

Digital Eco System of the Post Pandemic Period Bolstering the Exports of MSMEs- A Study on eBRC Initiative of the Government of India

N. Suresh^{1*} & Farisa Sulthana²

¹Assistant Professor of Commerce, Government Degree College, Ibrahimpatnam, Telangana.

²Assistant Professor of Management, Amjad Ali Khan College of Business Administration, Hyderabad.

*Corresponding Author: nsureshnaidu@gmail.com

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Abstract

The Covid pandemic that outbreak half a decade ago has surfaced laments on every sector across the world, and more precisely hampered the exports of MSMEs, which contributes lion share to Indian exports. The Government of India has initiated many concrete steps to stave off the impact of pandemic on the exports of MSMEs, of which, Electronic Bank Realization Certificate or eBRC is an important digital initiative that not only expedites the process of corroborating the export remittances, but also reduces the cycle time of realising and disbursing the export benefits by the Government to the export-oriented units. There are many other digital initiatives mooted by the Government to navigate the exports of MSMEs in data driven economy in the past two years, but, eBRC is often claimed to be one of the flagship reforms with respect to the bolstering MSMEs. Therefore, this paper is the consequence of an attempt made to study whether eBRC has achieved the stated purpose as two years has been lapsed ever since its initiation, for which, three broad objectives were construed to study the pros and cons of eBRC through reviewing the literature, to conduct a comparative analysis of eBRC with the previous system of FIRCS and to study the perceptions of stakeholders using the Likert's Scale. A sample of seventy five respondents were selected using stratified random sampling method, from whom, the primary data required to accomplish the third objective has been collected and interpreted which reveals that eBRC has been helpful to the exporters with minor flaws in it, based on which the conclusions of this paper were drawn.

Keywords: Digital Initiatives, eBRC, Export Benefits.

Introduction

It is well evinced from the international trade statistics of India, that MSMEs contributes forty five percent of direct exports of the country which stood at Rs. 12.39 Lakh Crore for the financial year 2024-25 (**RBI Database**)¹ with a huge contribution to other economic indicators like the employment and domestic value addition. It is therefore, obvious for the Government to make huge budgetary allocations to accelerate the exports of MSMEs. It is understood that the total value of Rs. 23168.15 Crore were sanctioned to incentivise the exports of MSMEs in the present budget (**Union Budget 25-26**)² along with other intangible benefits. But, these exports were drastically affected during the financial year 2020-21 when there was an outbreak of Covid pandemic and stood only at Rs.3.95 Lakh Crore which is only one fourth of the exports recorded by MSMEs in the year 2024-25 and sent alarming signals to the stakeholders, especially to the Government of India which grants a great degree of encomium to MSMEs

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for their economic contribution. Thus, Government has contemplated many radical reforms to make the MSMEs resilient in the post pandemic period, of which, digitalization of MSME supporting environs is of paramount importance that unveiled eBRC system in the beginning of 2023.

The Union Government, indeed, not confined to eBRC system alone to showcase its digital initiatives, rather, it has ruminated the primacy of data driven economic measures and brought forward many other digital measures like Trade Connect, TEAM Scheme, ICEGATE and eSanchit. These schemes offer digitization of custom clearances, providing digital recognition to the origin of the exports, onboarding the exports of MSMEs with expeditious FOB contracts and digitally networking with international trade partners through state sponsored authentic digital channels. These measures weigh on one side and the digital realization of export remittances through eBRC alone on the other side, as the realization of export remittances is linked to many transactions in foreign trade, such as, providing clearance to the Letters of Credit, and receiving the export benefits and other incidental incentives from the state agencies like the DGFT. Therefore, it is quintessential to study how the new export realization mechanism of eBRC is different from the previous paper-based system which had been coined as the Foreign Inward Remittance Certificate System (FIRCS) through reviewing the literature from varied sources and conglomerating the expert opinions with respect to the evidences from the digital realization practices of other peer nations to tender anything on the efficacy of eBRC system as summarised below.

Review of Literature

Shurveer (2022)³ has explained in his paper that most of the MSMEs have started facing the liquidity issues in the post Covid era and depending upon the unorganized sector at exuberant interest rates to meet their liquidity requirements, which can be addressed to a larger extent if the benefits granted to MSMEs, especially to the micro and small units are expeditiously disbursed by the state agencies. This paper did not emphasize anything on the export benefits, but it has explicitly concluded that the speed with which the benefits or incentives granted to MSMEs impacts the liquidity position of the micro units. This can be attributable equally to the disbursement of export incentives for which, digitalization of export processing cycle is of paramount importance.

Ram Manohar et al (2023)⁴ have emphasized in their study that the digitalization of export processing cycle is very helpful for the state agencies to maintain the database of the exports and incidental parameters of MSMEs, based on which, the effective decision making becomes feasible. They have also recommended in their paper that digitalization of the export documentation helps striking a fine balance between various state agencies and speed up the process of granting export benefits to the vested beneficiaries. The paper also stressed upon the mutilation risks of export documents which can be avoided through digitalizing the export documentation. This opinion is also supported by **Vineeth and Priya (2023)**⁵, who studied in their research that most of the micro entrepreneurs working in tier two and three towns are not prone to visit different state agencies located at different levels to claim the benefits offered by the state at their disposal, therefore, digitalization and centralization of export documentation system can effectively address such issues. Of course, there are scores of evidences across the world to support the hypothesis that digitalization and integration of export documentation mitigates the maximum number of operational issues faced by the micro and small units engaged in export trading. For example, **Robert and Ford (2024)**⁶ have conducted a study on the export documentation process of China and Thailand and drew a conclusion that much of the time required to process the post shipment credit in these two countries has been brought down to a very negligible waiting period by centralizing and maintaining the effective export documentation and data base respectively.

Ranjan and Sinha Kulveer (2024)⁷ have conducted a study on the digital initiatives taken by the Government of India from the past twenty years to help MSMEs in addressing the marketing and financing fronts and drew a conclusion that the present initiatives are healthy, but lacks global integration. They have cited that the state-owned digital platforms connecting international buyers and vendors is restricted to the select product lines and requires immediate reengineering, so that the MSMEs engaged in rare fields can also venture into international trade. This study was confined to the macro level analysis of the digital initiatives in the past two decades, based on which the impact of e BRC forming core of this research paper can not be measured. **Promod Agarwal (2025)**⁸ also conducted a similar study, but had a scope of analysing the digital initiatives supporting the MSMEs in Gujarat in his paper, rather, he did not make any specific attempt to find how these digital initiatives have been reshaping the export benefit disbursement mechanism in the post Covid period.

Gaps in Literature: The review of literature makes it obvious that there has been a fair work done on the digital initiatives of the state to support MSMEs, and also revealing the need to centralize the database of export oriented database of MSMEs, but, hardly there is any research that has been carried out on eBRC which replaced the conventional FIRC in the post Covid period, which is a gap in the literature, as two years of time is lapsed ever since the implementation of e BRC which has brought ahead a radical shift in the way export benefits of MSMEs is disbursed by the state. Further, there is also hardly any work that has captured the perceptions of micro entrepreneurs on the e BRC in the recent past. Therefore, these gaps are proposed to be cemented through the following three objectives in this study.

Objectives of the Study

- Analysing the digital initiatives of Government of India to aid the exports of MSMEs in the post Covid period.
- Comparing the merits of e BRC and its previous mechanism of disbursing the export benefits to MSMEs.
- Assessing the perceptions of Micro, small and medium entrepreneurs on the e BRC system.
- Examining the association of e BRC with expeditious disbursing the export benefits among micro, small and medium enterprises.

Research Methodology

The first objective is accomplished through critically reviewing the digital initiatives mooted by the Government of India to accelerate the exports of MSMEs in the past four years, the second objective has been brought to fruition through comparative analysis method, on the other hand, the third and fourth objectives requiring primary data are subjected to Constant Sum Scaling and binary questionnaire respectively with which, the following hypothesis is tested using Chi Square test of independence to see the influence of e BRC on the expeditious disbursement of export benefits to MSMEs.

Null Hypothesis H₀: -There is no significant association between eBRC and expeditious disbursement of export benefits among the Micro, small and Medium enterprises.

Alternative hypothesis H₁: There is no significant association between e BRC and expeditious disbursement of export benefits among the Micro, small and Medium enterprises.

Sample Size and Scope of the Study

This paper reckons the sample of seventy five respondents who are either entrepreneurs running MSME units or KMPs working for such units. The sample is constructed in such a way that twenty five members from micro units, twenty five members from small units and twenty five members from the medium units engaged in export trade and located in the vicinity of Telangana constitutes the sample frame.

Limitation of the Study

This paper has got a very finite scope of collecting the primary data from the MSMEs located in Telangana, based on which, the generalised conclusions are drawn.

Digital Initiatives Supporting the Exports of MSMEs

MSMEs have been the fulcrum of economic growth ever since the beginning of five year plans in India, and induced the state to bolster their growth, indeed, it is hardly possible to ruminate the export spectrum of the country without the participation of MSMEs which contributes more than forty percent of direct exports every year. Therefore, it has become obvious for the state to reap the benefits of digital revolution and link the same to the exports of MSMEs, especially, the digital reforms of post Covid period like, e BRC which replaces the conventional *FIRC* (*Foreign Inward Remittance Certificate*) is believed to have brought down the settlement time of export benefits granted to MSMEs. Similarly, there are other initiatives like, *TEAM* (*Trade Enablement And Marketing*) which aims to digitally enable five lakh MSMEs to sell online via platforms helps micro units, more particularly, the female led micro enterprises to export their products and services through online platforms like *ONDC* and onboard their logistics, accounts and other incidental processes of direct exports. Another major digital initiative launched by the *Government of India* in the past four years to give a major fillip to the exports of *MSMEs* lies in *ECEH* (*e Commerce Export Hubs*) which integrates the requirements like custom clearances, certification and invoicing of the

cargo through a single window digital platform. There are scores of other initiatives like e SANCHIT that mitigates the paper based work of exporters with respect to Central Board of Indirect Taxes and ICEGATE that allows the single window for uploading all the legal documents of foreign trade. But, among all these initiatives, e BRC stands as a major digital initiative, as it helps expediting the process of releasing the export benefits, Thus, it is felt necessary to draw the comparative analysis of e BRC with its former mechanism to fructify the second objective of this paper.

Comparative Analysis of e BRC and FIRC

Table 1: Comparative Analysis of e BRC and FIRC

S. No.	Benefit	eBRC	FIRC
1	Proof of export remittance	✓	X
2	Linkage to DFFT Portal	✓	X
3	Usage in GST/Customs Refunds	✓	X
4	Linkage to Shipment Bill	✓	✓
5	Verification of Scheme Compliance	✓	X

Table 1 provides a vivid superiority of eBRC over the conventional FIRC which had been issued only in the paper format and not linked to any state agencies. The FIRC can also be used to corroborate the shipment bills, but it is not confined to shipment remittance alone, rather, any foreign remittance is mirrored in FIRC which requires additional authentication from Banks and other agencies to conform the export proceedings , which is a tedious process. The eBRC is also linked to the database of DGFT and RBI which enables the state regulators to check online whether the claim made by the exporter is genuine or otherwise. eBRC also helps exporters avoiding to visit various agencies like Banks, nodal agencies and DGFT to claim the export subsidy owing to SWIFT linkage which was not available in FIRC.

Perceptions of Micro, Small and Medium Entrepreneurs on eBRC

The respondents were asked to assign the score from 1 to hundred on constant sum scale with respect to the merits of eBRC, and the resultant mean scores are obtained as shown below in table 2. The constant sum scale constructed for this study does not compare the demerits of eBRC with FIRC, as eBRC is an obvious advancement over the previous system.

Table 2: Mean Scores of Perceptions on eBRC

S. No.	Statement	Micro units	Small Units	Medium Units
1	eBRC avoids visiting multiple agencies to claim export benefits	32.5	31.3	51.3
2	eBRC simplifies the documentation process of export remittances	32.1	28.5	15.2
3	eBRC expedites the disbursement of export benefits	8.4	6.5	14.4
4	eBRC avoids redundancy of e filing	13.6	12.4	9.4
5	eBRC serves as single window document for all export remittances	13.4	21.3	9.7

It is evident from table 2 that the first two statements have got highest mean scores among all the three categories of respondents. It means eBRC helps avoiding the frequent visiting of multiple state agencies to claim export benefits, and it also helps simplifying the documentation process of export remittances. The claim made by the Government with respect to the expeditious disbursement of export subsidies and other incentives has secured feeble mean score among the respondents. The medium scale entrepreneurs have shown variation with respect to the scoring, which is better understood through testing the hypothesis.

Testing of Hypothesis

The data so collected is categorical. Thus, three independent groups namely, micro, small and medium units are reckoned to see whether eBRC is beneficial using Chi Square test at 95% confidence levels as shown below.

The degrees of freedom = (3-1)(2-1) =2 degrees of freedom

Table 3: Perceptions of MSMEs on e BRC

units	benifited	not benifited	Total
micro	10	15	25
small	11	14	25
medium	13	12	25
Total	34	41	75

Table 4: Chi Square Test of Independence between micro, small and medium enterprises with respect to the benefits of eBRC

o	e	o-e	(o-e)/e	$[(o-e)/e]^2$
10	11.33	-1.33	-0.1173	0.0137
15	13.66	1.34	0.098	0.0096
11	11.33	-0.33	0.02912	0.000847
14	13.66	0.34	0.0248	0.000615
13	11.33	1.67	0.1473	0.02169
12	13.66	-1.66	-0.1215	0.01476
				0.06042

Interpretation: The chi square value obtained ie 0.06042 is less than the table value of 0.103 at 2 degrees of freedom and 95 % confidence levels. Therefore, the null hypothesis could not be rejected. It means there is no significant difference between micro, small and medium enterprises with respect to the availment of expeditious export benefits from the state agencies.

Conclusion

It is evident from this paper that eBRC is superior to the former FIRC in terms of recognizing the receipt of export proceedings which in turn helps expeditiously disbursing the export benefits. However, it is found that the micro enterprises which requires quick benefits from the state could not find any significant difference from that of medium enterprises which are far bigger than the micro enterprises in terms of turnover. Therefore, the state must re-engineer eBRC mechanism with more micro and small entrepreneurial friendly procedures that helps agencies like DGFT to prioritize the export units which deserves state support.

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