Meta

#Graam Shakti

Brown Bag session 2: Digital Citizen, Rural Consumer & Ease of Governance

Brown Bag Session Strategic Recommendations
1 October 2021

Speakers:

Neelam Chhiber
(Co-founder and Managing Trustee -Industree Foundation & Co-founder and Managing Director - Mother Earth)
Anil Bhardwaj
(Secretary-General, Federation of Indian Micro and Small & Medium Enterprises)
Naghma Mulla
(CEO, EdelGive Foundation)
Madan Padaki
(Founder & CEO of 1Bridge and Managing Trustee of Head Held High Foundation)
Madhu Sirohi
(Head of Policy Programs and Outreach, Facebook India).

Session moderator:

Osama Manzar
(Founder Director, Digital Empowerment Foundation)

About Graam Shakti Series

Meta in partnership with Digital Empowerment Foundation (DEF) is hosting a series of brown bag sessions and round table discussions, through the formats of interactive conversations and dialogue with the thought leaders from business, government, civil society and academia. The aim is to dissect every link in the value chain, right from the policymakers to the empowered entrepreneurs to develop result-driven strategies focused on achieving desired sustainable outcomes. The discussions focus on topics of national and regional importance under four pillars:

- Agriculture

- Handicrafts

- Tourism

- Retail

The sessions are organized to mainstream the public-private dialogue and collaboration at the national and regional level through consortia and advisory councils that would deliberate on the following themes:

- Shaping the Future of Digital Economy and Rural Communities

- Shaping the Future of Economic Growth and Social-Technology inclusion

- Shaping the future of Rural Infrastructure and Development

- Shaping the future of Technology and Local Enterprises and Entrepreneurship

Digital Citizen, Rural Consumer & Ease of Governance

Context:

Micro, Small and Medium Enterprises (MSMEs) play a major role in providing livelihoods and contributing to production of services and goods in India. The revised definition by the central government in response to the COVID-19 pandemic defines the MSME sector as follows:

"(i) a micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
(ii) a small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;
(iii) a medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees"[1].

India has approximately 6.3 crore MSMEs as per the Ministry of Micro, Small and Medium Enterprises. The sector contributes about 30% of the GDP through national and international trade. As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector has been creating 11.10 crore jobs as well[2].

However, COVID-19 pandemic has been devastating to the MSME sector. A survey by the All-India Manufacturers

[1]MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES NOTIFICATION New Delhi, the 1st June, 202 https://msme.gov.in/sites/default/files/MSME_gazette_of_india.pdf

[2]https://msme.gov.in/sites/default/files/MSME-ANNUAL-REPORT-ENGLISH%20 2020-21.pdf

Organization (AIMO) of 5000 MSMEs in March 2020 had mentioned that 71 per cent were unable to pay salaries. As per a survey of 1525 enterprises undertaken by the International Labour Organization (ILO) in October 2020[3], 47% of the respondents mentioned that their business was temporarily closed. The key impacts of pandemic were reduced availability of workers, government's suspension of operations, inability to pay wages and salaries and reduced demand. 47% of the respondents faced difficulties with payments of staff wages and social security. 43.1 % faced difficulty with repayment of loans while 38 % struggled with paying rent. Many of these MSEMs were already reeling under the pressure of demonetization and GST.

As per a survey of 250 small business owners conducted by Dun & Bradstreet in the last quarter of 2020, 54% of the respondents managed to reduce operational costs through digitization of daily activities. 51% found that adoption of new technologies/digitization has enhanced their competitive positioning. According to a study[4] conducted in June 2020 by Endurance International Group, 30 percent of MSMEs surveyed started a business website or enabled e-commerce functionality since the lockdown started. More than 50 percent of the respondents embraced video conferencing tools and WhatsApp to keep business running during these turbulent times. However, this still leaves a significant majority behind. According to this survey, lack of technical skills and perceived costs of web development are the major challenges for SMEs.

The number of user base of social media platforms in India as of February 2021, is as follows: WhatsApp (53 Crore) , YouTube users: 44.8 Crore, Facebook users:

[3]https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_798079.pdf

[4]https://www.businessworld.in/article/One-Third-of-MSMEs-Enhance-Digital-Presence-During-The-Lock-down-Survey/25-06-2020-291067/

41 Crore, Instagram users: 21 Crore, and Twitter users: 1.75 Crore. The question then becomes how do we convert these spaces into venues for furthering digital empowerment?

Opportunities and Challenges:

Madhu Sirohi (Head of Policy Programs and Outreach, Facebook India) explained how Facebook, through mentorship and policy programs, support digital SMBs. For the small business, Facebook provides an easy and cost effective way of advertisement with a very high reach. Meta's business flagship program focuses on getting women online, helping them reach their economic potential online, while providing active monitoring connecting, mentoring and skilling. During COVID, Meta extended a support of 5 million USD to Indian entrepreneurs. This 5 million was a mix of cash and advertising credit. Osama Manzar then observed that getting into technology for MSMEs is investing in the unknown. Thus, lots of handholding is involved and as such would need larger funding, at regional and national level.

Converting necessity driven digitization to opportunity driven digitization: Madan Padaki (Founder & CEO of 1Bridge and Managing Trustee of Head Held High Foundation), joined the conversation by wondering how do we bring technology to the rural youth entrepreneurs and village kirana owners. How can we support micro enterprises to grow beyond the 1-2 employees they hire? How do we convert necessity driven digitization to opportunity driven? How do we bring inspiring stories to them? He further observed that a small entrepreneur thinks in terms of number of customers and not strategies. To appeal to them, facilitators have to talk in terms of growth, not in terms of technology or social media. Most of the learning happens through

peers? The question then becomes how do we create local peer groups and ecosystems that support entrepreneurs? How do we ignite mindsets, and facilitate strong local ecosystems that provide space for various experimentation?

Harnessing the power of collectives: Neelam Chhiber (Co-founder and Managing Trustee -Industree Foundation & Co-founder and Managing Director - Mother Earth) observed that there is phenomenal to leverage technology among small businesses. Digital is the go forward. Collectives provide strength. As such, it is important to build collectives to train women entrepreneurs. Stating digital is also aspirational, she narrated the story of a woman entrepreneur with two sons studying in 10th and 12th. She had no rapport with them. But then the pandemic started, IKEA agreed to work from home and she was given a smart phone to coordinate as a team leader, the relationship shifted. Now her sons are in awe of her and she is viewed differently at home. At creative dignity, a network of artisanal collectives, student volunteers created a space to collate digital brochures. Most artisans we work with fall into the age group of mid 30s to 40s, so Creative Dignity pairs them with digitally savvy youth volunteers as well.

Traceability as a value addition: She also opined that the future is traceability. Right now, there are two trends. Firstly, customers want to buy directly from artisans. Secondly, they are curious about traceability. Where did the cotton come from? Local customers may not care about it, but the global customers are going to care and digital offers excellent tools for incorporating traceability. Of course, this should be done without veering into surveillance.

Challenges faced by women owned enterprises: Naghma Mulla (CEO, EdelGive Foundation) spoke next about the different efforts required to catalyze the development of

SMBs, Social enterprises & Development organizations. She pointed out that only 20.37% MSMEs are owned by women compared to the male ownership of 79.63% of enterprises.[5] The average incomes of women owned enterprises are rather low as well. Lack of technical skills, overwhelming social norms and the contexts from where they come stand in the way of achieving their potential. Things that would help include formation of peer groups and mentoring by relatable role models who can share experience. As of now, they have no awareness about the various government programs. They are also intimidated by technology. In small enterprises, women lack full time access to digital devices. They need additional support to overcome these hurdles. To begin with, we need to reach out to them and appreciate and affirm their value, build their confidence. During COVID, many small NGOs who had never done online fundraising before approached Milaap, Ketto for fundraising. We need to give more visibility to these shared services.

Contextualizing technology: Osama Manzar posed the question of what we can do better in this context. DEF had created websites for 6000 small NGOs. However, 80% of them did not renew the content as they thought the photographs, they took were not good for the website. Thus, it is very important to contextualize technology. Small NGOs tend to believe that securing online funding is impossible. Thus, we need to visibilize the 20% role models visible to the remaining 80%.

Constraints to growth: Anil Bhardwaj (Secretary-General, Federation of Indian Micro and Small & Medium Enterprises), observed at this point that the level of digital exclusion in Small and Medium Business (SMB) is very high. SMB sector is a big bundle. Segments that are working with cutting edge IT may be 2% (2 lacs) on the top of the pyramid. But the bottom of the pyramid is

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[5]https://msme.gov.in/sites/default/files/MSME-ANNUAL-REPORT-ENGLISH%20 2020-21.pdf

excluded either by choice or circumstances. However, if we talk about comparatively organized enterprises with their own workspaces and are registered at least with the local authorities, they have been pushed into the system forced by regulatory authorities such as GST. If they have transactions, they are forced to use tech – mobile / fintech with ease. But that still leaves behind 3-4 crore organizations that won't use technology. It is difficult for small organizations to grow in India beyond a point due to strict regulatory regime. Once organizations cross a certain level, they are forced to comply with the GST regime. Women are further constrained by patriarchy.

Pragmatic approaches for inclusive digitization at local level: Madan Padaki posed the question of how we can celebrate entrepreneurs and create role models at the local level. He wondered what tools we can create online so that entrepreneurs can use it easily. For many people in rural India, Internet is synonymous with WhatsApp and Facebook. As such, promoting WhatsApp chatbots would be a good idea. Another important step is supporting organizations with compliance. Neelam Chhiber responded that creating and supporting collectives would be a good idea. Building social media profiles for each and every artisan may not be possible. As such, some level of aggregation is required. She also opined that free/subsidized advertisement would be helpful. Also, we need to work with reasonably well-off entrepreneurs so that their value chains will be inclusive of smaller entrepreneurs. Such networking can also facilitate traceability. She also wondered how we can build inclusive toolkits digitally.

Naghma Mulla then observed that Facebook can give them pride in their identity. Having their stories highlighted in social media platforms makes them heroes in their environment. Makes their achievements known to their families and clients. This can be something like 'influencer

of the week'. This would serve as positive reinforcement and would push more people to participate.

Anil Bhardwaj stressed that it is critical to provide small organizations technical assistance and capacity development. He suggested that Meta can reach out to local communities and self-help groups so that they can gain experience and confidence. Other stakeholders can also be included in the process so that the local communities will be enriched by new perspectives.
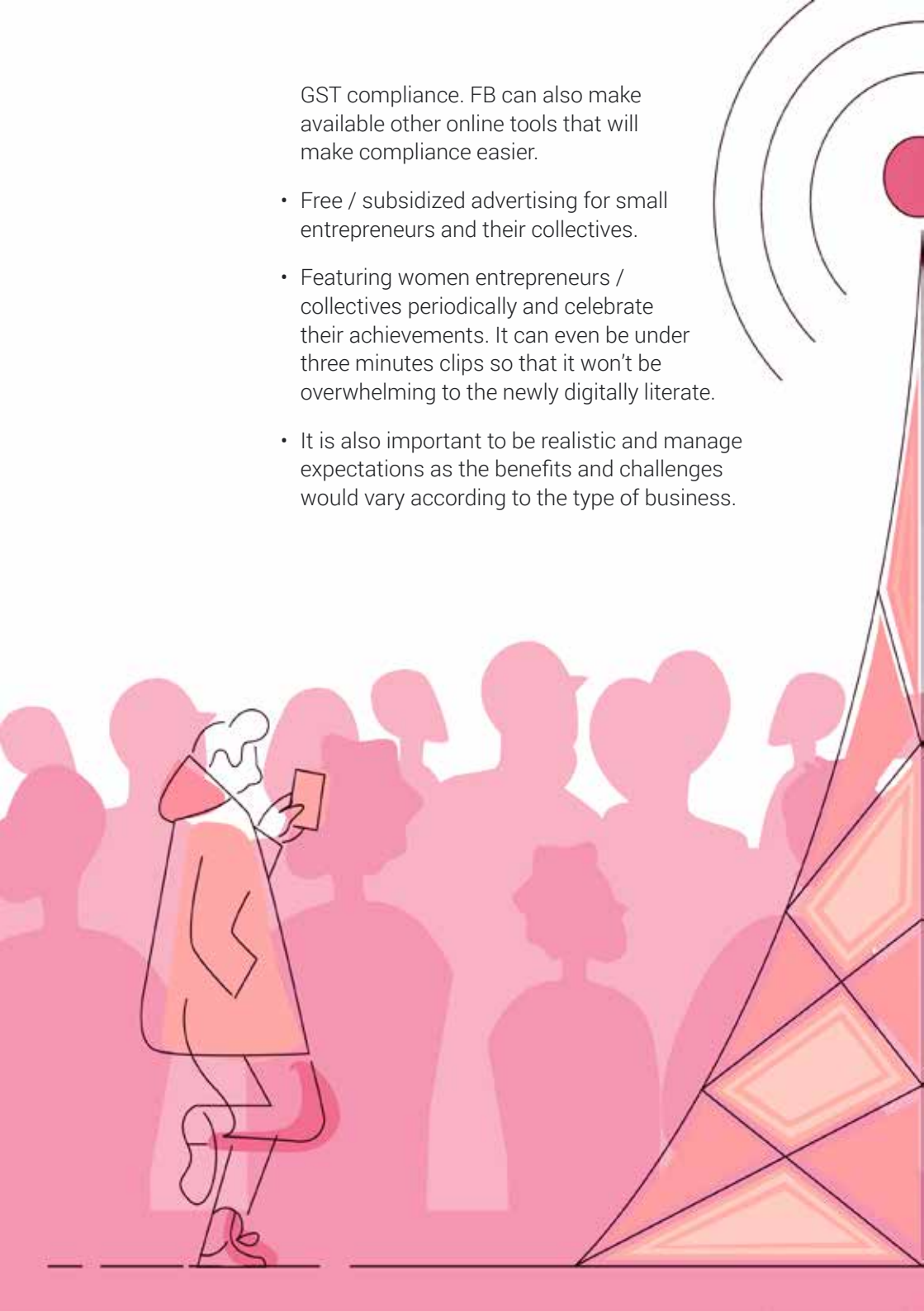
 Wrapping up the conversation, Madhu Sirohi observed that it is important to manage expectations. For example, social media may not be useful to expand the customer base of a small Kirana shop owner while it can help a pickle maker go viral. However, there are ways social media can be useful such as inspiring, showcasing case studies and removing barriers for women / small enterprises to be digital. She also acknowledged that while these are all user-friendly technologies, they can have detrimental impacts too.

Strategic recommendations to META

- Employing language that appeals to small and micro entrepreneurs that clearly demonstrates connection between digitization and their business goals. Success stories of people they can identify with/ relate to can also be used to inspire them. It is also important to contextualize technology so that they are not intimidated by it.

- Creating grassroots ecosystems of support that inspires, connects and provides a space for experimentation. Formation of local collectives and facilitating peer learning. Mentoring systems can also be built into such spaces. This can be achieved by tying up with existing women collectives or self-help groups. This concept can also be taken digitally by providing digital spaces for groups of artisans to showcase their work like the Creative Dignity platform. .

- Increasing the funding of the grant to support Indian MSMEs considering the size of Meta user base and the potential for expansion with a focus on rural India and micro enterprises.

- Pairing youth with artisans. One way to support the elderly among the artisanal community would be pairing them with youth volunteers who are digitally savvy. Grassroots fellowships can be constituted to achieve these.

- Enabling MSM entrepreneurs to build in traceability and value addition.

- Using the power of WhatsApp chatbots to support organizations with compliance. For example, training in

GST compliance. FB can also make available other online tools that will make compliance easier.

- Free / subsidized advertising for small entrepreneurs and their collectives.

- Featuring women entrepreneurs / collectives periodically and celebrate their achievements. It can even be under three minutes clips so that it won't be overwhelming to the newly digitally literate.

- It is also important to be realistic and manage expectations as the benefits and challenges would vary according to the type of business.

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