



FINANCIAL INCLUSION AND THE DIGITAL GROWTH FOR THE CONTRIBUTION AND GROWTH OF MSME BUSINESS

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Abstract: The MSME sector in India have enormous contribution to the Growth and the development of the economy, as it has provided employment opportunity to skilled and semi-skilled workers, and the digitalization have gained importance in the industrialization 4.0, where every process of the business to be digitalized, and the digital presence of business helps in growth of the business. The financial inclusion of the business, makes the schemes and financial product available to the MSME that helps in the growth of the business.

Keywords: *Financial Inclusion, Digitalization, Contribution and growth and MSME.*

I. INTRODUCTION

Digitalization refers to the process of enabling, transferring, and improving the process, operation and activities of the business, to make use of the digital technology and the digital data. (Clerck, 2017) and the use of digital technology to interact with the people using the digital tools and the digitalization of the business models using digital technology (North et al., 2019). Financial inclusion is the access to wide range of the financial service and the financial products in a responsible and well-regulated environment. Basically, starting with the transaction through the bank and using the mobile money services (Demirgüç-Kunt & Singer, 2017).

II. REVIEW OF LITERATURE

- (Gbadegeshin, 2019)¹ examined the influence of the digitalization on the commercialization of the life science industry in Finland. The representatives of the company and the stakeholders are interviewed to collect the information. Multiple case study was used for comparing and contrasting the details collected. The questions relating digital knowledge, commercialization process and the influence of the digitalization on the process was used to collect the information. The result show that there should be differentiation between the term digitalization and digitization as these terms are always used interchangeably. The findings indicate digitalization have led to implementation of the commercialization. There is positive influence of the digitalization on the commercialization, information sourcing and management in the business. Digitalization leads to efficiency in the business and also to be effective. The problem of security issue still exists in the digital technology.
- (Bouwman et al., 2018)² critically analysed 338 SME business units, that are actively engaged in the social media to innovate in the business models to determine the contribution of the Digital technology in the innovation and the performance of the business. The result indicated that using social media would indicate the strategic-related internal motives. The innovation in the business, and the strategy results in business experimentation. The technology turbulence leads to the business experimentation has an external impact. Strong relationship exist between the business model practices and innovation and overall business performance. Usage of social media to collect the information and data relating to the customer is of high importance. The study indicate that the big data would rather drive the innovation in the business model than the social media. There is positive impact of the social media and the big data on the performance of the business.
- (Saab, 2017)³ studied the impact of the financial inclusion on the growth and the development of the economy in the MENA (Middle East & North Africa) and BRICS (Brazil, Russia, India, China and south Africa) Countries. Considering the impact of the spread of the interest rate, Credit to the GDP on the Gross loan to the Micro Financial Institutions as these factors, contributed to the growth of these institution and to the development of the MENA Region. The variables of mobile money and the credit card does not have any causation effect. However, the data is found to be limited for the other countries to be justified.
- (Demirgüç-Kunt & Singer, 2017)⁴ critically looked into the empirical evidence on the financial inclusion and the inclusive growth whereby, in the developing countries fifty four percent of the adults have account, while the middle east has fourteen percent hold the account. Several regions in the developing economy, have reported the credit usage in the stores, then getting credit from the financial institutions. The greatest spread and the impact of the savings account and the digital payments are effective, as they are considered to be easy in usage and are designed for the specific purpose. The financial products to be tailored to satisfy the needs of the people.

III. CONCEPTUAL FRAMEWORK

The theoretical structure of financial inclusion leading to the development and contribution of the MSME business units (Eton et al., 2021) is considered, and in the era of increasing digitalization, the process of digitalization also has an impact on the performance of the business (Bouwman et al., 2018). The study was to determine the effect of financial inclusion and digital growth (North et al., 2019) in the business the contribution and growth of the MSME business.

The study focus on the financial inclusion that is the availability of the service, and the actual usage of such services, and the quality at which the financial services are rendered are examined (*How to Measure Financial Inclusion*). The contribution and growth of the MSME sector is the development in the financial and non-financial development of the business, while the non-financial indicates the development in the customer and the employees, and the profit and the cash flow represent the financial growth of the business.

The literature review also shows a positive association of the financial inclusion on the growth of MSME units (Hamzah & Suhendar, 2020) (Fowowe, 2017), and the process of digitalization also has an impact on the performance (Adomako et al., 2021) (Bouwman et al., 2019).

H0₁: The financial inclusion has no impact on the contribution and the growth of the MSME Business.

H0₂: Business process digitalization has no impact on the contribution and the growth of the MSME Business.

IV METHODOLOGY

4.1 Sample design

The size of the sample was determined as 384 (Krejcie & Morgan, 1970) taken from the population of 175654 (www.data.gov.in). The samples were selected randomly.

4.2 Population and Sample

The study adopted cross-sectional research design to study the digital growth factors and the contribution and growth of the MSME business. The study was conducted in the state of Tamil Nadu. The data were collected from the Manufacturing, Trading and Service Sectors from the district of Coimbatore.

4.3 Data and Sources

Structured questionnaire was framed to gather and collect data from the MSME business units. The questionnaire was structured with four sections. The first section dealt with the details relating to the business units, which were measured using the nominal scale, while the second part had 16 items relating to the digitally enabled growth of MSME business, that were measured using the 5-point Likert scale. The third section deals with the financial inclusion measured with 13 items in 5-point Likert scale. The last section deals with the contribution and the growth of MSME measured in 8 items using 5-point Likert scale ranging from the 1-strongly disagree, 2-disagree, 3- neutral, 4- agree, 5- strongly agree.

4.4 Theoretical Framework

Digital growth

Digital growth has been adopted from (North et al., 2019), as include the questions relating to the sensing of potentials for the growth that are digitally enabled is that measuring the development of the digital development and the opportunities that arises on developing the digital customer, and the process of developing an digitally enabled growth mindset and strategy in the business helps in developing a mindset for providing digital solution on delivering the business activity, and seize the available growth potentials measures the creation of values, and capture and offer the same in the business, and managing the digital resources for the transformation as the business process would be embedded with the digital technology.

Financial Inclusion

Financial inclusion is adopted from (*How to Measure Financial Inclusion*, n.d.) includes the questions relating to the access, usage and quality of the financial services. As the access indicate the outreach of the financial service and the access to the service points. Usage includes the frequency and the duration of the usage of the financial services, quality include the matching of financial products with the need of the client and creating awareness about the financial services that are available to the customers.

Contribution and growth

The construct is adopted from (Eton et al., 2021) includes the financial and non-financial measurement including the customer relationship and the relationship with the business persons, gaining familiarity for the business and maintain the proper cash flow and increase in the business income.

4.5 Source

Factors	Items	Source
Digital Growth	Searching for digitally enabled growth opportunities Understanding and developing digital customer needs Sensing technology-driven opportunities Use of external sources for digital innovation Digitally enabled growth strategy Digital leadership	(North et al., 2019)

	Digital mindset (attitudes and behaviours) Empowered employees Digitally enabled business model Digital market presence Digital customer experience Agile implementation/ deployment of digitization initiatives Digital skills and learning Digital processes Digital technology and security Digital investments	
Financial inclusion	Financial services are easily accessible Financial service providers serve with respect and dignity Easy to make deposits with my financial providers Easy access to an automatic teller machine Making payments through service providers operating bank account is affordable Easy to operate a mobile money account Transparency between the applicant and the bank in processing loan Easy to transfer money via my mobile phone New banking schemes are introduced based on customer feedback Bankers maintain cordial relationship Financial services offered by the bank have enabled to pay utility bills The usage of financial products increases the income of the business	World Bank (2015) (Eton et al., 2021)
Contribution and growth	It has taught to build networks with important people Helped in staying close contact with potential customers Enjoy interacting with customers Allow proper money flow Business has become popular accumulated some property for the business Taught to be entrepreneurial Business income increased	(Eton et al., 2021)

V DATA ANALYSIS

5.1 Percentage Analysis

Variables	Group	Number	Percentage
Business Type	Sole Proprietorship	175	45.6
	Partnership	202	52.6
	Company	7	1.8
Location	Urban	206	53.6
	Rural	178	46.4
Employees	Less than 5	65	16.9
	5 – 10 employees	131	34.1
	11 – 15 employees	135	35.2
	More than 15 employees	53	13.8
Investment	Less than One crore	332	86.5
	One Crore to less than Ten Crores	49	12.8
	Up to Fifty crores	3	.8
Business Nature	Manufacturer	252	65.6
	Service	132	34.4
Existing Years	Less than 5 years	68	17.7
	5-10 Years	140	36.5
	Above 10 years	176	45.8

5.2 Multiple regression Analysis

To investigate the effect of Financial Inclusion and the Digital Growth on the Contribution and Growth of the MSME Businesses. The following hypothesis were proposed.

H0₁: There is no significant impact of Financial Inclusion on the Contribution and Growth of the MSME Businesses.

H0₂: There is no significant impact of Digital Growth on the Contribution and Growth of the MSME Businesses.

The coefficients are assessed to ascertain the influence of each of the factor on the criterion variable (Contribution and Growth). H_{01} evaluates whether the financial inclusion has no significant impact on the Contribution and Growth. The result show that financial inclusion has significant impact on the Contribution and Growth ($B = 1.361$, $t = 8.908$, $p = .000$). Hence, H_{01} is rejected.

H_{01} evaluates whether the Digital Growth has no significant impact on the Contribution and Growth. The result show that Digital Growth has significant impact on the Contribution and Growth ($B = 2.055$, $t = 13.455$, $p = .000$). Hence, H_{02} is rejected.

Hypothesis	Regression weights	B	t	P-value	Results
H_{015}	FI → CG	1.361	8.908	.000*	SIGNIFICANT
H_{016}	DG → CG	2.055	13.455	.000*	SIGNIFICANT
R^2	.607				
F (2, 384)	294.511				

Note: * $p < 0.05$. FI: financial inclusion, DG: Digital Growth, CG: Contribution and Growth.

$$Y = \text{Constant} + \text{Independent Variables (Beta)} + \text{Standard Error}$$

$$CG = .939 + FI (1.361) + DG (2.055) + e$$

The dependent variables (Contribution and Growth) were regressed on predicting variables of financial inclusion and Digital Growth.

The independent variables significantly predict the Contribution and Growth, $F(2, 384) = 294.511$, $p < .001$, indicates that the two factors have significant impact on the Contribution and Growth of MSME Business. Moreover, the $R^2 = .607$ shows that the model represents 60.7 percent of the variance in the Contribution and Growth of MSME Business.

Beta value indicates that changes in one unit of FI and DG have variation of financial inclusion by 1.36 and .2055 units respectively.

It is concluded that the factors influencing the Contribution and Growth of MSME such as FI and DG have significant impact of the Contribution and Growth of the MSME businesses.

VI FINDINGS

- Majority (52.6%) of the business belong to the Partnership type of Business.
- Majority (53.6%) of the business are located in the urban area.
- Most (35.2%) of the business has 11 to 15 employees in the business.
- Majority (86.5%) of the business have investment less than one crore.
- Majority (65.6%) of the business belong to the Manufacturing Sector.
- Most (45.8%) of the business existed for above 10 years.
- The factors influencing the Contribution and Growth of MSME such as FI and DG have significant impact of the Contribution and Growth of the MSME businesses.

VII SUGGESTION AND CONCLUSION

The results indicate that the financial inclusion of the MSME business and the Digital Growth have a significant impact on the contribution and growth of the MSME Business. Thus, the focus of the Business to be towards digitalizing the Business process, that is digitalization in every process of the business that has many advantages of easing the business activity and also increases the market reach of the business that increases the sales and the profit of the business, the government to encourage in digitalizing the MSME, for reaping the benefits.

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