



Impact of growth of e commerce on MSMEs

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Introduction

E commerce is a powerful tool for all businesses and an analysis of MSMEs in India shows that they are taking ample advantage of this.

What was once a weakness is now an opportunity, greater number of people shopping online, greater internet penetration, more policy support from the government and digital transformation has allowed MSMEs to carve a niche for themselves in the global market. This paper makes an analysis of whether there is any correlation between the phenomenal increase in e commerce market size, internet penetration, number of online shoppers in the growth of MSMEs. If such a correlation is found then what is the significance of such correlation.

Keywords

E commerce, internet penetration, MSME, online shoppers

Data Sources

Secondary sources of data have been used for the purpose of the study. Various websites giving statistics and GOI ministry of MSME report has been referred for the purpose of authenticity.

Research Methodology

Period for which data is collected: The period is from the year 2014-15 to 2020-21

Variables used: Data has been collected for the variables among whom study of correlation is intended such as percentage of internet penetration in India, e commerce market size in India, number of online shoppers in India, GVA of MSMEs for the period under consideration.

Statistical methods used

1. Karl Pearson's Correlation coefficient between increase in internet penetration and MSMEs GVA
2. Karl Pearson's Correlation coefficient between increase in e commerce market size and MSMEs GVA
3. Karl Pearson's Correlation coefficient between increase in online shoppers and MSMEs GVA
4. Calculation of PE (probable error) for each coefficient
5. Hypothesis to be tested There is a high degree of correlation between the variables and growth in GVA of MSMEs

Relevance of the study

Considering the following points

1.Government policies such as Skill India, Make in India, Digital India, Startup India and Innovation fund are primarily focusing on MSMEs.

2 ecommerce, has enabled even small MSMEs to showcase their products to the global market without additional costs on expansion and change of location.Now, when a business prepares to be set up, it mostly opts for online first and then offline.

3. According to the India Brand Equity Foundation, India will surpass the US to become the world's second largest e-commerce market by 2034.

4. According to Statista, the e-commerce market in India is expected to reach \$84 billion in 2021

5 Online shoppers in India are expected to reach 300-350 million by 2025

6 400 % growth for MSMEs is expected.

7 There are 6.3 core MSMEs in India and the number of registered MSMEs increased 18.5% to reach 25.13 lakh (2.5 million) units in 2020 from 21.21 lakh (2.1 million) units in 2019.

8 The MSMEs sector contributes 29% towards the Indian GDP through its domestic and international trade

9 MSME seller count jumps nearly 5 times amid the Covid pandemic last year for which a separate category of Covid-related goods and sellers was created on the GeM portal.

11 From around 3.76 lakh sellers listed on the platform in May 2020, the total number has increased to 17.86 lakh as of May 9, 2021, according to GeM statistics. In fact, it nearly doubled from 9.44 lakh as of January 12, 2021.

12 Out of the total seller base, the share of MSE sellers has increased from around 1 lakh to 6.91 lakh during the said period and grown from 4.1 lakh sellers in January this year

Sellers selling medical supplies under the Covid category on the GeM portal had increased from 10,158 as of April 22, 2020, to 33,557 as of May 9, 2021, while the number of sellers selling auxiliary products grew from 15,998 to 35,009.

The MSME Ministry had in April last year urged sellers in manufacturing or supply of medical and related equipment to register as a supplier on the GeM portal to supply ventilators, N95 masks, disposable thermometers, alcohol-based hand sanitizer, protective gowns, soap, chairs, tables, bedsheets, computers, extension boards, and other medical and auxiliary products.

12 MSMEs employ over 114 million people and contributes more than 30% of India's GDP.

The MSME sector accounts for around 45% of the total manufacturing output and 40% of India's total export. After agriculture, MSMEs generate the highest rate of employment in India.

In addition, the number of entrants in the SMEs sector is growing at an average of 23% in manufacturing and 31% in the services sector.

(Sources 1<https://www.assets.kpmg.com>

2)<https://msmemart.com>

3) <https://mydukaan.io>

4) <https://yourstory.com>)

The question that needs to be studied is have MSMEs made adequate use of the opportunities available to them?

How has the digitalisation, increase in internet penetration, e-commerce market size contributed to MSMEs growth?

Have MSMEs tightened their shoe laces and grabbed this opportunity?

The paper attempts to understand the correlation between improvement of performance of MSMEs and these factors.

Tables and figures

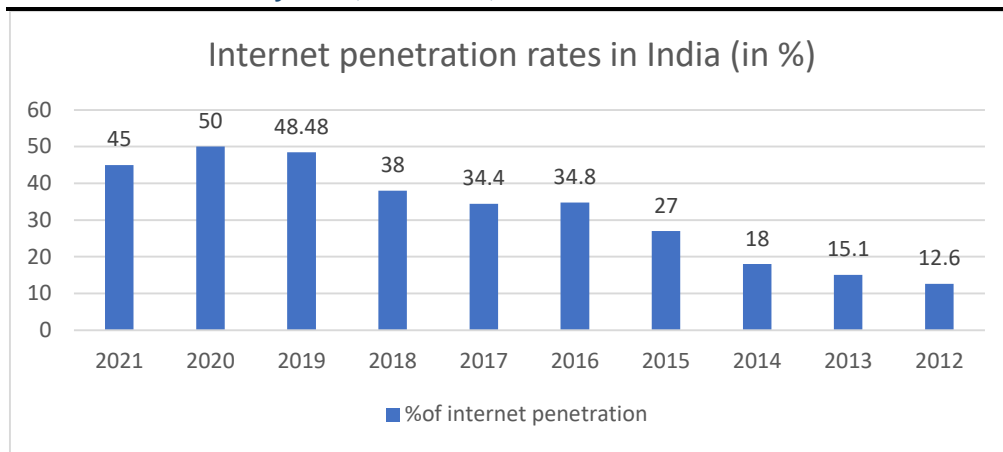
Internet penetration in India

India is currently ranked at number two

with 560 million internet users, this number is expected to rise to 1 billion by 2025.

The internet reach in India went up to nearly 45% in 2021, from just about 4% in 2007.

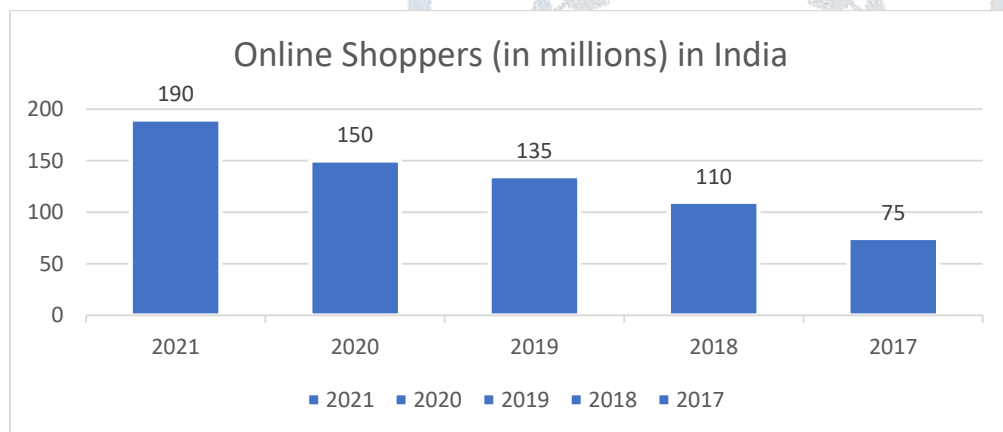
Year	Internet Penetration rate (%)	Year	Internet Penetration rate (%)
2021	45% (expected)	2015	27%
2020	50%	2014	18%
2019	48.48%	2013	15.1%
2018	38.02%	2012	12.6%
2017	34.4%	2011	10.1%
2016	34.8%		



Internet penetration in India

Online shoppers in India

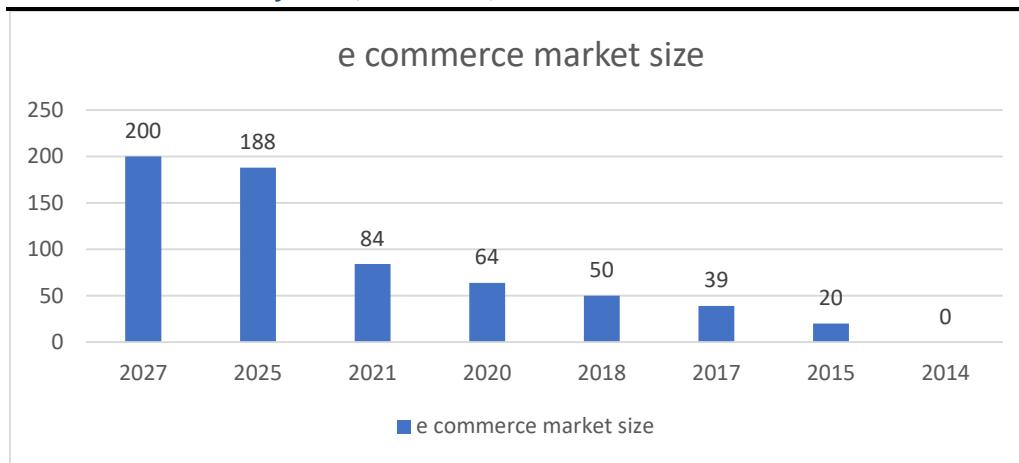
Year	Annual online shoppers (In million)	Year	Annual online shoppers (In million)
2021(expected)	190	2018	110
2020	150	2017	75
2019	135		



Online shoppers in India

E-commerce market size in India

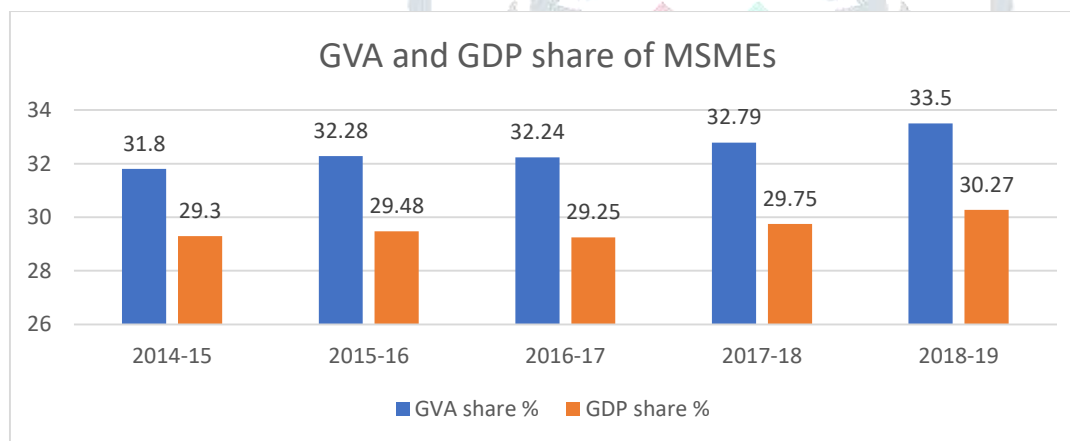
Year	Market size in India in USD billion	Year	Market size in India in USD billion
2027	200 (expected)	2018	50
2025	188(expected)	2017	39
2021	84(expected)	2015	20
2020	64	2014	14



E-commerce market size in India

Share of MSMEs in Gross value added(%) and All India GDP(%)

Year	GVA share%	GDP share%	Year	GVA share%	GDP share%
2014-15	31.8	29.3	2017-18	32.79	29.75
2015-16	32.28	29.48	2018-19	33.5	30.27
2016-17	32.24	29.25			



Share of MSMEs in Gross value added(%) and All India GDP(%)

Digital transformation for the ministry of MSME and it's attached offices (upto December 2020)

Organisation	No.of digital transaction (%)	Value of digital transaction (%)
KVIC	87.19	98.94
NSIC	93.83	98.35
Coir Board	81.42	94.57
NIMSME	90.45	68.91
MGIRI	95.02	97.91

Estimated number of MSMEs activity wise

Activity	Rural entrepreneur in lakhs	Urban entrepreneur in lakhs	Total	Share %
Manufacturing	114.14	82.5	196.65	31
Electricity	0.03	0.01	0.03	0
Trade	108.71	121.64	230.35	36
Other services	102.00	104.85	206.85	33
All	324.88	309.00	633.88	100

Findings

Variable	r	PE	6PE	Conclusion
Internet Penetration	0.921	0.046	0.276	r is significant and correlation definitely exists between the variables
ecommerce market size	0.793	0.062	0.372	r is significant and there is high degree of correlation between the variables
Online shoppers	0.182	0.32	1.94	r shows less degree of correlation, also $r < PE$ which proves that there is no correlation at all.

Increase in Internet penetration

r=0.921

it shows a very high degree of correlation between the variables.

PE= 0.046

6PE=0.276

r > 6PE this shows that r is significant and correlation definitely exists between the variables.

Increase in number of online shoppers

r=0.182

r shows low degree of correlation.

PE= 0.32

6PE=1.94

 $r < PE$ 0.182 < 0.32 therefore there is no correlation at all.

Increase in e commerce market size

r= 0.793

it shows a high degree of correlation.

PE=0.062

6PE= 0.372

r > 6PE

Therefore value of r is significant

Conclusion

Phenomenal increase in the internet penetration has made the market accessible to a wide market. Also the recent digitalization of the economy has opened up the new avenue of online shopping.

The MSMEs seem to have made good use of this opportunity by going for online sales and showcasing their goods to the world.

The increase in the ecommerce market size has definitely been advantageous to the MSMEs, a high degree of correlation also means that the MSMEs have a noticeable presence in the e commerce market.

However increase in the number of online shoppers and GVA of MSMEs show no correlation at all

References

- 1) <https://www.assets.kpmg.com>
- 2) <https://msmemart.com>
- 3) <https://mydukaan.io>
- 4) <https://yourstory.com>
- 5) <https://statista.com>
- 6) <https://ibef.org>
- 7) <https://zeebiz.com>
- 8) <https://msme.gov.in>

