

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