

Relevance of Small and Medium Enterprises

with E-commerce in India

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ABSTRACT

It is without a doubt that Internet has significantly helped the growth of e-commerce businesses. The little and medium endeavors (SMEs) are organizations with bring down number of representatives than a given limit. Indian miniaturized scale, little and medium ventures (MSMEs) are digitizing quickly. By embracing innovation, such firms interface with clients carefully, exchanging all around through the internet business stage. This has opened up open doors for MSMEs to extend their market all around. A report by the Federation of Indian Chambers of Commerce and Industry and the Confederation of Micro, Small and Medium Enterprises (CMSME), on E-Commerce clarifies the enormous potential for Indian fares on the internet.

Keywords: *small and medium enterprises, India, e-commerce.*

I. INTRODUCTION

Internet is certainly a standout amongst the most fundamental driving element for little and medium ventures (SMEs) since it gives worldwide access to administrations which thusly helps increment the general profitability [1]. The utilization of Internet has been embraced by numerous nations particularly to build trades. Internet business is fundamental for SMEs since it can essentially help in enhancing nature of the items and administrations while diminishing the related expenses [5]. Web based business has positively given various advantages to numerous organizations locally as well as all inclusive. Business-to-Business (B2B) and Business-to-Consumer (B2C) convey web based business to organizations as long as the business approaches Internet. Data Technology (IT) has helped massively the development of online business [7]. Web based business can be viewed as that it exploits the IT programming instruments for the business improvement.

The surge of online business in India is driving development of little and medium undertakings (SMEs), which thusly is adding to new openings for work and GDP commitment, says an examination. The as of late discharged examination, mutually led by residential web based business player Snapdeal and consultancy firm KPMG, asserted that web based business segment in India is anticipated to cross \$80 billion by 2020, inspected the full scale effect of the segment on the development of SMEs and recognized residual holes in the biological system that should have been stopped.

According to the report, 85 percent of SMEs who embraced web based business trust that it is a practical medium for deals development. The examination additionally asserted that SMEs who effectively receive the web for business exercises gloat 51 percent higher incomes, which brings about 49 percent more benefit and a seven percent more extensive customer base than their disconnected partners.

II. E-COMMERCE

E-commerce is getting adopted all around the globe. Use of e-commerce platform could provide market access across borders. In the long run, e-commerce will increasingly become a significant route to create opportunities for SMEs to have direct access to the world markets and to get the best value for their products. Easy access to credit and technology are also important to move them up to the value chain, she said, adding Indian manufacturing activities needs to be located in least developed countries also. It would help in giving access to the markets of developed countries as the least developed countries (LDCs) get duty preferences in those markets.

MSMEs as the driver of socio-economic development of the country is set to see certain trends, some upcoming and some established, that will play out in 2017, touted to be an interesting year. Those who will survive the trenches of moves like demonetization are most likely to witness a smoother course ahead.

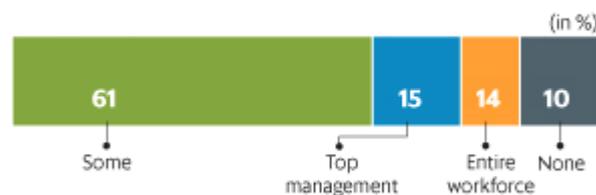


Figure 1: Percentage of Workforce using computer

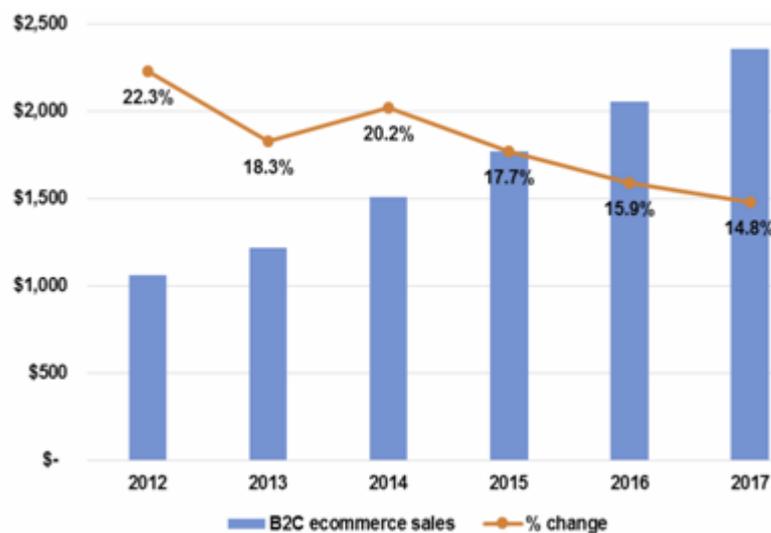


Figure 2: Global E-Commerce Marketplace in 2012-17

III. SMALL AND MEDIUM ENTERPRISES IN INDIA

E-commerce has been defined multiple times by many researchers. For instance, Turban et al. [7] consider e-commerce as the process of buying, selling or exchanging products and/or services through Internet. Whinston

[6] define e-commerce as using various components such as network communications, automated business processes and services as well as online buying and selling. According to Schneider and Perry [13], e-commerce comprises of business activities carried out through electronic data transmission via the Internet and WWW. Saffu et al. [11] defines e-commerce as the exchange of goods and services among various types of businesses and consumers using Internet.

Small and medium enterprises (SMEs) account for over 95% of establishments and over 80% of jobs in the manufacturing sector in India. They are becoming increasingly prevalent and affect everything from poverty levels and shared prosperity to the allocation of activity in the economy and beyond. While some businesses are less enthusiastic about getting accessible online, many businesses in India have Internet presence. The Internet has tremendously affected Indian SMEs to increase the customers in India as well as globally. For instance, 92% of the businesses with at least ten or more employees accessed Internet in 2011 while this number was only 80% in 2005. The Boston Consulting Group (BCG) [19] survey of 500 SMEs in India reports that online businesses have increased their sales compared to the last few years and they predict higher sales in the coming years. The SMEs contribute to about 80% of the employment in Indian economy.

The advent of advanced technology is opening newer channels for businesses across several sectors. This is particularly true for B2B ecommerce firms focused on the Indian SME sector. Hitherto overlooked, the presence of innovative technological platforms is bringing on board a rising number of small players including the neighbourhood kirana store. This is a win-win situation for all involved enabling smoother transactions, procurement of raw materials and industrial goods, and forging a better.

The MSME sector, acknowledged as the backbone of the India economy, is further expected to contribute significantly to India's growing GDP. The sector will inevitably support India to improve nation's financial inclusion and mitigate the urban rural divide. Also, it is expected that by 2020, India will have the largest job ready, youth population in the world and with favorable business ecosystem in the manufacturing sector it will not only generate employment of significant level but also become hot bed of entrepreneurial activities.

The Boston Consulting Group [12] predicts that there will be about 19% yearly growth in India's economy between 2011 and 2017. The consumption is expected to drive the growth due to increase in the usage of e-commerce, broadband, and Internet. The number of digital worldwide buyers has been shown in Figure 3.

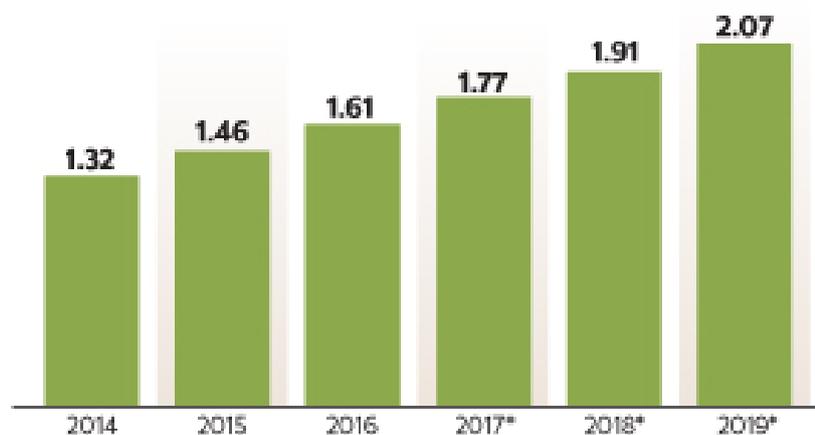


Figure 3: The numbers of digital worldwide buyers



Figure 4: Contribution of SMEs in India

Some have argued that the increase in SMEs represents “push” entrepreneurship, where entrepreneurs start business out of necessity rather than growth desires. That is, they are “pushed” into business ownership rather than “pulled” in by great opportunities. There is a negative correlation at the macro-level between the expansion of one-person establishments and that of larger size categories. At the same time, these negative correlations could also be evidence of subcontracting by larger firms to SMEs. To the extent that we believe subcontracting is more likely to occur in urban areas, we can at least say with confidence that in rural areas we observe something akin to a push into small entrepreneurship.

In India, there’s a cruel financial situation when it comes to the SMEs. They have to prove that they’re successful before they start! It’s unfortunate but true that this is what financial institutions expect of them. Many SMEs have closed down, mainly because there is no healthy, active financial support for them. When small things go wrong, the entire business goes under, simply because there is no place to fall back. Financial elbow room is missing for them to recover from even minor setbacks. I think easing this situation will go a long way in nurturing and sustaining SMEs.

The rapid urbanization of SMEs appears to be the most important factor. Essentially all of the net employment growth in Indian manufacturing over the past two decades occurred in urban areas. A majority of jobs were developed in urban establishments. Thus, numerical accounting suggests a key role for urban areas, and the urban share of informal tradable employment rose from under one-third in 1989 to over 80% by 2019. This connects strongly with the broader trend for the SMEs to be moving into urban areas in India. Another factor pointing to the importance of urbanization is the very close timing of the urban increases with those of the aggregate changes. There are features particular to urban areas that facilitate the growth of small and micro-enterprises in the face of high urbanization rates.

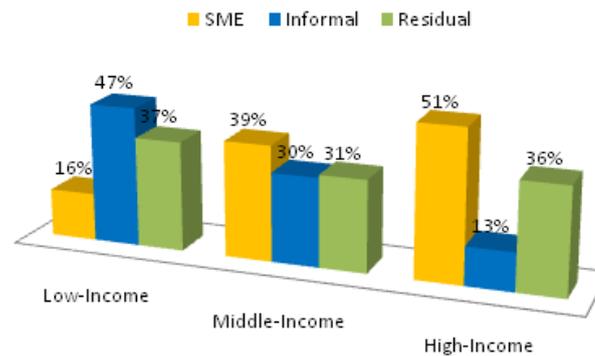


Figure 5: SMEs Contribution to GDP

Beyond urbanization, there are other factors that also played a role, like the rapid expansion of female business ownership, subcontracting, and “push” entrepreneurship (entrepreneurs who start businesses out of necessity rather than growth desires). Although these factors positively had an impact on SMEs, they were not the primary force.

Indeed, SME growth is stronger in leading states, perhaps twice the rate of that observed in lagging states. However, the variation across states is much less than the differences observed between tradable versus non-tradable industries. So, the state-level variation is material, but second-order to that observed on other dimensions. This provides prima facie evidence that state-level factors or regional development levels will likely play a small role in the development of SMEs.

We do not yet fully understand why these differences in SMEs exist between urban versus rural and tradable versus non-tradable industries. These patterns are, however, informative in their own right. Some of the theories especially subcontracting suggest that the endogenous growth of the SMEs would have been connected to more productive micro-enterprises. In urban areas, we do observe a positive correlation between productivity and SME employment, which suggests subcontracting may be occurring. Furthermore, in these areas we observe that productivity is positively associated with more one-person firms in tradable industries, while the opposite is true for non-tradable industries, which suggests that the subcontracting story is more plausible in tradable than in non-tradable industries.

IV. CONCLUSIONS

E-commerce based business has infiltrated to different organizations and changed the way the business exchanges occur. Due to its various advantages, for example, enabling clients to shop from anyplace and whenever through Internet made organizations more gainful than any other time in recent memory. It is fascinating to take note of that the creating nations, for example, India have gigantic web based business nearness. Little and medium undertakings (SMEs) alongside internet business permit the monetary development and making of new organizations in the created and the creating nations. In this paper, we talked about the appropriation of the online business in SMEs and present SMEs in India as an examination.

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