



Impact Of Digitalization on Micro And Small Enterprises In Retail Sector With Reference To Coimbatore City

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Abstract: This study investigates the influence of digitalization on performance of micro and small enterprises (MSEs) in Coimbatore city. The emphasis is upon the way automated tools such as e-commerce sites, digital payment systems, social media marketing and mobile applications affect business growth, accessibility to customers and operational efficiency.

Results showed that digitalization led to substantial increase of sales, greater customer engagement and higher operational efficiency amongst retail MSEs. Most of the respondents indicated growth in revenue and customer base after using digital tools. The full adoption of these technologies is stifled by challenges like technical difficulties, insufficient digital skills and high implementation costs. The finding of the study clearly indicates that digitalization play an important and essential role in improving significantly the competitiveness and durability of retail micro and small enterprises (MSEs). However, at the same time it prudently emphasizes the myriad challenges associated with digital technology adoption that are best surmounted through programs of training that provide employees both ample opportunities for skill building as well as sustenance support to manage change.

Keywords: Digitalization, MSEs, E-commerce, Digital Payments, Business Growth, Customer Engagement

I. INTRODUCTION

The worldwide business climate has been profoundly altered by the quick development of digital technology, which has fundamentally altered how businesses function, compete, and provide value to clients. Traditional business models have changed into more dynamic, technology-focused frameworks with the advent of the internet, mobile technologies, and data-driven systems. In order to improve their competitiveness, productivity, and long-term viability, retail businesses—especially micro and small enterprises (MSEs)—are rapidly using digital solutions.

Adopting digitalization has evolved from being a choice for small firms to a strategic imperative in recent years. Retail businesses have been forced to fast change due to the increasing usage of smartphones, internet penetration, and shifting consumer tastes toward online purchasing and digital interactions. The foundation of the Indian economy, MSEs, are now using digital platforms to increase their visibility, optimize operations, and offer better consumer experiences.

Despite their limited resources, these businesses are realizing how crucial digital transformation is to their survival in a fiercely competitive and quickly evolving marketplace. Digitalization is the process of incorporating digital technologies into different facets of business operations in order to improve customer satisfaction, productivity, and efficiency. It makes use of tools including cloud-based apps, mobile technology, social media marketing, digital payment systems, and e-commerce platforms.

II. STATEMENT OF PROBLEM

Many Micro and Small Enterprises (MSEs) still encounter significant obstacles when implementing digital technology, despite the many benefits that come with digitisation. The high cost of putting digital tools like e-commerce platforms, digital payment systems, digital marketing solutions, and business management software into practice is one of the main obstacles. Small firms frequently have limited funding, which makes it challenging for them to manage ongoing maintenance expenses, software subscriptions, and system upgrades in addition to investing in new technology. The lack of technical expertise and digital abilities among employees and business owners is another significant issue. Modern digital technologies are unknown to many MSE owners, and they may lack the necessary training to use them efficiently. This results in either a total avoidance of digital systems or a poor use of the technologies that are accessible. Businesses may find it difficult to handle online transactions, customer relationship management, and digital marketing initiatives if they lack sufficient digital literacy.

III. OBJECTIVES

1. To examine the level of digital adoption among retail MSEs.
2. To analyze the impact of digitalization on business performance.
3. To identify benefits and challenges of digital tools.

IV. SCOPE OF STUDY

The study's primary focus is on examining how digitalization has affected the performance of Micro and Small Enterprises (MSEs) in Coimbatore's retail industry. It involves the use of a variety of digital tools that enhance business operations and customer service, including mobile applications, social media marketing, e-commerce platforms, digital payment systems, and other online business solutions. These digital tools are now crucial for modern organisations, particularly small ones that want to stay competitive in a market that is changing quickly. Examining how digitisation has impacted the performance of Micro and Small Enterprises (MSEs) in Coimbatore's retail sector is the main goal of the study. It entails using a range of digital tools, such as social media marketing, e-commerce platforms, digital payment systems, mobile applications, and other online business solutions, to improve customer service and business operations. These days, these digital technologies are essential for modern businesses, especially small ones that wish to maintain their competitiveness in a rapidly evolving market.

V. RESEARCH METHODOLOGY

This study examines how digitalization affects micro and small businesses (MSEs) in the retail industry using a descriptive research methodology. The study focuses on retail shop owners who use digital tools for sales, customer interaction, and corporate operations.

A sample of 152 respondents was chosen via convenience sampling from the population, which is made up of Coimbatore city's micro and small retail businesses. Primary data was gathered using a standardized questionnaire with demographic and Likert-scale items assessing elements like customer engagement, business performance, digital tool utilization, operational efficiency, and barriers in digital adoption. Secondary data came from books, journals, and pertinent websites. Statistical tools including percentage analysis, chi-square test, and ranking analysis were used to analyze responses, look at links between variables, and pinpoint important elements affecting business success. The analysis's findings aid in the formulation of significant conclusions on how digitalization contributes to the expansion and effectiveness of businesses.

VI. LIMITATIONS

1. The answers are based on self-reported information from owners of retail businesses, which could contain errors or biases.
2. Due to time constraints, the study's sample size was reduced, which prevented more extensive data collecting.

VII. REVIEW OF LITERATURE

Vats (2024) analysis on the effects of digital transformation on small firms, implementing digital technologies greatly improves customer engagement, operational efficiency, and overall business performance. According to the report, companies that include technology like online platforms, digital payments, and data analytics can optimize their operations and react swiftly to changes in the market. It also underlined how adopting digital technology helps small firms maintain growth and improve their competitiveness in a business climate that is changing quickly. The report also noted that digital tools aid in better resource management and cost savings. It also implied that ongoing technological advancements are necessary for sustained success.

Calderon-Monge and Ribeiro-Soriano (2024) reviewed the literature in a methodical manner about the function of digitalization in management and business. According to their research, digitalization is essential for fostering creativity, enhancing decision-making procedures, and raising organizational productivity. Additionally, the study noted that digital transformation improves strategic planning and facilitates greater resource utilization. It also underlined how crucial it is to embrace digital technology in order to achieve ongoing growth and long-term sustainability in contemporary corporate contexts. The significance of digital leadership in successfully managing change was also emphasized by the study. Additionally, it emphasized how important it is for businesses to adjust to evolving technological developments.

Olateju (2024) used a case study methodology to examine how digital technology affects small and medium-sized businesses (MSEs). According to the study, digital adoption increases customer service quality, broadens market reach, and improves customer communication. Additionally, it discovered that digital technologies make organizations run more

smoothly and with fewer delays. The survey did point out that SMEs have a number of difficulties, such as high implementation costs, a lack of technical know-how, and restricted access to digital infrastructure.

VIII. OVERVIEW OF THE STUDY

Digitalization is crucial for enhancing customer happiness and corporate performance in the retail industry. To better manage their operations, retail companies use digital tools like e-commerce platforms, digital payment systems, mobile applications, social media marketing, and Customer Relationship Management (CRM) systems. While digital payment methods provide clients faster, safer, and more convenient transactions, online platforms enable businesses to reach a wider customer base beyond their physical presence. The act of incorporating digital technologies into different company procedures to increase productivity, efficiency, and overall performance is known as "digitalization." It entails substituting contemporary digital instruments including computers, internet-based platforms, software programs, mobile technologies, and automated systems for conventional manual processes.

IX. ANALYSIS AND INTERPRETATION

Which of the following digital tools or platforms do you currently use for your business
 152 responses

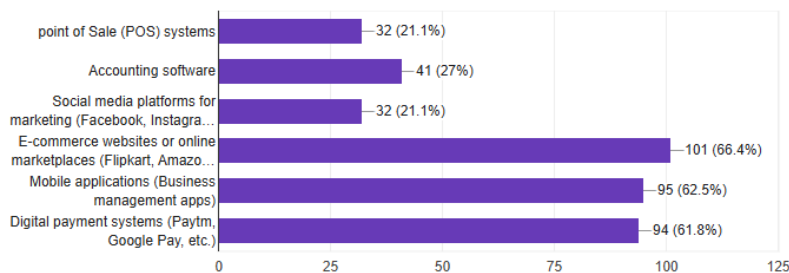


Fig. 1 Graph showing the Currently Using Digital Tools or Platforms Used by Retail Business Respondents

TABLE 1 CURRENTLY USING DIGITAL TOOLS OR PLATFORMS USED BY RETAIL BUSINESS RESPONDENTS

Particulars	No. of Respondents	Percentage
Point of sale (POS) system	32	21.1%
Accounting software	41	27%
Social media platforms for marketing (Facebook, Instagram, etc.)	32	21.1%
E - commerce websites or online marketplaces (Flipkart, Amazon, etc.)	101	66.4%
Mobile applications (Business management apps)	95	62.5%
Digital payment systems (Paytm, Google Pay, etc.)	94	61.8%
TOTAL	395	259.9%

INTERPRETATION:

The above table (21.1%) of respondents using point of sale (POS) system, (27%) using accounting software, (21.1%) using social media platforms for marketing (Facebook, Instagram, etc.), (66.4%) using E - commerce websites or online marketplaces (Flipkart, Amazon, etc.), (62.5%) using mobile applications (Business management apps) and (61.8%) using digital payment systems (Paytm, Google Pay, etc.).

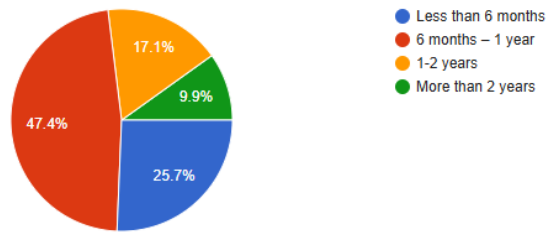


Fig. 2 Chart showing the Duration Of Using the digital tools in business operations

TABLE II DURATION OF USING THE DIGITAL TOOLS IN BUSINESS OPERATIONS

Particulars	No. of Respondents	Percentage
Less than 6 months	39	25.7%
6 months – 1 year	72	47.4%
1 year – 2 years	26	17.1%
More than 2 years	15	9.9%
TOTAL	152	100%

INTERPRETATION:

In the above table (25.7%) of respondents were using the digital tools less than 6 months, (47.4%) of respondents for 6 months to 1 year, (17.1%) were using 1 year – 2 years and (9.9%) were using More than 2 years. Majority of (47.4%) respondents using digital tools 6 months to 1 year

Majority of respondents using digital tools for 6 months to 1 year

X. CHI SQUARE ANALYSIS

Observed Value	Expected value	(O-E)	(O-E) ²	(O-E) ² /E
80	74.21	5.79	33.53	0.45
14	19.79	-5.79	33.53	1.69
10	19.74	-9.74	94.86	4.81
15	5.26	9.74	94.86	18.03
30	26.05	3.95	15.60	0.60
3	6.95	-3.95	15.60	2.24
		$X^2 = \sum(O-E)^2 / E$	Total Calculated Value	27.82

Degree of Freedom

$$df = (r-1)(c-1)$$

$$= (3-1)(3-1)$$

$$= (2)(2)$$

$$df = 4$$

Significance Level = 0.05

Table Value = 9.488

Chi-Square Test Result



The calculated Chi-square value (χ^2) is 27.82, and the table value at 5% level of significance with 4 degrees of freedom is 9.488.

Decision

Since the calculated value (27.82) is greater than the table value (9.488), the null hypothesis (H_0) is rejected.

Conclusion

There is a significant association between the duration of using digital tools and improvement in sales and revenue. Businesses using digital tools for a longer period experience better growth compared to those using them for a shorter time.

XI. FINDINGS

1. Most of the respondents revenue has been increased by digitalization in their business
2. Most of the respondents belong to small business
3. Most of the respondents use digital tools in their business
4. Most of the respondents using E - commerce websites or online marketplaces (Flipkart, Amazon, etc)
5. Most of the respondents using digital tools 6 months to 1 year
6. Most of the respondents are very satisfied using digitalization
7. Most of the respondents have planned to use digital tools in future

XII. SUGGESTIONS

- Providing some training and awareness among the various users of this retail sector to promote the digitalization.
- Minimizing the financial burden of investing in new technologies, software, or training, and strategies by government subsidies to overcome financial barriers.
- Addressing the challenge that not all small businesses have access to the same digital resources, especially in rural or underserved areas.
- The need for micro and small enterprises to upskill their workforce in digital literacy, marketing, and analytics to effectively compete in a digital-first world.
- The use of chatbots, automated customer service, and other digital support tools to improve customer service efficiency without the need for large teams.
- Leveraging digital platforms to communicate sustainability efforts to socially-conscious consumers.

XIII. CONCLUSION

The current study concludes that digitalization has a significant and positive impact on micro and small retail enterprises in Coimbatore. The adoption of digital tools such as e-commerce platforms, digital payment systems, and social media marketing has enabled businesses to improve their overall performance. It has contributed to increased sales, better customer engagement, and enhanced operational efficiency. Digitalization has also allowed small enterprises to expand their market reach beyond local boundaries, helping them attract a wider customer base and compete more effectively in a dynamic and competitive business environment. Furthermore, the use of digital technologies has improved communication with customers, streamlined business processes, and supported data-driven decision-making. These advantages have strengthened the competitiveness and sustainability of small retail businesses, making them more adaptable to changing market trends and consumer preferences.

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