



Research Paper

An Exploratory Study on Communication Technology and Globalisation on Marketing Strategies adopted by MSME firms in Developing Economies like India.

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Abstract: *Micro Small and Medium Enterprises (MSME) in India are extremely important in achieving macroeconomic indicators like reduction in poverty and employment. Their growth is imperative for a developing country to become a developed one. It is this sector that the surplus workforce from the agricultural sector will find gainful employment. Globalisation, digital and other communication technology have and are helping to a great extent in increasing their reach, as well as earnings and eventually employment generation. The government has to put policies in place to encourage and enhance their growth potential.*

Research Question: *How has Globalisation impacted firms in India, especially MSME's? To what extent have marketing strategies changed for firms? Are they significantly different for large and MSME firms? If so what are the differences and how are they addressed? What is the impact of Communication Technology on these firms? These and many such questions will be addressed in the course of this paper.*

Key Words: *Sustainable GDP, Jobless Growth, Demographic Dividend, Dependent and Independent workforce, Missing Middle*

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I. Introduction

A developing economy requires a sustainable GDP of above 8% per annum to achieve the goals it has set out for itself. India achieved independence some 75 years ago but the progress with respect to GDP and other parameters like reduction in poverty, and inequality, rising incomes of the farmers, increasing employment and sustainable development are lagging behind.

The normal path that an economy follows in its course to be a developed one is the reduction of the dependency of the workforce on the agriculture sector to the manufacturing and services sector of an economy. Besides the workforce, the contribution of the sector to GDP should increase from the manufacturing and service sector and start declining for the agriculture sector. What this essentially means is that the share of the agricultural sector (in GDP as well as in supporting the labour force) declines as the economy charts a path towards higher GDP growth.

India's major reform period started in the 1990s when it opened up the economy to the rest of the world and started encouraging globalisation and liberalisation. The impact of this was both positive and negative. Positive is that India would be a recipient of the growth process that the world economy would be experiencing. The negative would be that any downsize that is experienced by the world would also impact India. As a result of the reforms of the 1990s, there was an immediate positive impact and the GDP growth started rising.

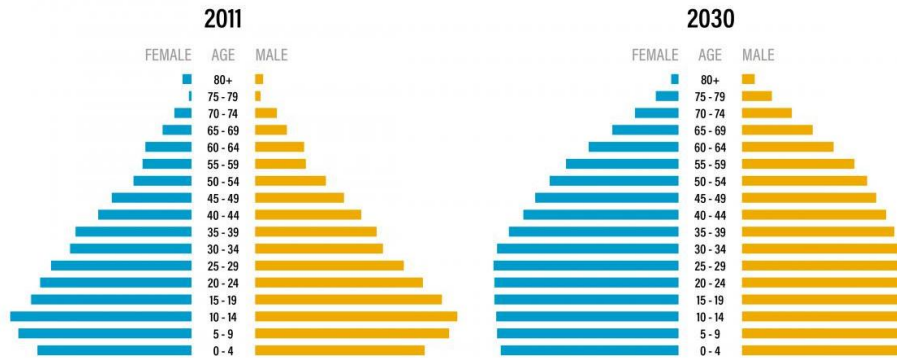
After 1991 there was a sudden surge and the GDP started increasing.

But what has been noticed in the context of India is a slow rate of non-agricultural job generation despite massive escalation in the GDP- a phenomenon described as "jobless growth" by Nick Pema in the early 1990s. Policymakers, academicians and political analysts have time and again shifted focus on the alarming situation of jobless growth in India, especially in the last two decades. Recent estimates of the National Sample Survey Office (NSSO) for 2017-18 show that India's joblessness was 6.1% of the labour force, which is amongst the highest ever since 1972-73. Yet another unique feature of India's journey of jobless growth is the employment pattern registered for rural women. Between 2004-05 and 2009-10, nearly 22 million women left agricultural work. While the first half of the 2000s witnessed a steep rise in the female agricultural employment which was distress driven, the second half of 2000s had an equivalent withdrawal of women from the labour

force. What has been noticed as the possible reason for the movement of women back to household during the second half of 2000s is the improvement in the availability of income earning opportunities for male members of the family. Thus, one can conclude that women enter the workforce only to supplement the income of male members of the family and if they start earning decently well, they withdraw from the workforce. This could then be taken to be one of the factors of declining employment while growth was increasing.

The most important factor in India today is the potential advantage of demographic dividend; this can be defined as a large number of labor force (essentially in the age group 18-60 years) which is available for employment. This age group is called the independent workforce as against the dependent population which consists of the age group 0-18 years (children) and above 60 years (older people).

Figure 1: Visual Representation of Indias Demographic Dividend



Source:wri-india.org

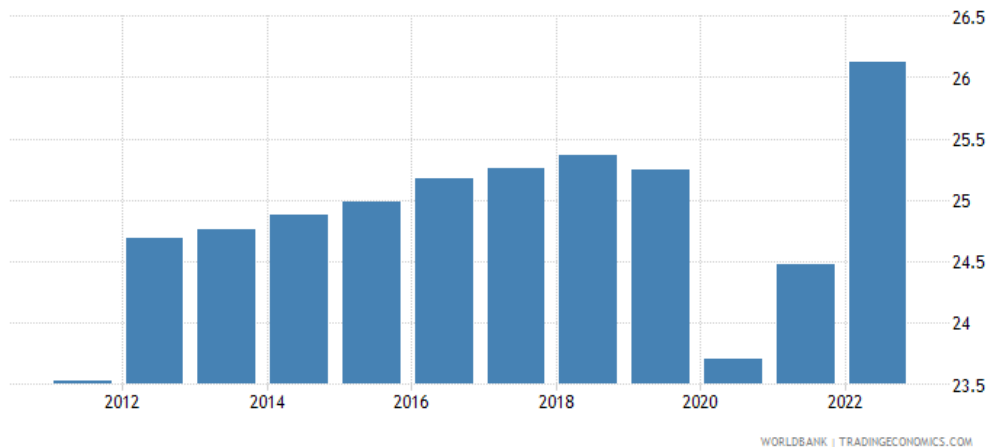
Manufacturing sector, which is deemed to be the backbone of any economy, has largely remained as a “missing-middle” for Indian terms of the employment generation.

Table 1: GDP growth rate from 2005 onwards in India.

Year	GDP
2005	7.92%
2006	8.06%
2007	7.86%
2014	7.41%
2016	8.26%
2018	6.45%
2020	-5.83%
2021	9.04%
2022	7.24%

Datasource: World Bank

Figure 2: India’s Employment in Industry (% age of total employment)



Source: Tradingeconomics.com

Tables 1, and Figure 2, indicate the relationship between GDP growth rate and manufacturing employment in India

India needs to take advantage of its demographic dividend, for this it is extremely essential that it develops the MSME (Micro and Small and Medium Enterprises).

2. Definition of Micro Small and Medium Enterprises in India (MSME's)

The definition in India of Micro, Small and Medium Enterprises hence known as MSME can be defined either in terms of employment or in terms of value.

In terms of employment, MSMEs are those sets of industries with fewer than 50 employees (Small Enterprises {SE}), while Medium sized enterprises (ME) are those with less than 250 employees. Besides these, there are micro companies which employ up to 10 people. The current definition of SE has been enhanced in terms of the turnover as well as the number of people which is in line with the market and price conditions. The reason that this has been done is that the government tries to encourage the growth of this sector by giving a lot of incentives so that there is a positive impact both concerning the number of people employed as well as their turnover.

The government aims to develop this sector to not only produce for domestic demand but also encourage them to export. Both these factors will automatically lead to higher GDP growth, economic activity, and aid in creating jobs.

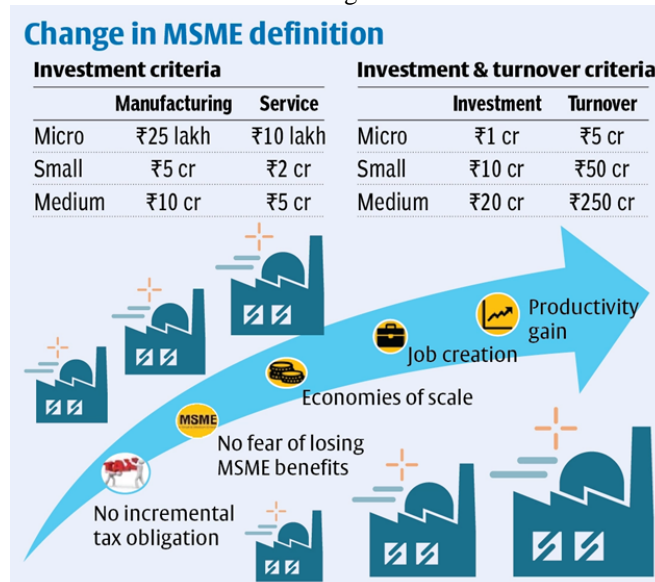
The Ministry of MSME has adopted the role of hand-holding such enterprises to achieve the above-stated objectives.

In terms of value, MSMEs is an important contributor to the growth of GDP. They have made a significant contribution to the manufacturing, processing and preservation of various products. They consist of:

- Micro enterprises which have an investment of not more than rupees one crore
- Small enterprises which have an investment of more than rupees one crore but less than rupees ten crore
- Medium enterprises which have an investment greater than rupees ten crore but less than rupees fifty crore

They are a vital contributor to the economy's economic growth. They create job opportunities and help in the development of backward and rural areas. This sector contributes almost 8% of the country's GDP around 45% of manufacturing production and 40% of exports. They employ 46.6 million people as per the national sample survey of 2019.

Image 1: Definition of MSME according to Investment and Turnover Criteria.



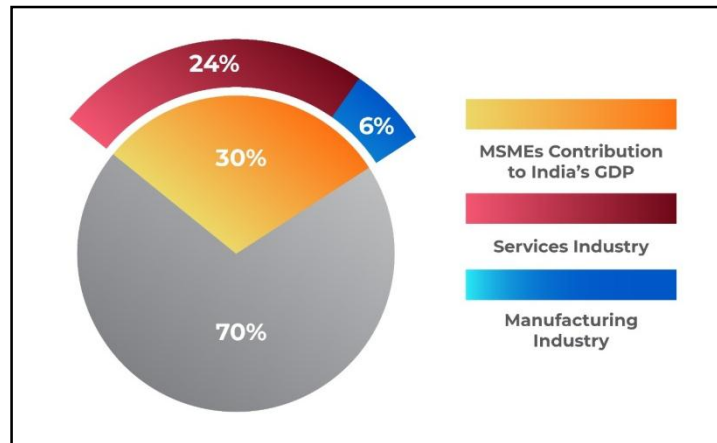
Source: CMIE

The major advantage of this sector is its employment potential. The sector in India is highly heterogeneous in terms of the size of the enterprise, variety of products and services and levels of technology. It plays a critical role in the provision of employment opportunities at a comparatively lower capital cost than large industries. Besides this, it helps in the industrialisation of rural and backward areas, reduces regional imbalances and tries to achieve a more equitable distribution of income and wealth. The MSME consists of

several ancillary industries which are offshoots of much bigger industrial units. This is an important feature as it helps in the transference of technology to smaller units helping in the skilling of labour as well as using capital productively.

Figure 3: Contribution of MSME's to GDP

Source: PIB; Ministry of MSME.



3. Impact of Digital Technology on MSME'S achieving higher Targets

The rapid advancement of digital technologies has transformed marketing techniques for MSME'S in India. Advances in digital marketing tools for example the advancement of 'mobile digital application', has provided and is providing significant opportunities. This technology offers the opportunity to businesses to connect with clients on a regular basis. It is a platform through which the firm could connect with clients on a regular basis. It is used effectively in the advertisement of products and has the ability to attract new customers. The adoption of this type of technology can enhance MSME's efficiency, reduce costs and expand market reach, both at the domestic and at the international level.

The current scenario requires global entrepreneurs to adopt cutting edge technologies like Artificial Intelligence (AI), Machine Learning (ML), data enabled systems, internet based businesses etc, to become more efficient and gain an edge over their competitors.

Working as lower layers or ancillary industries, MSME are in fact the helping hand of large scale enterprises. For them to be efficient they need to improve the quality of communication and coordination with all stakeholders of the enterprise namely;

- Customers
- Vendors
- Peer MSME's that operate in the same or allied industries.

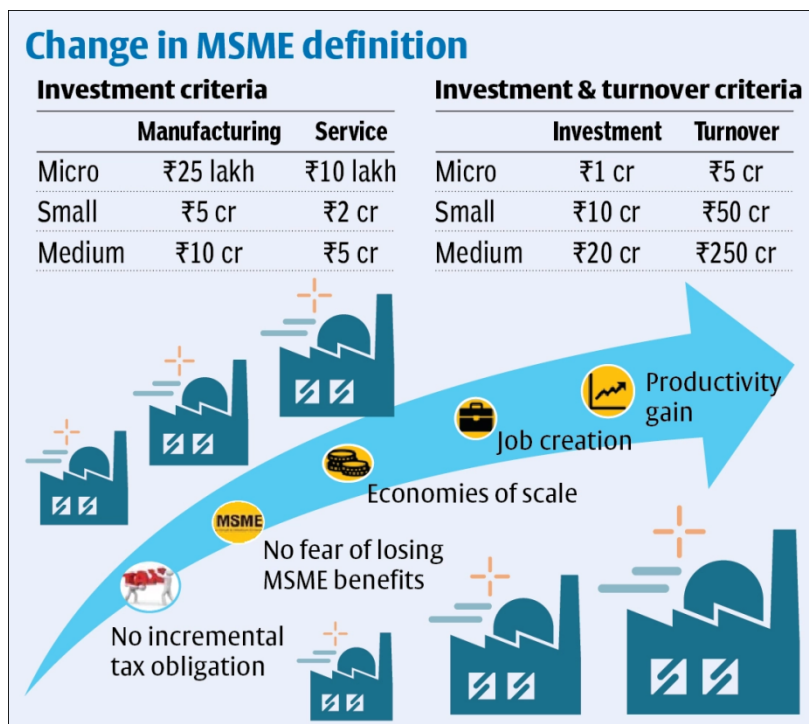
The adoption of ICT by these set of companies would provide them with a range of benefits that range from;

- Increasing efficiency
- Reduce costs
- Improve productivity
- Enhance connectivity with both vendors and customers
- Gain a competitive edge over competitors

All of the above would create a competitive edge over their competitors, resulting in creation of value for all stake holders. The adoption of ICT has become important for the company's sustainability and competitiveness (Kumar et al., 2023).

In the year 2022, (Kumar et al 2023) the breakup of MSME's in India was;

REGISTERED MICRO-ENTERPRISES:	96.17%
SMALL ENTERPRISES	: 3.49%
MIDSIZED ENTERPRISES	: 0.32%



In fact it was the global pandemic that changed the mindset of the MSME's in India. It brought about the awareness as well as the importance to survive lies in the adoption of ICT tools. The adoption of ICT started in India from 2000's. The earlier hesitation of adoption was due to:

- Lack of awareness of this technology
- Lack of understanding about the benefits and potential of ICT.
- High cost of adoption
- Lack of adequate financing.

4. Hindrances in the adoption of this technology

Despite increased awareness and growth in the adoption rate of ICT by MSME, several challenges still exist; these challenges can be categorized into *internal* and *external*.

Some of the **internal barriers** are;

- Behavioral intentions of MSME owner/manager to adopt ICT
- Cost of adoption
- Risk of failure
- Lack of knowledge and skills of the technology
- Return on investment

External barriers;

- Digital Infrastructure
- Social and Cultural barriers
- Legal and political environment

MSME's all over the world face different challenges in the adoption of ICT technology, but over and above this there are additional problems that are faced by MSME's in developing nations. These are;

- Marketing of their product
- Reaching out to their customers
- Keeping a track or inventory
- A large number of business men do not have access nor knowledge of ICT for marketing of their products, or reaching out to their customers

Research has indicated that the barriers that are preventing the adoption of ICT technology by MSME's can be divided into three distinct categories:

- Resource/infrastructure
- Human resource
- Technological environment

The above barriers range from limitation of resources and infrastructure, to human capital constraints as well as the complex technological landscape.

The ability of MSME's in India has increased in recent years due to the widespread use of internet facilities, which is among the cheapest in the world. Along with this is the availability of smart phones at reasonable prices. The problems that have arisen are the:

- Inadequacies in infrastructure
- Inadequate availability of electricity
- Lack of mobile towers and broad band.
- Data security issues

The above have discouraged usage and dependency for business use. This has specifically impacted rural based MSME, s that constitute 50% of the entire MSME sector.

The introduction of the Goods and Service Tax (GST) by the Government has made it essential for all enterprises big or small to file their invoices on the on line platform.

A robust inventory system incorporates a mix of software, hardware, mobile devices, and applications, data analytics solution and security tools. All these make it easier to deliver products to customers.

5.Problems to be addressed

Digital knowledge gap and execution- this requires education of the entrepreneurs in the implementation of the basics of these digital processes that would eventually lead to universal adoption.

*Barrier to set up costs-*the most basic issue is the cost of setting up these resources.

Complexity in integration- In theory it is clear that these are clear benefits in adoption of this technology, but it is difficult to implement in practice.

Cyber security and Data Privacy, Digital fraud- This involves problems of data theft, phishing and hacktivism.

Asymmetric power, platform dominance- There was an undeserved dependence, with a large number of sellers requiring making of fundamental changes to their business practices essential for their businesses to accommodate the rules of optimization on the existing platforms.

Persistent digital divide and infrastructure related issues- The presence of a large amount of cash and credit low value transactions creates difficulties for smaller retailers in their attempt to move towards digitilisation.

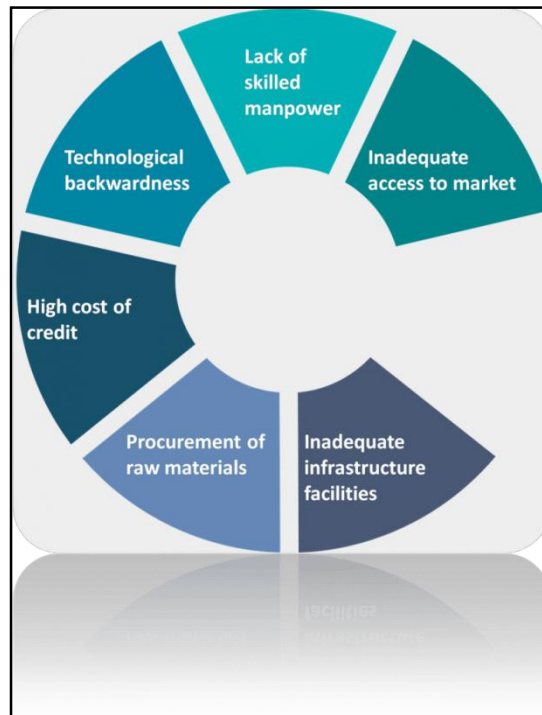
6. OBSTACLES IN THE PATH OF THEIR GROWTH PROCESS

The main issues that are involved in the growth of MSMEs are entrepreneurial judgments, (business acumen concerning knowledge in running a business), besides this growth of the firm, motivation to succeed and recognition of opportunities along withorganisationalcapability are extremely important. Besides the above, other factors are market factors, risk management and internal control, financial management and capacity.

In India, the specific issues are regulation and policy measures of the government. Very often both of them change in quick succession leaving the business owners at sea. For example, there could be changes in duties, changes in export and import tariffs, sudden pollution-controlling measures, increasing tariffs on the use of water and electricity etc. Besides these, there are financial difficulties and the most frustrating is the attitude of banks towards new business owners. These fledging companies also need help in access to global markets as well as a skilled workforce. The government has launched several MSME loans and funding schemes but there are several gaps which remain.

Most of these business owners have low credit ratings and may not have the collateral to qualify for a loan. Financial institutions in India are wary about lending to this sector as the risk of default is very high. Here, the government has to step in and help this very important sector.

Figure 4: Difficulties faced by the MSME sector



Source: CMIE

7. SOLUTIONS

As the MSME sector in India is considered important in achieving its macroeconomic goals of reduction in unemployment, poverty and inequality, it becomes imperative for the government to find a solution to increase their growth. The problems for this sector has been accentuated with the advent of globalization, and the widespread use of technology by firms all over the world. The main issue is the lack of finance and the ability to access, adapt and adopt technology. This can only be solved if the government intervenes. Given the strict control of non-performing assets (NPA) of banks by the central bank of India (RBI), the only way that finance can be dispersed to companies which do not have adequate collateral and or have a high tendency of default is with the government entering in to give finance and or surety for this sector.

The government of India has introduced some easy loan facilities, such as 'The Mudra Scheme' (primarily for finance to women entrepreneurs), and certain insurance schemes to protect this sector.

The other way is to adopt the business model that has been in place in Bangladesh called the 'Grameen Bank'. This is a form of cooperative made up of primary women whereby each one of them puts in some amount of money and they get shares in return. As and when any member needs a loan the money is loaned out to that person at a nominal rate of interest. What was seen in this model was that most of them returned the money on time and the money was effectively used to increase the business potential. Subsequently, there were issues which came up with this cooperative model. But taking all of this into account the government of India can come up with an acceptable, viable and efficient model of financing for this sector.

Figure 5: Picturisation of 'The Grameen Bank' Model



Source: Google image

8) CONCLUSION

The MSME is an extremely important sector to achieve goals like reduction in unemployment and inequality in the Indian economy. With the development of technology and its widespread adoption, it has become important for this sector to adopt it, if it wants to achieve increasing sales and revenue, along with the achievement of other macroeconomic indicators. The Indian economy cannot grow without the support of all three sectors (Agriculture, Manufacturing, Services). Any one of the sectors lagging will automatically lead to a reduction in the GDP growth rate. The importance of the manufacturing sector is apparent as it is the sector which has the capability of absorbing the excess workforce which is presently dependent on the agriculture sector.

This can be achieved by encouraging the MSME sector and helping in reducing the obstacles that exist in their growth. These could be in the form of infrastructure, credit availability, help in finding markets for their products as well as maximum assistance concerning insurance, skilling people, helping them in the adoption of new technology to increase their reach and profits. Efforts should be made to increase industrialisation and urbanisation within the rural sector as this will bring in its wake a reduction in migration to urban areas as well as less load on the existing urban infrastructure. This is the only way for the Indian economy to achieve a sustainable high GDP growth rate. India needs to create millions of jobs a year for us to take the advantage of the demographic dividend and this can only happen if the Indian economy boosts up the manufacturing and the agricultural sector, as well as aiding the MSME sector to keep up in the technology race. Stop gap and knee-jerk reaction to the above crisis is not going to help the economy in the long run. Consistent effort by the government on all fronts especially with the MSME sector will help it to achieve its long term targets, along with ensuring profitability for all the units in this sector.

All of the above requires recognition of the present problem which is equally of a demand-side than the supply side and simultaneously addressing it in all sectors of the economy.

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