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A Study on the Benefits and Challenges of Adoption of E-Commerce in Small and Medium Enterprise With Reference To Bangalore

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Abstract: E-Commerce has been growing and expanding itself relatively at a fast pace over the last decade and this because of the impact that E-Commerce has on the customers, business enterprises and all its relative stakeholders. Information Technology has been playing a vital role in the future development of financial sectors and the way of doing business. With the increasing distribution of ICTs, in particular the Internet, the global business community is moving rapidly towards e-commerce from business to business (B2B). Buyers gain a clear advantage when the Internet gives them access to the global market by comparing prices across regions, finding out if prices vary by order fragmentation and becoming aware of substitute products. Due to market transparency, customers can easily compare the services of various e-commerce sites. For instance, competitors are one click from the customer in the case of e-commerce. If customers are not satisfied with the products, prices or services offered by a specific e-commerce site, they can change much easier than in physical terms. From the point of view of the sellers, they do not need a physical existence of a store.

1. INTRODUCTION

E-commerce, also known as e-commerce or internet commerce, refers to the buying and selling of goods or services via the internet, as well as the transfer of money and data to carry out these transactions. E-commerce is often used to refer to the sale of physical products online, but it can also describe any kind of business transaction that is facilitated via the internet. The prime medium of carrying out E-commerce activity is through Internet. This activity of E-Commerce is inclusive of buying and selling of product and also services. Electronic commerce is inclusive of technologies that are related to mobile commerce, online transaction processing, EDI (Electronic Data Interchange), Inventory Management systems, and automated data collection systems.

The history of ecommerce is dated from August 11, 1994 where a individual sold a CD by the band "Sting" to one of his friend through is own developed website know as NetMarket which was an American Retail online Platform. This was first example of first transaction via E-Commerce wherein a customer purchased a product through the World Wide Web which presently, synonymously know as E-Commerce. From this time onwards E-Commerce has been evolved to make products and services to be easily discovered and purchased through online retailers and online marketplaces. E-Commerce has been benefiting and a wide ranger of sellers inclusive of independent freelancers, small business entities and large business corporations, this E-Commerce has enabled them to sell their goods and services at scales that was unimaginably possible with traditional offline retail markets

E-Commerce are advantageous to business of any kind of scale wherein E-Commerce allows the business entities to buy and sell the products and services at large scale. Here, in E-Commerce provides its services twenty- four hours by 365 days without any kind of additional overheads involving in the process. In addition to this E-Commerce website assist the business to establish a global presence across the globe, unlike traditional offline retail stores which is restricted only to that particular geographical location.

The term E-Commerce bring into the mind of the people that E-Commerce is only in regards to Business to Consumers (B2C) wherein through the E-Commerce business transaction of any product or services happens between Business enterprises and Customers only, but on the flipside E-Commerce includes many more types of business transaction among different types of entities and parties. The E-Commerce is inclusive of online auctioning sites, internet banking, online ticketing and reservations, and Business to Business (B2B) transactions. The growth of E-Commerce is increasing at a rapid rate, where various business enterprises have opted for going online which has made there business to establish at a larger scale making these business go at a global level, providing the services and products to available to those are looking for them. These E-Commerce business have expanded and extended itself to mobile devices, which is known as M-

Commerce and is simply considered as a subset of E-Commerce.

E-Commerce has been growing and expanding itself relatively at a fast pace over the last decade and this because of the impact that E-Commerce has on the customers, business enterprises and all its relative stakeholders. As per the current scenario and trends internet has become a part of every individual, therefore on the same line E-Commerce has a made a significant impact on most the business enterprises which made carrying out the business activities relatively easier for them and at the same time these business enterprise have a larger reach making their products and services available at global market.

Initially on the introduction E-Commerce during the late 1990's and early 2000's people felt not convincing enough about the concept relating to E-Commerce, as to how individuals felt doubtful about the way as to how these E-Commerce functioned and performed, doubts regarding the safety and ensuring the prompt service has be a questionable aspect related E-Commerce for individuals and as for the business entities. This in detail is inclusive of about E-Commerce and its regards to handling the Banking information's. Later on this went on to be improved at higher level ensuring a deeper security where SSL certificates, encryption and trustworthy external payment systems have been added on. Some of the main and prominent External Payment Systems includes PayPal, Wordpay and Skrill, where these external payment systems have helped and improve people's confidence and trust in E-Commerce.

E-Commerce is inclusive of various merchants which has different roles and form of transaction that they carry out. There are different classification for E-Commerce Websites. These can be categorized based on the products or services that they sell of the parties who are involved while the transactions are being carried out, or even on the based on platforms which carries out the operations. Following are the E-Commerce merchants according to what they sell:

1. Stores Selling Physical Goods: These are typical online retailers. These online retailer sells a wide range of products that range form apparel, homeware business, gifts and electronic and even more. Here in these stores the items are showcased and the shoppers add the things which they prefer in the virtual shopping carts. As the transaction is completed, the store typically ships the orders to the customer. Based on this concept many offline traditional markets haver started establish a E-Commerce site exclusively for their store wherein customer can purchase products or services within their comfort.

2. Service Based E-Tailers: Customers have the option not only to purchase products from online but also they can also buy the requisite services based on their preferences. This involves Online Consultancy services, acquire skills from educators. The process of buying of particular services vary from merchants to merchants. Wherein some merchants allow the customers to purchase the respective services straightaway from their website or platform, while other merchants required the customers to state their requirement and accordingly provide services which is required as per the customer.

3. Digital Product: The sale of products which are related to specifically only to digital items or electronics which include eBooks, software's, graphics and virtual goods.

In regards with E-Commerce there are different types of parties that are involved and participating the transaction of the E-Commerce business process they are as follows:

1. Business to Consumer (B2C): Here the transaction takes place between Business Enterprise and Customers. B2C E-Commerce, deals with Business entities selling their products of services to the customers via Internet.
2. Business to Business (B2B): In B2B E-Commerce pertains to business transactions conducted between two Business Enterprises, wherein the Business Enterprise provide the products or services to other Business Entity.
3. Consumer to Business (C2B): This transaction process take place in E-Commerce when Customer wants to sell a product to any Business Entity.
4. Consumer to Consumer (C2C): The Customer to Customer E-Commerce happens when a product is sold or bought between two Customers. C2C takes place online marketplace when second hand products are sold to customers.
5. Government to Business(G2B): This is when the business organization has to pay taxes in terms of the income that is being earned by the business via online.
6. Government to Consumer (G2C): This is when the consumer has to pay taxes in terms of the income that is being earned by the individual via online.

Small and Medium Scale Enterprises (SME's) in India are understood as enterprise where the investments in these SME's are between Rs. 25 lakhs to Rs. 10 and this investment are made in regards with the plant and machinery and is applicable only for manufacturing industry. Where as in case of service sector the investment is between Rs. 10 lakh to Rs. 5 Crore.

This definition is provided in Section 7 of Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act) and was notified in September 2006. The Act sets out the classification of companies according to their investment size and the nature of the activity undertaken by that company. Under the MSMED Act, companies are classified into two categories -manufacturing and service companies. A definition is given for each of these categories to explain what constitutes a micro, small or medium-sized enterprise. What does not fall within the three categories mentioned above would be considered a large-scale company in India.

Companies can take any form–ownership, company, cooperative, people's association, Hindu family, partnership, etc. Furthermore, this definition is not limited by the number of employees of the company or the electricity consumed by the company, as has been the case in the past or in some other countries. SMEs are identified as providing special investment assistance and handling, as they make a significant contribution to the country's employment, production and export.

As of now, no item is reserved for exclusive manufacturing in the micro- small and medium-sized sector, unlike a provision that existed during the pre- liberalization phase(On 10.04.2015 the government has retained the remaining 20 items from the former list of items reserved for exclusive manufacturing in small- scale industries(now– micro and small enterprises)).

In India, there was no official definition for medium-sized enterprises before the adoption of the MSMED Act in 2006. There was therefore no official definition for small and medium-sized enterprises [SMEs] and what was commonly referred to as large and medium-sized enterprises[LMEs] at the time. What was officially defined was a small industry (SSIs) and, by definition, what was not a small unit, becomes a large and medium-sized enterprise or a non-SSI unit automatically. In accordance with the latest classification up to the adoption of the MSMED Act in 2006, a small unit with an investment up to Rs was defined. 1 Crore in plants and machinery provided that it is not owned or controlled by any other industrial company's subsidiary. This condition was set to prevent large companies from taking advantage of the benefits extended to small-scale industries by establishing their subsidiaries as small enterprises.

2. REVIEW OF LITERATURE.

"Perceived strategic value of IT", Many studies have focused on the link between IT investment and the performance of the company in large companies. Hitt and Brynjolfsson, for example, investigated the impact of IT on productivity, profitability and consumer surplus. They found that IT increases productivity and surplus for consumers but not necessarily profits for business. Barua et al. concluded that the productivity gains from IT investments have generally been neutral or negative, while Tallon et al. measured IT payoffs through perceptual measures and argued that executives rely on their perceptions in determining whether a particular IT investment creates value for the firm.T he majority of the research has proposed a direct causal link between IT investment and firm performance.

Li and Ye, however, empirically tested the moderating effects of environmental dynamism, firm strategy and CIO / CEO relationship on the impact of IT investments on company performance and found that IT investments appear to have a stronger positive impact on financial performance when there are major environmental changes, the company's strategy is more proactive and the CIO / CEO links are closer. In a similar line of inquiry, Lee created a multi-level value model that links the use of IT to the profit of a company; she pointed out that the effect of integrating IT should not be considered alone and argued that other variables can influence the relationship. Her IT business value model incorporated other variables, such as cost of origination, cycle time, retention of loan officers, control over external partners and marketing effort, and found that IT can reduce cycle time and costs and change the way business operates. She concluded that "you have to know what other variables you can manage and how you can manage them to make IT investments profitable. " Few studies focus on senior management 's perceptions about the strategic value of e-commerce. Amit and Zott are among the few who have tried to deal with this and although they are focused on e-commerce, their results can be generalized to e-commerce companies. They examined how 59 publicly traded e-business companies in America and Europe create value. About 80% were small and medium-sized enterprises (with fewer than 500 employees). They developed a value drivers model with four factors that were found to be sources of value creation: efficiency of transactions, complementarities, lock-in and innovation. Some of these factors can be found in the work of Saloner and Spence. Subramanian and Nosek identified three factors that created strategic value in IS through an empirical study of 73 companies (some of them SMEs): operational support, managerial productivity and strategic decision-making assistance. They used different items with a high convergent validity and reliability in each of these factors. Their factors appear to be relevant to e-commerce. Due to the lack of research into the identification of factors that create the strategic value of e-commerce, their model was used as the basis for this study's strategic value.

"Information technology adoption", Davis proposed TAM, a model that has been tested in many studies (e.g. [26,59,61]). Lederer et al. summarized sixteen articles that tested the model for different technologies (e.g. ATM, e-mail, Netscape, Access, Internet, Word, and Excel). In their model, they regarded convictions about ease of use and perceived usefulness as the main factors influencing attitudes towards use, which in turn affected intentions. Many other studies have tried to describe the factors that influence IT adoption in small and medium-sized companies. For instance, Iacovou et al. Studied factors influencing the adoption by seven SMEs in different industries of electronic data interchange (EDI); they included perceived benefits, organizational readiness and external pressures. They used awareness of both direct and indirect benefits to measure perceived benefits. Financial and technological resources were the variables measuring organizational readiness. They considered competitive pressure and the imposition of it by partners to measure external pressure. The results showed that external pressure (trading partners) is the main reason why small companies become capable of EDI. Chwelos et al. in a similar study. 17] considered the same factors in 286 SMEs that influence the adoption of EDI. They believed that the trading partner influenced external pressure and readiness, while external pressure was influenced by the dependence on the trading partner and the trading partner 's power. As with Iacovou et al., external pressure was the main contributing factor to the intention to adopt EDI. Kuan and Chau[34] have identified the factors that influence the adoption of EDI in small enterprises using a technology, organization and environmental framework. The technology factor included the direct and indirect advantages of EDI. The organization factor consisted of perceived financial costand perceived technical competence. The environment factor was similar to external pressure in Iacovou et al.'s study but included a new variable: perceived government pressure. There, perceived indirect benefits were not found to be a significant factor. Igbaria et al. determined the factors affecting personal computer acceptance in small businesses. Among the factors that directly influence personal computer acceptance were perceived ease of use and perceived usefulness. The variables intra-organizational (internal support for computing and training and management support) and extra-organizational (external support for computing and training) were assumed to influence adoption through perceived usefulness and ease of use. Inconsistent with research in large companies, the influence of internal support and training on perceived easy was relatively little supported. However, perceived ease of use turned out to be an important factor in explaining perceived usefulness and system usage. It was also found that perceived usefulness is a strong antecedent of system usage.

Internet and e-commerce are closely linked to the advanced world. But they can benefit developing countries tremendously if they are an ideal business purpose. Ecommerce is a business revolution (Ohidujjaman et al. 2013). The term trade is regarded as transactions between business partners. Electronic commerce is a new concept that describes the process of purchasing and selling products, services and information through computer networks including the Internet (Anupam-2011). Commercial transactions involve the exchange of value (e.g. money) for products and services throughout the organization or borders. Value exchange is important to understand the limitations of e-commerce.

Commercial transactions involve the exchange of value (e.g. money) for products and services throughout the organization or borders. Value exchange is important to understand the limits of e-commerce Without a value exchange, no trade takes place (Laudon and Traver). In and between companies, e-business has changed processes. Electronic Data Interface (EDI), widely introduced 25 years ago on dedicated connections between companies, showed how information could be transferred directly from one company's operating systems to another's order processing, production and logistics systems (Clayton and Criscuolo). If properly implemented, e-commerce technologies can lead to improved business processes and increased efficiencies. The use of ecommerce technologies should lead to improvements in developing countries, but so far the desired results have not been achieved (Jeffrey S. Ray-2011 as well). The development of the Internet and other global online networks has therefore created new business opportunities for e-commerce and completely new sets of global and national trade relations. As a result, e-banking and e-commerce have become an unavoidable aspect of financial services. It allows multiple buyers and sellers to join forces on a common platform and conduct business very quickly without compromising individual requirements and relationships between participants (Harris and Spencer, 2002; Bairagi, 2011). Electronic commerce creates new opportunities for the global economy, for instance in the world tourism and travel industry. It is difficult to transform from traditional business methods into electronic commerce methods, and companies have had many different factors to adapt them to electronic commerce factors (Nanehkaran, 2013). Hasan, 2010) pointed out that the e-commerce industry has become increasingly a necessary part of the business strategy and a strong catalyst for economic development.

3. OBJECTIVES OF STUDY:

- To know about the E-Commerce adoption strategies of SME's in Bangalore
- To identify how E-Commerce is Benefitting SME's
- To understand the challenges faced by SME's in regards with E-Commerce.

4. RESEARCH METHODOLOGY:

This paper has been written on the basis of secondary data. Data collected are from published books, journals, other research papers, magazines, newspaper, websites of various SME's, official statistical document. This study carried out for this paper is conceptual in nature.

Benefits of E-Commerce in Regards to SME's:

The prime benefits for adopting E-Commerce from the point of SME's are primarily in regards with aspect of saving time and ease of access from anywhere across the globe and at the same time if these SME's wishes to purchase products or services from other business entities the process of the respective transaction can be done with the utmost ease. These Small and Medium Scale Enterprises can sell their products in any part of the world in the most easiest possible manner.

- E-Commerce assist in reduced transaction costs for participating exchange in a market.
- In case of E-Commerce transaction can be made available 24 hours a day, without having any kind of physical interaction with the customers.
- Time Saving- The SME's can sell their product or services to any one at any place at any time and on the same line the enterprise can buy the requisite products or services from anywhere they wishes.
- E-Commerce can be quick and continuous where through the website the business enterprise can show what they are selling and at the same time the customers can find out what they are looking for.
- E-Commerce can be said as a method of reducing overhead cost, where E-Commerce eliminates all those factors that carry additional cost this inclusive of buildings, labor, transactional and transportation costs etc.
- E-commerce increasing revenue and reducing operation and maintenance costs through internet.

Challenges faced by SME's in regards with E-Commerce:

Private and public companies are not jointly involved in the growth of the e- commerce business. The development of e- commerce requires a private and public joint initiative. Joint initiatives bring credibility within people, which is necessary for the prosperity of e- commerce.

• System security, reliability, standards and a certain communication protocol are lacking. When the e- commerce site is hacked, the customer loses his money. The most common problem with the e-commerce site is that it does not have sufficient cyber security.

• Financial institutions and intermediaries, in developing countries, financial institutions and banks are hesitant to play an active role in promoting e-commerce. However, traders need the involvement of banks in order to increase the reach and attractiveness of e-commerce and to help prevent fraud and potential losses caused by credit card fraud. However, in addition to the credit card approach, banks and other financial service intermediaries are called upon to develop alternative methods for secure and reliable online transactions in environments where credit cards are unusual.

• In developing countries there is a culture of buying product by negotiating price with seller, which is not easily possible in case of e-commerce

• in developing countries because of lack of infrastructure facility.

• One of the biggest challenges is the cutting down the price of internet. Authorities are trying to keep low the price of bandwidth low. But the high cost of spreading networks and operating expenses hinder to keep price low for internet.

• The most important factor in using electronic settlements is trust. Traditional paper on the basis of rules and regulations may make the validity and legality of e-commerce transactions uncertain. The adoption of modern laws and impartiality in electronic transactions are the basis of trust in the developed world. Where legal and judicial systems are not developed, ecommerce-based transactions are at a disadvantage due to lack of real or perceived security. Cash on delivery is the most accepted system in many developing countries, even cheques and credit cards are not readily accepted.

• New transaction methods, new instruments and new service providers require legal definition, recognition and authorisation. For example, an electronic signature should be defined and given the same legal status as a handwritten signature. There are legal definitions and permissions, such as a bank's legal definition and a national border concept.

5. CONCLUSION.

E-commerce is all about an online transaction. E-commerce offers consumers a number of advantages in terms of the availability of goods at lower costs, greater choice and time savings. In the coming years, the e-commerce industry will become a leader in the electronics business world. The e-commerce revolution has fundamentally changed the transaction business by offering new opportunities and easily crossing borders. While it gives customers and sellers benefits, e-commerce presents

traditional business challenges for a competitive position. Developing countries face many barriers to the successful implementation of e-commerce by comparing them with developed countries. If the Internet costs are low, e-commerce will easily flourish and make many traditional businesses run out of business. Convenience is one of the advantages of e-commerce for customers and therefore increases customer satisfaction. This is because the client can place an order with an internet connection from anywhere. E-commerce business provider should give importance to every customer by providing smooth service and numerous payment options and by providing more online services. Other advantages are increased product range and geographic reach. But e-commerce faces many challenges in the development of its business

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