

# E-COMMERCE -A BOON or BANE FOR SME'S

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## Abstract

*The advent of fast growing trend in e-commerce makes it necessary for the Small Medium Enterprises (SME's) to utilize this opportunity to enter the world markets. The synchronization of data and communication diminishes the impedance of middlemen and can provide better assessment for products manufactured by SME's. It bridges the gap between firms, customers and individuals. The continuous improvement in data has empowered more prominent shopper investment as well as aided in mass correspondence along with reduced expenses. This paper explores the application of e-commerce by SME's and the hindrances they face during adoption.*

**Keywords:** e-commerce, SMEs, benefits, barriers, internet penetration, revenue

## 1. INTRODUCTION

E-commerce has made lot of changes in retail and services industries. Now-a-days people prefer to buy products online through various e-gadgets. One of the challenges for SME's is to take advantage of e-business and run it successfully in global markets. To overcome this challenge initially they will have to frame short and long term objectives that will reduce their cost, helps in building relationship and negotiation with suppliers within internet environment [1, 2&16].

In global market the suppliers are made visible to all buyers with the help of E-Commerce. There are few disadvantages which include unsolicited email, high user support cost, security and privacy cost, exceeded maintenance cost [17, 39 &40]. E-commerce enables its users for product and price comparison of competitors or substitute products. This will create a challenge for SME's to update their hardware, software and other technology related costs. The internet users in India is predicted to rise from 280 million 640 million by the end of 2019. By the year 2020 the online business in India is expected to touch US \$ 80 billion, which is quite evident that we are transforming into a web adoring country. A study by Frost & Sullivan, 2014 on SME states that there are around 6000 clusters and 1157 industrial clusters in India. Both service and manufacturing sectors of SME's equally contribute towards 17% of Gross Domestic Product, 45% of industrial output, 40% exports and 40% towards nation's workforce respectively. In view with the above statistics SME's

prominence in development and growth of economy cannot be denied [8].

## 2. BACKGROUND STUDY

Today we are in an era of "Electronic phenomenon". Our day to day activity is dependent on digitalization which involves e-learning, e-banking, e-government, e-customer relationship management and e-procurement. E-Commerce comprises of various business activities related to products or services and electronic interactions with the stakeholder [30, 39 &18]. [3, 22 &23] defines innovation as the enhancement and economic improvement of novel products, procedures and amenities in e-commerce which is a vital component for fiscal development process. The faster the company's commercialize better is their global business opportunity. Different firms such as mom and pop stores, eateries, and IT firms are a part of heterogeneous group of SME's. E-commerce can establish direct cost; improve information flow, decrease transaction cost and inefficiency within supply and distribution chains [41]. According to MSMED Act, 2006 (Micro, Small & Medium Enterprises Development), MSME's are grouped into two categories namely Manufacturing and Service enterprise.

**Manufacturing Enterprises-** These types of industries are classified based on investment in Plant & Machinery according to Development and regulation Act, 1951

**Service Enterprises:-** These are classified based on investment in equipment. The following table illustrates the above mentioned classification.

MANUFACTURING SECTOR	
Enterprises	Investment in plant and machinery
Micro Enterprises	Does not exceed 25 Lakh rupees
Small Enterprises	More than 25 Lakh rupees but does not exceed 5 crore rupees
Medium Enterprises	More than 5 crore rupees but does not exceed 10 crore rupees
SERVICE SECTOR	
Micro Enterprises	Does not exceed 10 lakh

	rupees
Small Enterprises	More than 10 lakh rupees but does not exceed 2 crore rupees
Medium Enterprises	More than 2 crore rupees but does not exceed 5 crore rupees

### 3. BENEFITS AND BARRIERS OF E-COMMERCE

The global access to internet and extent of e-communication has opened doors for trade and economic exchange in many countries. Organizational practices are changing due to revolution in information technology. Internet has become a flexible, cost effective and efficient medium for business [19, 27 &41]. E-commerce enables firms to increase competence through rendering customized products and services by integrating better designs and process [28]. Organizations can cut down indirect cost and warehousing expenses through enhanced computerization process within short span of time.

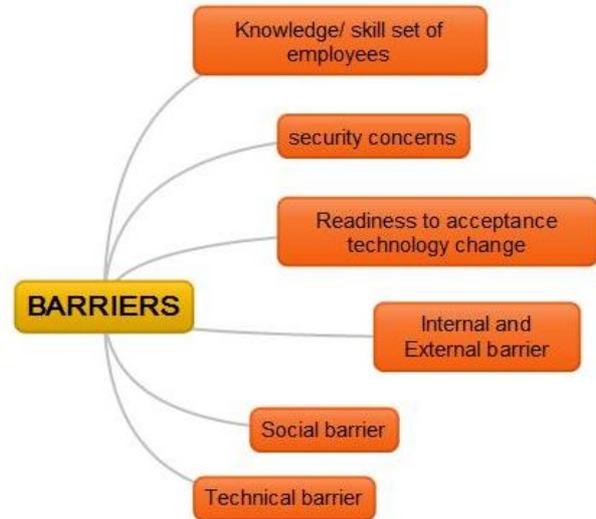
SME's can benefit from e-commerce by targeting more market segments thereby reducing their distribution cost and increasing the sales. Initially they may have difficulty in developing a structured website due to lack of funds and expertise, but in the long run they will need it to survive and prosper. Research states that huge advantages can be accomplished by those SMEs who implement and utilize e-business effectively [20&37] whereas [5 &13] says that not all SME's are equally profitable except service industries. [26 & 27] categorized e-commerce outcomes as either direct or indirect which may be either quantifiable or not. SME's benefits can be reaped within short period of time or it may take longer time to achieve [5]. Fig.1 represents the e-commerce benefits.



**Fig.3.1** Benefits of E-commerce

According to [10, 15 & 17] e-commerce not only reduces cost but also effort in searching goods and services thereby saving time. [20] Argues that SME's will face different web based hindrances. To overcome this hindrances government has attempted to takedown a portion of the obstructions confronted by SME's in receiving and utilizing e-business. Other studies state that conquering these hindrances is a noteworthy test for strategy producers and SMEs alike [36]. The other impediments faced by SME's are lack of knowledge, skill set of workforces,

concerns regarding authentication and promptness to agree with the change in technology [35], technical or social, internal or external where internal barriers are system and resource based while external are based on supply, demand and environmental barrier [14], doubts about security and safety are also considered as other important problem in implementing e-commerce [38]. To resolve these hindrances organizations should assure customers that their transactions are secured and authenticated [4]. The below Fig.2 highlights the barriers in adopting e-commerce in SME's



**Fig.3.2** Barriers of E-commerce

### 4.CONCLUSION

E-commerce has revolutionized the functions and activities of today's business. This study explores an understanding about the benefits and barriers in adoption of e-commerce by SMEs in India. Gone are the days where SME's concentrated on domestic business activities. The entry of internet has reformed the way SME's function to withstand themselves in the global markets. To put it in nut shell the SMEs adopting e-commerce will have potential benefit of increase in revenue, lower marketing and distribution cost, better accessibility and geographical reach irrespective of barriers.

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## Abstract



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