

Role of Digital Transformation in Small and Medium Sized Enterprises (Smes) Sustainability

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ABSTRACT:

SMEs are a major contributor to the economy of India. These small units serve as a backbone for the economy and therefore their businesses need to grow. In addition, a billion users on social media platforms are greatly influenced by the content specifically designed to attract customers. Social media marketing holds a gateway of opportunities for small businesses to generate leads, make huge profits, and even reach for an international platform for their products. While there are multiple strengths and opportunities of SMM to the SMEs, it was found that they possess some weaknesses and threats as well, and hence while some SMEs can perform better, some cannot. Because of the lack of knowledge on the functioning, utilization of SMM and lack of innovative management and knowledge, not all SMEs could adapt to these platforms and for some who had very basic knowledge about SMM but lacked in a professional sense and as a result, could not live up to their full potential. There is a need for SMEs to explore SMM as a tool for greater benefits. Workshops or training programs can be inducted by the SMEs to educate the workers about social media marketing to promote business locally as well as grow enough to build it up on an international scale too. However, through SWOT analysis and case study conducted, it can be concluded that with several SMEs operating in India and a great number of social media users, the positive impact of SMM weighs over the negative ones.

KEYWORDS: MSME, Entrepreneurship, starts up, seed money, Business

Introduction

Indian MSMEs have historically followed the traditional path, catering to domestic markets via direct-to-consumer (D2C) or as a component of the value chain of B2B giants. With the ever-changing demands and tastes of their clients, they are increasingly attempting to cope with industry dynamics by developing innovations and customizations in their services. According to IBEF, the number of registered MSMEs increased to 2.5 million in 2020 as a result of the implementation of the Udyog Aadhaar Memorandum Policy. According to IBEF estimates, there are around 6.3 crore MSMEs in the country now. As per the Ministry of Statistics & PI, the share of MSME Gross Value Added (GVA) in India's GDP for the year 2019-20 was 30 percent.

Indian MSMEs produce more than 6,000 products for local and international consumption. According to DGCIS data, the value of MSME-related commodities in India was \$147,390.08 million during the 2017-18 period. These statistics clearly show the valuable contribution of this sector to India.

The MSME industry is more susceptible to negative impacts on its supply chain, labor supply, and market demand for goods and services than bigger firms. This is primarily because MSMEs in

comparison with large industries, do not have adequate resources, particularly monetary and administrative, and are not prepared for such long-term disturbances. According to rough estimations, the COVID-19 pandemic impacted MSME incomes by 30 to 50 percent. Many businesses in this sector have run out of both cash and capital, while many others are on the edge of a collapse.

Information and Communication Technology (ICT) can cause a gigantic growth in the socio-economic advancement of the Indian economy by helping the MSME sector to re-invent and digitalize for better productivity and higher profits.

To a large extent, the question of whether the MSME sector needs to jump onto the digitalization bandwagon is an old story now. Digitalization is not really a choice but rather a necessity, which will bring about stability to their business performance and broaden their reach. In a survey conducted by MSC in India, Indonesia, Kenya, and the Philippines, it is unfortunate that only 38 percent of respondents have revealed that they either increased the use of digital payments or started using digital methods of payment for their deals and transactions.

Importance of Digitization in Digitalization Of MSMEs

The Indian MSME minister, Mr. Nitin Gadkari, said, “MSMEs digitization is one of the wisest solutions to fix almost all issues. Moreover, it helps make small businesses transparent, result-oriented, and time-bound.”

However, 90% of MSMEs haven’t yet adopted digital solutions. What’s more alarming is the digital transformation in these businesses is extremely slow, just like a snail’s walk.

Did you know that according to Singapore’s first-quarter economic survey in 2019, the companies adopting digital tools spiked their value and productivity by 25% and 16%, respectively?

Essential Areas MSMEs Must Focus on Digitization

The digital transformation in MSMEs produces an elite impact on the overall growth and value. The tech tools are boon, especially for eCommerce and service-based businesses to garner customers from anywhere at any time.

Whether finance or security concerns, digitization resolves each issue without a hitch. Now, it’s time to look into some important areas that require technological advancement.

- **Finance**

Although most of the companies in the earlier days were self-funded, nowadays, the startup requires huge credits to survive and grow. That’s why it’s essential to enroll in various government initiatives such as MUDHRA to enjoy adequate funding.

In general, government funding consume more time for processing related documents. So, switching to reliable fintech company policies is a wise option. Several credit offering fintech companies help you avail of massive funding at minimal Interest rates.

- **Project Management**

Project management is another important area to look after for the smooth functioning of a business. Usually, the micro, small, and medium enterprises boast 10, 50, and 250 employees. So, it’s freaking hard to manage the workflow during various operations.

- **Marketing**

The major concern for micro to medium businesses is marketing. The local laws and policies are major barriers for MSMEs to reach audiences across states. This is why it’s important to focus on digitizing

marketing operations in an enterprise to reach a wider audience across the globe.

For instance, the social media handles such as Facebook, WhatsApp, Instagram, or Pinterest help engage and nurture an audience. As a result, it drives sales and conversion rates incredibly.

Research from the Endurance International Group found that 50% of MSMEs switched to digital tools, including WhatsApp and video conferencing tools, to manage day-to-day operations. Not only do these tools contribute to business revenue, but they also build robust consumer-centric brands.

- **Security**

One of the essential areas that companies should consider is security. As the business grows, it should focus on advanced security systems to protect internal and external data from hackers.

The lack of cybersecurity systems results in several issues for customers and businesses. In contrast, the efficient security systems in a workspace ensured minimal liabilities, compensation, and expenses.

- **Customer Engagement & Interaction**

The last key area MSMEs should digitize is customer engagement and interaction. Whether a service-based business or an eCommerce, customer interaction and engagement play a crucial role.

Several businesses are leveraging chatbots, review sites, websites, email marketing, contact forms, forums, and social media to enhance customer interaction. Although it's pretty overwhelming, the proper usage of these tools ensures credibility and garners customer trust.

On the other hand, businesses should focus on customer engagement to drive them to purchase more and more. A few ways to engage consumers include blogs, social media updates, email marketing, and YouTube videos.

Analysis of Social Media Marketing Strategies on SMEs

Social Media Marketing The data on internet users speaks of the ascent of social media platforms and further, with The availability of multiple platforms like Facebook, Twitter, Instagram, Whatsapp, and LinkedIn allows businesses to market their products in multifaceted ways and achieve the attraction of consumers of all kinds. Below mentioned are the marketing models of certain platforms that can be adopted by SMEs:

- **Facebook:** Facebook has a global presence of 2 billion; marketing through Facebook builds trust and motivates users to sign up instead of selling directly. Facebook's marketing model includes sharing videos, posts, stories, and demographics-based targeting and paid models for boosting pages and ads (Nayar, 2019b).
- **Instagram:** It has a base of 700 million active users per month; with multiple features like stories, IGTV, posts, reels, insights, and many more that Instagram launches. It serves as a great platform for local businesses, B2C businesses, lifestyle brands, etc. to maximize their reach, keeping in mind the target audience is millennials and teens (Nayar, 2019b).
- **Whatsapp:** The monthly active users on WhatsApp exceed 1300 million; it serves as an amazing platform for e-commerce, travel & tourism, individual service provider businesses to connect with their customers. With the rollout of payment options alongside Paytm, Google Pay, etc. it has served to be a very efficient and accessible platform to conduct business. In research from Nayar (2019b), it was stated that 'Whatsapp maps user's behavioural data by using it as a data repository by Facebook which is then used to focus on relevant products to leads'.
- **Youtube:** Youtube has monthly active users of 1.5 billion which serves as the best video sharing platform for local and B2C businesses. Through the use of videos, gives credibility to the product

with honest reviews and customers get the benefit of availing themselves of this opportunity for cross verification before purchasing. The marketing model includes sharing of content through transitional videos to increase engagement and views (Nayar, 2019b).

Social Media Marketing Strategies for SMEs -Pertaining to the data cited above, one can identify that social media has become a part and parcel of everyone’s lives not only as a source of entertainment but also as a generous platform for SMEs. While initially, SMEs tended to only focus on traditional methods of marketing, with the rise of digitization the focus has been shifting towards social media marketing. Since SMEs are the backbone of the Indian economy, they must understand globalization and partake in the trend of social media marketing. While digital marketing has been changing the entire scenario of the marketing industry, it varies from business to business. The key difference between B2B and B2C digital marketing is the audience. While in B2B, customers want to know about all the information which is packed accompanying the technical aspects of it, in B2C, the customers want to know about the product/service in a more colloquial manner (Singh, 2019). Therefore for SMEs, it i

SWOT Analysis

	STRENGTHS	WEAKNESSES
1	Increase in Revenue: Upgradation of technology and creating a digital presence alongwith strategies utilized for SMM can help SMEs to increase their engagement rate in addition to reaching out to the customers locally as well as globally. Diversified customers can decrease the risk potential across different locations and could drive sales to umpteen amounts, hence increasing revenues for SMEs	Lack of Knowledge about Tech-Enabled Services: Most of the SMEs in India, exist in rural and semi-urban areas and the owners are still unaware of the tech-enabled services. Lack of knowledge with a mix of scepticism results in low engagement towards social media platforms. A lot of SMEs are missing out on opportunities and hence the government took the initiative of Digital India, which focuses on bringing SMEs to an
2	Sustainability: When a business adopts social media marketing over traditional methods, it significantly helps in reducing carbon footprints through less generation of wastage. Therefore, when SMEs use the strategies of social media marketing they somehow take an approach towards sustainability and create opportunities for the generation of positive outcomes for the environment.	Competitive Disadvantage: While SMEs are leveraging the power of social media for their marketing strategies, coupled with transparency and cost efficiency, their reach can be hampered by the SMEs/brands who are doing better under similar niches. This comes off as a competitive disadvantage on the part of SMEs which have just begun to use SMM and are not completely aware of the methods and techniques (Ph.D. Chamber Of Commerce & Industry And Mazars, 2016).

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Conclusion

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