

## THE ROLE OF TECHNOLOGICAL INNOVATION IN ENHANCING COMMERCE AND MSMEs IN INDIA

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### *Abstract*

*In Commerce, various new innovations have playing very important role in modern competitive era. These technologies are important for Micro, Small and Medium-sized enterprises to beat cut throat competition. In the emerging global economy, innovative commerce has increasingly become a necessary component of business strategy for economic development. The integration of information and communications technology (ICT) in business, business process outsourcing, e- trading, e- Banking, e- securities and online marketing have revolutionized traditional commerce. These technological innovations have enhanced productivity, encouraged greater customer participation and enabled mass customization. SMEs need to use new innovative techniques to improve quality, reduce costs and increase efficiency. E-commerce can break the boundaries of time and space, reduce transaction costs, expand two-way communication, the most greatly reduce product inventory, promote the innovation. It is necessary for survival of the business and achievement of success.*

**Key Words:** *MSMEs, Business Outsourcing, E-Banking, E- Trading, E-Securities and Online Marketing*

### **1. Introduction**

Commerce has involved various innovations in business processes such as electronic advertising, electronic payment system, electronic marketing, electronic customer support service and electronic order & delivery. Electronic commerce refers to a wide range of online business activities for products and services. It also means to "any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact."

Micro, Small and Medium Enterprises sector in India enjoys the important place in Indian economy because of its contribution toward economic development of the country. There is no doubt that MSMEs sector is fulfilling the needs of Indian customers up to large extent by offering products and services. However, rapid modernization and growing market trends have brought many changes in the buying and consumption pattern of the people as they have started using internet and mobile technology in their purchase decisions. These changes have great impact on MSMEs sector. Hence, the need for adoption of e-commerce based applications where internet is used extensively is emerging very fast. But, because of so many constraints MSMEs sector does not seem to be ready for this transformation. Over the last two decades, rising internet and mobile phone penetration has changed the way we communicate and do business. It is, at present, heavily leaning on the internet and mobile phone revolution to fundamentally alter the way businesses reach their customers.

Micro, Small and Medium Enterprises are the backbone of an economy. They are the most productive job creators and pioneers in developing new ideas. That is why the MSME Ministry of Government of India wants to help these businesses in every possible way to facilitate the industry. A new step in this direction is the development of "Virtual Clusters." It is a single window access for: Micro, Small and Medium scale businesses. The objective is to connect all stakeholders at one common platform for their mutual benefits. Benefits are: develop new products, increase sales, reduce production cost, improve quality and ultimately may increase the GDP of India.

High contribution to domestic production, Significant export earnings, Low investment requirements, Operational flexibility, Location wise mobility, Low intensive imports, Capacities to develop appropriate indigenous technology, Import substitution are the factors which strengths coupled with opportunities work in favour of Indian MSMEs.

By its less capital intensive and high labour absorption nature, MSME sector will make significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strengths of the traditional skills and knowledge, by mixture of technologies, capital and innovative marketing practices.

## 2. TECHNOLOGICAL INNOVATIONS IN COMMERCE

### 2.1 Business Outsourcing

Outsourcing is any task, operation, job or process that could be performed by employees within the company, but is instead contracted to a other party for a significant period of time. Hiring a temporary employee while your secretary is on maternity leave is not outsourcing. In addition, the functions that are performed by the other party can be performed on-site or off-site. Outsourcing has been around as long as work specialization has existed. Customized offshore outsourcing solutions have created the need of established Business Process Outsourcing methodologies. It is the contracting of a specific business task, such as payroll, to other party service provider. Usually, BPO is implemented as a cost-saving measure that a company requires to maintain its position in the marketplace. In this unit/lesson you, will study about the concept and importance of Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO).

A. **Business process outsourcing (BPO):** Business process outsourcing (BPO) can be defined as the act of giving a other party responsibility of performing what would otherwise be an internal system or service. For instance, an insurance company might outsource their claims processing program or a bank might outsource their loan processing system. Other common examples of BPO are call centres and payroll outsourcing. Typically, companies that are looking at business process outsourcing are hoping to achieve cost savings by handing over the work to a third-party that can take advantage of economies of scale by doing the same work for many companies. Cost savings can be achieved because labour costs are lower due to different costs of living in different countries. BPO is often divided into two categories: back office outsourcing which includes internal business functions such as billing or purchasing, and front office outsourcing which includes customer-related services such as marketing or technical support.

It provides wide range of tactical, powerful, flexible tools which in turn helps in achieving the business objectives in a cost effective and efficient manner. BPO's are inclined to provide better customer satisfaction leading to customer retention, increased productivity, deal with competition effectively and in turn increase profitability. There are many kinds of work that can be outsourced to BPO's for example Call/Help Centers, Medical Transcription, Billing, Payroll Processing, Data Entry, IT Services, Human Resources (HR) functions, etc.

- B. **Knowledge Process Outsourcing:** KPO is a new phenomenon that is picking pace in India. It is "Knowledge Process Outsourcing". In simple words it is the upward shift of BPO in the value chain. Old BPO companies that used to provide basic backend or customer care support are moving up this value chain. "Unlike conventional BPO where the focus is on process expertise, in KPO, the focus is on knowledge expertise." KPO involves off shoring of knowledge intensive business processes that require specialized domain expertise, thus delivering high value to organizations by providing business expertise rather than just process expertise. It is being claimed that KPO is one step extension of Business Processing Outsourcing (BPO). KPO is advantageous due to accelerate reengineering benefits, access to top class capabilities, Optimal use of resources, Solution to difficult problems, Best use of financial resources and Cost reduction.

## 2.2 E-BANKING

E-Banking creates revolution in business world. It reduces the cost, increase efficiency and reduce efforts. It involves Internet Banking, ATM, Mobile Banking, EFT, Smart Card, Debit Card, Credit Card etc.

- A. **Internet Banking:** Internet Banking handles many banking transactions via personal computer. Internet banking system and method in which a personal computer is connected by a network service provider directly to a host computer system of a bank such that customer service requests can be processed automatically without need for intervention by customer service representatives. The system is integrated with the host computer system of the bank so that the remote banking customer can access other automated services of the bank.
- B. **Electronic Payment System:** An electronic payment system is required to make payment for information, goods and services provided through the Internet. It helps to automate sales activities, extends the potential number of customers and reduces the amount of paper work.
- C. **Smart Card:** A smart card usually contains an embedded 8-bit microprocessor (a kind of computer chip). The microprocessor is under a contact pad on one side of the card. Think of the microprocessor as replacing the usual magnetic stripe present on a credit card or debit card. The microprocessor on the smart card is there for security. The host computer and card reader actually "talk" to the microprocessor. The microprocessor enforces access to the data on the card. The chips in these cards are capable of many kinds of transactions.
- D. **Debit Card:** Debit cards are also known as check cards. Debit cards look like credit cards or ATM (automated teller machine) cards, but operate like cash or a personal

check. Debit cards are different from credit cards. While a credit card is a way to "pay later," a debit card is a way to "pay now." When you use a debit card, your money is quickly deducted from your savings account.

- E. **E-Cheque:** An e-Cheque is the electronic version or representation of paper cheque. The Information and Legal Framework on the E-Cheque is the same as that of the paper cheque's. It can now be used in place of paper cheques to do any and all remote transactions. An E-cheque works the same way a cheque does, the cheque writer "writes" the e-Cheque using one of many types of electronic devices and "gives" the e-Cheque to the payee electronically. The payee "deposits" the Electronic Cheque receives credit, and the payee's bank "clears" the e-Cheque to the paying bank. The paying bank validates the e-Cheque.
- F. **Automated Teller Machine (ATM):** An unattended electronic machine in a public place, connected to a data system and related equipment and activated by a bank customer to obtain cash withdrawals and other banking services. Also called automatic teller machine, cash machine; also called money machine.
- G. **Tele Banking:** Undertaking a host of banking related services including financial transactions from the convenience of customers chosen place anywhere across the world at any time now has been made possible by introducing on-line Tele-banking services. By dialing the given Tele-banking number through a landline or a mobile from anywhere, the customer can access his account and by following the user-friendly menu, entire banking can be done through Interactive Voice Response (IVR) system.

### 2.3 E- TRADING

Electronic trading, sometimes called e-trading, is a method of trading securities (such as stock, and bonds), foreign exchange or financial derivatives electronically. Information Technology is used to bring together buyers and sellers through an electronic mode and network to create virtual market places. For this purpose, Demat account is opened and dematerialized share trading is done. It saves time, efforts and botheration. Dematerialization reduces cost of transaction.

### 2.4 ONLINE ORDER AND DELIVERY MECHANISM

Online order refers to receiving of orders for goods and services from customer through e-commerce websites designed for this purpose. Receiving order through websites helps in reducing the paper work and efficient handling of orders. Less inventory, 24 hours and 7days open, electronic catalogs are the other advantages of having system of accepting online orders. The process of electronic order starts with placing of an order by the customer using shopping cart. Once the payment is accepted in the merchant account, goods or services can be delivered in the different ways such as 'Downloading', 'Drop shipping', 'In-store pickup', 'Printing out', 'Shipping' etc. Downloading method is more appropriate for digitized products such as software, music, movies, e-books or images.

There is need to motivate MSMEs to set up system in place of electronic ordering and delivery. This will surely improve the order management of MSMEs which will further result in efficiency and effectiveness of MSMEs business activities.

## 2.5 ONLINE ADVERTISING

Online advertising is a form of promotion that uses the Internet and World Wide Web to deliver marketing communication messages or the purpose of information, persuasion and attracting the customers toward product and service offerings. Online advertising includes contextual ads on search engine result pages, banner ads, social network advertising, online classified advertising, advertising networks, etc. Online advertising helps in immediate communication of marketing messages across the globe and among target customers. Online advertising further allows for the customization and personalization of advertisement messages keeping in mind the target audience.

It is worth mentioning here that advertising is often cited as a challenge by small and medium business enterprises because of high costs and lack of knowledge and skill of internet advertising. In this background, Google India has taken a mix of offline and online initiatives to educate the owners of small businesses about the benefits of internet advertising.

## 2.6 ONLINE CUSTOMER SUPPORT SERVICE

There is no doubt that Internet is a steadily growing marketplace for shoppers but there are still many people who are hesitant to buy online. Beside others, one reason can be lack of suitable online customer service. The customer may have many questions about the products, warranties, return policies, etc. If these questions are not answered on a website, there is possibility they will visit a physical store instead of shopping online. To provide better customer support, MSMEs can use customer service software online. Customer service software and live customer support software as available on ecommerce website, can answer all questions for customers immediately.

Using customer service software and live customer support software will not only answer the customer's questions and increase the chances of an initial purchase, but it will also increase the satisfaction level of customers with the online customer service at website. Another benefit of using live customer support software and customer service software is that it is much more affordable than hiring large number of customer service representatives to sit around and wait for a customer to have a question. Hence, on line customer support software will be great help for the MSMEs to provide the information to potential customer about the products and to enlarge the base of satisfied customers.

## 3. CHALLENGES FOR MSMEs OF ADOPTING E-COMMERCE

There are number of reasons why MSMEs do not make more use of the Internet and e-commerce. There may be many reasons for non acceptability of e-commerce by SMEs. These may vary widely among sectors and countries but are commonly related to lack of applicability to the business, lack of awareness, preferences for established business models and the kinds of electronic transactions. From Indian perspective, major reasons for non adoption of e-commerce by MSMEs can be listed as 'lack of awareness about e-commerce models', 'poor customer, supplier and business partner base', 'lack of trust and confidence', 'lack of legal and regulatory framework' and 'poor infrastructure and high costs'.

- A. **Lack of Awareness about e-Commerce Models:** E-commerce business model aims to use and leverage the unique qualities of internet and world wide business (Laudon,

2008). In simple words, e-commerce business model is an innovative way for companies to do the business and expand their customer base with the use of internet technologies.

- B. **Lack of trust and confidence:** Another problem is the lack of trust in e-commerce sites. Consumers do not have trust in e-commerce as yet. There have been just too many faux pas in the system. Lesser known MSMEs are at a clear disadvantage in terms of buyer confidence when compared with large multinationals with highly recognizable brand names. On-line customers view recognition of a brand or company name as an indicator of a firm's credibility just as they do off line. Inability to verify the on-line seller's credentials ranks high among reasons for reluctance to buy on line. On the other side, MSMEs too hesitate to do business with international marketplaces, due to cultural backgrounds, fear of being deceived, due to lack of knowledge of new technologies etc. Vast majority of the MSMEs owners do not have technical backgrounds, and it becomes very difficult to convince them about the new technology standards for their protection such as encryption etc.
- C. **Lack of legal and regulatory framework:** Lack of legal and regulatory framework is one of the obstacles in adoption of e-commerce by MSMEs. Doing business online raises number of legal questions such as legal status and enforceability of electronic contracts; the legal jurisdiction of international e-commerce transactions; intellectual property rights and copyright protection for digital content; the privacy of personal data; and the validity of electronic "evidence" in legal disputes.
- D. **High Cost:** Modern innovations in Commerce needs high cost and Micro, Medium and Small enterprises cannot absorb the cost due to cut throat competition. In present scenario, Multinational Companies offers superior quality products at reasonable prices, in this condition; MSMEs cannot increase the selling prices of the products. E-Commerce factors like E- Banking, E- Trading, Business Outsourcing, Online Advertising etc are costly affairs so that small enterprises cannot afford such costs.
- E. **Other limitations of MSMEs:** Other limitations are Low Capital base, Inadequate concentration of management, Inadequate exposure to international environment, Inability to face impact of WTO regime, Inadequate R & D, Poor financial situations and low levels of R&D, Poor adaptability to changing trade trends, Non-availability of technically trained human resources, Emphasis on production and not on production costs, Lack of access to technological information and consultancy services.

## Conclusion

There is no doubt that MSMEs are the backbone of Indian economy. However, MSMEs sector faces stiff competition from across the globe on one dimension or another. Adoption of e-commerce applications would play important role in helping MSMEs to fight with growing competition, reduce cost of transaction, increase efficiency and reduce working efforts. On the policy making front, Government of India has launched various programs to encourage e-commerce adoption amongst MSMEs and to further boost the economy. The role played by MSMEs is very important for progress of the country. Hence, it becomes all the more important to integrate them with information and communication technology.

However, the prevailing hindrance of lack of its awareness should be overcome to improve growth of MSMEs. Scope of growth through e-commerce is immense in India as its usage by MSMEs is still at a emerging stage.

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