

E-Commerce in Globalised Business Environment: A Study on its Impact on Indian SMEs

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Introduction

E-commerce refers to the use of electronic means and technologies to conduct commerce (sale, purchase, transfer, or exchange of products, services, and/or information), including within business, business-to-business, and business-to-consumer interactions (Manzoor, 2010). It is a process of business transactions over Internet. Electronic commerce may take different forms and may depend on degree of digitization of products and services, the process of operations and intermediaries. The word electronic commerce can be used for describing a variety of market transactions, enabled by information technology and conducted over the electronic network (Bhasker, 2009).

E-commerce allows India SMEs to expand their activities to reach potential customers across the globe. It eliminates several barriers for the entities who want to enter into the International Trade market. Small and Medium enterprises can now export their product anywhere without physical appearance.



Source: IBEF, E-commerce report 2020

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The above fig. shows that India e-commerce industry has been moving towards direction. It is also expected that India e-commerce market will reach US\$ 200 by 2026.



Source: IBEF, E-commerce report 2020

From the above fig. analysis it can be noticed that e-commerce industry in India is moving in positive direction.

Review of Existing Literature

Mwaga and Omwenga (2017), in their study found that MSME sector was dominated mostly by young male with significant ICT capacity, which increases with firm size. It was also found that the adoption of e-commerce was due to various factors which influence the working of the firm, viz. relative advantage, security issues, trainability, complexity in innovation, etc. Apart from that supplier pressure, sector of business operation, market focus, competition intensity and customer pressure are some of the other important determinants which force MSME to adopt e-commerce facility. **Soundararajan (2018)** found that e-commerce promoted business in Middle East countries by overcoming various boundaries between domestic and foreign countries. It was also seen that e-commerce supported Middle East countries to strengthen their economy, GDP, per-capita income, technological developments, increases employment opportunities and export. **Anuj, Fayaz & Kapoor (2018)** concluded that e-commerce is a platform which not only developed infrastructure but also increases employment rates in the country which showed positive impact on economic and social aspects of Indian economy. **Terzi (2011)** found that e-commerce helped in promotion of cross border trade by lifting trade barriers. It was also that electronic commerce has two fold impact on employment aspect, it seems to have direct or indirect relation with job creation as well as cause job losses to unskilled labour. **Bajaj & Padmavathy (2015)** concluded that e-commerce adds value in the business as it helped in facing various challenges. It was also found that SMEs are facing challenges from e-commerce. **Tiwari and Singh (2011)** stated ecommerce to be a double-edged sword. The positive impacts of ecommerce are that it saves times and energy but these aspects are related to some negative implication also, viz. wastage of materials and energy, it also leads to pollution. **Shahjee (2015)** made a

conclusion that e-commerce can be used to overcome the inability to find products or services of interest quickly. Further Indian e-commerce were found to face many difficulties due to the availability of proper infrastructural facility and computer illiteracy. **S & Agarwal (2016)** found that growth of e-commerce depend on IT security systems which requires necessary strong legal and technological provisions. Both revenue and geographic reach grow due to the adoption of e-commerce facility. However further research had been suggested to fix the challenges of establishing consumer trust. **Savrul & et.al (2014)** concluded that e-commerce helped SMEs to compete in the global market inspite of their size. It helped them in overcoming numerous barriers in the era of globalised business world. **Mohan & Ali (2019)** had seen a gap between internet marketing and e-commerce channel which limits the MSMEs to adopt the system. The study further found that lack of adequate skills and technical know-how imposed great challenges in front of MSMEs to use e-commerce in their activities.

Objective

The main objectives of this chapter are to see the impact of e-commerce in the globalised business environment of India. Further attempt has been made to see the initiatives undertaken by the government of India to promote adoption of e-commerce in India.

Impact of e-Commerce on India SMEs

Small and Medium Enterprises (SMEs) has emerged as a dynamic sector of Indian economy since last 5 decades. They not only provide huge employment opportunities but also help in uplifting rural economy and standard of living of backward areas. Following are some of the benefits and limitations of adoption of e-commerce in the business activities for small and medium enterprises.

Positive Impact of e-Commerce on SMEs

- **Reach Global Potential Customers:** E-commerce provides opportunity to SMEs to tap potential customers across the globe for their products and services by eliminating the limitations impose by the physical outlets. E-commerce enables potential stakeholders to have information regarding the availability of products and offer facilities to compare with other options available. So, search engine can be effectively use by the SMEs to successfully reach the global customers.
- **Reduction in Trade Barriers:** E-commerce reduces the trade barriers especially for the startups. They also provides platform to SMEs to take active participation in international trade. Since e-commerce is an activity of business through internet, so with a minimal cost SMEs can set up their online business to that of setting up physical outlets which requires huge investments.

- **Cost Savings Tool:** It reduces the operating cost by removing the need of additional workforce for business aspects. Adoption of e-commerce in the business means complete automation of all the activities in the business starting from the process of purchasing to payment process. SMEs can also save time and cost with regards to management of the inventories as all these task are being performed by the inventory management software. It also helps in reducing costs on marketing and advertising products and services by eliminating the traditional method of doing that.
- **Available Information:** E-commerce provides ample information to SMEs to evaluate their campaign on sales and marketing activities. It also helps them in understanding the needs and financial spending pattern of their customers and can accordingly give them satisfactory products. SMEs can retain existing customers and attract new customers by providing them detail information regarding the available products in their online business units.
- **Can Operate Business Activities 24x7:** SMEs can increase their sales volume by receiving orders for their products and services 24x7. Physical units finds difficult to remain open round the clock due to various factors associated but with the adoption of e-commerce system outlets can remain open 24x7 and can provides services to their customers without differentiating between time.
- **Helps in Developing Brand Awareness:** Brand awareness can be developed by designing attractive web pages. Providing good keyword will help SMEs in deriving more traffic on their webpage and leads to customer's familiarity with their products.
- **Revenue Generation:** It is the second advantages of adopting e-commerce. With the adoption of e-commerce business can reach customers across the globe without concerning about time and distance. E-store remains open 24x7 which enables small and medium enterprises to receive orders for their products all round the clock. It increases the sales volume of the business which leads to more revenue generation. SMEs besides having limited capital base can think of doing business internationally with the facility of e-commerce as they do not have to present physically.
- **Search Engine Traffic:** Search has made operation easier for SMEs as they now do not have to contact customer through phone call or emails or personal messages. Through e-commerce one can easily advertise their product online and can start getting purchase orders for their products and services.

Negative Impact of e-Commerce on SMES

- **Lack of Personal Touch:** E-commerce restricts SMEs to keep personal contact with their customers. Shopping on e-commerce platform is done by

clicking on “Buy Now” option available in the concerned business websites. The lack of personal contact imposes great disadvantages to enterprises. Many of the potential customers still believe in personally visiting the outlets while buying technical and valuable goods as they get after free advices regarding the quality and use of the products.

- **Delay in Product Delivery:** Shipping through online requires longer period to reach products to the customers. So it creates negative impact on the business. Many of the products which is needed immediately cannot be buy through e-commerce platform which impose biggest threat to the small and medium business who actually deals in these types of items.
- **Security Issue:** Personal and Financial security is a big concern when it comes to online shopping. Making online purchase requires sharing of personal address along with credit/debit card details which may lead to fraudulent practices or theft of hard earn cash by hacking bank accounts.
- **High cost of operation:** SMEs may find it difficult to setup and operate an online store because for doing so it requires skilled and updated workforce, which will increase their cost of operations. A person spending whole life in rural areas may not be familiar with the updated technology and global market strategies. So the only option available with them is to hire or recruit specialized labour by paying huge remuneration to retain them.
- **Taxation:** Computation of the amount of tax is quite problematic when both of the buyers are reside in separate state or country.
- **Cultural Obstacles:** Doing business through e-commerce means export goods not only in different states of domestic country but keeping windows open for foreign customers also. Since the tastes, habits and culture are not similar whole over the globe and vary from region to region. Thus, it creates an obstacle in front of SMEs to sell their products globally.
- **Legal Issues:** Legal laws relating to the governance of online/e-commerce transaction are different from nation to nation. So, SMEs find difficulties while entering in the global market through e-commerce platform.
- **Technological Cost:** E-commerce setup requires complete automation of all the aspects of the business. So it is necessary for the small and medium enterprises to keep on updating their websites time to time, for which more fund is needed to be employed on the developmental aspects.
- **Reduce Profit Margin:** The option of comparison available to the customers may sometimes lead to reduction of profit margin because customers may opt for alternative product available in the online store with low price.

Government Initiative to Promote e-Commerce in India

- **BharatNet:** It is known to be the world largest rural connectivity program which an initiative undertaken by the Central Government of India. The main intention behind the project was for provision of e-commerce, e-health services, e-governance and transferring other developmental services through internet. The objective of the scheme is to provide broadband services/connectivity to 250,000 gram panchayats by March 2020. For this purpose government had allocated Rs 8,000 crore in the Union Budget of 2018-2019.
- **E-commerce Draft Policy:** The Department Industry and Internal Trade, Government of India, launched Draft National E-Commerce Policy in February, 2019. It encourages FDI flow only in the marketplace model of e-commerce. It was amended to ensure a market place for all participants in India. Further the draft suggest that a registered unit is needed for the apps to start operation in India.
- **Internet Saathi:** Internet Saathi is a digital literacy program initiated to train rural women how to use internet. It was launched in the year 2015. The trainers who are taken to train the rural women were known as 'Internet Saathi'. It was started as a pilot project in the state of Rajasthan and accordingly expanded to the other state of the nation. It was a program to bridge the gender gap in using digital devices.
- **Udaan:** It is a B2B platform which was designed to solve trade related problem of Small, medium and large business operating in India. It is known to be the largest distribution network of merchandise goods. It help the user to use the power of technology to expand their business.
- **Government e-Marketplace:** It is a dedicated e market for selling of different products procured by Government Organizations/ PSUs/ Departments which is hosted by DGS & D. GeM is a dynamic platform for procurement of goods and services by the government's officials. It is the transformation of Directorate General of Supplies and Goods into digital e-commerce platform for the purpose of retaining and selling of goods and services. Being acting as an open marketing platform it does not put barriers in the entry of new suppliers who wish to engage into business activities with the Government of India.

Apart from the above initiatives undertaken by the Government to promote e-commerce, the schemes undertaken by the present NDA government cannot be ignored. These schemes include Digital India Program, Skill India, Startup India and Make in India.

Conclusion

E-commerce refers to the conduct of business activities with the help of internet. In the present era of globalization adoption of e-commerce impose a variety of benefits to the small and medium enterprises. SMEs can reach potential customers across the global for selling their goods and services through e-commerce platform. It was also seen that the sales volume of the SMEs also increases as their business outlets remain open 24x7 and they can receive purchase order of their products round the clock. Apart from having numerous benefits they possess some negative implications too.

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