

## AN ANALYSIS OF E- PROCUREMENT FOR MICRO SMALL SCALE AND MEDIUM ENTERPRISES IN INDIA

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### Abstract

*Despite the obvious advantages, member states are lagging behind in adopting this new outlook. Furthermore, there is still a dearth of theoretical understanding and insightful evaluation of Pe-P. This essay commits to filling the gap in the literature on Pe-effects P's by providing early evidence of the drug's acceptance in Portugal. Our review will follow a case-based methodology that includes interviews with managers from the Portuguese development sector in order to comprehend the advantages and challenges of Pe-implementation P's in small- and medium-sized businesses (SMEs).*

*Extensive research has been done on the performance of MSMEs after liberalisation and their prospects for the future. Researchers have also attempted to identify significant issues and difficulties faced by MSMEs in India. The paper also discusses significant legislative actions taken by the government and new programmes launched for the growth of MSMEs in India. The development of industrialization in a nation is built on the foundation of micro, small, and medium-sized enterprises, or MSMEs.*

*MSMEs have grown to be a significant and dynamic sector of the Indian economy since independence. MSMEs play a significant role in eradicating 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.*

**Keywords:** *E- Procurement, Micro Small Scale And Medium, India, MSME.*

## 1. Introduction

Public procurement is regarded as a significant capability of government, and many public sector organisations across the globe have identified e-procurement as being fundamentally important for the e-government agenda. However, there hasn't been much research done on public e-procurement (P e-P) initiatives. This may be due to the fact that public sector e-procurement implementation initiatives are still in their infancy. However, a lot of associations require direction on how to move forward with this new technology, system, and processes because e-procurement is currently one of the focal points in the e-government arena. Small- and medium-sized businesses (SMEs), while playing a crucial role in employment and the economy as a whole (Doern, 2009), may find it difficult to participate in open procurement. However, there is still a lack of current information regarding small businesses and public procurement.

MSMEs have become a vibrant and dynamic part of the Indian economy. MSMEs provide an important line of business for the Indian industrial sector. They contribute significantly to the economy in terms of manufacturing output, job creation, and exports. The businesspeople in this industry work hard and intelligently to try to take advantage of opportunities as effectively as possible. MSMEs are focused on smaller markets, require lower investments, and promote efficient resource activation and equitable distribution of tax revenue.

MSMEs contribute significantly to economic growth because they have a vast network of over 30 million units, employ about 70 million people, and assemble more than 6000 items. The MSME sector significantly aids in achieving the goal of increasing GDP as the country advances its development agenda. The formidable element of the nation's outstanding economic development is today's presence of MSMEs across sectors.

Micro, Small, and Medium-Sized Enterprises (MSME) are three different types of associations collectively referred to as the MSME sector. As of this writing, the following criteria are used to define these associations:

**Table: 1.** Classification of Micro, small and Medium Enterprises in India

Type of Firm	Manufacturing Sector (Investment in Plant and Machinery)	Service Sector (Investment in Equipment)
Micro Enterprises	Does Not Exceed Rs 2.5 Million	Does Not Exceed Rs 1.0 Million
Small Enterprises	More Than Rs 2.5 Million But Does Not Exceed Rs 50 Millions	More Than Rs 1.0 Million But Does Not Exceed Rs 20 Million
Medium Enterprises	More Than Rs 50 Million But Does Not Exceed Rs 100 Million	More Than Rs 20 Million But Does Not Exceed Rs 50 Million

## 2. Review of Literature

Numerous studies on various topics relating to MSMEs have been carried out in India. Researchers have worked hard and honestly to focus on the pertinent literature on the subject. The following are a few noteworthy studies:

Sen, Salim (2016) carried out a review to address the significant regional variation in the growth of the MSME sector. Realizing the significance of this industry, the governments of West Bengal and India jointly introduced a number of programmes to address the problems of high credit costs, staffing, planning, and insufficient infrastructure. Vasa (2016) conducted research on a few chosen chemical, pharmaceutical, and textile industries in China and India, as well as their impact on the performance of SMEs in these industries. However, there are still some issues with MSMEs, such as a lack of sufficient capital, a lack of access to the global market, high credit costs, issues with staffing, arranging, and item shows, insufficient infrastructure facilities, etc.

N. Aruna (2015) reviewed the literature to find the issues that businesses face that hinder their growth, which in turn hinders national development. Additionally, the data gathered showed that India's overall business environment, which has become more globalised, has been favourable for

the growth of micro and small-scale industries. To ensure compliance and secure benefits, policies and procedures must be made simple and clear so that these businesses can use, understand, and implement them. There are many government programmes, but it was noted from the review that many of these businesses are unaware of them and have no idea how to take advantage of them.

In order to comprehend, analyse, and interpret the role of micro enterprises in Haryana's rapid development, Goel, Prakash (2014) conducted a review. Four economic indicators—the number of units, investment, employment, and creation—have been used as yardsticks to assess how committed microbusinesses are to improving the state's financial situation and economic climate. We require excellent governance, which means a SMART (SIMPLE, Moral, Action Oriented, Responsive, and Transparent) organisation, to ensure the implementation of the policies and projects for micro enterprises. Sangeetha Kavitha (2014) investigated the conditions of small businesses in Tirupur. With regard to modern association, city infrastructure, electricity deficit, export procedures, workforce association, government policies, contamination, etc., Tirupur's industrial development has also encountered a number of challenges along the way. This study makes an effort to analyse various exporters' problems in Tirupur. Government must address the significant issues of competition, unrefined component supplies, power shortages, etc. by developing appropriate policies and strategies. According to Chandraiah and Vani's (2014) analysis, the MSME sector faces significant difficulties including the inability to obtain sufficient and timely credit, high credit costs, the requirement for collateral, restricted access to equity capital, the cost of purchasing natural resources, etc. Measures to address issues with credit, money, cluster-based development, infrastructure, technology, marketing, etc. are included. A review was conducted by Ali and Husain (2014) to present the situation with MSMEs in India. There are situations where getting credit from banks is necessary, rural industries are competing with multinational corporations, people lack technology knowledge because there are no accessible preparation and skill development programmes, etc. Foreign banks are less interested in supporting credit for the MSME sector.

According to the general manager's perspective on the financial manageability of chosen textile companies in Tamil Nadu, Jessica, Marimuthu (2013) identified the challenges textile companies

face. The development of MSMEs is crucial for India's development, as Srinivas, K. T. (2013) demonstrated. In the state of Karnataka, he conducted research to comprehend the idea of MSMEs and their needs, as well as how best to use the financial guides offered to MSMEs. Gupta and Agarwal (2013) focused on various MSMEs programmes with particular attention to SIDBI. It concentrated on various financial and non-financial assistance programmes offered by SIDBI to MSMEs. (2013) Rao and Apparao conducted research on MSMEs' contributions to the GDP, employment, and their function in the supply chain for big businesses. They observed that many MSMEs in rural and provincial areas struggle with a lack of funding for expanding their businesses. MSMEs need a mix of startup capital, operating capital, and investment funding to thrive in today's cutthroat business environment. Yadav (2013) investigated how MSMEs sought out commercial banks for short-term borrowings following their highest use of trade credit. Due to the market access restrictions in these sectors, the owner's assets are in short supply. Shihabudheen N. (2013) focused on the advantages and goals of the MSMEs Act 2006. The goal of the demonstration is to give MSMEs access to resources for business growth and increased competitiveness. The review was necessary to determine how MSME follow-up affected SSI Units and to propose solutions for improved performance. For growth, development, and enhancing competition, special assets and progressive credit policies for micro and small businesses were created. The review has made use of both primary and secondary data.

### **3. Objectives of Study**

The study was conducted with the following two key goals in mind:

- Researching the performance and future prospects of MSMEs in India
- To learn about the various issues and difficulties faced by MSMEs in India

### **4. Research Methodology**

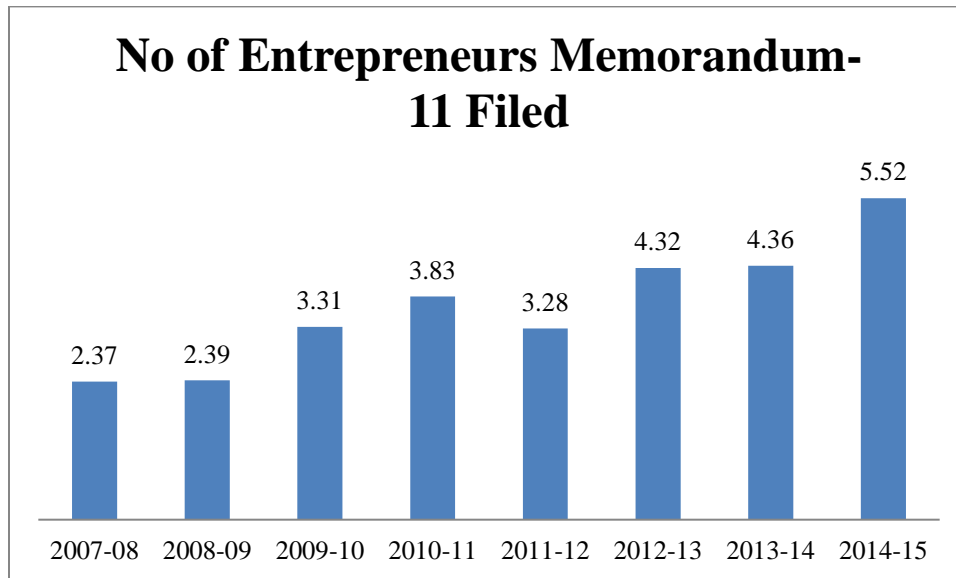
Secondary data pertaining to various parameters has been gathered and analysed in order to meet these research goals. The data were gathered from various reports and the official websites of pertinent organisations.

## 5. Evaluation of Performance of MSMEs

**Number of Entrepreneurs Memorandum-II filed by MSMEs at DICs under Various State/UT Commission rates/Directorates of Industries during 2007-08 to 2014-15**

**Table: 2.**

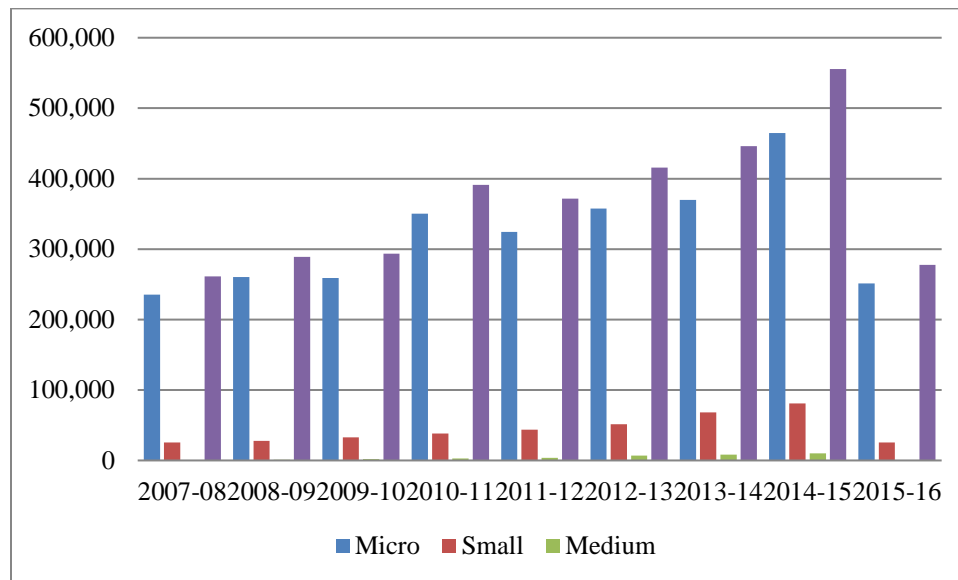
<b>Year</b>	<b>No of Entrepreneurs Memorandum-11 Filed (in Lacs)</b>
2007-08	2.37
2008-09	2.39
2009-10	3.31
2010-11	3.83
2011-12	3.28
2012-13	4.32
2013-14	4.36
2014-15	5.52



**Figure: 1.**

**Number of Entrepreneurs Memorandum-II Filed by Type of Enterprises**

Year	Micro	Small	Medium	Total
<b>2007-08</b>	2,35,210	25,370	576	2,61,156
<b>2008-09</b>	2,60,326	27,927	803	2,89,056
<b>2009-10</b>	2,58,801	32,708	1,904	2,93,413
<b>2010-11</b>	3,50,212	38,251	2,632	3,91,095
<b>2011-12</b>	3,24,395	43,525	3,494	3,71,414
<b>2012-13</b>	3,57,678	51,205	6,994	4,15,877
<b>2013-14</b>	3,69,652	68,271	8,227	4,46,150
<b>2014-15</b>	4,64,602	80,822	9,921	5,55,345
<b>2015-16</b>	2,51,405	25,673	715	2,77,793



**Figure: 2.**

## 6. Major Problems Faced By MSME Sector In India

According to a number of studies and reports, Micro, Small, and Medium Enterprises (MSMEs) in India face numerous issues and difficulties. The principal ones are as follows:

- Inadequate funding and technical expertise
- A lack of timely and sufficient credit facilities
- Deficient Infrastructur
- Needs for collateral
- Limited access to international markets
- A lack of access to modern technology and low levels of technology
- A lack of qualified labour for marketing, services, and other manufacturing-related tasks.
- Inefficient marketing plan
- Limited production capability
- The complexity of labour law compliance procedures as well as their multiplicity.
- Delays in obtaining legal authorizations for things like power, the environment, and labour.



## 7. Important Support Services Offered To MSME Sector In India

In order to support the MSME Sector, Public Small Industries Corporation (NSIC) is taking on a sizeable role. The following are important assistance services that NSIC provides to India's micro, small, and medium-sized businesses:

- To boost business and equip MSMEs to compete, NSIC continuously provides various forms of assistance to the MSME sector. Marketing, technology, finance, and other fields all have integrated help services.
- The organisation signed memorandums of understanding with various Nationalized and Private Sector Banks to satisfy the credit requirements. For MSMEs, arrangements are made for bank credit support at no cost.
- Additional marketing assistance is provided in relation to the appropriation of natural substances, tender marketing, exhibitions, buyer seller meetings, and marketing assistance scheme, etc.
- Credit assistance to MSMEs through its various credit support programmes, satisfying MSMEs' credit needs through partnerships with banks, funding purchases of natural resources and marketing initiatives, and credit rating programmes for small businesses.

### 7.1. Initiatives Taken in Marketing

Marketing plays a significant role in the growth of MSMEs. Large businesses have ample resources for marketing their products, but MSMEs require organisational support to control these resources. The urgent need is to support MSMEs by transforming obstacles into chances. Various activities are carried out in order to accomplish this goal, for instance

The NSIC hosts a variety of technology exhibitions to expose Indian MSMEs to new markets and aid in their search for new business opportunities. Support for such exhibitions aids MSMEs' exposure to global business practises and bolsters their entrepreneurial skills.

Exhibitions with a specific theme are organised to give MSMEs in the nation marketing opportunities. By capturing new markets, this aids MSMEs in enhancing various marketing channels.

To bring MSMEs and government agencies together in one location, buyers and sellers meetings are organised. MSMEs benefit from knowing what mass manufacturers need.

In order to increase the marketing potential of products and services, intensive campaigns and marketing advancement events are held to disseminate information about various plans and the most recent developments in technology.

## **7.2. Schemes Started by Government**

- **Scheme for providing financial assistance on international cooperation**

The IC scheme offers entrepreneurs financial assistance for up to 95% of their airfare and space rent. Depending on the size and type of the business, assistance is given. Additionally, it offers assistance with standard delegation costs like shipping and insurance, local transportation, secretarial and correspondence services, printing of everyday inventory, etc.

- **Scheme for providing establishment of new institutions (EDIs), strengthening the infrastructure for EDIs under ATI scheme**

Assistance will be given to organisations that are ready as a capital award for the construction or strengthening of infrastructure and programme support for managing programmes for entrepreneurship development and skill development.

- **Credit guarantee scheme**

A trust called Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was established by the Government of India's Service of Micro, Small, and Medium Enterprises and the Small Industries Development Bank of India (SIDBI) to carry out the Credit Guarantee Fund Scheme for Micro and Small Enterprises. GoI and SIDBI both contributed to the CGTMSE corpus.

- **Credit linked capital subsidy scheme for technology up gradation**

By giving SSI units, such as small, khadi, village, and coir industrial units, a 15 percent up-front capital subsidy on institutional financing they use to introduce well-established and improved technologies in specific sub-sectors/products approved under the scheme, the revised scheme aims to facilitate technology up-gradation.

- **Micro and small enterprises cluster development programme (MSE-CDP)-**

This programmed supports the development and sustainability of MSEs by addressing common issues like the advancement of technology, skills, and quality, market accessibility, capital access, etc. Through the formation of self-help groups, consortia, higher level associations, etc., it creates a limit of MSEs for regular supportive activity. In addition, it plans to build/upgrade infrastructure facilities in MSEs' new/previously-existing modern areas/clusters. The programmed also focuses on establishing standard office facilities (for testing, preparing center, natural substance depot, effluent treatment, complementing creation processes, etc.).

- **Micro Finance Programme**

Assets for SIDBI's "Portfolio Risk Fund," a Microfinance Program funded by the Government of India, are provided (PRF). SIDBI currently accepts fixed deposits equal to 10% of credit amounts. MFIs and NGOs contribute 2.5% of the credit amount (or 25% of the security deposit), and the remaining 7.5% (or 75% of the security deposit) is adjusted from reserves made available by the Government of India.

- **MSME Market Development Assistance (MDA)-**

In exchange for MSME entrepreneurs' participation in international trade delegations and fairs, the programme offers financing up to 75% in respect of forward and return air fare. The plan also includes funding for producing publicity materials (up to 25 percent of expenses). For individual MSMEs and affiliations, sector-specific studies (up to Rs. 2 lakhs) and for litigating hostile unloading cases (half up to Rs.

### 7.3. Various Other Policy Initiatives Taken by Government for MSMEs

- Simplicity of MSMEs' Udyog Aadhar Memorandum (UAM) Registration Process
- MSME Revival and Rehabilitation Framework
- On March 16, 2015, ASPIRE - A Scheme for Promotion of Innovation, Rural Industry, and Entrepreneurship - was introduced. Its goals include the establishment of a network of technology centres, the establishment of incubators to speed up entrepreneurship, and the promotion of new businesses for growth and entrepreneurship in the rural and agriculture-based industries.
- Policy on Public Procurement for Goods and Services Provided by Micro and Small Businesses (MSEs).
- Digital and E-Government Initiatives

## 8. Conclusion

MSMEs play a significant role in generating employment opportunities, providing labour and goods at reasonable prices, and generating export revenue for the country. The government has implemented a variety of initiatives to help MSMEs become more aware of their capabilities. With the government's commitment to provide momentum by incorporating it as a crucial component of its modern strategy, MSMEs are more likely to experience a broader perspective moving forward. Many experts predict that by the end of this decade, the percentage of MSMEs in the national GDP will reach double digits. MSMEs are primarily driven by entrepreneurs, and they play a significant, primary, and dynamic role in all economies. Even though the Indian government is finding numerous ways to encourage the growth of MSMEs and entrepreneurship, there is still a long way to go.

Our review, which employs a case-based methodology, examines the advantages and disadvantages of P e-P using data from Portuguese SMEs. Discoveries show the evolution of e-Procurement in Portugal as well as the factors affecting how well it is received. Businesses, and SMEs in particular, are just beginning to use electronic procurement. People who believe it to be

beneficial, simple, compatible, and okay are more likely to adopt it. We come to the conclusion that drivers are cost-related factors, while technical variables predominate P e-P barriers to SMEs. The difficulty for e-procurement developers is to demonstrate to non-users that their technologies do not violate security or legal requirements and are not too technically challenging for SMEs with limited ICT skills to use. We have also identified a need for market-level research on supplier incentives because, in the majority of the SMEs surveyed, e-procurement hasn't had a significant impact on marketing or business models because these remained centred around the same central idea. A common system for basic operations and a better correspondences management tool were also discovered to be significant enablers. This goal could be used by strategists to encourage SMEs to adopt e-procurement systems.

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