



ROLE OF DIGITAL INCLUSION IN DEVELOPMENT OF MSMEs IN INDIA

Savitha H S

Research Scholar Tumkur University.

Abstract

With the aim of “Athmanirbhar Bharath” the Micro, Small and Medium Enterprises place a vital role in building a self-reliant country. The MSMEs sector has been the backbone of our economy and it is serving as the key factor of the Indian economy as these small scale industries are significantly contributing to the Indian economy and around 45% of the GDP is from MSMEs. The programmes initiated by Government of India “Make in India” pushed the MSMEs to attract FDIs, as per the Annual report of Ministry of MSME (2019-20) that India is home to more than 63 million MSMEs. However from past few years MSME sector facing few challenges like high cost of credit, lower technology levels, insufficient infrastructure facilities, lack of skilled labour, problem of systematic process etc., therefore it is crucial for small scale industries to improve upon their business prospects by adopting required measures and digital transformation or digital advancement is one of the requirements for the MSMEs. Indeed the Government plays a major role in eradicating the challenges facing by the Indian MSMEs. This paper attempts to study the role of MSMEs, Sectorial implementation digital inclusion of Selected MSMEs and Government Initiatives towards implementation of digital inclusion in MSMEs, through collecting secondary sources of data.

Introduction

In the year 2018, India's MSME segment was about 60 percent increase in business through online trading and mobile applications. A study conducted by YES bank and revealed that over 50 percent of digitally-empowered SMEs improved their profits, operational efficiencies and also customer engagement. Micro, small and medium enterprises accelerate the growth and contribute 30% of GDP in the Indian economy. They also play a major role in Export, Employment generation and uplifting rural economy etc. Government of India has announced few major schemes under “Athmanirbhar Bharat” towards self-reliant India initiatives. The Government of India is making the efforts for promoting cashless economy and provided the facilities for digital payments to citizens and every segment of the country with the vision of providing facility of seamless digital payment in a convenient, affordable, easy, quick and secured manner.

To develop the any economy it must give the importance for the local entrepreneur and the big business entities should encourage and get the requirement from the small enterprises. Once these big institutions start purchasing the portion from small and medium enterprises in local level the local level business will start boosting. Here the government rules and policies play a major role in connecting these enterprises.

Literature Review

Patrick Y. K (2009)–Studied that the factors and adoption of Electronic Data Interchange by the business units and he concluded as the EDI technology adoption depends upon the different factors like external environment, organizational entities readiness.

Mohanta et al. (2017) -Studied on Growth and Prospect of Digital India Campaigns descriptive cum analytical by using secondary sources and analyzed the prospects of Digital India campaign and the paper suggested that MSMEs have to get the support by improved usage of digital technology and it will boost the Indian Economy.

Sonia Mukherjee (2018) - stated that Indian core industries are with the absence of appropriate technology is their major challenge. Investment in advanced technology and R&D, higher usage of digital platform and transfer of technology can improve the global competency of this sector.

Pankaj and Mishra (2019) -studied the impact of digital transformation on MSME growth prospects and stated that Digital transformation had pushed up the Indian MSME firms but areas like payments, logistics, sales and



advertisements are still need a potential boost. MSME’s are facing challenges like lack of skilled manpower, proper guidance, cost of adoption, and low level of awareness about potential benefits etc.

Ncube, C. N. (2020) - The study on impact of COVID-19 on MSMEs in Developing Countries stated as a result of covid-19, most of the enterprises have faced the permanent closure as that were imposed by government and also government had taken up the measures to alleviate the difficulties by realizing the importance of MSMEs.

Objectives of the study

- To understand the Role and significance of MSMEs in Indian Economy
- To know the Sectorial implementation digital inclusion of Selected MSMEs.
- To know the Government Initiatives towards implementation of digital inclusion in MSMEs

Research Methodology

The study is Descriptive and exploratory in nature and is based on secondary data. Secondary data was collected from the Annual Reports by Journals, Government Reports, Ministry of MSME, Web portals of MSME etc.

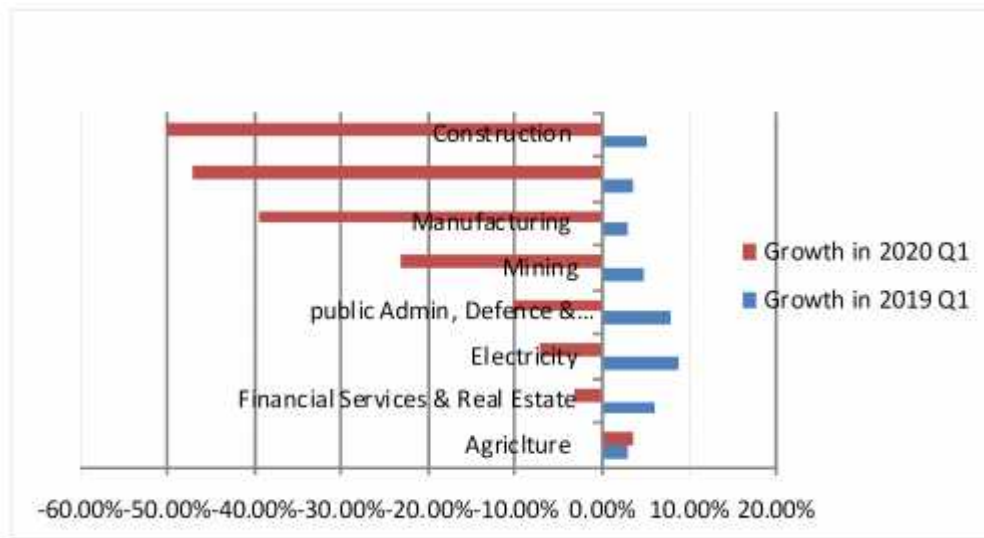
Role of MSMEs in Indian Economy

MSME sector has been changing over the years. With the Mindset of ‘AthmanirbharBharath’ MSME will become backbone of our country as conveyed by our honorable Prime Minister by promoting the concept ‘Vocal for Local’ for strengthening the Domestic Industries and to ensure producing required goods and services within the country making it self-sufficient country. India has the fastest growing markets for digital consumers, with 500 million internet subscribers in 2018 and 8.3 GB mobile data using consumers in each month. More than 600 firms shows digital adoption among businesses has uneven across all sectors (McKinsey Global Institute report).

Core Sector performance during 2019-20

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 Source: Gupta Surojit(2020)

In the above graph it is observed that negative results during first quarter of 2020 except in Agricultural Sector. Even during pandemic Covid-19 we can find that 3.4% of Positive Output in Agricultural Sector.





India needs to boost in Indian agricultural sector in adopting technology, providing financial assistance, proper training through Agro based MSME's. Here digitalization in terms of communication plays a major role in integrating the farmers.

In current situation people are willing to buy organic food and purchase fruits and vegetables and fruits from known organic local market, than big retail shops, at this movement it is required to strengthen the MSME's by finding the various issues and providing the required assistance.

Transformation of MSMEs

India has one among the fastest developing markets for digital users as it's required to shift from conventional ways of business. Now days we can see that there is a tremendous growth in usage of internet through smart phones, which are affordable to shape the future of the MSMEs in India. During pandemic the MSMEs understand the importance of online marketing and can say as digitalization has become a critical factor for all the enterprises to survive.

The pandemic and lockdown was a big crisis and many Local business and MSME sector. Digitalization is one of the boon factors to overcome this crisis situation. The business shops which were accepting only cash are now began with accepting digital payment and many stores are maintaining data with Google sheets and digital transactions. At the same time the service sectors also finding the changes as clients are consulting service provider through digital communication channels, especially in the education sector to provide classes and training. Most of the traders are utilizing online networking channels for their trade. Hence there is no doubt in saying that future business of the Indian economy will reach the requirements with digitalization and also will have abundant growth in usage of technology.

Union Minister NitingGadkaristated that Digital adoption in the Micro, Small and Medium Enterprises can make the community transparent, result oriented, time bound and he added as digital adoption avoid delays and red-tapism.

Recent Government Initiatives towards MSME's Digitalization

Scaling up SME's internal capacity

- **Providing technology support and assistance**, through financial support like grants and consultancy voucher also providing technology extension programmers like diagnosis, self-assessment tools, e-business solution, guidance and package of learning material.
- **Encouraging MSME's training and up skilling**, by reducing training costs and promoting workplace training or by pooling training investments and strengthen the management skill in MSME's.
- **Building a data culture** in SME's, by providing awareness and manage and protect their data like information dissemination, financial support and technical assistance.
- **Raising the digital security profile of SME's, through awareness campaigns**, or providing them the proper guidelines on digital security measures, auditing, assurance framework, toolkit, protocols and certification schemes and training opportunities.

Easing the access to strategic resources

- Alternative sources of finance for SME's, by promoting use of new technologies to and lower the cost on finance markets; encouraging the deployment of finance and the use of mobile banking.
- Encouraging business and innovation and the supply of new digital solutions, through a research and innovation policies in the field of digital security, block chain, AI etc.
- Connecting SME's with knowledge networks and providing SME's with access to data and technology.

Providing right Business Environment for SMEs.

- Promoting e-Government and e-services for SME's through digital portals – Information provision, simulation online, E-signature, e-invoicing, electronic submission



- Deploying high quality digital infrastructure through development plans and roadmaps like high speed broadband and connectivity in remote areas.
- Providing a supportive regulatory framework.

Promoting a Whole of government approach

- Developing long term strategic framework, by designing national strategies and action plans, setting high level objectives and principles, coordinating investments and actions across the board.
- Creating governance arrangements in emerging policy areas
- Providing advisory expert committee to build ethical and responsible digitalization among SMEs.

Findings and suggestion

MSME sector facing few challenges like high cost of credit, lower technology levels, insufficient infrastructure facilities, lack of skilled manpower, delay in settlement, problems of storage, product designing, packaging and display, adopting advanced technology like data, cloud and system management and fail to build customer loyalty using digital marketing. Government has to consider the sectorial contribution and according has to make information digital inclusion to provide the necessities for the growth.

Conclusion

To strengthen the development in MSMEs Government is implementing schemes it has look into the matter exactly where they are facing the challenges. Government has to consider sectorial achievement of digital inclusion to compete with the global market as well as in fulfilling the domestic requirements as it provides easy accessibility requirement. It is essential of rural, tribal and agricultural area who are far lagging behind using digital technology, as these sectors are contributing major to GDP.

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