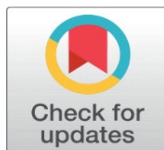
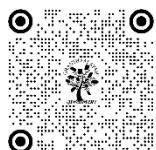


E-COMMERCE EMPOWERMENT: FUELING THE GROWTH AND PROSPERITY OF MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES) IN THE DIGITAL AGE

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DOI

[10.29121/shodhkosh.v5.i1.2024.3850](https://doi.org/10.29121/shodhkosh.v5.i1.2024.3850)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

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ABSTRACT

Small businesses, often called MSMEs, are like the backbone of the world's economy. They create jobs and help economies grow. In recent years, the internet shopping revolution, known as e-commerce, has given small businesses an amazing chance to grow even more. This summary will look at how e-commerce helps small businesses become bigger and better.

E-commerce has altered completely how people's business. It is like a tool that is low cost enabling small. As such, a few of these companies are able to quickly break into e-commerce simply by constructing a webpage for their stores. It does not only focus on earning money; it also focuses on innovations and building up new ideas.

On top of that, e-commerce enables the functionality of small businesses to improve. It bolts up these businesses by providing organization of their inventories, reducing costs, and giving unique shopping experiences. Again, it employs smart tools to help entrepreneurs locate potential clients and interact with them further enhancing their loyalty.

E-commerce relates small businesses and consumers across all corners of the world. Thus small businesses are able to stand a chance against the larger ones. It is also beneficial as it allows them to sell their products in foreign nations which creates more employment opportunities and develops the region.

But, e-commerce isn't all sunshine and rainbows. Small businesses need to watch out for problems like online safety, moving stuff around, and learning how to use digital tools. Governments and businesses need to work together to help small businesses solve these issues. They should offer training, build the right stuff, and make rules that help, not hurt. E-commerce is like a magic potion for small businesses. It helps them reach more customers, save money, and go global. But, it's not magic – it needs help from everyone to make it work perfectly. When we do that, small businesses will grow even more, making more money, and giving more people good jobs.

Keywords: E-Commerce, Small Businesses, Growth, Online Change, Global Market, Creativity, Job Creation, Community Development, Support, Online Safety

1. INTRODUCTION

With better sales and income, E-commerce has helped MSMEs in constructing Efficiencies throughout their operations and in expanding their obstacles and scale while attracting giant FDI inflows in zone, thereby boosting investor confidence. This, except reaping rewards the economy and clients, has helped Indian businesses imbibe the pleasant practices from their worldwide competitors. Amazon's huge investments and Walmart's acquisition of Flipkart in India is testimony to the potential of E-commerce with respect to foreign investments. The ability of technology to transcend geographies also opens possibilities for Indian brands to go global, tapping into a much larger market no longer confined by physical boundaries. Such growth has potential for transforming impact on employment opportunities across the country. Both E-commerce and allied the ecosystem is expected to create 1.45 million job opportunities by the end of

2023. This growth will be primarily driven by the logistics and warehousing sectors, which are projected to create more than 1 million jobs. The online seller base is expected to reach 1.3 million by 2020 and is projected to add over 10 million net new jobs. By 2018-19, around 70% of the online sellers are anticipated to come from smaller towns, showcasing the significant socio-economic impact of e-commerce as it reaches the country's interiors.

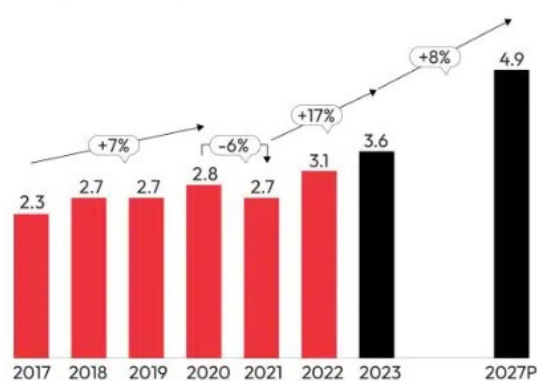
E-commerce is suitably positioned to assist in developing the additional ecosystem that is needed to facilitate doing business through online platforms. Major segments such as e-tail stand to benefit by accelerating their growth dovetailing with a growth in E-commerce. In the emerging concept of E-Trade where all the activities concerning a sale take place on the internet e-tail accounts for the highest share at USD 23 billion³ and is also the most advanced growth stage. The other segments collectively contribute handiest USD 18 billion. It is estimated that e-tail will increase to USD 68.eight billion in the year 2020 which makes 67% share of the entire E-commerce sector.

Apart from the direct employment impact of E-commerce, it's crucial to acknowledge the significant indirect and associated employment opportunities in sectors such as logistics, warehousing, IT/ITeS, and among sellers, SMEs, as well as in support industries including payment solutions, marketing, and advertising.

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in driving economic growth and development in many countries. These businesses contribute significantly to employment, innovation, and export potential. However, MSMEs often face numerous challenges, including limited access to markets, finance, and technology. In recent years, the emergence and widespread adoption of e-commerce have opened up new opportunities for MSMEs to overcome these challenges and thrive in the digital age. This article explores how e-commerce can be a potent driver of growth for MSMEs, providing them with a platform to expand their reach, access a broader customer base, and achieve sustainable success.

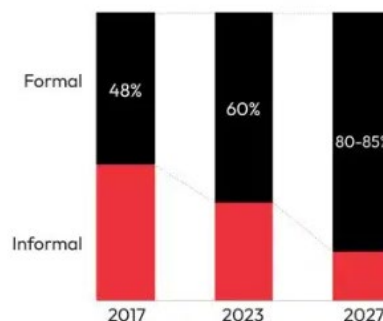
India's digital transformation journey

India – Gross Domestic Product (GDP)
FY 2017– 27P, USD Tn



Source(s): MoSPI, World Bank, SBI, Redseer Analysis

India – Share of Formal Economy in GVA
FY 2018– 27P, % of GVA



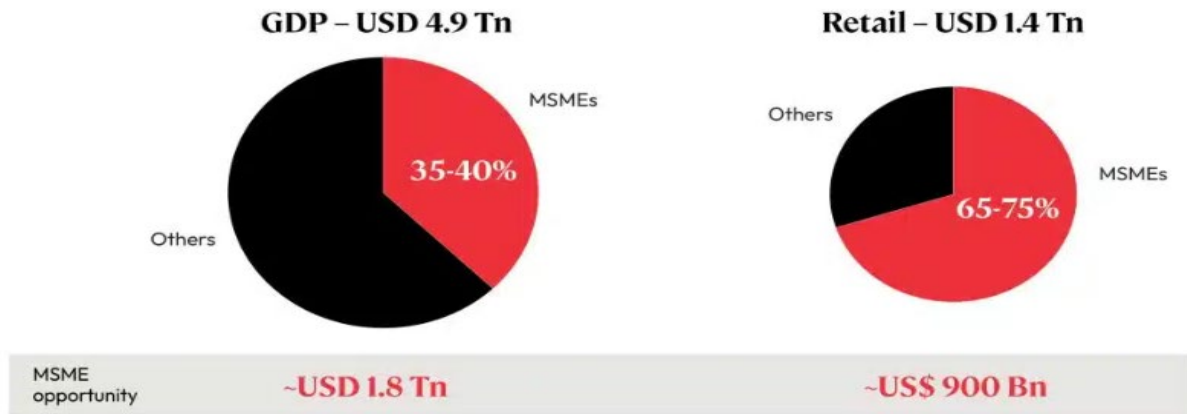
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The Indian economy is set to grow rapidly, with a projected 8% annual increase from \$3.6 trillion in 2023 to \$4.9 trillion in 2027. This growth is driven by factors like India's youthful population, rising incomes due to infrastructure investments, and a favorable regulatory environment that attracts companies to establish manufacturing units in the country. India is also experiencing a digital transformation, with both the government and private sector pushing for a paperless economy. This shift has led to increased efficiency, transparency, and convenience for the people. Notable technologies like UPI, Digilocker, GST e-way bill, and Fast Tag RFID have played a significant role in this digital transformation. As a result, the formalized portion of the economy has increased from 48% in 2017 to 60% in 2023, and it is expected to reach 80-85% by 2027.

India's MSME revolution

MSME Opportunity

FY 2027P, USD, Share of GDP and Retail



Source(s): Redseer IP, Redseer Analysis

redseer

MSMEs are a vital part of India's economy, contributing significantly to employment and GDP. They are prevalent in various sectors like manufacturing, trade, apparel, electronics, and more, making up around 30% of India's GDP. Initiatives and the China+1 policy have attracted companies, helping MSMEs become OEMs. Digitization has streamlined financial transactions, making it easier for MSMEs to access credit. Infrastructure investments have improved connectivity and reduced costs, boosting MSMEs' growth. It's projected that by 2027, MSMEs will contribute 35-40% to India's GDP and 65-75% of India's retail market.

MSMEs' online expansion spurs job growth

Levels of Digitization of MSMEs

FY 2023-27P, N=672



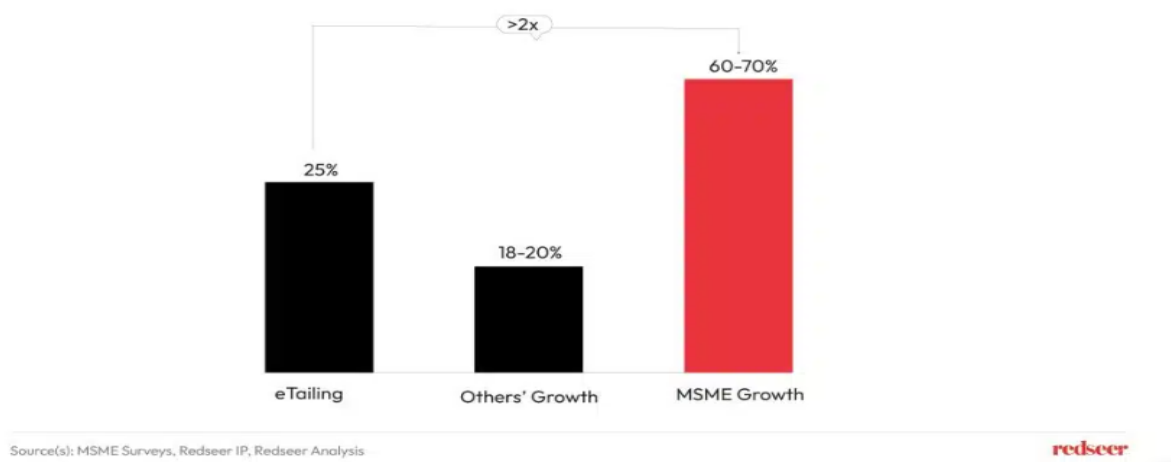
Source: Redseer IP, Redseer Analysis

redseer

More MSMEs are going online, with increasing benefits. Currently, 70% of the 85 million MSME sellers are connected to the internet, and this is expected to rise to 80% by 2027. About 60% of them use e-payments, projected to reach 70%. However, only 2-3% of the MSME sellers, that is, 1.5-2.5 million MSMEs sell products online today. This is, set to double to 5.5-6 million by 2027. The ~4 Mn additional MSMEs selling online are projected to create over 35 million jobs.

MSMEs are projected to contribute ~\$50 Billion to eTailing GMV by FY 2027

eTailing Growth – Split by MSME and Others
FY 2023–27P, CAGR, %



In the coming years, MSMEs will drive substantial growth in online retail, surpassing e-Tailing with a remarkable CAGR of 60-70% between now and 2027. MSMEs are projected to contribute ~USD 50 Bn to the eTailing GMV by 2027. MSMEs will enjoy similar online advantages as larger brands, prompting e-commerce platforms to adapt their vendor policies. It's essential to highlight that MSMEs' contribution to e-Tailing sales could be significantly higher if the suggested GST Act and Rules changes are implemented, allowing unregistered eCommerce sellers with specific turnovers to make intra-state supplies.

Expanding Market Reach

E-commerce helps MSMEs to cross the physical boundaries constraint. When trade is done through constructed buildings, it is easy to reach a certain area and customers within the area. It is difficult to expand the area further because of logistics costs and other barriers. Nevertheless, when incorporated onto e-commerce sites, MSMEs remain global with no physical thrust of the requirement to place physical stores in several locations. Any company whether multinational, national or small can enter its activities and show its goods and services to a larger market with people from many areas coming to the market.

Cost-Effective and Efficient Operations

E-commerce offers cost-effective and streamlined operations for MSMEs. Setting up an online store is significantly more reasonable than building up a physical storefront. Furthermore, digital transactions and computerization decrease the requirement for broad manual intercession, empowering MSMEs to optimize their assets and center on commerce development procedures. E-commerce stages frequently provide devices for stock administration, arrange handling, and client relationship management, enhancing the by and large effectiveness of MSMEs' operations.

Access to Differing Client Base

E-commerce stages give MSMEs with get to a tremendous and differing client base. Through search motor optimization (SEO) strategies and focused on showcasing campaigns, MSMEs can reach specific client portions based on their inclinations, area, and interface. This focused on approach not as it were increments the chances of deals but too cultivates brand devotion among customers, leading to rehash trade and positive word-of-mouth referrals. Access to Diverse Customer Base

E-commerce platforms provide MSMEs with access to a vast and diverse customer base. Through search engine optimization (SEO) techniques and targeted marketing campaigns, MSMEs can reach specific customer segments based on their preferences, location, and interests. This targeted approach not only increases the chances of sales but also fosters brand loyalty among customers, leading to repeat business and positive word-of-mouth referrals.

Encouraging Innovation and Competition

E-commerce fosters an environment of innovation and healthy competition. MSMEs are continually pushed to improve their products and services to stand out in the digital marketplace. The easy accessibility of market data and customer feedback allows businesses to adapt quickly to changing consumer preferences and market trends. This culture of innovation and competition not only benefits individual MSMEs but also contributes to overall industry growth and development.

Overcoming Trade Barriers and Expanding Exports

For MSMEs with export ambitions, e-commerce can be a game-changer. Traditionally, entering foreign markets involved complex trade barriers and hefty costs. E-commerce platforms offer a more straightforward pathway for MSMEs to reach international customers, bypassing many traditional trade obstacles. By leveraging digital platforms, MSMEs can expand their export opportunities and participate in the global economy more effectively.

Enhancing Customer Engagement and Experience

E-commerce allows MSMEs to engage with customers directly and provide personalized shopping experiences. Through interactive product descriptions, customer reviews, and real-time customer support, businesses can build trust and credibility with their audience. The ability to respond to customer queries promptly and address concerns fosters better customer relationships, leading to enhanced customer loyalty and retention.

Key initiatives by e-commerce companies to boost MSMEs sales

- Flipkart, a local e-commerce platform, has proactively launched the Samarth programme to empower Indian artisans, weavers, and state handloom industries. This initiative aims to facilitate seamless entry into the online business marketplace for MSMEs and provide robust support in business management, storage, and account management, empowering millions of small business owners and contributing to the development of rural India.
- Amazon's 'MSME Accelerate' initiative boldly supports MSMEs in overcoming the aftermath of the pandemic by offering exclusive offers and bulk discounts to ensure their continued operations and growth.
- Paytm has taken a proactive stance by launching collateral-free loans, providing unsecured loans of up to 5 lakh (US\$ 6,729) at low interest rates to MSMEs. Through digitizing the entire loan process, Paytm, in collaboration with banks and NBFCs, has streamlined the application and disbursement procedures without additional documentation.
- Shopclues has assertively launched the 'Atmanirbhar Section' initiative, featuring an online 'Vocal for Local' market platform that actively promotes locally produced items across various categories such as fashion, footwear, jewelry, and groceries, thereby supporting numerous local merchants and their products on the marketplace.

Key Recent Developments Supporting MSMEs

- Amazon has announced the 'Spotlight North East' programme, with a budget of US\$25 million, to provide online support to 50,000 artisans, weavers, and small businesses from all eight states in the Northeast by 2025. The aim is to boost exports of key commodities such as tea, spices, and honey.
- ICICI bank has launched 'merchant Stack', a complete virtual banking provider tailored for retail merchants. these cost-delivered offerings cater to users along with traders, grocers, supermarkets, big retail store chains, on-line companies, and huge e-commerce companies. these contactless services are available on InstaBIZ, the bank's mobile banking application.
- Vedanta constrained, a leading manufacturer of metals and oil & gas, has introduced the 'Vedanta Saathi' programme. This initiative gives channel financing in partnership with banks, NBFCs, and fintech firms, in addition to e-trade answers, technical up skilling possibilities, and avenues for MSMEs to installation downstream/ancillary manufacturing gadgets close to Vedanta's plant life. there is also a committed internet portal for MSMEs to have interaction with Vedanta's teams. Walmart's Vriddhi programme has been extended to Uttar Pradesh, with the release of an e-institute to assist small groups benefit get right of entry to to skills and skills across online and offline structures which includes Flipkart's marketplace and Walmart's worldwide

deliver chain. This e-institute pursues to gain 50,000 MSMEs throughout the United States to enlarge locally and globally.

- Credit card and Razor pay have joined forces to assist small Indian corporations and marketers include digital bills. This partnership will combine Razorpay's charge processing abilities with credit card's virtual banking platforms and card offerings.
- Financial institution of Maharashtra has collaborated with Vayana community, a deliver chain financing (SCF) platform, to offer economic help to MSMEs. through this partnership, the bank will provide brief-term credit score to address the budget needs of legitimate corporate sellers/companies through its Mahabank Channel Financing and Vayana network scheme.

CONCLUSION

e-commerce has revolutionized opportunities for Micro, Small, and Medium Enterprises (MSMEs), enabling them to expand their reach and compete globally. By establishing a continuous online presence, MSMEs can enhance market visibility and streamline operations through advanced tools for inventory and customer management, leading to increased efficiency and reduced costs. To fully leverage e-commerce, MSMEs must invest in developing digital skills among their workforce, focusing on areas like digital marketing and data analytics. Additionally, implementing robust cybersecurity measures is essential for protecting sensitive customer data and building trust. Continuous innovation is vital for staying competitive in the dynamic digital marketplace. MSMEs should remain informed about emerging trends and technologies. Support from governments in the form of infrastructure development, regulatory frameworks, and financial access is crucial for fostering a conducive environment for e-commerce growth. Ultimately, with the right strategies and support systems, e-commerce can serve as a powerful catalyst for MSME growth, driving economic development and contributing to job creation and innovation in the digital economy. Embracing e-commerce will be key to ensuring their long-term sustainability and competitiveness in the global marketplace.

ACKNOWLEDGEMENT

None.

CONFLICT OF INTEREST

None.

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