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THE ADOPTION OF ELECTRONIC COMMERCE (E-COMMERCE) BY SMALL MEDIUM ENTERPRISE IN MAKING FINANCING DECISION

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Abstract

Electronic commerce (e-commerce) is a very important strategic tool that fascinates many companies to turn their traditional business strategy into e-commerce technology. Nowadays, the use of e-commerce is growing among business organizations throughout the world. It's not only limited to large companies, but also includes Small and Medium Enterprises (SMEs). The

reason why businesses are moving towards of using e-commerce systems because this technology is very cost effective and can make day-today business operations are much more easier. However, some of the SMEs are still underexploited on the potential of e-commerce. Therefore, this paper will be focusing on the discussion about the adoption of E-commerce in small and medium sized business based on the financial decision-making. Journal, case study and articles have been used to support all the discussion and argument on the research problem.

Keywords

E-Commerce, Small Medium Enterprise (SME), Adoption, Finance, Decision and Technology

1. Introduction

In this paper, there will be discussion and investigation about the adoption of Electronic Commerce (E-Commerce) in Small and Medium sized business towards Finance decision-making. What is finance decision making? As we know, finance decision making are tools, techniques and sequence that has been used to collect data and idea, evaluate the options and choose the best outcomes, depending on external and internal factors. For example, in a company, the directors will require all the department heads, accounting managers and segment chiefs to provide information to make finance decision-making. Therefore, the staffs can use E-commerce to operate business and collect the information and data for finance decision-making. Besides, people can also use this technology to pay bills, shopping online and also online banking. Most of SMEs try to transform their traditional business strategy to E-commerce system for the purpose of increasing their business efficiency and productivity financial decision making play an important role in every single small and medium enterprise. Thus, the further discussions on the following part are much more focusing on the investigation of the important of adoption E-commerce in SME towards financial decision-making.

Nowadays, E-commerce plays important roles to people because of the booming of Internet since 20th century. Internet has makes our live become easier as we can shop through e-commerce by just clicking a few button after we go through the details of a product such as the price, quantity and so on. According to a study by E Marketer (2001), nearly three or fourths of the Internet users browsed, surfed and also compared the products online, as it is faster and more efficient. Thus, more and more small and medium sized business is trying to expend their

business from the brick-and-mortar concept to E-commerce system (Nanyang, 2010).

The E-commerce revolution will enhance the commercial viability of the traditional business model. If traditional marketing is a strong marketing push based, then the emergence of online marketing and e-commerce completely changed the basis for the existence of the original marketing theory and practice (Baidu, 2009). Marketing to overcome geographic inaccessibility, the group dispersed and restrictive conditions, consumers are no longer in an entirely passive acceptance-based, but evolved to take the initiative to search on the web and passively receive information media. Marketing strategy around the product information dissemination in large part to planned and performed. The two-way interactive communication mode was shortening the distance between customers and enterprises. The spread of consumer variety choice, individual needs and the household active Internet search will replace the traditional one-way push mode of transmission. E-commerce gives the user a personalized service and products, to create and guide the consumer trend to become the new marketing trend and create a strong business for the enterprise (Sohu, 2011).

As we all know, the large-scale distribution channels need to spend a lot of manpower and material resources and a longer period of time in their operations. Therefore, there will be a hush finance decision to make for small and medium sized business in these particular roles (Nanyang, 2011). This channel once completed has become an important resource for SME. Many large enterprises use their own distribution network to control customer base, while preventing the entry of competitors. In the e-commerce environment, circulation has undergone drastic changes greatly and helps to reduce time, cost of the establishment distribution networks and channels monopoly cease to exist. Therefore, the use of E-commerce is the greatest tool for SMEs means in order to overcome the competitiveness of big enterprises.

E-commerce for enterprises is important to broaden the relational interface and enable enterprises to improve their management capacity in the open market system. This technology also has changed corporate business model by enhancing business cooperation between enterprises and obtain the key to success in the knowledge economy (Haque & Khatibi, 2005). Network of e-commerce trade society as an organism, has changed the view from a single enterprise production and marketing to the entire industry, in turn continue to trade with all business organizations including suppliers, transporters, distributors, banks and other financial

institutions as well as government departments, news media, international economic organizations. Then, resulting the prices to be more open and encourage more free market exchanges with the outside world.

In the broadcast view, the network is a new financial management model, the process of e-commerce development in a wave of change. The business will call it as an integral part of the e-commerce (China press, 2011). It is a major step forward in corporate financial management. In the other hand, it is also modern network technology and financial management with the techniques combination. For small and medium sized business, it represents a new financial management model for the 21st century and marks the arrival of a new era of financial management.

2. Literature Review

The development of E-commerce can improve the competitive advantage of SMEs. The main representative of the structure from Harvard Business School-Professor Michael Porter mentioned that, the "Competitive Strategy" and "Competitive Advantage" is used in order to determine the relative competitive advantage in 1980 and 1985. The five forces model for the analysis of industrial competition intensity, the decision the industry competitive strength of the five competitive forces, and the Porter three basic types of competitive strategy on this basis: total cost leadership, differentiation and decentralization strategy (Sohu, 2009).

The development of e-commerce by small and medium business (SME) helps to improve cost leadership strategy, cost savings and create a new way for small and medium-sized enterprises. Network technology also has changed the cost structure of the enterprise and reduces the transaction costs, including all the taxes and transaction costs. Through the network technology, companies can save transaction costs in the production and sales process as well as after-sales service costs. According to the Shanghai Economic News (2003), Shanghai enterprises has make a daily cost savings about 133 million RMB after adopted E-commerce as their company main system. When enter into the network, small and medium-sized business does not require high costs but just rely on imitation and innovation that can increase the possibility to win. For financial management, it truly support SME makes the adoption for E-commerce in 21 century.

The development of e-commerce is an unconventional strategy for SMEs in order to provide the best opportunity for the trendsetters by changing the interaction between customers and enterprises; flexible-manufacturing systems for the design and production of specialized Possible (Gordon & Turner, 1997) Network Economy, SMEs are using the fresh and innovative strategy to establish their own competitive advantage. As successful modern trendsetters, they will establish a web-based knowledge management system, and the various departments of the enterprise as a single entity. Those not only shorten the reaction time of the customer-to-business, and real-time manufacturing scene. Perhaps,, it could also established online customer service system to track orders, real-time processing new orders, understand customer needs and supply conditions, online customer survey and enhance their ability to sell. These show that the fact of convenience of manages the E-commerce (Lambert & Cooper, 2000).

The development of e-commerce SMEs target concentration strategy, implementation targets emphasis on products and services to provide enterprises with the opportunity to participate in market competition to win profits and professional services at a lower cost only for a small number of consumers, e-commerce for small businesses gathering strategy and provides a good opportunity. The second aspect of the advantages of network strategy for the implementation of the target cluster small businesses is technology-driven. Economies of scale are usually the main obstacles for small businesses to enter the market, but with the network, small businesses can get the same technology-based efficiency, the efficiency of small businesses to reduce the importance of economies of scale, completely by the efficiency and speed the advantage to win in the competition with large enterprises. Secondly, the development of e-commerce can improve the core competitiveness of SMEs (Baidu, 2013).

A large number of e-commerce business developments and communication of network resources, flexible practitioners time to complete the request of the company. These financial decisions making precipitate small and medium sized business adopt E-commerce as their first choice. Commercial activity itself is a coordinated process whereby it needs customers and internal coordination between manufacturers, wholesalers and retailers. In the e-commerce environment, it also requires the collaboration of various departments such as banks, distribution centre's, communications departments, technical services, transportation and logistic services process is often interconnected (Gordon, 2007). Therefore, the adoption of E-Commerce in small

and medium sized business towards finance decision making is become more and more due to The convenient and ease of management.

Last but not least, the majority of E-commerce is the main line of calculation computer network. It also represents the various functions of the business activities in a high degree of integration (AC Nielsen, 2004). In addition, E-commerce as well as business is the main parties to integrate in making companies to further improve their efficiency. In the end of discussion, the adoption of E-commerce is highly recommended and encouraged in small and medium sized business towards finance decision-making.

3. Discussion

After E-commerce has been introduced, SME are having new choice and option in handling their business. Previously, most of the SME are having limited capital. However, with this new technology, when they need extra capital to extend their investment, they have few options. Firstly, they can find some outside investor or make some joint venture. Some of the SMEs are using low capital to launch E-commerce system to operate their business because they can reduce the capital. In additional, E-commerce was easier for their finance management compared to the traditional business. In the other hand, SME are able to save lots cost of product, transaction cost and taxes in the process of trading.

As we know, for an organization to function and perform well, human resource management is the core area that must be given undivided attention and effort. It is said that human capital is the most valuable assets for an organization. Conducting appropriate training and development is necessary in every normal organization. Besides, pay according to their performance and offering financial incentives for their remarkable achievements will fully increase the employee job satisfaction. Most of the SME has a serious problem, which is lack of skilled and experienced workers. Besides that, SME also will face aging population issues in the lab our supply. Thurs, adoption of E-commerce by SME will save lots of paycheck in hired workers and problem or conflict in manpower and human resources. In the nutshell, lab our cost will be minimizing to lowest if SME make an adoption of E-commerce.

Every smart entrepreneurs and business owners know that Joint Ventures are the fastest and most effective way to radically increase sales and profits with virtually low capital and low risk, as long as it done correctly. Joint venture can help SME become more efficient and able to

access, sharing of resources and the leveraging of underutilized resources. Joint venture can make high profits, back end income, and having risk control. SME are easier to make joint venture such as Taboo. Taboo is a China website that created a big platform especially for some small and medium sized business to start their E-commerce. Taboo was the most successful and popular online shopping website in China and even Asia. It creates more than 5000 millionaires virtually and help lots of SME succeed in their business. In joint venture system, there will be risk control and more flexible. Its shows that another factor that support SME make adoption on E-commerce based on finance decision-making,

Lastly, it is highly recommended for SMEs to launch E-commerce in their business based on the finance decision-making. All the facts shows that it will create more healthy finance result compare to the traditional model business.

4. Recommendations

In general, SME were small-scale, capital turnover rate was high and the speed of development was fast. Due to the number of reasons, SME often face the hard finance decision for hardware investment. Starting from the first little compatible and pirated software, the last large enterprise data centers have been established, enterprise hardware to go through repeated during the upgrade process. This is print files from the initial to the final realization of e-commerce is a qualitative change.

In this stage, they need to make a small, quick and simple upgrade hardware products for investment. But ten thousands of small and medium-sized enterprises and the existence of such a predicament, they do not have a multi-professional IT technical personnel, hope to have relatively simple, cheap, and easy to manage package of solutions to meet their urgent needs. Of course, in this one like servers, storage, PC and data center hardware investment is essential. As Recommendation, SME should use the low-cost, easy-to-use and efficient strategy as a precondition. In the other hand, the application software must support the use of synchronization upgrade in time to time.

When business growing and expanding, small and medium-sized enterprises using information technology to arm themselves in order to maximize profits in the early stages of this process. However, due to small scale, weak financial strength, it will also focus on the

deployment of information technology mainly concentrated in the simple hardware and cloth online for investment.

The lack of awareness in finance management, knowledge in information technology professionals and leadership in E-commerce is the major factor that restricting the development of SMEs in this system. Besides, the other factors such as practical finance solutions and cost-benefit uncertain are also a large proportion to drag the step and pace of development. In order to ensure the successful of SME in E-commerce, they need to upgrade their hardware and software equipment constantly. This is to ensure they can achieve the effective integration of hardware, software, and solutions, which is the main problem that every single E-business faced.

In general view, the information technology needs of the small and medium enterprises will experience from simple hardware, software purchase, to the solution and service-oriented transformation, because for the growth of their business. Information technology implies a capacity, rather than set equipment. Alabama Intel CO. launched a dedicated computer designed for small and medium-sized enterprises to build e-commerce activities. Intel co-PC manufacturers to provide low-cost computers specify it. Aliabad offers a range of e-commerce applications bundled PC software directly to help SMEs users to solve communication problems in e-commerce transactions, and by no means alone software or hardware products.

The majority problems that faced by small and medium enterprises currently is on how to improve their customer satisfaction, business coverage, provide convenient online transactions and services that enhance their own brand influence. It is a great benefit to them as they can grow quickly and also provides a broad opportunity.

In the history of SME, from the beginning of creation the hardware requirements to the final demand for services, all application-oriented and profit maximization as a starting point in this process. The role of business and IT vendors are changing, which is from SMEs to changing application needs. Besides, SME need always grasp the true essentials of consumer demand is the key of success in E-commerce.

5. Conclusion

In conclusion, it is strongly urge for SME to adopt E-commerce towards their financial decision-making. It is because by embracing this technology it can give a lot of benefits and

advantages to the companies in handling the business. Nowadays, most companies already adopt this E-commerce system in order to operate their business and it has been proven that it can contribute more convenience in using online banking 24-hours by access to the funds in the account. This is also the simplest way in order to save time and money.

In addition, by adopting E-commerce the management of Small and Medium Size business (SMEs) can be more efficient because commercial activity is a coordinated process. Therefore, it needs internal coordination and customer between manufacturers, retailer and wholesalers. In the E-commerce environment, it also requires the collaboration of various departments of the banks, distribution centers, communications departments; technical services and transportation or logistic services process is often interconnected. In addition, E-commerce as well as businesses is the main parties to participate in the business activities of the high level integration. This high level of integration makes e-commerce to further improve efficiency.

Electronic commerce (E-commerce) has been widely perceived as a technology that enables Small Medium Enterprises (SMEs) to compete on par with their larger competitors. Indeed, previous research has also indicated that many significant benefits have been achieved by those SMEs that adopt and use E-commerce in their organizations. Amongst these are reduced costs, increased sales and the ability to reach a global market.

In recent year, the government has encouraged SMEs to use E-commerce to operate their Business. However, other research shows that SMEs in many developing countries are not always maximizing the use of the Internet. Therefore, in this regard, the role of governments and their various partners, including the private sector, need to take more advantage of the opportunities that are emerging in the new IT technology landscape. And governments need to ensure that users benefit not only from being connected to the internet but also from any technological evolutions which can increase the speed of data flows especially in making finance decision and which can help them to reduce costs to consumers. Finally, the adoption of E-commerce is highly recommended and encouraged in small and medium sized business towards finance decision-making.

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