

Impact of Digital Transformation on SMEs Operational Efficiency Gain in Nepal

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Abstract

Digital Transformation (DT) is common to facilitate overall efficiency to make optimization of scarce resources and ensure overall efficiency gain business performance. This paper aims to assess the perceived impact of DT on operational efficiency gain of SMEs in Nepal. The study population comprised SMEs that had been operating for at least the past 12 months in Kailali and Kanchanpur districts of Nepal from which samples were selected during first quarter of 2025 through purposive sampling within predefined strata as the cross-sectional survey of 384 SMEs to assess SMEs' operational efficiency. The findings indicate that digitization level ($\beta = 0.706$, $p < 0.001$), digital payment density ($\beta = 0.287$, $p < 0.001$), efficiency in cost reduction ($\beta = 0.065$, $p < 0.001$), and size of firm ($\beta = 0.169$, $p < 0.001$) indicating significant contribution on increase in operational efficiency. The estimated model explains 53 percent of the variance in operational efficiency, suggesting a good fit acceptable to the domain of behavioral economics. The findings suggest that digitization is inevitable for enhancing resource optimization and gaining competitive advantage. Based on the findings, policy implication may be suggested as digital capacity building of small enterprises by means of training, affordable digital infrastructure, and technology adoption incentives that can ensure efficiency in operations.

Keywords: digital transformation, operational efficiency, SMEs, regression analysis

JEL Classification: L86, L25, C10

Introduction

Digital Transformation (DT) has emerged as a strategic priority for businesses seeking to improve efficiency, strengthen operational performance, and remain competitive in resource-constrained settings. By enabling better optimization of scarce resources, DT supports overall efficiency gains across business activities. However, effective adoption of DT is often constrained by several factors including limited access to internet, high cost of DT adoption, limited skills, and inadequate infrastructure. Despite these challenges, overall DT is reshaping how entrepreneurs manage inventory, interact with customers, and coordinate internal processes, contributing to more streamlined and responsive operations (Tajudeen *et al.*, 2025). In this context, the strategic adoption of DT in Small and Medium-sized Enterprises (hereafter SMEs) gained substantial attention in the global economic landscape during last two decades or so (Schneider & Kokshagina, 2021).

Global evidence connects DT with measurable gains in process speed, error reduction, and better response of customer over a time (Hafeez *et al.*, 2025). Nevertheless, taking up and deploying DT projects is linked with various challenges when it comes to SMEs such as scarce resources, and lack of up-to-date technical expertise (Jones *et al.*, 2021). National and regional research reports recently indicate increased adoption of digital payments, cloud accounting, as well as social-media marketing by Nepali SMEs (Singh & Kharel, 2023, Subedi & Bhatt, 2025). Better understanding the impact of DT on SMEs becomes crucial for policymakers, researchers, and stakeholders alike as the SMEs adopt intensification of DT. The motivation of authors to go through to assess the impact of DT on the overall operational efficiency based on the objective field data to fulfil the knowledge gap and evidence gap and add the body of literature in this regard. In this regard, the pertinent research questions were: What organizational and contextual factors shape the effectiveness of DT in improving efficiency? How does DT influence operational efficiency among small business entrepreneurs in Nepal? Moreover, corresponding research objectives were; to identify key factors that enable the operation efficiency gains from DT in this context, and to assess the impact of DT on operational efficiency in SMEs in Nepal.

Review of Related Literature

Theoretical Perspectives

Theoretical literatures provide a world view on the selected issue and title. A theoretical foundation is essential for better understanding and analysis of the role of DT on the outcome variable perceived operational efficiency gains in SMEs. In this context, the Resource-Based View (RBV) is widely adopted to explain how internal resources like digital technologies, skill of employee on digital tools, and strategic

orientation to achieving competitive advantage and efficiency gains in SMEs (Syah *et al.*, 2025). Moreover, Dynamic Capabilities Theory (DCT) is an extension of RBV and argues for the ability of firms to integrate internal and external competencies to address rapidly changing environments. The proposition is particularly relevant to the SMEs undergoing DT. Likewise, the Practice-Based View (PBV) discusses the contribution of digital transformation practices such as data analytics, process automation, and digital marketing that directly enhances the operational efficiency of SMEs. In addition, PBV sheds light on the effectiveness of DT is tailored to the firm's context (Tian *et al.*, 2023).

Technology Acceptance Model (TAM) provides insight into the perceived usefulness of using digital technology for operational ease of SMEs. In this regard, TAM is relevant and useful for understanding the firm size and lifespan effect on digital transformation, eventually their influence on operational efficiency (Sharabati *et al.*, 2024; Clemente-Almendros *et al.*, 2024). Furthermore, cost-benefit analysis frameworks are also pertinent, as they explain how digital transformation leads to operational efficiency gains primarily through improved resources allocation, and operational cost reduction, to ensure process optimization (Campbell & Brown, 2003).

Based on the theoretical discussion, the study concludes that the RBV, with the complementarity of DCT, is the most appropriate theoretical lens to analyze the selected issue. Moreover, these theories and views provide better frameworks that capture the real scenario of interplay between digital resources utilization, overall organizational capabilities, and operational efficiency of business entities, followed by the better accommodation of the moderating effects of firm life span and firm size. Furthermore, the TAM is to be regarded as the supplementary theory to explain the behavioral aspects of technology adoption in SMEs (Oduro *et al.*, 2023; Clemente-Almendros *et al.*, 2024). In the Nepal context, this can include perceived operational efficiency, level of digitization, digital payment density, operational cost efficiency, firm size and life span of firms under study as variables of study to estimate overall operational efficiency of SMEs.

Empirical Review

The empirical literature review is focused to the themes and construct selected by current studies. Moreover, the empirical review is focused on to the estimation of perceived operational efficiency gain as a function of the level of DT, digital payment density, efficiency in operational cost reduction, firm size, and firm life span. The thematic review is also presented subsequently to navigate the study path.

Digitization Transformation and Operational Efficiency

Digitization is regarded as an integral part of business entities for the improvement of operational efficiency and overall business performance through the optimization of faster production cycles and supply chains, thereby enhancing customer service (Ekawaty *et al.*, 2025). Eventually, these contribute to higher operational efficiency and overall business performance (Bobro *et al.*, 2025). Soluk *et al.* (2021) concluded that digitization improves operational efficiency in rural Indian microenterprises by enhancing entrepreneurial processes through stronger stakeholder support and to optimize resources, and improve efficiency, contributing to rural economic development. Ojukwu *et al.* (2024) study examines the role of digitization in helping SMEs as leverage of operational efficiency.

Empirical study findings across diverse regions consistently demonstrate that digital technologies provide measurable gains in operational efficiency. The benefits of financial performance and customer retention are also experienced (Tafrá & Tankosić, 2025). Nevertheless, to what extent these benefits can be reaped often depends on the level of digital infrastructure and skills, and the capacity of utilizing them strategically to achieve business goals (Ekawaty *et al.*, 2025). Intuitively, we can infer the enabling factors as appropriate technology selection, upskilling of workforce, followed by strategic planning (Kallmuenzer *et al.*, 2024). In this regard, SMEs come across with common challenges such as resource limitations, risk-averse culture, and cybersecurity concerns. To sum up, DT offers substantial operational efficiency gains for business entities, but realizing these benefits requires investment in digital skills, strategic technology adoption, and proactive management of change. From the above literature, the research hypothesis for the current research can be stated as:

Research hypothesis (H_1): Digital transformation status of the SMEs significantly influence the overall perceived operational efficiency of business entities in the study area.

Digital Payment Density and Operational Efficiency in SMEs

Expanding digital payment facilities enhances customer satisfaction and broadens market access (Calderon, 2025). Empirical studies further show that greater digital payment density contributes to operational efficiency by reducing operating costs through automation and improved cash flow management (Putrevu & Mertzanis, 2024). In addition, digital payment adoption shortens transaction processing times, minimizes manual errors (Li, 2024), and strengthens transparency and traceability in financial records (Saleh *et al.*, 2025). Furthermore, empirical evidence from developing countries including Nepal, India, and other south Asian countries demonstrates that increased

density of digital payments contributes faster transactions, and reduced costs followed by improved financial management, eventually enhancing operational efficiency (Ekawaty *et al.*, 2025). Thus, the synthesis of the thematic review shows that a greater percentage of digital payment frequency in total transactions is consistently linked with the increased operational efficiency in SMEs, reflecting that the adoption of DT is an instrument for transaction cost reduction. Moreover, there is rapid growth in the digital payments among total transactions in MEs that contribute to smooth operation of financial transactions thereby improvement in operational efficiency (Li, 2024; Saleh *et al.*, 2025). The summary of the literature review supports to set the the hypothesis:

Research hypothesis (H₂): The increased density of digital transactions significantly contributes to increase overall perceived operational efficiency for SMEs.

Operation Cost Reduction and Perceived Operational Efficiency

The empirical literature strongly supports the operational cost efficiency is instrumental to overall efficiency gain of SMEs. Multiple studies from international and national level demonstrate that reduction in operational costs through strategies through process reengineering in digital adoption for resource efficiency enhances operational efficiency of SMEs (De Blick *et al.*, 2023; Ulas, 2019; Mavlutova *et al.*, 2022). Moreover, international evidence strongly supports that targeted cost-saving initiatives in several aspects of business operation such as procurement energy, and inventory use can boost productivity and resource optimization without sacrificing quality (Zhang & Huang, 2023; Wujarso, 2023). Essentially, this relationship is mediated by digital technology adoption, and resource management. The detailed summary of thematic review clearly provides support to set the following hypothesis:

Research hypothesis (H₃): Operational cost reduction with the mediating effect of DT significantly impacts the operational efficiency of SMEs in the study area.

Mediating Role of Firm Size Through DT for Operational Efficiency of Business

DT of business entity is desirable fact as a causes and consequences of operational efficiency partly. With the scale up of firms, they can spread fixed costs over increased output, emphasizing the hiring of skilled and talented human resource, streamlining digital processes, eventually amplifying the efficiency benefits of DT. Therefore, this pattern of transmission channel suggests that DT driven gains through firm size enhances operational efficiency. The focus of empirical literature is to examine the role of firm size on operational efficiency in the context of digital transformation. The firm size is usually measured by number of employees, and total assets including others. Moreover, the larger firms often benefit from economies of scale, better access to resources, and

increased capacity for innovation, leading to higher efficiency (Hair *et al.*, 2019). In this context, the study of Pathak *et al.* (2024) concluded the firm size of the business entity positively influences operational efficiency. To test hypotheses whether firm size significantly impacts operational efficiency among SMEs in the study area, the current research stated hypothesis as:

Research hypothesis (H_4): Firm size significantly influence the operational efficiency of SMEs in the study area.

Life Span of Business Entity and Operational Efficiency Gains

The operational innovation, followed by the improvements in processes, technology has varying effects depending on life cycle stages of a firm. This thematic literature review reveals how the life span or age of SMEs influences operational efficiency, providing a foundation for hypothesis setting and testing in the context of Nepal. In this regard, prior studies consistently find that the younger SMEs benefit more from the novelty in business, while older SMEs gain more from efficiency-oriented models. Moreover, simultaneous deployment of both novelty and efficiency strategies enhances performance, especially in older firms (Pati *et al.*, 2018). Likewise, the mature firms benefit from both, but the type of innovation that drives efficiency changes as firms age. Hence, this highlights the need to align operational strategies with the life span of firms for sustained efficiency gains (Ryu & Won, 2022). Moreover, empirical evidence from emerging economies show that the relationship between firm age and operational efficiency is shaped by internal capabilities and external environment, and that policy interventions should be tailored to the life cycle stage of SMEs for maximum impact (Ahmed *et al.*, 2020). Based on the discussed themes above, a testable hypothesis for Nepalese SMEs could be set as alternative or research:

Research hypothesis (H_5): The life span of Firms significantly influences operational efficiency of SMEs in the study area.

Materials and Methods

The current study follows a quantitative research approach followed by the qualitative interpretation estimated result. The relevant data was collect using a structured survey questionnaire facilitated with Google form consisting with a representative sample of SMEs across various sectors in the Kailali and Kanchanpur district. In this regard, the study used purposive sampling within selected strata to fulfil research objective. Moreover, the cross-sectional survey data from 384 SMEs of the study area Nepal was used to estimate a regression model to calibrate operational efficiency of SMEs.

The research philosophy paradigm of this current study is post-positivism. In consistent with this paradigm, ontological perspective is critical realist, recognizing that DT in SMEs is both an observable and observable phenomenon that changes over a time in terms of the variables used in the study. Likewise, the current study follows positivism epistemological perspectives that measures quantifiable impact as operational efficiency determined by level of digitization, operational cost reduction, firm size and life span of firms SMEs. Similarly, the study is guided by value-laden pragmatism, acknowledging that the investigator’s aim is to produce actionable and socially relevant knowledge for small business owners, stakeholders, and policymakers. The population for this study comprises all the SMEs that have undergone DT initiatives operation in Kailali and Kanchanpur district. The total study population size is assumed to be all the SMEs running in the study area for at least for last 12 months and the sample size was determined using Cochran (1977) formula (Cochran, 1977):

$$n = \frac{z^2(p)(1-p)}{M^2} \tag{1}$$

In the equation (1) above, ‘n’ denotes required sample size, Z stands for Z-score corresponding to the desired level of confidence (usually based on the standard normal distribution, e.g., for a 95% confidence level, Z = 1.96). Likewise, P stands for estimated proportion of the population with the characteristic of interest (if unknown, a common practice is to use 0.5, which maximizes the sample size for a given margin of error) and desired margin of error (expressed as a proportion) respectively.

Table 1 below shows variables selected based on the underlying theory and operational definition of the variables used in regression analysis. They are coded for the conventional presentation in the specified regression model. Therefore, the operational definition of variables and their measurements are as follows:

Table 1

Operational Definition of the Variables Used in Regression Analysis

Code	Operational Definition	Nature of Variables	Measurement Scale
logOE	Operational Efficiency of the firms	Outcome Variable	Ratio
LD	Level of Digitization	Independent Variable	Categorical
logDP	Percentage of digital payment	Independent Variable	Ratio
logECR	Efficiency in Cost Reduction	Independent Variable	Ratio
logFS	Number of Employee in the Firm	Control Variable	Ratio
Log AF	Age of Firms	Control Variable	Ratio

Operational efficiency gained by the firms due to DT is measured based on the perception of the respondents in terms of percentage. The level of digitization is operationalized as an ordinal variable based on the most advanced digital tools adopted by the respondent firms. Firms are categorized cumulatively, such that each higher level includes the tools of the preceding level and they leveled as 1, 2 and 3 based on the digitalization tools used. In this context, the low level (Code = 1) assigned to use of basic digital tools for routine tasks (e.g., calculator, computer, mobile banking). Similarly, the moderate level (Code = 2) assigned to use of basic tools plus market-facing and payment technologies (digital wallets such, social media marketing). Moreover, the high level (Code = 3) to assign the use of tools from previous levels plus integrated digital systems (e.g., business management software, accounting software, official website). This conventional ordinal categorization is made based on the insight from previous work of Mick et al. (2024). All the other variables describe in Table 1 above are measured in ratio scale based the response provided by the respondents.

To fulfil aim of the research, baseline behavioral linear regression model in matrix form is specified as:

$$OE_i = X_i\beta_i + Z_i\gamma_i + \mu_i \tag{2}$$

In the equation (2) above OE_i refers to the perceived operational efficiency of i th firm. Likewise, X_i and Z_i refers to the vector of independent variables and vectors of control variables relating to ‘ i ’ th the firm. Moreover, β_i , γ_i , and μ_i refers to estimated coefficients of the independent, control variables and error term respectively.

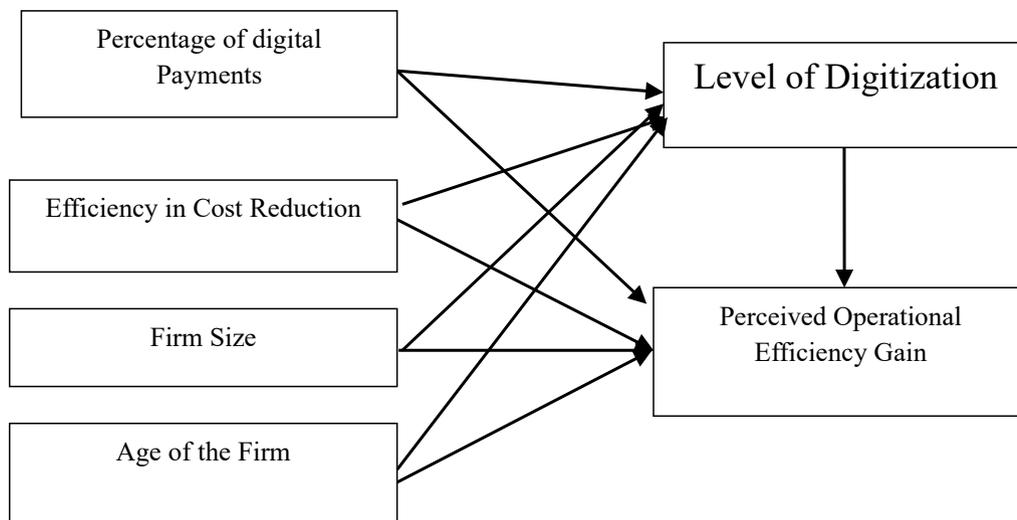
The baseline behavioral linear regression model specified in equation (2) in matrix form can be presented in logarithmic form as follows:

$$\ln OE = \beta_0 + \beta_1(LD) + \beta_2 \ln(DP) + \beta_3 \ln(ECR) + \beta_4 \ln(FS) + \beta_5 \ln(AF) + \epsilon \dots \dots \dots \tag{3}$$

In equation (3) above, β_0 denotes intercept and $\beta_1, \beta_2, \dots \beta_5$ are the slope coefficients to be estimated. Likewise, ϵ stands for error term. The acronyms given in the model are defined in Table 1 above.

Conceptual Framework

Based on the literature review, researchers have drawn insights to draw conceptual framework for the analysis that presented below:



Source: The researcher has developed the conceptual framework based on the theoretical literature review.

The framework presented above clearly displays the various elements that contribute to the operational cost efficiency, due to DT within SMEs, highlighting how these factors interact to impact both operational efficiency of SMEs and its linkage with level of digitization, digital transaction density, firm size, life span of firm in Nepalese context.

Empirical Results and Discussion

The empirical results of this study based on the estimated regression model followed by diagnostic test result are presented and discussed in Table 2 to 6 subsequently.

Result of the Estimated Regression Model

Table 2 below summarizes the model summary and estimated result of the regression model specified in equation (3) mentioned in the methodology part of the current study.

Table 2 result shows the R^2 and adjusted R^2 value as 0.53 and 0.524 respectively. This implies that the about 53 percent of the variation in the outcome is defined by the model. In social science, the R^2 value of 0.53 and adjusted R^2 value of 0.524 indicates a reasonably strong explanatory power for cross-sectional data, suggesting the model is statistically acceptable and robust (Hair *et al.*, 2019; Cohen, 2013). Likewise, Durbin-Watson Test result for autocorrelation for the estimated regression model. Having the estimated D-W statistic value around 2.0 is regarded as the ideal condition for the robustness of the model. Nevertheless, the estimated D-W statistic in between 1.5 to

2.5 is general condition for the assessment of the model robustness. Therefore, it can be declared that the estimated model is strong and coefficient better predict the change in the outcome variable.

Table 2

Estimated Result for Operational Efficiency of Business

Dependent Variable: Operational Efficiency of SMEs(OE)				
Variables	β	SE	t	p
LD	0.70612***	0.0541	13.044	<0.001
logDP	0.28775***	0.0473	6.090	<0.001
logECR	0.06524*	0.0385	1.696	<0.091
logFS	0.16993***	0.0478	3.556	<0.001
logAF	-0.00912	0.0379	-0.241	<0.810
Intercept	0.36921***	0.0673	5.488	<0.001

Model fit. $R^2 = .53$, Adjusted $R^2 = .524$, $F(5, 378)$, $p < .001$, D-W Statistics 1.64;
 N = 384.

Note. Table 3 above β = estimated coefficient; SE= Standard Error; t= t-statistic for the estimated output of regression model 3.

Data Source: Field Survey, 2025. *Significance Levels:* *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$.

Moreover, Table 2 presents the estimated regression results for the determinants of operational efficiency of SMEs with reference to DT. The estimated model demonstrates the strong explanatory power, with most of the variables demonstrating statistically significant effect that are consistent with the theoretical expectations. The level of digitization (LD) is found to be the most influential determinant of the operational efficiency of SMEs. The coefficient is positive and highly significant ($\beta = 0.706$ and $p < 0.001$), indicating that SMEs adopting higher levels of DT experience substantial operation efficiency gains. The estimated result also shows that the firm size (FS) and market-related factors also play an important role. Moreover, the positive and significant coefficient ($\beta = 0.169$ and $p < 0.001$) of logged firm size (FS) indicates that larger SMEs benefit from economies of scale and better resource utilization. Similarly, digital penetration as measured by percentage of digital payment of the total digital payments (DP) shows a strong positive association ($\beta = 0.288$ and $p < 0.001$) with operational efficiency, gain. Access to external credit resources (ECR) has a positive but marginally significant effect ($\beta = 0.065$ and $p < 0.10$), implying that financial access supports efficiency improvements. In contrast, the life span of firms (AF) is statistically insignificant, implying that older SMEs alone do not determine efficiency gains from DT. Intuitively, older firms may face inertia in adopting new technologies, while newer

SMEs may lack resources to leverage them fully. This pattern also aligns with findings by Matt *et al.* (2015), suggesting that the effectiveness of DT depends more on strategic intent and innovation culture rather than on firm maturity. However, from the theoretical perspective, this finding challenges the linear interpretation of Firm life cycle theory, which assumes that older firms benefit from accumulated experience, learning effects, and organizational routines that enhance efficiency over time (Greiner, 1972).

Result of Hypothesis Test

Table 3 below shows the hypothesis test result based on coefficient value and corresponding statistical significance in terms of probability value of estimated regression model.

Table 3

Summary Table for Hypothesis Test Result

Statement of Hypothesis	P-Values	Acceptance and Rejection
Research Hypothesis(H ₁)	<0.001	Acceptance of H ₁
Research Hypothesis(H ₂)	<0.001	Acceptance of H ₂
Research Hypothesis(H ₃)	<0.091	Acceptance of H ₃
Research Hypothesis(H ₄)	<0.001	Acceptance of H ₄
Research Hypothesis(H ₅)	<0.810	Rejection of H ₅

Note. Table 3 above shows the estimated output of regression model 3.

Evidently, Table 3 shows that the first four research hypotheses are accepted the regression model. Moreover, the accepted research hypotheses are digital transformation and strategies adopted by the SMEs significantly influence the overall operational efficiency, firm size significantly impacts the operational efficiency of SMEs, operational cost reduction with the mediating effect of DT significantly impacts the operational efficiency, the increased density of digital transactions significantly contributes to increasing overall operational efficiency for SMEs. However, the research hypothesis; the life span of SMEs significantly impacts their operational efficiency is reject based on the p-value criteria.

Diagnostic Test Result

Table 4 below shows variance Inflation Factor (VIF) values for the estimated model. The centered VIF values for all variables LD (1.28), log (DP) is 1.39, logECR (1.34), logFS (1.24), and logAF (1.29) and all are well below the critical threshold of 10, suggesting no serious multicollinearity issues. Therefore, the centered VIFs confirm

that the estimated regression coefficients are stable, and the model does not suffer from any issue of multicollinearity that would distort the interpretation of the variables.

Table 4

Estimated Value of Variance Inflation Factor

Variables	VIF	Tolerance
LD	1.28	0.779
logDP	1.39	0.720
logECR	1.34	0.748
logFS	1.24	0.807
logAF	1.29	0.776

Note. Table 4 above shows the estimated VIF for regression model 3.

Data Source: Field Survey, 2025.

Discussion

The estimated regression results reveal that DT, measured through the level of digitization (LD), has a strong and positive effect on the operational efficiency (OE) of SMEs in the study area. The estimated coefficient for LD (0.706, $p < 0.01$) clearly indicates that higher adoption of digital technologies significantly enhances efficiency levels of SMEs. This aligns with findings from Vial (2021) and Bharadwaj *et al.* (2013), who argue that DT improves business agility, cost efficiency, and resource optimization. Similarly, Liu *et al.* (2021) and Li *et al.* (2018) highlight that digital tools such as data analytics, automation, and e-commerce thereby reduce transaction costs and operational redundancies, directly improving productivity of the firms.

The positive and significant coefficient of digital payment density ($\log DP = 0.287$, $p < 0.001$), suggests increasing proportion of digital payment which is instrumental to increase operational efficiency of SMEs. This result is supported by the studies of Li (2024) and Saleh *et al.* (2025). Likewise, the estimated coefficient for the variable firm size ($\log FS = 0.169$, $p < 0.001$) suggests that larger SMEs enjoy greater efficiency gains from DT. The result also aligns with the findings of Pathak *et al.* (2024) and Tang *et al.* (2020). Moreover, the coefficient for the variable efficiency indicates cost reduction ($\log ECR = 0.065$, $p < 0.091$). Obviously, this may result from economies of scale and higher resource capacity to invest in digital technological systems. This observation is consistent with studies of Ahmad *et al.* (2025) and Majeed *et al.* (2025), who found that relatively larger enterprises have better digital adoption costs and manage technology-

driven change. However, it contrasts with Li *et al.* (2025), who observed that smaller SMEs, being more flexible, may realize quicker efficiency improvements once digital tools are integrated effectively. Probably, this implies that business firms' readiness and absorptive capacity moderate the DT efficiency relationship.

Conclusions and Policy Implications

This study examined how digital transformation (DT) influences operational efficiency of SMEs in Nepal. The estimated regression model demonstrates strong explanatory power that accounts for about 53 percent of the variation in operational efficiency, and passes key diagnostic and fit tests, confirming its robustness. The findings show that SMEs with higher levels of DT have substantially better operational performance, highlighting the central role of DT in streamlining processes, reducing transaction costs, and improving overall coordination. More digital penetration percentage, measured through the use of digital payments, also significantly enhances efficiency, underscoring the importance of digital market integration. Likewise, firm size is found to be another significant factor, suggesting that larger SMEs benefit from economies of scale and more effective resource utilization when adopting DT. Overall, the study concludes that DT-driven efficiency gains depend primarily on purposeful digital adoption and complementary organizational factors rather than on firm size alone. Moreover, based on the insights gained from this study, the authors recommends conduct empirical research for mapping Rural- Urban digital divide and efficiency outcomes among the SMEs of Nepal.

Policy Implications

Based on the findings, key policy insights may be stated as fostering a supportive institutional environment to enhance trust in digital transactions and ensure cybersecurity. More importantly, improving SMEs' digital and operational efficiency directly supports national development goals of Nepal and the Sustainable Development Goals(SDGs). Therefore, enhanced SME productivity contributes to job creation and decent work (SDG 8), and innovation (SDG 9).

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