

STUDY ON CHALLENGES FACED IN ADOPTION OF INTERNET MARKETING AND E- COMMERCE BY INDIAN MSMES

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ABSTRACT:

Research Aims: The present study emphasized on assessing the challenges faced by MSMEs in adoption of internet marketing and e-commerce.

Design/Methodology/Approach: The study considered 115 sample firms taken from the database furnished by the Indian Chamber of Commerce and MSME Development Institutes of Tier 1 and tier 2 cities in India. Primary data was collected through well-structured questionnaire and the answers furnished by respondents helped in recognizing the challenges and hurdles faced by MSME in the adoption of internet marketing and e-commerce. Secondary data was collected through reports published by ministry of MSMEs and referred journals and articles.

Research Finding: This study has identified market competition, macroeconomic factors, inadequate budgetary allocation, poor infrastructure, cost of hardware and software, knowledge deficiencies and attitude towards ICT adoption as impediments which are required to be handled efficiently and effectively.

Theoretical Contribution: The present study contributes in general to the existing literature on challenges faced by Indian MSME in adoption of internet marketing and e-commerce. The findings of the study has implications to the academicians, policymakers and business community. Further study could

be done to assess the prevalence of ICT in much root level for MSME and for any sphere of the economy.

INTRODUCTION:

The MSME sector is a significant contributor to the Indian economy as this sector not only play a vital role in providing employment opportunities but also help in industrialization of rural and backward areas. For developing and transitional economies in particular, MSMEs development hold the added allure of being a key component of wider economic development and poverty alleviation. MSMEs contribution to GDP is 8% and about 33% in total manufacturing output. (Ministry of MSMEs, 2018).

The liberalization of the economy along with rapid globalization and computerization has posed several challenges to MSMEs. Indian MSMEs are facing paradigm shift in the business world. (Jen and Thatte, 2018). The increasing and persistent search for delivering high customer satisfaction has necessitated MSMEs to resort to the adoption of ICT (Information and Communication Technology) tools including adoption of internet marketing and e-commerce to survive and grow in this present scenario of global competition. E-marketing and e-commerce is changing the way of buying and selling of product and services in India. It can enhance the exposure and performance of MSMEs as the use of the

internet allows this sector to be more competitive on both a local and international platform (Cloete, Courtney & Fintz, 2008).

The present study aims to identify the key determinants which poses problem in the adoption of internet marketing or e-commerce for MSMEs. It also focus on the traditional marketing channels deployed by this sector. The study also identifies a wide range of reasons why MSMEs are reluctant to use the internet and e- business. The implications from the findings were drawn to have a clear understanding of the internet marketing practices of MSMEs. The findings and suggestions will assist policy maker and owner of MSMEs to integrate marketing strategies with the mainstream internet and e-commerce.

LITERATURE REVIEW:

Although MSMEs are generally not well versed with technological and management capabilities (Caldeira & Ward, 2002), the Information and Communication technology has created unpredictable and unprecedented opportunities for MSMEs to reach out to customers and they can access to certain market similar way as large enterprise (Neirotti et al, 2018). ICT and e- commerce has introduced new way of doing business especially in the field of commercial operations. It is a means to innovate various business practices and process (Narayanasamy et al., 2008) and the adoption of ICT and e-commerce can influence the performance of MSMEs in a multifaceted ways (Hepworth & Ryan, 2000; Tan et al., 2009). Internet marketing act as a proficient tool in enhancing production, improving markets and building as well as strengthening relationship with customers (Shin, 2001). Firms overall performance is often measured as growth in a market, market share or profit. Firms that have strong marketing capabilities are able to target the right customers, create brand identification

and equity that is conducive to gain customers loyalty and growth (Mbuysia & Leonard, 2017). ICT allows firms to collect, process, retrieve and analyze information to target the customer segments (Zhang et al., 2008).

The competitive efficiency of MSMEs can be enhanced by applying ICT tools and applications in the business process and this can be achieved by taking into account a series of processes like identifying the clusters of the target customer, enhancing the skills of the ICT tools and applications used. Identify and establish physical and ICT network of infrastructure and institutional delivery mechanism that facilitate MSMEs to create cross border supply chain (Scupola, 2003). ICT helps enterprises to implement promotion based strategies to attract and retain customers, consequently aiding the growth and development of enterprise (Sunday & Vera, 2018).

The call for adoption and use of internet marketing and e-commerce amongst MSMEs arises due to the fact that efficient and consistent promotion strategies are responsible for customer acquisition and retention (Neirotti et al., 2018). This necessitates designing and coordinating distinct communication channels and networks to enable customer identify organization and various products offered by them (Nowak & Phelps, 1994). It therefore allows a company to create a brand identity within the market by reinforcing it's product value. The purpose of such promotion is to confirm that customers retain the essential information regarding the product and services. These factors are vital to assist promote sales by creating awareness about brand, liking and information. Although promotion might not yield instant positive results in the short term, it is necessary to remain centered on delivering lucent message to generate awareness among customers that

have the potential to pay up in the medium and long term (Moriarty, 1994).

The adoption and implementation of marketing mix strategies play a vital role in developing and maintaining good relationship with customers. It helps in recognizing the needs and wants of customers thereby assisting enterprise to develop value added products and services. It also aims to attain competitive efficiency through organizational infrastructure development, institutional delivery mechanism and strategic planning (Reid, 2003).

Integrating traditional marketing mix strategy with modern tools including internet marketing and e-commerce yields multifaceted benefits to MSMEs including: improved firm performance, increased market share, expanded product range, customized products, better response to client demand, enhancing and upgrading core competencies and skill warranted in global market positioning (Low,2000).

For business sustainability, the innovation should lead to an improvement in productivity through new models of doing business. The firms need to have a competitive edge over their traditional counterparts to survive in the keenly competitive market economy. This much needed competitive edge is provided through usage and adoption of ICT by MSMEs through a process of continuous innovation of products, services and new ways of doing business (Cloete et al., 2002).

There is a wide range of reasons behind the reluctant attitude of MSMEs in the adoption of internet marketing and e-commerce and are most commonly related to lack of awareness and knowledge, lack of applicability to the business, power constraint, inadequate budgetary allocation for the development of e-commerce (Asare et al., 2012; Nikolopoulos & Dana, 2017).

RESEARCH GAP:

The extensive amount of literature gathered from numerous sources indicates that there have been studies on usage and challenges in adoption of ICTs amongst MSMEs in different economic context. (Cloete, 2002; Gono et al.,2008; Osorio Gallego et al.,2016;Giotopoulos et al., 2017; Perez Soltero et al.,2017;Suhartanto & Leo, 2018). The present study on 'Challenges faced in adoption of e-commerce and e-marketing by MSMEs in Indian Context' has not received much attention. Therefore an attempt has been made to address the existing gap.

Research Questions:

1. What are the different types of marketing tools employed by MSMEs in India?
2. What are the challenges faced by MSMEs in the adoption of internet marketing and e-commerce in India?

Objectives of the study:

1. To identify the prominent marketing channels used by Indian MSMEs.
2. To analyse the key determinants that affect the adoption of internet marketing and e-commerce for MSMEs.

RESEARCH METHODOLOGY:

The study initiated with literature review to conceptualize the use of ICT by MSMEs in India. On the basis of the review the research gap was identified followed by research questions. The present study is based on survey method. The study considers both primary and secondary data. The primary data was collected from 115 sample firms that were taken from the database furnished by the Indian Chamber of Commerce and MSME Development Institutes of Tier 1 and tier 2 cities in India.

The questionnaire was designed to collect information from entrepreneurs. It comprised three major parts: The **first section** included

questions related to the characteristics of owner – manager: age, sex, marital status, educational qualifications and experience. The **second section** enquired about the tools used by them for promotion of their products and services and what are the deficiencies faced in the adoption of internet marketing and e-commerce. The **final section** of the questionnaire explored the challenges faced by them in the adoption of internet marketing and e-commerce. The collected information were processed and formed into different tables. The descriptive analysis has been mainly used to specify the consolidated opinion of the entrepreneurs on various questions in the questionnaire. Secondary data have been collected through reports of Ministry of MSMEs, journals, articles. Database included Emerald Insight, Elsevier, Ebsco and online sites such as Google Scholar and Research Gate were considered.

DATA ANALYSIS AND INTERPRETATION

Table 1 represents a detailed profile of MSMEs owner. The analysis shows that maximum number of owner (41.73%) fall in the category of 31-40 years age. It is noted that (53.91%) of owners have obtained junior high school certificate and less than 10% had their education in higher level and 6.95% had no education background at all. This data indicates that level of education of owner/manager of MSMEs in India is not at par as compared to other developed countries. Regarding the marital status of the respondents the collected data indicates that 60.86% respondents were married. In the context of reasons for entering into MSME sector the data indicates that 52.17% respondents had personal interest in operation of business.

TABLE 1: GENERAL PROFILE OF MSMES

1.	Demographic Variables	No. Of Respondents	Percentage
	Owner/Manager characteristics		
	Age distribution		
	20-30	15	13.04
	31-40	48	41.73
	41-50	32	27.82
	50 & above	20	17.39
	Total	115	100
2.	Education		
	No education	8	6.95
	Primary	26	22.60
	JHS/JSS	62	53.91
	SSS/SHS	10	8.69
	Higher level	9	7.82
	Total	115	100
3.	Marital status		
	Not married	45	39.13
	Married	70	60.86
	Total	115	100
4.	Reasons for entering business		
	Personal Interest	60	52.17
	Family business	55	47.82
	Total	115	100

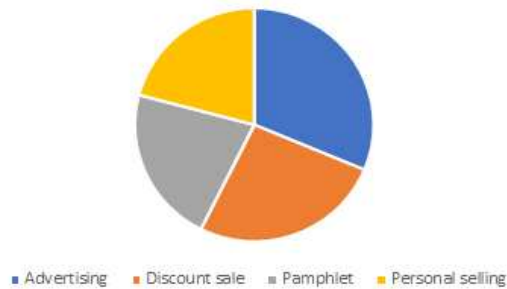
Tools used for Promotion

In this section an attempt has been made to find out the promotional marketing tools used by MSMEs. Table 2 shows that in order to augment sales and growth and capturing market most widely adopted promotion tool by MSME owner is advertising (31.30%) whereas discount sales are preferred by (26.08%) Personal selling and Pamphlet constitute (21.73% & 20.86%) respectively. It is to be noted that owner of MSMEs in India rely on more than one channel of promotion in a single point of time.

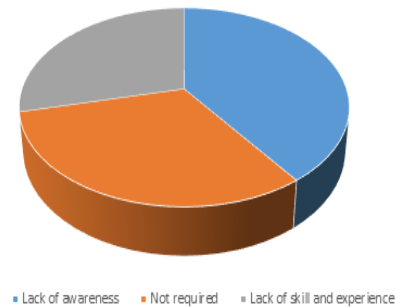
Table 2: Tools used for Promotion

Tools	Respondents	Percentage
Advertising	36	31.30
Discount sale	30	26.08
Pamphlet	25	21.73
Personal selling	24	20.86
Total	115	100

Tools used for Promotion



Reasons for not adopting internet Marketing and E-Commerce.



Major challenges affecting the adoption of Internet Marketing and E-Commerce:

Table 4 represents the challenges affecting the usage and adoption of internet marketing and e-commerce by Indian MSMEs. 40 respondents (34.78%) believe that the major threat to adoption of internet marketing is market competition. Another important factor indicated by 36 (31.30%) respondents was macroeconomic factors followed by financial constraints (25.21%) and infrastructure problems (8.6%).

The use of ICT can contribute to improved firm performance, increased market share, expanded product range, customized products and better response to client demand. Moreover, ICT may help reduce inefficiency in the use of capital and labour by reducing inventories and that the more customers or firms are connected to the network, the greater is the benefit.

Table 4: Major challenges affecting adoption of Internet Marketing and E-Commerce

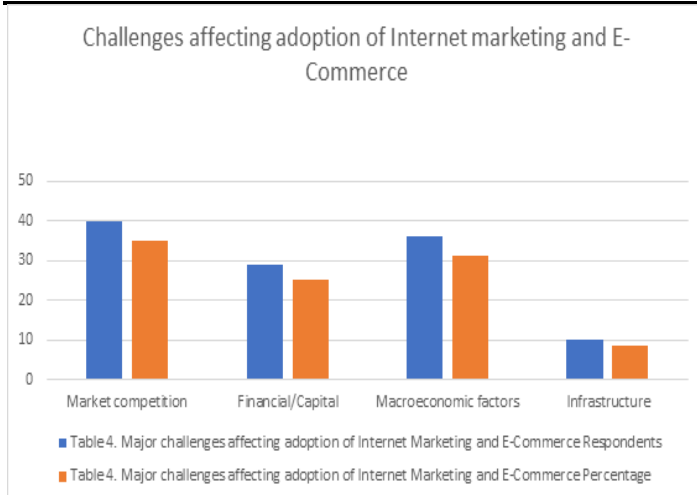
Factors	Respondents	Percentage
Market competition	40	34.78
Financial/Capital	29	25.21
Macroeconomic factors	36	31.30
Infrastructure	10	8.69
Total	115	100

Reasons for not adopting Internet Marketing and E-Commerce:

This section takes into account various reasons for not adopting internet marketing and e-commerce by MSMEs. Lack of awareness, skill and knowledge and expertise are the reason behind the reluctant attitude when it comes to adoption of internet marketing. Table 3 represents lack of awareness (40%) is the most significant problem followed by the perception that e-marketing tools are not required (31.30%). Lack of skill and experience (28.69%) was also accounted as a hurdle in the adoption of these marketing channels. The owners have so far limited themselves only to traditional marketing channels, they need to such channels that influence the performance of an enterprise in a multifaceted ways.

Table 3: Reasons for not adopting Internet Marketing and E-Commerce

Problems	Respondents	Percentage
Lack of awareness	46	40
Not required	36	31.30
Lack of skill and experience	33	28.69
Total	115	100



DISCUSSIONS:

Few characteristics of MSMEs in India require attention to implement internet marketing and e-commerce channels. The structure of MSMEs is one of the factor that hold importance for developing efficient promotion strategy.

The study shows that MSMEs being small in size and run by individuals or families are often posed with internal and external issues in terms of their growth and development. Internal issues that are faced by MSME owners include absence of skilled staff, unavailability of competent personnel, dearth of capital, lack of competencies required to adopt ICT and lack of innovation. Macroeconomic factors, fluctuating demand, political and export issues are some of the external factors that hinder the development of MSMEs.

The study reveals that some of the MSMEs owner believe that they do not require internet marketing in the operation of business and the possible reason behind this is unrealized potential of ICT by them. It is noted that no or little effort has been put by MSMEs owner to implement a comprehensive communication and promotion program as entrepreneurs perceive ICT to be inapplicable, lack dynamism and complex to operate.

The study also shows that MSMEs in India suffers from inadequate infrastructure, poor service quality with high price. Entrepreneurs believe that lack of qualified personnel, low level of literacy as well as cultural and language barriers hinder the adoption of internet marketing. Most of the entrepreneurs perceive that ICT is for larger firms.

CONCLUSION:

In order to compete and capture the market MSMEs need to strategically adopt internet marketing and e-commerce tools at every level of business organization. To cope up with the world or to neutralize the pressure of globalization. MSMEs have to incorporate ICT in the appropriate areas of the organization. This study has identified market competition, macroeconomic factors, inadequate budgetary allocation, poor infrastructure, cost of hardware and software, knowledge deficiencies and attitude towards ICT adoption as impediments which are required to be handled efficiently and effectively. MSME owner and employees possess little knowledge regarding proper utilization of ICT. Training the employees and owners about the usage of ICT is the compulsory prerequisite for reaping up the benefits of ICT. The findings of the study has implications to the academician, policymakers and business community. Further study could be done to assess the prevalence of ICT in much root level for MSME and for any sphere of the economy.

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