

Tapping the Opportunities in the SME Segment

Written by Faiz Askari, Editor-Technology, Small Enterprise India.com - Last Updated Sunday, 23 January 2011 17:29



In an exclusive and candid interview with **Faiz Askari, Editor –Technology, Small Enterprise India**, **Rajagopalan Babu, Founder and CEO of Enteg** unleashed some of the interesting finding regarding the business ecosystem of MSMEs in India.

We are into the post slow down scenario, what are the key trends that are driving this market?

Customers are highly cost conscious post slow-down. India has become the most lucrative markets considering the current growth of Indian companies. While other countries are in maintenance mode, Indian companies started investing in IT projects.

How does the special taxation structure on software companies can effect on their businesses?

Cash outflow for the mid-sized companies will increase as result of escalating wage bills and elapsing STPI benefit. Small and Medium sized IT companies will hit Cashflow issue in forthcoming months.

Please define your focus towards the Indian mid sized buinssesses?

Indian mid-sized business is a great opportunity, if we offer packaged solutions. Unlike large customers, we do not look at tailor-made solutions for the Mid-sized business. Mid segment

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always look for solutions that are easy to deploy and adopt faster, rather than customising. Indian market would require localised packaged solutions addressing taxation, local business practices. Solutions such as SAP are suitable for Indian mid-sized business.

What are the sets of opportunities lying for a software business?

Systems Integration – Now enterprises are using multiple systems, including certain applications in cloud. A strong System Integration will play major role in future than large product companies. SI revenue would increase drastically considering the evolving heterogeneous Business systems.

Business Intelligence and ERP provided in pay-per-use Cloud model. Currently the cloud based solutions are available for specific solutions such as CRM. There are lots of opportunities for companies to build comprehensive.

It is a recent trend where software companies are shifting their operations to SEZs (special economic zones) as a result of which tax incidence has been on the rise over the past year for larger companies by 3-6 percentage. How does this trend going to effect the industry? Please elaborate your view point on this.

Larger companies are moving to SEZ to avail the MAT benefit for export business. However it may not be feasible for the SME IT companies to move to SEZ, considering the high cost of operation and procedural aspects. SEZ could apparently benefit only larger companies. SME would struggle to manage the cash flow and profit margins will deteriorate as they have to pay full-tax. On the other hand the SME will lose talent to larger companies. SEZ benefit will benefit only larger companies at the cost of growing SMEs.

Cost of acquiring technology is sometimes becoming very high that limits its adoption curve. How can the industry come up with such issue?

Lack of end-user training is the major issue in Technology adaptation. There are several

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companies invested heavily in the technologies, but not being able to reap benefits, as the end-users are not trained adequately leading to dropping the technology. Companies should invest more in implementation, end-user training of technology.