

Improving Business Performance: Role of ICT in SMEs

¹Dhanpal Nivrutti Waghulde, ²Dr. Vivek Vasantao Katdare

¹Assistant Professor, ²Research Guide,

¹KCES's Institute of Management and Research, Jalgaon, India

²Kavayitri Bahinabai Chaudhari North Maharashtra University, Jalgaon, India.

Abstract : Due to the globalization of business and competitive expansions use of new technology and innovations in SMEs are improving. Many companies try to review and upgrade their managerial patterns and to find latest and innovative solution so that they can access to competitive advantage. The increasing use of web and networking based- technology corporations are presenting their synchronization with the larger companies; has extensive been one of the main advantages of SME towards huge companies is their flexibility. Rapid modifications in technology and industry developments, severe competitive stress enter into an economy. Generally, factor of competitive gain consisting of cost introduction, marketplace orientation, customer satisfaction, identifying potential, shifting actual ability, improving skill, affordable price, responsiveness and innovation. Hence imparting subject of innovation flourishing inside the context of small and medium industries can have optimized and greatest overall performance that is considered in manufacturing chain and related to industries is massive. Thus providing a right discipline of innovation in SMEs for create improvement technology with local situations is considering the planning requirements of the oriented-know-how economic system changing. No doubt the collection of remarkable technical knowledge of management, use of innovative technology under SME can most appropriate for improving financial performance and strategical performance.

IndexTerms: ICT, ICT Tools, SME, Business Performance

I. INTRODUCTION

In many growing countries small and medium firms (SME) account for a tremendous proportion of manufacturing and employment and are therefore directly related to poverty alleviation. Through the fast spread of information and communication technologies (ICT) and truly diminishing costs for communication, markets in various pieces of the world become more incorporated. In this manner, one essential thing is whether the utilization of ICT can assist them to adapt to these new tasks (Matambalya & Wolf, 2001). in the generation of globalization economy and liberalization of funding and enterprise is considered a part for governments to enhance economical condition of country. (Yang et al., 2015) In growing countries and lack of development in the method of business improvement will be faced with extra restrictions, consequently unique attention is wanted to the implementation of marketplace mechanisms and improvement for competition space (Gilaninia et al., 2012). Therefore, this research paper look at the connections of ICT and performance of SMEs India. Thus, sections of this research paper discuss about the related literature review, research design, discussion and conclusion of the research. Some empirical research confirmed the ideal impact of ICT on SMEs overall performance in terms of productiveness, profitability, market cost and market share. Findings highlight that for great performances it's far critical to align ICT investments with internal abilities and organizational policies (Olise et al., 2014). Therefore, dimensions of strategic (operational) overall performance consist of indicators that degree now not best modifications in economic activities of the company but also enhancements made, pride etc. (Tarutè & Gatautis, 2014).

II. LITERATURE REVIEW

According to (Gilaninia et al., 2012), Small and medium organizations are back bone and engine of grow a country's economy. One of appropriate solutions for the progress of these organizations is used from ICT. The minimal outcomes development of small and medium companies is appeal to investment and create jobs. Hence offering subject of innovation flourishing inside the context of small and medium industries may have optimized and most suitable performance that is taken into consideration in production chain and associated with industries is large. The researcher emphasizes growing significance of ICT organizations to increase the property list of technological capacities and this caused applying the SME extra than large organizations.

As per research paper of (Matambalya & Wolf, 2001) on role of ICT for the performance of SMEs in East Africa, Small and medium enterprises are an critical factor in the economies specifically with increase in value to employment. The growing resistance via globalisation places them under vast pressure. Through the speedy unfold of information and communication technologies (ICT) and ever lowering costs for communication, markets in exceptional elements of the sector emerge as more incorporated. Therefore, one primary question is whether or not the usage of ICT (as production technology, as facts processing generation or as information conversation technology) can assist them to address these new challenges.

(Ab Wahab et al., 2020) The findings have proven that ICT adoption had massive high-quality relationships and have an impact on SMEs business overall performance. The study set up out that SME companies that use ICT in their commercial enterprise environment can notably have an impact on and improve commercial enterprise performance. ICT adoption can advantage firms together with decreasing enterprise transaction expenses, enhancing provider operations, expanding enterprise opportunities, better expertise consumer necessities, reducing communication boundaries and acquiring facts about specific purchaser needs and outside competition will beautify the firm's enterprise overall performance. In end, this observe has a vast impact at the function of SMEs in contributing the country's financial increase through 2020. Therefore, this study has stuffed the know-how hole by means of reinforce the constrained empirical proof by means of evaluated ICT adoption amongst SMEs. This look at explains the modern kingdom of ICT adoption in enhancing business performance. This study can also benefit the top management of SMEs by way of adopting a new approach to addressing issues which are unique to enterprise overall performance.

III. RESEARCH OBJECTIVES & QUESTIONS OF THE STUDY

Based on literature review, following is the objective of the study-

- To investigate the extent of the adoption of ICT by SMEs in country.
- To explore the impact of ICT adoption and SME performance.

Hence, the research questions of this study are-

- To what extent have Indian SMEs adopted ICT in business process?
- Is there any impact of ICT adoption on SMEs performance?

IV. RESEARCH METHODOLOGY

The researcher has used the descriptive research design. In the research study the researcher has used secondary data. The secondary data has been collected through various research papers, published materials, websites, blogs, and survey reports published by various research organizations.

The motive for this approach turned into normally to check the idea that is related to why SMEs undertake ICT and the way this influences on perceived overall performance. The motive of adopting a quantitative technique was also to discover if the theory provided may be predictive and finally this method became followed due to the fact the information evaluation is scientific due to the fact it's far statistical in nature and leaves no room for bias

In relation to the research, the studies need to understand why SMEs within the manufacturing region adopt ICT, and if the latter is accurate what effect on perceived performance may be measured because of adoption.

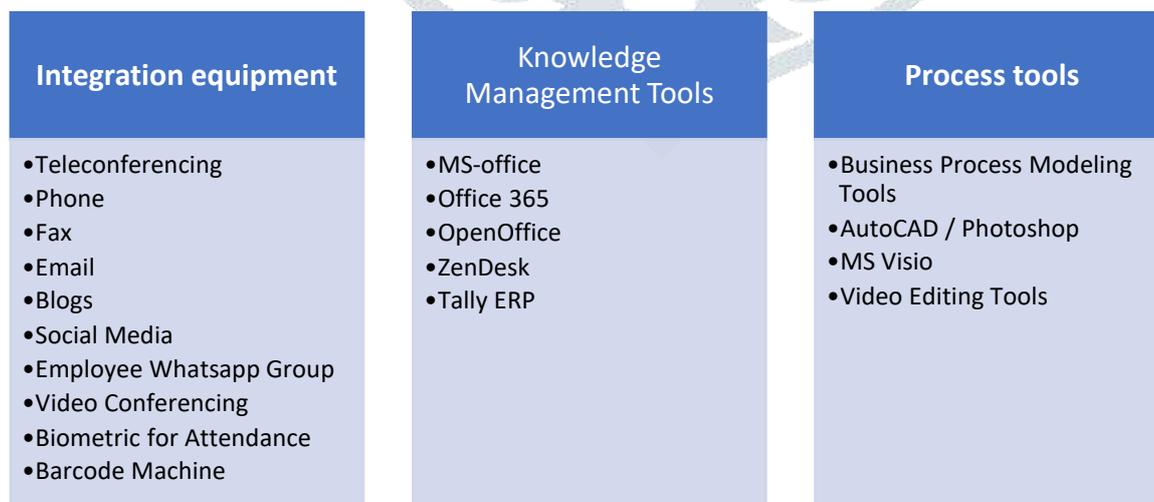
V. ICT IN SMES

The capacity contribution of information and communication technology (ICT) to enhance the competitiveness of small and medium-sized enterprises (SMEs) has long been identified (Chairoel et al., 2015). However, the belief of this capability has been elaborate and over latest years there have been some of tasks supported by authorities, non-authorities and overseas agencies which have endeavoured to resource and encourage the uptake of ICT to enable get right of entry to such promised benefits(Pathan et al., 2017).

ICT equipment had been classified and outstanding into numerous approaches where each one is based totally on special and complementary aspects of ICT (Motsoeneng, 2014). Independent in their type, thanks to the abilities of lowering the time and expenses of processing and speaking information; storing and elaborating awesome quantity of information and facts; organizing and structuring records and facts on the idea of the person needs, ICT equipment can allow data, facts, stories, and the knowledge owned by people and agencies instantly available and enable less complicated sharing. (Dewan & Nazmin, 2007) classified ICT Tools as follows:

- **Integration equipment:** to help in the integration and coordination of the processes supporting the records transfer (LAN, WAN, database, shared elaboration structures, statistics modelling helps structures, information flows modelling aid systems, CASE, organization operating aid systems, EDI, groupware, Internet, ERP, DSS, CAD and many others.);
- **Knowledge management tools:** to aid the tactics of problem solving and organizational studying, in addition to the relationships and integration amongst people and amongst different groups (Lotus Notes, software program agents, groupware, Internet).
- **Process tools:** to concur within the transformation of the inputs in output (Dedicated software program).

Figure 1: ICT Tools used in SMEs



SME can get various benefits of using above ICT tools like, Improve stock management structures, Improve accounting and budgeting practices, Expand consumer base thru e-marketing, Share and learn new commercial enterprise practices, Simplify government offerings along with enterprise registration and submitting taxes introduce new methods of price via ecommerce, Decrease wastage in production tactics, Improve verbal exchange among specific departments within the company, Reduce communication prices and geographic obstacles with worldwide suppliers and customers, Link to local and worldwide deliver chains and outsourcing opportunities, Facilitate capacity constructing of owners and employees through e-mastering systems (Nigade, 2020).

VI. IMPACT OF ICT IN SME SECTOR

The SME region has a crucial function to play in economic development, poverty reduction and employment advent in developing economies (Daniel, 2011). The SME area largely exceeds the common economic growth of countrywide economies in many nations and contributes appreciably to employment creation. ICT additionally influences flexibility of the groups and businesses – companies that adopt ICT tools to carry out better in market and easier differentiate merchandise, services and so forth. State that ICT adoption appears to have an effective effect on productiveness, directly in addition to indirectly, relying on the sectors and to have exquisite potential to assist a sustainable improvement. Furthermore, the use of electronic mail, e-trade, and social media community have appreciably reduce down on the physical transportation concerned in sending mail, banking, advertising and marketing and buying goods (Tarutė & Gatautis, 2014).

The subsequent level of enlargement within the Indian IT enterprise (manufacturers and service providers) is increasingly dependent on SMEs embracing its wares. Enterprise Resource Planning (ERP) is a software utility which has received a good deal of an attention. SMEs could make desirable use of it to optimize the complete deliver chain. In the businesses and international locations that adequate new technologies and improvements rapid adjustments are expected. (Azam, 2014) There are unique studies analyzing ICT, particularly elements that effect ICT adoption. Analysis of ICT consequences in private area is full-size only after thorough evaluation of situations that must be happy in order to effectively adopt ICT – expectations in the direction of fine effects of ICT and traits of individual enterprise (monetary, technological, employees resources, flexibility of structures and so on.) are closely linked (Tarutė & Gatautis, 2014). There are 3 foremost components of ICT development specifically computer technology, communication technology and media technology which include products and services consisting of computers, Intranet, Internet use, fixed telephone line, cellular telephones and other devices which includes verbal exchange without wires, networks and broadband. The aggregate of those 3 technologies can power and create an excessive potential to be used in a country's economic, social, political and technological strategies. Thus, ICT may be formulated as a device that can be utilized in the network and business enterprise for offerings to deliver records and allow for conversation and to compete in the context of the information and communicate environment. (Ab Wahab et al., 2020)

VII. ROLE OF ICT ON SMES PERFORMANCE

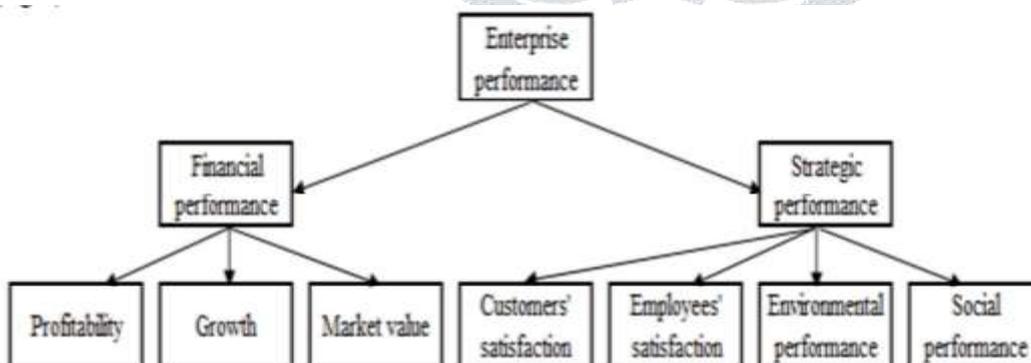
Direct and indirect effects of ICT on SMEs performance

However, studies have commonly focused on direct, easy measurable consequences of ICT like productiveness, growth, incomes etc. at the same time as oblique outcomes, specifically of ICT on SMEs overall performance, have been, in popular, less studied. Relating all the above to the imaginings of common SME (Hussain et al., 2020). The increasing attention is given to another organization of ICT effect on companies – overall performance (Gilaninia et al., 2012). Summarized various signs and advised that ICT outcomes on performance may be dependent and analysed through such signs as efficiency, effectiveness and competitiveness, revolutionary business and intangible benefits (Bayo-Moriones et al., 2013). Undoubtedly ICT has a powerful effect at the economic performance and could be characterised through an excessive degree of technological development and productiveness. (Tarutė & Gatautis, 2014).

Dimension of SMES Performance

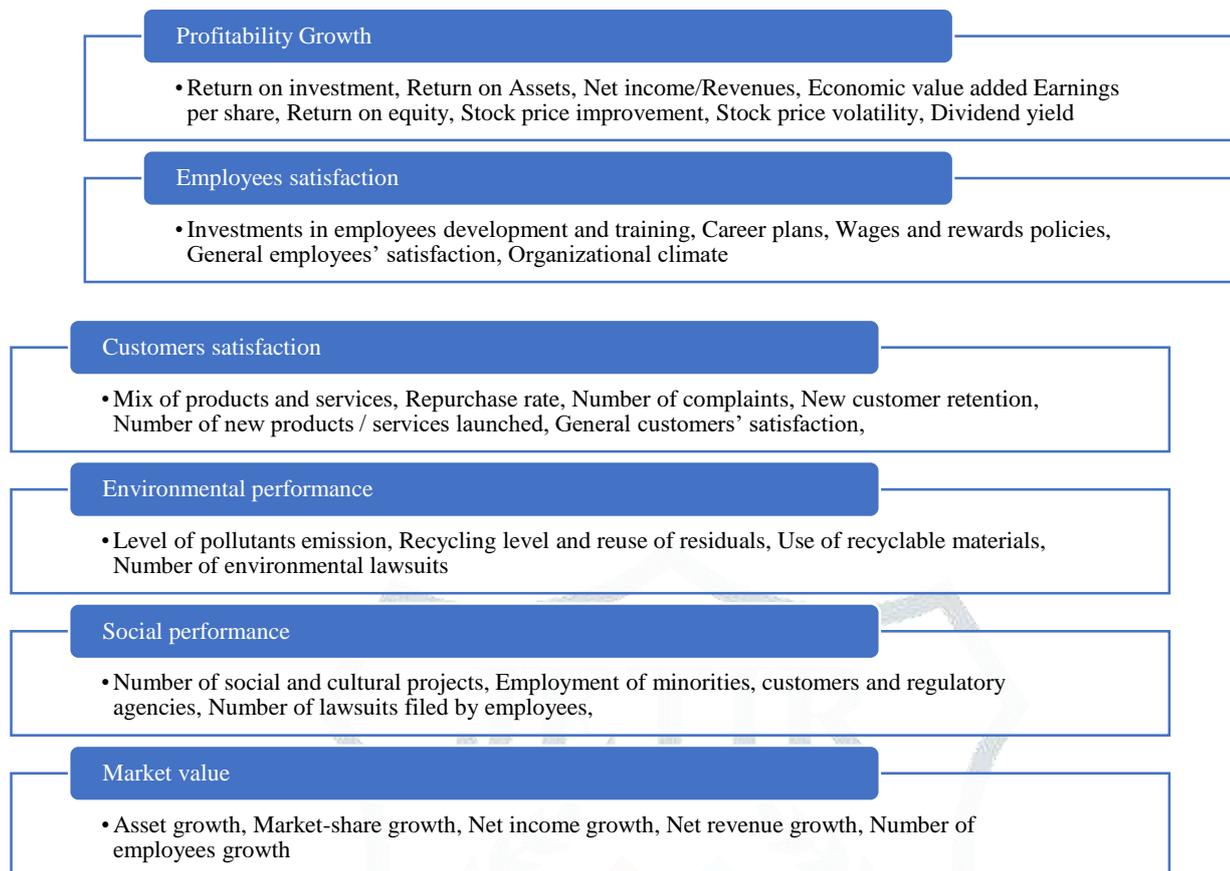
Undoubtedly ICT has a powerful impact on the economic performance and could be characterized by a high degree of technological progress and productivity. Also it has an important social impact. identified that performance of the company/enterprise has two types: Financial performance & Strategic performance

Figure 2. Dimensions of performance



Source : (Tarutė & Gatautis, 2014)

The second figure demonstrates more structured and detailed analysis of performance. Thorough analysis would suggest using very similar or identical indicators to measure performance dimensions. The main difference is the analysis of indirect effects: (Tarutė & Gatautis, 2014) suggests only conceptual idea but (Bononi Santos & Artur Ledur Brito, 2012) propose very concrete dimensions.

Figure 3. Indicators of performance dimensions (Tarutė & Gatautis, 2014)

Source : (Tarutė & Gatautis, 2014)

It is commonplace practice to apply profitability measures as the principle signs of enterprise overall performance. Using only profitability measures is an inadequate choice and may reason a deceptive information.

VIII. DISCUSSIONS AND CONCLUSIONS

This research gives theoretical evidence on the direct and indirect consequences of ICT on SMEs performance. In literature review suggests that ICT can enhance normal, economic and operational performance of SMEs if it's far used correctly. It is widely known that advertising, communication, networking and useful resource planning are the areas that ICT affects the maximum. This research confirmed the positive impact of ICT on SMEs overall performance in phrases of productiveness, profitability, market value and marketplace share. Findings highlight that for exceptional performances it's miles vital to align ICT investments with inner abilities and organizational strategies.

Many SMES are using ICT Tools to improve productivity and performance of organization and this tools are majorly categories in 3 parts i.e. Integration equipment which is used to integrated multiple information or data in on place, knowledge management tool which is used to represent data or information to top management, middle management and lower management for the purpose of discussion making or future planning and process tools is used to handle various process i.e. primary business process, secondary business process, administrative business process of organization

The ICT is a channel for SMEs to go into the worldwide markets through Ecommerce and improve performance of organization. However, there are potential opportunities, lots of SMEs don't will to adopt the ICT due to some barrier in ICT adoption like lack of technical knowledge, high cost of ICT applications, lack of skilled person for ICT adoption etc.

Indian SMEs can use ICT application to improve performance by creating a Set up for ICT strategy for the business so that will help to achieve business aims and maximize profits. Business strategy should be modified according to ICT strategy so it will play supportive role to improve SME Performance.

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