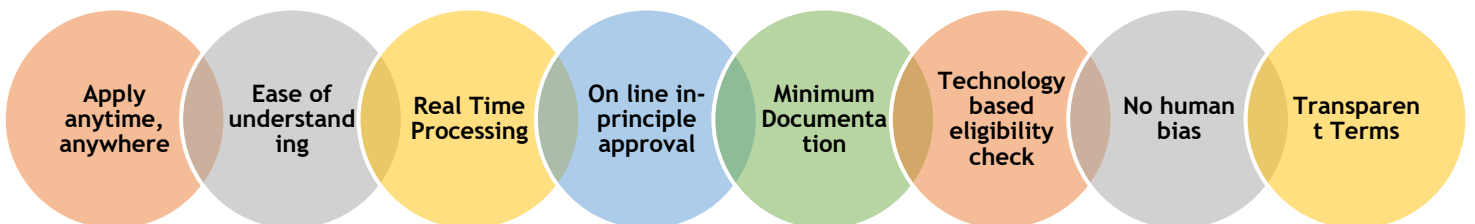
This Platform has set a new benchmark by reducing the In-principle loan processing turnaround time from several days to 59 minutes. Post receiving In-principle approval letter, the loan is expected to be sanctioned/ disbursed in around 7-10 working days.

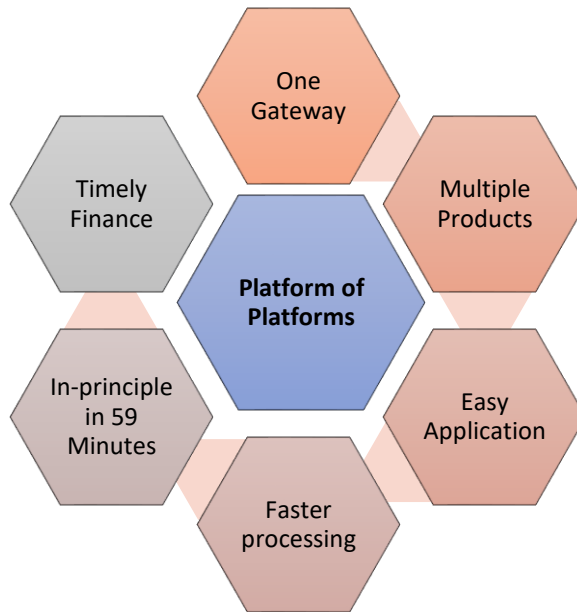
This user-friendly portal offers contactless journey where a borrower is not required to visit bank branch for In-principle approval. The Platform uses advanced algorithms to analyse data points from various sources such as IT returns, GST data, Bank Statements etc.

Mechanism of PSB Loans for faster and efficient credit



Key Features and Benefits

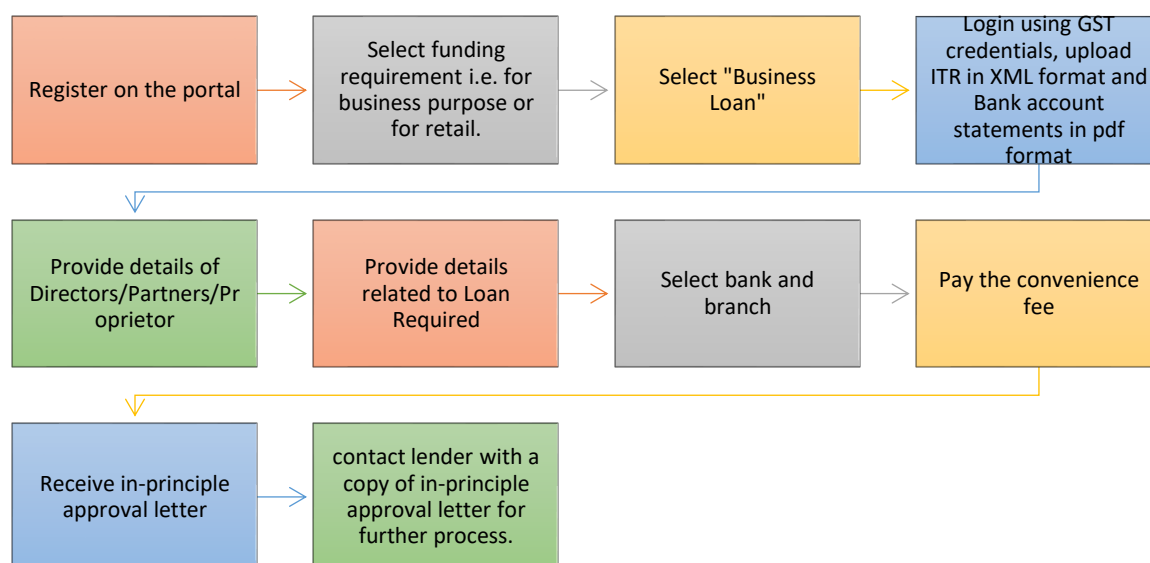




Other Benefits

In Principle approval	<ul style="list-style-type: none"> •Mudra Loan upto INR 10 Lacs •MSME Term Loan and Working Capital Loan from INR 1 Lac to INR 5 Crore
Convenience	<ul style="list-style-type: none"> •The MSME can apply for a loan at the click of a button without visiting the bank
Fast Processing	<ul style="list-style-type: none"> •Through a simple process, the applicant can get an in-principle approval for his loan application in less than 59 minutes.
CGTMSE Coverage	<ul style="list-style-type: none"> •The portal provides an option to receive collateral free credit to eligible applicants.
Direct payment in account	<ul style="list-style-type: none"> •The borrowers get the facility to receive disbursement right into their bank accounts.
Flexible tenure	<ul style="list-style-type: none"> •With affordable rate of interest
PSB Integration	<ul style="list-style-type: none"> •More than 25 public and private banks and NBFCs have on-boarded on the platform.

How to Utilize the Portal



B) BHIM-UPI

In order to boost the overall MSME credit in the country, banks have started to digitize entire credit access value chain starting from obtaining preliminary information/ data points from the MSME at loan application stage to loan processing, loan monitoring, risk measurement and assessment for quick loans in times of bulk orders, calamities and so on. MSMEs need to gear up in using web or mobile phones. The paradigm shift towards digitization has brought cost efficient underwriting, quick & better credit decisions and enhanced compliance during the repayment period. Moreover, the MSMEs who shall keep abreast of transparent digital transactions would reap the benefits in longer run.

Be digital and get the prowess of empowerment.

Retail Payment systems

Among the several payment systems, National Electronic Funds Transfer (NEFT), Immediate Payment Service (IMPS) and Real-time Gross Settlement (RTGS) cater to users' funds transfer requirements. NEFT has been made operational on a 24x7 basis to ensure availability of digital payments at any time. IMPS is also a 24x7 immediate funds transfer system while RTGS is meant for processing large value transactions of more than Rs. 200,000 apart from interbank transactions.

The introduction of a unified payment interface (UPI) has revolutionised the mobile payment system. The Bharat Bill Payment System (BBPS) provides facility of anytime, anywhere, anyhow bill payments in the country and supports all forms of electronic payments.

Bharat Interface for Money (BHIM) is an app that lets you make simple, easy and quick payment transactions using Unified Payments Interface (UPI). You can make instant bank-to-bank payments and Pay and collect money using just Mobile number or Virtual Payment Address (UPI ID)

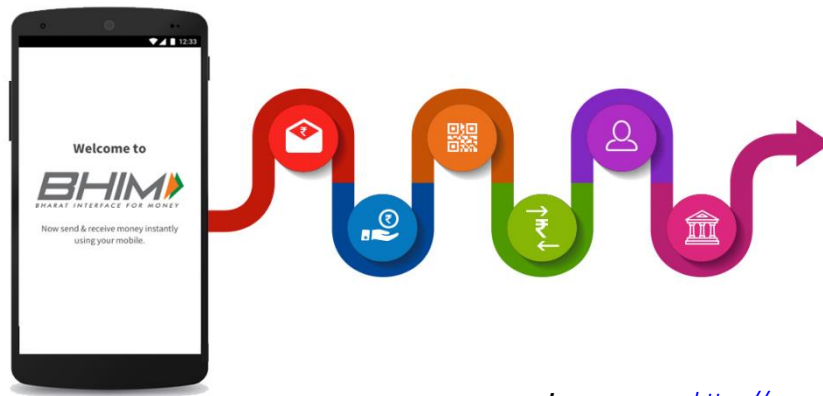


Image source: <https://www.npci.org.in/>

Key Features

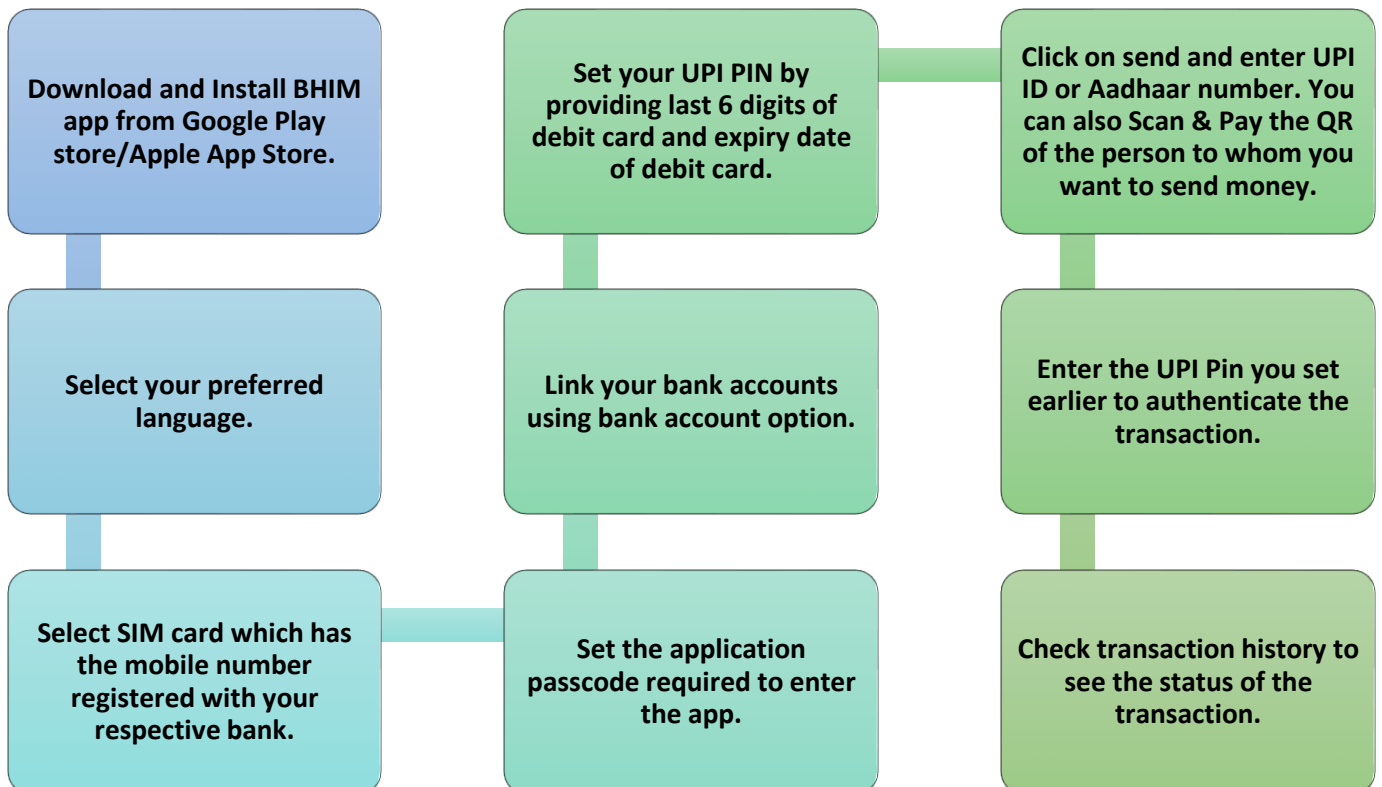
Send Money	<ul style="list-style-type: none"> • Send money by entering Virtual Payment Address (UPI ID), Account number and QR Scan.
Request Money	<ul style="list-style-type: none"> • Collect money by entering Virtual Payment Address (UPI ID). Additionally through BHIM App, one can also transfer money using Mobile No.
Scan & Pay	<ul style="list-style-type: none"> • Pay by scanning the QR code through Scan & Pay or generate your to let others make easy payments to you.
Transactions	<ul style="list-style-type: none"> • Check your transaction history and also pending UPI collect requests (if any).
Bank Account	<ul style="list-style-type: none"> • Switch between multiple bank accounts linked with your BHIM App. You can set/change your UPI PIN or check your balance.
Language	<ul style="list-style-type: none"> • BHIM is available in 13 languages, i.e., Hindi, English, Tamil, Telugu, Malayalam, Bengali, Odia, Kannada, Gujarati, Marathi, Assamese and Bengali.
Block User	<ul style="list-style-type: none"> • Block/Spam users who are sending you collect requests from illicit sources.
Privacy	<ul style="list-style-type: none"> • Allow a user to disable and enable mobilenumber@upi in the profile if a secondary UPI ID is created (QR for the disabled UPI ID is also disabled).
Payment Reminders	<ul style="list-style-type: none"> • Schedule payments as per your convenience.
Split Bill	<ul style="list-style-type: none"> • Splitting bills with multiple UPI users at a click of a button.

How to Utilize BHIM UPI App



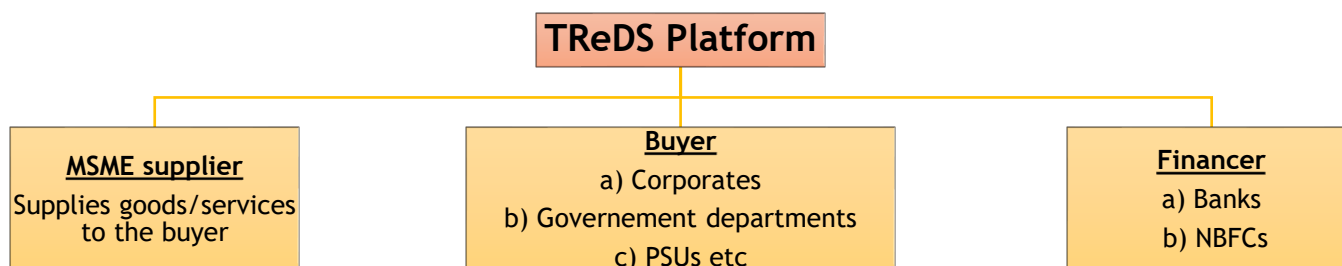
Image source: <https://www.npci.org.in/>

To enjoy seamless transaction through BHIM UPI App, the following steps may be followed:

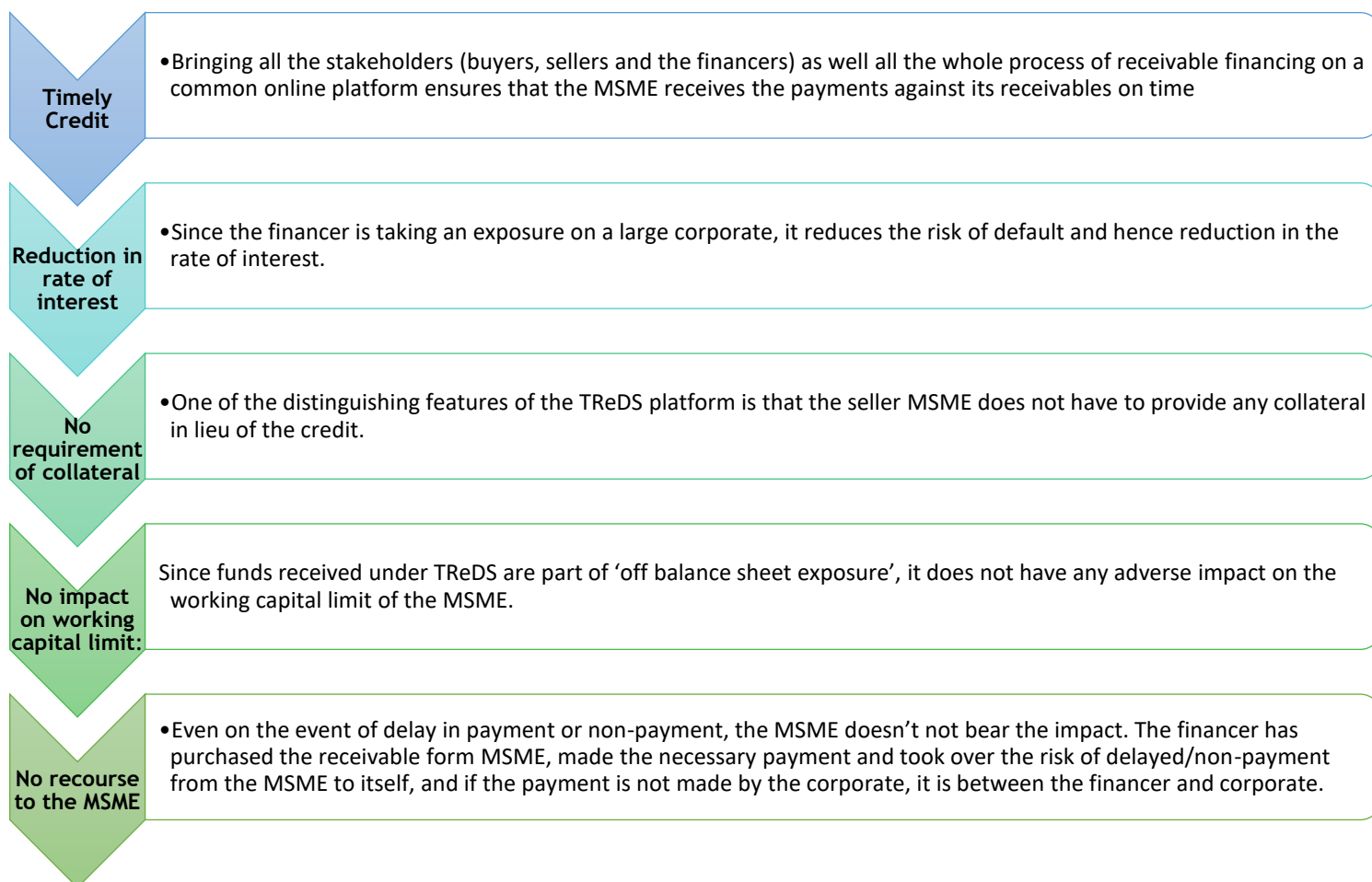


C) RXIL

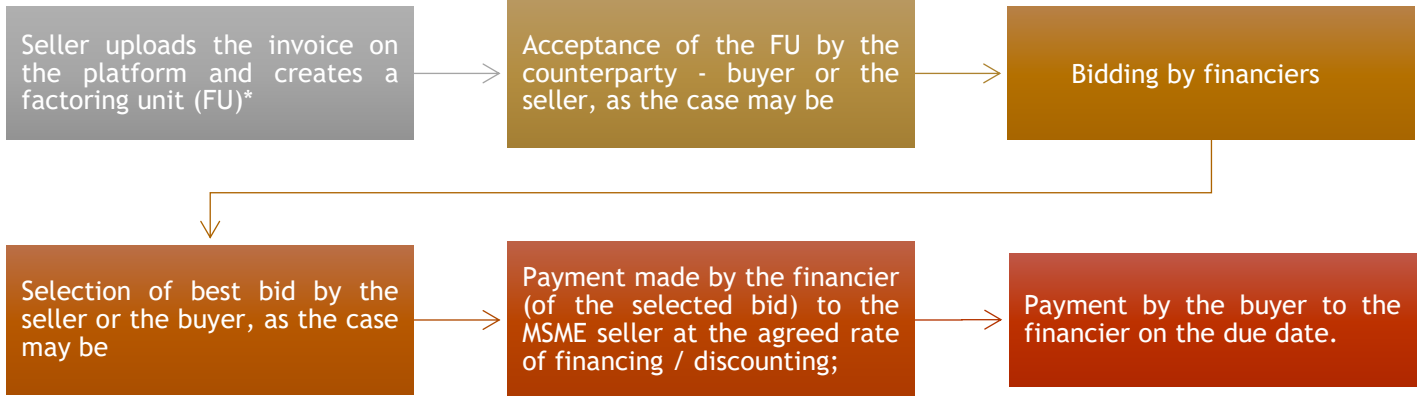
RBI in 2014 introduced the concept of TReDS, a mechanism of trade receivable financing for MSMEs in a secured and digital platform. Invoice discounting on TReDS involves three participants namely, MSME Supplier, Corporate Buyer and Financer. The invoice is uploaded by either buyer or supplier depending on the method of discounting and is approved by the other party. Once the invoice is approved the financiers on the platform start to bid on the invoice. After the supplier accepts the bid in the platform, the discounted amount is credited in its account within a specified time. These receivables can be due from corporates and other buyers, including Government Departments and Public Sector Undertakings (PSUs). There are three TReDS platforms operating in the country. One of such platforms is RXIL. A SIDBI-NSE joint venture, Receivables Exchange of India (RXIL) operates the Trade Receivables Discounting System (TReDS) as per the TReDS guideline issued by Reserve Bank of India (RBI). TReDS is an electronic platform for facilitation of financing of trade receivables of MSMEs through multiple financiers.



How has TReDS benefited the MSMEs



How to Utilize the Portal

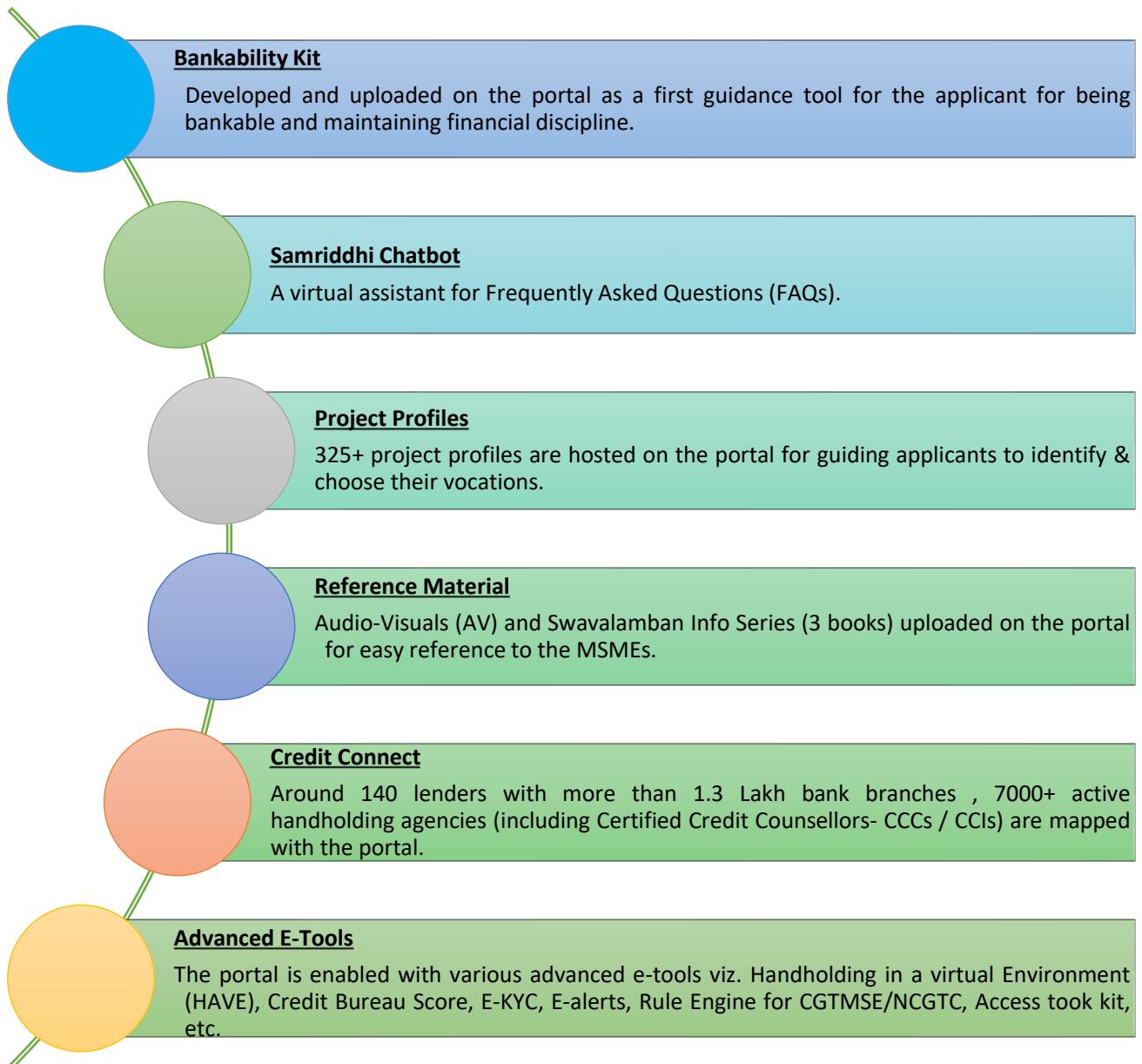


**Factoring Unit (FU) is a standard nomenclature used in TReDS for invoice(s) or bill(s) of exchange. Each FU represents a confirmed obligation of the corporates or other buyers, including Government Departments and PSUs. In TReDS, FU can be created either by the MSME seller or the buyer. If MSME seller creates it, the process is called factoring; if the same is created by corporates or other buyers, it is called as reverse factoring*

NON – FINANCIAL

A) Udyamimitra & Stand Up India Portal : Stand Up India Portal & Udyamimitra Portal (www.standupmitra.in & www.udyamimitra.in) are the twin portals converges all stakeholders in the ecosystem including Scheduled Commercial Banks, Fintech, NBFCs, SFBs, Handholding Agencies (PMKK, PMKVY, RSETIs, RUDSETIs), CSCs, Industry Associations, NABARD (as SUCC) & SIDBI (as SUCC), etc.

Udyamimitra Portal (which is utilizing the IT infrastructure of Stand Up India Portal) is an enabling platform, aims to provide 'End to End' solutions for host of credit plus services by way of handholding support, application tracking, multiple interface with stakeholders. Lenders use it more and more as a lead platform where filtered applications are available as business leads. Aspirants/loan seekers are using it to look for credible information, answers to inquisitive questions, how to evolve/remain bankable and so on. The portal is acting as a facilitator in terms of the following:



Key Features

Matchmaking platform

- It provides a unique match making platform to MSME loan seekers, lenders as also handholding agencies. The portal has designed capability to accept varied MSME loan applications. Presently loans upto 10 crore can be accessed. The portal aims to be a crucial interface layer to create a support system involving varied stakeholder.

Inclusive Access to all

- It provides access to both financial (1.3 lakh branches) and non financial services (17000+ handholding agencies) with three distinct features viz. (i) Seek Handholding support; (ii) select and apply for loans to preferred banks; (iii) enable faster loan processing.

Access to Non Financial Services

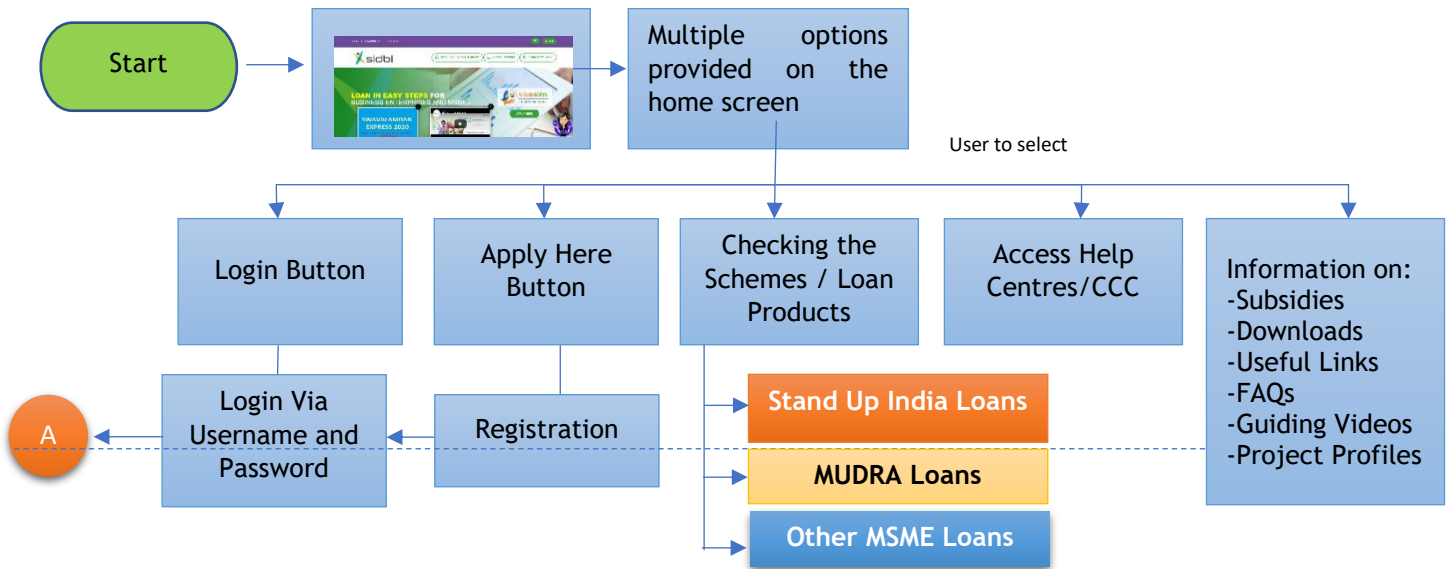
- The portal has mapped hand holding agencies in different areas of expertise viz. financial training, skill development, project report preparation, application filing, work sheds and access to margin money/subsidy support being operated by various state/central organizations/corporations. The aim is to evolve this as a portal attending to the entrepreneurs need during entire enterprise development cycle.

Access Finance to

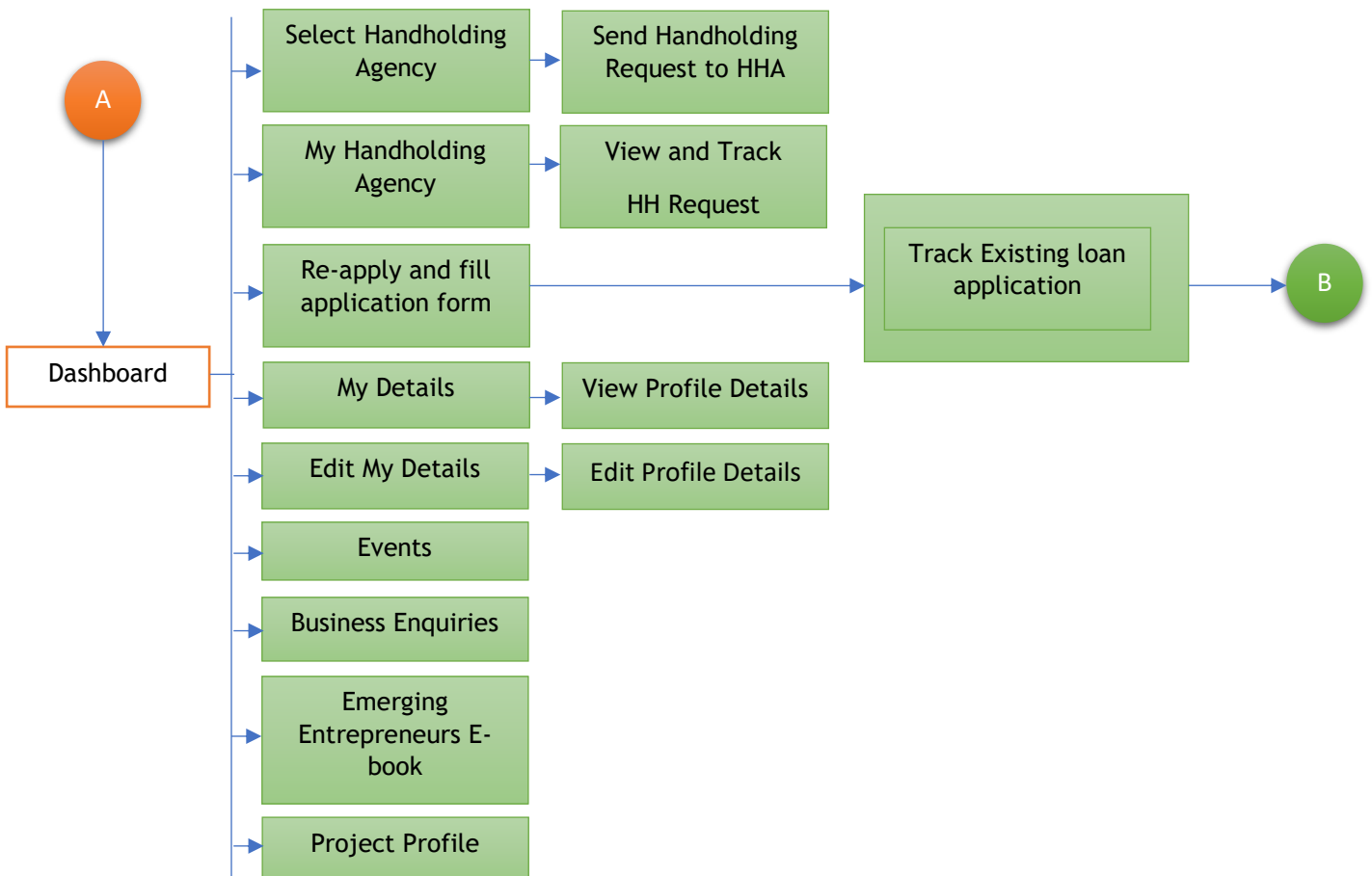
- Presently, around 1.3 lakh branches (public sector banks, private sector banks, foreign banks, NBFCs, Fintechs, Small Finance Banks) are mapped on the portal. The portal replaces the manual operations with electronic platform where pre-sanction process shall get standardised in a simpler way in all banks. The portal has a MARKET PLACE where bankers would be able to compete among themselves in their loan delivery mechanism.

Applicant Journey on Udyamimitra Portal

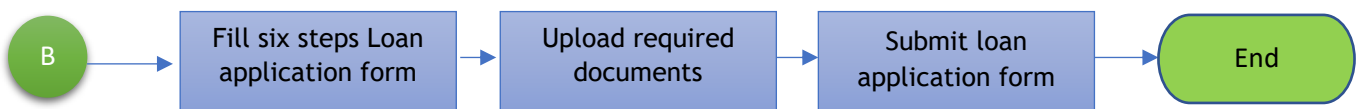
Website Journey



Dashboard



Loan Application Process



Stand Up India Portal

(Encouraging Setting up of greenfield enterprises by Scheduled Caste (SC), Scheduled Tribe (ST) and Women Entrepreneurs)

The Stand Up India Portal (www.standupmitra.in) provides a digital platform based on 3 pillars to support enterprise promotion among entrepreneurs from SC, ST and Women category through:

- (i) Handholding Support
- (ii) Providing Information on Financing
- (iii) Credit Guarantee

Potential entrepreneurs can navigate through the interactive portal for support or to register for loans by accessing the portal. The portal also provides crucial links to Central and State SC/ST Corporations, Industry Associations of SC/ST and/or Women Entrepreneurs. Some of key features & offering of Stand Up India Portal are as under:



Access Stand Up India Portal (www.standupmitra.in)



"Swavalamban की राह हुई आसान, Standup India हैं ना!!"

- B) **CGTMSE:** To help the first generation entrepreneurs realise their dream of setting up a unit of their own Micro and Small Enterprise (MSE), Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. To operationalise the scheme, Government of India and SIDBI set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

Credit Guarantee:

Credit Guarantee is the backing of credit facility by an institution without the need of collateral/third party guarantee. The institution which is providing credit guarantee provides cover to a majority of the loan amount. Under credit guarantee by CGTMSE, both new and existing MSMEs are eligible to be covered.

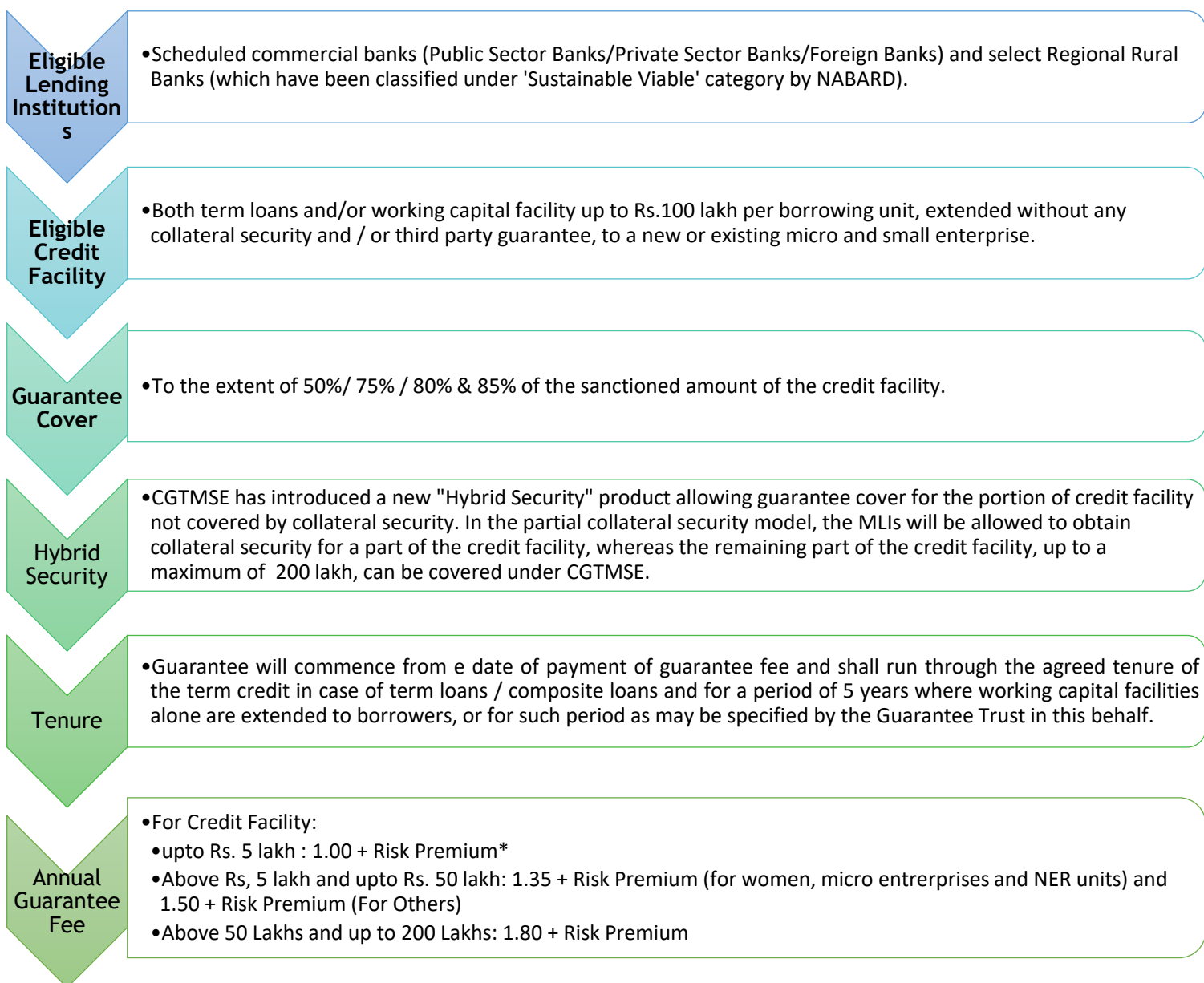
How to avail the benefit of CGTMSE

The eligible lending institutions are required to enter into a "one time" agreement with CGTMSE for becoming Member Lending Institutions (MLIs) of the Trust.

MLIs can then apply for guarantee cover in respect of eligible credit facility sanctioned to any eligible borrower.

The MLIs can apply for guarantee cover in respect of credit proposals sanctioned in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter.

Key Features



Presently, Udyamimitra Portal, Stand Up Mitra Portal and PSB 59 Minutes Portal provide eligibility check.

MARKET CONNECT

A) e-Commerce Platforms

Emergence of e-commerce business in India has now opened up endless opportunities for the MSMEs. Moreover, with the introduction of GST framework, the geographical barriers for the MSMEs stand broken. Many of the MSMEs are getting themselves registered on portals such as Amazon and Flipkart to supply in different parts of the country.

Process to sell in any e-commerce sites



B) Government e-Marketplace (GeM)

Government procurements brings great opportunity for the MSMEs to enhance revenue. However, due to many of the stringent procurement norms, they find themselves ineligible for supplying to government agencies directly. To address this issue and to leverage upon the digital platforms available, the Government has since come out with a solution of Government e-Marketplace (GeM) portal. GeM is a one stop portal to facilitate online procurement of common use Goods & Services required by various Government Departments / Organizations / PSUs. GeM aims to enhance transparency, efficiency and speed in public procurement. It provides the tools of e-bidding, reverse e-auction and demand aggregation to facilitate the government users achieve the best value for their money.

The purchases through GeM by Government users have been authorized and made mandatory by Ministry of Finance.

Key Features:

Transparency

Eliminates human interface in vendor registration, order placement and payment processing, to a great extent. Being an open platform, offers no entry barriers to bonafide suppliers who wish to do business with the Government. At every step, SMS and e-Mail notifications are sent to both buyer, his/her head of organization, paying authorities as well as sellers.

Efficiency

Direct purchase can be done in a matter of minutes and the entire process is online, end to end integrated and with online tools for assessing price reasonability.

Secure and safe

GeM is a completely secure platform and all the documents are e-Signed at various stages by the buyers and sellers. The antecedents of the suppliers are verified online and automatically through MCA21, Aadhar and PAN databases. In addition, SEBI empaneled credit rating agencies are also being used for conducting third-party assessment of suppliers.

Benefits

For Buyer

Rich listing of products for individual categories of Goods/Services

Search, Compare, Select and Buy facility

Buying Goods and Services online, as and when required.

Transparent and ease of buying

Continuous vendor rating system.

User-friendly dash board for Buying and monitoring supplies and payments

Easy Return policy

For Seller

Direct access to all Government departments.

One stop shop for marketing with minimal efforts.

One stop shop for bids / reverse auction on products / services

New Product Suggestion facility available to Sellers

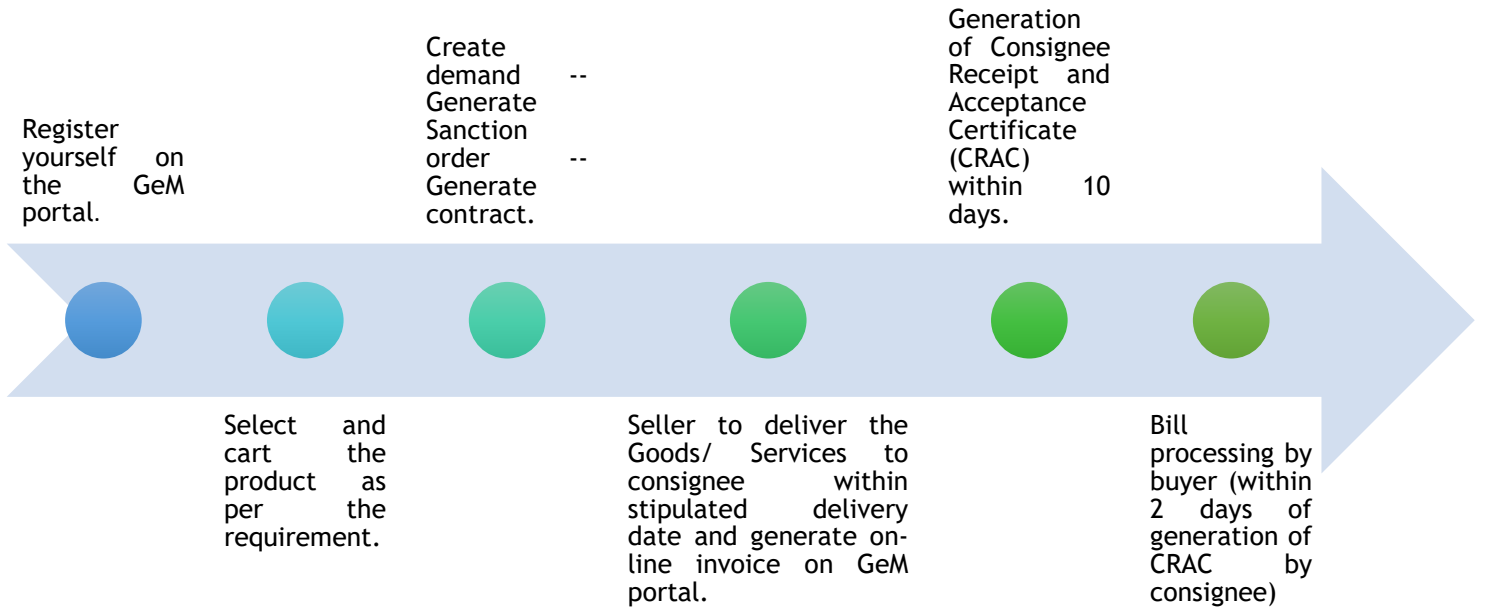
Dynamic pricing: Price can be changed based on market conditions

Seller friendly dashboard for selling and monitoring of supplies and payments

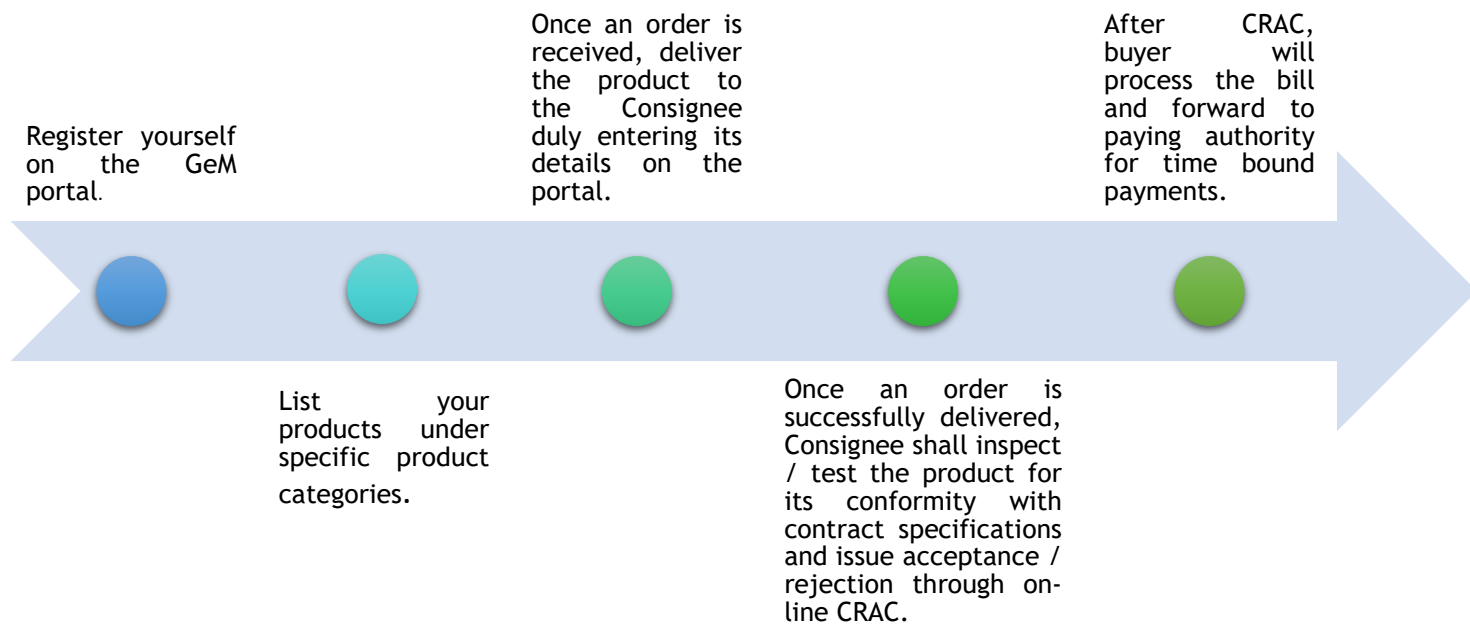
Consistent and uniform purchase procedures

How to Utilize the Portal

For Buyer:



For Seller:



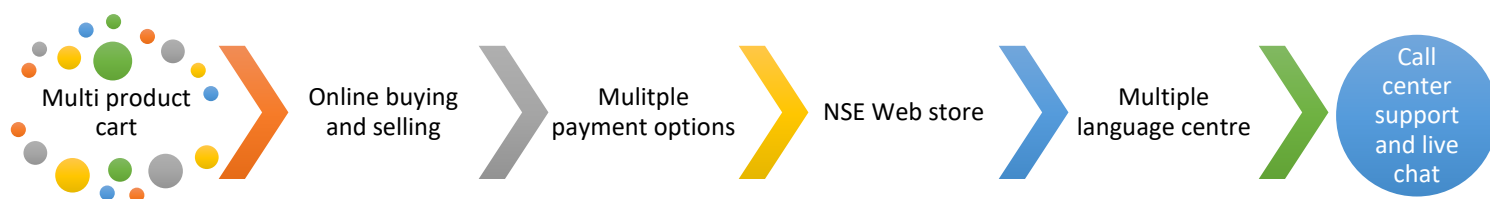
C) MSME Mart

A global Business to Business (B2B) portal, MSME Mart facilitates business services to MSMEs through digital interventions. Among several features, the mart provides an online marketplace for buying/selling of the goods/services of the MSMEs. This is an initiative of National Small Industries Corporation, NSIC. There are several facilities an MSME can avail at the portal, the chief among which are:

Product Generic Home page	• Separate section for buyers and sellers
Sub-contracting exchange	• Through this, MSMEs can start distributorship and/or franchisee
Buying/Selling of Scrap	• MSME can buy/sell scrap to other MSMEs through the portal
Online Aggregation of Raw Material Demands	• MSME can share its raw material requirements which is then forwarded to the manufacturers/distributor
Exhibition and Events Information	• Members/Non-members can get information of national/international MSME exhibitions and events
Request for quotation tool	• MSME can request online e-quotation
Self-Web Development Tool	• MSME can make their own website which can be linked to social media platforms.
Buying/Selling of old machinery	• Old machinery can be sold to the MSMEs
Interactive database	• Details of different MSMEs can be obtained from this database
National/International tenders info	• A company can receive the tenders information by using several filters
Business Leads	• MSME shall receive several leads to increase the scale of their business
Hits Stats	• To get an idea about user visits on MSME's web pages.
Business Consultancy and Reports	• Suggestions and related reports for growth of business can be availed
Merger and Acquisitions	• To increase the scale of business, an MSME can share its M&A requirements
Value Added Services	• Special discounts for medical facilities
Payment Gateway	• Online membership with easy payment through payment gateways.

Online marketplace

MSME Mart provides the facility of a common online marketplace designed and developed specifically for the MSMEs. The MSMEs can showcase and sell their products through the portal while utilizing the benefits of MSME Mart. Some features of the marketplace are:



Sources: rbi.org.in; vikaspedia.in; psbloansin59minutes.com; udyamimitra.in; india.gov.in; cgtmse.in; npci.org.in; <http://www.msmemart.com/>

For getting more information or to avail the benefits of these digital enablers, kindly visit:

PSBLoans; <https://www.psbloansin59minutes.com/home>

BHIM-UPI <https://www.bhimupi.org.in/>

RXIL: <https://www.rxil.in/>

Udyamimitra: <https://udyamimitra.in/>

CGTMSE: <https://www.cgtmse.in/>

GeM: <https://gem.gov.in/>

MSME Mart: <http://www.msmemart.com/>

Faster is Better

Digitization of the financial sector is the future. Digital enablers have not only made the job of bankers easy, but has also assured faster, seamless service delivery to the MSMEs. In this day and age, where preferences, tastes and demands change with the blink of an eye, digitization is not an option, but a necessity. It is important for both the financial sector as well as the MSMEs to keep tabs on the changes in the sector and update as well as upgrade themselves with the changing times. This edition of Info series is our attempt to give you insights on the various digital enablers available along with the ways in which we can utilize their features. We hope that you will avail the maximum benefits of their services and make your life digitally sound and up-to date. Kindly let us know your experience reading this volume of info series and do share with us what would you like to read next.

Disclaimer

The series has been brought out for aspirant/existing Swavalambis. These are not necessarily the views of Small Industries Development Bank of India (SIDBI) or a complete treatment of the subject.

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