

ADAPTATION OF E-COMMERCE CHANNEL BY MSME IN INDIA

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ABSTRACT

Adaption of e-Commerce channel by MSME businesses in India is a study on the use of e-commerce channels by MSME industry and the contribution of this channel to its profitability and success. The study also examines the factors for the success in e-Commerce and whether digital media initiative launched by the Government, has benefitted the MSME industry in India.

Business-to-business (B2B) e-commerce channel is gradually maturing across the world, whereas in India, it is still at the nascent stage. Globally, almost 90% of e-commerce transactions are said to be of B2B type and only 10% are of B2C type. Although, definite data is not available, the share of B2B in India is also expected to be similar. Experts have predicted that, India's B2B e-Commerce will be worth Rs 45 Lac Cr (US\$ 700 Billion), by 2020 (*Business Standard 2016*).

Digital India is an enabler of growth for e-Commerce of both B2B and B2C types, in India. It presents a great opportunity for MSME companies, who want to take advantage of this digital technology to expand their businesses. The e-Commerce platforms can enable MSME, to optimize procurement and expand their customer reach. For the MSME, using e-Commerce channel is an opportunity like a low hanging fruit and helps them achieve faster growth, at a relatively lower cost as well as fetch a better profit margin.

There are basically two models of e-commerce. First is known as "Market Place" model, which works like exchange for buyers and sellers. The model works as a facilitator of e-commerce. The second is an "Inventory Based" model. In this model, the inventory of goods rests with the e-Commerce platform, either as consignment or as bought out stocks. This model is engaged in ecommerce directly. Indian e-Commerce industry is characterized by "Market Place" model. This allows a large number of manufacturers/traders; especially MSME's to list their products and services on the online "Market Place" and benefit from enquiries and orders (*Evolution of e-Commerce, PWC*). According to experts, the current growth rate of market places is 60%, as compared to 30% for the inventory based model.

The question that this study investigates is, whether the MSME industry has taken advantage of e-Commerce channel and digital India infrastructure, that is developing at a fast pace in the country and if so how?

KEYWORDS: E-Commerce, Channel, Digital Media, MSME, Factors, Market Place, Exchange, Consignment, Inventory, Model, Infrastructure, Pace

INTRODUCTION

Adaptation of e-Commerce channel by MSME in India, is a study on the use of e-commerce channels by MSME in India and the business expansion they have been able to achieve through this medium. The study also examines the benefits and use of e-Commerce has brought to the MSME industry, the effect of digital India and the factors that can be attributed to the e-Commerce channel, for the success or failure.

The study covers different segments of MSME industry, including traders, manufacturers and service providers.

Business through e-commerce is expected to contribute around 4% of the GDP, by 2020 (*DIPP – Discussion Paper on E-Commerce – 2013-14*). According to a NASSCOM report, the BPO industry will contribute around 10% of India's GDP, by the year 2020. With digital India initiative and the widespread access to mobile internet across the country, business through e-commerce could contribute a much higher % to the GDP.

Globally, almost 90% of e-commerce transactions are said to be of B2B type and only 10% are of B2C type. Although, definite data is not available, the share of B2B in India is also projected to be similar as most online transactions are B2B in nature between online platforms or portals and the industry. B2C transactions, where the industry deals directly with the customers are far less, as mentioned above. According to a recent study in India, most e-commerce transactions are believed to be happening in the travel and ticketing space. Online travel, which is B2B accounts for 61% of e-Commerce in India, 29% are in non-travel, B2B goods & services and the balance 10% are in B2C categories (*IAMAI-IMRB study, 2014*). In 2014, about 40 million customers made an online purchase in India, a number which is expected to have risen to 65 million, by the end of 2015. (*Mesmerize and Sell smart-KPMG, 2015*).

For the MSME using e-commerce channel is an opportunity like a low hanging fruit and it could help them achieve faster growth and expand at a relatively low cost. It may also enable them to fetch a better profit margin through savings in cost, incurred for traditional inter-mediation. However, adapting to e-commerce is considered a technological challenge for MSME's in India, as many of the units in this sector lack resources with digital skills, to exploit this channel properly.

The digital India initiative was launched by the Prime Minister of India and has been taken up by the MSME Ministry. The National Small Industries Corporation (NSIC) offers an infomediary bouquet of services, through a single window, giving information on business, technology and finance to SME's. The Ministry has also adopted the e-Office concept with a paperless system, to enable SME businesses to work digitally with the Government. The Ministry has also taken up interactive interface, related to various schemes, etc. for SME through social media channels. MSMEMART is a government run e-Commerce platform for MSME, to market their products as well as for purchase of raw materials, semi-finished products and services.

Business-to-business (B2B) eCommerce market is gradually maturing across the world, whereas in India, it is still at the nascent stage. Experts have predicted that, India's B2B e-Commerce will be worth Rs 45 Lac Cr (US\$ 700 Billion), by 2020 (Business Standard, 2017). B2B e-Commerce in India shows a large untapped potential for growth and presents a great opportunity for MSME companies, who want to take advantage of this latest technology to scale their operations. The e-Commerce platform can help them to expand their market at a lower cost and also enable them to procure raw materials, directly from producers at better prices.

Indian e-Commerce industry is characterized by "Market Place" model. This allows a large number of manufacturers/traders, especially MSMEs to display their products on the online "Market Place" and benefit from enquiries and orders. MSMEs have limited financial and human resources, to implement E-commerce. MSMEs are no different from their larger corporate cousins in one key aspect; namely, to survive and prosper in competitive business areas, however, the larger companies do not have a problem to tap resources use e-Commerce channels for efficiency.

The techno-commercial difficulties for MSME's, to maintain their own website and digital market, their products overcome by this model, which is offered by online platforms like "Amazon", "Alibaba", "India Mart", "MSMEMART" etc. US, Japan and Europe are characterized by 'inventory-based/independent model. (*E-Commerce Business in India, Micro-Finance India, 2014*) 'Market Place' model only provides platform to a large number of manufacturers/traders (especially MSMEs), to advertise their products in an online catalogue (which translates to benefit the MSMEs in the form of increased turnover), as well as managing related functions and in turn the entity earns commission from sellers of goods and services.

OBJECTIVES OF THE RESEARCH STUDY

- The major objective of the study was to investigate whether, the MSME industry was taking advantage of e-Commerce and digitization, that is happening at a fast pace in the country, over the last 5 years.
- To identify the factors that have enabled MSME's, to adapt to e - commerce channel to expand their business.
- To assess the benefits that have accrued to the MSME industry, from the use of the e - commerce channel.

METHODOLOGY

- The principles of a descriptive study were adopted.
- An extensive secondary research study was carried out of articles, research papers and studies on e-Commerce in India, with particular reference to the MSME industry.
- Primary data were also collected from respondents, identified from MSME units. The data were collected online, through Google forms from nearly 75 units of the MSME industry in Bangalore, covering manufacturing services and trade. A custom made questionnaire was used for the study.
- An attempt was made to cover all sections of the B2B industry, including Travel & Hospitality, FMCG, Electronics, Auto, Other Engineering products & processes, Fashion & Footwear, Health & Wellness, Infrastructure & Real estate development and Services, including both Financial & nonfinancial services.

MSME SECTOR IN INDIA

MSME (Micro, Small and Medium Enterprises) has been defined by Govt. Of India as businesses, which are engaged in a) production, processing, and preservation or b) rendering of services, whose investment in assets like plant, machinery, or equipment (excluding land, building and furniture) is as specified under:

Micro enterprises - For a) Less than Rs 25 Lacs; b) Less than Rs 10 Lacs

Small enterprises – For a) Rs 25 Lacs to Rs 5 Cr; b) Rs 10 Lacs to Rs 2 Cr

Medium enterprises – For a) Rs 5 Cr to Rs 10 Cr; b) Rs 2 Cr to Rs 5 Cr

As per a census carried out recently there were 15.6 Lac registered as MSME units in India and nearly 190 Lac unregistered units. Among the registered units, 45% were in rural areas and among unregistered units, 60% were in rural areas. (*MOSME Annual Report for 2015-16*). The MSME sector has been experiencing steady growth in India with the tacit support from the Govt. and is expected to mature and reach a level of US\$ 3.5 Trillion (*Silicon India 2017*) by 2020 contributing to 36% of the projected GDP of around US\$ 9.6 Trillion (*www.forbes.com 2011*).

While e-commerce has been growing phenomenally in the last decade in India it has not as yet been adopted by a vast majority of businesses as well as customers. The growth in mobile connectivity, the launch of mobile payment banks and the access to e-commerce sites through smart mobiles has given a fillip to this medium in India in the last three to five years. The advent of pure play B2B e-Commerce platforms like Alibaba, IndiaMART, Tolexo, PrintVenue, Kobster, mJunction, MSMEMART etc. has been going on unnoticed by the popular media, who have been focusing on portals Amazon, Flipkart, Myntra, Jabong, Snapdeal etc. who mostly are B2C front end and B2B back-end. According to media reports, these popular portals are making losses at present, in order to acquire customers and change their shopping habits.

On the other hand, most of the pure play B2B e-Commerce ventures are quietly achieving more revenue, higher profits and better customer relations. During 2014 alone, it was reported that leading e-commerce B2B platforms added over 100,000 SMEs and regional artisans on their e-Commerce platforms. According to an industry report, India's B2B e-Commerce is worth around Rs 19.3 Lac Cr (US\$ 287 Billion). As stated earlier, it is even more certain now that B2B e-Commerce in India would reach Rs 45 Lac Cr (US\$ 700 Billion) by 2020 (*CII-Deloitte India LLP report*). MSME businesses should gain exponentially by resorting to e-Commerce according to another report that has predicted a growth of 51% for B2B e-Commerce in India, which is the highest in the world (*Assocham-Forrester 2016*).

Considering this background about the growth of b2B e-Commerce in India this study examines at the micro level the question whether pure play b2B e-Commerce has benefitted the MSME industry in India and if it has how?

CONTRIBUTION OF B2B E-COMMERCE TO MSME BUSINESSES

In order to examine the contribution of b2B e-Commerce to MSME businesses, the enablers and drivers for MSME industry needs to be identified. The MSME industry faces a number of challenges despite the efforts of the Governments to provide them relief with policies. The enablers that can overcome the challenges faced are i) High inventory carrying costs ii) High prices for limited quantity purchased and iv) Cost of intermediaries. v) Payment delays and the transit time for outstation collections. Each of these challenges could be easily overcome with the help of b2B e-Commerce.

The drivers for MSME business are i) Customer reach to a wide area, ii) Availability of information to the customers when required. iii) Better and more efficient logistics iv) Better prices to the customers with the removal of traditional intermediaries margins & commissions. v) Facility of receiving digital payments and vi) More economical advertising and promotion through digital marketing channels like social media, etc. v) Analytical data on the market and customer. Most of the drivers for growth in MSME industry can be effectively addressed by b2B e-Commerce.

Solutions that B2b E-Commerce can Provide

Key Enablers

- The b2B e-Commerce players can help the MSME industry to get access to easy and timely finance for their WC or other needs through their contacts with Non-banking finance companies and cloud funds. Lack of collateral may also deter Banks but e-Commerce companies can evaluate a business by their cash flows, customer relations and strategy deployed by the management.

- Online e-Commerce platforms can provide MSME's with an opportunity to directly deal with manufacturers and suppliers. This can bring down the cost of procurement both by removal of intermediaries as well as ability to make long term contracts.
- Several b2B e-Commerce platforms have created spoke and hub models for supply chain management, which enables MSME partners to bring down both inventory carrying and downtime costs.
- Direct contact with the supplier can also facilitate technological assistance from suppliers to overcome technical complexities that may be faced by the MSME if any.
- The advantage of digital payments through gateways is a great benefit to MSME industry. The b2B e-commerce platforms also provide the service of collecting payments against delivery and crediting sellers account digitally saving transit time especially for out of station customers.

Key Drivers

- Through the b2B e-Commerce marketplace model the MSME's can get an extensive customer reach and access to a wider customer base. The e-Commerce platforms are well known in the b2B circles and keep investing in bringing businesses together by reaching deeper and wider across the country and even internationally.
- Digitization of logistics turnaround through b2B e-Commerce platforms makes it possible for MSME's to provide better value to their customers by saving cost on their supply chain and inventory.
- With the ability to offer products and services directly to customers on b2B e-Commerce platforms the cost of intimidation can be offered at a discount or mutually shared through negotiations. It can also help with better customization if required and improve customer relations.
- Digital channels provide an economical and effective infomediary space for communicating advertising and promotions to the target audiences. Most e-Commerce platforms also have links provided on leading social media channels and provide a symbiotic relation to their partners in spreading awareness about their products and services.
- Most b2B e-Commerce portals generate, store and analyze the data about customer activity online on the portal, including the products, prices and technical details viewed, time spent on each page, orders placed and purchases made over a period of time. Preferences including time for delivery, location, order quantity, packaging, choice of logistics, method of payment etc. are also analyzed. Such analysis can be of immense help to MSME units who lack both the data as well as resources to analyze it.

Major Challenges Faced By MSME in E-Commerce

Despite the high potential of E-commerce, Indian MSMEs' have shown a slow adoption rate for going digital. (Sinha P and Singh S, 2016). Poor supply chain Infrastructure combined with lack of trust, especially about MSME firms who lack brand visibility. The known intermediary like a dealer or distributor is considered more trustworthy.

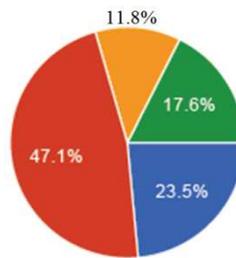
Almost, 89% of the population in India still does not have an internet connection. This fact discourages MSMEs from taking the extra burden of change and transition. The perception that installation and implementation of new technology has a huge cost brings unwillingness to change and adopt e - commerce channel for expanding the business

amongst MSME businesses.

MSME in India is mostly family business and lack awareness about the potential benefits of e-commerce or the b2B e-commerce ecosystem.

MAJOR FINDINGS FROM THE RESEARCH STUDY

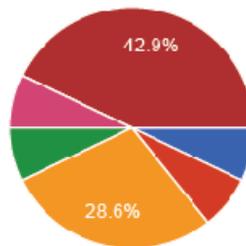
Type of Business



Producer or Manufacturer:	11.8%
Service provider:	47.1%
Seller or Trader:	17.6%
Other:	23.5%

It was found that service providers (47.1%) especially in travel & finance are more prone to using e-commerce than both pure play manufacturers (11.8%) and traders (17.6%). Other category included those who were in IT projects, Construction and Education which would also fall in the services sector.

Category of Business

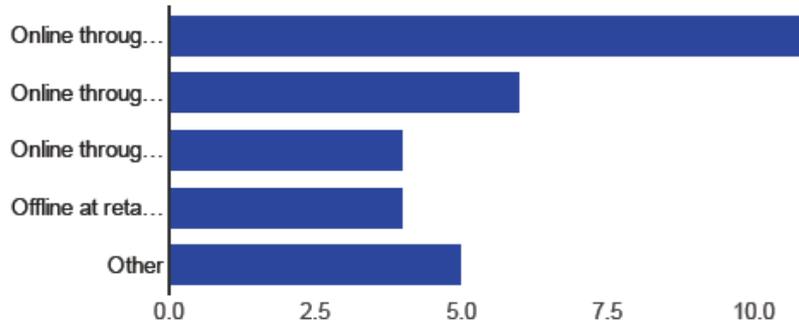


Textile, Apparel and Accessories	- 7.1%
Electronics, Mobiles, Computers, TV, etc.	- 7.1%
Home decor, Furniture and Furnishings	- 7.1%
Medical, Health & Wellness	- 7.1%
Grocery, Pharma & Food products	- 28.6%
Other Services	- 42.9%

The category of businesses using e-commerce platform as one of the sales/distribution channels is an important requirement. It appears that Services, including ITES, Finance and Education are predominantly using the e-tail channel;

Grocery, Pharma and Food products seem to have the next highest share, followed by consumer electronics, lifestyle fashion & footwear and Household goods in that order. However, the above shares are based on pilot survey data and hence may be indicative of the true trend.

Selling Methods Adopted by MSME Companies Using E-Commerce



Online through own website – 66.7%

Online through mobile App - 33.3%

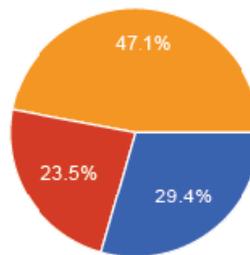
Online through e-commerce portals like Amazon, Flipkart, MSMEMART etc. – 27.8%

Offline at retail or wholesale channels –27.8%

Other methods, including Teleshopping, Catalogue and Direct – 30.4%

Respondents were allowed to choose multiple options to understand the leading sales channels used by MSME currently used for sales and distribution. It shows that more MSME’s are using their own website and mobile App’s in addition to e-portals like Amazon, Flipkart, India Mart, Ali Baba etc.

Starting an E-Commerce Business by MSME



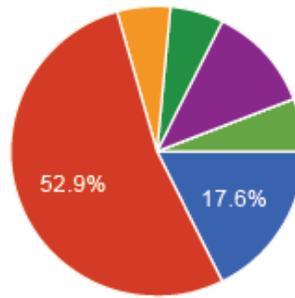
Before 2008: **29.4%**

2008 to 2014: **23.5%**

After 2014: **47.1%**

It is evident that the confidence in e-commerce has been improving and the number of MSME units taking up the e-Commerce for sales & distribution has increased significantly since 2014. It is also in line with the push for digital India given by the Government with almost a 50% increase in respondents confirming they commenced business online after 2014.

Reasons for MSME to Go to E-Commerce



Wider market reach:	52.9%
E-Commerce based startup:	17.6%
Faster expansion & growth:	11.8%
High cost of retail real estate:	5.9%
Avoiding middlemen:	5.9%
Customer convenience:	5.9%

Most of the MSME's indicated that the main reason to go for e-Commerce was to widen the market and reach a larger number of customers. It was also noted that many of the start-ups that are coming up are launching their business using e-Commerce channel.

A number of respondents indicated that they adopted the e-Commerce for business as it helped them in scaling faster for expansion and growth.

Reasons like high cost of real estate, avoidance of middlemen and providing convenience to customers were the other reasons for going online although relatively less important.

Growth of MSME Business in the Last 3 Years

Year	2012-13	2013-14	2014-15	2015-16
Sales				
0 – Rs 1 Cr	81%	75%	75%	53%
Rs 1 Cr – 5 Cr	13%	19%	18%	24%
Rs 5 Cr – 10 Cr	0%	0%	11%	5%
Above 10 Cr	6%	6%	12%	18%
Total	100%	100%	100%	100%

(Cr = Crore; 1 Cr = 10 Million)

The tabulation shows that the growth of MSME business has received a boost in the last 4 years. Particularly those with sales below Rs 1 Cr have seen their sales rising. The Sales have been rising up to Rs 5 Cr in 3 years and then getting to above Rs 10 Cr in the 4th year.

The trend indicates that the number of MSME business whose Sales have risen to a level from Rs 1 Cr to Rs 5 Cr have doubled in 2015-16 while those whose Sales have risen above Rs 10 Cr have tripled since 2012-13. The overall business environment for MSME's it appears has improved after 2014 when they adapted to e-Commerce.

Share of Online E-Commerce in MSME Business

% Online	2012-13	2013-14	2014-15	2015-16
Below 25%	88%	82%	62%	38%
25% - 50%	6%	6%	13%	38%
50% - 75%	0%	6%	6%	0%
Above 75%	6%	6%	19%	24%

The share of e-Commerce in MSME business was growing steadily till 2013-14, but it got an impetus and started growing in leaps after 2014-15. MSME respondents reported that on an average 80% of them had e-Commerce Sales below 25% in 2012-13, but with increasing adaptation of e-Commerce mode in the industry by 2015-16 nearly 62% saw their Sales go up. Around 38% saw it grow to a level between 25% to 50% and 24% saw their businesses grow above 75% through e-Commerce.

Changes in Business Strategy Due to E-Commerce

MSME industry recognized early that they needed to make significant changes in their traditional methods of business and adapt to modern or up to date in product features and packaging. The study validates this position.

Product & Packaging

Introduced a bigger range of products/services – 50%

Introduced new features in existing products/services – 50%

Introduced extra charges for special delivery to customers – 19%

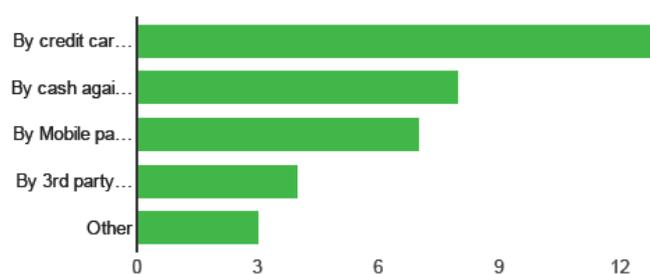
Offered special discounts to attract customers online – 50%

Developed special packaging for delivery to customer – 44%

The success factors for online e-commerce by MSME in the last few years shows an equal emphasis by 50% of the respondents a) By introducing a bigger range of products and services, b) Bringing new features to existing products or services and c) Offering special discounts for buying online. It is indeed a revelation to note that it is not the special discount factor alone, which is believed by many observers to be the main reason for the attraction to buy online. Range and features also have, according to the respondents, an equal impact!

Only 44% respondents felt the need to develop a special packaging for online. This was because more than 50% of the respondents were service providers. When only the product suppliers are taken, this % can go up. So developing a special packaging for customer delivery is an important factor for all product suppliers in online e-commerce.

Payment Collection



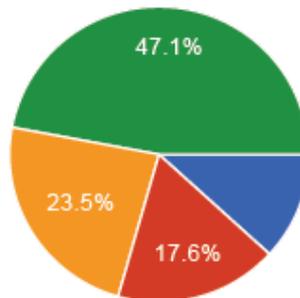
By net transfer on payment gateway:	77%
By acceptance of documents through bank	47%
By digital payments through mobile	41%
By 3 rd party portal payments:	24%

By other methods, including check/DD etc., **17%** MSME business seems to have taken to digital modes of payments quite well! A majority of MSME respondents is accepting non-cash modes of payments Viz 77% by cards and net transfer, 41% by mobile App and 24% from payment portals!

Cash mode of payments, especially CAD in e-commerce is being offered to customers, according to respondents due to a general lack of trust of unseen products and unknown suppliers. Cheque mode of payment is found acceptable in B2B transactions and mobile App or 3rd party portal payments for B2C transactions.

Delivery Time Lag

Same day:	12%
Next day:	18%
2-5 days:	23%
More than 5 days:	47%



A majority (53%) of the MSME sector respondent’s confirmed that the delivery is made to the customer within 5 days. Delivery time for online e-commerce is critical, according to the respondent’s. But it appears to be a challenge as only 30% of the respondents are delivered on the next day!

How much of this challenge is due to difficulties with logistics? How much is due to the pending orders or inability to keep stocks? These questions need to be examined in depth for both products and services.

Promotion of Online E-Commerce



Offer additional discounts for referrals to customers – 59%

Share testimonials on social media – 53%

Feedback through ranking – 29%

Loyalty points – 6%

Other methods – 23%

It appears to be a popular practice amongst MSME to offer additional discounts to customers for giving referrals. Sharing testimonials given by customers on social media is also done frequently by most MSME’s. Ranking is not so popular amongst all MSME’s and only a third of them seem to seek it.

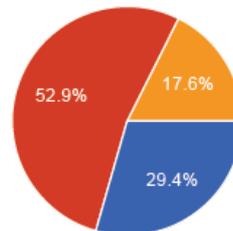
Loyalty points are used by relatively fewer MSME probably due to its inherent high cost. The other methods of promotion followed by almost a fourth of the respondents included Pop-ups, SMS ads and internet ads.

Discounts for Online E-Commerce Customers

No discount - 29%

From 5% to 15% - 53%

From 15% to 25% - 29%

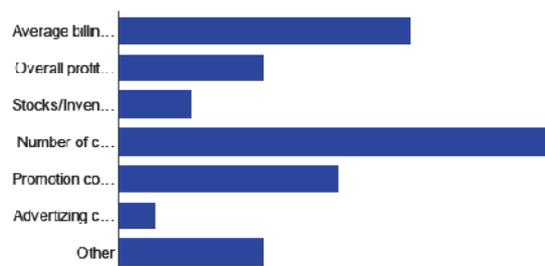


Discounts of 5% to 15% were given by more than half of the MSME respondents to promote their online e-commerce sales. It appears to be a popular method of sharing the benefits of dis-intermediation with the customers.

While this inference was not so surprising it was considerably surprising to learn that nearly a third (29%) of the respondents said they gave no special discount to online e-commerce customers. Considering that e-Commerce platforms are accused by offline retailers of offering unreasonable discounts to attract customers this would mean it is not universally applicable and points at the e-portal to e-portal competition between Amazon and Snap Deal or Flipkart.

Experience and Impact Due to E-Commerce for MSME Businesses in India

Impact on Marketing



Number of customers increased – 71%

Increase in average billing per customer –47%

The promotion cost goes up – 36%

Profits increased – 24%

Stocks/Inventory increase – 12%

Reduction in advertising costs – 6%

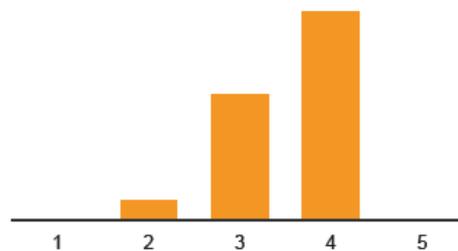
Others not disclosed – 23%

A majority (71%) of respondents agrees that e-Commerce has enabled MSME's in India to scale their businesses and access a larger number of customers

It has resulted in a significant increase in average billing per customer is the next big impact for MSME's. A quarter of the MSME respondents also admitted to a healthy increase in profits after going to e-Commerce which is an important positive feedback. This validates the belief that the cost of intermediation or middlemen is being shared between both the customer and the producer. Few of the MSME's (6%) also reported a reduction in overall advertising costs as a % of Sales.

On the negative side a smaller not so significant number (12%) admitted to increase in stocks on one hand. Nearly a fifth (23%) however, did not categorically disclose the impact due to e-Commerce in their business.

Business Compared to Competitors



No comments - 0%

Ok compared to competitors – 6%

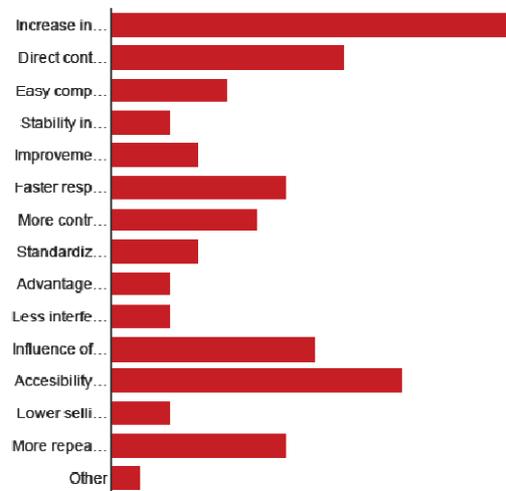
Good compared to competitors – 35%

Very good compared to competitors – 59%

Most of the MSME respondents (94%) using online e-commerce felt that they were performing better compared to their competitors in the industry. In fact a majority (59%) felt that their business was “Very good” compared to their competitors.

Hence it can be surmised that e-Commerce had played a key role in the success of MSME businesses.

Key Attributes and Factors for the Success in MSME Business Due to E-Commerce



Attributes

Increase in awareness of company and products – 82%

Direct contact with customers – 47%

Easy comparison with competitors – 24%

Stability in pricing – 12%

Improvements in cash flow – 18%

Faster response to customers – 35%

More control over deliveries - 29%

Standardization and quality improvement – 18%

Advantage over competitors – 12%

Less interference by middlemen – 12%

Influence of social media – 41%

Accessibility to customers – 59%

Lower selling expenses – 12%

More repeat customers – 35 %

Other – 6%

The majority of them (82%) felt the increase in awareness of the customers of the company and products as a major reason for effect on the business. Since most of these companies do not have a budget for any large scale advertising, online e-Commerce appears to be the only way to communicate with customers directly. Accessibility to customers (59%) and direct contact with customers (47%) are the next important reasons which once again corroborate the importance of customer communications. The influence of social media (41%) has also been recognized as an important reason by many

of the respondents. This is now becoming important for all businesses and especially for those in online e-commerce. Faster response to customers (35%), More repeat customers (35%) and More control over deliveries (29%) are found to be important by a third of the respondents.

It is important to understand the reasons for business success from the protagonist point of view. MSME businesses who are using e-Commerce gave multiple attributes for the success of their business which was analyzed using principal component matrix (Chuck Chakrapani; Statistics in Market Research, 2004). The rating of respondents produced 4 factors with eigenvalues greater than one. The factors based on weightage contributed by multiple attributes are shown below:

Factor	Attributes	Weightage
Customer contact	2, 6, 12 & 14	48%
Competition	3, 9	13%
Confidence building	1, 10, & 11	15%
Consistency & control	4, 5, 7, 8, & 13	24%

Customer contact which includes accessibility and faster response has been the biggest influencing factor in e-Commerce, contributing to the success of MSME businesses, according to respondents and has a weight-age of 48%. The next important factor is Consistency & control which include the attributes of price stability, cash flow, controlled delivery, standardization and quality improvement and lower selling expenses; it represents a weight-age of 24%. Confidence building factor which includes the influence of social media has been given a weight-age of 15% by the respondents and Competition factor the least weight-age of 13%.

MSME's Selling On External Online Portals

GOVT. PORTALS LIKE NSIC, MSMEMART ETC. – 6%

B2C PORTALS AMAZON, FLIPKART, SNAPDEAL ETC. – 24%

b2B PORTALS INCLUDING INDIA MART, ALI BABA ETC.– 70%

A significant number of respondents (70%) were doing e-Commerce transactions on b2B portals like India Mart, Ali Baba and other portals which they were not ready to disclose for reasons of confidentiality. It is a known fact that there are innumerable numbers of b2B portals as mentioned earlier, which are less known, but have a major share of the e-Commerce business in India.

The category of MSME's on b2C portals (24%) is also carrying out transactions on multiple platforms through their own websites. Hence the stock remains with them and delivery happens directly to the customer. The portals only provide information and communication on orders or enquiries from customers.

Govt. Portals, both b2B and b2C seem to be less popular at present (6%) but this may be because they have been launched recently and some of the respondents weren't even aware of them!

Suggestions for Digital India

Improve ease of internet connectivity for e-Commerce all over India – 53%

Comprehensive cyber laws – 29%

Exempt e-Commerce start-ups from GST – 11%

Restrict FDI in e-Commerce – 4%

No suggestion – 3%

While a significant number (53%) of respondents felt that the Government should improve the infrastructure for e-Commerce in the country and provide access to internet Wi-Fi services all over the country. Around a third (29%) felt that comprehensive cyber laws should be promulgated as the current laws do not adequately cover the legal requirements in e-Commerce. Some (11%) demanded that e-Commerce; start-up should be exempted from GST. Few (4%) felt that FDI should be restricted. Overall the feedback appears to be positive from MSME's who feel that e-Commerce channel is beneficial for their business.

CONCLUSIONS AND RECOMMENDATIONS

Appreciating the Present Scenario

Positive Features

- The MSME industry in India has been using the e-Commerce channel and the usage has increased since 2014. The share of Sales through e-Commerce has also increased considerably in the last 3 years since 2014.
- India's ecommerce industry is experiencing a spurt in growth. The Online Travel Industry is the main sector of e-Commerce today and is thriving due largely to the Internet usage by the urban population. The other segments, categorized under online non-travel industry, include Online retailing/selling of goods and Online booking of services. Online classifieds and Digital Downloads are still in a nascent stage in India.
- Several b2B players have been able to get tie up with the banks and other financial institutions for supply chain finance, which helps in providing access to credit.
- Currently, 100 % FDI is permitted in B2B e-commerce under the automatic route. Although in B2C e-commerce FDI is still prohibited.
- Adapting e-Commerce channels has helped technology enabled MSMEs to challenge traditional business domain and show a significant growth over the last few years.
- By transcending geographic boundaries e-Commerce has leveled the playing field. It has enabled visibility and trade between buyers and sellers who are located across distant geographies.
- Online transactions supported/enabled by reputed e-Commerce organizations can allay fears rooted in perceived trust deficit with features such as rating systems, feedback mechanism, blacklisting, payment options and tools, security and trust certificates.
- 85% of the MSMEs whom adopted e-commerce believe that it is a cost effective medium to grow sales. It has been found that MSMEs who actively adopted the internet for their business activities have been able to achieve 50% higher revenues.

Negative Features

- Lack of internet connectivity due to underdeveloped infrastructure in large sections of the country which is semi-urban and rural is a major barrier.

- Inadequacy in supply of electricity, transport, roads and communication, etc., also acts as a barrier.
- Low or no awareness about the benefits of E-commerce in a large number of family owned MSME's is another barrier
- General lack of trust for unseen or not personally known business born out of the experiences of malpractices, fraud and counterfeit goods are a major barrier for e-Commerce
- A significant section of the MSME industry in India has not understood the customer data capturing ability or analysis capability of e-Commerce which can be leveraged to expand their business.
- MSMEs in India have long suffered from the “missing middle” syndrome. Many Indian MSMEs do not want to expand and become middle-sized enterprises and hence show no signs of transformation or expansion. The reasons could be attributed to fear of being monitored, non-compliance and lack of governance by MSME businesses, many of whom are unregistered and carry out cash transactions to avoid proper payment of taxes.
- Only 11% of Indian MSMEs participate in the country's share of export revenues of the traditional SMEs export of goods and services.

Future Outlook for MSME in E-Commerce

- Evolution of a logistics landscape in the country will be a very important factor in determining the course for the e-Commerce in India. Logistics evolution will be necessary to realize the potential robust growth. Despite a huge potential, long term profitability of the MSME industry in the country is subject to scaling which requires adapting technologies like e-Commerce. The wafer-thin margins and sub-optimal infrastructure results in higher delivery cost and leads to lower profitability. This needs to be corrected in order for MSME to grow on the back of e-Commerce channels.
- FDI in the inventory-led b2C will also be an important factor in shaping up the future of the MSME industry. In the current scenario, global e-Commerce giants like Rakuten and Alibaba are still eyeing their entry into Indian market. Amazon the American e-Commerce giant has recently announced a US\$ 2 Billion investment in a marketplace model in India. It has also launched Amazon Web Cloud services for those who wish to take the faster adaption of technology route. FDI in such areas would be a vital factor in attracting significant investments resulting in better infrastructure and robust supply chains.
- Evolution of taxation policies in the country will in a large way affect the way industries practice warehousing. With uniformity in taxation laws across the country under GST e-Commerce platforms are expected to move closer to consumption centers with an aim to address the duplicities in the logistics chain by removing the overlaps in the form of delivery and sorting centers. It will also result in uninterrupted access to the market through these e-Commerce channels. As a part of the GST rollout in India, the Revenue Department has announced that it will prepare ‘place of supply’ rules that will comprehensively cover taxation of e-commerce. This could be the way forward for the expansion of MSME business through e-Commerce channels.

- Taking a holistic view of the industry trends, e-Commerce one can say is poised for an exciting period of exploding growth in the next 3 to 5 years. This is expected to lead to both to substantial investments in supporting infrastructure and innovative game changing business models.
- Leveraging Data analytics would make MSME leanest and remove inefficiencies. Industry associations, across domains could collaborate to generate awareness in this field and its impact on business efficiency from understanding customer behavior to increase efficiency in manufacturing and supply chain.
- The market place model is doing well in the country as corroborated by the survey and has proved to be a successful route for MSME. Hence, this new normal of digital India should be maintained and expanded to reach the entire country.
- Government should focus on 'ease of doing business', also parity in online and offline commerce should be maintained so that both can co-exist. Legislations should also allow issuance of digitally signed electronic invoices. Electronic invoices should be treated as valid documents for claiming the tax credit as VAT under the GST.
- In order to improve trust in MSME's the e-Commerce portals that run market places should share information with other portals in the industry about malpractices by a seller. A black list could be generated which lists the names of the companies and the owners/Directors who are involved in the business. Also laws should be made for severe penalties for such cheating and counterfeiting. These actions will deter those who are unscrupulous and also encourage others with genuine business intentions to participate more vehemently.
- Considering all advantages and disadvantages of both offline and online channels an Omni-channel approach is the way forward for the immediate future. For the long term both the industry and the Government must keep consumers at the centre of the policy formation on e-Commerce and adaptation of it by the MSME industry. This is recommended as the way forward.

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