

# 49% of Indian MSMEs still prefer traditional lending channels over digital

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Bangalore,

Instamojo, an online platform for Micro, Small, and Medium Enterprises to start, manage, and grow their business online today launched the second edition of their Indian MSME Impact Report 2019. After a detailed six month analysis on the MSME sector, the report highlights four areas of concerns pertaining to the MSME sector - defining an MSME-preneur, challenges faced, value perception of Fin-tech and business transformation.

The MSME sector's contribution to the country's GDP currently lies at 29%, given an overall population of 63.4 million MSMEs spread across the country. While the government defines an MSME based only on their annual turnover, this report, however, defines the persona of an MSME basis primary parameters such as 'Goods vs Services classification', Meta categorization of business categories, Type of infrastructure invested in, and Nature of activity within the industry chain.

The report also highlights that although 75% of the MSMEs believe that technology helps solve major challenges pertaining to operations, the other 25% of MSMEs, however attribute this to other factors such as unavailability of skilled labour and lack of understanding of technology. After the implementation of GST, an estimated 9.2 million MSMEs registered under GST which is an increase of 50% over the previous tax regime. There is high probability that MSMEs will adopt business analytics tools given that 47% of them have adopted digital tools for business processes, payments, and online sales in India. "The MSME sector makes up for a large chunk of the Indian economy, employing more than 117 million people and contributing to making India a \$5 trillion economy. However, the sector still faces several roadblocks like the lack of tech knowledge or the absence of skilled workforce. We at Instamojo have always worked towards empowering Indian MSMEs through various digital solutions, addressing the gaps in their growth story. Through our report, we envision to be the voice of the MSMEs by bringing to the forefront facts that will open further channels toward development," said Sampad Swain, Co-Founder & CEO, Instamojo.

Although demonetization provided a much-needed push to digitization of payments in India, the demand for cash is yet on a surge with a total cash withdrawal record of INR 33 trillion in FY 2018-19 in comparison to INR 23.6 trillion in FY 2016-17 - a surge of 40.27%. The report elucidates that majority of the MSMEs rank payment gateway links as the most trusted channel, while 49% still prefer traditional sources of lending versus online peer-to-peer platforms.

The findings also suggest that 35% of MSMEs shifted to digital payments, given the ease of transaction, 9% for the availability of data synchronization and privacy features, and 11% due to customer preference.

With a 1 million strong, satisfied, customer base Instamojo continues to invest in its current and near-future product features. Instamojo provides a host of services ranging from digital payments, logistics to lending. The survey captured customer perceptions of the performance of Instamojo's products with the payment links ranking as the most used product, followed by the payment gateway and their online store. As part of their upcoming plans, Instamojo aims to introduce promotional services, helping the MSME sector stay relevant in a competitive digital business landscape.

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