



A STUDY ON COMPATABILITY OF MICRO, SMALL AND MEDIUM SCALE ENTREPRISES ON E-TAILERS WITH SPECIAL REFERENCE TO CHENNAI CITY

G. Joicy Lidwina

Research Scholar, Department of Commerce, Loyola College, Chennai, India.

Abstract

Government has earmarked a special role for small-scale enterprises and medium scale enterprises in the Indian economy. Deep-pocket e-tailers such as Amazon, Flipkart and Snapdeal are turning to the country's 47 million small and medium enterprises (MSMEs) to host a unique assortment of products on their online stores. They are providing various specialised training, logistics, infrastructure and technology support to these SMEs to enrich their product selection in categories like apparel, jewellery, handicrafts, fashion accessories and leather goods. The e-tailers plans to on-board 50,000 SMEs in the next two years while Flipkart and Snapdeal is inching close to the 100,000-seller mark, a majority of them MSMEs. Amazon already has 10,000 sellers on its platform, many of whom are small units. The e-tailers such as Flipkart, on its part, have tied up with the Federation of Micro, Small and Medium Enterprises and the National Centre for Design and Product Development to help small manufacturers and artisans. The online marketplace is also working with the Centre to train people in semi-urban and rural areas to prepare them for employment at Flipkart or its business partners. The New form of e-tailers such as Flipkart, SnapDeal, Amazon etc. seems to be a panacea for all the above said problems. Many government and many small scale industries started setting up joint ventures, partnerships, and collaboration with these e-tailers in different aspects. Whether this new model will help in development of MSMEs? This study will analyze the viability of this model and the impact of this on MSMEs.

Keywords: e-tailers, Small and Medium Enterprises, Employment opportunities, Viability.

INTRODUCTION

In India, before the enactment of MSMED Act in 2006, there was no official definition for medium scale enterprises. Consequently, there was no official definition for small and medium scale enterprises [SMEs] as well as for what was commonly called then as large and medium scale enterprises [LMEs]. What was officially defined was a small-scale industry (SSIs) and by definition what was not a small-scale unit, becomes automatically a large & medium scale enterprise or a non-SSI unit. As per the latest classification followed till the enactment of MSMED Act in 2006, a small-scale unit was defined as one with an investment up to Rs 1 crore in plant and machinery, provided it is not owned by or controlled by a subsidiary of any other industrial undertaking. This condition was set to prevent big firms from grabbing the benefits extended to small-scale industries by setting up their subsidiaries as small-scale undertakings. In addition, it was intended to discourage the misuse of incentives by establishing more than one SSI unit by the same person.

In general, statistical definitions of an SME use two defining measurements

Number of employees and Turnover. **Micro, Small & Medium Enterprises** in accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore Rupees
Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore Rupees
Medium Enterprises	More than two crore rupees but does not exceed five core Rupees

The Department of Trade and Industry (DTI) uses the following definitions

Micro firm:	0-9 employees
Small firm:	0-49 employees (includes micro)
Medium firm:	50-249 employees
Large firm:	over 250 employees



SMEs always represented the model of socio-economic policies of the government of India which emphasized judicious use of foreign exchange for the import of capital goods and inputs, labour intensive mode of production, employment generation, no concentration of diffusion of economic power in the hands of a few (as in the case of big houses), discouraging monopolistic practices of production and marketing, and finally effective contribution to foreign exchange earning of the nation with low import-intensive operations.

E-Tailing refers specifically to buying and selling products or services over the Internet. E-Tailing refers to all aspects of doing business electronically. The E-Tailing directive cited many times in this guide refers to information society services.

On the internet, the provision of trust becomes the keystone of any successful trading model because without trust, no-one will trade. Most E-Tailing vendors are simply offering the customer another access point to the physical commercial model. The same trading activities need to happen an offer by the vendor, acceptance by the customer, and an exchange of money and goods or services.

In spite of numerous advantages, E-Tailers still has a number of hurdles to cross over before it truly revolutionizes business. These hurdles are more difficult and herculean in a country like India, where computing itself is taking root gradually. The primary cause of this being that the number of computers per person in India is too small for E-Tailers to make an impression. To deal electronically, the basic requirement is to have a computer or a device that can fulfill the requirements for dealing with online transactions. The second major problem is the access to the internet.

Though the cost of setting up a cyber business are relatively less as compared to an ordinary business, to have a decent response from Indian buyers, a large amount of money would have to be spent on advertising which in turn would inflate the pre-requisite capital. A new model which has emerged today is the partnership between MSME'S and e-tailers in selling their product. MSME'S who are not able to compete with big companies either due to lack of marketing facilities, financial might, logistics support has taken help of e-tailers in promoting their products. This model has huge success in countries like china and has helped the development of MSME's in those countries.

STATEMENT OF THE PROBLEM

MSMEs have been struggling for a very long period in India in successfully marketing their products. Government has been providing lot of benefits, subsidies etc. to bring the MSMEs in par with the big companies. Because MSME's has huge potential of generating employment opportunities and increasing the Industrial output in the country. But they have to face a huge competition both locally and globally.

Nowadays most companies have discovered the importance of E-Tailers and have started the shift from traditional trade to electronic trade. It was one of the hot topic among policy makers and industrialist, i.e. how e-tailing is going to help the MSMEs in marketing their products, thereby increasing their growth and profitability, which can result in providing employment opportunities. But it has remained more as a concept rather than a viable model due to factors like lack of finance, lack of marketing ability, lack of logistics support etc.

SIGNIFICANCE OF STUDY

Review from the available literature reveals that the number of research studies have been done on impact of electronic commerce on consumers throughout the world. There is hardly any study in India, which has concentrated on Small and medium scale enterprises and this has been a neglected area of research. The New form of e-tailers like Flipkart, SnapDeal, Amazon etc. seems to be a panacea for all the above said problems. Already government and many small scale industries started setting up joint ventures, partnerships, and collaboration with these e-tailers in different aspects.

1. Is this new form of business model between e-tailers and MSME's can sustain in the long run?
2. If it is sustaining whether it will create the necessary ambience for the MSME's to grow?
3. Whether this new model will help in development of MSME's?
4. Whether it can bring the necessary growth in employment opportunities?

This study will analyze the viability of this model and the impact of this on MSME's.

REVIEW OF LITERATURE

Matlay, H. (2010). A study done by this researcher shows that while many SMEs have adopted e-tailers in order to gain a greater share of the global market, many other SMEs are simply intent on improving internal efficiency. Thus, while many studies have shown that certain benefits are achievable, the applicability of these benefits to the SME sector needs to be critically assessed.



Jaidee, Sarut and Beaumont, Nicholas (2011). These two researchers have a paper into which they concluded that B2B electronic commerce has been available to industry for a number of years, but Small to Medium Manufacturing Enterprises (SMMEs) are still slow to adopt this technology. From the studies based on an extension of Technology Acceptance Model (TAM) and Electronic Data Interchange (EDI) literature as a framework, they have interviewed a number of SMME principals in Thailand; discovering that few have adopted B2B electronic commerce techniques. The results of their study have shown that perceived usefulness and the influence of trading partners positively influences the decision of owners/managers and plays a part in B2B electronic commerce adoption decisions.

Julta, D., Bodorik, P., Dhaliwal, J. (2012). In a study done by these researchers they indicate that e-tailers can improve SMEs ability to compete with the large organization and bring smaller supplier to compete internationally or regionally from being lack of knowledge and expertise about international trade issues and foreign markets and thus upgraded a company to international scale. Hoi, J., Shim, J. P. and Yin, A. (2013). This researcher observes that increasing international exposure and enhancing customer service quality and responsiveness is one of the perceived benefits of e-tailers to SMEs.

RESEARCH OBJECTIVES

Primary objectives of the present study are the following

1. To understand the e-tailers acceptability in MSMEs.
2. To understand the contractual problems in adopting e-tailers in MSMEs.
3. To analyse the impact of e-tailers on MSMEs.

HYPOTHESIS OF THE STUDY

The following hypothesis is tested in the study,

Hypothesis -1

Ho: E-Tailers acceptability level does not differ in Micro Small and Medium Size enterprises (MSMEs).

H1: E-Tailers acceptability level differs in Micro Small and Medium Size enterprises (MSMEs).

Hypothesis -2

H0: Different elements and nature of contracts do not affect the level of acceptability of the E-Tailers in (Micro Small and Medium Size Enterprises) MSMEs.

H1: Different elements and nature of contracts affect the level of acceptability of the E-Tailers in (Micro Small and Medium Size Enterprises) MSMEs.

Hypothesis 3

Ho: E-Tailers application does not have a great impact on the (Micro Small and Medium Size Enterprises)MSMEs functional performance.

H1: E-Tailers application has a great impact on the (Micro Small and Medium Size Enterprises)MSMEs functional performance.

SCOPE OF THE STUDY

In this study, the researcher tries to collect information from the MSMEs, which are located in Chennai district in Tamilnadu, India. MSMEs are identified based on the criteria to provide information about the applicability, adoptability, barriers and usefulness of e-tailers for their business.

RESEARCH METHODOLOGY

Research Methods:The research design employs descriptive, analytical and explorative methods. The basic information is obtained through the survey method by administering a questionnaire and through personal interviews. Certain analytical tools has been used for analyzing the datas.

Area of Study:For the purpose of this study, the researcher sought to examine effectiveness of E-Tailers in Micro Small and Medium Size enterprises (MSMEs) in Chennai, Tamil Nadu.

Data for the Study:The study basically depends on primary and secondary data.

Primary data:The study is an empirical research based on the survey method. Primary data were collected from the MSMEs through a structured questionnaire using personal interview method.

Secondary data:The secondary data regarding the theoretical aspects of e-tailer, MSMEs and their collaboration in various aspects and profile of the study area are collected from books, research articles, journals, newspapers and from websites.

Population of the Study and Sampling Units:The Sampling frame consists of MSMEs in Chennai city. According to Government of India, Ministry of MSMEs, the registered MSMEs in Chennai is 82738.

Sample criteria: Convenient Random sampling method is used to collect the primary data. Questionnaire has been administered using perusal interview method, where the researcher has collected data directly from the MSMEs.



Sample Size: Based on the Sampling frame, with the help of the Sample Size calculator, the size of the study is determined as follows:

382 samples with the confidence level of 95% and margin of error is 5.

Totally 400 questionnaire were distributed and 390 were collected out of it. From this researcher has rejected 8 questionnaire as incomplete and the remaining 382 has been selected for the study.

LIMITATIONS OF THE STUDY

To mention the area of study, primary and secondary data are needed. In fact there are some limitations in this research. To mention some, the access of data in small and medium sized enterprises will be one of them. It was not possible to mention all enterprises since the researcher could only find limited numbers of companies working under the realm of E-Tailers. Hence the present study focused solely on those companies which showed their interest in possessing their activities based on E-Tailers. Moreover, since the areas confined for this study are only in Tamil Nadu state and customers' behavior may differ in other states or countries, it is possible to mention this as another limitation in this study.

INFERENCE AND CONCLUSION

1. For hypothesis 1 which is about the effect of different elements on the level of acceptability of e-commerce, the researcher found that all SMEs believe that trust is the most effective factor on the level of acceptability of e-commerce. the effect of domain name is not tangible , the effect of a suitable place for an internet site was not visible on the level of acceptability of e-commerce in SMEs. Subsequently that is compulsory for the managers of SMEs to provide the virtual environment for the customers to trust them.
2. For hypothesis 2, regarding the nature of contract and clear contract, more than 70 percent of enterprises believe that suitable contract have affected the level of acceptability of e-commerce in SMEs and in detail small urban had the most importance for it while medium urban had the least importance. It would certainly lead us to a better outcome if the managers of SMEs have their attempt to provide a suitable contract. This should also come along with the fact that the managers should give confidence to the customers about it.
3. For hypothesis 3 with the subject of the impact of e-commerce application on the SMEs functional performance, SMEs believed that all 16 items all together have significantly affected the SMEs functional performance. The researcher found that MSMEs believed that e-commerce application has the highest effect on the reduced stock. They also believed that e-commerce application has the highest effect on the reduced lead time. What can be highlighted here as a point is that stock for the MSME'S is highest necessary which is facilitated through e-commerce. To follow such a fact, SMEs can get rid of their stock and instead they may work in a small place such as a virtual shop.
4. The findings of this study may be of practical importance to those academic, governmental, business, and community-based organizations whose purpose is to help the improvement of productivity and competitiveness of Indian MSMEs. In such a proper situation, owners and managers who increasingly find themselves beleaguered by global competition would be well served by becoming informed and educated about the powerful cost-effective capabilities of using e-commerce for transactions and for managing back-office operations including supply chain management and the implementation of a comprehensive e-commerce strategy.
5. Technology costs including hardware and software are declining and becoming affordable and available for small and medium business. However, for an effective e-commerce strategy to be forged, we may bring out that current commerce processes should be examined before the technology tools are put in place.
6. In the world, transaction through e-commerce is as commonplace in performing as a boat on the river. The researcher could say that all Presidents, CEOs, or Owners of MSMEs should move along with it. Consequently it is better for them to adapt their enterprises with e-commerce activities.

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