



# Global Prime News

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## GLOBAL PRIME NEWS

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Waste (MSW) project to facilitate novel waste management-पावसाळ्यात दुषित पाण्यामुळे होणा-या आजारांना करा दूर: ड

## Digital Transformation can help improve MSME access to finance

**TOPICS:** MVIRDC World Trade Center Mumbai



**POSTED BY:** SACHIN MURDESHWAR JULY 15, 2020

**MUMBAI, 15 JULY, 2020 (GPN):** “Digital transformation is the buzz word across sectors, and increasingly governments are talking about the same. In the next five years, digital transformation will encompass one-third of the economy of Vietnam. Vietnam has a significantly urbanised economy, and most people have moved to cloud computing during COVID-19”, said **Mr. Nguyen Ngoc Tu**, Founder & CEO, Dataservices Corp, Vietnam at the **International Webinar on ‘Leveraging on MSME strength to become Global Manufacturing Hub: Access to Finance and Digital Transformation’**, third in a three-part series of webinars organised by **MVIRDC World Trade Center Mumbai and World Trade Center Binh Duong New City, Vietnam.**

Suggesting the barriers to digital transformation for MSMEs as perceived high cost, lack of urgency and lack of resources to hire skilled employees, Mr. Tu said, MSMEs need to adopt a mindset change and accept digitalisation in all their domains, ranging from HR and innovation to customer and competition.

Speaking on the role of technology to support MSMEs in finance and raw material integration, **Mr. Nitin Jain**, Co-Founder & Head – Sales and New Initiatives, Ofbusiness remarked, MSMEs face huge costs in sourcing raw materials as they have to rely on local traders, resulting in low price discovery. NBFCs and fintech companies can drive down these costs of accessing credit for raw material procurement by about 20-22%. Mr. Jain emphasised that MSMEs in India find it difficult to access finance because banks require collaterals and are usually slow in approval and disbursement of loans.

He explained, although MSMEs in Tier-II and Tier-III cities are under served in terms of finance, they have access to mobile phones, and this is where NBFCs and fintech companies can step in. Fintech companies process applications in as less as 0-5 days by using machine learning and algorithms to leverage data. He further suggested that technology platforms can also help address the problem of non-availability of labour, ensuing the COVID-19 crisis.

Highlighting the importance of 'Digitalisation of Finance and Trade for MSMEs from Indonesian perspective', **Mr. Nika Pranata**, Digital Economy Researcher, Indonesian Institute of Sciences said, MSMEs in Indonesia face a huge financing gap. Only 17% of the people have access to formal channels of finance. However, since 2016, with the emergence of fintech, loan disbursements have grown by 15%.

Suggesting that digital payments can be inclusive in Indonesia, Mr. Pranata said, access to digital finance does not necessarily require an internet or a smart phone connection. Still, there exist challenges such as low financial literacy, data protection norms and difficulty in cross-border payments. Further, only 13% of MSMEs use e-commerce as a mode of trading. However, the COVID-19 crisis has ushered in increased adoption of digitalisation.

Speaking on 'Disruption in global supply chain – A Transfer pricing perspective of Vietnam', **Mr. Vishwa Sharan**, Associate Director – Tax Services, Grant Thornton, Vietnam said, businesses are experiencing economic challenges as a result of the Covid-19 crisis and have to temporarily suspend or substantially reduce their activities and the working hours of their staff. Sales plunge, shortage of raw material, unavailability of labours, unutilized capacity and liquidity crunch has resulted in significant supply chain disruption. Even before COVID-19, US created ripples in the global trade by levying steep tariffs on trade valuing billions of dollars from various countries including China. Increased tariffs might lead to relocation of global supply chain to escape from the tariffs on originating goods from such countries.

Mr. Sharan further said, Vietnam has ratified a free trade agreement with the European Union that will remove 99% of tariffs on goods traded. The trade deal will give a much-needed boost to Vietnam's economy as it looks to recover from the COVID-19 pandemic. All these three events will disrupt the current supply chain of MNEs which has transfer pricing implication. Vietnam is likely to be the key beneficiary of such investment, and will open up huge opportunities for SMEs. He further said the transfer pricing impact will entail business restructuring and loss or reduced profitability strategy for MNEs.

He further opined that while comparing the profit margin to determine arm's length it should be considered that same industry or geography can have different impact. COVID-19 may have negative impact on FMCG manufacturing, like facial cream but positive impact on sanitiser, soap, masks, PPE, etc.

Earlier in his Welcome Address, **Mr. Vijay Kalantri**, Vice Chairman, MVIRDC World Trade Center Mumbai suggested that MSMEs are prevalent across the global and contribute significantly to their economies; however, in developing countries like India, they face challenges in accessing finance, getting marketing assistance and infrastructural bottlenecks. MSME entrepreneurs are very enterprising and the quantum of MSME loans turning into NPAs is lower than large organisations. However, dumping measures adopted by large economies to India have led to industrial sickness. Still, the government initiatives, in this time of crisis, will lead to revival and restart of MSME enterprises post COVID-19 in India, and will create increasing opportunities.<sup>7</sup>

Mr Kalantri further said, Indian MSMEs are competitive in textile, agro, pharma, engineering, auto component and IT sectors, among others, and therefore, they should adopt a collaborative approach while doing business.

**Capt. Somesh Batra**, Vice Chairman, MVIRDC World Trade Center Mumbai highlighted challenges faced by MSMEs due to the COVID-19 crisis such as problems of migrant labour and demand deficit, among others, and suggested that digitalisation can play a major role in transforming this scenario.

**Ms. Dory**, Business Development Manager, World Trade Center Binh Duong New City proposed the Vote of Thanks.

The programme was attended by MSMEs from India, Vietnam, Indonesia and other countries from across the world. During the lockdown period, WTC Mumbai has organised over 15 virtual discussions with participation from over 1000 members of trade and industry from India and overseas.



PERFORMANCE FOR Q1 FY 2020-21 - Snapdeal launches 'Pride of India' e-storeStore offers patriotic-themed cc

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