

# Chapter 4

## The Propensity of E-Commerce Acceptance Among Unorganized Retail Small-Medium Enterprises (SMEs)

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### ABSTRACT

*India has one of the largest bases of small- and medium-sized enterprises around the world after China, and it provides several benefits to the Indian economy in terms of generating a vast range of employment opportunities, innovation of new self-reliance technologies, aiding export growth, socio-economic growth, and rural development, which supports the nation-building. Consumers are using the power of digital technologies and e-commerce; this is the time to measure the propensity of business-to-business (e-commerce) adoption among unorganized retailers. Some studies measured the e-commerce impacts on customers, impacts on organized retailers, and impacts on unorganized retailers. In addition, some other studies concentrated on assessing the unorganized retail SME performance, competition, issues, and challenges. However, studies related to measuring e-commerce acceptance by unorganized retailers are relatively low. This chapter aims to measure the nuances of business-to-business (e-commerce) propensity among unorganized retailers.*

### INTRODUCTION

India has one of the largest bases of Small and Medium-sized enterprises around the world after China, and it provides several benefits to the Indian economy in terms of generating a vast range of employment opportunities, innovation of new self-reliance technologies, aid export growth, socio-economic growth,

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and rural development which supports the nation building. In addition, as the new MSME Annual report shows, the service sector holds a 33 per cent MSME share in India and generates 362.82 lakhs new jobs service sector (Government of India, 2021). Most of the service sector enterprise do retail business in India, and the AT Kearney's Global Retail Development Index shows that India holds the second rank in 2021 with a score of 64.4 (Smriti Tankha, 2021). Further, Indian retail is dominated by Unorganized retail with a share of 88 per cent, organized retail holds a share of 9 per cent, and E-Commerce holds a share of 3 per cent (IBEF - Indian Retail Industry Report, 2021). The retail sector growth in India is backed up by several factors like rapid urbanization, robust industrial policy, socio-economic and cultural development, Modern family structure, increase in income, rapid changes in consumer habits, supporting digital infrastructure, internet connectivity, and digital disruption in the retail organization.

## **BACKGROUND**

### **Digital Transformation in Indian Retail**

The Indian retail sector has undergone several transformations in recent years and is one of the most dynamic worldwide. In addition, Kearney's Global Retail Development reports show several insights into the Indian retail sector. First, it states that Indian E-Commerce is estimated at 41 billion dollars and will poise to grow 25 per cent in 2025. Second, E-Commerce Gross Value Added shows an increasing trend in India's Tier 2, 3, and 4 cities. In addition, it indicates that the Tier 2, 3 and 4 cities' consumers' behavior substantially moved towards branded products and accepts the E-Commerce offerings. Third, it states that India's Tradition trade share or unorganized retail share is anticipated to drop from 92 per cent to 82 per cent by 2025 (Smriti Tankha, 2021). Fourth, the report states that Indian consumers and retailers are taking up digital technology's solutions, and the pandemic further propels it.

Further, on the one side, E-Commerce giants are actively participating with Brick-and-Mortar retailers and trying to minimize the delivery time. On another side, Kirana stores are transforming their storefront with various digital technologies like contactless payments, rewards, and door delivery service through WhatsApp orders. In addition, Reliance, Flipkart, and Amazon has initiated offering digital technologies to Kirana stores and plans to digitize Kirana store. Further, Several E-tailers also use Artificial Intelligence and Data Analytics software to provide tailor-made services to their customers, enhancing the customer experience and satisfaction.

Indian government plays an anchor role in this transformation, and the Government of India is working hard to thrive retail sector by initiating several initiatives like ameliorating government policies, robust investment in digital infrastructure, creating a favorable business climate for retail enterprise, supporting startup business ideas in retail, promoting self-reliance technologies among the retailers and consumers. These players boarded the Unorganized retailers on their platforms, allowing them to utilize their services. Acceptance of these platforms by the unorganized retailers will provide multiple benefits in terms of minimizing their competition from E-tailers & organized retailers, maximizing their market share, revenues, and cost of purchase, enhance customer experience, satisfaction, and engagement. It would not be a distant reality right now that circumstances like pandemics & lockdowns modified the minds of customers and retailers to accept the E-Commerce technologies in their business and day-to-day purchases.

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