

## Digitalization in MSME's: A Literature Review Study

**Prof. Imran Ahmed**

Assistant Professor in Commerce,  
MGV's Arts, Commerce and Science College,  
Malegaon City, Nasik Maharashtra, India

### ABSTRACT

*Digitalization has become a basic requirement for the growth of MSME's. Enabling the MSME's in enhancement of connectivity with wireless technology and in using more updated information as regards to handling business activities and competition in a fast, quick and flexible style. Digitalization has proved very effective in the facilitation of business activities, enforcing the decrease in production time, development in productivity, decrease in cost of logistics, decrease in inventory, effectiveness in equipment, reduction in cost and enhanced profit margins. Though some obstacles are there in the way of digitalization for MSME's, but they can be overcome for being survived and grown in this competitive environment. **Methodology:** In this research work, researcher has reviewed many studies in order to understand the aspects like need, importance and challenges of digitalization in Micro, Small and Medium Enterprises (MSME'S). **Implications:** The digitalization of MSME's would result in the development and growth of MSME's and enabling them in acquisition of new knowledge and skills in fostering further growth. **Findings:** Digitalization would help decision makers in achieving growth, development and sustainability of their business and enable them in using options related to different strategies, proper utilization of resources and development of skills in business. But, still some MSME's are not implementing digitalization policies as it should be. **Originality:** This article is original work of author conducted to study and review the literature related with the need, importance and challenges of digitalization in MSME's.*

**Keywords:** Digitalization, MSME's, ICT, Industrie 4.0.

### INTRODUCTION:

Digitalization is the transfer of models of business due to internal procedural changes, customer linkages, services and products and utilization of information communication technology. (Federal Ministry for Economic Affairs and Energy, 2017). Due to the power of transformation the discussion of digitalization is regarded as the concept that enables the environment for sustainable development. Hence, the digitalization is for sustainability. The digitalization improves chances for the growth of MSME's and demands investments and market players which are based on consciousness, willingness, approach and procedure related to information technology. MSME's are able enough to increase the living standard of their community and unlock the chances of new jobs. (Syafri, H., Krisnawati., & Masta, S, 2018). SME universality provides suggestions that they help in growth of small and medium enterprises. They are found handling critical conditions more efficiently than large firms even being themselves too hit hard by the crisis. They are not dependent on formal credits and market and hence able to reply in more flexible and quick manner. (Berry, A., Edgard, R., & Henry, S., 2001). SME's can enhance entrepreneurship in time of monetary dilemma. (Rinto, S., Yustiana, D., & Suriana, AR. M., 2020), (Amir, M. & Yusuf, M. H., 2020).

### LITERATURE REVIEW:

Digitalization is a significant part of the largest global trend Industrie 4.0, but on the other hand intimidate for the total transformation of the recent business models and organization. Some businesses have realized the significance of digitalization, but may not be sure as regard to the methodology of initiating and bringing that change in their organizations. (Bertschek, I., et al., 2014), (Huckstep, R., 2016)

All types of businesses have understood the vital importance of bringing the change in the form of digitalization, before they are abandoned by the newly entered, digitalized and innovative competitors. (Schumann, A.,

Assenmacher, M., Liecke, M., Reinecke, J., & Sobania, K., 2014), (Insurance, E. G. , 2013)

This study determined the components for the digitalization acceptance in SME's. The researchers divide the components into two types as external and internal factors. They tested hypothesis with help of 52 sample units. The analysis was done by using chi-square test and logistic regression. The result of the study found that competition level, profitability, diversification, factors related with technology and management were remarkable in relation to the acceptance of digitalization. Whereas, factors like, initiatives by the government and firm size were concluded as non-remarkable. Some factors like absence of experts and assistance from top management were proved to be important challenges for the firms in order to adopt the digitalization. (Amit Kumar Arora & Priya Rathi, 2019)

In this study the objective was to assist the SMEs in transacting with the increasing demand for the practices that are sustainable for environment and the speedy changes in the technological environment. The authors demonstrated that strategical intention impacts the e-business investment decisions. SMEs do not consider the internet, a necessity for their development. Instead of market infiltration, e-business is driven by product modernization, then facilitation and hindrances of e-business creates perceptions about e-business investment. (Levy, M., Powell, P., & Worrall, L., 2005), (Quinton, S., Canhoto, A., Molinillo, S., Pera, R., & Budhathoki, T., 2018), (Schaper, M., 2002)

Many authors have pointed out many problems, difficulties and challenges for the development of MSME's worldwide. That issues and challenges are of wide range and are related with many aspects including innovation, internet, going with digitalization and converting MSME's in digitalized firm. (AlMaimani, J. & Fuadah, J., 2015), (Syamala, D. B. & Srinivasa, R. D., 2017).

The pandemic impacted very negatively on some sectors like financial services, manufacturing, real estate and construction, automobile, maritime, aviation, leisure and tourism etc, but, many sectors including medical services and supply, retail, food processing, health care, E-commerce, Information Communication Technology sector did not faced effects. This scenario pushes for the implementation of digitalization in order to ensure development and growth of MSME's. (Kuckertz, et al., 2020)

Many researchers have pointed out the many hindrances in the way to digitalization, these were categorized as, technological, technical obstacles, organizational obstacles, human resource obstacles and customer related obstacles. MSME's are financially not very strong, they have financial constraints, hence are not having technological resources instantly available to them and therefore not able to conveniently adopt and upgrade technology. In addition they are not in possession of good economical technological infrastructure. Organizationally digitalization needs technological application with the objective of change in managerial concepts organizational structure, business processes, products and operations in order to get benefits of digitalization. On human resource front MSME's face the obstacles of qualified staff for providing services which would also require problem solving skills by all the employees of organization. Unclear needs of customer, problems in transferring benefits to customers, fears of customers regarding knowledge shared to firms, privacy issues and security concerns are obstacles which are customer related to be faced by the MSME's in case of digitalization of business. (Sophie Peillon, & Nadine Dubruc, 2019), (Paschou, T., Adrodegari, F., Rapaccini, M., Saccani, N., & Perona, M., 2018), (Lerch C, & Gotsch M., 2015), (Klein, M. M., Biehl, S. S., & Friedli, T., 2018), (Mittal, Khan, Romero, & Wuest T., 2018)

The strategies adopted by firms for adopting digitalization must be integrated with the transformation of business and exploitation of opportunities for getting benefits of digitalization. That not only depends on the technology but on strategies adopted by firms also play an important role in the digitalization. The steps taken up by firms like changes in structures of organization, business process and products are evident of this factor. (Kane, G. C., Palmer, D., Phillips, A. N., Kiron, D, & Buckley, N., 2015)

Most of the businesses may have understood the essence of digitalization, but many challenges are impeding their progress towards initiation and reaping the benefits of digitalization. They are encountered by the challenges at all three stages, either at initial or execution or lastly at coordination stage. Business face obstacles in the form of enhanced application threats and costs, deficient process of business, poor technical expertise and deficiency in IT structures. (Westerman, G., Calm  jane, C., Bonnet, D., Ferraris, P., & McAfee, A., 2011), (Schumann, A., Assenmacher, M., Liecke, M., Reinecke, J., & Sobania, K., 2014).

One important obstacle as cultural factor is pointed out by study. Towards this factor business observe a behaviour of underestimation and normally attention is not paid towards this factor by the businesses. Cultural obstacle relates to the reluctance or resistance of people towards the change. People observe a behavior of disinterest regarding the need of revolutionary change brought about by the digitalization. (Albrecht, J., 2015)

Digitalization will enhance the numbers of elements involved in process of value creation, products complexity and capability and resources required for their creation and support. These new factors will need new capacities,

coordination and resources. This will in fact require shift from conventional research and development to a system where an impressive customer service, new systems of management, consolidated methods of IT systems and services are functioning through the innovative system of management. ( Lerch C, & Gotsch M., 2015)

## CONCLUSION:

The digitalization of MSME's would result in the development and growth of MSME's and enabling them in acquisition of new knowledge and skills in fostering further growth. Digitalization would help decision makers in achieving growth, development and sustainability of their business and enable them in using options related to different strategies, proper utilization of resources and development of skills in business. But, still some MSME's are not implementing digitalization policies as it should be. Low awareness, in effectiveness in transfer of knowledge, insufficiency of knowledge regarding information technology, low information about supply chain and marketing activities have caused in un-optimal gains from benefits of digitalization. Many obstacles are faced by MSME's in order to digitalizing the firm. Technical problems, human resource problems, customer related problems and some problems related to the organization are also faced by the MSME's. Firms cannot be ignorant of the chances for growth made available by digitalization. In this competitive environment, this may prove need of the hour for the struggling firms for ensuring and achieving their survival and growth, but this should be done by setting aside obstacles in the way of digitalization.

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