

THE WORLD ECONOMICS TIMES



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Shri Jay Prakash Gupta

Founder- Dhan

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**POLITICAL AND ECONOMIC STABILITY
MARKET AND ECONOMY**

DECODING THE LABYRINTH: WORLDONOMICS TIMES JULY EDITION UNVEILS THE NUANCES OF A SHIFTING GLOBAL LANDSCAPE

The global economy, a complex and ever-evolving labyrinth, presents both challenges and opportunities for nations and individuals alike. In this dynamic landscape, Worldonomics Times serves as your trusted guide, offering insightful analysis and expert perspectives through its July publication.

A Multifaceted Approach to Economic Understanding:

Worldonomics Times distinguishes itself by providing a holistic view of the economic sphere. From the sweeping trends of macroeconomics to the intricacies of specific sectors, readers gain valuable knowledge from articles penned by renowned economists and industry leaders. Whether you seek to understand how geopolitical tensions impact financial markets or explore the potential disruptions of Web3 technologies, Worldonomics Times equips you with the information you need to navigate this intricate system.

Spotlight on the Latest: Central Banks and Cryptocurrencies:

The July edition places a particular focus on the evolving relationship between central banks and cryptocurrencies. As digital assets continue to gain traction, central banks around the world are grappling with how to regulate and integrate them into the existing financial ecosystem. Worldonomics Times delves into this critical discussion, exploring potential policy approaches, the risks and opportunities associated with cryptocurrencies, and their impact on monetary policy.

Beyond the Headlines: A Spectrum of Economic Issues:

Of course, Worldonomics Times goes beyond this single topic. The publication continues to shed light on technological advancements and their profound impact on society. Articles explore the transformative potential of artificial intelligence, blockchain, and the metaverse, while also considering the ethical considerations surrounding these developments.

Championing Social Justice and Equality:

Worldonomics Times remains a platform for fostering meaningful dialogue on social issues. Articles delve into critical topics like gender equality, racial justice, LGBTQ+ rights, and the ongoing struggle to address socio-economic disparities. These pieces not only highlight the challenges faced by marginalized communities but also propose solutions for building a more just and inclusive world.

Sustainability: Charting a Course for a Greener Future:

The fight against climate change and the pursuit of sustainable development remain at the forefront of Worldonomics Times' focus. Articles showcase advancements in renewable energy technologies, innovative green practices, and the global push towards a low-carbon economy. The publication continues to explore the synergy between technology and sustainability, analyzing the rise of green hydrogen, sustainable infrastructure projects, and the role of circular economy principles.

Education: The Cornerstone of Progress:

Recognizing the critical role of education in a knowledge-based economy, Worldonomics Times continues to advocate for lifelong learning. Articles explore innovative pedagogical approaches, the effective integration of technology in education, the growing importance of vocational training, and the democratizing power of online learning platforms. The publication emphasizes the importance of empowering individuals through continuous skill development and knowledge acquisition.



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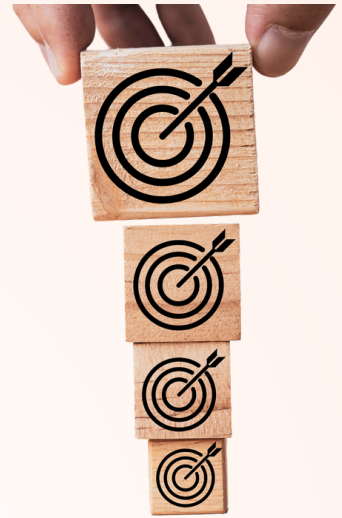
Enhancing Financial Access for MSMEs: Addressing the Credit and Digital Divide

According to CRISIL, formal credit penetration in the MSME sector stands at a mere 20%, and for women entrepreneurs, the figure is even lower at just 10%. These figures underscore a critical need for interventions to bridge the credit and digital divide.

A World Bank study highlights that digital services could amplify financial access by up to 50%. Digital platforms can reduce operational costs and extend the reach of financial services to previously underserved populations. For MSMEs, this means easier access to credit, simplified transaction management, and enhanced customer connectivity.

The digitization journey is, nonetheless, fraught with deep inequalities. A report by RedSeer highlights a stark reality: out of the 64 million MSMEs in India, only about 12% are considered digitally mature brands. These businesses harness advanced technologies, such as cloud computing, data analytics, and e-commerce platforms, to streamline their operations and reach broader markets. The benefits they reap are clear, from optimized processes and enhanced customer engagement to the ability to scale their businesses efficiently and competitively. In contrast, the remaining 88% of MSMEs are at varying stages of digitization. Many small businesses lack the resources to invest in digital tools or the knowledge to implement them effectively.

The loan origination landscape for MSMEs further illustrates the challenges. According to TransUnion CIBIL, 46% of overall MSME loans originate in semi-urban and rural areas, 55% of borrowers are medium risk, and 46% are new to credit. Micro-enterprises, which account for 93.5% of the total Non-Performing Asset (NPA) accounts, face the most significant hurdles, with only 11% having access to credit.



The high percentage of NPAs among micro-enterprises not only reflects the inherent risks associated with lending to this sector but also highlights the systemic failures in supporting these businesses. Traditional credit assessment models are ill-equipped to evaluate the unique circumstances of micro-enterprises.

This scenario creates a vicious cycle. As micro-enterprises struggle to access credit, their growth is hindered, limiting their ability to generate revenue and repay loans. This increases their risk profile, further deterring lenders. Consequently, these businesses remain trapped in a precarious position, unable to scale and contribute more significantly to the economy.

The absence of simplified and on-demand access to credit and broader financial services puts India's sustainable and inclusive development at risk, undercutting its actual potential. Studies also show that nearly 40% of MSMEs in India lack adequate financial literacy, which hampers their ability to access formal financing (IFC Report, 2022). Programs like the MSME Samadhaan and various state-level initiatives aim to bridge this gap by offering training in financial management, digital skills, and business strategy.

From a banker's perspective, the difficulties in accessing bank finance for MSMEs are multifaceted. A survey by IIB indicates that first-generation entrepreneurs' lack of experience (36%), lack of collateral and infrastructure (26%), poor financials of enterprises (24%), smaller ticket size (8%), and other factors (6%) significantly impact the ability of MSMEs to secure loans. Government schemes, although beneficial, often fall short of addressing these nuanced challenges.

For banks, processing smaller loans involves the same administrative costs as larger ones, making them less economically attractive. This results in a preference for larger, more lucrative loans, leaving MSMEs underserved. Moreover, the perceived high-risk nature of these smaller loans, combined with the high costs of monitoring and managing numerous small accounts, further disincentivizes banks from focusing on this segment. Ultimately, this leaves MSMEs caught in a perpetual struggle for funding, while banks chase more lucrative opportunities. The financial landscape must evolve to recognize the untapped potential within these small enterprises.



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