

# Digitalisation on MSME in India and its Outcome

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## ABSTRACT

*This study talks about the effect of digitalization on MSME in India. This study highlights the importance of growth rate for MSMEs. This was significantly because of digitalization. Digitalization takes the product and process as a consequence of which both quality and production increases. In spite of having a high potential for future development, India's MSMEs fragment has endured because of less 'mobility of finance'. Digitalization enhances the performance of MSMEs and aides in lessening money related snags by giving alternative financing choices to MSME. Expanding access to alternative fund has brought about the important of MSMEs towards working execution, operating performance, productivity and profitability. This paper finds that there is a high effect of digitalization on MSMEs.*

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## 1. Introduction

Digitalization has turned into the popular expression in the present business world. Organizations confront weights to change as fast as could be allowed, anyway one must comprehend that every business changes at various pace with various outcomes. Technological change ought to be focused on improving operational procedures, enhance customer experience and increase plans of action. Successful business change ought to be driven by the administration. For a MSME, this is simpler as the group measure is little furthermore, owners are additionally for the most part the administrators. Digitalization of a business does not imply formation of another business, but rather renovating the current business to exploit existing resources in new ways. MSME shape the foundation of the Indian economy making huge contribution to economic indicator and household incomes. Information Technology (IT) and IT enabled services (ITES) having huge impact on manufacturing and service sector for both developed and developing countries. Because of ITES improvement, a few non tradable services end up tradable these days. For the past decades among the emerging nations, India's commitment to IT and ITES is remarkable. Rapid development in IT and ITES advances the economic development of a nation. Digitalization has an advantage on the performance of the manufacturing and service sector towards MSME segment of India.

## 2. Review of Literature

J. Venkatesh and R. LavanyaKumari (2018) in their paper "India's Digital Transformation: Driving MSME Growth" explained in their paper that digital India helps in enhancing economical and social development of people through the improvement for education, health and financial services. It is significant that ICT alone can't postpone bringing about the standard advancement of the country. the digital separation wishes to be address through outstanding mile network in farflungrural zones.

D. HezbibahVinsyahJeyaseeli and Dr.K.Raja Justus (2014) in there paper "A study to assess the performance of micro, small and medium enterprises (MSMEs) in India with special reference to tamilnadu" explained that MSMEs is an

worldwide recognized of promoting economic development. Especially in India MSMEs plays a important role in recent years. FDI also strengthen the investment in this sector. This paper assess the development and performance of MSMEs in Tamilnadu in terms of enterprises, investment, employment generation.

Singh et al (2012) had explained in their paper, "Small Scale Industries: An engine of growth" the main aim of the small scale industries is exhibit the performance and policy change have opened this sector for opportunities. This study prescribed the development of technology improvement and support SSI to accomplish growth target.

## 3. Objectives of the Study

- To study the existing information about MSME.
- To Identify the MSME patterns towards Digital India.
- To understand the key challenges faced by the MSMEs sectors.
- Government initiatives to revitalize the MSMEs sector.

## 4. Research Methodology

For this research study, the secondary data is used to express our views. The information for this study is used taken from several secondary sources like websites, journals, magazines, books, newspapers.

## 5. MSME - Overview

Micro, Small and Medium Enterprises (MSME) sector has developed as a discernibly dynamic division in the course of the most recent five decades. MSMEs playing a vital role inproviding employment possibilities with conceivable outcomes at similarly bring down capital cost than extensive ventures, anyway additionally aid Industrialization of rural and backward areas, along these lines, bringing down territorial variations, induce more impartial dispersion of national income and wealth. MSMEs are amicable to improve expansive industries as auxiliary units and this sector gives the socio - economic advancement of the nation.

MSMEs are characterized based on their investment in plant and machinery (for manufacturing enterprises) and on equipment for enterprises render services. The present level

on investment for enterprises to be classified as MSME endeavors are as following:

Classification	Manufacturing Enterprises (Investment limit in Plant and Machinery)	Service Enterprises (Investment limit in Equipment)
Micro	Up to Rs.25 Lakh	Up to Rs.10 Lakh
Small	Above Rs.25 Lakh / upto Rs.5 Crore	Above Rs.10 Lakh / upto Rs.2Crore
Medium	Above Rs.5 Crore / upto Rs.10Crore	Above Rs.2 Crore / upto Rs.5Crore

**TABLE 5.1**  
**TOP 5 STATE MSME REGISTRATION**

SI No.	State	MSME Registered	Micro	Small	Medium
1	Maharashtra	1090774	950016	134686	6072
2	Bihar	828398	809607	17917	874
3	Tamil Nadu	785610	690816	92319	2475
4	Uttar Pradesh	703235	654888	46270	2077
5	Madhya Pradesh	642943	612098	29869	976

Source: [udyogaadhar.gov.in](http://udyogaadhar.gov.in) as on 14-05-2019

**TABLE 5.2**  
**TOP 5 STATE MSME –MANUFACTURING ENTERPRISES REGISTRATION**

SI No.	State	Manufacturing Enterprises Registered	Micro	Small	Medium
1	Maharashtra	385927	316579	65841	3507
2	Tamil Nadu	368181	327444	39299	1438
3	Gujarat	366015	300289	62575	3151
4	Uttar Pradesh	338191	318393	18656	1142
5	Bihar	284127	278702	4871	554

Source: [udyogaadhar.gov.in](http://udyogaadhar.gov.in) as on 14-05-2019

**TABLE 5.3**  
**TOP 5 STATE MSME - SERVICE ENTERPRISES REGISTRATION**

SI No.	State	Service Enterprises Registered	Micro	Small	Medium
1	Maharashtra	704907	633490	68851	2566
2	Bihar	544273	530937	13046	320
3	Tamil Nadu	417440	363381	53022	1037
4	Madhya Pradesh	415827	400178	15239	410
5	Uttar Pradesh	365054	336505	27613	936

Source: [udyogaadhar.gov.in](http://udyogaadhar.gov.in) as on 14-05-2019

**TABLE 5.4**  
**TOP 5 STATE MSME - CATEGORY WISE ENTERPRISES REGISTRATION**

SI No.	State	Enterprises Category Wise	General	SC	ST	OBC
1	Maharashtra	1090877	774935	86057	22322	207563
2	Bihar	828405	191489	138716	35697	462503
3	Tamil Nadu	785636	466020	38014	2077	279525
4	Uttar Pradesh	703256	275831	114908	17219	295298
5	Madhya Pradesh	642952	249850	77173	58421	257508

Source: [udyogaadhar.gov.in](http://udyogaadhar.gov.in) as on 14-05-2019

**TABLE 5.5**  
**TOP 5 STATE MSME - EMPLOYMENT REGISTRATION**

SI No.	State	Employment Registration	Micro	Small	Medium
1	Maharashtra	6245792	3577958	2188953	478881
2	Tamil Nadu	5318082	3510103	1585183	222796
3	Gujarat	3757134	2226465	1281307	249362
4	Uttar Pradesh	3626244	2470634	933469	222141
5	Bihar	2347421	2009923	201239	136259

Source: [udyogaadhar.gov.in](http://udyogaadhar.gov.in) as on 14-05-2019

**TABLE 5.6**  
**TOP 5 STATE MSME - INVESTMENT REGISTRATION**

SI No.	State	Investment Registration	Micro	Small	Medium
1	Gujarat	13398646	3228182	7314775	2855689
2	Maharashtra	17269615	4062677	9404507	3802431
3	Tamil Nadu	10297228	3482469	5264601	1550158
4	Uttar Pradesh	6738806	2609704	2802527	1326575
5	Telangana	5578319	978909	3762231	837179

Source: [udyogaadhar.gov.in](http://udyogaadhar.gov.in) as on 14-05-2019

**TABLE 5.7**  
**TOP 10 STATE WISE DISTRICT INDUSTRIES CENTER**

SI No.	State	Total No. of District Industries Centre
1	Uttar Pradesh	75
2	Madhya Pradesh	69
3	Assam	52
4	Maharashtra	51
5	Bihar	39
6	Rajasthan	35
7	Gujarat	33
8	Tamil Nadu	33
9	Karnataka	32
10	Odisha	31

Source: [udyogaadhar.gov.in](http://udyogaadhar.gov.in) as on 14-05-2019

## 6. Requirement For Digitalization

The fundamental thought of digitalization is to make full utilization of ICT facilities for getting worldwide resources and gainful for society in the meantime. As going digitalization is the need of great importance, to remain environment health and safe. Different organisation are engaged with digitizing their material since they remain impacted of the continuing learning. Digitalization additionally raises the notoriety of the establishments as worldwide clients can know the institutional gathering and use these assets from distant areas. The fundamental motivations to digitize are to improve get to and enhance protection. By digitizing their gathering, establishments can make data open that was beforehand just accessible to a select gathering of clients. Digitalization can likewise help safeguard materials making high caliber advanced pictures accessible electronically and may lessen wear and tear on weak and delicate archives.

## 7. Digitalization in MSME

Digitalization is the utilization of advanced innovations to change a plan of action, generating new revenue and esteem delivering opportunities; it is the way toward moving to a

digitalized business. India is the midst of digital revolution. Extending internet access, developing smart phone usage, and rising digital media utilization will profoundly affect the eventual fate of Indian economy throughout the following couple of years. This has been supported by moderate gadgets and network access cost. Digitalization has conveyed a change in outlook to the customary methods for manufacturing, handling, storing and transporting things.

## 8. Outcome of Digitalization

### 8.1 Revenue Increases

Updating digital innovation and having an online presence can give huge chances to MSMEs to develop and increment their best line. Commitment through an organization website or moving to a web based business stage can build deals by enabling MSMEs to get to new clients in nearby and abroad markets. It additionally permits adaptabilities of time and conveyance to lead business. The quick paced development of online business industry has given unmatched open doors for the MSME people group.

### 8.2 Accessibility to more extensive customer base

Expanded digital commitment enable MSMEs to investigate new markets, empowering them to rival the greater mammoths in the business. Online based business has given financially savvy answers for the organizations in substantial urban communities and rustic zones alike to interface and exchange with customer around the globe. MSMEs can regularly come up to enter international markets because of constrained information, language barriers, newness to social contrasts and narrow business viewpoint

### **8.3 Improved customer commitment**

Data Analytics and Business Intelligence have given chances to the MSMEs to make better choices by giving a more profound comprehension of the customers. Utilization of customer knowledge to anticipate their necessities, plan new products that meet their prerequisites and conveying the right product at the ideal time at a financially savvy cost has furnished MSMEs with cutting edge customers commitment capacities. Empower the MSMEs to create abilities and improve customer experience.

### **8.4 Ignorance of digitalization could be a bad decision**

Reception of Digital technology innovation and combination of one's business stage on a digital channel is important for survival in today's fast growing and worldwide competitive market. Organizations with an oblivious methodology towards online nearness or laziness to embrace digital channels may need to confront critical difficulties to get by in the present information.

## **9. Challenges of Digitalization**

MSMEs in India confront various battles by virtue of getting to and utilizing the most recent technological progressions. Some of them are as under:-

### **9.1 Absence of technology knowledge:**

A several MSMEs are as yet unconscious of the advantages offered by tech empowered services like online based business and social network platforms. Low knowledge about upcoming advances and suspicion keeps an undertaking from participating in digital activities.

### **9.2 Ineffective Regulatory Framework:**

Poor framework raises the dread of data security. Data security is characterized as the insurance of data from unapproved access, i.e., adjustment, decimation, or exposure to others without consent. The greatest security issues emerge from malware and digital assaults.

### **9.3 Absence of knowledge of inherent technology capacities:**

Companies improvement are obliged by lacking administrative skills and access to particular talent. Better-overseen firms will in general be bigger, are probably going to endure longer and be more profitable. Conventional MSMEs which have possessed the capacity to construct solid business relations through offline means are not slanted to invest cash and energy in advanced stages.

### **9.4 Governance challenges:**

All organizations intend to be more effective and responsive by having a superior command over finance, access to exact data and obtaining new customers. These progressions come through governance, better correspondence, productive coordination and total vision of the business.

## **10. Conclusion**

Digitalization of Indian business is significantly determined by the quickly propelling digitalization of customers. This has prompted expanded data movement and quickened foundation of new tech-based new startups to exploit the development openings. The MSMEs plays a important role in economic development by utilizing just about 80 million individuals, contributing about 45% of the aggregate manufacturing output and 40% of exports of the nation. Be that as it may, in a quickly digitalizing economy, these industries neglect to keep pace. Online customers in India are developing at Compounded Annual Growth Rate (CAGR) of 18% and will achieve 220 million constantly 2020. It tends to be inferred that digitalization has huge positive effect on MSMEs in India.

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