Abstract

Micro, Small and Medium Enterprise (MSME) sector is the growth engine of Indian economy. It has received due attention of policy makers of the country due to its share in national exports, employment and GDP. In manufacturing sector, MSMEs constitute 95 per cent of the total industrial units. Hence enhancing the competitiveness of this sector has become the priority of the Government of India.

B2B e-marketplace is an ICT innovation that facilitates MSMEs to market their products on the internet. On one hand, e-marketplace provides several benefits to MSMEs such as access to broader market, ability to enter supply chain of large companies, access to information at single source and the like. On the other hand, researchers opine that e-marketplaces increase competition among MSMEs and benefits of participation in e-marketplace are higher to large buyers. As use of B2B e-marketplace by MSMEs in India, is in growth stage, there is a need to understand the perceptions and experiences of MSMEs with B2B e-marketplaces. Even though there are empirical studies on adoption of B2B e-business, majority of them either focus on large firms or electronic business in general. There is lack of empirical studies on adoption of B2B e-marketplaces in India, especially in the context of small firms.

This research is an empirical study undertaken in Karnataka state of India and aims to identify the factors that influence the adoption of B2B e-marketplaces by MSMEs. It assesses the services of the B2B e-marketplace used by the adopter MSMEs and benefits achieved using B2B e-marketplaces. The study also identifies barriers to adoption and use of B2B e-marketplaces.

Based on the theoretical frameworks of Diffusion of Innovation, Institutional theory and Transaction cost theory, the study develops a conceptual framework that identifies organization, environment, product and e-marketplace related factors that influence adoption. Using survey method, data is collected from 122 MSME owner/managers and analyzed to identify the significant factors that influence adoption of B2B e-marketplace by MSMEs.

Findings show that the factors organization resources (technical, financial and business resources) and mimetic pressures (pressures from competitors) have significant
positive influence on the adoption of B2B e-marketplaces. It is also found that *product characteristics (complexity of the product and asset specificity)* is related negatively with B2B e-marketplace adoption by MSMEs. Contrary to prior research, the relative influence of e-marketplace factors such as *perceived relative advantage, perceived complexity* and *compatibility* are not found to be significantly influencing adoption of B2B e-marketplace by MSMEs. The research also revealed that MSMEs are currently using B2B e-marketplace with legitimacy or exploration motives.

The adopter MSMEs confirmed only one benefit ‘Improve brand image’. None of the MSMEs could confirm any quantifiable benefits from the use of B2B e-marketplace. It is found that top three barriers to adopt B2B e-marketplaces among both adopters and non-adopters are ‘Service providers do not understand our needs’, ‘Dependent on traditional intermediaries in trading’ and ‘Business partners are not ready’.

Based on the findings, suggestions to B2B e-marketplace service providers are provided. A model for creation of value for MSMEs in each stage of adoption is developed. Suggestions to MSMEs and policy makers for effective use of B2B e-marketplace by MSMEs are provided and conclusions are drawn.

**Keywords:** B2B e-marketplace, MSME, adoption, barriers, benefits, adoption stage