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## Opportunities & Challenges of e-Commerce for MSME in India

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### Abstract:

This article underscores the vital role of Micro, Small, and Medium Enterprises (MSMEs) in the Indian economy, particularly in alleviating unemployment and contributing significantly to employment, exports, and manufacturing. Despite their potential, MSMEs face numerous challenges, including limited access to institutional credit, skilled manpower, stable infrastructure, advanced technology, and efficient marketing networks. E-commerce adoption is proposed as a key solution to enhance the competitiveness and market reach of MSMEs. By leveraging digital marketing techniques such as AI, video marketing, influencer marketing, visual search, personalized push notifications, content marketing, multi-channel marketing, predictive analytics, and geo-targeting, MSMEs can achieve targeted promotions at lower costs and improve customer communication.

### Importance of MSME:

Micro, Small & Medium Enterprises (MSMEs) have assumed critical importance for an economy like India that has over a period seen its endeavour to leap-frog the manufacturing sector result into a severe unemployment crisis. MSMEs have come to occupy a significant place in terms of contribution to employment (about 25%), exports (above 40%), manufacturing (30%) so on and so forth. They have demonstrated their potential to shoulder the onerous task of providing gainful employment to millions of less-skilled workers besides, serving as a viable livelihood opportunity for self-employed (Biswas; 2020) and contributing substantially to the production basket. Their growth, however is stunted by a host of factors like availability of institutional credit, lack of trained and skilled manpower, reliable and stable infrastructure, appropriate technology, knowledge about IP protection and exploitation (Singh et. al 2017), inefficient marketing networks etc.

### Requirement to Adopt E-Commerce:

Marketing and market access of their products (Gade; 2018) is a crucial challenge for the MSMEs. "The sector needs to be provided better market access facilities in order to sustain and further enhance its contribution" (FICCI; VISION:2020). MSMEs prominently resort to offline trading and barring a certain high technology using relatively large medium enterprises have very little or no access to e-commerce.

Adoption of e-marketing technique would help to improve the competitiveness of MSMEs in national and international markets (Scupola, 2003). It further aids in planned and targeted promotion (Sunday & Vera, 2018) at a lowered cost (Mohan et al; 2019). The gap of communication between client/ customer and firm has reduced (Janjanam et al; 2019) due to two-way communication which is key to efficient product/service delivery. In a report published by Snapdeal; 2015: SMEs who adopted e-commerce: 85% believed that it is cost effective way to grow sales, 77% were listed on online marketplace. SMEs who use internet actively for business boast 51% higher revenue, 49% more profit and 7% broader customer base than their offline counterparts.

In recent years, India has witnessed a surge in internet and smartphone usage. By June 2023, the number of internet connections in the country had soared to 895 million, largely due to the 'Digital India' initiative. Approximately 55% of these connections are in urban areas, with 97% being wireless. The smartphone user base has also grown substantially and is projected to hit 1.1 billion by 2025. This expansion has bolstered India's digital sector, which is anticipated to reach US\$ 1 trillion by 2030. The swift increase in internet users and smartphone adoption, along with rising incomes, has fuelled the growth of India's e-commerce industry. This sector has revolutionized business practices in India, encompassing various commerce segments like business-to-business (B2B), direct-to-consumer (D2C), consumer-to-consumer (C2C), and consumer-to-business (C2B). Notably, the D2C and B2B segments have seen significant growth recently. India's D2C market is expected to reach US\$ 60 billion by FY27, while the overall e-commerce market is projected to hit US\$ 350 billion by 2030, with a 21.5% growth in 2022, reaching US\$ 74.8 billion.(IBEF, 2024)

## Challenges:

The online retail market in India is estimated to be 25% of the total organized retail market and is expected to reach 37% by 2030(IBEF, 2024). In year 2019-20, only 25157 MSMEs and in the year 2020-21 upto 31st December, 2020, the number increased to 38070 MSMEs were registered under B2B portal (MSME Annual Report:2020-21); for an economy with the strength of 6.33 Crore MSMEs (Annual Report: 2019) the growth rate is at a slower pace. The major challenges identified before MSME in adopting e-marketing are; 1) Long belief that e-marketing is prohibitively expensive to implement and operationalise, 2) Unawareness of the potential of e-marketing due to lack of exposure to IT products and services and e-marketing ecosystem as a whole, 3) Inadequate Financing, 4) Adaptation with the new technology (Snapdeal Report;2015), 5) Lack of trust, 6) Issues of dispute resolution, 7) Counterfeiting, 8) Inadequate governance measures 9) Inadequate data security (Janjanam et al; 2019)

## Current Trends in Digital Marketing

Awareness of the latest trends is crucial for sellers and marketers as it provides valuable insights for their marketing strategies. This knowledge enhances the success rate of marketing campaigns and supports business growth in the current innovative landscape. Here is a list of the latest digital marketing trends and statistics given by Amazon.in:

### 1. Artificial Intelligence (AI):

- AI is becoming increasingly prevalent in e-commerce marketplaces. The global AI market is expected to reach \$190 billion by 2025.
- AI-based tools are transforming e-commerce, with successful companies like Amazon using AI tools such as chatbots to automate customer communication and provide various web services.

## **2. Video Marketing:**

- Video marketing is highly effective, boosting organic search results by 50 times.
- 72% of marketers agree that video marketing has improved conversion rates, and 88% confirm it has increased positive ROI.
- 92% of marketers use video marketing due to its effectiveness, with 99% intending to continue using product videos and 95% planning to increase investments in this area.
- YouTube, LinkedIn, and Facebook are the top platforms for video marketing.
- Brand videos are shared by 70% of people on social media, enhancing brand awareness. Additionally, 52% of consumers prefer to watch product videos to gain confidence in their online purchase decisions.
- Popular video marketing trends include live video, 1:1 video, 360 video, and YouTube SEO.

## **3. Influencer Marketing:**

- Influencers, including celebrities and social media personalities, are increasingly used for word-of-mouth marketing.
- Research shows that 63% of consumers find influencer marketing more authentic than corporate marketing, and 58% have purchased products based on influencer recommendations.

## **4. Visual Search:**

- Tools like Google Lens and Pinterest Lens are popular for visual searches, with 62% of millennials using these tools to discover products.
- Pinterest records 600 million visual searches every month.

## **5. Personalized Push Notifications:**

- 85% of online stores use personalized push notifications to inform customers about new deals, products, discounts, and abandoned carts.
- Customers prefer push notifications over newsletters, opening them immediately after receipt. These notifications improve conversion rates by 54% and have a 7% open rate.

## **6. Content Marketing:**

- Interactive content is essential, with 91% of buyers seeking it before making a purchase.
- Content marketing remains a dominant strategy, used by 88% of marketers to gain customer loyalty. It provides better ROI, generating three times more leads and six times higher conversion rates at 62% lower costs.

## **7. Multi-channel Marketing:**

- Multi-channel marketing is gaining popularity due to its benefits:
  - Increases engagement rates by 18.96% compared to 5.4% on single channels.
  - Enhances purchase frequency.
  - Boosts customer retention rates by 90% more than single-channel marketing.
  - Raises average order value by 13% more per product than single-channel marketing.

## **8. Predictive Analytics and Augmented Analytics:**

- Tools like Amazon Assistant help customers make better purchase decisions by providing data-backed suggestions.

## **9. Geo-fencing and Geo-targeting:**

- These techniques are used to target customers based on their locations, enhancing the relevance and effectiveness of advertising.

## **Conclusion:**

In conclusion, MSMEs play a vital role in the Indian economy, significantly contributing to employment, exports, and manufacturing. However, their growth is hindered by numerous challenges, including access to institutional credit, skilled manpower, stable infrastructure, appropriate technology, and efficient marketing networks. To address these challenges, adopting e-commerce and digital marketing strategies is essential.

E-commerce offers MSMEs a competitive edge in both national and international markets by enabling planned and targeted promotions at lower costs and facilitating better communication with customers. Despite the clear benefits, adoption remains low, with only 27% of SMEs using e-marketing. The slow pace of adoption can be attributed to misconceptions about the cost, lack of exposure to IT and e-marketing ecosystems, inadequate financing, adaptation issues, trust concerns, dispute resolution challenges, counterfeiting, inadequate governance, and data security issues.

The increasing internet and smartphone penetration in India, driven by initiatives like 'Digital India,' provides a significant opportunity for MSMEs to embrace digital transformation. As the digital sector and e-commerce industry continue to grow, MSMEs must leverage AI, video marketing, influencer marketing, visual search, personalized push notifications, content marketing, multi-channel marketing, predictive analytics, and geo-targeting to enhance their market presence. Overcoming the barriers to e-marketing adoption is crucial for MSMEs to fully exploit their potential, drive growth, and contribute even more significantly to the Indian economy. With the right support and strategies, MSMEs can thrive in the digital age, ensuring their sustainability and success in a rapidly evolving market landscape.

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