

# INDIAN MSME Impact Report 2019



## Foreword

As a Business-to-Professionals online platform, we keenly understand the complexities of managing an MSME business and the several challenges a small business entrepreneur is faced with. In fact, we help our clients grapple with such challenges on a day to day basis. We cannot adequately emphasize the role FinTech plays in the resolution of many of these challenges. And we also appreciate the lengthy strides the FinTech industry, and especially Instamojo as a trailblazer, have made on this long and arduous journey.

An MSME entrepreneur, typically, starts very small and grows organically. S/he invests her or his life's earnings, and many years of time, effort and intense passion, into nurturing the business. The entrepreneur not only seeks to be handsomely rewarded for this but also seeks to make every moment spent running the business count. The drudgery of facing up to the challenges needs to be addressed without the agony hitherto associated with it.

Technology has now been widely acknowledged as a prime mover of business. FinTech has made lives easier for businesses large and small. At Simplotel we let FinTech confront many of the issues that have plagued our MSME customers, and our customers have benefited tremendously from the innovation. And we have benefited tremendously from the innovations Instamojo has delivered to us. This report goes a long way in painting a big picture of how MSMEs can do much better. Also, the fresh approach to defining an MSME and crafting a "Persona" of MSME entrepreneurs is a game-changer for both the company and the MSMEs.

We wish Instamojo all success in propagating this Knowledge Leadership to its audience of a million MSMEs that we take pride to be part of!

*Tarun Goel,  
Founder and CEO, Simplotel*

## Preface

*Never view your challenges as a disadvantage. Instead, it's important for you to understand that your experience facing and overcoming adversity is actually one of your biggest advantages.*

*-Michelle Obama*

India is in the throes of a downturn, one that we may tide over in due course, but staying the course will indeed be challenging. We, in the MSME (Micro, Small and Medium Enterprises) fraternity, have known one too many a critical business challenge though! We have endured and persisted in the face of external constraints –severe shortage or even absence of credit, information asymmetry, labyrinthine regulatory channels, infrastructural bottlenecks – and our own internal inadequacies of managing change, skill and talent deficit and lack of marketing savvy.

The tenacity of an MSME entrepreneur – either inborn or cultivated – is the essential ingredient that keeps her / him going against the odds. And winning. However, this uphill battle can be waged better by all of us. It does not have to take enormous heartburn and copious volumes of sweat and tears. If we were to recognize just how technology, in general, and FinTech, in particular, can greatly alleviate the pain. Many of the critical business challenges that we face may have seemed insurmountable. But there are clear-sighted solutions to at least some of these in technology.

Make no mistake – technology ain't no silver bullet. But, in the hands of the able, it is nothing short of a mini-miracle. Let me bring forth one example – data. Businesses as well as individuals are generating so much data that its volume is more than quadrupling every year! "Data is the new oil," – the quote by Mathematician Clive Humby goes back to 2006. And, in the decade and more that has passed since, data has come to be valued like gold although, only if you leveraged it right. And here's where we, from Instamojo, are ready as ever to help.

The FinTech landscape is a shape-shifting monolith. Our previous report on this topic brought an MSME perspective to the discussion on size and growth of the FinTech industry. With the current edition we are embarking on a journey of deep understanding of the critical business challenges MSMEs face, how they are going about solving these challenges, and what role technology plays. We have also initiated a very exciting task of redefining the MSME, using multiple dimensions and moving away from the traditional definition. A "Persona" of the MSME entrepreneur has also been proposed.

FinTech, for Instamojo, is every technology enabled thing that eases doing business for an MSME entrepreneur. Over the 6 years of our existence we have possibly met every conceivable MSME challenge with an idea that is already solving the challenge or is in the works to produce a solution tomorrow. A great majority of our 1 million customers are super satisfied with our approach and our products. This very fact, as borne out by the study carried out as part of this report, and by the many thousand emails and phone calls from happy customers keeps us on our toes.

*Sampad Swain  
and the Instamojo Team*

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# 1

## Executive Summary

## Executive Summary

- The 63 million MSMEs in India include an extremely wide variety of businesses. The report attempts a definition of the MSME, and a “persona” of the MSME entrepreneur, going beyond the single dimensional view of the conventional classification and making use of five distinct dimensions.
- The Indian economy has, of late, dealt the MSMEs a mixed bag of opportunities and disruptions. As they continue to grapple with these issues the MSMEs have also been bogged down by a legacy of critical challenges that has stifled their business growth for years, if not decades.
- About 47% of the MSMEs (those who make use of digital payment solutions were surveyed) are only able to manage a few of the critical challenges, and 20% are overwhelmed by the hard-to-manage challenges. 25% - 30% of the respondents who are able to manage these challenges and smoothly run their business have learnt new technologies, taken expert help, or have done so after gaining considerable experience.
- A vast majority of MSME respondents (75%) believe that technology helps solve many of the challenges. They leverage online information, logistics and email apps, social media, task management solutions and also train employees on technology. Dearth of skilled labour, time spent solving the challenges and a lack of understanding of how technology might help, keeps the rest from trying.
- Transactional convenience and monetary incentives to customers create value for about two-thirds of the MSMEs surveyed. Another 20% see value being created from customer preference for digital payment technology and data security and synchronization.
- An estimated 9.2 million MSMEs registered under GST could be a potential market for advanced offerings from the FinTech stable, such as business analytics tools, given that 47% of these MSMEs have adopted digital tools for business processes, payments, and online sales in India.
- The “Payment Gateway / Link” class of solutions was rated “Very Valuable” or “Extremely Valuable” by more than half of the MSMEs who responded to the survey, with the traditional channel of Investors / Lenders and digital Peer-to-peer lending / money transfer being rated close behind.
- Digital payment technology is marked by a high level of MSME user satisfaction, as per the study. Nearly three-fourths of the respondents reported to be “Very satisfied” or “Extremely satisfied” with their experience of digital payment products.
- Instamojo’s products have created 67 sweet spots (significant product-market successes) based on customer perception of their performance in the respective market segments. The company aims to propagate this success across all of the areas it operates in over time.

# 2

## Defining MSME

- ▶ Convention
- ▶ A 360° definition for MSME
- ▶ The MSME Persona

# Defining the MSME

## - Convention

MSMEs, in India, have historically been typecast as manufacturing setups that fundamentally comprise plant, machinery and manual labour. Until recently, therefore, MSMEs have been classified by the Ministry of MSME based on the investments in these factors of production. Subsequently, the services sector was also brought within the ambit of the MSME classification, based on investment in equipment, as it grew significantly.

In 2018, with the ushering in of the GST regime, the union cabinet of India approved changes to the classification. MSMEs were now classified based on their annual business revenue, in place of the investment limits, as below.

The 2018 conventional classification of MSMEs:

- Micro: businesses with an annual revenue that does not exceed INR 50 million
- Small: businesses with an annual revenue between INR 50 million and INR 750 million
- Medium: businesses with an annual revenue between INR 750 million and INR 2.5 billion

## - A 360° definition for MSMEs

The 63 million MSMEs in India include an extremely wide variety of businesses. They deserve to be defined going beyond the single dimensional view of the conventional classification. This report attempts to arrive at a definition by bringing together –

- a) a basic, Goods versus Services, classification
- b) "Meta categorization" of business categories under the two classifications
- c) the type of infrastructure businesses invest in
- d) the nature of activity within the industry value chain.

The "Goods" classification encompasses both manufacturing and non-manufacturing activities right from "Sourcing" down to "Distribution". The "Services" classification encompasses both the creation and delivery of "service" as well as "experience". The "Meta categories" are abstract terminologies that reflect the aggregation of conventional business categories [a complete listing of the individual business categories is available on page-32].

An additional dimension, the "Median Revenue per Transaction" (MRpT) estimate serves to describe the financial activity of businesses under each "Meta category". This dimension also includes "lower" (LL) and "upper" limit (UL) estimates. At each classification level an aggregated MRpT estimate is provided along with a UL and LL estimate. There are separate, aggregate, MRpT estimates for "Micro", "Small" and "Medium" under "Goods" and under "Services".

Between them, these five broad dimensions cover almost all of the 63 million MSMEs. The report proposes this composite definition for MSMEs as a multi-dimensional alternative to the conventional classification of MSMEs.

## METHODOLOGY: STEPS TAKEN TO CONSTRUCT THE MSME DEFINITION

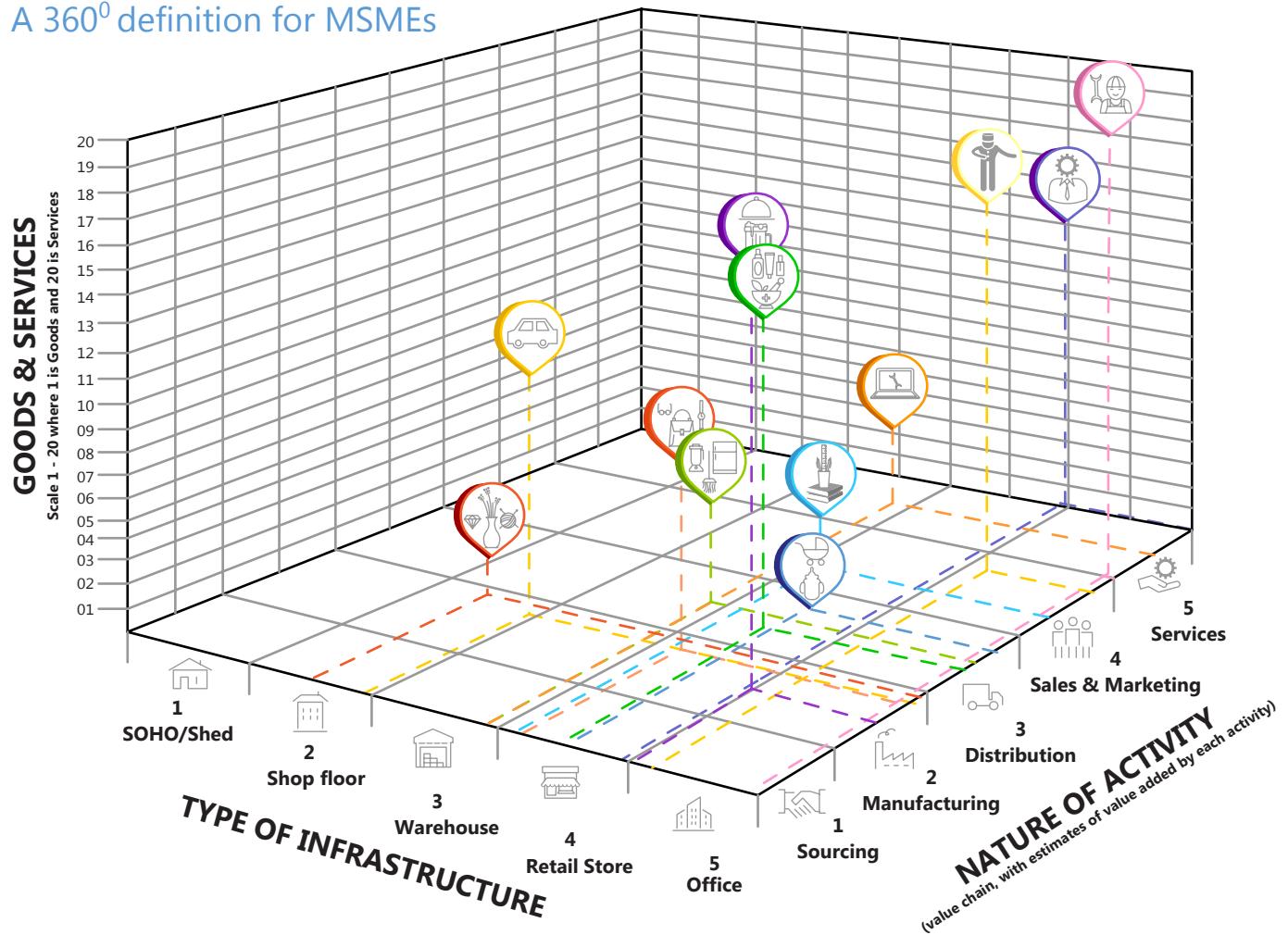
### **Definition:**

1. Conceptual framework based on extensive exploratory research.
2. Exhaustive list of business categories from multiple small business directories
  3. Sectors aggregated into "Meta categories"
4. "Goods" (6 sectors) and "Services" (6 sectors) classification.
5. Analysis of 8 million transactional data from Instamojo repository.

Please refer to page-29, 30 for a detailed account of the methodologies.

# Defining the MSME

## - A 360° definition for MSMEs



Median Revenue per Transaction: INR 2,000 +/- INR 850  
Micro: INR 850 | Small: INR 2,400 | Medium: INR 5,500

Median Revenue per Transaction: INR 4,000 +/- INR 2,000  
Micro: INR 1,500 | Small: INR 5,500 | Medium: INR 12,000

**Exceptions:** Stationery Products [Median Revenue per Transaction: INR 625], Labour Services [Median Revenue per Transaction: INR 6,280], Industrial Goods [Median Revenue per Transaction: INR 1,000 – INR 300,000] | Equipment, Machine, Vehicle Sales [Median Revenue per Transaction: INR 5,000 – INR 3,000,000]

	Sectors	MRpT	LL	UL
	Clothing & Accessories: Apparel and Garments, Fashion accessories & gear, Bags, belts & wallets	2,865	200	20,000
	Stationery products: Books and stationery, Paper & paper products	624	10	5,000
	Artisan Products: Handcrafts and Decoratives, Textiles, Yarn & Fabrics, Home textile, Gems, jewellery & Astrology, Leather products, Arts, Crafts and Collectables	1,785	25	25,000
	Toys & Baby Products: Baby, Toys and Hobbies	2,520	15	18,000
	Equipment, Machine, Vehicle Services: Chemicals, Dyes & Solvents, Lab instruments and suppliers, Vehicle Service and Accessories	3,760	140	30,000
	Food & Nightlife: Food & Beverages, Nightlife	1,410	80	25,000
	Labour Services: Transportation & Logistics, Call centre & BPO services, Bicycle, Rickshaw & Spares, Housekeeping services	2,996	150	10,580
	Home & Home Care: Kitchen utensils & appliances, Lawns & gardens	1,995	250	40,000
	IT & Infrastructure: Computer & IT solutions, Computers Accessories and Services	2,646	140	55,000
	Management & Hospitality Services: Media, PR & Publishing, Event planner & organizer, Art & Entertainment, Travel, Tourism & Hotels, Hospital, Clinic & Consultation, Health products, Drugs & Medicines, Gifts and Flowers, Pet & Pets care, Product rental & leasing	2,866	200	40,000
	Education, Skilling, Expert Services: Engineering services, Telecom services, Business & Audit services, Financial & Legal services, Education & Training, R&D & Testing Labs, Architecture & Interiors, HR Planning & Recruitment, Contractor & Freelancer, Security system & services, Coaching & Tuitions	4,754	2,200	1,10,000
	Wellness & Lifestyle: Cosmetics and personal care, Herbal & Ayurvedic products, Sports goods, toys & games	2,870	150	14,000

# Defining the MSME

## - The MSME Persona

Who, really, is an MSME entrepreneur? The report fleshes out the characteristics of an MSME entrepreneur using four dimensions to produce four profiles – Goods-New Age, Goods-Conventional, Services-New Age and Services-Conventional – representing four broad types of MSME businesses.

The MSME persona also includes a sixth dimension that describes an MSME – an annual (median) revenue per business estimated for each of the four profiles. This is an estimate of the size of the business run by the entrepreneur. The remaining characteristics of a profile serve to paint a complete picture of the entrepreneur's endeavour.

### METHODOLOGY: STEPS TAKEN TO CONSTRUCT THE MSME PERSONA

#### **Persona:**

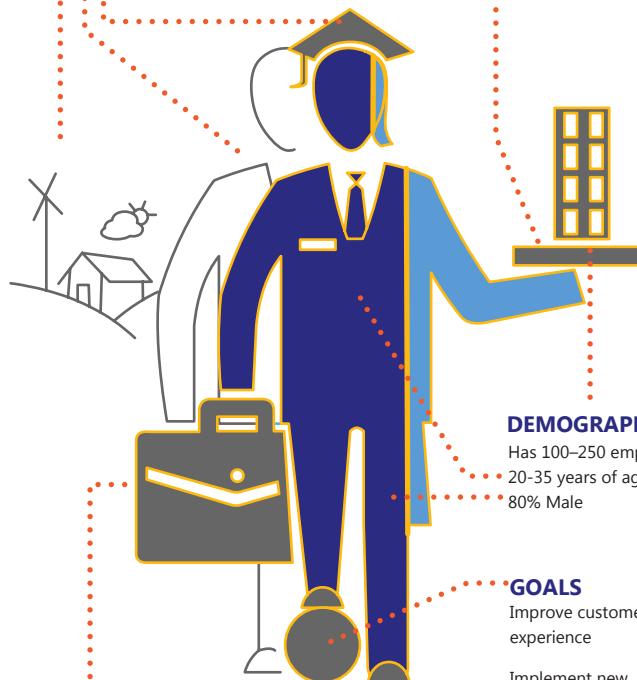
1. Additional dimensions, Conventional and New-age, added to Goods and Services.
2. Assorted MSME entrepreneurs studied –personal context, demographics, goals.
3. Annual business revenue computed per quadrant from transactional data.

Please refer to page-29, 30 for a detailed account of the methodologies.

# Defining the MSME - The MSME Persona

## BACKGROUND

- Rural born.
- 1st or 2nd generation entrepreneur.
- Highest education level is Bachelor's.
- Started up based on market need / personal eventualities.



## BUSINESS

Annual revenue ~ INR 20 million – 500 million

## DEMOGRAPHICS

- Has 100–250 employees
- 20-35 years of age
- 80% Male

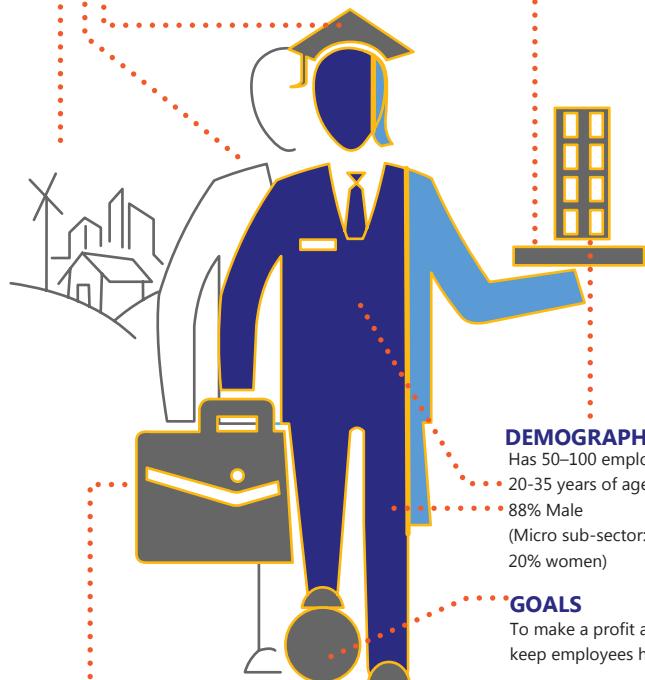
## GOALS

- Improve customer experience
- Implement new digitization techniques

## BUSINESS PERSONA: Conventional - GOODS

## BACKGROUND

- Rural / City born.
- 1st or 2nd generation entrepreneur.
- Highest education level is Master's.
- Started up to exploit market opportunity.



## BUSINESS

Annual revenue around INR 8 million

## DEMOGRAPHICS

- Has 50–100 employees
- 20-35 years of age
- 88% Male
- (Micro sub-sector: 20% women)

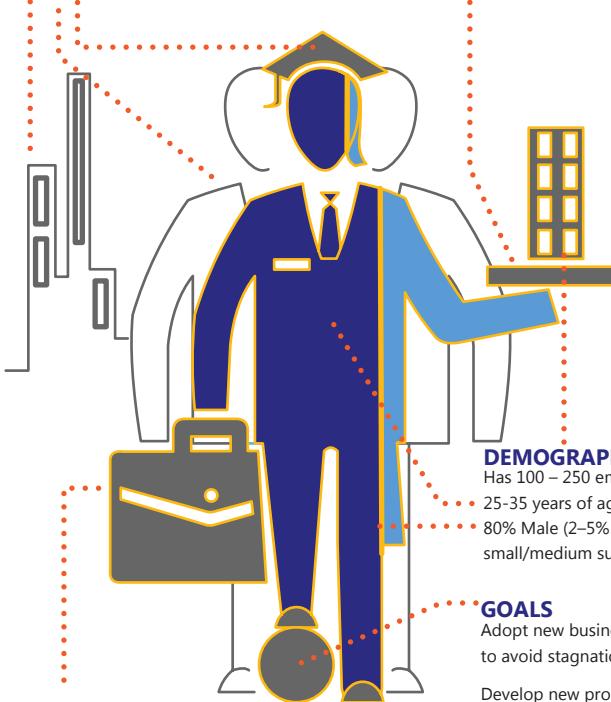
## GOALS

- To make a profit and keep employees happy.
- Avoid job losses due to automation.

## BUSINESS PERSONA: Conventional - SERVICES

## BACKGROUND

- City born.
- 2nd or 3rd generation entrepreneur.
- Highest education level is Bachelor's.
- Developed the company from micro to small/medium.



## BUSINESS

Annual revenue ~ INR 10 million – 250 million

## DEMOGRAPHICS

- Has 100 – 250 employees
- 25-35 years of age
- 80% Male (2-5% women in small/medium sub-sector)

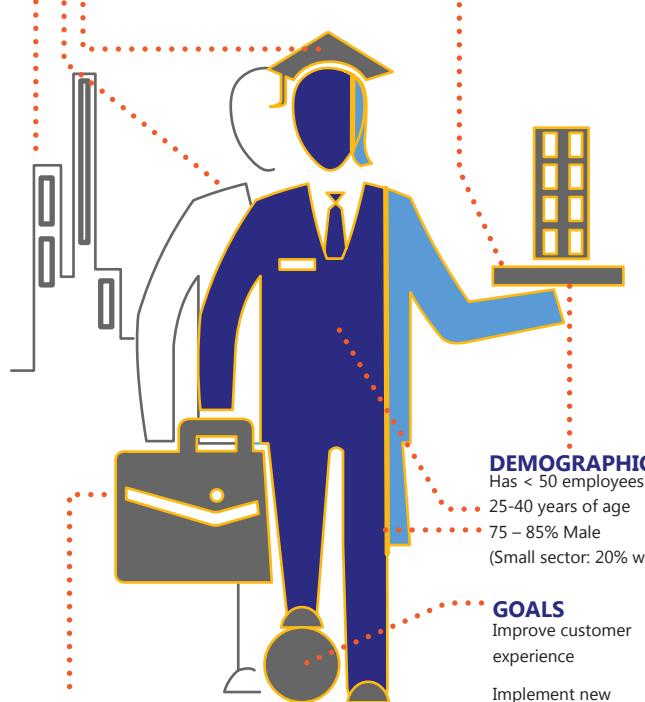
## GOALS

- Adopt new business models to avoid stagnation
- Develop new products to establish new revenue streams

## BUSINESS PERSONA: NEWAGE - GOODS

## BACKGROUND

- City born.
- 1st or 2nd generation entrepreneur.
- Highest education level is Master's.
- Joined the business at a young age/based on demand.



## BUSINESS

Annual revenue around INR 5 million – 100 million

## DEMOGRAPHICS

- Has < 50 employees
- 25-40 years of age
- 75 – 85% Male
- (Small sector: 20% women)

## GOALS

- Improve customer experience
- Implement new digitization techniques

## BUSINESS PERSONA: NEWAGE - SERVICES

Developed based on the study of assorted MSME entrepreneurs and an analysis of 8 million MSME transactions; please refer page-31 for detailed methodology

# 3

## The uphill journey of an Indian MSME

- ▶ Recent opportunities and disruptions
- ▶ Critical business challenges
- ▶ How MSMEs are coping
- ▶ Technology helps – for a majority

# The uphill journey of an Indian MSME

## - Recent opportunities and disruptions

The MSME landscape has witnessed a paradigm shift in recent times, thanks to a mixed bag of opportunities and disruptions. The Government of India's MUDRA scheme allowed start-ups and small businesses to access capital ranging from INR 50,000 to INR 1 million. The Udyog Aadhaar Memorandum enabled 5.2 million businesses to register officially and avail benefits which included exemptions on taxes, reduction in fee for filing patents, credit guarantee schemes and a concession in electricity bills.

### Opportunities



The MUDRA scheme



The Udyog Aadhaar Memorandum

### Disruptions



Demonetization / GST



NBFC resource crunch



RBI banning LoU

On the other hand, the credit deficit faced by India's MSMEs got exacerbated due to four key disruptions. Demonetization adversely impacted liquidity, the introduction of GST made demands on their cash flow and compliance capabilities, the NBFC crisis drastically slowed credit, and their export competitiveness was blunted by the Letters of Understanding (LoU) ban by RBI.

As MSMEs look to state sponsored benefits and to overcome exigencies they have also been bogged down by a legacy of critical challenges that has stifled their business growth for years, if not for decades.

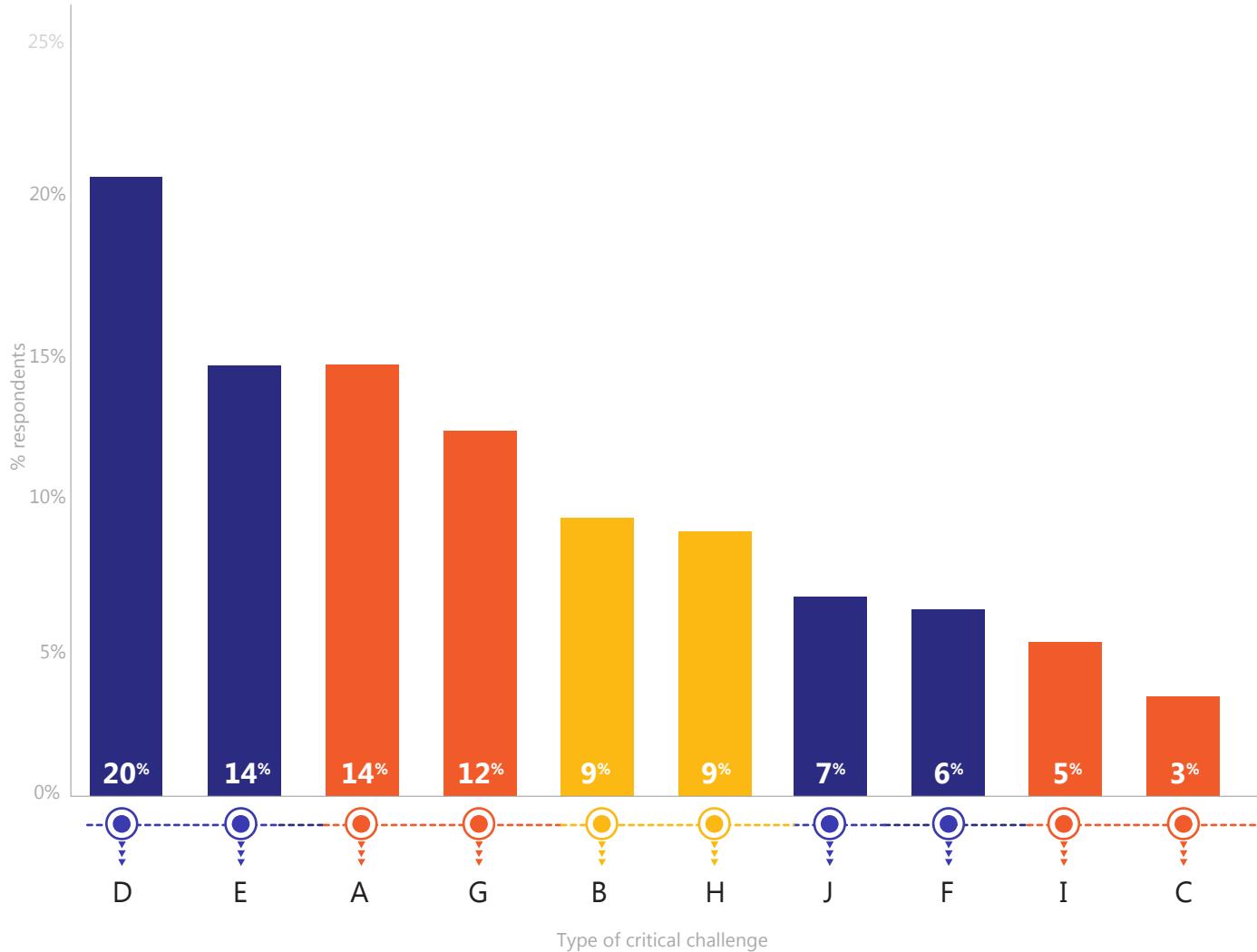
# The uphill journey of an Indian MSME

## - Critical business challenges

Historically, the Indian MSME has had to face several critical business challenges ranging from credit deficit and unskilled labour to complexity of taxation and knowledge asymmetry.

In order to measure the entrepreneur's sense of distress due to these challenges a survey of 400 MSME entrepreneurs was carried out, across India and across sectors (please refer page-28 for details), as part of this report.

MSME entrepreneurs see each of the critical business challenges as draining their time, energy, focus and money, in addition to keeping the business from growing.



- A) Absence of adequate bank credit/finance
- B) Limited knowledge of business
- C) Non-availability of technology support
- D) Complex taxation norms

- E) Lack of marketing skills
- F) Constraints on expansion of business
- G) Non-availability of skilled labour
- H) Lack of support in creating skill development

- I) Poor / inadequate logistics infrastructure
- J) Complex legal norms

# The uphill journey of an Indian MSME

## - Critical business challenges

### Factors contributing to each of the critical business challenges

Challenge	Factors contributing to each challenge
Absence of adequate bank credit/finance	Long processing time, lack of transparency in timelines and inefficient loan size
Limited knowledge of business	Complexity of business books, no assistance on managing cash and bookkeeping, lack of risk mitigation and problem-solving competency
Non-availability of technology support	High cost of innovation, lack of financial resources to implement innovation
Complex taxation norms	Impact of GST, higher tax rate
Lack of marketing skills	Poor sales promotion skills, limited capacity for advertisement and inefficient marketing strategies
Constraints on expansion of business	Lack of skilled labour which acts as a barrier to expansion of business, lack of capability to compete with competitors, cash-flow challenge
Non-availability of skilled labour	Lack of motivation for technical and managerial personnel, lack of highly skilled personnel leading to faulty planning and execution, high labour costs causing unemployment of staff in kirana shops
Lack of support in creating skill development	Lack of funds for training employees
Poor / inadequate logistics infrastructure	Poor condition of storage infrastructure, transport inefficiencies, low rate of technology adoption and poor skills of logistics professionals
Complex legal norms	Non-regulation with restrictive laws, lack of equity in various laws, licensing system, issues of intellectual property

Source: Instamojo "IamMSME" survey, May, 2019; Sample size: 595 MSME entrepreneurs

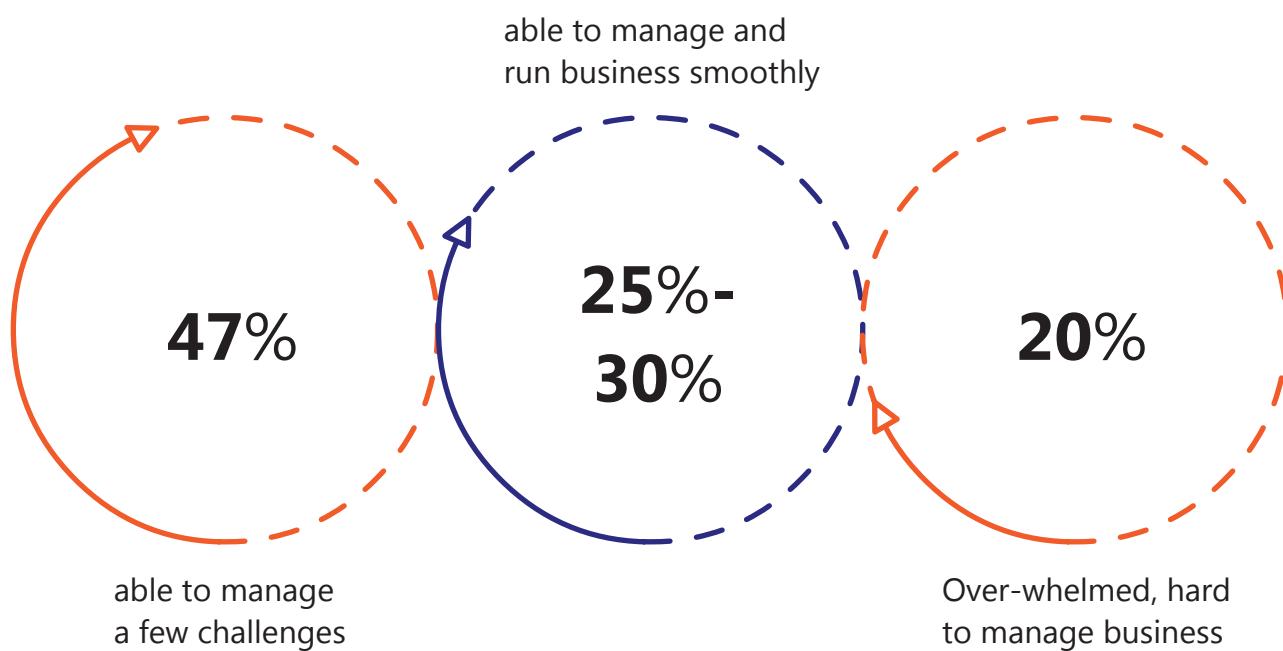
## The uphill journey of an Indian MSME

### - How MSMEs are coping

About 47% of the MSMEs(those who make use of digital payment solutions were surveyed) are only able to manage a few of the critical challenges, and 20% are overwhelmed by the hard-to-manage challenges.

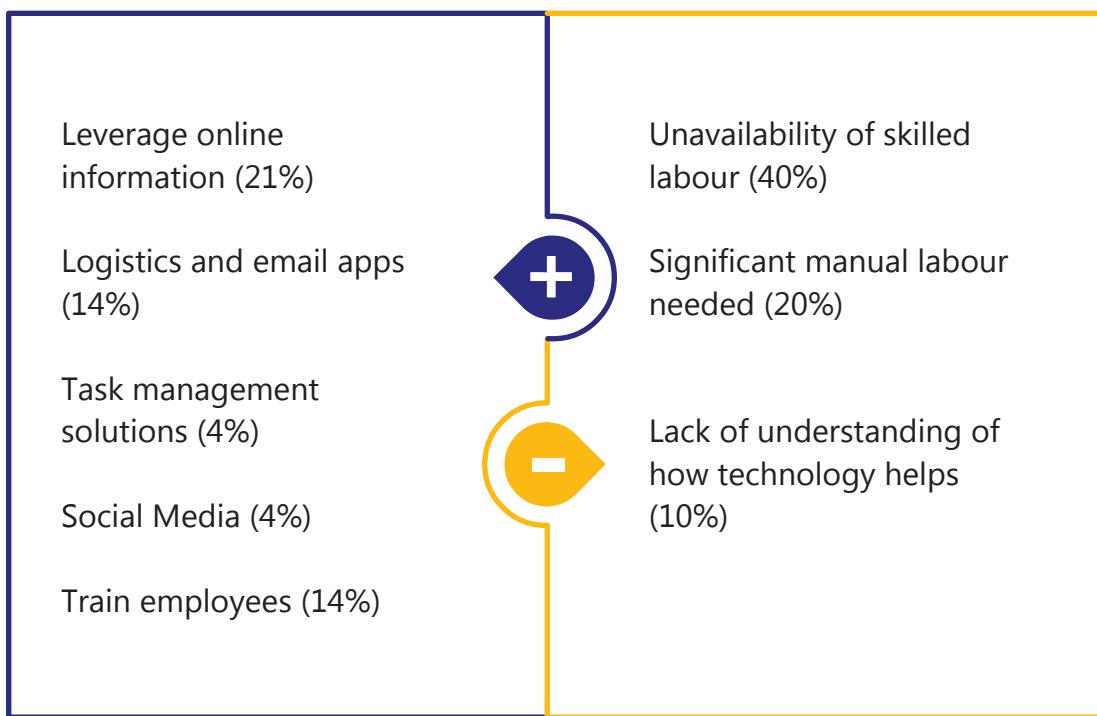
25% - 30% of the respondents who are able to manage these challenges and smoothly run their business have learnt new technologies, taken expert help, or have done so after gaining considerable experience.

The approach most MSMEs (75%) report taking is gain knowledge about the challenges via the Internet, social media and other channels, and implementing the learnings in business. The second most prevalent approach is networking with other businesspeople or engaging with Subject Matter Experts.



## The uphill journey of an Indian MSME

### - Technology helps – for a majority



A vast majority of MSME respondents (75%) believe that technology helps solve many of the challenges although they are not all technology related.

These MSMEs leverage online information, logistics and email apps, social media, task management solutions and also train employees on technology. The other 25% of the MSMEs who do not believe technology helps solve the critical challenges attribute this inability to the dearth of skilled labour, significant manual labour spent solving these challenges and, in general, a lack of understanding of how exactly technology might help.

# 4

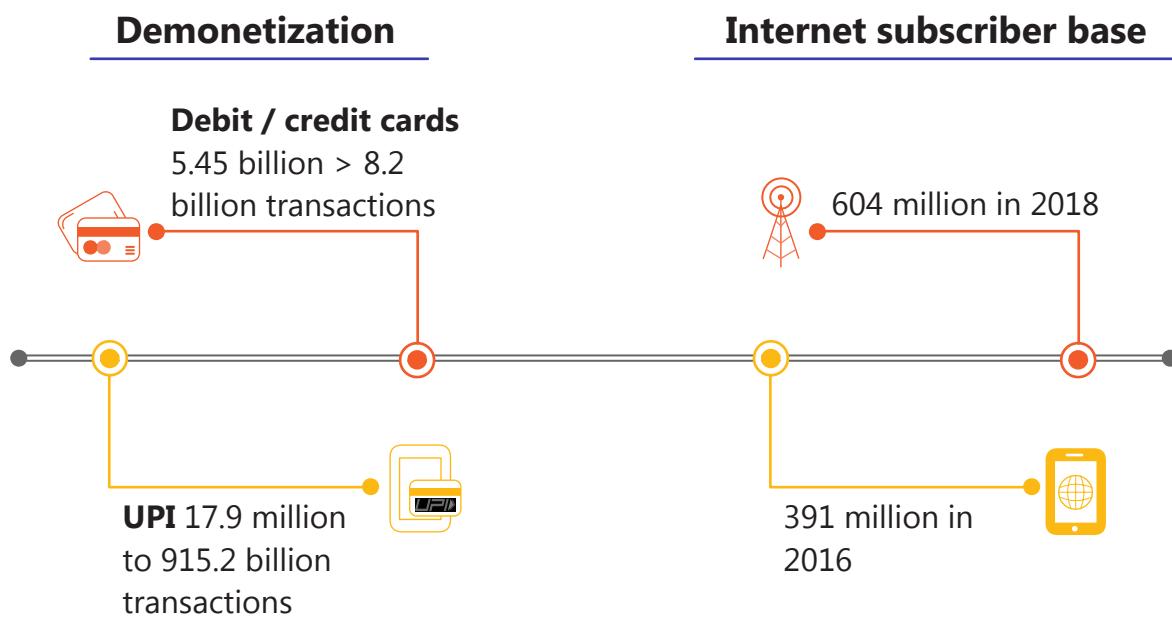
## MSME value perception of FinTech offerings

- ▶ Growth spurt from opportunities and disruptions
- ▶ Value from FinTech
- ▶ Value from digital payment solutions vis-à-vis traditional channels
- ▶ User Satisfaction Levels for Digital Payments

## MSME value perception of FinTech offerings

### - Growth spurt from opportunities and disruptions

Demonetization, the most impactful among the disruptors, provided a much-needed short-term push to the digitalisation of finance in India in spite of the economic upheaval it caused MSMEs. It forced both businesses and consumers to adopt private and public digital payment standards in place of cash. The transaction volumes of UPI, for instance, surged 51x from 17.9 million in FY 2016-17 to 915.2 million in FY 2017-18. The total volume of debit and credit card transactions also surged by 50.6 % from 5.45 billion to 8.2 billion, during this period.



Despite such appealing progress cash has managed to make a comeback. The total cash withdrawal from ATMs was worth INR 33 trillion in FY 2018-19 in comparison to INR 23.6 trillion in FY 2016-17 - a surge of 40.27%.

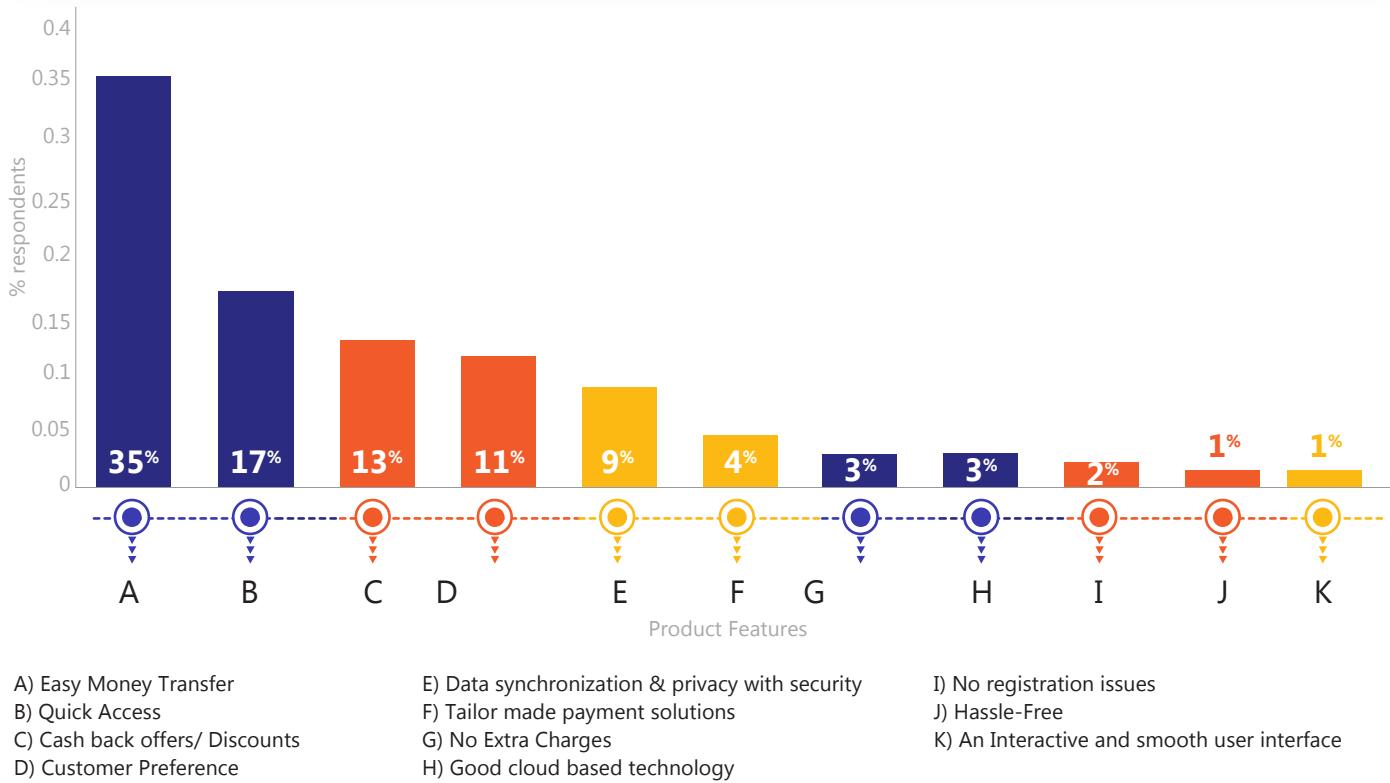
A 154% jump in the internet subscriber base (from 391 million in 2016 to 604 million in 2018) also expanded the addressable market for FinTech in India and accelerated its penetration in the Indian MSME sector.

## MSME value perception of FinTech offerings

### - Value from FinTech

Transactional convenience and monetary incentives to customers create value for about two-thirds of the MSMEs surveyed. Another 20% see value being created from customer preference for digital payment technology and data security and synchronization.

The diverse needs of the MSME market mean a disparate set of features they could benefit from. Digital payment technology has come to mean an umbrella offering that delivers different benefits to different MSMEs.



There is a nascent MSME market for advanced FinTech offerings that go beyond the value currently sought by MSMEs. Although the FinTech landscape in India is dotted with financial analytics, SaaS and payments platform offerings, their prevalence in the MSME sector is negligible. After the advent of GST, an estimated 9.2 million MSMEs are 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, as per a study by BCG.

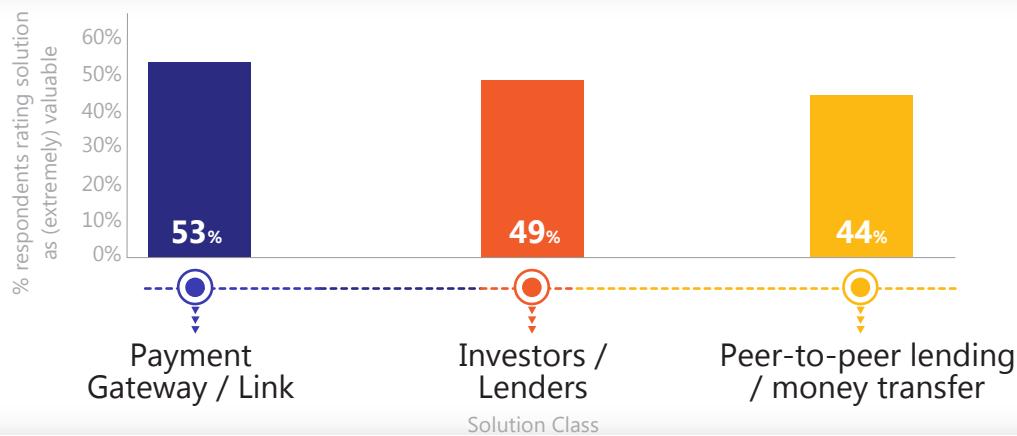
Also, the diversification of the FinTech landscape in India from being merely payment centric to launching other lending and insurance solutions has catalysed FinTech awareness in the informal sector.

## MSME value perception of FinTech offerings

### - Value from digital payment solutions vis-à-vis traditional channels

Addressing critical challenges related to finance, payments and accounting is a key MSME expectation from digital payment technologies. The study probed the value MSMEs derived from digital as well as traditional channels of small business finance.

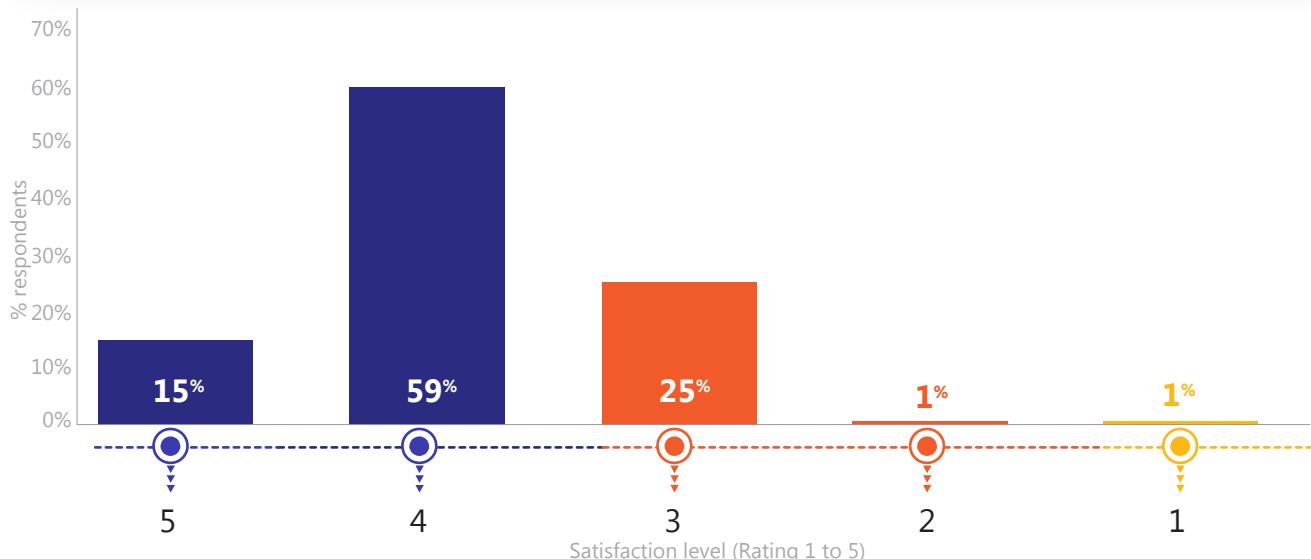
The Payment Gateway / Link class of solutions was rated "Very Valuable" or "Extremely Valuable" by more than half of the respondents, with the traditional channel of Investors / Lenders and digital Peer-to-peer lending / money transfer being rated close behind.



When it comes to availing credit MSMEs seem to veer toward traditional channels rather than digital. Digital credit / loan was rated the least desired of the digital payment solutions, with 48% of the respondents terming it "Not much Valuable" or "Least Valuable".

### - User Satisfaction Levels for Digital Payments

Digital payment technology is marked by a high level of MSME user satisfaction, as per the study. Nearly three-fourths of the respondents reported to be "Very satisfied" or "Extremely satisfied" with their experience of digital payment products. Almost all of the remaining respondents reported being merely "Satisfied".



Source: valuvox-Instamojo MSME survey, August 2019; Sample size: 400 MSME entrepreneurs

Source: valuvox-Instamojo MSME survey, August 2019; Sample size: 400 MSME entrepreneurs

## 5

How Instamojo offerings fit  
**MSME needs**

- ▶ Product performance
- ▶ Product-market fit
- ▶ Key takeaways from the Product-Market Grid

## How Instamojo offerings fit MSME needs

### - Product performance

With a 1 million strong, satisfied, customer base Instamojo continues to invest in its current and near-future product features. The survey captured customer perceptions of the performance of Instamojo's products. The net rating respondents accorded to each of the 9 products (on a scale of 5, where 1 is "Very Poor" and 5 is "Excellent") is listed below..

Instamojo Product	Product Description	Net Performance Rating
Instamojo Payment Gateway	Integrating the Instamojo API in a website/app	4.13
Instamojo Payment Link	Create a payment link and share it through SMS, e-mail, whatsapp etc.	4.14
Online Store	Have a dedicated website to showcase and sell your products	3.59
Smart Links	Create unique payment links which contain details like expiry, number of payments possible etc.	3.75
Bank Transfers	Pay bills through NEFT, IMPS, RTGS etc.	3.72
Payment Buttons	Add a safe and secure method of paying on websites	3.91
Faster Payouts (Instant / Same Day / Next Day)	Pay bills on the same day/ within 2 business days instead of waiting for 3 business days	3.48
mojoXpress (Logistics/ Shipping solution)	Provide logistics to your products with tracking and competitive pricing	3.24
mojoVersity	Gain knowledge regarding running of a business through short videos	3.14

Source: [instamojo.com](http://instamojo.com) | *valuvox-Instamojo MSME survey, August 2019; Sample size: 400 MSME entrepreneurs*

## How Instamojo offerings fit MSME needs

### - The product-market fit

A primary tool of product performance evaluation, especially for young companies, is the product-market fit. Early business success is characterized by significant value creation by individual products for specific market segments and a strong affinity towardsthe respective products by market segments.

Instamojo has been serving the 12 key "Meta categories" of business for well over its 6 years of existence. Based on the survey responses, an analysis of the customer rating of performance of individual product mapped against the individual meta categories (treated as market segments for the purposes of this study) was carried out.

The findings of the analysis point to 67 product-market sweet spots – areas where individual products have performed exceedingly well and delighted customers. These sweet spots (shaded blue in the below product-market grid) have all ranked greater than 3.75 (top box) on a scale of 5 on customer perception of their performance in the respective market segments. Instamojo aims to propagate this success across all of the areas it operates in over time.

### - The product-market grid

Categories	Instamojo Payment Gateway	Instamojo Payment Link	Online Store	Smart Links	Bank Transfers	Payment Buttons	Faster Payouts	mojoXpress	mojoVersity
Artisan Products									
Clothing and Accessories									
Equipment, Vehicle, Machine Services									
Education, Skilling, Expert Services									
Food and Nightlife									
Home & Home Care									
IT and Infrastructure									
Labour Services									
Management and Hospitality Services									
Stationery Products									
Toys & Baby Products									
Wellness and Lifestyle									

Cells coloured blue depict a rating greater than 3.75 on customer perception of performance (on a 5-point rating scale, where 1 is "Very Poor" and 5 is "Excellent") for the specific Instamojo product.

# How Instamojo offerings fit MSME needs

## - Key takeaways from the Product-Market Grid

### Artisan Products:

Businesses here are likely composed of people without much formal education and, accordingly, mojoVersity is one of the more popular Instamojo products. It could help artists and craftsmen develop better marketing skills.



### Clothing and Accessories:

Payment gateway through Faster payouts, the core Instamojo products help the segment sell and collect efficiently. This set of products also helps structure payment receipts better with business clients.



### Equipment, Vehicle, Machine services:

Credit based lending is a predominant factor for the sector and so skills provided by mojoVersity is helpful in matters of tax filing and GST.



### Education, Skilling, Expert services:

These businesses benefit from almost all Instamojo products albeit slightly less prominence accorded for services like mojoXpress and mojoVersity.



### Food and Nightlife:

These businesses use payment links, Buttons and faster payouts to receive payments quickly for services provided through apps or websites. Online store usage indicates a dedicated webstore to sell unique and niche products and services.



### Home and Home care:

mojoXpress and mojoVersity are among the two most preferred products since the incidence of micro businesses is relatively higher for this segment.



### IT and Infrastructure:

All-round use of all the products offered, with Faster Payouts being the most used.



### Labour services:

These businesses do not seem to benefit from as many products as the other sectors since much of the user base is likely to be less technologically savvy. mojoXpress and mojoVersity help improve their knowledge and are sought after.



### Management and Hospitality services:

Benefit from all except mojoXpress and mojoVersity offerings which they are yet to adopt.



### Stationery products:

Make use of online store, Faster Payout and mojoXpress to a greater extent indicating they sell their products online, require faster payments and make use of the logistics offering.



### Toys and baby products:

These businesses require knowledge related to the various tax laws and financial laws and hence are seen to benefit from the mojoVersity offering.



### Wellness and lifestyle:

These businesses make all round use of all the services provided with Payment Gateway being the top preference.



## 6

# Case

## LegalWiz.in

## Case

- LegalWiz.in

### Biggest Business Challenge:

Attempting to create a pool of early adopters of technology for rather conventionally driven industry.

**Solution:** Technology that is robust and secured enough to appear as intuitive and simple to users. Easy and shareable payments links, insightful payments analytics, and simple yet powerful user interface.

### About LegalWiz:

LegalWiz.in is an online provider of business professional services. They help start-ups and MSMEs with New business registration, intellectual property protection, accounting and bookkeeping, legal documents drafting, corporate compliance services and more. On a mission to make availability of such services "simple, affordable, and transparent", LegalWiz.in aims to be the most admired professional services company in India.

### Result:

It directly contributed in higher order conversion rate, and our NPS for payment related matters are soaring high! Our operations team loves the flexibility of creating on-demand payment links, a solution that aptly fits needs of our industry. We command an unfiltered 9.6/10 customer satisfaction rate. There hasn't been a single detractor rating for payments related issues from our clients.

### Client Feedback:

Instamojo is a payments partner we count on while we continue to serve more than 5,000 clients nationwide, and chase aggressive growth for coming years .

# 7

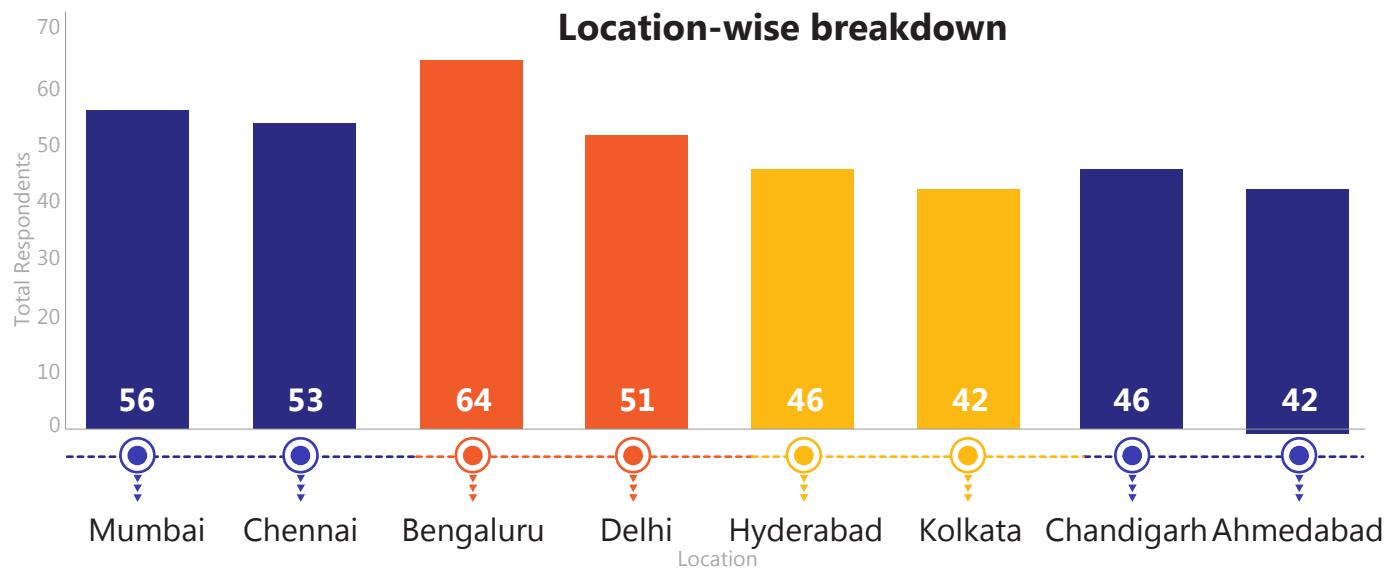
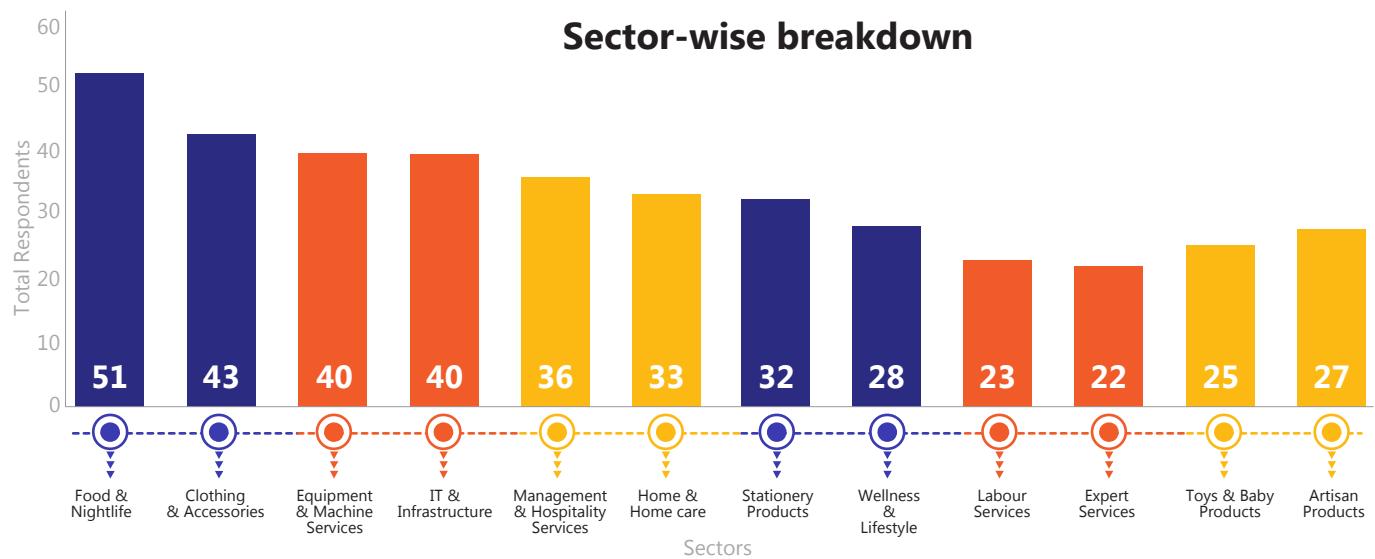
## Research and Analysis

# METHODOLOGY

- ▶ Sample Design
- ▶ Detailed Methodology: MSME Definition
- ▶ Detailed Methodology: MSME Persona
- ▶ Meta categories and individual business categories

# Research and Analysis Methodology

## - Sample Design



Sectors	Chandigarh	Chennai	Hyderabad	Delhi	Ahmedabad	Kolkata	Bengaluru	Mumbai	Total
Food and Nightlife	6	8	6	6	5	5	8	7	51
Management & Hospitality Services	5	5	4	5	4	4	5	4	36
Wellness and Lifestyle	3	3	3	4	3	3	5	4	28
Clothing and Accessories	4	6	5	6	5	4	8	5	43
Home and Home Care	3	5	3	4	3	4	5	6	33
Toys and Baby Products	4	3	3	3	3	2	4	3	25
Equipment & Machine Services	4	6	5	5	4	5	5	6	40
Labour Services	2	4	3	3	2	3	4	2	23
IT and Infrastructure	5	4	4	6	5	3	8	5	40
Stationery Products	4	3	3	4	3	4	5	6	32
Expert Services	2	3	3	2	2	2	4	4	22
Artisan Products	4	3	4	3	3	3	3	4	27

Total Sample Size = 400

# Research and Analysis Methodology

## - Detailed Methodology: MSME Definition

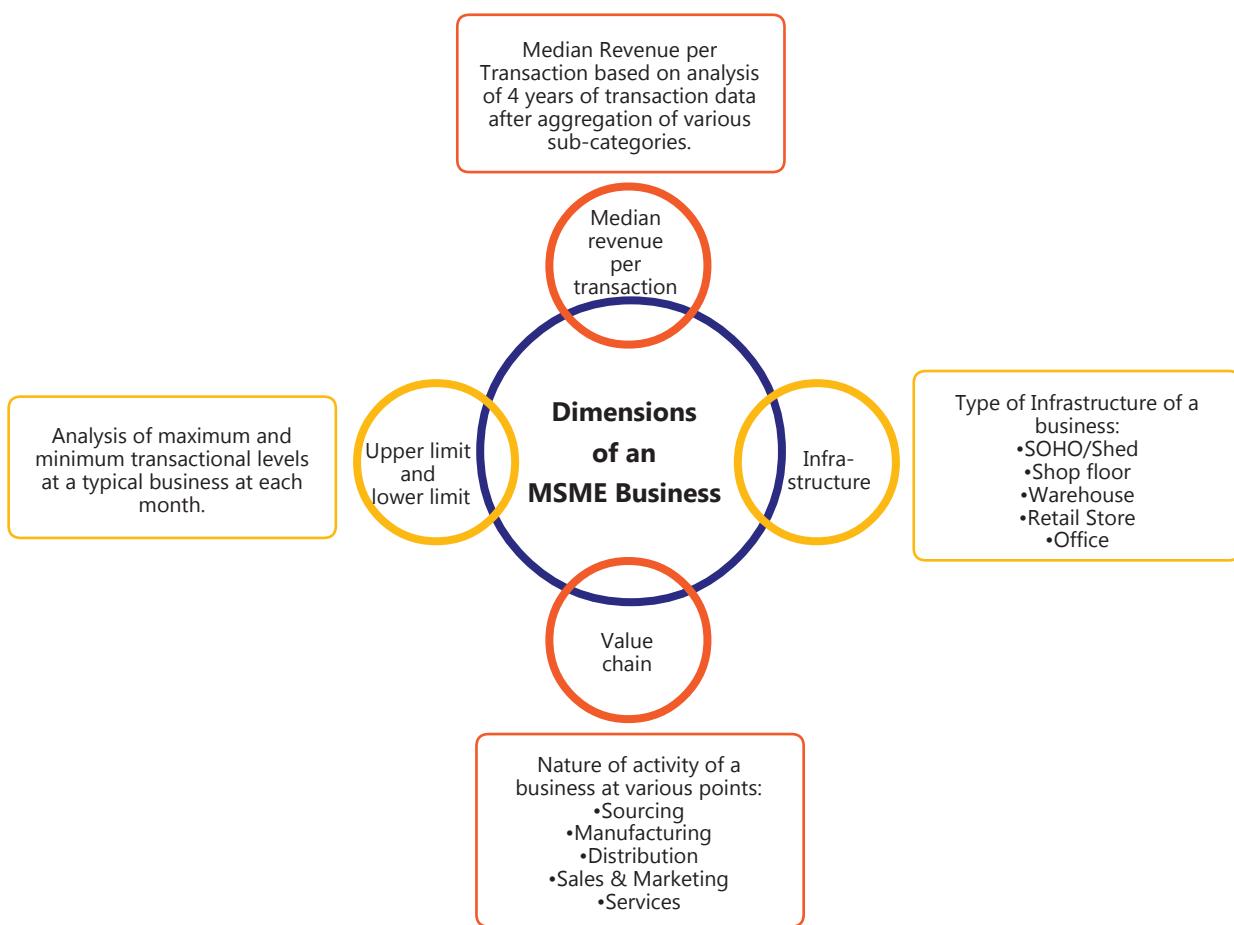
### I. Approach



[Aggregation of 57 categories into Goods and Services]

[Sectors analyzed for micro, small and medium businesses]

### II. Transactional data analysis, Business nature & Infrastructure type



## Research and Analysis Methodology

### - Detailed Methodology: MSME Definition

### III. Revenue Analysis

Category	Revenue	Transactions	Revenue per Transactions
<b>month</b>	01-03-2019	01-03-2019	01-03-2019
Clothing Accessories and Shoes	18112931	5970	
<b>Clothing and Accessories</b>	<b>18112930.82</b>	<b>5970</b>	<b>3034</b>
Beauty and Fragrances	3452054	2260	
Health and Personal Care	15014185	4860	
Religion and Spirituality (for profit)	3234911	2374	
Sports and Outdoors	22263172	4232	
<b>Wellness and Lifestyle</b>	<b>43964322.51</b>	<b>13726</b>	<b>3203</b>
Arts Crafts and Collectables	4402841	3516	
Gifts and Flowers	2837626	1027	
<b>Artisan Products</b>	<b>7240466.236</b>	<b>4543</b>	<b>1594</b>
Baby	1388021	678	
Toys and Hobbies	956319	351	
<b>Toys and Baby Products</b>	<b>2344340.299</b>	<b>1029</b>	<b>2278</b>

1. *Aggregation of revenue generated and transactions at sub category levels provided the sum totals for the 'Meta categories'.*
2. *Analysis of the revenue generated per individual transaction.*

### IV. Revenue Analysis [Min & Max possible transaction]

Category	Revenue per Transactions	Lower Limit	Upper Limit
<b>month</b>	01-03-2019	01-03-2019	01-03-2019
<b>Clothing and Accessories</b>	<b>3034</b>	<b>30</b>	<b>25000</b>
<b>Wellness and Lifestyle</b>	<b>3203</b>	<b>30</b>	<b>15000</b>
<b>Artisan Products</b>	<b>1594</b>	<b>50</b>	<b>200000</b>
<b>Toys and Baby Products</b>	<b>2278</b>	<b>65</b>	<b>12000</b>
<b>Stationery Products</b>	<b>892</b>	<b>10</b>	<b>10000</b>
<b>Home and Home Care</b>	<b>2422</b>	<b>500</b>	<b>45000</b>

1. *Potential minimum business transaction value in each category*
2. *Potential maximum business transaction value in each category*

# Research and Analysis Methodology

## - Detailed Methodology: MSME Persona

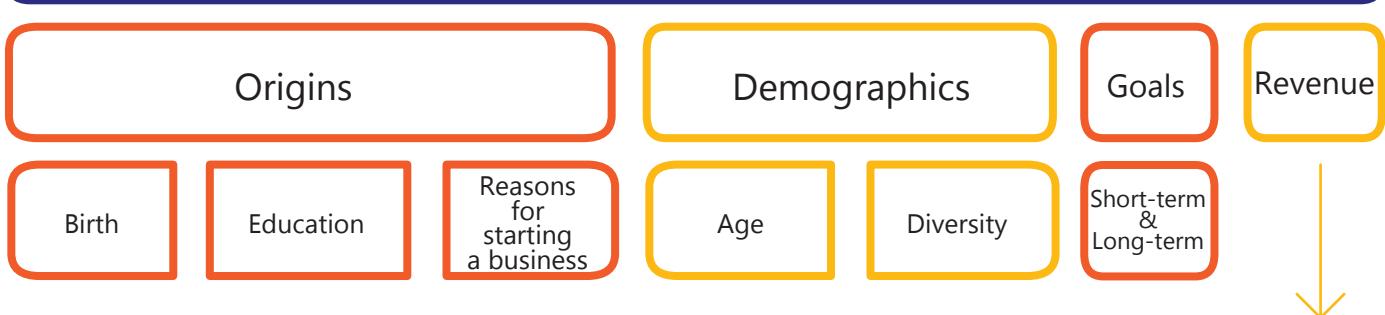
### I. Approach



An empirical study of 45 businesses was carried out with emphasis on the personal context of the entrepreneur, his / her place of origin, prior business experience and the thought process of starting up.

### II. Demographics Study

#### Persona



For a comprehensive understanding of an entrepreneur's profile a study of demographics [age, educational background] and of the size of the business was carried out.

### III. Revenue Analysis

Category	Medium	Small	Micro
Clothing and Accessories	150	13	3
Wellness and Lifestyle	415	13	9
Artisan Products	90	8	3
Toys and Baby Products	25	2	1
Stationery Products	130	9	6
Home and Home Care	55	4	3
Food and Nightlife	160	19	4
Electronics and IT	700	86	29
Vehicle Services	135	6	1
Expert Services	250	143	6
Labour Services	150	80	2
Others	500	61	18

1. A median distribution of annual business revenue across sectors was carried out.

# Research and Analysis Methodology

## - Meta categories and individual business categories

Individual Category	Meta Category	Individual Category	Meta Category
<ul style="list-style-type: none"> <li>Apparel and Garments</li> <li>Fashion accessories &amp; gear</li> <li>Bags, belts &amp; wallets</li> </ul>	Clothing and Accessories	<ul style="list-style-type: none"> <li>Cosmetics and personal care</li> <li>Herbal &amp; Ayurvedic products</li> <li>Sports goods, toys &amp; games</li> </ul>	Wellness and Lifestyle
<ul style="list-style-type: none"> <li>Handcrafts and Decorative</li> <li>Textiles, Yarn &amp; Fabrics</li> <li>Home textile</li> <li>Gems, jewellery &amp; Astrology</li> <li>Leather products</li> <li>Arts, Crafts and Collectables</li> </ul>	Artisan Products	<ul style="list-style-type: none"> <li>Food &amp; Beverages</li> <li>Nightlife</li> </ul>	Food and Nightlife
		<ul style="list-style-type: none"> <li>Chemicals, Dyes &amp; Solvents</li> <li>Lab instruments and suppliers</li> <li>Vehicle Service and Accessories</li> </ul>	Equipment, Machine, Vehicle Service
<ul style="list-style-type: none"> <li>Baby</li> <li>Toys and Hobbies</li> </ul>	Toys and Baby Products		
<ul style="list-style-type: none"> <li>Books and stationery</li> <li>Paper &amp; paper products</li> </ul>	Stationery products		
<ul style="list-style-type: none"> <li>Kitchen utensils &amp; appliances</li> <li>Lawns &amp; gardens</li> </ul>	Home & Home Care	<ul style="list-style-type: none"> <li>Engineering services</li> <li>Telecom services</li> <li>Business &amp; Audit services</li> <li>Financial &amp; Legal services</li> <li>Education &amp; Training</li> <li>R&amp;D &amp; Testing Labs</li> <li>Architecture &amp; Interiors</li> <li>HR Planning &amp; Recruitment</li> <li>Contractor &amp; Freelancer</li> <li>Security system &amp; services</li> <li>Coaching &amp; Tuitions</li> </ul>	Education, Skilling, Expert Services
<ul style="list-style-type: none"> <li>Computer &amp; IT solutions</li> <li>Computers Accessories &amp; Services</li> </ul>	IT and Infrastructure		
		<ul style="list-style-type: none"> <li>Transportation &amp; Logistics</li> <li>Call centre &amp; BPO services</li> <li>Bicycle, Rickshaw &amp; Spares</li> <li>Housekeeping services</li> </ul>	Labour Services
		<ul style="list-style-type: none"> <li>Media, PR &amp; Publishing</li> <li>Event planner &amp; organizer</li> <li>Art &amp; Entertainment</li> <li>Travel, Tourism &amp; Hotels</li> <li>Hospital, Clinic &amp; Consultation</li> <li>Health products, Drugs &amp; Medicines</li> <li>Gifts and Flowers</li> <li>Pet &amp; Pets care</li> <li>Product rental &amp; leasing</li> </ul>	Management and Hospitality Services

## 8

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