

## Networked devices lead to improved internal efficiency & business growth of urban MSMEs

NEWS RELEASE

Ownership of networked devices in Sri Lanka is high, particularly in urban areas. By 2013, 93% of urban households owned telephones (HIES, 2012/2013); this number is likely higher today. Nearly 40% of the urban population was said to be computer literate in mid 2015. Though the number of micro, small and medium enterprises (MSMEs) in the country is not known definitively, 35% of the employed population was reported to be self-employed or employers (Labor Force Survey, 2015). MSMEs for employment generation and economic growth are significant.

The impact of networked devices on MSMEs remains unclear. A systematic review of extant research was conducted to assess if access to business relevant information through networked devices enhanced the internal efficiency and business growth of urban MSMEs in low and middle-income countries.

### KEY FINDINGS

1. Possession and use of networked devices improved internal efficiency: Higher proportions of business calls were made, better knowledge gained of management practices, labor productivity increased, and organizational and operational performance improved.
2. Greater business growth, higher market share and increased profit and turnover resulted from the use of networked devices.

### THE RESEARCH

#### ABOUT THE SYSTEMATIC REVIEW

Systematic reviews use rigorous methods to identify, select, and critically appraise the most methodologically robust evidence pertaining to a precisely defined research question. It attempts to provide an unbiased assessment of what works and why.

This systematic review examined 24,204 studies and identified the most robust quantitative studies for synthesis. Many of the studies focused on the mobile phone as a networked device.

#### IMPACTS ON INTERNAL EFFICIENCY

A survey of 3,691 micro entrepreneurs across 13 countries Africa showed how the possession and use of ICTs influenced labor productivity. Two studies focused on e-commerce and related how the use of e-commerce applications could increase the organizational and operational performance of a business. The adoption of better knowledge management practices through the use of information technology tools was also observed. A survey in Rwanda showed how the ownership of a mobile phone led to higher business-related phone calls, which in turn led to an expansion of the micro entrepreneurs' business network.

#### IMPACTS ON BUSINESS GROWTH

A survey of 100 micro entrepreneurs in Kenya and Tanzania showed mobile phone usage being accompanied by growth in the micro enterprise measured by income,

customer base and profits. A study in India showed a time lag (three years) between phone adoption and generation of economic benefits.

Another study in India, a survey of women micro entrepreneurs in Mumbai, showed limited impact of access to ICTs on business growth. The use of mobile money was accompanied by a marginal increase in the profits of microenterprises. E-commerce applications were shown not only to improve internal efficiency but also help expand the market share.

#### CONCLUSIONS

The review showed that the impact of networked devices, through which business information is processed, is positive on the internal efficiencies and business growth of MSMEs. However, in statistical terms, the impact seems to be small.

#### ACKNOWLEDGMENTS

The systematic review "Does access to business relevant information through networked devices enhance the internal efficiency and business growth of the urban MSMEs in low and middle income countries?" was carried out with the aid of a grant from the International Development Research Centre, Ottawa, Canada and the Department for International Development, UK.

#### AUTHOR/S

P. Vigneswara Ilavarasan, PhD, Research Fellow, LIRNEasia, Colombo, Sri Lanka. [evignesh@gmail.com](mailto:evignesh@gmail.com)