

# E-PROCUREMENT IN THE MSME SECTOR A STUDY ON INDIA'S PERSPECTIVE

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## Abstract

*Scientific research is required to have a clear understanding of the current trends, particularly when it comes to a nation that produces a lot, like India. This study seeks to determine how perception, organisational size, and purchasing environment have an impact on the adoption of e-procurement in Indian assembly SMEs. Because it calls for the use of electronic media and avoids the extensive use of paper and printing, e-procurement falls under the category of green purchasing. The results show that e-procurement adoption by small and medium-sized businesses in India is unaffected by perceptions, organisational size, or purchasing conditions. Despite the fact that they frequently look for suppliers online and via email, when it comes to actual purchasing, they prefer traditional modes of procurement. An intensely personal relationship between the buyer and seller defines the procurement process. As a result, online procurement has not become widely used by India's small businesses in the assembling industry.*

*MSMEs, or miniature, the industrialization of a country is built on the foundation of small and medium-sized businesses. Since India's independence, MSMEs have developed into a distinctive and vibrant sector of the country's economy. MSMEs are essential to the fight against the economic illiteracy of rural and underdeveloped areas of the country, supporting the growth of large industries, and maximizing the use of the nation's resources. MSMEs play a significant role in the*

*nation's employment landscape and have a huge impact on the region's prosperity, which helps to narrow income, wealth, and consumption gaps. The MSMEs sector is important to the Indian economy.*

**Keywords:** *E-Procurement, India's Perspective, MSME Sector.*

## 1. Introduction

The network of suppliers, distributors, and customers is referred to as the "supply chain." Along with the final consumption, Transport from the supplier to the customer is also included. The environmental effects of product development, manufacturing, storage, transportation, use, and waste disposal are all interrelated. The practise of tracking and enhancing the supply chain's environmental performance is referred to as "green supply chain" in this context. According to Hand field and Nichols (1999), the phrase "Green Supply Chain" should encompass all kinds of activities related to the flow and transformation of products from natural sources (extraction) through the end user, as well as any related data flows, and material and data streams throughout the supply chain. Businesses' overall sustainability initiatives now include sustainable purchasing practises, stringent quality control, customer focus, ongoing improvement, and zero waste generation. We might want to concentrate on green purchasing in this essay with particular attention to purchasing strategies designed primarily to reduce paper use and time delays with additional benefits like global supplier connections and seamless data progression. E-procurement is regarded as a tool that makes green purchasing possible. The literature review and our hypothesis are presented in this paper along with the methodology, information analysis, results and discussion, and future research directions.

The Micro Small and Medium Enterprises (MSMEs) sector makes a significant contribution to the socioeconomic development of the country. The sector's contribution to the GDP and exports of the country has led to a significant increase in its significance in India. Particularly in India's semi-metropolitan and rural areas, the sector has significantly contributed to the growth of entrepreneurship.

According to the provisions of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the Micro, Small and Medium Enterprises (MSME) are divided into two classes, namely Manufacturing Enterprises and Service Enterprises.

## 2. Literature Review

Supply chain has been built on data technology. It facilitates the seamless transfer of inter-hierarchical correspondence and aids in quickly adapting to changes in business decisions (Devaraj et. al, 2007). One of the supply management topics that is currently receiving the most attention is electronic procurement, which has the potential to fundamentally alter the way that purchasing is done. In fact, it represents a revolution in terms of online shopping.

In order to complete some or all of the steps in the procurement process, such as sourcing, searching, negotiating, ordering, receiving, and reviewing the purchase after it has been made, Internet-based (integrated) data and correspondence technologies (ICTs) are used. This practise is known as e-procurement. About half of American consumers now conduct business online, according to the International Purchasing and Supply chain management Institute in the United States (IPSCMI). This suggests a change in the way business is conducted (Caridi, 2004). E-Procurement, in the opinion of many businesspeople and academics, is a crucial tool for improving competitiveness in the current business environment through efficiency and effectiveness. In general, supply chain knowledge and procurement efficiency are taking on strategic importance in organisations.

Evidence from the USA indicates that e-procurement has become established and is expanding quickly (Caldwell et al., 2002). E-procurement has been successfully implemented by the Korean Public Procurement Service. The Government Electronic Procurement Service (GePS) has been beneficial since 2002. This project's objective is to develop a national web-based procurement system that manages the entire procurement process, including the collection of all data for public procurement projects, requests for bids, contracting, and payment for 27000 public organisations and 90000 private businesses (PPS, 2002). A study conducted in the UK and Italy claims, the best

environment for e-procurement is one where there is a straight repurchase. This is because the two participants understand each other very well and that only the quantity required to complete the order is required. Modified Re-purchase does not apply here, and New Task is more difficult.

Environmental awareness is considered to be one of the elements that will support green supply chain practises. Even if there are only a few options for doing it, consumers' perspectives on greening can help strategists, marketers, and business strategists effect some change in the real world (Heiskanen, 2005). Through their awareness of and reliance on the environment, the companies' environmental practises can be understood. The results of a study done with one of the companies in Hungary, where the association's culture is infused with the organization's environmental values, clearly demonstrate this (Zsoka, 2007). Australian small- and medium-sized businesses (SME) managers and owners were aware of certain environmental risks, according to a different study practises have long-term benefits for their company.

This region's uniqueness raises challenging issues (Sarkis, 1999). Green purchasing is one component of the green supply chain, to name just one. Green purchasing refers to a variety of environmentally friendly initiatives, including Environmental requirements on approved supplier lists, supplier environmental reviews and assessments, supplier environmental questionnaires, independent environmental certification requirements, collaboration with suppliers to develop cleaner technology/processes, involvement of suppliers in design for the environment, and developing new products/processes According to Min and Galle's (1997) empirical analysis, regulatory controls from the government, not environmental friendliness, are to blame for how green purchasing is received by businesses. In an empirical study of ten organisations, Drumright (1994) sought to understand the drivers behind green purchasing as well as the traits of these types of businesses. Even though some businesses engage in CSR, Better disclosure of social and environmental performance is required.

It goes without saying that within a single industry, different businesses will have different cost-benefit ratios (Lamming and Hampson, 1996). Despite the fact that steps toward environmentally safe supply chain practises must be taken, it is unclear how successful these initiatives have been

or how they relate to association success (Rao, 2002). It's possible that not all companies operating in a given sector will experience the same benefits from socially responsible investments, such as adopting greener practises (Rivoli, 2003). Given that green products cost more than traditional ones, they frequently hold less than 5% of the market. Recent cost management techniques, especially those that actively manage directly and indirectly incurred costs, can improve decision-making capabilities.

### **3. Mandate of the Ministry of MSME**

On May 9, 2007, the former Ministries of Small Scale Industries and of Agro and Rural Industries merged to form the Ministry of Micro, Small, and Medium Enterprises (M/o MSME). The Ministry creates policies, promotes/facilitates programmes, projects, and schemes, and monitors their implementation to help MSMEs and support their growth.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 and addresses a number of issues affecting MSMEs, such as the sector's investment cap and coverage. The MSMED Act seeks to boost these companies' competitiveness while also accelerating their rate of growth. The following are the main provisions of the MSMED Act:

Establishing The MSME Minister oversees a National Board for Micro, Small, and Medium-Sized Enterprises, whose duties include reviewing central government policies and programmes, examining the factors influencing MSMEs' growth and development, and making recommendations on how to best support those processes and boost competitiveness.

It provides the legal framework for the recognition of the concept of "enterprise," which encompasses both assembling and service entities. It combines the three levels of medium-sized businesses—Micro, Small, and Medium—and offers an intriguing definition of them—into one.

It delegated to the Central Government the power to carry out policies, set standards, and issue directives to advance and improve MSMEs' competitiveness.

#### 4. Definition of Micro, Small and Medium enterprises:

According to The MSMED Act of 2006's provisions apply to Micro, Small, and Medium-Sized Enterprises (MSME) in the following categories:

- (I) A small business with a turnover of no more than five crore rupees and an investment of no more than one crore rupees in machinery, equipment, or plant;
- (II) A small company with a revenue of up to 50 crore rupees and a maximum investment in plant, machinery, or equipment of 10 crore rupees; and
- (III) A medium-sized company with a maximum annual revenue of 200 and a half crore rupees and a maximum annual investment in machinery, equipment, or plant of 50 crore rupees.

#### 5. Role of MSMEs in Indian Economy

**5.1.** Through business innovations, the expansion of entrepreneurial endeavors has been significantly aided by the Micro, Small and Medium Enterprises (MSMEs). In order to satisfy domestic and international markets, MSMEs are increasing their market share across all economic sectors and offering a wide range of products and services. Using current exchange rates, the MSME sector contributed the following to the nations GDP and gross value added (GVA) from 2014–15 to 2018–19, according to information from the Central Statistics Office (CSO), M/o Statistics and Program Implementation:

**Table: 1.** Share of Gross Value Added (GVA) of MSME in all India GDP

Figures in Rs. Crores adjusted for FISIM at current prices						
Year	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	All India GDP	Share of MSME in all India GDP (in %)
2014-15	2561869	-	11052497	41.70	21649795	38.43
2015-16	3095442	20.79	21759944	42.82	31817747	38.84
2016-17	4320291	20.80	31692500	42.42	51936691	38.52
2017-18	6068934	21.89	51151311	41.97	71903840	38.57
2018-19	7514657	21.77	71312699	42.60	81792173	40.72

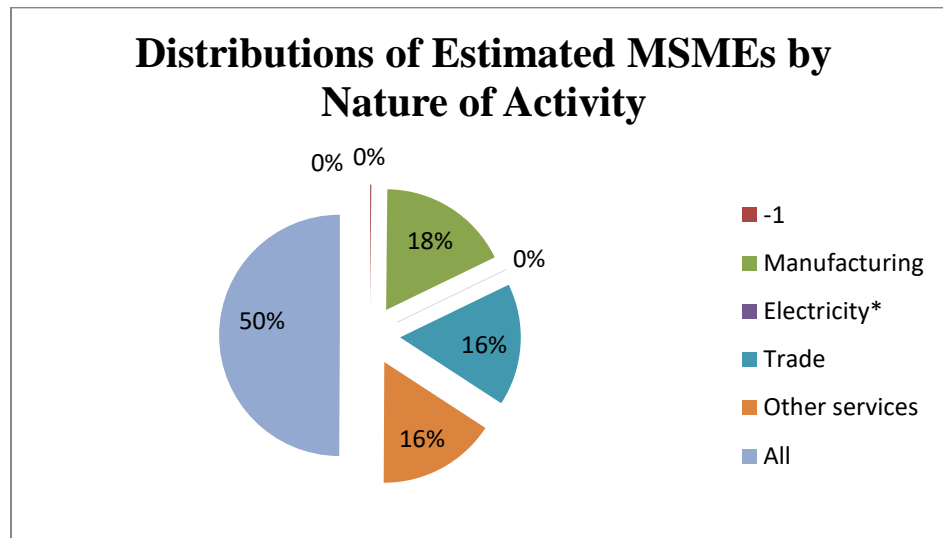
## 5.2. Key Results of NSS 73rd Round Survey (2015-16) on Micro, Small and Medium Enterprises

### 5.2.1 Estimated number of MSMEs in country:

**5.2.1.1** The industrialization of provincial and backward regions, among other things, as well as the reduction of regional imbalances and the assurance of MSMEs in India have made significant contributions to a wealthier and more equitable distribution of public resources. Additionally, they offer substantial employment opportunities at capital costs that are lower than those of large industries. There were 1120.81 lakh unincorporated non-agricultural MSMEs operating in the nation during the 2015–16 period, according to the National Sample Survey (NSS) 73rd round, which was conducted by the National Sample Survey Office, Ministry of Statistics and Program Implementation (including manufacturing, trade, and other services, but excluding those MSMEs registered). In Statement No. 2.1 and Figure 2.1, the distribution of MSMEs is depicted movement-wise.

**Table: 2.** Estimated Number of MSMEs (Activity Wise)

Activity category	Estimated Number of Enterprises ( in lakh )			Share (%)
	Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)
<b>Manufacturing</b>	223.41	73.05	296.46	33
<b>Electricity*</b>	0.02	0.12	0.14	36
<b>Trade</b>	207.17	212.46	419.63	0
<b>Other services</b>	201.00	203.58	404.58	31
<b>All</b>	631.6	489.21	1120.81	100



**Figure: 1.** Distributions of Estimated MSMEs (Nature of Activity Wise)

## 6. Government Policies

For the growth of MSMEs in the nation, the Indian government has developed a number of policies.

- As of March 2022, the Pradhan Mantri MUDRA Yojana (PMMY) scheme had approved 48.92 million loans, disbursing a total of Rs. 3,02,948.49 crore (US\$ 39.90 billion).
- The Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs was given a budget of Rs. 50,000 crore (US\$ 6.55 billion) in the Union Budget for 2022–2023.
- The Indian government allocated Rs. 6,062.45 crore (US\$ 808 million) for the Raising and Accelerating MSME Performance scheme on March 30 2022. (RAMP). The programme aims to increase market and credit access, improve center-state connections and partnerships, address late payment issues, and green MSMEs. It also aims to strengthen institutions and governance at the centre and state levels.
- For the services industry, the Indian government introduced the Special Credit Linked Capital Subsidy Scheme (SCLCSS) in November 2021. This programme will assist businesses in the services industry in meeting various technological requirements.



- In November 2021, the Ministry of Micro, Small, and Medium Enterprises introduced SAMBHAV, a public awareness campaign designed to promote domestic manufacturing and entrepreneurship and advance economic development.
- The "India Export Initiative" and the "India Exports 2021 Portal" were introduced in September 2021 by Union Minister for MSMEs, Mr. Narayan Rane. By the end of FY22, this initiative will help exports reach their target of Rs. 2,928,000 crore (US\$ 400 billion) and will further help them reach Rs. 7,320,000 crore (US\$ 1 trillion) by FY27.
- To support the local silk industry and create jobs, the Khadi and Village Industries Commission (KVIC) opened the first "Silk Yarn Production Center" in Odisha in September 2021.
- The Rohtak Technology Center will be officially opened in September 2021 by Union Minister for MSMEs Mr. Narayan Rane, who most people would consider to be preparing more than 8,400 trainees annually.
- The SPIN (Strengthening the Potential of India) scheme was introduced by the Khadi and Village Industries Commission (KVIC) in September 2021, and a pottery cluster was built in Varanasi under the SFURTI Scheme to support more than 1,100 local marginalised potters.
- To speed up the payments ecosystem for MSMEs, the Lok Sabha passed a bill titled "Considering Regulation (Amendment)" in July 2021.
- The budget allocation for MSMEs increased significantly from Rs. 7,572 crore (US\$ 1.03 billion) in FY21 to Rs. 15,700 crore (US\$ 2.14 billion) in FY22.
- The government also announced collateral-free programmed loans for businesses valued at Rs. 3 lakh crore (US\$ 40.85 billion).
- The government provided funds worth Rs. 10,000 crore (US\$ 1.36 billion) for "Guarantee Emergency Credit Line" (GECL) offices to qualified MSME borrowers in the Union Budget 2021, giving the sector a significant boost.

## 7. Conclusion

Due to India's rapid economic growth and welcoming business environment, many multinational corporations choose to establish and grow their operations there. The manufacturing industry in India makes a sizeable contribution to the GDP. As a result, there are many small and medium-sized companies operating in this sector. Given this situation, western corporations seeking to conduct business in India that have adopted green manufacturing practises or are in the process of doing so should have a thorough understanding of those practises in India. In many other countries, advanced level research has been ongoing for some time, but no study has been done to understand the fundamentals of green purchasing in the Indian context. Indian small and medium-sized businesses in the assembly sector don't seem to be particularly knowledgeable about green procurement, despite the fact that some multinational corporations follow a few green practises that are propagated from their corporate headquarters. This information supports that. The size of the organization overall (measured in terms of annual turnover and employee strength), the various buying scenarios overall (straight rebuy, modified rebuy, and new task), and the perception of online shopping overall have no bearing on e-Procurement (price, quality, technology, and delivery). As was already mentioned, relationships would help small and medium-sized businesses grow and prosper by allowing them to work with their clients and suppliers. This demonstrates to the working managers in Small and Medium Companies that they would benefit from tackling E-Procurement head-on while giving relationship management their undivided attention more quickly than just focusing on relationship management with conventional procurement practises.

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