

A Study on factors influencing growth of MSME with e-business in Kanniyakumari District

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Abstract: Micro, Small and Medium enterprises (MSMEs) are considered to be the backbone of any developing economy. India too, cannot ignore the importance of MSMEs for its development. Launch of the flagship schemes like Make in India can be successful only if the MSME contributes upfront. Digitalization is one of the important change Indian MSMEs will have to imply. Making presence in virtual marketplace will provide them a platform to mark their presence beyond the geographical and regional barriers and to compete globally. E-commerce helps MSMEs in reducing their traditional expenses which ultimately may boost their revenues and contributes not only to their profit but to Indian GDP.

Micro, Small and Medium Enterprises (MSME) sector provides maximum opportunities for both self employment and jobs. In the era of globalization & liberalization SMEs are facing cut throat competition at local, national, international level. To keep their position intact & sustained in a long run in this highly competitive market they need to implement new change and technologies. E-Commerce (EC) is one of them. EC is affecting every aspect of every businesses of every country. SMEs to keep their competitive edge over others need to implement EC in their day to day work. Otherwise their sustainability is a big question mark. This paper discusses about the opportunities and growth of MSME in India with digital marketing and analyze the factors influence adoption of e-commerce in kanyakumari district.

Keywords: Strategy, Technology, Communications, Digital Information.

I. INTRODUCTION

MSMEs are enterprises of growing importance and engage in the growth of emerging nations by providing employment and directing economic development. It is an estimated suggestion that MSMEs are more than 95% of enterprises around the world which accounts for approximately 60% of private sector employment. In India, there is a separate Act, responsible for promotion and development of Micro, Small and Medium Enterprises (MSME) i.e. Micro, Small and Medium Enterprises (MSME) development Act, 2006 which came into existence on 02nd Oct, 2006. Office of Development Commissioner works as the nodal Agency under the Ministry of Micro, Small and Medium Enterprises (MSME). It supports for export promotion, joint ventures, marketing and distribution, technology transfer and in other required areas. It has also made its presence in various countries to support the SMEs and identifying the collaboration opportunities in Africa, North and South America, European countries, Japan and Gulf countries. The MSME act classifies enterprises broadly into manufacturing and services and defines in terms of their investment in plant, machinery and equipments as follows

Table 1: Definition of MSME in India

Description	Manufacturing Enterprises Investment in Plant & Machinery INR	Service Enterprises Investment in Equipments INR
Micro Enterprises	Upto Rs. 25Lakh	Upto Rs. 10Lakh
Small Enterprises	Above Rs. 25 Lakh & upto Rs. 5 Crore	Above Rs. 10 Lakh & upto Rs. 2 Crore
Medium Enterprises	Above Rs. 5 Crore & upto Rs. 10 Crore	Above Rs. 2 Crore & upto Rs. 5 Crore

Source: Small and Medium Business Development Chamber of India.

SMEs play a pivotal role in growth of Indian economy. As per census of MSME reference year 2006-07, there are more than 36 million MSMEs in India and it adds approximately 8% to India's GDP. It contributes 45% in industrial output, 40% in exports, offers 42 million employments by creating one million jobs every year. It produces more than 8000 excellent quality products for the domestic and international markets. If we look at the number of enterprises in developing countries, most of them are SMEs and these are a major source of employment, domestic earnings and export benefits.

STATEMENT OF THE PROBLEM

E-commerce can be called as one of the most innovative and revolutionary developments of the technological era. Its strong explosion has encouraged a new phase in global communication and trade and India

is a strong player. Although the intensity of using e-commerce technology is still somewhat lagging behind key players in some European, Asian countries and USA, there is a rapid growth of e-commerce in India. This study aims to find the factors facilitating the adoption and use of E-business technologies in Kanniyakumari district and current scenario of e-commerce in India with barriers in implementation of it.

OBJECTIVES OF THE STUDY

- 1.To study the current scenario of MSMEs in India with E-Business and its opportunities
- 2.To analyze the factors facilitating the adoption and use of E-Business in MSME.
4. To identify the Barriers to digitization in kanniyakumari district

REVIEW OF LITERATURE

Desai, (2006), in his study entitled "Small Scale Industries & Entrepreneurship" explained that the fast changes brought out by global trade and new marketing strategies over the past few years have necessitated bringing about structural changes affecting the micro, small, and medium enterprises throughout the world. The developing countries has evolved new policies to suit the requirements of several changes in the field of industry and trade, besides entrepreneurs adjusting to the new environment. The distinction between domestic and international.

Johamas, (2015), presentation supports that technology development, servicification of manufacturing and global values; and demand for service with rising income are the drivers for the global trade in services market has been getting blurred

Stockdale and Standing, (2004), found that access to wide range of markets is the important factor in facilitation of Internet technology. The adoption and use of Internet technology does not help in accessing new financial resources. Demanding customers/ suppliers has also been an important factor in the adoption of Internet technologies for three districts namely, Gurgaon, Ambala and Panipat. Pressure from customers is the determining factor in the adoption and the use of Internet technology in any firm.

Adi et al,(2004), found search of new markets and competition as the important factors in the adoption of E-business technology.

II. RESEARCH METHODOLOGY

Research Design

It was decided to use a survey research method because the aim was to obtain wide geographical and industrial coverage. Furthermore, e-commerce application in operations is an emerging area of research and exploratory survey research would be appropriate for such a study After thorough review of the literature, a questionnaire was designed.

Sampling technique

Simple random method was utilized from probability sampling method to select the sample.

Method of data collection

Survey method of primary data collection using questionnaire adopted for collection of primary data. Questionnaire was sent to 100 companies through e-mails in that 54 responses we received and 4 of them was found incomplete. Secondary data has been collected from various articles, journals, books, websites etc. It have been used to study the evaluation, conceptual framework, definition, key players, present trends, future prospectus & barriers of e-commerce.

Sample Size

The sample size taken up for the study is 50 respondents.

Statistical Tools

This research was analyzed through two tools. They are factor analysis and five point Likert scale technique.

III. RESULTS AND DISCUSSION

Current scenario of SMEs in India

India is in the midst of a digital revolution. Expanding internet access, growing smart phone usage, and rising digital media consumption will have a profound impact on the future of Indian economy over the next few years. This has been aided by affordable devices and network access cost. Shifting trends from the way urban population accesses information to how farmers grow and sell their crops, internet has changed the way Indian economy functions. Digitalization has brought a paradigm shift to the traditional ways of manufacturing, handling, storing and transporting things According to Kleiner Perkins Caufield & Byers(KPCB), a Venture

Capital fund, growth of internet in India has overtaken that of China and USA, with each growing at about 55%,21% and 28% respectively in 2014. Further the report also states that 65% of all internet traffic arrive from a mobile device. According to Confederation of Indian Industries'-commerce in India retail sector is valued at \$600 billion, with online sales contributing to only \$16 billion in 2015. These are expected to be equivalent to brick& mortar sales in the next five years. This segment is expected to reach \$55billion inFY2018 and \$220 billion by 2025. Of the total online sales, 41% come from a mobile device according to KPCB. Advent of internet has led to businesses' migration online and faster and wider creation of wealth and assets.

Table 2: E-commerce Market Size in India (USD mn.)

Year	USD mn
2013	2.9
2014	13.6
2015	16
2018 (E)	40.3
2020 (E)	101.9

Source: Report by CII – e-Commerce in India

Opportunities for MSMEs

In India, MSMEs comprise 95 per cent of the total industrial units and contribute nearly 40 per cent to the total industrial output and exports. The MSME sector has a significant impact and can directly enhance the socio-economic structure of the Indian economy by performing efficiently. The numbers of MSMEs in India estimates at nearly 6,000 micro-clusters and 1,157 industrial clusters. The potential for MSMEs to tap new markets in-country and across borders is enormous, but for an enhanced CBT, the Indian MSMEs need to become highly competitive internationally. The key challenges for the Indian MSMEs so as to increase their CBT footprint include - low supply of products that have high international demand and inadequate buyer and market-related information of the global market. The almost non-existent direct market link(s) between MSMEs at the cluster-level and international consumers results in a weaker integration of the Indian MSMEs at the lower tier levels in regional and global value chains. The current export sector thrives on personal contacts, evident from the fact that only one-half of one percent of firms in the MSME sector are actually in to direct exports. Traditional MSMEs in India have been able to efficiently facilitate to the huge domestic as well as the local market demand but with the emergence of a new class of young entrepreneurs (mostly second or third generation entrepreneurs) who are aware of modern trend sand opportunities, a new vision of augmenting the MSMEs and a technology-oriented outlook is ushering them towards a fast changing commerce landscape for the MSMEs. Such MSMEs are adopting technology to be able to improve their businesses efficiency and target the global market with a bang. Many such MSMEs, including those at the lowest levels in the ecosystem, have benefitted extensively by connecting directly with the buyers around the world.

Factors Facilitating the Adoption and Use of E-Business in MSME

This table identifies the main factors in the adoption of internet and e-business technologies by the selected industries. The adoption and use of Internet technology does not help in accessing new financial resources.

Table 3: Descriptive of Factors Facilitating Adoption of E business

Factors	Highly Agree	Agree	Neutral	Dis Agree	Highly Dis Agree	Mean score	Rank
Nature of goods/ services	5	10	12	8	15	26.4	VI
Possibility to access new markets	15	9	10	7	9	32.8	II
Competitive threats/ Pressures	7	12	6	14	11	28	V
Management effectiveness	10	15	5	10	10	31	IV
Access to specialized suppliers	11	17	4	9	8	32.2	III
Dealing in exports	18	10	5	7	10	33.8	I

Source: Primary data

The above table shows the mean score ranking of different responses by the entrepreneurs. Entrepreneurs feel that Dealing with exports become high by incorporating technology and it scores first rank.

Possibility to access new market in domestic and international become easier and it scores second rank. Access to specified suppliers remain third. And the least rank goes to Nature of goods and Services.

Descriptive of Barriers in the Adoption of E-Business Technologies

In this Table factors which are barrier for digitizing MSME in kanniyakumari district are studied . Survey respondents indicated a general lack of understanding of legal issues in e-commerce and exactly how it might be applied to their particular business.

Table 4: Descriptive of Barriers in the Adoption of E-Business Technologies

Factors	No. of Variables	Eigen Value	Percent of Variation explained	Cumulative Percent of Variation explained
Legal issues	2	3.248	21.654	21.654
Not enough skilled staff	3	2.290	15.267	36.921
Customers/partners not ready	3	1.903	12.684	49.605
Security	2	1.563	10.421	60.026
Type of products/services not suitable	2	1.310	8.735	68.761
Internet connection is not dependable	3	1.027	6.850	75.611

source: Primary data

The leading factors which remain as a barrier for adoption of E- business are legal issues and the non availability of skilled staff since their eigen values are 3.248 and 2.290.

IV. SUGGESTIONS OF THE STUDY

Promoters and owners of SMEs in kanyakumari are responsible to take first step towards implementation of internet technologies.

SMEs must draw on external sources of information, knowledge and technology with help of online marketing.

SMEs in this district need institutional support for their survival in the era of globalization. The Government of India has to take initiative for providing uninterrupted utility services so that SMEs can become more competitive in international markets.

Government can have significant effect on adoption rates of E-commerce by implementing various aid packages and incentives scheme.

There should be facility of providing E-awareness and the provision of training and skill to SMEs. Managers also need to be trained on IT skills through workshops and seminars to develop their technical abilities.

V. CONCLUSION

Overcoming the barriers to increasing usage will require a concerted effort by society at large. Individuals and organizations often lack the skills they need to go online, the awareness of opportunities available to them, or access to hardware and software. Instilling digital literacy, ensuring affordable access, and advertising the benefits widely would catalyze a change in our economy and society. Everyone has a role to play in the journey to universal digitization. Government, business, charities, and individuals need to work together to lower the barriers to online engagement. Having built the digital foundations, we believe the time is right to promote usage, in a new and concerted way, so that we can truly say: "This is for everyone."

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