

Digitalization



Title: Enhancing MSMEs Resilience through Digitalization in Developing Countries: Progress, Gaps, and Challenges

Subtitle: Building Stronger MSMEs for Economic Growth

Kamarudeen Mohamed Rizvi

Director, Ministry of Trade , Commerce, Food Security, Co-operative Development, Industry and Entrepreneurship Development

Introduction

- Overview of MSMEs: Role in the economy (Employment Generation, innovation, GDP contribution).
- Digitalization Importance: How digitalization support growth, efficiency, and resilience in MSMEs.
- Objective: Examine progress, identify gaps, and discuss challenges for MSME digital transformation.

Importance of Digitalization for MSMEs

- ▶ Increased Efficiency: Automation and digital tools streamline operations.
- ▶ Market Expansion: E-commerce and online platforms help MSMEs reach wider audiences.
- ▶ Enhanced Resilience: Digital tools enable agility and continuity during crises (e.g., COVID-19).
- ▶ Competitive Advantage: Keeping pace with larger competitors through digital channels.

Current Progress in Digitalization for MSMEs

- ▶ Digital platforms, cloud solutions, mobile banking, and fintech growth.
- ▶ Sri Lankan Government Initiatives & Examples:

Several local businesses in Sri Lanka offer digital platforms specifically aimed at helping MSMEs expand and thrive. These platforms provide a range of services, from e-commerce and digital payments to logistics and business management solutions. Look at some notable local businesses that support MSME digitalization.

- ▶ Innovative Solutions: Mobile payments, e-commerce integration, and cloud computing adoption.

Local Examples

- Case Study: Local Digitalization efforts for MSMEs in Sri Lanka
 - 1. Hatch Works
 - 2. koko.lk
 - 3. PayHere
 - 4. PickMe Flash and PickMe Market
 - 5. Quickee.lk
 - 6. StoreHub.lk
 - 7. Dialog Ideamart
 - 8. Takas.lk
 - 9. SLT-Mobitel BizChat
 - 10. Gluu by Dialog
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- (Loku Business, SME Connect, Made in Sri Lanka, Kapruka, lassana Flora).

Gaps in Digitalization for MSMEs

- Infrastructure Limitations: Lack of reliable internet and electricity in some areas.
- Access to Finance: Limited funding options for digital transformation.
- Skills and Awareness: Digital literacy gaps, especially in rural areas.
- Policy and Regulation: Insufficient policy support or outdated regulations in some developing countries.

Challenges Facing MSMEs in Digital Transformation

- Financial Barriers: High initial costs for digital tools and platforms.
- Cybersecurity Risks: Vulnerability to cyber threats and lack of cybersecurity awareness.
- Resistance to Change: Traditional mindsets or lack of trust in digital solutions.
- Fragmented Digital Ecosystem: Lack of coordination between different service providers.

Strategies to Enhance Digital Resilience in MSMEs

- New Sri Lankan Government focused on Digital Economy in their Manifesto with MSME empowerment with following Policies:
 - Sustained growth fueled by innovation
 - Digital transformation of government services
 - Rebranding Sri Lanka's market identity
 - Harnessing the benefits of the digital economy
 - International collaborations for advanced technology, best practices, and market access
 - Developing infrastructure that aligns with international standards

- Training and Capacity Building: Digital and Financial literacy programs for MSME owners and employees.(MOI and CBSL, NFIS, MOI-UNDESA workshop)
- Public-Private Partnerships: Collaborations to provide affordable digital tools and infrastructure.
- Financial Support Programs: Grants, subsidies, or loans to support digital adoption.

Sri Lanka Government Policy on Digitalization

- ▶ The global ICT market, valued at USD 9,039 billion in 2024, is rapidly expanding, with a projected growth rate of 11.0% by 2028, presenting significant opportunities for Sri Lanka's ICT industry. Emerging technologies like AI, IoT, and cybersecurity pave the way for innovation. Currently, Sri Lanka's ICT sector employs 85,000 professionals and generates USD 1.2 billion in annual foreign exchange earnings. Our goal is to position Sri Lanka as a global leader in high-quality ICT products and solutions and to establish the country as a hub for international partnerships. We aim to increase the ICT industry's annual export revenue to USD 5 billion, achieving sustainable economic growth through innovation and high-quality digital technology while improving citizens' living standards through efficient digital public services.(Policy Document of the SL Government)

Future Opportunities for MSMEs

- AI and Automation: Potential to streamline operations and reduce manual tasks.
- Digital Marketplaces: Growing e-commerce platforms connecting MSMEs to global markets.
- Remote Work: Opportunities for MSMEs to tap into talent from across the globe.
- Data-Driven Decision Making: How digital tools enable better insights and analytics for growth.

Recommendations for Stakeholders

- ▶ For Governments: Strengthen digital infrastructure and create MSME-friendly policies.
- ▶ For Financial Institutions: Provide affordable financing for digital investments.
- ▶ For MSMEs: Invest in digital skills, cybersecurity, and customer engagement strategies.
- ▶ For Development Organizations: Support digitalization initiatives tailored to MSME needs.

Conclusion

- ▶ Summary: Digital transformation offers a path to resilience and growth for MSMEs in developing countries.
- ▶ Final Thoughts: Addressing gaps and overcoming challenges will require collaboration between stakeholders.
- ▶ Encourage continued investment in digitalization for stronger, resilient MSMEs.

➤ Thank You