

Impact Of Digital Economy On Micro, Small And Medium Size Enterprises

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Abstract

Background: The digital economy provides a variety of opportunities for micro, small and medium-sized enterprises (MSMEs) to access financial services.

Methods/statistical Analysis: This study is an attempt to investigate the impact of the potential benefits of the digital economy on the growth of MSMEs in India by formulating multiple surveys and collecting responses from 50 MSMEs. The findings revealed that using digital banking and e - shopping encourages customers to purchase more products, and that using digital banking has a positive impact on growth.. The emergence of start-up businesses suggests that technology-based financial services are growing quickly in India. These services include payment services and services for transferring money, loans and savings, insurance, financial markets, crowd funding, and wealth management.

Findings: Recent economic changes have had a significant impact on micro, small, and medium-sized businesses. The introduction of digital technology has altered the Indian economy. We have highlighted the issues and benefits that small businesses face when making payments. All of our research is based on payments, followed by a survey of customers about the ease of payments, and adds up to the conclusion that the digital economy has brought positive changes to MSMEs.

Application: Digital tools offer several significant benefits to enterprises. Digitalization reduces transaction costs by improving and streamlining communication between workers, suppliers, and networks. The prospect of trading in services has dramatically expanded, which can help small and medium-sized businesses integrate into worldwide markets by minimising the costs associated with border and transportation operations. It also encourages innovation and increased access to innovation assets, as well as the opportunity for enterprises to create data and analyse their own operations in novel ways to improve performance.

Keywords: Micro, Small, and Medium Enterprises (MSMEs)

INTRODUCTION –

The digital economy has emerged as a critical force in India, affecting how businesses operate, individuals work, and consumers connect with firms. The introduction of digital technology has radically altered India's economic environment, bringing up new opportunities for development and innovation. India's 'micro, small, and medium-sized enterprises' (MSMEs) industry has not fallen behind. MSMEs now have new chances to develop their enterprises, enhance operational efficiency, discover new sources of funding, streamline processes, and improve overall company performance as a result of the use of digital technology.

The world has now entered the "industry 4.0" era, which is based on new technology and has the potential to revolutionise every industry's supply chain and management, including financial technology and digital banking. In India, digital payments have characterized the digital economy. Mobile wallets, the Unified Payments Interface (UPI), and other digital payment methods like net banking have witnessed tremendous development in recent years as the government pushes for a cashless economy. Not only have digital payments made transactions faster and more comfortable, but they have also allowed businesses to lessen their dependency on cash, making transactions and financial management easier. The rationale for examining India's MSME sector growth is that India is the second largest base of micro, small, and medium-sized enterprises (MSMEs) in the world behind China. The sector offers an extensive spectrum of goods and services. approximately 6,000 goods, ranging from conventional to high-tech. Karnataka was named as the state with the most registered MSMEs, employing over 55 lakh people. A pilot survey of 50 MSMEs was carried out, which included several open-ended questions and interviews. More than 90% of people responded. The purpose of this study paper is to identify the important advantageous characteristics of the digital economy that impact the profitability or development of MSMEs.

Objective

- To comprehend the concept of India's digital economy
- To highlights about the problems and benefits that MSMEs encounter while adopting digital payment instruments
- Investigating the impact of the digital economy on Indian 'micro, small, and medium-sized enterprises'

Review of Literature

Numerous studies in the field of digital economy have been conducted, some of which are listed here with varying objectives and sampling units. According to the study's findings, India's transition to a cashless economy may be viewed as a positive step towards the country's economic expansion and improvement (Singhraul, B.P., and Garwal, Y.P. 2018). Another study explains why the digital economy is important for developing countries and what factors they should consider when developing a national digital strategy. By making life easier for citizens and customers, increasing worker and firm productivity, and assisting governments in providing critical services to those in need, the digital economy can be used to achieve inclusive and sustainable growth (Dahlman, C., Mealy, S., and Wermelinger, M., 2016).

A comparative study also investigates recent trends in the cashless economy in India with the goal of determining the viability of making India's cash-based economy cashless. According to this study, due to an increase in UPI users, the number of payment methods, rising technology infrastructure, and shifting policies, Indian economic systems will be cashless, with no actual movement of currency (Sivakumar, S., and Vincent, G., 2019).

Similarly, a study titled 'A Case of Continuous Usage of Mobile Wallets in India' by Susmi R, Reema K, Ruchi P, and Rakesh G, 2019 states that India is attempting to transition from a heavily reliant on cash economy to a cashless, digital economy by using digital technology such as mobile wallets and digital currency. Again, an 80-person study (40 men and 40 women) looks at the levels of involvement as well as the factors that influence many aspects of perception and comprehension of the digital economy and digitalization among middle-aged people in India by collecting data from people aged 25–55 in the Indian state of West Bengal (Sen. D 2020).

A study involving 200 consumers looked at the factors influencing retail banking customers' adoption of digital banking. To better understand the relationship between the factors influencing digital banking adoption, a theoretical model based on an extended technology acceptance model was developed (Ananda et al., 2020). Furthermore, a study conducted in 2020 by Gupta, M., and Loksha, H., examines the significance value of the coefficients of the various independent variables considered in this study. This paper attempts to identify the significant factors of the digital economy that are positively affecting the growth of MSMEs. It also aims to develop a model that could depict the impact of various advantageous reasons for using digital banking on the development of MSMEs in India.

Heeks, R., and Bukht, R. (2017) conducted a study titled "Defining, Conceptualizing, and Measuring the Digital Economy" in order to generate a definition and estimate of the size of the digital economy. There are three types of relevance, according to the research paper. At the heart of the digital economy is the "digital sector," or the IT/ICT (Computers and Information Technology) sector that produces fundamental digital products and services. The actual "digital economy," defined as "that portion of economic production obtained entirely or primarily through digital technology with a business model centred on digital products or services," includes the digital sector as well as the development of digital and platform services.. In its broadest sense, the "digitalized economy" refers to the use of ICTs in all economic disciplines.

Another study looks at the Indian government's efforts to promote the digital economy. According to reports, "The Digital India Vision" aims to transform our country into a digital economy.

Research methodology

The research paper is empirical in nature. This research depends on primary source of data. A brief pilot survey of 'micro, small, and medium-sized enterprises' was undertaken, with closed-ended questions about the different advantages of employing digital economy instruments such as NEFT, RTGS, IMPS, e-wallets, and so on. Just the major favorable reasons that may be favourably encouraging the growth of India's small and medium-sized enterprises were picked after analyzing the opinions of owners or managers of 'micro, small, and medium enterprises' in Bengaluru urban district. To gather primary data, an English-framed questionnaire was utilised.. The questionnaire inquired about the nature of the business, its size (micro, small, and medium), and the owners' or managers' opinions on the many favourable causes or aspects of the digital economy that are contributing to the growth of 'micro, small, and medium enterprises' in Karnataka's Bengaluru metropolitan district were recorded on a scale of 1 to 10 . In addition, a perspective on the influence of digital economic tools on the profitability position of 'micro, small, and medium-sized enterprises' has also been documented.

Participants

Participants in the research are middle-aged people between the ages of 25 and 55 who live in urban Bengaluru, India. The participants were chosen at random. A total of 50 business owners were asked to complete the questionnaire, with the majority of them being male. The participants were asked to

elicit their replies. The questionnaire included questions about how the digital economy affects day-to-day business operations.

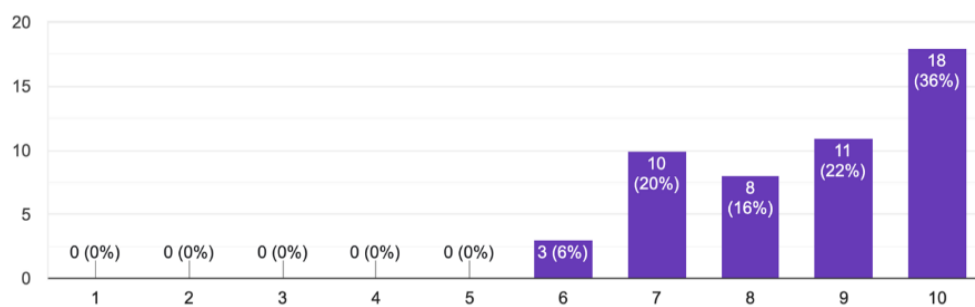
Data collection method

Primary sources are used to collect data. Utilizing primary data, it is determined that the online questionnaire survey method is appropriate because replies from a moderate number of respondents are required. The chosen sample was given a detailed, organized questionnaire with nine questions that addressed every aspect of the digital economy's impact on routine business operations. The questionnaire's design included closed-ended questions, making it simple and quick to complete. A scale questionnaire was employed for the purposes of this study report. Each item was rated on a ten-point scale, with "least beneficial" being the least and "most beneficial" being the highest. 49 of the 50 issued questionnaires were judged useful for analysis, representing a 98% response rate.

Findings and Discussions

Ease in making payment to suppliers by using Digital forms of Payments

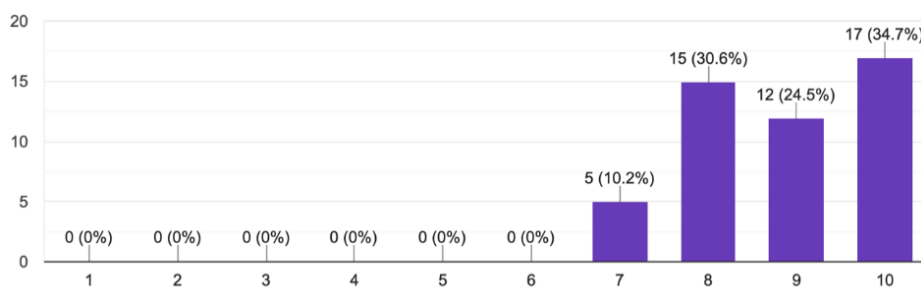
50 responses



Survey regarding ease of making payment to suppliers by using digital forms of payments revealed that nearly 36% of people were completely favorable to the digital mode of payment. on the scale of 10 22% percentage of people had rated 9, 16 % of people had rated 8 and 20% of people had rated 7 and 6% of people think that digital payments deserve only 6 out of 10

Ease in Accepting payments from Customers

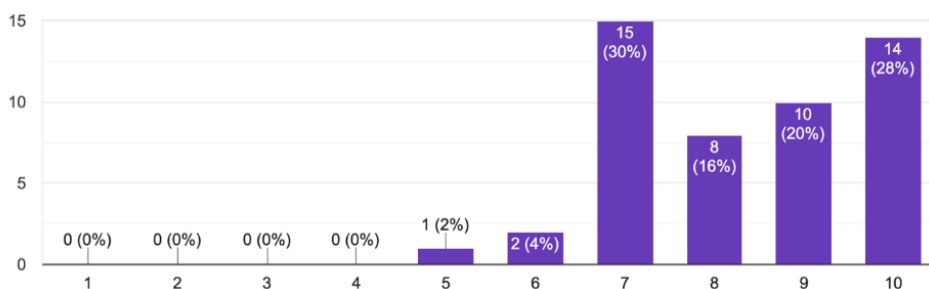
49 responses



From the above bar graph, we can conclude that nearly 34.7 percentage of the businesses owner have been completely acceptable to the digital payment mode and have rated 10 in accepting payments from customers next around 24.5% of owners have rated 9,30.6% of owners have voted 8 and finally 10.2% of business owners have rated 7

No misappropriation of cash by the staff or reduce the chance of theft of cash

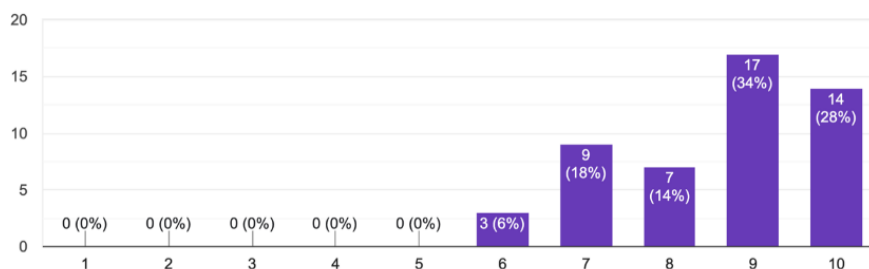
50 responses



From the above graph we can say that only 28% of the business owners have rated 10 for digital mode payment for eliminating misappropriation of cash by staff or reduce the chance of theft of cash. Next 20% of the owners have satisfied only up to 9/10. 16% of owners have rated only 8 and 7/10 has been the highest rated by 30% of the owners, 6 have been rated by 4% and 5 have been rated by remaining 2% of the business.

Ease in applying and approval of short term loan or overdraft

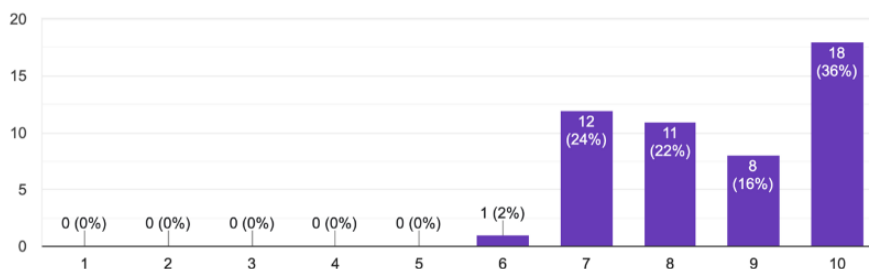
50 responses



Applying and approval of short-term loans or overdraft through digital mode had been rated 10 by around 28% of the owners, rated 9 by 34% of the owners, rated 8 by 14%, rated 7 by 18% and rated 6 by 6% of the business owners

Saves time from the long queue at banks for the purpose of withdrawing or depositing cash

50 responses



Saving time from the long queue at banks for the purpose of withdrawing or depositing cash through digital mode has really impressed 36 percentage of business owners has rated 10, 16% of the owners have rated 9, 22% of owners have rated 8, 24% of owners have rated 7 and least 6/10 has rated by remaining 2% of business owners

Findings

- According to the findings, the survey includes a variety of businesses, including jewellery, food centres, hotels, medicines, furniture, and more, with food centres commanding the highest percentage
- Accounting for 26.1%, followed by electronic businesses at 19.6%, and the other businesses also having a moderate share in the survey, with small and medium-sized enterprises accounting for 42.9%, small enterprises accounting for 36.7%, and micro enterprises accounting for 20.4%.
- And it concludes by saying that on a scale of 10, the ease of approving and applying for short-term loans, as well as saving time from long lines, are the most important factors; responses to those questions were also positive, with most respondents rating it above 7.
- The final question on the questionnaire was, "Do digital services lead to an increase in profits?" We received some responses, with every respondent choosing "yes," indicating that the digital economy has a positive impact on 'micro, small, and medium enterprises'.

Conclusion

MSMEs (Micro, Small, and Medium Enterprises) are crucial to the Indian digital economy. As digital usage develops, MSMEs are embracing digital technology to better their operations, enter new markets, and raise their competitiveness.

According to the survey, MSMEs are getting more at ease receiving and making payments using digital banking, Upi, and other digital payment systems. Additional beneficial features, such as company spending management and time savings, as well as a check on cash theft that comes with the extra benefits of digitalization, help to improve corporate operations.

Digital platforms have also helped MSMEs compete with larger competitors and get access to new customers by levelling the playing field. Thanks to digital marketplaces like Amazon, Flipkart, and Snapdeal, MSMEs may now offer their products to a larger customer base both domestically and abroad.

In addition, the government has developed a variety of efforts to encourage MSMEs to use digital technology, such as the Digital MSME programme and the 'Credit Guarantee Fund Trust for Micro and Small Enterprises' (CGTMSE). These programmes provide SMEs with financial support to update their digital infrastructure and technologies.

MSMEs in India, on the other hand, continue to confront digital adoption obstacles such as restricted access to high-speed internet, a lack of digital awareness, and insufficient investment for digital infrastructure.

To fully realise MSMEs' digital economy potential, the government, private sector, and other stakeholders must collaborate to overcome these obstacles. This may be achieved through offering low-cost, high-speed internet access, as well as digital adoption training and assistance, and by building financial channels to support digital infrastructure improvements.

To summarise, MSMEs are crucial to the growth of the Indian digital economy, and their success in the digital realm can have a positive impact on overall economic development. As a result, it is critical to provide the necessary support and infrastructure for MSMEs to fully leverage digital technologies

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Appendix

QUESTIONNAIRE

Impact of digital economy on businesses of micro, small and medium size enterprises

1. Name of the Business (confidential) _____

2. Nature of Business * (Select only one)

- Jewellery
- Food Centre/ restaurants
- Hotels
- Book & Stationery
- Pharmacy/medicines
- Clothing & footwear
- Fixtures and furniture
- Electronic
- Offering any type of service
- Other :

3. Size of Business* (select only one)

- Micro (Investments of up to 25 lakhs in manufacturing and 10 lakhs in service)
- Small (investments of 25 lakhs to 2 crores in manufacturing and 10 lakhs to 1 crores in service sector)
- Medium (investments totalling more than 2 crores in manufacturing and 1 crores in service sector)

4. How would you evaluate the following positive digital banking factors that have contributed to the growth of your MSMEs business? (Where 10 means most beneficial and 1 means least beneficial)

A. Ease in accepting payments from Clients and Customers * (select only one)

	1	2	3	4	5	6	7	8	9	10	
Least Beneficial											Most Beneficial

B. Ease in making payments to Suppliers * (select only one)

	1	2	3	4	5	6	7	8	9	10	
Least Beneficial											Most Beneficial

C. Ease of managing business expenditures * (select only one)

	1	2	3	4	5	6	7	8	9	10	
Least Beneficial											Most Beneficial

E. No staff members misappropriating money, or fewer chances of money being stolen * (select only one)

	1	2	3	4	5	6	7	8	9	10	
Least Beneficial											Most Beneficial

F. ease in application and approval processes for overdrafts or short-term loans * (select only one)

	1	2	3	4	5	6	7	8	9	10	
Least Beneficial											Most Beneficial

5. How much of an effect does using digital services have on profitability? * (select only one)

- No Impact
- Increase in income by 0 % to 10 %
- Increase in income by 10 % to 20 %
- Increase in income by 20 % to 30 %
- Increase in income by 30 % to 40 %
- Increase in income by 40 % to 50 %
- Increase in income by 50 % to 60 %
- Increase in income by 60 % to 70 %
- Increase in income by 70 % to 80 %
- Increase in income by 80 % to 90 %
- Increase in income by more than 90 %