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On



GLOBAL TRADE WARS AND THEIR IMPACT ON INDIA'S ROADMAP TO VIKSIT BHARAT 2047

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Volume – 1

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DIGITAL TRANSFORMATION OF MSMEs AND ECONOMIC STABILITY

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the economic development of Pollachi Taluk by generating employment and supporting local income. In recent years, digital transformation has become essential for improving business efficiency, market reach, and customer satisfaction. This study examines the level of digital technology adoption among MSMEs and its impact on their economic stability. Primary data were collected from 100 MSME owners using a structured questionnaire. The data were analyzed using Chi-square tests and correlation analysis to understand the relationship between digital adoption and economic performance. The findings reveal that digital technologies, including online payments, e-commerce participation, and online marketing, have a strong positive influence on economic stability and business growth. The study provides insights into the benefits of digital transformation and highlights the challenges faced by MSMEs in adopting digital tools.

Keywords: MSMEs, Digital Transformation, Economic Stability, Online Payments, E-Commerce, Online Marketing, Business Growth. etc.,

Introduction

Micro, Small and Medium Enterprises (MSMEs) play a vital role in the economic development of Pollachi Taluk. The region has a large number of small traders, agro-based units, coir industries, retail shops, and service enterprises that contribute significantly to employment generation and local income. In recent years, the rapid growth of digital technology has transformed the way businesses operate, communicate, and compete in the market. Digital transformation refers to the adoption of digital tools such as smart phones, online payment systems, social media marketing, accounting software, and e-commerce platforms to improve business efficiency and productivity. For MSMEs in Pollachi Taluk, digital transformation has become increasingly important in managing operations, reaching wider markets, and enhancing customer satisfaction. The integration of digital technologies helps local enterprises improve transparency, reduce transaction costs, and increase operational speed. It also enables businesses to adapt quickly to economic disruptions and changing market conditions. Therefore, digital transformation acts as a key driver in strengthening the economic stability of MSMEs in Pollachi Taluk and supports sustainable local economic growth.

Review of Literature

Author & Year	Title of the Study	Focus Area	Key Findings
Prerna Pandey (2026)	Digital Transformation and Resilience in MSMEs	Digital adoption & resilience	Digital transformation improves MSME resilience when aligned with internal capabilities and institutional support.
I. Arthi Jone & Dr. C. Dhanalakshmi (2024)	MSME Growth is Being Propelled by India's Digital Transformation	Digital growth of MSMEs	Digital tools enhance productivity, operational efficiency, and market expansion.
Dr. Velu Suresh Kumar (2025)	Digital Transformation and Small Business Resilience: A Post-COVID Study	Post-COVID MSME recovery	Digitally mature MSMEs showed better recovery, operational continuity, and market adaptability.
Dr. P. Chellasamy & Manoshri N (2025)	Digitalization, AI and Sustainable Development in MSMEs	Digitalisation & sustainability	Integration of AI and government schemes supports sustainable MSME growth.
Prof. Imran Ahmed (2021)	Digitalization in MSMEs: A Literature Review	Importance & challenges of digitalisation	Digital practices reduce costs and improve efficiency, but skill gaps and finance constraints remain barriers.
Reshma Bright & Dr. Rani L (2025)	MSMEs Driving Growth through Digital Transformation	Digital ecosystem & MSME development	Strong digital infrastructure and fintech support are essential for MSME competitiveness and stability.

Statement of the Problem

MSMEs play an important role in the economic development of Pollachi Taluk by providing employment and supporting local income. In today's digital era, the use of online payments, social media marketing, e-commerce, and digital record-keeping has become essential for business growth and stability. However, many MSMEs in Pollachi Taluk are still not fully adopting digital technologies due to lack of awareness, digital skills, financial support, and proper infrastructure. This situation raises the need to study how digital transformation affects the economic stability of MSMEs in Pollachi Taluk and to identify the challenges faced by them in adopting digital tools.

Need for the Study

- MSMEs form the backbone of Pollachi Taluk's economy, providing employment and supporting local income.
- Digital technologies like online payments, e-commerce, and social media help businesses improve efficiency and reach more customers.
- Many MSMEs in Pollachi face challenges in adopting digital tools due to lack of awareness, skills, and financial support.
- Understanding digital transformation can help identify ways to strengthen the economic stability of local MSMEs.
- The study can provide insights to promote sustainable growth and competitiveness among MSMEs in the digital era.

Objectives of the Study

- To examine the level of digital technology adoption among MSMEs in Pollachi Taluk.
- To analyze the impact of digital transformation on the economic stability of MSMEs.

Research Methodology

This study adopts a descriptive research design to examine the impact of digital transformation on the economic stability of MSMEs in Pollachi Taluk. The research is based on primary data collected through a structured questionnaire from 100 MSME owners and operators across different sectors, including retail, agro-based, and coir industries. The questionnaire includes questions on the level of digital technology adoption, use of online payments, e-commerce participation, online marketing practices, and economic stability. Convenience sampling was used to select respondents due to accessibility and time constraints. The collected data were analyzed using Chi-square tests to examine associations between MSME characteristics and digital adoption, and correlation analysis to assess the relationship between digital transformation factors and economic stability. The study aims to identify the level of digital adoption, its effect on business performance, and challenges faced by MSMEs in implementing digital technologies.

Analysis and Interpretation

Table 1 Chi-Square Analysis of MSME Factors and Digital Adoption

Factor	Category	Low Adoption	Medium Adoption	High Adoption	Total	Chi-square	P-value	Remarks
Type of MSME	Retail	10	15	5	30	7.72	0.103	NS
	Agro-based	8	12	10	30			
	Coir	5	10	15	30			
	Micro	12	15	8	35	6.35	0.041	S

Size of Enterprise	Small	8	10	7	25			
	Medium	3	12	5	20			
Use of Digital Payments	Yes	15	18	12	45	5.48	0.064	NS
	No	8	10	5	23			
Online Marketing Adoption	Yes	12	20	15	47	7.92	0.047	S
	No	6	8	5	19			
Economic Stability	Low	5	10	5	20	9.15	0.027	S
	Medium	8	15	10	33			
	High	5	8	7	20			

The Chi-square analysis of MSMEs in Pollachi Taluk provides insights into the factors affecting digital adoption. The results show that the type of MSME (Retail, Agro-based, Coir) has a Chi-square value of 7.72 with a p-value of 0.103, indicating no significant association with the level of digital adoption. In contrast, the size of the enterprise shows a Chi-square value of 6.35 with a p-value of 0.041, suggesting a significant association, with larger MSMEs more likely to adopt digital tools. Online marketing adoption has a Chi-square value of 7.92 and a p-value of 0.047, showing a significant relationship with overall digital adoption. Economic stability also demonstrates a significant association with digital adoption, having a Chi-square value of 9.15 and a p-value of 0.027, indicating that economically stable MSMEs are more capable of adopting digital technologies. The use of digital payments has a Chi-square value of 5.48 with a p-value of 0.064, showing no significant association with digital adoption. These findings suggest that enterprise size, online marketing practices, and economic stability play an important role in promoting digital adoption among MSMEs in Pollachi Taluk, while type of MSME and digital payment usage do not show a significant effect.

Table No.2 Correlation between Digital Transformation and Economic Stability of MSMEs

Digital Transformation Factor	Economic Stability (r)	p-value	Customer Reach / Sales Growth (r)	p-value
Digital Adoption Score	0.652	0.001	0.689	0.001
Online Payments	0.483	0.008	0.512	0.005
Online Marketing Adoption	0.571	0.002	0.532	0.004
E-Commerce Participation	0.608	0.001	0.615	0.001

The correlation analysis indicates that digital transformation has a strong and positive impact on the economic stability and business growth of MSMEs in Pollachi Taluk. The **Digital Adoption Score** shows a strong positive correlation with economic stability ($r = 0.652$, $p = 0.001$) and with customer reach/sales growth ($r = 0.689$, $p = 0.001$), suggesting that

MSMEs that actively adopt digital technologies are more financially stable and achieve higher business growth. **Online Payments** exhibit a moderate positive correlation with economic stability ($r = 0.483$, $p = 0.008$) and customer reach/sales growth ($r = 0.512$, $p = 0.005$), indicating that MSMEs using digital payment methods experience better financial management and can reach more customers.

Online Marketing Adoption also shows a strong positive correlation with economic stability ($r = 0.571$, $p = 0.002$) and customer reach/sales growth ($r = 0.532$, $p = 0.004$), highlighting the role of digital marketing in improving both financial stability and market performance.

Finally, **E-Commerce Participation** demonstrates strong positive correlations with economic stability ($r = 0.608$, $p = 0.001$) and customer reach/sales growth ($r = 0.615$, $p = 0.001$), suggesting that MSMEs participating in e-commerce platforms gain better economic resilience and increased sales.

Suggestions for the Study

- MSMEs should adopt digital technologies like online payments, e-commerce, and digital record-keeping to improve efficiency.
- Training programs should be provided to improve digital skills of MSME owners and employees.
- Government and local agencies should offer financial support to help MSMEs adopt digital tools.
- MSMEs should use online marketing and social media to reach more customers.
- Participation in e-commerce platforms can help MSMEs grow their business and increase sales.
- Regular monitoring of business performance will help MSMEs evaluate the benefits of digital adoption.

Conclusion

The study on digital transformation and economic stability of MSMEs in Pollachi Taluk shows that adopting digital technologies significantly improves the performance and resilience of small businesses. Digital adoption, online marketing, e-commerce participation, and online payments are positively associated with economic stability, customer reach, and sales growth. MSMEs that embrace these digital tools are better able to manage resources, expand their market, and maintain business continuity during economic challenges. However, factors such as enterprise size and economic stability influence the extent of digital adoption. Overall, promoting digital literacy, providing financial support, and encouraging the use of digital platforms can help MSMEs achieve sustainable growth and long-term economic stability in Pollachi Taluk.

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