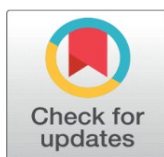
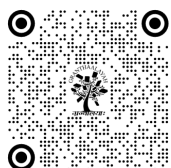


MSME GROWTH IS BEING PROPELLED BY INDIA'S DIGITAL TRANSFORMATION

I. Arthi Jone ¹, Dr. C. Dhanalakshmi ²

¹ Ph.D Research Scholar, Assistant Professor, Department of Commerce BPS & BI, Sri Krishna Arts and Science College, Coimbatore, Tamilnadu, India

² Associate Professor, Head Department of Commerce PA & CS, Sri Krishna Arts and Science College, Coimbatore, Tamilnadu, India



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ABSTRACT

This article looks at the positive relationship that exists between the growth of Micro, Small, and Medium-Sized Enterprises (MSMEs) in India and the country's digital transformation. As India adopts digital technology across all industries, MSMEs are making the most of these innovations to increase productivity, expand their market reach, and streamline operations. This research uses relevant literature reviews and empirical data analysis to help MSMEs understand the driving reasons behind India's economy's digital transformation. It highlights the way in which digitization transforms MSMEs by presenting examples of successful adoption and the subsequent growth trajectories. Additionally, the paper provides policy implications and strategic recommendations to eventually promote inclusive and sustainable economic development in India by further catalysing the positive benefits of digitalization on MSMEs.

Keywords: MSME, Digital Transformation, Economic Development

1. INTRODUCTION

Every country's economic structure depends on Micro, Small, and Medium-Sized Enterprises (MSMEs) since they are the engines of innovation, growth, and job creation. MSMEs are important to India's industrial landscape, contributing significantly to GDP, exports, and employment. The Indian government recognizes MSMEs' vital role in fostering economic growth and has implemented a number of policies and programs to help them grow and become sustainable. In India, micro, small, and medium-sized enterprises (MSMEs) encompass a wide range of businesses engaged in commerce, services, and manufacturing. Despite their significant economic contribution, MSMEs usually face a range of challenges, including limited access to financing, inadequate infrastructure, regulatory barriers, and challenges implementing new technologies. Nevertheless, despite these challenges, there remains a plethora of untapped potential. MSMEs have a unique opportunity to overcome traditional obstacles and accelerate their rate of growth because to the digital revolution that is sweeping through India.

The advent of digital technologies has provided MSMEs with unprecedented access to tools and resources, such as e-commerce platforms, cloud computing, artificial intelligence, and the internet of things (IoT). With the aid of digitization, MSMEs can revamp their business strategies, enter new markets, increase efficiency, and streamline processes.

In conclusion, this paper seeks to shed light on the intricate relationship between digitalization and the growth of MSME's in India, offering insights into how this convergence might support fair and sustainable economic development in the country.

2. OBJECTIVES OF THE STUDY

- Investigate the concept of "Digital India" and understand its consequences.
- Provide an outline of the MSME sector in the Indian economy.
- Identify the MSME patterns that will have an impact on Digital India.

3. DIGITAL INDIA OVERVIEW

The Indian government initiated the ambitious "Digital India" program to transform the country into a knowledge economy and a society empowered by digital technology. Launched by Prime Minister Narendra Modi in July 2015, Digital India aims to leverage digital technology to bridge the digital divide, promote inclusive growth, and enhance the quality of life for all citizens. Key Components of Digital India:

- 1) **Infrastructure Development:** Digital India focuses on establishing a robust digital infrastructure to ensure reliable connectivity across the country. This includes initiatives such as BharatNet to expand rural internet access, the extension of broadband networks, and the deployment of public Wi-Fi hotspots in urban areas.
- 2) **Digital Literacy:** To enable widespread involvement in the digital economy, Digital India emphasizes the importance of skill development and digital literacy. Several initiatives and programs aim to equip people with the skills necessary to effectively use digital technologies.
- 3) **Service Delivery:** Digital India aims to transform the way government services are provided by introducing e-governance initiatives and digitizing processes. This involves developing digital platforms like the Digital Locker, e-Sign, and e-Hospital that allow users to access government documents and services online.
- 4) **Digital Empowerment:** The project's goal is to empower people by providing them with access to digital services and resources in industries including finance, healthcare, education, and agriculture. Initiatives like Digital Payments, e-Education, and the National Digital Health Mission aim to improve access to opportunities and essential services.
- 5) **Industry Promotion:** Digital India aims to promote innovation and entrepreneurship in the digital sphere by creating an ecosystem that assists start-ups, MSMEs, and technology-driven companies. The goals of initiatives such as the Electronics Manufacturing Clusters Scheme, Start-up India, and Made in India are to foster the growth of the digital economy and assist local manufacturing.

- 6) **Cybersecurity and Privacy:** As citizens become more aware of the need of cybersecurity in a digitalized environment, Digital India emphasizes the necessity for robust cybersecurity infrastructure and measures to safeguard citizens' digital assets and privacy. Two programs that aim to increase cybersecurity awareness and readiness are the Cyber Swachhta Kendra and the National Cyber Security Policy.

Possibilities and Challenges

Despite the fact that Digital India has the ability to drastically change the country's socioeconomic environment, it also faces challenges like the digital divide, inadequate infrastructure, cyber security threats, and privacy concerns. To address these concerns, collaboration between the public and private sectors, civic society, and other stakeholders will be necessary. In conclusion, Digital India is an innovative strategy for utilizing digital technology to advance inclusive development. Give the people more power and establish India as the world's leader in digitization. By addressing important problems and seizing new opportunities, Digital India has the potential to provide new avenues for the development and prosperity of the nation.

4. NETWORK PROGRAM

The aim of the digital India program is to convert the country into a technologically enabled knowledge ecosystem and society.

Figure 1



Figure 1 Programme Overview for Digital India

Source IAS Insights, 2022

Ensuring citizens have electronic access to government services could be a guarantee of Digital India. The mandatory provision of the presidency's electronic services, an exclusive identity, and e-Pramaan—all of which are fully based on widely acknowledged, interoperable, integrated government packages and data

bases—could also inspire public responsibility. The Digital India initiative was introduced more than a year ago, in 2015. Now that this system is in the implementation stage rather than the planning stage, major progress has been achieved in completing the numerous projects, as seen in the graph below.

These nine pillars are complemented by tasks that can be accomplished at various degrees. Every task has been started and is currently being implemented in various phases. There will be a lot of progress made on some of these projects, including Jandhan, PAHAL, smart cities, and so on, in the next six to twelve months. The effective execution of the digital India initiative is hampered by a number of issues, including imprecise regulations and inadequate infrastructure.

5. THE DIGITAL STRUCTURE

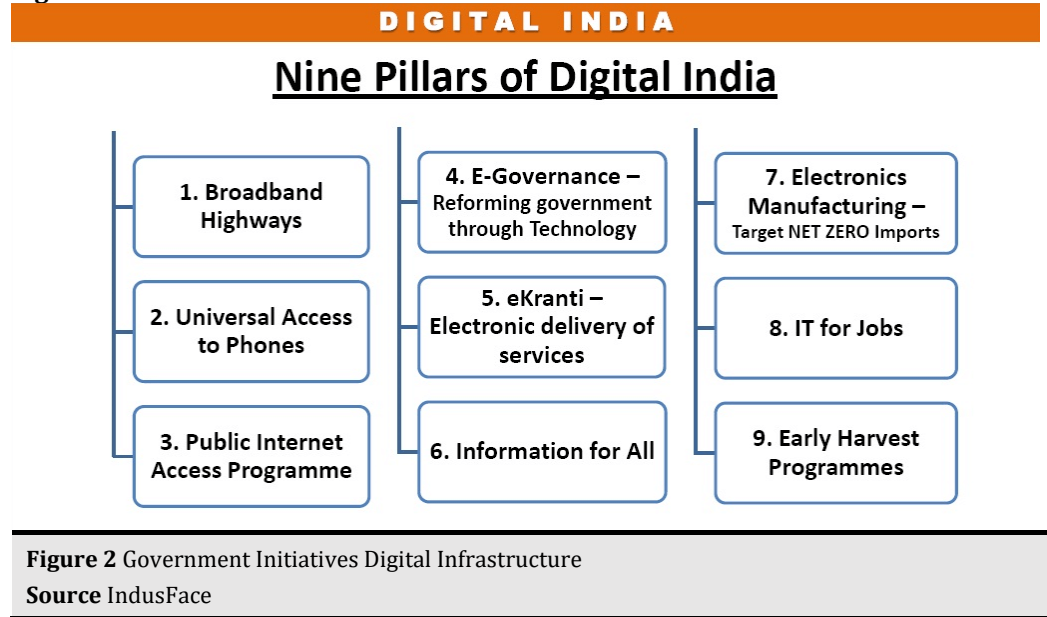
The essential technological parts and frameworks that underpin the operation of contemporary digital services and information flow in the digital age are referred to as digital infrastructure.

- The term "network infrastructure" refers to a variety of actual and virtual networks, including broadband connections, cellular and Wi-Fi networks, internet backbones, and other wireless networks that facilitate communication and data transmission.
- Data centres are locations where digital information processing, storing, and distribution are carried out using servers, networking infrastructure, and storage devices.
- Cloud computing: Cloud infrastructure provides scalable computer resources via the internet, enabling users to access storage, applications, and processing power as needed.
- Cybersecurity Systems: Digital infrastructure includes systems and technologies designed to protect data, networks, and digital assets from cyber threats, in addition to firewalls, encryption, antivirus software, and intrusion detection systems.
- Wearables, smart sensors, and networked appliances are a few examples of Internet of Things (IoT) devices that collect and share data online. They require digital infrastructure to function and communicate.
- The networks of phone lines, fiber-optic cables, and satellite systems that enable voice and data transfer across long distances are referred to as the "telecommunication infrastructure."
- Operating systems, productivity suites, mobile applications, and other computer-based software and apps that offer a variety of digital services and capabilities are all categorized as digital infrastructure

6. PRIMARY PROJECTS OF THE DIGITAL INDIA PROGRAM

The primary objective of the Indian government's Digital India initiative is to transform the country into a digitally empowered society and knowledge economy. The program, which debuted in 2015, comprises of multiple initiatives and projects across various industries that utilize digital technology to support development and growth that is equitable. Major efforts of the Digital India program include:

- National Optical Fiber Network (NOFN) / BharatNet: This initiative aims to provide high-speed internet service to all Indian villages, even the remote and isolated ones, by constructing optical fiber lines. It seeks to provide access to digital services for all citizens and close the digital divide.
- e-Government Initiatives: Digital India includes several e-governance initiatives aimed at enhancing the efficiency and provision of government services. Among them are initiatives that offer digital signatures, digital document storage, digital healthcare services, digital scholarships, and platforms for citizen participation. Digital Locker, e-Sign, e-Hospital, e-Scholarship, and MyGov.in are a few of these.
- Digital Transactions and Economic Empowerment: The Digital India program promotes digital payments and financial inclusion through initiatives including the Jan Dhan Yojana, Aadhaar-enabled Payment System (AEPS), Unified Payments Interface (UPI), and Bharat Interface for Money (BHIM). These initiatives aim to increase financial transaction accessibility, security, and efficiency—especially for underserved populations.
- Common Services Centers (CSCs): CSCs serve as ports of entry for remote and isolated communities to get a variety of digital services. They provide a wide range of services like internet access, government form filing, financial services, and telemedicine consultations, all aimed at empowering residents and bridging the digital gap.
- Digital Literacy and Skill Development: The Digital India initiative seeks to enhance individuals' digital literacy and skill development in order to assist them in making effective use of digital technologies. Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) and similar programs aim to teach digital literacy to rural families.
- Development of Digital Infrastructure: The program includes actions to enhance digital infrastructure, such as the National Data Sharing and Accessibility Policy (NDSAP), which encourages data sharing and government initiatives, and the National Knowledge Network (NKN), which connects academic and research institutions.
- Start-up and Innovation Ecosystem: Digital India promotes entrepreneurship and innovation in the digital space through initiatives like the Atal Innovation Mission and Start-up India. These initiatives support start-up companies and encourage innovation and entrepreneurship across the country.
- As services become more digitally connected, cybersecurity and data privacy are becoming increasingly important in Digital India. Programs like the National Cyber Security Policy and Cyber Swachhta Kendra (Botnet Cleaning and Malware Analysis Centre) aim to protect digital infrastructure from cyber threats and strengthen cybersecurity frameworks.
- The Digital India program is made up of a number of projects and initiatives that aim to use digital technologies to improve government, accelerate economic growth, and empower Indian citizens.

Figure 2

7. PROGRESS IN DIGITAL INDIA

- **Bharat Net:** The initiative, which intends to provide broadband connectivity to rural regions, has made significant progress. Thousands of communities were linked by optical fiber cables, improving internet access and making it easier to provide digital services to remote places.
- **Digital Payments:** After the 2016 demonetization campaign, there was a notable surge in digital payments in India. Initiatives like the Unified Payments Interface (UPI) and the BHIM app, which made digital transactions simple and secure, helped to fuel the growth of cashless payments.
- **e-Government Services:** A variety of e-governance services were expanded or created as part of the Digital India program, enhancing the effectiveness and accessibility of government services. Digital Locker and e-Signature were two digital solutions that simplified the process of storing and verifying documents.
- **Digital Literacy:** Efforts were made to enhance digital literacy, particularly in rural areas. Teaching inhabitants' digital literacy was the aim of programs like the Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA), which aimed to enable them to use technology for both personal and professional development.
- **India's start-up ecosystem** has expanded thanks to initiatives like the Atal Innovation Mission and Start-up India. The country gained recognition as a hub for innovation and entrepreneurship on a worldwide scale, and many start-ups employed digital technologies to upend a variety of industries.
- **Cybersecurity** has remained a major concern as services become more digitally connected. The government enhanced cybersecurity frameworks and resilience against cyber threats through initiatives like the National Cyber Security Policy and Cyber Swachhta Kendra.
- **Digital Infrastructure:** As part of these expenditures, telecom networks have been expanded and technological advancements like 5G have been

deployed. Cooperation and knowledge exchange were fostered via the National Knowledge Network (NKN), which enhanced connectivity between research and academic institutions.

- Digital Inclusion: Efforts were made to increase digital inclusion and reduce the digital divide. Financial inclusion was enhanced via the Aadhaar-enabled Payment System (AEPS), and the Common Service Centers (CSCs) played a critical role in giving excluded communities access to digital services.

8. IMPACTS SUGGESTED BY DIGITAL INDIA

The expected impact of the Digital India initiative, which seeks to transform India into a knowledge economy and society enabled by technology, encompasses a wide range of socioeconomic benefits. The following are important areas where Digital India is expected to make an impact:

- Inclusive Growth: The objective of Digital India is to bridge the digital divide by providing access to digital services and opportunities to all citizens, including those residing in remote and rural areas. By ensuring connectivity and access to digital infrastructure, the project seeks to lower disparities in access to information and services, promote social inclusion, and empower marginalized populations.
- Economic Development: Digital technologies have the potential to boost economic growth and create employment opportunities. Digital India attempts to encourage innovation, entrepreneurship, and investment in the digital industry in order to create a favorable environment for start-ups and technology-driven firms. The project's goal is to increase industry competitiveness, productivity, and efficiency by advancing e-commerce, digital payments, and digital talent development.
- Efficient Governance: Digital India aims to transform governance through the digitization of public services and procedures. E-governance initiatives use technology, such as digital identity systems, online portals for citizen contact, and digital platforms for service delivery, to improve the efficiency, accountability, and transparency of government processes. There can be less administrative obstacles, better service delivery, and increased levels of citizen satisfaction as a result.
- Creation of Digital Infrastructure: Funding for broadband connectivity, data centers, and cybersecurity systems is expected to strengthen the foundation for digital transformation. Digital India aims to create new opportunities for innovation, healthcare, education, and economic growth across the country by expanding high-speed internet access and robust digital infrastructure.
- Employment and Skill Development: Digital India stresses the importance of developing digital skills to equip its people for the digital economy. The initiative aims to increase employability, empower people to pursue their own business endeavors, and create a workforce that is proficient in current and emerging technologies through the promotion of digital literacy and the provision of training programs in areas like software development, information technology, and digital marketing.
- Digital education and healthcare: Digital technology has the ability to dramatically change establishments in these fields. Using technology to

improve medical research and diagnostics, offer telemedicine consultations, digitize medical records, and broaden access to healthcare services is the aim of Digital India. In a similar vein, the education industry is working to improve digital learning platforms, e-learning, and online learning resources to expand access to top-notch instruction and improve student outcomes.

- **Environmental Sustainability:** Digital technology may promote environmental sustainability by aiding in energy efficiency, intelligent resource management, and sustainable urban development. Digital India aims to leverage technology for waste management, conservation efforts, environmental monitoring, and renewable energy projects in order to promote India's objectives for sustainable development and environmental protection.

When considered as a whole, Digital India's intended impact encompasses a complete vision for leveraging digital technology to support societal advancement in various domains, inclusive growth, efficient government, and economic development. Using the transformative potential of digital technologies, the program seeks to address socio-economic concerns, open up new opportunities, and empower residents to succeed in the digital era.

9. SUMMARY OF MSME 2023

- **Digital Transformation:** MSMEs are now moving through this phase, leveraging technology to increase their competitiveness, enter new markets, and simplify operations. Cloud computing, digital marketing, e-commerce platforms, and data analytics are being gradually adopted by MSMEs.
- **Sustainability:** MSMEs are paying more and more attention to sustainability and environmental responsibility. Many people are forming eco-friendly behaviors, such reducing their carbon emissions, using renewable energy sources, and cutting back on their trash. Businesses with a strong track record of sustainability are more appealing to investors and consumers.
- **Obtaining loans remains a significant challenge for several MSMEs, particularly those operating in developing countries. There are initiatives underway to broaden access to credit, including microfinance, peer-to-peer lending, and government-backed credit schemes. However, more work needs to be done to close the MSME finance gap.**
- **Development of Skills:** The growth and success of MSMEs are largely dependent on the improvement of skills and abilities. Training programs, workshops, and vocational education initiatives are helping workers and entrepreneurs acquire the skills they need to adapt to changing market conditions and technological advancements.
- **Support from Policies:** Governments worldwide are implementing laws and policies to promote the expansion of MSME's. This includes actions to provide tax benefits, reduce bureaucratic red tape, expedite the registration process for enterprises, and facilitate market access and export opportunities.
- **Global Supply networks:** As suppliers and exporters to larger businesses, MSMEs are increasingly participating in global supply networks. Joining global value chains can help MSMEs expand their clientele and reach new

markets, but there are also disadvantages, such heightened rivalry and the requirement to follow international standards.

Criteria	Manufacturing Enterprises and Enterprises rendering Services (Revised classification with effect from July 1, 2020)	
	Turnover	Investment
Micro	Rs. 5 crore (US\$ 610,000)	Less than Rs. 1 crore (US\$ 120,000)
Small	Rs. 50 crore (US\$ 6.1 million)	More than Rs. 1 crore (US\$ 120,000) but less than Rs. 10 crore (US\$ 1.2 million)
Medium	Rs. 250 crore (US\$ 30.4 million)	More than Rs. 10 crore (US\$ 1.2 million), but less than Rs. 50 crore (US\$ 6.1 million)

Source: IBEF

Figure 3

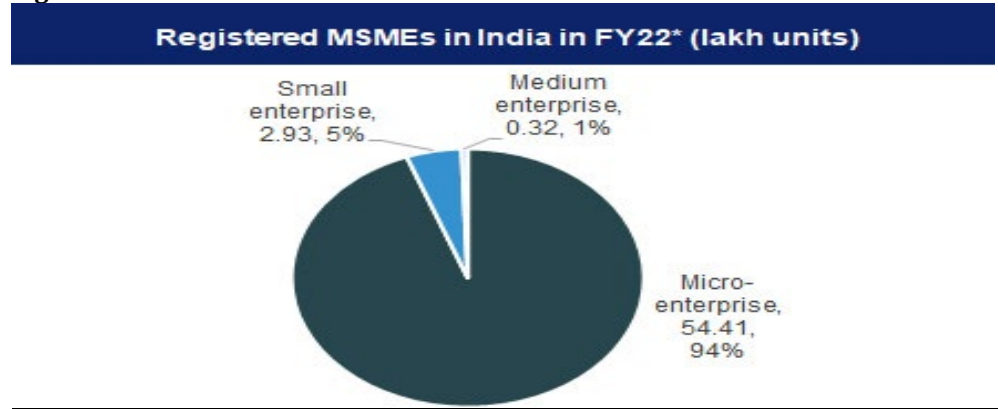


Figure 3 Manufacturing Enterprises and Enterprises rendering Services

Source IBEF

10. ONLINE MSME GROWTH

- The development of online MSMEs has been driven by factors such as changing customer behavior, technological advancements, and the importance of digital platforms. A summary of the rise in online MSMEs may be seen here.
- Adoption of E-commerce The rise of e-commerce platforms has provided MSMEs with novel chances to engage with a global consumer base. Small businesses can easily sell their products and services to customers all over the world by setting up online stores.
- Online MSMEs sometimes have lower entry barriers than traditional brick and mortar firms. They can contact customers without the need for a real storefront, which requires less initial investment in physical infrastructure. As a result, it is easier for aspiring business owners to begin their firms.
- Market Access: Online platforms enable MSMEs to reach a huge number of prospective clients. Online MSMEs can effectively reach their target audience and drive traffic to their websites or online stores by leveraging search engine optimization (SEO), social media marketing, and targeted advertising.

- Online MSMEs can diversify their revenue sources by selling through multiple channels, such as their website, external e-commerce platforms, social media, and online marketplaces. This increases business resilience by reducing reliance on any single sales channel.
- Enhanced global reach for online MSMEs. Cross-border e-commerce is rapidly developing, allowing small businesses to sell their products and services to customers throughout the world without the need for a physical site.
- Advancements in technology, such as mobile internet, secure payment systems, and logistics infrastructure, have facilitated the growth of online MSMEs. Businesses can now transact online and quickly fulfil orders thanks to technology improvements.
- Online MSMEs offer businesses the flexibility and scalability to adapt to changing consumer demands and market situations. They may swiftly test new items, experiment with alternative price points, and adjust their marketing strategies based on immediate client feedback.
- Opportunities and Challenges: While online MSMEs have many benefits, they also face cybersecurity threats, competition from established businesses, complex logistics and fulfilment processes, and challenges with digital literacy. Overcoming these challenges will need careful planning, infrastructure and technological expenditures, as well as continual innovation.

Overall, the surge in online MSMEs reflects both the economy's expanding digitization and the transformation that technology has brought about for small businesses.

11. CONCLUSION

A digitally linked India can enhance social and economic conditions by promoting non-agricultural economic activity, in addition to offering access to banking, health, and education services. However, it is crucial to realize that ICT alone cannot delay the country's regular development. Improving literacy, infrastructure, business environment, and regulations can promote growth and development. The digital divide will be bridged by providing last-mile connectivity in remote rural areas, since Digital India is expected to have a substantial impact on individuals across the country.

CONFLICT OF INTERESTS

None.

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