

## E-COMMERCE - AT A GLANCE

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### ABSTRACT

*In India, Literature is available about big business houses adopting these technologies but it is known that Small and medium-scale enterprises have come to play a predominant role in our economy. SME's contribution towards GDP in 2011 was 17% which is expected to increase to 22% in 2012. There are approximately 30 million MSME Units in India and 12 million persons are expected to join the workforce in the next 3 years. There are articles now and then in newspapers and periodicals to suggest that they too have adopted E-commerce technologies. There does not seem to be systematic research to study the potentials or the challenges posed by E-commerce to the Small and Medium Scale enterprises in India and possible solutions which can be given to these industries to enhance their marketability. There does not seem to be a concrete study to identify the present level at which E-commerce is adopted by these industries. This study aims to fill in the research gap that exists in this area by analyzing the existing applications and use of E-commerce, the potentials of engaging in and the challenges posed by E-commerce activities to Small and Medium Enterprises (SME).*

**KEYWORDS:** E-Commerce Technologies, Enhance their Marketability, 12 Million Persons

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### INTRODUCTION

Electronic commerce (E-commerce) has unleashed a revolution, which is changing the way businesses buy and sell products and services. Electronic commerce (E-commerce) plays a new and unique role in exploring new avenues of business opportunities within the country and globally. E-commerce has increasingly become a necessary component of business strategy and a strong catalyst for economic development. The integration of information and communications technology in business has revolutionized relationships within organizations and those between and among organizations and individuals. Small and medium enterprises should capitalize on the fact that they have always been an engine of growth in any economy.

In a country like India, we know that high end technologies are adopted by multinational companies and big business houses. This study concentrates on the small and medium scale enterprises which have contributed significantly towards the development of India and technological up gradations that they need to make to survive in a rapidly changing environment.

Analysis of literature reveals there are many drivers and barriers for adoption, implementation and sustenance of E-commerce by Small and Medium Enterprises (SME) and studies have been conducted around the world on the topic. Points of potential and challenges are derived out of previous reviews for analysis. The term challenges used in the study is used to denote significant obstacles and tasks that arise from the need for changes

in scope in product, market, geography and competencies. The following are the important challenges or issues that need to be addressed when companies have adopted E-commerce technologies.

### Objectives of the Study

The main objectives of the study are

- To focus on E-commerce applications by SME in Kanchipuram District.
- To find out the potentials of E-commerce for these enterprises.

### Limitations of the Study

The following are the predominant limitations, though not exhaustive

- The sample size chosen for the study.
- The geographical area for research has been restricted to Kanchipuram District.

### SWOT of Kanchipuram District

Cities are engines of development. They are also loci of the most important impacts of globalisation and hence the places of change and expectation of the future. Strengths – weaknesses – opportunities and Threats in respect of Kanchipuram district are

**Table 1: SWOT**

<b>Strengths</b>	<b>Opportunities</b>
Strong Commercial and Industrial Base	High telecom penetration
Skilled and educated man power	Growth oriented reforms
High standard of Educational Institutions	Public Private Participation
Good Urban Land Market and availability of developable lands.	
Uninterrupted and quality power supply	
<b>Weaknesses</b>	<b>Threats</b>
Traffic congestion	Automobile pollution
Inadequate infrastructure	Overcrowding in certain pockets
Water shortage	Decrease in manufacturing industry

### Questionnaire Design

The Review of literature is the basis for framing the questionnaire initially. From the review of literature, the independent and dependent variables to be analyzed for challenges of E-commerce and potentials for E-commerce are identified.

**Section 1** collects the particulars about the enterprise

**Section 2** analyses the present level of E-commerce usage in SME.

### Data Collection

Data collection proves to be a difficult task as each enterprise has to be contacted separately. Questionnaire are sent to the respondents either by email or personally handed out to the respondents. Many respondents prefer the questionnaire to be read out to them. A total of 340 questionnaires are circulated among the SME's throughout Kanchipuram District. Out of the 340 only 321 can be taken as valid questionnaires and the rest of them are rendered

invalid either because the questionnaire is not completely filled or because the questionnaire itself remained unreturned in spite of repeated reminders.

### Secondary Data

Secondary data is collected from books, magazines, newspapers. Data available in reports and publications is used. Reports of research scholars, Government departments, universities and economists are used. Above all, the wealth of information available on the internet is used after cautiously analyzing the contents and their limitations.

## TOOLS FOR ANALYSIS

### Percentage Analysis

Percentage analysis is used for independent questions where it is possible to derive meaning out of percentages. Percentage analysis is the method to represent raw streams of data as a percentage (a part in 100 - percent) for better understanding of collected data. This gives us a basic idea about the data to be analysed.

### Nature of Business

The SMEs in the study area are widely classified on the basis of the nature of business, the investigation through pilot study clearly revealed the existence of 3 broad categories of business namely production units, service units and intermediary establishments. The application of percentage analysis through systematic frequency distribution presents the following results.

**Table 2: Percentage Analysis for Nature of Business**

	Frequency	Valid Percent	Cumulative Percent
Production	226	70.4	70.4
Service	80	24.9	95.3
Intermediary	15	4.7	100
Total	321	100	

**Source:** Primary data

From the above table it is found that the sampling unit comprises 70.4 % (226) production units followed by 24.9% (80) service units and only 4.7% (15) of intermediary establishments. The percentage analysis concludes most of the SMEs in the sample unit ventured in manufacturing businesses.

### Level of Capital Invested Manufacturing Units

According to the MSME Act of 2006, the below levels of investment in plant and machinery should be made to qualify as small or medium scale enterprise in the manufacturing sector.

**Table 3**

	Manufacturing Sector
Small Scale Enterprise	25 lakhs – 5 Crores
Medium Scale Enterprise	5 Crores – 10 Crores

**Source:** MSME Act (2006)

**Table 4: Percentage Analysis for Level of Capital Invested Manufacturing Units**

	Frequency	Valid Percent	Cumulative Percent
No answer	66	20.6	20.6
Small scale enterprise	204	63.6	84.2
Mediumscale enterprise	51	15.9	100
<b>Total</b>	<b>321</b>	<b>100</b>	

Source: Primary data

From the above table, 63.6% (204) units are small scale units with investment in plant and machinery between 25 lakhs and 5 crores. 15.9% (51) units are medium scale units with investment in plant and machinery between 5 crores and 10 crores. 20.6% (66) units who chose not to answer the question are either service units or they felt answering capital investment questions was not necessary. It can be deduced that out of manufacturing units, the ratio of small scale: medium scale is 4:1.

#### Level of Capital Invested - Service Units

According to the MSME Act of 2006, the below levels of investment in equipment should be made to qualify as small or medium scale enterprise in the service sector.

**Table 5**

	Service Sector
Small Scale Enterprise	10 lakhs – 2 Crores
Medium Scale Enterprise	2 Crores – 5 Crores

Source: MSME Act (2006)

**Table 6: Percentage Analysis for Level of Capital Invested - Service Units**

	Frequency	Valid Percent	Cumulative Percent
No answer	226	70.4	70.4
Small scale enterprise	73	22.7	93.1
Medium scale enterprise	22	6.9	100
<b>Total</b>	<b>321</b>	<b>100</b>	

Source: Primary data

From the above table, 22.7 % ( 73) units are small scale units and 6.9 % (22) units are medium scale units in the service sector. The rest 70.4 % ( 226) units are manufacturing units or those who chose not to answer capital investment questions. It can be deduced that out of service units, the ratio of small scale: medium scale is 3.3:1.

#### Concentration of Sales

As far as concentration of sales is concerned, the SMEs are selling their products inside the country as well as exporting them to other countries. Many units sell exclusively within the country only.

**Table 7: Percentage Analysis for Concentration of Sales**

	Frequency	Valid Percent	Cumulative Percent
No answer	15	4.7	4.7
Inland	182	56.7	61.4

Overseas	0	0.0	61.4
Inland and Overseas	124	38.6	100
<b>Total</b>	<b>321</b>	<b>100</b>	
Source: Primary data			

From the above table, 56.7 % (182) units carry out sales within the country, 38.6 % (124) units do sales within the country as well as export their commodities outside India. Nobody opted for overseas sales option and this means that there are no SMEs in the survey which are 100% export oriented.

### Share of Transaction Done Electronically

Review of literature suggests that it is important to recognize that E-commerce activities range from entry-level activities such as having web browsers, web sites, and sending email, to sophisticated activities such as online payments, making purchases online, customer services and video conferencing. E-commerce adoption in many cases is only done step by step.

**Table 8: Percentage Analysis for Share of Transaction Done Electronically**

		Frequency	Valid	Cumulative
			Percent	Percent
No answer		51	15.9	15.9
0% - 10%		125	38.8	54.7
10	- 20%	58	18.1	72.8
20	- 30 %	29	9.1	81.9
30	- 40%	7	2.2	84.1
40	- 50%	29	9.1	93.2
> 50 %		22	6.9	100
<b>Total</b>		<b>321</b>	<b>100</b>	
Source: Primary data				

From the above table 38.8 % (125) units carry on 0 – 10 % of transactions electronically, 18.1 % (58) units carry 10 – 20 % of transaction electronically, 9.1% (29) units carry 20 – 30 % of transactions electronically, 2.2% (7) units carry 30 – 40 % of transactions electronically, 7.2 % (23) units carry on 40 – 50 % of transactions electronically and 9.1 % (29) units carry more than 50 % of their transactions electronically, which is a very encouraging trend. This table clearly indicates that the use of internet is still very low among the SMEs. It can be noted that 56.9% (183) of the units, which is more than 55 % of the units' surveyed conduct 20 % of their transactions electronically and this indicates that SMEs use the internet for basic operations only. Their reliance on the internet for trade is still at a nascent stage.

### Findings of the Study

The objectives taken up for analysis are presented here.

- To focus on E-commerce applications by SME in Kanchipuram District.
- To find out the potentials of E-commerce for these enterprises.
- To study the impediments in taking up E-commerce and ways of overcoming them.

### Suggestions for the Study

- The model on Cloud computing suggested in the previous chapter is a perfect solution to improve E-commerce applications among SMEs in future. Apart from this broad perspective, some practical areas where SMEs need to concentrate upon are elaborated.
- Each SME is unique and hence considerations of size, nature of business, product offered, and area of operation should be considered when E-Commerce decisions are made in these enterprises.

### CONCLUSIONS

India is one of the world's fastest growing economies in the world. To achieve accelerated growth, it is imperative for India's Industrial sector to embrace the latest technologies. In this globalized world, the internet is undoubtedly a game changing phenomenon. India is no longer in a sheltered cocoon. After globalization and opening up of her economy in the 1990's there is a need to rapidly grow and a sure way to achieve this is the adoption of E-commerce. The SME sector has become one of the most important sectors in the country contributing formidably to its GDP.

### REFERENCES

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