

ROLE OF E-COMMERCE IN THE GROWTH OF SMALL BUSINESSES IN INDIA

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Abstract

In India, e-commerce has become a potent instrument for the expansion and improvement of small enterprises. Small businesses can now reach more markets at reduced prices because to government efforts like Digital India, digital payment systems, and growing internet penetration. This study looks at how e-commerce helps small firms in India grow overall, increase sales, expand their market reach, and create jobs. The study emphasizes the advantages and difficulties small businesses have while implementing e-commerce platforms. The study comes to the conclusion that, with the right digital skills, infrastructure, and legislative backing, e-commerce greatly helps small firms grow and remain sustainable.

Keywords: Online marketplaces, digital India, small businesses, MSMEs, e-commerce, and business growth

Introduction

The speed at which information and communication technology is developing has drastically changed how business is done all around the world. The rise and expansion of e-commerce is one of the most notable results of this change. The purchasing and selling of goods and services using electronic and online platforms like Amazon, Flipkart, Meesho, Myntra, Nykaa, and other digital marketplaces is referred to as e-commerce. By facilitating transactions between customers and sellers without the need for in-person connection, these platforms have completely transformed conventional business models. E-commerce has become a significant economic growth engine in India, especially for small firms. Small businesses used to be mostly reliant on physical stores, required a large initial investment, and had a restricted geographic reach. However, these obstacles have been lessened by the growth of e-commerce, which offers affordable digital platforms that enable small firms to launch and run with little funding. Self-employment and entrepreneurship are encouraged because entrepreneurs can now enter the market without making significant infrastructural investments.

Small-scale businesses and handicraft companies are growing quickly and making substantial profits online in the current business climate. These companies may reach a larger customer base outside of local marketplaces, including both domestic and foreign customers, thanks to e-commerce platforms. Additionally, social media platforms' integration with e-commerce has made it simpler for small enterprises to engage with clients directly, learn about their preferences, and establish enduring connections. Because it increases market access, lowers operating costs, encourages customization, and boosts consumer interaction, e-commerce is essential to the expansion and success of small enterprises in India. The purpose of this study is to investigate how e-commerce affects small business growth.

MSMEs and small enterprises make up the core of the Indian economy. According to the Ministry of MSME, there are more than 6.3 crore MSMEs in India, which account for over 45% of all exports and 30% of the country's GDP. The increase in digital payment transactions and internet users (more than 800 million in India) has opened up new growth prospects for small businesses. The purpose of this study is to investigate how e-commerce affects small business growth.

Review of Literature

Numerous academics and organizations have investigated how e-commerce affects small businesses:

Kaur and Kaur (2021) Studied that nearly 62% of small firms saw a boost in revenue after switching to online platforms, according to their analysis. According to the study, e-commerce lessened reliance on physical storefronts and allowed businesses to reach clients outside of their local communities. Online marketplaces are particularly helpful for micro and home-based firms, according to the report.

Sharma (2022) concentrated on MSMEs' digital transformation. Businesses that used e-commerce were able to cut marketing and operating expenses by about 30%, according to the survey. Sharma noted that internet promotions, social media marketing, and digital advertising are more efficient and less expensive than traditional forms of advertising. According to the study's findings, one of the primary motivations for small firms to use e-commerce is cost effectiveness.

According IBEF (2023) report, the Indian e-commerce market has surpassed USD 125 billion, offering MSMEs substantial prospects. It emphasized how small firms may sell nationally and even internationally through online platforms without having to make significant infrastructure investments. The research also mentioned how e-commerce adoption by small enterprises has been aided by government programs like Startup India and Digital India.

According to Verma and Gupta (2024), a lack of digital skills and technical expertise makes it difficult for roughly 48% of MSMEs to utilize e-commerce. The analysis made clear that two of the biggest obstacles to successful online business operations are inadequate training and low digital awareness. It also underlined the necessity of programs for developing digital skills in order to facilitate the expansion of small businesses through e-commerce.

The research unequivocally shows that although e-commerce has many advantages, its successful implementation depends on infrastructure, digital skills, and regulatory support.

Objectives of the Study

The main objectives of the study are:

1. Examine the idea of e-commerce and Indian small companies.
2. To examine how e-commerce contributes to small business expansion.
3. To determine the advantages of online shopping for small businesses.

Research Methodology

Research Design: The study is descriptive in nature.

Sources of Data: Secondary Data

Interpretation of Data

Table 1: Growth of Indian E-Commerce Market

Year	Market Size (USD Billion)
2019	64
2021	84
2023	125
2025 (Est.)	170

Interpretation: The data shows a continuous increase in the size of the e-commerce market, indicating expanding opportunities for small businesses.

Table 2: Impact of E-Commerce on Small Business Sales

Type of Business	Average Annual Sales Growth
Traditional Business	5–8%
E-Commerce Enabled Business	18–25%

Interpretation: Small businesses using e-commerce platforms experience more than double the sales growth compared to traditional businesses.

Table 3: Employment Generation through MSMEs

Particulars	Data (crore)
Total MSMEs in India	6.3
Employment Generated	11
MSMEs Using Digital Platforms	2.2

Interpretation: A significant portion of MSMEs using e-commerce platforms contribute to employment generation.

Table 4: Benefits of E-Commerce for Small Businesses (% Response)

Benefit	Percentage (%)
Increased Market Reach	72%
Higher Sales	65%
Lower Marketing Cost	58%
Better Customer Access	70%
Business Expansion	60%

Interpretation: The majority of small businesses agree that e-commerce improves market access and business growth.

Key Observations

1. Small enterprises can overcome geographical obstacles with the aid of e-commerce.
2. Online platforms offer affordable marketing options.
3. Digital payment methods improve the effectiveness of transactions.
4. High levels of competition and a lack of technological expertise are obstacles that small enterprises must overcome.
5. The adoption of e-commerce is greatly aided by government initiatives.

Suggestions of the Study

1. The government ought to offer small business owners digital training programs.
2. Small companies ought to spend money on branding and digital marketing.
3. The infrastructure for distribution and logistics has to be improved.
4. To inform small businesses about the advantages of e-commerce, awareness campaigns should be carried out.
5. Financial institutions ought to provide small enterprises that rely on e-commerce with simple loan options.

Conclusion

In India, e-commerce has become a major factor in the expansion of small enterprises. It helps businesses access a wider audience, boost revenue, and become more competitive. Even with obstacles like logistical problems and digital illiteracy, e-commerce has more advantages than disadvantages. E-commerce has the potential to significantly boost India's small business sector and boost the country's economy with the right backing from the government, digital platforms, and financial institutions.

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