

2012

***Usage of Information & Communication Technology (ICT)
tools by Indian SMEs and its impact on their business***



***Federation of Indian Chamber
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Title of the study

“Usage of Information & Communication Technology (ICT) tools by Indian SMEs and its impact on their business”

Background of the study

IT plays a key role in all the thrust areas of any business cycle like finance, sales & marketing, supply chain management, market research, human resource management and customer feedback for continuous improvement. The need of the hour for SMEs today is to have access to ICT tools for facilitating the production processes, market access, supply chain integration and customer feedback which will help them gain better outreach and eventually result in reducing their business costs and thereby reap higher profit margins. Therefore, this study aims at understanding the awareness of ICT amongst SMEs and its impact in their business productivity. Report also contains the methodology applied and the findings of this study. A survey of 150 companies (small and medium) was conducted across India to understand the usage of ICT tools by SMEs in their various business verticals and how do they feel the usage of ICT tools has impacted their business.

Methodology adopted for the study

Formulation of Objective

“To understand the awareness of ICT amongst SMEs and its impact in their business productivity”

Designing of Questionnaire

Based on the objective of the study, questionnaire (objective type) was designed to record the responses of the respondents (small and medium enterprises).

Type of survey conducted

The responses were obtained through telephonic interviews or receiving duly filled in questionnaire through e-mail.

Data Collection Format

Objective type and undisguised questionnaire was used for data collection.

Sample Size

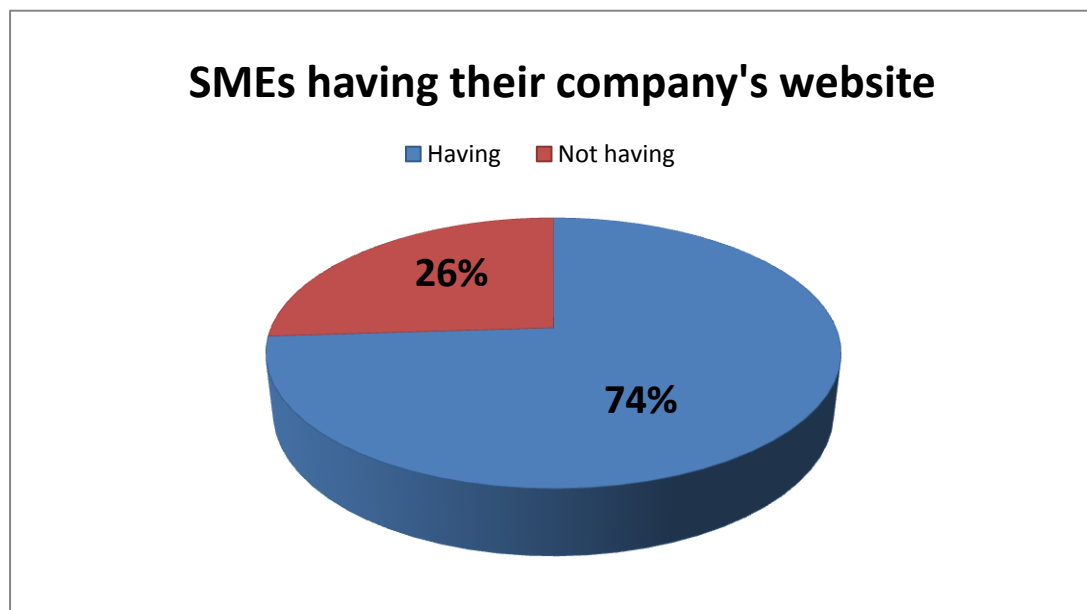
150 respondents (small and medium enterprises) were surveyed across India.

Analysis of data and key findings

I. SMEs were asked whether they have their company's website.

Table I.A. Response marked by the respondents as Yes or NO.

Particulars	No. of responses (out of 150)	(%)
YES	112	74
NO	38	26

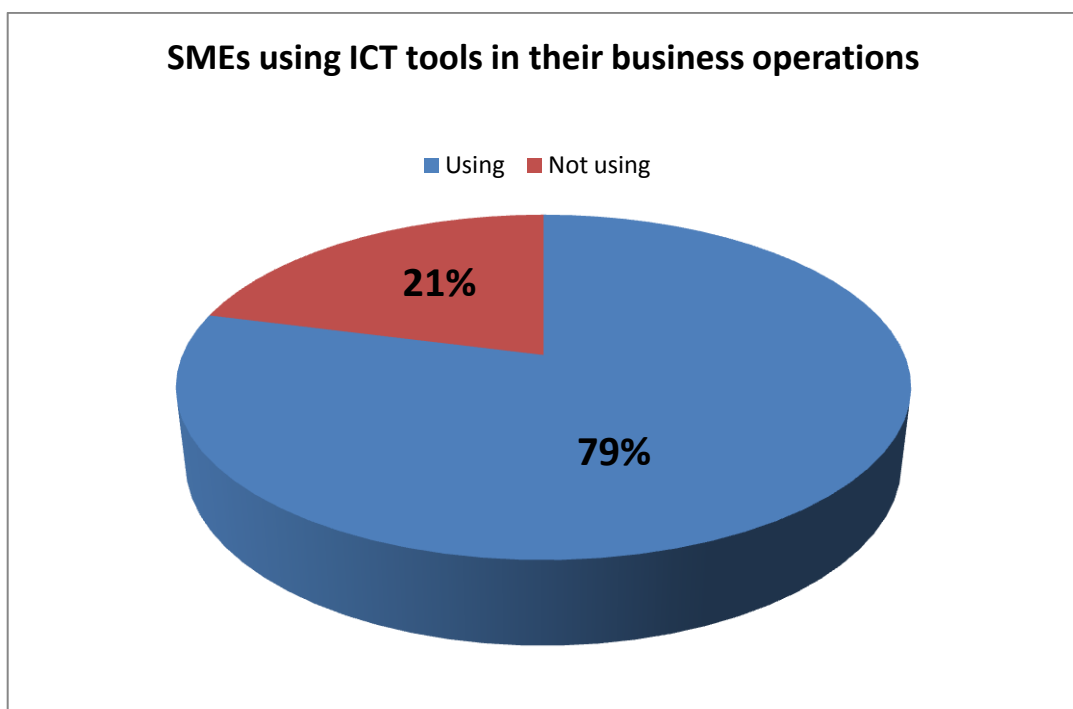


Graph above shows that 74% of the respondents (SMEs) have their company's website. It indicates that people understand the importance of using ICT tools like having a website will improve their presence in the market and amongst the potential customers.

II. SMEs were asked about use of ICT tools in their day to day business operations.

Table II.A Response marked by the respondents as Yes or NO.

Particulars	No. of responses (out of 150)	(%)
YES	119	79
NO	31	21

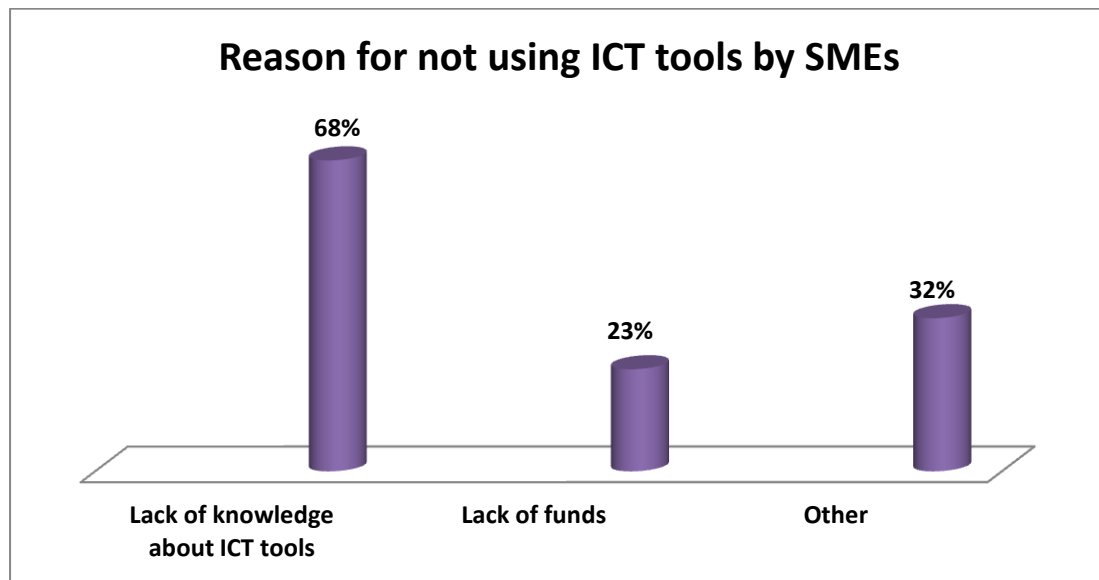


Graph above shows that 79% of the respondents (SMEs) use ICT tools in their day to day business operations. It implies that most of the people are aware about ICT and understand its importance and therefore use ICT tools in their day to day business operations. However, about one-fifth (21%) of the total respondents do not use any kind of ICT tools.

III. If the answer to Question II (above) is No, reason for the same.

Table III.A. Response marked by the respondents

Reason	No. of responses (out of 31)	(%)
Lack of knowledge about ICT tools	21	68
Lack of funds	7	23
<i>Any Other</i>	10	32



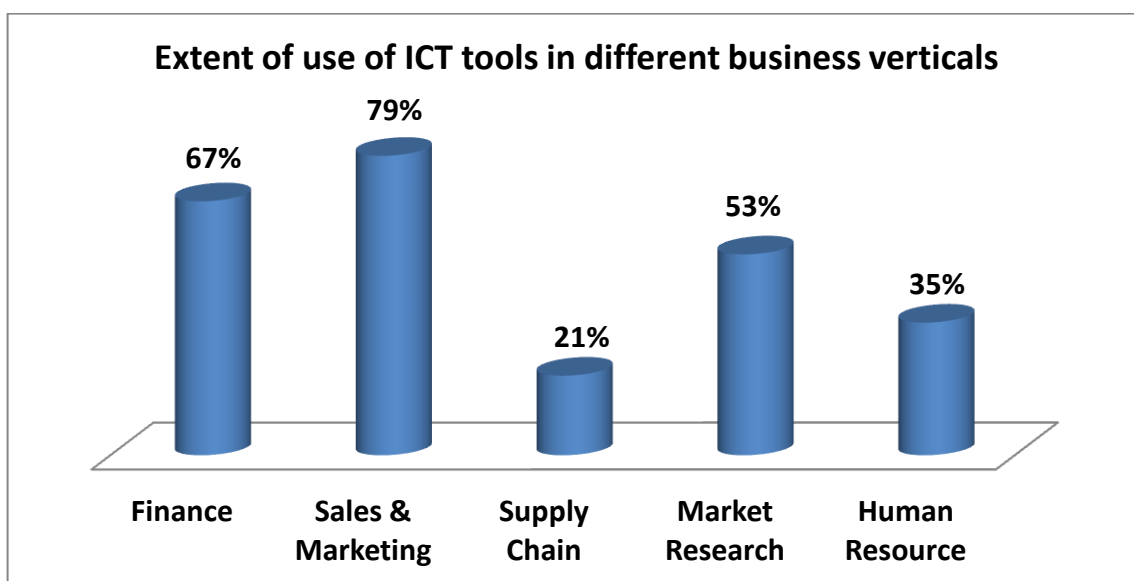
Graph above shows that out of 21% respondents who do not use ICT tools in their business activities,

- 68% do not use because of lack of knowledge about ICT or they do not possess sufficient knowledge on various kinds of ICT tools available and how it can benefit them.
- 23% people do not use as they do not possess sufficient funds to afford ICT tools.
- 32% people say that they do not use ICT tools because they don't feel the need of ICT in their business activities.

IV. If the answer to Question II (above) is Yes, what ICT tools are being used in different business operations.

Table IV.A. Response marked by the respondents for each business vertical

Business Vertical	No. of responses (out of 150)	(%)
Finance	101	67
Sales & Marketing	119	79
Supply Chain	31	21
Market Research	80	53
HR	52	35



Graph above shows that out of 79% people who use ICT tools in their day to day business operations, maximum usage of ICT tools is done for promoting sales and marketing (79%) by different companies (SMEs), followed by finance (67%) and market research (53%). Very few companies (21%) use ICT tools in their supply chain activities.

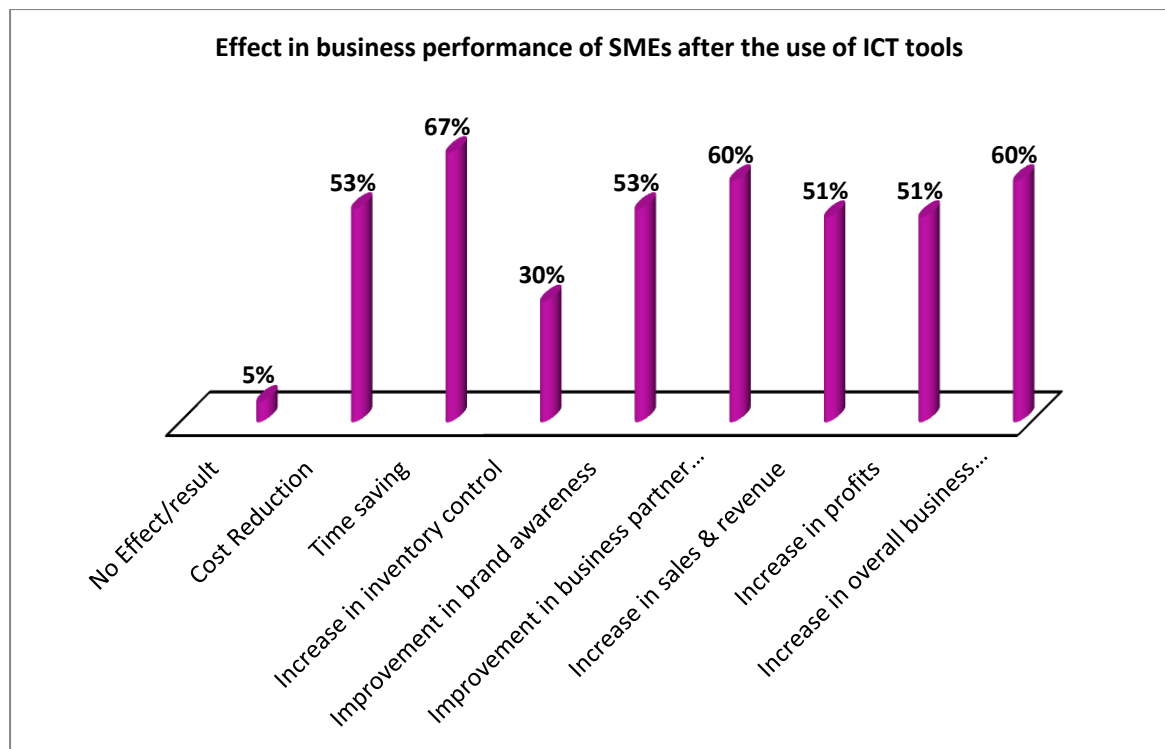
Reason:

- Most of the people are not aware about different supply chain management software like ERP, bar code system etc. which can integrate their supply chain and make the process of inventory management very effective.
- Majority of the companies use the basic ICT tools like internet, emails, B2B portals, tally etc.
- SMEs don't find the need of using sophisticated software/ICT tools like ERP, Bar Code system (BCS) etc.

V. SMEs were asked about the effect/result in their business performance after the use of ICT tools.

Table V.A. Response marked by the respondents

Effect/Result	No. of responses (out of 150)	(%)
No Effect/result	7	5
Cost Reduction	80	53
Time saving	101	67
Increase in inventory control	45	30
Improvement in brand awareness	80	53
Improvement in business partner /customer relationship	91	60
Increase in sales & revenue	77	51
Increase in profits	77	51
Increase in overall business productivity	91	60



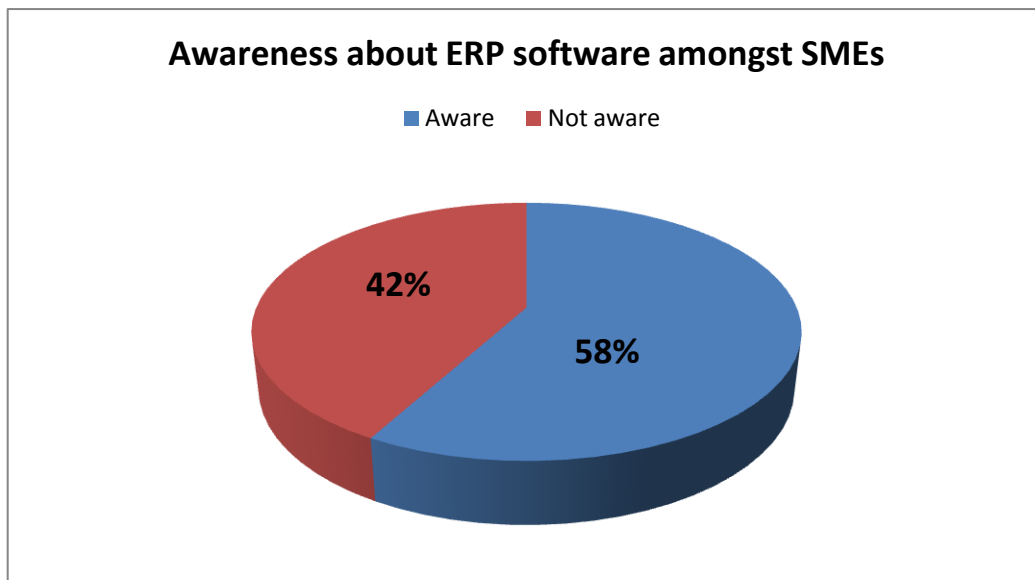
Graph above shows that out of the people who use ICT tools in their day to day business operations, maximum respondents (95%) find them beneficial in one or the other way except only about 5% respondents who feel that there has been no noticeable effect/result in their business after the usage of ICT tools.

- 67% of the respondents feel that maximum effect has been in time saving ie. use of ICT tools has considerably reduced time of business operations across business verticals (sales & marketing, finance, market research etc.)
- 60% people feel that there has been an improvement in the business partner and customer relationship after use of ICT tools like internet, B2B portals, social media like facebook, twitter etc.
- The rating on the improvement in inventory control side has been very low (30%). The reason for this is very less or no use of ICT tools for supply chain management which is also indicated in the analysis above (Question IV).

VI. SMEs were asked whether they are aware about Enterprise Resource Planning (ERP) software.

Table VI.A. Response marked by the respondents as Yes or NO.

Particulars	No. of responses (out of 150)	(%)
YES	87	58
NO	63	42

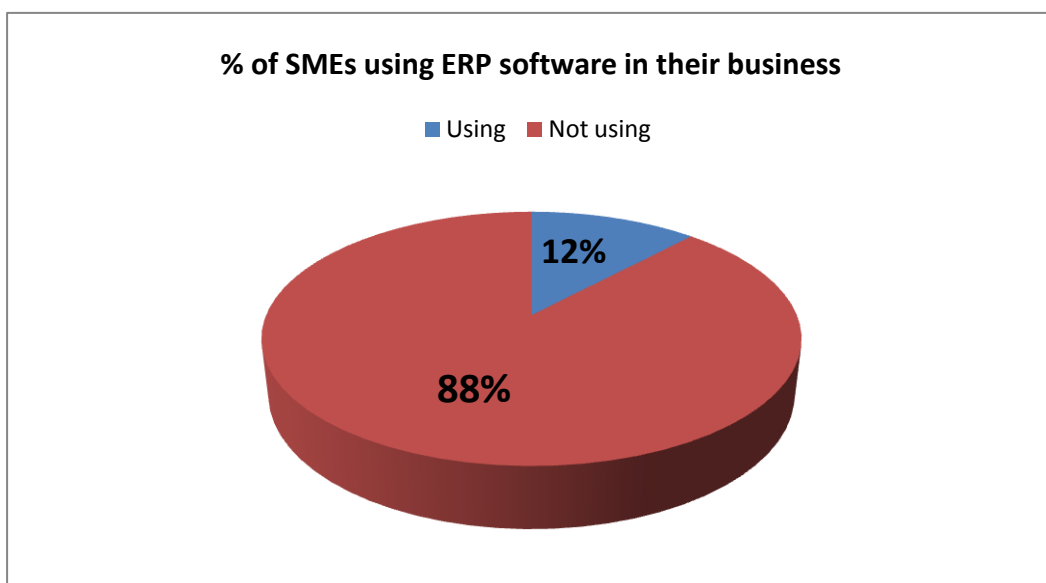


Graph above shows that around 58% respondents are aware about ERP software.

VII. SMEs were asked whether they are using Enterprise Resource Planning (ERP) software in their business operations.

Table VI.A. Response marked by the respondents as Yes or NO.

Particulars	No. of responses (out of 150)	(%)
YES	17	12
NO	133	88



Graph above shows that 88% respondents do not use ERP in their business. In spite of 58% people being aware about ERP, only 12% actually use it in their business. Majority of the people know about ERP but still do not use it.

Reasons:

- People find it very expensive to afford.
- They use some kind of substitutes like tally, MS Access, MS Office etc. which serves their purpose to a large extent.
- People although aware about ERP but do not possess in-depth knowledge on how it can prove to be a great source for easing the day to day business operations.
- Last but not the least, as case may be, many SMEs do not have business operations large enough which requires the need of sophisticated software/ ICT tools like ERP.