

Role of digital payment in the growth of MSMEs Sector

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Abstract: MICRO SMALL MEDIUM ENTERPRISES acts as power engine for the development of Indian Economy. The main aim of this study is to examine the role of digital payment system in the growth of MICRO SMALL MEDIUM ENTERPRISES sector. Digital payment provides convenience, safety, security to merchants as well as to customers. Going digital is not a wrong choice for merchants. It helps them to reach out to more customers and expand their customer base. Uttar Pradesh had largest no of MICRO SMALL MEDIUM ENTERPRISES around 89.99 lakh with share of 14.20% of MICRO SMALL MEDIUM ENTERPRISES in the country.

The purpose of this paper is to study various factors that affect MICRO SMALL MEDIUM ENTERPRISES and to significance of digital payments for the upliftment of MICRO SMALL MEDIUM ENTERPRISES. This paper will stress upon the key points of digital payments and government contribution for awareness of digital payments in the society with respect of MICRO SMALL MEDIUM ENTERPRISES sectors. This paper also helps in knowing the benefits of digital payments. Furthermore, it will also be helpful in making future policies by government regarding digital payments for MICRO SMALL MEDIUM ENTERPRISESs. The study could provide new insights into the value of digital bank contribution to the growth of MICRO SMALL MEDIUM ENTERPRISES in rural and peri-urban areas. This paper contains necessary suggestion that can be adopted by MICRO SMALL MEDIUM ENTERPRISES and government for increasing the contribution of digital payments in MICRO SMALL MEDIUM ENTERPRISESs.

Keywords – Digital banking, MICRO SMALL MEDIUM ENTERPRISESs, security, banking transactions

Introduction

MICRO SMALL MEDIUM ENTERPRISES has become a foundation of Indian economy. There are 60,84,1245 MICRO SMALL MEDIUM ENTERPRISES In India (according to GOI annual report 2018-2019). After agriculture, MICRO SMALL MEDIUM ENTERPRISES's has emerged as 2ND largest employment

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generation sector. It provided around 11 crore jobs. It contributes around 30% in country GDP, 5% in manufacturing output, 48% in country export. As we all know that Indian economy is moving from traditional transaction to digital transaction where monetary transactions are conducted over internet by using mobile phone, laptop etc. Continuous development of technology and digitalization has changed the way of operating business, consumer spending and purchasing behaviour. Digital payment has made people's life easier. They can make payment from anywhere and anytime there is no need to visit bank.

Incorporation of digital payment in MICRO SMALL MEDIUM ENTERPRISES sector has offered various opportunities to grow and strengthen the business. Digital payment provides various modes of payment options to customers as well as merchants. In order to cater the need of consumers better as compared to the competitor, to increase the sale of business MICRO SMALL MEDIUM ENTERPRISES needs to adopt Digital payment infrastructure. Otherwise it might be possible that they lose sale opportunity.

On 21st Sept 2019 Nasscom, DSCI, MeitY and Google India has introduced a Digital Payment Abhiyan to promote cashless transaction and creating awareness about benefit of making cashless transactions. According to another report of a bank for international settlement, digital transaction in India increased by 55% in 2020. Digital payment adoption has positive impact on MICRO SMALL MEDIUM ENTERPRISES growth 47% micro enterprise and 53% Small medium enterprises adopted digital payment ecosystem. (CRISIL report in "Big Digital shift"). Digital payment gateway helps MICRO SMALL MEDIUM ENTERPRISES in the following ways-

- a) To increase their customer base
- b) Reduce payment execution time,
- c) Helps in managing business operation
- d) Increase business visibility,
- e) Reduce chances of human error in managing transaction and enhance customer experience and satisfaction.
- f) Provide monetary benefits such as cashbacks and discounts.

As a partner in the digitalization effort, Ministry of micro small and medium enterprises and its attached offices have adopted digital payment ecosystem.

According to annual report of MICRO SMALL MEDIUM ENTERPRISES (2019-20) total 86.51% in no digital transaction conducted up to December 2019.

| Digital Transaction for the Ministry of MICRO SMALL MEDIUM ENTERPRISES and its attached offices | | | | |
|---|---|-----------------------|--|--|
| S.No | Name of the organization | Number of Transaction | | |
| | | Total transactions | By Digital Means (No of Transactions) | Percentage (No of Digital Transactions) |
| 1 | KVIC | 4690036 | 3964381 | 84.53% |
| 2 | NSIC | 134815 | 122329 | 90.74% |
| 3 | DC OFFICE | 103842 | 85675 | 82.51% |
| 4 | COIR BOARD | 22983 | 19071 | 82.98% |
| 5 | NIMICRO SMALL MEDIUM ENTERPRISES | 4803 | 4245 | 88.38% |
| 6 | MGIRI | 1390 | 1250 | 89.92% |
| | Total | 4957869 | 4196951 | 86.51 |

I. Government Schemes-

Government of India has also realized that the full potential of MICRO SMALL MEDIUM ENTERPRISES's are still untapped. Around 63 million MICRO SMALL MEDIUM ENTERPRISES's are engaged in various types of economic activity. The government also believes that inclusion of digital payment gateway will open up various opportunities in front of MICRO SMALL MEDIUM ENTERPRISES.

A. Digital Saksham

In order to encourage MICRO SMALL MEDIUM ENTERPRISES to adopt and increase use of Digital payment tools, CII brought a MOU with Mastercard and NiMicro small medium enterprises to introduce **Digital Saksham**. Digital Saksham aims to provide training and creating awareness to owners of MICRO SMALL MEDIUM ENTERPRISES which helps in increasing competitiveness, digitize market access, diversify market base and provide support to become digital. Under this project around 3 lakh MICRO SMALL MEDIUM ENTERPRISES will get training to adopt Digitization.

B. Digital MICRO SMALL MEDIUM ENTERPRISES-

This Scheme launched by GOI encourages use of ICT tool by owners and entrepreneurs of Micro small medium enterprises. It helps in increasing efficiency, competitiveness and reducing cost of operation. GOI provide Rs-85705 crore to digital MICRO SMALL MEDIUM ENTERPRISES scheme.

C. MICRO SMALL MEDIUM ENTERPRISES Samadhaan

It is an online portal which helps in solving delayed payment issues to MICRO SMALL MEDIUM ENTERPRISES. They can file their online application if they have Udyog Aadhar Memorandum, must have record of all purchase data evidence of delivery of orders.

D. My MICRO SMALL MEDIUM ENTERPRISES

The Ministry of MICRO SMALL MEDIUM ENTERPRISES launched 'My MICRO SMALL MEDIUM ENTERPRISES' app for mobile phones to address delayed payments via MSEFC portal.

E -Upcoming Project of Government-E- Commerce portal for MICRO SMALL MEDIUM ENTERPRISES- In order to enhance marketing and increase sale of MICRO SMALL MEDIUM ENTERPRISES product government is planning to launch E- Commerce portal with Amazon which help MICRO SMALL MEDIUM ENTERPRISES sector enhance and become global brand. Based on current data Amazon generated Rs 70,000 crore annual sales for MICRO SMALL MEDIUM ENTERPRISESs. Government aims to increase share of MICRO SMALL MEDIUM ENTERPRISES contributions in GDP from 30% to 50% in coming next 5 years.

II. Literature Review

K.UmaMaheswari, T.Danalakshmi- the study focused on "Digital and Cashless Economy on MICRO SMALL MEDIUM ENTERPRISES they found that adoption of digital payments helps MICRO SMALL MEDIUM ENTERPRISES in increasing their business efficiency and it cuts down the cost and time of business transactions.

In another study by Pankaj Mishra found that only 6% enterprise has adopted the digitization due to low level of digitalization awareness, unavailability of talented human resource, cost of adoption etc. Digital transformation adoption enhances the development of economy.

Dr. Parul Sharda-the study focused on "Review of steps taken by government for MICRO SMALL MEDIUM ENTERPRISES's in digital India he found that Indian economy is slowly moving towards a digital economy. Government of India has made various effort for digital transformation of MICRO SMALL MEDIUM ENTERPRISES which has a positive impact on this sector.

Koroleva & Kudryavtseva, 2019 The study was conducted with 182 respondents in the bank and formulated the regression modal to show the impact of digital payments on MICRO SMALL MEDIUM ENTERPRISES and concluded with the development MICRO SMALL MEDIUM ENTERPRISES with the help of digital banking services.

(Nazaritehrani & Mashali, 2020) a study has been done on e-banking by exploring 22 problems of e-banking from the customers of SBI and Corporation bank in Thiruvananthapuram district (Dhanya & Velmurugan, 2020) The main aim was to study a comparative analysis of effect of e-banking in the MICRO SMALL MEDIUM ENTERPRISESs.

III. Another research project was undertaken to study the adoption of digital banking services and other related issues among 100 rural people from the Sivasagar region of Assam in India (Neog, 2019). The study examined factors that contribute to digital bank acceptance by retail bank customers using the top 200 customers. The theoretical model was developed based on an expanded technology adoption process to consider the interaction between factors affecting digital banking adoption (Ananda et al., 2020) So this research gap could be a possible study. In addition, a previously developed study takes the same sample unit (Meher & Gupta, 2020a, 2020b; Lokesh & Hawaldar, 2018; Lokesh et al., 2017). Therefore, this paper is an attempt to determine the significant dynamic digital bank that positively affects MICRO SMALL MEDIUM ENTERPRISES growth by looking at the value of the various coefficients observed in this study and building a model that represents the impact of various good reasons for using digital banking in MICRO SMALL MEDIUM ENTERPRISES growth in India.

IV. Objectives –

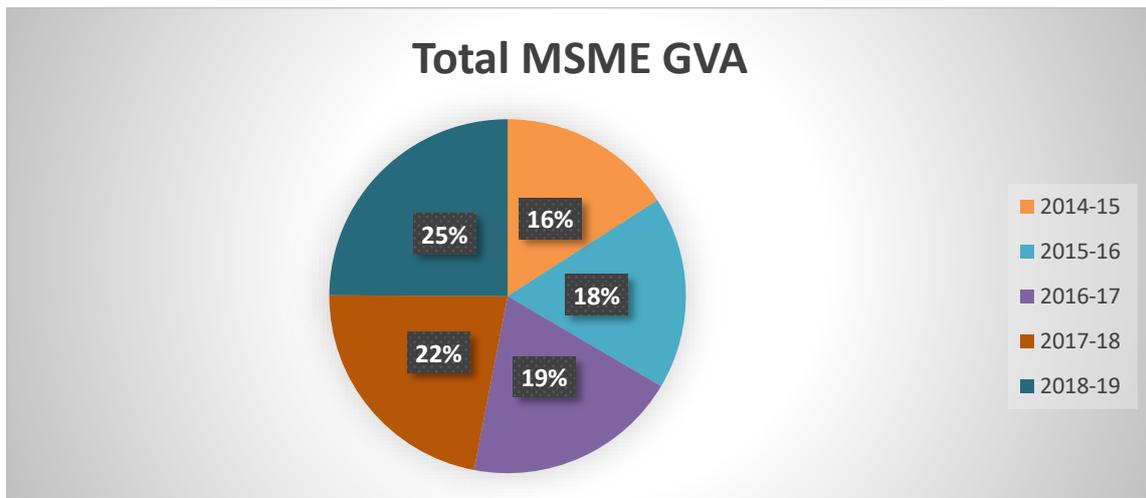
- 1- To study the importance of digital payments in MICRO SMALL MEDIUM ENTERPRISESs.
- 2- To study the role of digital payment for growth of MICRO SMALL MEDIUM ENTERPRISESs
- 3- To analyze the necessity of cashless or digital payments for the growth of MICRO SMALL MEDIUM ENTERPRISES

V. Research Methodology –

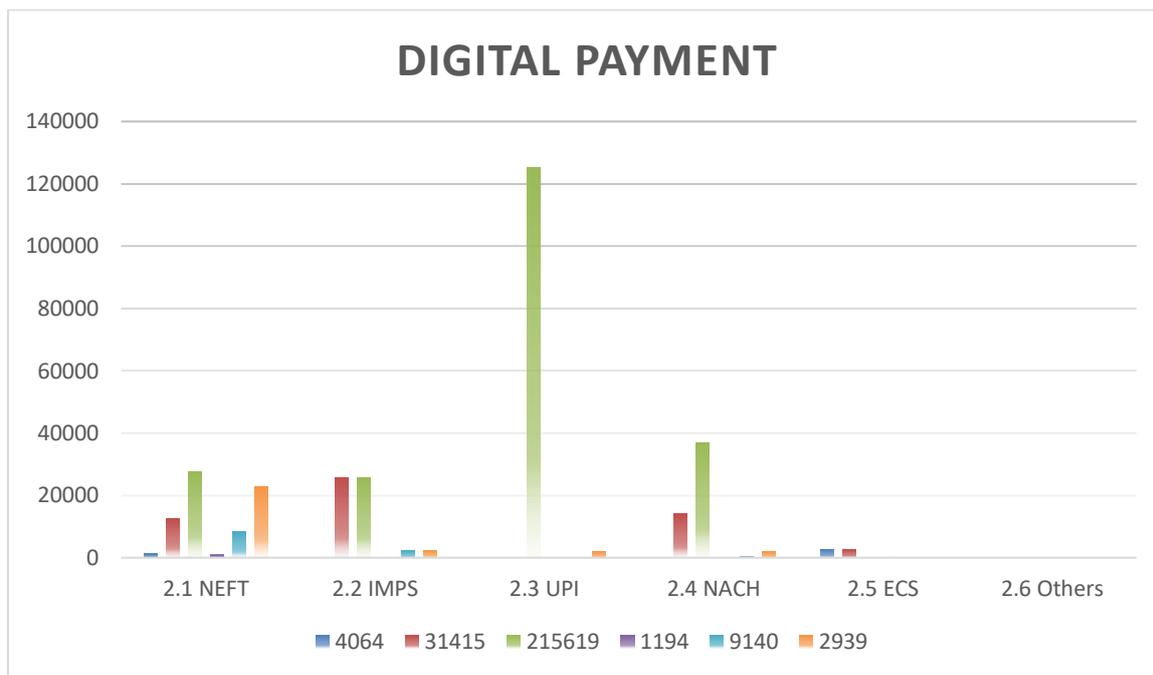
This study is based on secondary data sources like MICRO SMALL MEDIUM ENTERPRISES journals, annual reports, research papers and various articles. The research design which is being used is descriptive and analytical in nature.

Data analysis-

| Year | Total MICRO SMALL MEDIUM ENTERPRISES GVA | Growth (%) | Total GVA | Share of MICRO SMALL MEDIUM ENTERPRISES in GVA (%) | All India GDP | Share of MICRO SMALL MEDIUM ENTERPRISES in All India GDP (in %) |
|---------|--|------------|-----------|--|---------------|---|
| 2014-15 | 3658196 | - | 11504279 | 31.80 | 12467959 | 29.34 |
| 2015-16 | 4059660 | 10.97 | 12574499 | 32.28 | 13771874 | 29.48 |
| 2016-17 | 4502129 | 10.90 | 13965200 | 32.24 | 15391669 | 29.25 |
| 2017-18 | 5086493 | 12.98 | 15513122 | 32.79 | 17098304 | 29.75 |
| 2018-19 | 5741765 | 12.88 | 17139962 | 33.50 | 18971237 | 30.27 |



| | | | | | | |
|--------------------------|------|-------|--------|------|------|-------|
| Credit & Debit Transfers | 4064 | 31415 | 215619 | 1194 | 9140 | 2939 |
| NEFT | 1323 | 12529 | 27445 | 939 | 8327 | 22946 |
| IMPS | | 25792 | 25792 | | 2338 | 2338 |
| UPI | | | 125186 | | | 2132 |
| NACH | | 14041 | 36979 | | 380 | 1976 |
| ECS | 2741 | 2638 | 19 | 255 | 271 | 5 |
| Others | | | 198 | | | 1 |



VI. Suggestion

India has been accepting digital payments very quickly over the past few years. Transaction prices grew in the CAGR of 55.1% from 2015-16 to 34.3 billion in 2019-20. In terms of value, digital payments stand at Rs. 1,623.05 lakh crore for 2019-20, growing at the CAGR of 15.2% over the same period.

Razor-Pay founder and CEO Harshil Mathur has confirmed that the first major categories for digital payments were food and beverage, transportation, and financial services.

Clearly, the most volatile impact of digital integration into India’s largest MICRO SMALL MEDIUM ENTERPRISES sector. By logging in to e-commerce platforms, they can reach a larger customer base. Missing the digital bus makes it even more unbearable considering that customers are now opting for digital transactions. Also, digital transaction provides a credit record for MICRO SMALL MEDIUM ENTERPRISESs, making it easier for them to obtain credit. In addition, fraud and duplication of payments will decrease as the economy shifts sharply to digital operations.

‘Indian MICRO SMALL MEDIUM ENTERPRISES Impact Report, 2019’ by fintech company Instamojo concluded that easy transactions and financial incentives for customers make up about two-thirds of the MICRO SMALL MEDIUM ENTERPRISES tested. Another 20% saw value from customer preferences in digital payment technology, data security, and synchronization. The benefits of being part of a powerful digital payment system are recognized by MICRO SMALL MEDIUM ENTERPRISESs. From that perspective, COVID-19 is simply accelerating the transition to the ongoing digital payment, and many companies are recognizing the cost of not taking it seriously. Going forward, MICRO SMALL MEDIUM ENTERPRISES using digital technology will be better equipped to ride the wave of economic recovery and lead to growth from before. Research shows that about 5-6% of Indian MICRO SMALL MEDIUM ENTERPRISES make full use of digital technology in their operations - this contributes to their competitiveness in global and domestic markets.

VII. Conclusion

Manyresearcheshave been conducted post the MICRO SMALL MEDIUM ENTERPRISESs’ digital transformation, which indicates that all these transformations are likely to stay permanently. If we go through the historical time of the financial crisis of 2008, 9/11, or Y2K, all have adopted new

ways of running a successful business. The Y2K crisis led to the emergence of IT outsourcing globally. If we talk about the 9/11 crisis, it led to the emergence of doing business globally, which further helped in reducing the cost. The financial crisis of 2008 came up with the Fintech Industry. Further acceleration was given to this industry post-demonetization in 2016. All the digital transformations that have taken place in the past few months in the MICRO SMALL MEDIUM ENTERPRISES and small business sectors make them potential leaders of the future. Yet, it is difficult to analyze the overall impact of COVID-19 but using the digital platform of MICRO SMALL MEDIUM ENTERPRISES will help them stay relevant and strengthen their business operations for sure. Many of the digital transformations will leave their impact permanently. Creating a comprehensive digital eco and support system will help MICRO SMALL MEDIUM ENTERPRISES a lot.

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