

E-commerce: A boon or bane : A unique platform for small and medium enterprises

¹ Shital N Patil, ² Dr. V. M. Ingvale

¹ Assistant Professor Shailendra Degree College, Dahisar East, Mumbai, Maharashtra, India

² Principal, Research Guide Shailendra Degree College, Dahisar East, Mumbai, Maharashtra, India

Abstract

E-Commerce has been proven as a powerful tool for growth of SMEs. E-commerce offers numerous benefits for businesses. SMEs play major role as a facilitator for the growth of commerce sector.

Electronic Commerce! E-commerce is an invention to old notions about buying and selling goods. E-Commerce includes various forms of business like direct marketing to other business or customers or third parties etc.

SMEs of India contribute around 8 percent towards GDP, 45 percent of total manufactured goods as well 40 percent of the exports. Small and Medium enterprises are the classifications of varied bases of enterprises exist in India. Small and Medium enterprises of India are coming under Micro, Small and Medium Enterprises Development Act, 2006. Small And Medium Enterprises are headed by their entrepreneurs.

There is a close association between E-commerce and growth of Small and Medium Enterprises. E-commerce can aid small and micro companies smoothly for networking and marketing of their businesses.

E-commerce has transformed numerous opportunities for small enterprises.

There are many hurdles in effective implementation of E-commerce for SMEs. For many SMEs facilitating and supporting factor for E-Commerce are not available. Many companies avoid or hesitate to opt for E-commerce due to varied threats.

Keywords: E-Commerce, ICT, SME, Digital India

Introduction

E-Commerce has been proven as a powerful tool for growth of SMEs. E-commerce offers numerous benefits for businesses. SMEs play major role as a facilitator for the growth of commerce sector. In today's era of globalisation each and every business whether manufacturing or services, whether micro or large nature it is completely dependent on ICT (Information and Communication Technology). Then let it be landlines, mobiles, e-banking, ATMs or any other technology. Some or other way each and every business opts for ICT.

Objectives of the Study:

- To understand conceptual framework of E-Commerce and SMEs.
- To explore opportunities associated with E-Commerce for SMEs.
- To study challenges associated with E-Commerce and SMEs.
- To highlight measures towards growth of SMEs with the help of E-Commerce.

Review of Literature

Indian MSMEs are no exception and penetration of ICT in Indian MSME sector is still very low (Sharma and Bhagawat, 2006; Singh *et al.*, 2010; CII, 2010).

In the small firms context, several studies (Gulledge, 2002; Stockdale and Standing, 2004; Gengatharen and Standing, 2005) have researched on barriers to e-marketplace adoption. Some of the major challenges faced by SMEs in adopting e-commerce stem from a lack of technological expertise and uncertainty about the benefits offered by e-commerce (Gengatharen and Standing, 2005).

Despite constructive benefits, many of the firms are not keen in opting E-commerce as purchasing tool (Pawar and Driva, 2000).

Research Methodology

Sources of data

Primary Data: The sample of 100 SMEs has been collected for analysis from Tarapur MIDC area. Questionnaire was prepared for the survey.

Secondary data: The data has been collected from different books, Journals, magazines and newspapers.

E-Commerce

Electronic Commerce! In layman's term it simply means buying and selling of goods and services by electronic means. E-commerce is an invention to old notions about buying and selling goods. It is a hassle free trade, without the intermediaries. E-Commerce includes various forms of business like direct marketing to other business or customers or third parties etc. This is the most economic form for trading in today's competitive world; where there are many challenges existing for sustaining into the competitive retail market.

Currently many business firms including micro to large setups; all are using smart devices which led to effective use of E-Commerce for personal as well as industry retailing.

How it functions?

Here, commercial transactions take place on the basis of electric technologies for payments like EDI- Electronic Data Interchange, EFT- Electronic Fund Transfer and many more new versions of e- payments.

Forms of E- Commerce

Table 1

Aiming businesses	Aiming consumers
B2B	B2C
C2B	C2C

B2B: It is a direct marketing of goods and services between two companies. Ex: Alibaba, Indiamart, Sulekha etc.
 Producers of the product → Product → Retailers of the product

B2C: Here there is a direct buying and selling of goods and services among seller and customer. Ex: Flipkart, Amazon, Mynta etc.
 Retail → Product → Consumer

C2B: Here, consumers post their products or services on website where companies put their bids for the same. Consumer can review their bids and selects the one which meets price expectations of theirs. Ex: Blogs, Forums etc.
 Consumer → Product → Seller

C2C: It is a direct buying and selling of goods and services among consumers without any barriers. Ex: OLX, E-BAY, Quicker etc.
 Consumer → Product → Consumer

SME

Small and medium enterprises of India are the most vibrant and rapidly growing sector. SMEs of India contribute around 8 percent towards GDP, 45 percent of total manufactured goods as well 40 percent of the exports. This sector employs around 80 million people all over the country in different regions. As per Government’s Census data 2011-12 MSME employs 805.24 lakhs of people in both manufacturing and service industries of India. MSME accounts for 44.7% of export in GDP for the year 2011 as per data maintained by Statisticians at Ministry of Commerce.

Small and Medium enterprises are the classifications of varied bases of enterprises exist in India. They are categorized basically in to three parts namely Micro, Small and Medium. This categorization is on different criterions for different regions and countries. In India this categorization is on the basis of investment into plant and machineries of the company. Small and Medium enterprises of India are coming under Micro, Small and Medium Enterprises Development Act, 2006. This act has been amended in the year 2015 as MSME Amendment Bill, 2015; where ceiling of investment on plant and machineries for the categories were revised for both manufacturing of goods and services.

As per new norms of MSMED Act, 2006 (MSME Amendment Bill 2015) Categorization f SMEs are as follow:

Table 1

Manufacturing enterprises	Investment in plant and machinery
Micro	UptoRs. 50Lakhs
Small	Rs. 50 Lakhs to Rs. 10 Crore
Medium	Rs. 10 crore to Rs. 30 crores
Service enterprises	Investment in plant and machinery
Micro	UptoRs. 25Lakhs
Small	Rs. 25 Lakhs to Rs. 5 Crore
Medium	Rs. 5 crore to Rs. 15 crores

Small And Medium Enterprises are headed by their entrepreneurs. Overall growths of SMEs are also dependent on their entrepreneur’s abilities, technologies adopted and favourability of external environmental factors.

SME and E-Commerce

There is a close association between E-commerce and growth of Small and Medium Enterprises. Obstacles such as transportation of products up to final consumer, overhead cost due to intermediaries, cut throat competition prevailed in market etc. can be waived off if SMEs opt for E-commerce portals.

In today’s era of globalisation online portals are very useful for surviving in existing competitions for SMEs. ICT’s like Mobile phones, Websites. E-mails, online banking are part and parcel of day to day business.

When the case of micro and small business comes; it becomes tricky to opt for such techies into businesses. As ICT and E-Commerce adoption involves technical expertise, experience, knowledge about advance technologies; as well cost associated with same is also considerably high for micro and small units specifically.

Adoption of E-commerce is not only financially viable option but also it helps to develop good distribution network with increased profitability for businesses. E-commerce can aid small and micro companies smoothly for networking and marketing of their businesses.

‘Digital India’: An Opportunity for SMEs towards E-commerce

Digital India is a unique platform offered by Government of India for upbringing SMEs in terms of their competitiveness with other large cap companies.

Digital India has been conceptualised under Governments campaign of ‘Make in India’. These tow essential campaigns of Government has been proved to be critical vitamins for E-Commerce in Small and medium Enterprises.

SMEs in India contribute around 40 percent of the export and 8 percent of GDP as per Government resources. It further employs around 80 million India’s population.

‘Digital India’ facilitates significant advantages likewise access to new market by online marketplace, reach to a wider and various range of customers, can increase their revenue and margins. It will also help in cost saving, better communication and customer support. In short, it will help them to win the customer trust and make a market base for the SMEs sector.

E-commerce has transformed numerous opportunities for small enterprises. If SMEs fails to explore these opportunities, E-Commerce can turn into challenges which will threaten survival of their business. The adoption of e-commerce in small enterprises has enabled them to reach global presence and is offering stiff competition to big fishes of industries. It has been proven that web-based big companies able to force various micro and small companies to go digital for their day to day businesses. The scope for adoption of e-commerce has been enlarged through telephones and TVs especially in rural markets.

Some of the excellent opportunities under e-commerce offered to small enterprises are as follows, certainly not only confined to below list:

- Access novel markets
- Improve customization
- Lowering varied types of costs
- Progressive Distribution network through social and other retailing media.
- Enhanced capacities to sell products and services locally as well globally

Challenges of E-Commerce

Despite of positive side to E-commerce it also associates with a darker side. There are many hurdles in effective implementation of E-commerce for SMEs. For many SMEs facilitating and supporting factor for E-Commerce are not available. It becomes too unviable to avail E-Commerce facilities, and companies tend to continue with old options only. Many companies avoid or hesitate to opt for E-commerce due to following threats:

- Lack of Financial support
- Lack of Infrastructure set up for support of E-Commerce
- Illiteracy towards adoption of ICT
- Lack of willingness
- Hesitance to follow legal requirements
- Fear of Internet insecurities, frauds

Data Interpretation

1. Sample proportion taken for study:
For the mentioned study Researcher has surveyed 45Micro, 50 small and 5 Medium sized SMEs of Tarapur MIDC area, District Palghar.

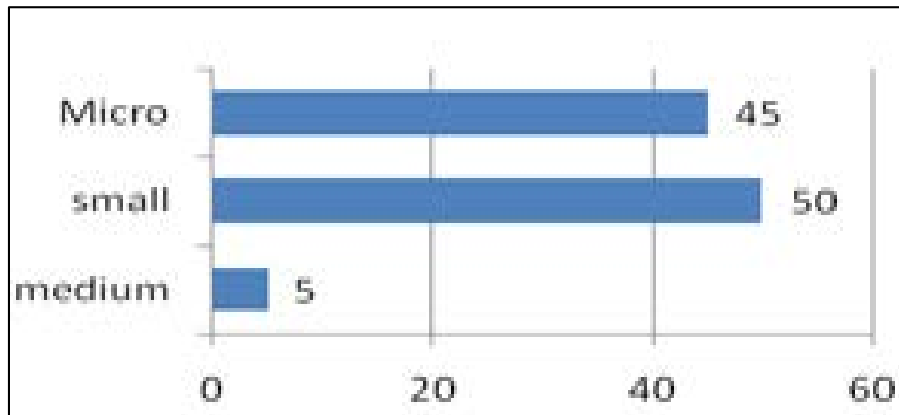


Fig 1: Category of sample SMEs

2. Among all SMEs only Medium size were opting E-Commerce. Micro and small size SMEs are having less participation in E-Commerce.

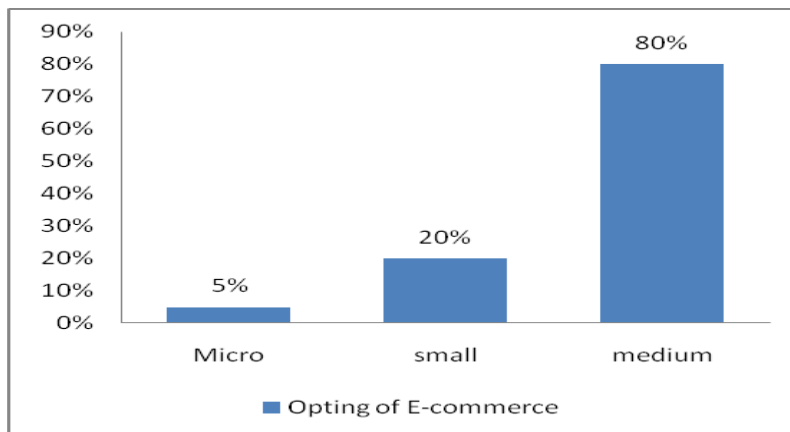


Fig 2: Opting E-commerce

3. SMEs who did not opt for E-Commerce have reported risk of E-security as a major reason, followed by financial unfeasibility and complexity in adoption. Other than this 40%

of SMEs have shown unwillingness towards usage of E-commerce in their business.

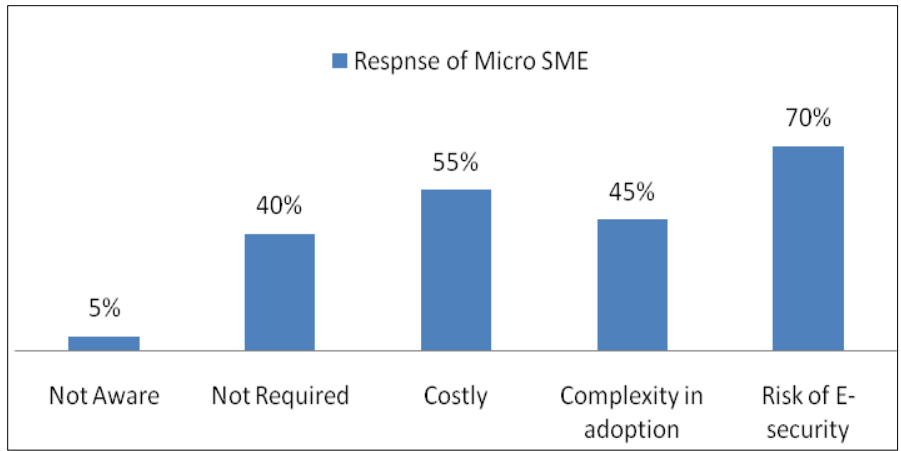


Fig 3: Reasons of Micro SME for not opting E-commerce

4. SMEs who have opted for E-Commerce stated that adoption of E-Commerce helped them to gain 40% increase in distribution network as well it eased entry in global markets by

25% and reduced their marketing expenses upto 35%. But it tried to achieve loyalty among consumers only by 15%.

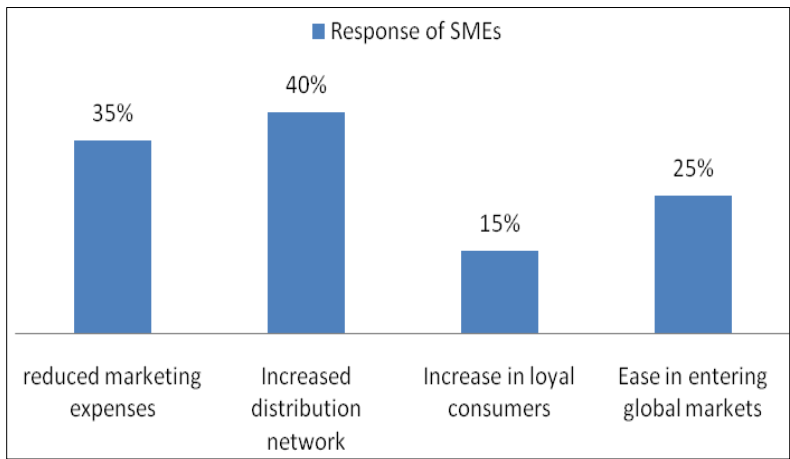


Fig 4: Impact of commerce

5. Illiteracy towards Information and Communication Technology and E-frauds are the major concerns behind not opting E-commerce. Many SMEs stated financial as well non-

financial infrastructure are among other hurdles. Many of the SMEs are lacking willingness as well trust to opt for E-Commerce.

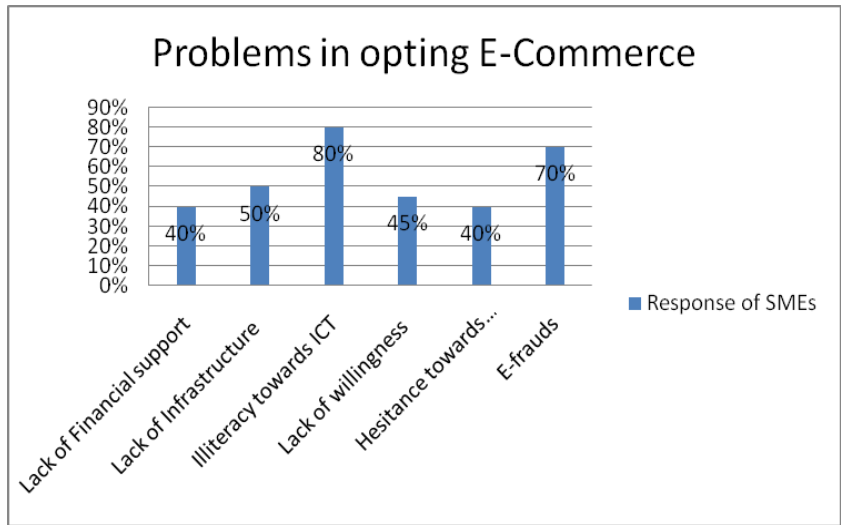


Fig 5: Problems in opting E-commerce

Conclusion

This paper gives an indication that E-Commerce proven as boon to Large Set-ups and Medium Enterprises. But at the same time for Micro and Small Enterprises it becomes a threat due to various hurdles. Paper helped to figure out challenges faced by sample studied. Finally it can be concluded that on micro and small level there is a bit requirement of awareness and majorly financial infrastructure to opt E-Commerce. Many of Micro SMEs are having unwillingness to opt E-Commerce due to its complex and unfeasible to maintain E-commerce as these SMEs still go for traditional retailing only or they sell products for industrial usage. Medium Scale SMEs are the major user of E-Commerce due to their strong financial background. The barriers to opt E-commerce can be overcome by Government's policy interventions can lead to development of inclusive growth for micro and small firms as well to adopt ICT promptly.

Suggestions

1. There is a requirement of awareness on benefits of E-commerce to Micro and Small SMEs on massive level.
2. Imparting technical expertise regarding E-Commerce to Micro and Small SMEs by Government through Digital India.
3. Creating awards or forms of rewards for SMEs specifically micro and small those who are using E-Commerce.

Reference

1. Newspapers: Economic Times, Business Standard
2. Magazines: SME World
3. Websites:
4. <http://www.financialexpress.com/industry/why-e-commerce-is-a-unique-solution-to-connect-smes-in-todays-technologically-advanced-world/395321/>
5. <http://www.yourarticlelibrary.com/business/e-commerce-suitability-for-small-enterprises/41230/>