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ISSUES AND CHALLENGES OF E-COMMERCE IN SMALL ENTERPRISES

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ABSTRACT

Due to increase of competition day by day innovativeness has become the key mantra of modern marketing system today. In this process to accommodate the changing environment new systems were developed by the organizations in order to meet the requirements of their customers. Electronics commerce popularly known as e-commerce is one of the buzzword now a days. So far as small enterprises are concerned e-commerce is about streamlining current business process to improve operating efficiency in the business. Web based commerce in small enterprises not only add value based service to its customers but also provide the competitive advantage over its competitors. The business tools are electronics and the application is commerce which means profit. To increase this profit and making the business 24x7 several type of e-commerce introduced such as business to business, business to consumer, consumer to consumer, business to Government. In India the evolution of internet has make the way for E-commerce for the use of enterprises. The increased use of E-commerce is due to the arrival of the World Wide Web (WWW) in the country. According to the survey conducted by National Association of software and services companies (NASSCOM) and the chamber of commerce of India has jointly indicate that the total volume of e-commerce has gradually in a rising trend in India. The survey also concluded that India is no way far behind than American and other developed countries where e-commerce technology is used in the business by small enterprise. If this trend will continue it is expected that in the coming five years the e-commerce share will be about 79% of the total business turnover in our country. It gives several applications not only to customers but also to suppliers which is discussed in this paper and also through focus to several areas where it give rise to disadvantages. This paper through light on the prospective areas of ecommerce as well as several challenges faced by it such as problem in infrastructure, well defined cyber regulation, security problem, payment related issues, illiteracy of consumers are some of those. However, The technology of e-commerce provide the better scope to the small enterprises by improvement of better customer services, reduction in the inventory cost, minimization of selling and distribution cost, speedy delivery of goods and services with a minimum cost and at the same time helps to globalization of the business. Though the e-commerce technology has ample opportunity for the small enterprises of our country it suffers the challenges overcoming which in future can be a key for the success of our small enterprises and success of such small enterprises may give rise to success of economy of our country.

Key Words:- World wide web, supply chain management, Inventory cost, financial services, public utilities.

I. INRODUCTION

Modern business has become more competitive day by day. So innovation and invention is the key mantra of modern marketing system today. In this process the businessmen introduce one after another new system in business in order to meet the requirements of their customers. Electronics commerce popularly known as e-commerce is one of the buzzword of the day. So far as small enterprises are concerned e-commerce is about streamlining current business process to improve operating efficiency in the business. Web based commerce in small enterprises not only add value based service to its customers but also provide the competitive advantage over its competitors.

E-commerce is doing business electronically or over internet from business to business, business to customer, consumer to consumer transactions that involve in buying and selling of goods and services. Transfer of funds and exchange of business ideas is also the requirement of the day which can be performed by E-commerce.

E-commerce is the use of technology process and managerial practices which can enhance organizational competitiveness through strategic use of electronic information. It is a modern methodology for the small and medium enterprises that address the need of the organization and the consumers. It helps to reduce the cost and improve the quality of the goods and services which increases the standard and the value the product in the market.

Electronic buying and shopping opens a new alternative for the consumers offering them in a different set between cost, selection, convenience and experience than any other channel. Small and retail traders can use this E-commerce to get more and more consumers for their goods and services. This E- buying can help the consumers to order their suitable product and able to get the delivery at the door step. E-commerce need not maintain huge inventory and expensive retail showroom for the consumers which help the small enterprises to be competitive in the national and international market.

OBJECTIVES OF THE STUDY:- The present study is based on the following objectives:-

(A) To trace out the growth and evolution of E-commerce.

(B) To evaluate the benefits of E-commerce to small enterprises.

(C) To identify the prospective areas of E-commerce in small enterprise.

(D) To find out the challenges of E-commerce in the present scenario.

DEFINITION:- E-commerce can be defined as:

(1) Electronic commerce means the capability to buy and sale goods and services and related information online through public network.(Bharat Bhaskar)

(2) E-commerce is a process of paperless exchange of business information using electronic data interchange, electronic mail, electronic bulletin boards, electronic funds transfer, world wide web and net work based technology.(Bajaj and nag)

(3) The most appropriate and appreciated definition is :- production, distribution, sale or delivery of goods and services by electronic means. A commercial transaction can be divided into three main stages i. e. advertising

and searching stage, ordering and payment stage and delivery stage. Any or all of these may be carried out electronically and may therefore be covered by the concept of electronic commerce. (World Trade Organization)

(4) The term which is more concerned with the transformation of key business process through the use of internet technologies is called as E-Commerce.(Parliamentary standing committee-2000.)

CHARACTERISTICS OF E-COMMERCE :- The following are some of the characteristic features of E-Commerce.

A. The business tools are electronics and the application is commerce which means profit.

B. Business is externally focused on those with whom business is conducted.

C. Most of the transactions are processed automatically.

D. Uses a gamut of business support services such as inter-organizational e-mail and on –line directories.

DIFFERENT TYPES OF E-COMMERCE:-

BUSINESS TO BUSINESS(B2B):-This is the largest type of E-Commerce used by the small enterprises. This methodology is utilized for e-procurement, supply chain management, network analysis, negotiation for purchase transactions etc over the internet. E-commerce helps in reducing the transaction cost and save time and energy for the business.

BUSINESS TO CONSUMER(B2C):- This category is utilized when a new product is introduced in the market for the consumers through internet. This includes selling software and hardware through internet and delivered the products to the consumers in internet.

CONSUMER TO CONSUMER(C2C):- It is concerned with the trade and exchange of information with other individuals through net. Now this type of methodology is widely used by the consumers in order to enable them to offer goods and services in the market.

BUSINESS TO GOVERNMENT(B2G):- This is utilized to sell the goods and services to government and government agencies. This technology is used in all the government work in order to supply and procure goods and services.

II. GROWTH AND DEVELOPMENT OF E-COMMERCE IN INDIA

In India the evolution of internet has make the way for E-commerce for the use of enterprises. E-commerce has been developed for the business community early in 1970. The use of E-commerce has been developed when the World Wide Web (WWW) has arrived in our country. Introduction of internet connectivity in India has developed E-commerce in our country for the small and medium enterprises. In the year 1998 India's leading online service Rediff- on the net has introduced E-commerce technology in the country. Now the on line business in India is one of the most popular method for all business men particularly small enterprises.

- National Association of software and services companies (NASSCOM) and the chamber of commerce of India has jointly organized a survey which indicate that the total volume of e-commerce has gradually in a rising trend in India. According to the survey it is significant that the

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percentage share of business to business (B2B) is comparatively more than business to customer(B2C) e-commerce in India. It indicates that the business in more acquainted than the individuals so far as the e-commerce technology is concerned. The survey also concluded that India is no way far behind than American and other developed countries where e-commerce technology is used in the business by small enterprise. If this trend will continue it is expected that in the coming five years the e-commerce share will be about 79% of the total business turnover in our country. This reflects the growth and development of e-commerce in India in future.

- A study by the Indian Software Organizations has revealed that e-commerce is now concentrated in few metropolitan cities of our country. The rural people of our country is yet to know the technology of e-commerce to be utilized in small enterprise. Hence the rural sector when use this technology in their enterprise than the growth and potential of e-commerce will rise to the maximum extent in India. It indicates the growth and development of e-commerce in our country.

  Now our rural sector has realized that use of e-commerce in B2B and B2C has reduced the operating cost to a maximum extent. Hence e-commerce can be cost saving device for our small enterprises in the near future.

  According to the former US president Bill Clinton "India has a large potential in IT sector and when this technology will be utilized in small enterprises than e-commerce in India will become the leader in globe". This indicates the development of e-commerce in our country.

ADVANTAGES OF E-COMMERCE:- Application of e-commerce technology not only suitable to the consumer but also to the supplier of small enterprises. Let us discuss the benefits of e-commerce to the consumers of our country.

CONSUMERS:- In India all the small enterprises are consumer oriented. Application of e-commerce technology can be beneficial to them in following ways.

(A) E-commerce can provide a scope of wider choice to the consumer by selecting their product in the internet. The consumers can able to comper the features ,price, quality and the utility of the product and even review before they select to purchase a product on the net.

(B) A consumer can able to get a competitive price of a product due to on line competition among the enterprises in the market. Hence the price of the product will be lower for the consumer over internet.

(C) E-commerce enable the consumer to save time and energy not only in selecting the product but also able to get fast service in delivering the product. Hence both time and money can be saved by the consumer by applying e-commerce technology as the desired product can be available at door step of the consumer.

SUPPLIERS:- It has been observed that e-commerce technique is more helpful to the suppliers of small enterprises which are discussed below.

(A) E-commerce can minimize the inventory cost by adopting just in time system. It helps not to maintain huge inventories and expensive showrooms for their products. It increases the firm's ability to forecast demand and supply more accurately.

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(B) High quality customer relationship which is otherwise known as "customization" is the need of the hour. E-commerce provides ample scope for the suppliers to maintain this relationship with the consumer in the market. E-commerce enables the supplier to provide right quality and quantity of the desired product in time which protect the consumer relationship management (CRM) properly.

(C) Application of e-commerce technology helps the small enterprises to be globalize in business. As this technology is useful to reduce the cost and provide information to the potential consumers through net worldwide the business can be globalised. Through e-commerce the product and the services can be available to the consumers all over the globe.

(D) The Electronic Data Interchanging method not only reduce the service cost but also useful for the lowering the distribution cost as well. A study made by the Organization for economic cooperation and development(OECD) has revealed that the time required to process an order through net can reduce to the extent of 50% to 95% for the businessmen.

DISADVANTAGES OF E-COMMERCE:- So far as the disadvantages of e-commerce is concerned it is not possible for the perishable products in the market to adopt this technology. Though this system has some merits the de-merits of this system are as follows for the small enterprises.

(A) Difficult to calculate the return on investment position. Sometimes the small enterprises cannot find suitable method to calculate their return on investment position for their product in the market. Though e-commerce is a simple and easy method to operate in small business it cannot maintain the return on investment position in the market.

(B) Small enterprises find difficult to recruit and retain suitable employees for all times to come who can handle e-commerce for their business. As the application of e-commerce needs technological skill and knowledge it is difficult on the part of the small enterprise get qualified employees for all times to come.

(C) Data base integration problem is another difficulty on the part of small enterprise in order to change the traditional data to software data in order to introduce e-commerce in the business.

(D) Some of the small enterprisers are in the opinion that legal complicacies are there while adopting e-commerce in their business . For them socio and cultural difficulties are there to do business thorough electronic method.

Though e-commerce is suffering some limitations it is noteworthy that small enterprise should apply internet in business otherwise it will be too late for them to survive and grow in this globalization era.

PROSPECTIVE AREAS OF E-COMMERCE:- So far as e-commerce is concerned it is ideally suitable to the products like computer goods, books, music, gifts and flowers based product. E-commerce can be suitably applied in products like cloths and food as well as food processing items. All most all the above mentioned products either produced by small enterprises are marketed by small enterprises. Similarly services which related to small enterprises can be suitably apply e-commerce are advertising, marketing, financial services, tourism services, entertainment services and information services.

In India most of the small enterprises are doing business in the areas of agriculture and agricultural products ,agro-based industries, transportation, financial services, housing, handicrafts, readymade garments, footwear, chemicals, furniture, poultry, bakery, retail trade, entertainment, health care, social services, public-

utilities, etc. But it is unfortunate that till today all these small sector business are concentrated in metropolitan cities and use electronic commerce in their business. This is due to the fact that vast potential for e-commerce in rural areas so far remains untapped. Though rural sector is the main stay of the Indian economy that supports nearly three-fourths of the countries employment which can be increased by making inroads of e-commerce in small enterprises.

In India some of the e-commerce services like Bababazar.com, Fabmart.com, Pitara.com, Rediff.com are the success stories all over the country which has been used by most of the small and medium business houses in their business. A new website named Indianmarkets.com has been created in order to provide small enterprisers direct access to corporate sector as well as national market.

Now to develop e-commerce technology Satyam Computer Services has also created an active server page to facilitate small enterprises with advanced E-commerce application. The small enterprise can solve many of their business problems by utilizing this advanced technology.

The Government of India has come forward to promote e-commerce for small enterprises in the country. The ministry of Small Scale industries has formulated a comprehensive plan to prepare small enterprises for e-commerce with required infrastructure support throughout the country.

It may be predicted that the future of e-commerce for small enterprises will be bright in India in order to compete this sector in the globe. These prospective areas should be utilized to the maximum extent so that e-commerce will be a valuable technology for the small sector of our country.

CHALLENGES OF E-COMMERCE IN INDIA:- In spite of prospects and opportunities e-commerce in India face the following challenges for small enterprises.

(01) PROBLEMS OF INFRASTRUCTURE:- Internet facility is considered to be the back bone of e-commerce. Unfortunately the internet penetration in the country is very less (10%) of the total population against 50% in Singapore and 65% in china. Again use of personal computer (PC) is 10 per thousand which is 100 in Singapore and 500 in America. Most of the internet connection are through telephone lines and the penetration of telephone lines is about 5% of the total population. As a result e-commerce is far away from the common man . So is the fate of small enterprises to use e-commerce technology in the business.

(02) WELL DEFINED CYBER REGULATION:- Absence of a clear cut cyber law which restrict e-commerce transaction in the market for the small enterprises. To facilitate e-commerce for the small enterprises though Information Technology bill has been introduced by the government it is silence towards issues like individual property rights, content regulation to privacy and data protection specific regulation. This has created some legal uncertainty for use of e-commerce by the small enterprises.

(03) PRIVACY AND SECURITY PROBLEMS:- One of the major challenges of e-commerce today is the security of the transactions and the privacy of small enterprises. So far there is no protection provided either by the website or by the outside watchdog for the hazards created by exploiting one's privacy. The small enterprises feel insecure to apply e-commerce technology in their business due non protection of privacy by the web authorities.

(04) ISSUES OF TAX PAYMENT:- Payment of tax is a complex problem for the small enterprises in electronic transactions. As the tax authorities feel that tax evasion can be easy and possible through net

business. It has been suggested by some of the experts that total tax holiday should be observed by the government in order to popularize e-commerce technology in India for the small enterprises.

(05) PAYMENT RELATED ISSUES:- Payment related problems are one of the major constraint for e-traders. Generally electronic payment is paid through credit cards. But use of credit card in India is very less and the Indian customers are very suspicious about payment through net due to chances of fraud and authentication.

(06) DIGITAL ILLITERACY OF THE CONSUMERS:- It is the general psychology of the Indian consumers that they do not like to go long distance places for having any goods which is available in neighborhood store. So the consumer does not feel to browse the net knowing the consequent hassles and botherations. On the other hand building trust to the electronic media also takes a long time more especially when the vendor is situated in far off place.

(07) PROBLEMS OF VIRUS:- Continuous virus problem in computer is formidable threat for the small enterprises to do business through net. Sometimes the business data can be withheld due to virus affect in computer. It is desirable to reduce the virus problem while doing business on the web.

(08) LANGUAGE PROBLEM:- The software in our country is so far is in English language. The small enterprises in the regional level face difficulty to do business in computer through English language. Hence efforts should be made to adopt e-commerce in regional languages so that the spread of e-commerce can be possible among the small enterprises.

SUMMARY AND CONCLUSION:- Electronics commerce which is popularly known as e-commerce is doing business over internet. In India it is originated in the year 1989 when the internet connection come to use in different activity. Since then the use of e-commerce is on the rise. Now the small enterprise in India also do their business over internet in order to compete in the global market.

E-commerce is found suitable for small enterprises of our country due to less operational cost. Electronic commerce can be utilized both in product and services business by the small enterprises. It can be successfully used in products like books, music, gift items, readymade garments, food items etc. Some of the services like advertisement, marketing, financial services, tourism services, entertainment, insurance services and information services can also operated with e-commerce technology.

The technology of e-commerce provide the better scope to the small enterprises by improvement of better customer services, reduction in the inventory cost, minimization of selling and distribution cost, speedy delivery of goods and services with a minimum cost and at the same time helps to globalization of the business.

Though the e-commerce technology has ample opportunity for the small enterprises of our country it suffers the challenges like lack of infrastructural facility, absence of a clear cut cyber law, payment and tax related problems, digital illiteracy and at the same time frequent virus problems. If these challenges can be overcome in the near future than it can rightly be said that e-commerce is a true key for the success of our small enterprises. The success of small enterprises means success of economy of our country.

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