United International Journal of Multidisciplinary Research (UIJMR) An International Peer-Reviewed and Refereed Multidisciplinary Journal
ISSN: 3048-6726 Impact Factor:6.934(SJIF)Volume-3, Special Issue-10

Digital Technology Adoption and Growth Prospects of MSMEs in Andhra Pradesh

Dr. B Veerraju
Associate Professor of Commerce
Government Degree College, Tiruvuru, NTR District, Andhra Pradesh.
DOI:10.37854/UIJMR.2026.310.534

ABSTRACT
Micro, Small and Medium Enterprises (MSMEs) are the backbone of the economy and play a significant role in economic development. Digital transformation has brought a fundamental shift in traditional methods of manufacturing, handling, storing, and transporting goods. With the widespread adoption of digital technologies, particularly accelerated by the global pandemic, MSMEs need to explore effective ways to leverage the opportunities offered by the digital economy. Digitalization provides several potential benefits, including access to wider international markets through digital platforms, improved operational efficiency through digitally enabled services, reduced trade and logistics costs, innovative marketing and sales tools, simplified payment systems, greater access to finance through financial technology (FinTech), and enhanced interaction with customers and other MSMEs through social networks and digital platforms. This article focuses on two key concepts: small business and the digitalization of the economic system. It examines the impact of the digital economy on the development of small businesses and identifies the major trends in digital transformation. Furthermore, it discusses how digital technologies can transform MSME operations and business models, particularly when enterprises effectively utilize opportunities such as e-commerce and FinTech.

Keywords: Small business, international Market, trade process, digital economy.

INTRODUCTION

Micro, Small, and Medium-Sized Enterprises (MSMEs) plays a significant role in India's explosive growth. They generated 30% of the nation's gross domestic product (GDP) and over 50% of its exports in 2023–24. MSMEs are the second largest employer in the nation, after agriculture, employing about 110 million people. In the nation, there are more than 64 million MSMEs, the majority of which fall under the micro enterprise umbrella. Therefore, the defining of regional peculiarities of business is significantly influenced by demographic, social, government regulation and support, as well as the availability of resources in the region.However, macroeconomic shifts result in more significant alterations to small business operations.Digital India was an initiative taken by the Government of India for providing high-speed internet networks to rural areas. Digital India Mission is mainly focused on Providing digital infrastructure as a source of utility to every citizen and with a vision of inclusive growth in areas of electronic services, products, manufacturing, and job opportunities. The programme envisages that 6 lakh IT professionals will be re-skilled and up-skilled under the FutureSkills and provides digital document verification facility under Digi-Locker will now be available to MSMEs and other organisations. This will give a boost to the digital economy of India, drive digital access to services and support India's IT and electronics ecosystem.

For MSMEs, digitalization was a crucial coping strategy for getting beyond the pandemic's mobility restrictions. The use of digital technology to alter a business model and offer new prospects for generating revenue and value has been crucial to the survival and expansion of MSMEs during the turmoil. For instance, approximately 64% of MSMEs offered their products online in 2020–21, and many of them saw increases in sales over the previous year. During the epidemic, digital or e-commerce channels became the primary means for Indian MSMEs to market and sell their goods and services.Although some businesses were selling through their own app or website, the majority of online sales were made through e-commerce platforms. Due to improved e-commerce availability, MSME exports in Andhra Pradesh surged by 38% during this time. MSMEs quickly adopted digital technology against the backdrop of the nation's expanding digital connection. India is on track to surpass the United States and China in terms of the number of broadband users, broadband data consumption per user, adoption rate of the most

recent Internet protocol, growth in online payment transactions, number of unicorns, and public digital platforms that are the envy of the developing world. It was essential for MSMEs to become digital that this digital ecosystem emerged.

REVIEW OF LITERATURE

According to ***Dey (2014)*** the importance of MSME has been recognized in recent years in both developed and developing countries for its significant contribution in gratifying various socio-economic objectives such as higher growth of employment, output, promotion of exports and fostering entrepreneurship. They play a crucial role in the industrial development of any country. The MSME sector is an important pillar ofIndian economy as it contributes greatly to growth of Indian economy."

"Rajesh et al., (2015) observed that micro, small and medium enterprises (MSMEs) all over the world have been recognised as silent drivers of a nation's economy. Their role in the economic and social development of a country is well established. The MSME sector is a breeding ground of entrepreneurship, often driven by individual creativity and innovation at grass root level and shows dynamism in terms of Micro, small and medium enterprises (MSMEs) have been accepted as an engine for economic growth andequitable development an ongoing debate in employment policy is whether promoting small and medium enterprises creates jobs.

Martin et al., (2017) used the elimination of small-scale industry (SSI) promotion in India to address this question. Authors identified the consequences for employment growth, investment, output, productivity, and wages of dismantling India's SSI reservations. They exploit variation in the timing of de-reservation across products and also measure the long-run impact of national SSI policy changes using variation in pretreatment exposure at the district level [13]

Furthermore, a study conducted in 2020 by Gupta, M., and Lokesha, 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 ofICTs in all economic disciplines.

1. OBJECTIVES OF THE STUDY

- To study the technological transformation and digitization of MSME.
- To study the impact of digitalisation on MSME business.

2. RESEARCHMETHODS

Both descriptive and explorative research are used accordingly based on the purposes of the study. The survey covers 250 manufacturing units in India across six product categories namely sports goods, toys, furniture, readymade garments, handicrafts, and processed and preserved food sectors. Industry clusters were identified around Hyderabad in Andhra Pradesh State. All the units covered in the survey were enterprises that sold through e-commerce platforms. The study was carried out by analysing and examining data acquired from secondary sources such as Google Scholar, government publications, and other relevant publications.

3. FINDINGS

Sales Growth: According to the survey, online sales increased from just 12% in 2021–2022, reached 27% in 2023–24. In the second half of 2021, there was 60–70% surge in seller registration with several major e-commerce companies, practically all of which were MSMEs from smaller cities and rural areas. This is consistent with Bain & Company's assessment that the Indian e-retail market has grown by 25% overall. Additionally, MSMEs account for close to 70% of all sales on e-commerce platforms, and their annual sales growth has been between 50% and 60%.

Dependence on E-Commerce Platforms: Since just 10% of the MSMEs surveyed have their own online store, the majority of MSMEs rely on e-commerce platforms for online sales. Only 1% of them are micro units, with medium units making up the majority (44%) of

these. A majority (53%) of those who sell exclusively through third-party platforms would prefer to do so, while others (27%) would prefer to sell through both online channels (e-commerce platforms and their own e-store). Few people would wish to entirely transition to their own online business.

Increase in Revenue

Revenue is a company's primary goal because it determines how quickly the company will expand. Businesses have experienced a huge impact from digital transformation, particularly in terms of income. Technology adoption by SMEs resulted in significant profitability. It has been demonstrated that online business earnings increased by 26% annually while offline business revenue increased by 14%.

Accessibility to Higher Customer Base

A business's ability to reach the market is limited by having solely an offline presence. Technology customization and an online presence open up amazing prospects for SMEs to expand and improve their performance in domestic and international markets.

Increased digital engagements give SMEs the chance to discover new markets and compete with the leading industry giants. By enhancing the customer experience and supporting better supply chain solutions, e-commerce platforms transcend geographical boundaries. Due to the 24/7 availability of their products, businesses can rapidly grow their consumer base at low operational costs. All of the MSMEs' managers who participated in the poll stated that they are now able to enter markets that were before unthinkable in the physical sense.

Increased Operational Efficiency

According to the report, new digital technologies can boost capital and labour utilisation to save operational expenses by 20–25 percent. SMEs can reduce total spending by maximising operational and marketing costs thanks to digital transformation. The operational effectiveness of SMEs has risen in the current environment because to IT-driven smart tools and techniques including Information and Communication Technology (ICT), Digital Integrated Production Planning, Shop Floor Control, Supply Chain Solutions, and Cloud-based ERP.

Effective Decision Making

By giving SMEs a greater insight of their clients, business intelligence and data analytics have created chances for SMEs to make better decisions. SMEs have been transformed with next-generation customer interaction capabilities thanks to the use of customer

information and insights to analyse and predict consumer needs, design new goods that fit their requirements, and intelligent delivery of the appropriate items at the right time at a cost-effective price.

The emergence of cloud-based solutions and freemium business models, in which the core functionality of software is offered without charge but additional features, virtual goods, or proprietary functions may be subject to a fee, has given SMEs the opportunity to grow their capabilities and improve customer experience.

Inevitable

The majority of today's young, smart business owners want innovation and take calculated risks.In recent years, many MSME owners have jumped into the market using online marketing strategies, adopted digital marketing as their main source.Social media is the key marketing tool for SMEs.The dominant social media platforms, such as Facebook, Instagram, and Google, have aided companies in marketing.According to a poll, adopting social media for business is no longer optional for roughly 85% of SMEs. While the remaining 15% consider it is optional to grow their business.

6.**Problemsof the MSMEs in the digitalisation process**

The following factors make it difficult for MSMEs to escalate to full potential, rise to become self-sustainable and known.

MSMEs are frequently struggling with a ***lack of capital*** as a result of poor access to financing. Because of this, there is a ***lack of technological infrastructure***, which leads to output of ***poor quality***. People ***avoid learning digital technologies*** as a result of this loop. Even if a firm has great ideas for digital marketing, they will not be able to implement them effectively to produce profitable outcomes without tech-savvy and experienced workers. The majority of issues MSMEs experience may be boiled down to a lack of funding and technological know-how. Many traditional and convectional companies ***lack the understanding and knowledge of digital marketing***; that makes them distant with correct digital technological solutions for their enterprises, which can affect their overall business turnover.

7. Conclusion

MSMEs have emerged as the new economic pillars of India and have played a critical role in the de velopment of our nation. These industries have made a significant contribution to India's socioeconomic development. Small firms might experience significant changes thanks to digital platforms, which are useful tools that can advance MSMEs with the aid of the right methods.

After COVID 19, digitalization—the use of digital technology to transform a business model and offer new prospects for generating revenue and adding value—has been crucial to the survival and expansion of MSMEs. MSMEs are being digitalized against the backdrop of India's expanding digital connection.

As the proportion of online sales for the studied businesses increased during the pandemic, this study indicated that MSMEs are embracing digital technology to keep up with technological advances. The survey also discovered that MSMEs that were integrated with e-commerce platforms had profited, as they had boosted hiring, turnover, and earnings over the previous two years. The study emphasises that while employment prospects in MSMEs in India have improved due to e-commerce. Additionally, while the majority of MSMEs have seen increases in employment and business, not all have seen the same benefits from their integration with e-commerce platforms.
Numerous MSMEs still struggle with a number of issues, such as choosing the correct audience to target, keeping customers, managing competition, receiving timely feedback, and lacking digital marketing expertise.

According to our analysis, moving forward, e-commerce rules must take into account the peculiar traits of some MSMEs, particularly handicrafts, when defining the obligations and liabilities of sellers. It is necessary to streamline policies across all ministries. As with larger businesses and brands, e-commerce platforms must develop financially viable marketing approaches to ensure that MSMEs can fully benefit from a platform. Additionally, MSMEs require training and skill development. Despite current endeavours, this calls for coordinated efforts by the business sector, state, and municipal governments, as well as voluntary MSMEs engagement.
Finally, digitalization has a big impact on India's small and medium businesses. However, it is based on collaborative digital platform activities involving the government, the Ministry of MSME, human skilling and reskilling, and numerous stakeholders.

References

Bain & Company. (2021). *How India shops online 2021: A post-pandemic view of online shopping*.

Breckova, P., & Karas, M. (2020). Online technology and promotion tools in SMEs. *Innovative Marketing, 16*(3), 85–97.

Chandrasekar, M. V. (2019). Digitalization of SMEs in India in the context of Industry 4.0: Challenges and opportunities. *International Journal of Advanced Science and Technology, 38*(19), 937–943.

Digital India. (2021). *Digital India: Vision and vision areas*.

Jha, P. (2021). *Digitization and Industry 4.0 practices: An exploratory study on SMEs in India*. SSRN.

Goyal, T. M., et al. (2022). *MSMEs go digital: Leveraging technology to sustain during the COVID-19 crisis*. Indian Council for Research on International Economic Relations.

Ministry of Micro, Small and Medium Enterprises. (2019). *Annual report 2019*. Government of India.

Ministry of Micro, Small and Medium Enterprises. (2021). *Digitizing and automating the MSME sector*. Press Information Bureau, Government of India.

Phartiyal, S. (2020, January 15). *Under fire in India, Amazon offers small business owners $1 billion olive branch*. Reuters.