

DIGITIZING THE OPERATION OF MSMEs CHALLENGES AND OPPORTUNITIES IN INDIA

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ABSTRACT

The study was undertaken to analyse the digitizing the operation of MSMEs challenges and opportunities in India. Despite extensive mitigation attempts, COVID-19 has infected more than 232 million people globally and caused more than 4,752,988 deaths as of September 2021. Demand for goods and services has plunged as businesses close and people stay at home, adding to rising unemployment and work stoppages. Small and medium-sized businesses may find that digitalisation can assist those overcome concerns about their operations. Marketing is the most significant and crucial issue for MSMEs. Digitization brings opportunities to MSMEs and how to face challenges in MSMEs. He went on to say that another crucial requirement for MSMEs' digital transformation is the availability of proper software that can turn their management systems into digital ones. However, only a few businesses have understood that digitization can help their activities become more dynamic and efficient, as well as increase their reach. Because they have high-quality Internet connectivity, a high degree of scientific and technological capability development, and wide information access, highly developed countries have the best level of digitisation of their own economies.

KEYWORDS

Digitisation, MSMEs, Challenges, Opportunities, E-Commerce, and Entrepreneurs.

INTRODUCTION

MSMEs, which have long been the backbone of many economics, have struggled to adapt to the post-COVID-19 environment. Digitalisation in areas like manufacturing and marketing would be significant to the country's small company development. Marketing is an important arena for MSMEs and several small companies that have started marketing online are seeing excellent results. COVID-19 created a challenging environment for MSMEs. However, only a few businesses have understood that digitisation can help their activities become more dynamic and efficient, as well as increase their reach.

Digitizing MSMEs' activities is to increase entrepreneurs' digital capabilities. Many small-business owners don't understand the advantages or value proposition of using digital technologies. They struggle with trusting, navigating, and utilising technology to sell their products and services, accept payments, and access digital financial services. MSMEs can use digital technology to build their enterprises if digital skilling programs are carefully designed and delivered based on an understanding of their mental models.

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REVIEW OF LITERATURE

Olena Kravchenko et al; (2019) in their article titled “The digitalisation as a global trend and growth factor of the modern economy” has analysed the digital economy, according to them, is the world's most significant engine of innovation, competitiveness, and economic growth. The primary indices for evaluating the digital economy's level are examined, and the world's leaders are identified. The analysis shows that each measure uses a different methodology to determine the level of digitalization and provides a variety of elements.

Pankaj Mishra (2019) in the title of her article “Study on Impact of Digital Transformation on MSME Growth Prospects in India” has analysed the purpose of this article is to investigate the influence of digital transformation on the growth prospects of small and medium-sized businesses. The Micro, Small, and Medium Enterprises (MSMEs) sector has long been regarded as the backbone of our economy, driving a variety of economic indices. These MSME firms have also been a major contributor to the socio-economic development of our country. However, in recent years, the MSME sector has grown to face a number of challenges, including the country's transition to the GST tax regime, which has placed many MSMEs in the indirect tax net and exposed them to heightened competition.

Dana Rad et al; (2020) in the article titled “Digitisation of Everything, the world of 0s and 1s, emerging trends in psychological assessment” analysed this paper, digitalisation refers to the computerisation of systems for greater convenience and accessibility. Defining a digital psychological assessment methodology focused on how to get more data out of people's responses has always been a source of interest, and attracting researchers in the field of Emerging digital psychology who are prepared to invest in developing such a user-friendly technology is now more of an art than a science.

Stich et al., (2020) in the article titled “Measures for a successful digital transformation of SMEs” observed 18 different digitization measures in various structural factors and empowering maturity levels after analysing eleven firms. Finally, we demonstrated how firms may select relevant digitisation measures based on a target maturity level and then include them in a digital transformation roadmap. The subject of how the adopted safeguards can be embedded into the existing IT architecture and infrastructure must be

addressed in future studies. In order to secure a technological change in line with its goal, allow for the development methods for Enterprises must always be rigorously designed.

Bagale et al., (2021) in their article titled” Small and medium-sized enterprises' contribution to digital technology” observed that According to the studies, large businesses are more open to digitization than small ones. This could be due to the high cost of digitalization or the fact that smaller businesses cannot afford to invest in it. We advise enterprises that have not yet adopted digitalization to do so since there are several benefits associated with it, and they should focus on the long-term strategy rather than the short-term strategy when it comes to digitalization costs. The benefits of digitization will far outweigh the expenses in the long run. We hope that our findings will encourage researchers and practitioners to conduct more research on the use of DT in SMEs in order to achieve business goals.

STATEMENT OF THE PROBLEM

There are a number of studies conducted on the effectiveness of digitalisation and MSMEs in India few specific are conducted on the challenges and opportunities of digitalization in India. So similarly, much research has been alone on digitizing for challenges and opportunities in India. But there is no study conducted in the title of digitizing the operation of MSMEs challenges and opportunities in India. The current investigation was carried out in an attempt to close this gap. The present study considers digitizing the operation of MSMEs' challenges and opportunities in India. It is received that such a comprehensive study will provide for in-depth analysis and would complete the result.

OBJECTIVES OF THE STUDY

- To analyse the digitizing challenges faced by MSMEs
- To analyse the digitizing opportunities for MSMEs.

SCOPE OF THE STUDY

The purpose of this study was to examine India's digitization challenges and opportunities. The investigation was conducted with a digitization perspective in mind. The purpose of the study was to inspire MSMEs in India to digitizing their operations in order to overcome challenges and identify opportunities in their field.

METHODOLOGY

The majority of this study is based on descriptive research. A descriptive survey involved a description of the current state of circumstances. The major feature of this method is that the researcher has no control over the variables; they report what happened or is happening.

METHOD OF DATA COLLECTION

Mainly it is based on secondary pieces of information. Previous journals, magazines, textbooks, newspapers, online articles, blogs, and websites are used to gather secondary data.

DIGITIZATION BRINGS OPPORTUNITIES TO MSMEs

MSMEs can separate themselves from the competition by digitizing their operations.

Expand Geographical Reach and Acquire New Customers: MSMEs can expand their market and overcome the limits of physical location thanks to the rise of digital platforms, the prevalence of e-

commerce, and the low barriers to entry. E-commerce has also enabled MSMEs to reach out to rural and remote customers, expanding their customer base.

Better Customer Engagement: MSMEs that operate online can efficiently manage their consumer base by utilizing social media to assure increased levels of engagement.

Although buyers' buying habits have changed significantly, digitalisation has become a need for running an enterprise. However, digitalization is more than just having a company Website, Facebook page, YouTube, WhatsApp, Instagram, and Telegram account. The data that digitisation captures is what makes it so magical. Insights generated by digitalisation assist organizations in better understanding their customers and determining the efficiency of marketing activities. Web data generated through consumer interactions with your online assets can also be used to learn more about whom your customers are and what they enjoy about your company.

Cost-Effective Business Operations: Stated they wanted to improve the efficiency of their business operations as the top benefit of digitalisation. There are numerous cloud services available that can assist businesses in managing workflow, gaining easy access to data, and consolidating important apps. Previously, these programmers were only available to larger companies with the necessary hardware and internal IT teams.

Increased Business Profitability: MSMEs that spent more than 30 percent of their budget on Internet technology saw a nine-fold increase in revenue compared to those who spent less than 10 percent. MSMEs can increase their revenue by 26 percent thanks to digitization. MSMEs that utilized e-commerce in India saw a 27 percent increase in revenue over their offline competitors.

Higher and Better Access to Finance: MSMEs become increasingly visible to banks and lenders as their digital presence grows. MSMEs can readily obtain loans since financial institutions can more properly assess credit risk using digital data.

Efficient Customer Credit Management: MSMEs can track client credit and set credit limits for customers to digitize. It can serve as a risk mitigation measure, reducing credit loss and assisting in the maintenance of a smooth cash flow in the organisation.

OPPORTUNITY COMES WITH CHALLENGES

MSMEs that want to adopt technology confront a number of obstacles.

Lack of Understanding of How Technology Helps: MSMEs are unaware of the advantages of technology. Most MSMEs are sceptic about the technology's return on investment. Low uptake is due to a lack of understanding and scepticism about the benefits.

MSMEs also lack the necessary abilities to comprehend and participate in the digital economy, which contributes to the low adoption rate.

Cost of Technology Adoption: MSMEs' ability to benefit from digital technologies is limited by a lack of disposable capital to purchase technology for their businesses. The pandemic has recapitalized the great majority of MSMEs, who have drained their stockpiles, depleted their resources, and had to borrow from unofficial sources to stay afloat. As a result, businesses will require finance in order to resume operations,

adopt technology, and automate their processes. Entrepreneurs will be able to get financing more easily via programs that digitise and automate access to finance for MSMEs through a marketplace platform.

Concerns about Data Privacy and the Risk of Being a Victim of Digital Fraud: Concerns about Data Privacy and the Risk of Being a Victim of Digital Fraud with increased usage of digital tools for procurement, payment, inventory management, and other functions post-COVID, the value at risk from cybercrime may rise even more. While major firms and government-owned enterprises can track and protect themselves from cyber risks, MSMEs find it difficult to manage cybercrime due to the related expenses and lack of understanding about these threats.

To Promote the Digitization of MSMEs, Further Funding is required: To reap the benefits of e-commerce, MSMEs require improved access to e-platforms, improved payment, and delivery services, expedited customs procedures, a solid data privacy framework, and focused skill-building.

THE ADVANTAGES THAT MSMEs ARE GAINING AS A RESULT OF THE DIGITAL TRANSFORMATION

Enhance Client Satisfaction: Artificial intelligence, catboats, and machine learning are used in digital technology, you can be available to customers 24 hours a day, seven days a week. It helps the client and the company maintain a positive relationship. The operation of the company must be smooth and flawless.

Better Operational Efficiency: According to embracing new digital technology can reduce the operational cost of running SMEs by 20-30 Percentage It would result in a higher labor-to-capital ratio as well as an increase in capital.

Cost Reduction: Production flaws may be quickly identified with the use of machine learning and productive business analytics. It's the most cost-effective strategy to cut costs because you're employing the greatest high-end technology software at a reduced price.

Accurate Decision-Making: Current or potential clients, as well as market competitors. Make informed decisions in numerous areas like production, marketing, sales, consumer behaviour, buying decisions, and current market trends by keeping track of all of these.

Get Accessibility to a Higher Customer Base: Market reach is limited if you simply have an offline presence. It is always preferable to use customised technologies and establish an online presence. It will lead to a fantastic business opportunity. Digital interactions assist SMEs in breaking into new markets and competing against industry giants.

Higher Profits: MSMEs may quickly upgrade and improve the quality of their products and services by utilising innovative technologies, resulting in increased earnings.

SUGGESTIONS

Highly developed countries have high-quality Internet connectivity, a high degree of scientific and technological capability development, and wide information access, highly developed countries have the best level of digitisation of their own economics.

CONCLUSION

The digitalisation of MSMEs is necessary to drive inclusive growth in India. Digital connections are becoming faster, wider, and less expensive in India. Several digital platformers consider India a promising market and have shown an interest in growing their operations there. These improvements have enabled the gradual formation of the digital ecosystem for MSMEs in India. However, without government and digital platform help, not all MSMEs can use digital technology. However, once the initial challenge has been overcome, MSMEs will find that future digitalization is much easier. As a result, governments must develop programs to draw the attention of MSMEs that are unfamiliar with digital technology and encourage them to take the first step ahead. Local and traditional business networks are essential routes for governments to engage with "non-digitized" MSMEs who rely on traditional sources of information.

MSMEs are their critical partners and play a vital role in driving company expansion, thus digital platformers are aggressively engaging them to support them with digitization.

Developing digitalization assistance programs in collaboration with digital platformers Governments must, however, continue to encourage healthy competition among digital platformers and build an environment that allows MSMEs to grow. Setting up a dialogue with big digital platformers in the region could be India's next step in promoting the digitalization of MSMEs.

Governments must understand not only their services but also the constraints that limit them from reaching MSMEs in order to engage with digital platformers. It's also crucial to think about a legislative structure that encourages healthy competition among digital platform creators. To deliver information on digital technologies and government support programs to MSMEs, governments need to tap into traditional, local business networks and governments.

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