

# Local Small Scale Enterprises: Expectations and Potential Benefits on e-Commerce Landscape

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## ABSTRACT

This study assessed the expectations and potential benefits on e-commerce of local small scale enterprises in Northern Samar, Philippines. Specifically, it tried to find out the profile of the seventy-four enterprises in the province, evaluate the expectations of the small-scale enterprises on e-commerce capabilities; and determine the potential benefits of the small-scale enterprises from e-commerce implementation. The descriptive-evaluative research was used. This study likewise employed the complete enumeration of the enterprises that have potential in adapting e-commerce.

The enterprise's primary business included industrial products manufacturing, computers & electronics manufacturing, communications, financial services, computer services, consulting, consumer products manufacturing, food and agriculture, and others. The enterprises had one (1) to four (4) personal computers and had one telephone line. Majority of the enterprises had an access to the internet on a broadband line. And that, e-commerce capabilities will be implemented within one year. The potential benefits of e-commerce use to the enterprise were very significant. The respondents considered that through e-commerce the enterprises will improve its information exchange with customers, increase the loyalty and retention of the customers, and increase the service to the customer as well as the revenue. Moreover, e-commerce is very important in the improvement of the competitive position to the enterprise and also the enhancement of the image of enterprise.

**KEYWORDS:** *small scale enterprises, local enterprises, e-commerce, expectations on e-commerce, potential benefits on e-commerce*

## 1. INTRODUCTION

E-commerce has the potential to improve efficiency and productivity in many areas. It relies on various information and communication technologies that have the potential to improve trade efficiency around the globe and to integrate developing countries into the global economy. There is a rapid gain in the marketing setting of the country. The volume of transactions that are carried out over the Internet globally is extremely huge. Estimated that in the next decade, e-commerce would be a key indicator of national development. However, there has been some doubt about the relevance of developing e-commerce adoption by developing countries such as the Philippines. Infrastructures, economy, and management factors have been identified as contributing to the low level of e-commerce development. Little emphasis has been placed on

studying the adoption and dissemination of e-commerce.

This study takes on the premise that electronic commerce is emerging as an important innovation for socio-economic advancement, especially among the business establishments of Northern Samar being promoted one of the country's information technology hubs. Defined as the use of computers and electronic networks to conduct business over the internet or another electronic network, e-commerce traces its existence back to the 1970's when computers and telecommunication technologies emerged (Leinbach, 2001).

However, it was only with the advent of the internet that e-commerce became rapidly stimulated. With the internet, e-commerce became accessible to companies

**How to cite this paper:** Dr. Maiden Grace Anquilo Gan "Local Small Scale Enterprises: Expectations and Potential Benefits on e-Commerce Landscape" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-6 | Issue-3, April 2022, pp.1296-1302, [www.ijtsrd.com/papers/ijtsrd49705.pdf](http://www.ijtsrd.com/papers/ijtsrd49705.pdf) URL:



IJTSRD49705



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and individual consumers, and the basis for the creation of new industries and products. While the hype surrounding the internet and e-commerce has subsided significantly after the dot-com crash in 2000, the usage and growth of e-commerce has remained strong (Coppock and Maclay, 2022). Moreover, e-commerce's projected capability to transform business, as well as improve other aspects of socio-economic life has remained.

One of the crucial capabilities for change that e-commerce is credited for, is its supposed ability to level the playing field between the developed and developing countries. Supposedly, through e-commerce, poorer countries can reach previously inaccessible economic channels, and skip several stages of technological development that the more advanced economies had to undergo (Wilson, 2001).

Various international groups have recognized the importance of e-commerce. As such, organizations like the Asia Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN), the European Union (EU) have been developing initiatives to maximize the social and economic benefits of e-commerce for their member-countries' economies. Furthermore, businesses around the world have also acknowledged the importance of e-commerce. As asserted by E-Business Technology Forecast, large multi-national companies are starting to reorient themselves with e-commerce, as e-commerce is predicted to define the ground rules for business in the 21st century (Price water house Coopers, 1999).

In the angle of adopting e-commerce for development, small and medium enterprises (SMEs) prove to be more relevant. This is so, as SMEs have the ability to maximize e-commerce benefits given their wide presence in industry and in all countries, regardless if they were defined on other basis such as net assets, and/or gross revenues.

Such capacity for development by the SMEs can be further enhanced for economic growth by e-commerce, which can improve economic customer service and increase revenue; enhance company image, improve competitive position, and provide access to international markets; enable customer information exchange and thereby increase customer loyalty; reduce costs of information; allow supplier information exchange; attract new investment; and reduce procurement costs (Toral, 2000).

In the Philippines, the potential for economic growth and development through e-commerce adoption has also been recognized. Proof of this is the signing of Republic Act No. 8792 or the E-Commerce Law last

June 14, 2000. In the province of Northern Samar, the level of e-commerce is too low among businesses as well as the level of computerization. Telecommunications services and the technologies are not yet stable. Thus, awareness must rise in order to develop e-commerce adaptability.

## 2. Objectives

The study sought to:

1. determine the profile of the enterprises, in terms of:
  - A. the primary business of the enterprise;
  - B. number of computers; and
  - C. number of telephone lines;
2. identify the expectations of the small-scale enterprises on e-commerce capabilities;
3. pinpoint the potential benefits that the small-scale enterprises expect from e-commerce implementation.

## 3. Review of Literature

### E-commerce as a driving force of socio-economic development

In delving into the claim that e-commerce is an emerging tool for socio-economic development, this study finds Masuda's "Informatization of the Socio-Economic System in the Global Age" as a platform of globalization and traced how it will eventually cause informatization among socio-economic systems worldwide (Masuda, 1998). In effect, Masuda's discussion on informatization also explains how and why e-commerce is projected as a key instrument for socio-economic change. The assertions include the e-commerce's interactivity feature as the starting point – the supposed informatization of socio-economic systems worldwide, or the change of socio-economic systems towards being one information economy is supposed to start with e-commerce. With its capability to conduct communication between users and suppliers through an interactive system, e-commerce then has introduced a new kind of transaction in business. Changes in the public nature of socio-economic system. With interactivity as the new mode of transaction, changes in the public nature of the socio-economic system takes place. Changed socio-economic systems become intensely competitive. As traditional socio-economic systems are transformed, they move on to the stage of intense competition in the global economic system. In this stage, no loner relies on the competitive advantage of products (whether services or materials) in trade transactions. Instead, one must now affiliate with socio-economic systems to survive and complete effectively. Production of intellectual property, when individuals link up together, share their information with one another.

## **E-commerce, globalization and the challenge of a digital divide**

Comor's views bring to mind the fear of a digital divide, or of an increasing gap between the "information haves" and "have nots" (Comor, 1998). Like previous incarnations of technology, IT applications such as ecommerce appear to favor Western societies, and were not developed for the languages, cultures, values and legal systems of developing countries (Monsod, 2001). Furthermore, with the dissemination of such technologies, the business environment today is marked with intensified competition, where efficient companies thrive and uncompetitive ones die (Sajid, 2001). At this point, it may be important to articulate that this so-called digital divide and intensified business competition goes back to the notion of globalization. With its definition as "the growing economic interdependencies of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and internal flow, and also through the rapid and widespread diffusion of technology" (Sajid, 2001:3), globalization then its related with IT applications such as e-commerce.

Thus, in being interlinked with globalization, e-commerce is presented in two extreme points-of-view. On one hand, e-commerce is presented as a driving force for socioeconomic development. Here, e-commerce is supposed to bring wide scale change in society. Moreover, e-commerce is portrayed as an equalizer of opportunities, as it supposedly levels the playing field between developed and developing countries, between big companies and small enterprises. Supposedly, through e-commerce, poorer countries can reach previously inaccessible economic channels, and skip several stages of technological development that the more advanced economies had to undergo (Wilson, 2001).

On the other hand, e-commerce is portrayed as a "reinforcer" of the aforementioned digital divide between developed and developing countries. Thus, in this angle, e-commerce is depicted to maintain and strengthen inequalities, or patterns of divergence within and among countries (Mannisto, 1999). Notwithstanding the two extreme views on the actual benefits and the impact of e-commerce on society, the reality that globalization is inevitable has to be pointed out. E-commerce, in being interlinked with globalization may indeed be a reality that countries have to deal with sooner or later. Thus, this aforementioned fear of a digital gap between countries is far from being improbable. As such, the underlying challenge then with e-commerce and the globalization phenomenon, is how to prevent this

possible digital gap from reinforcing patterns of divergence within and among countries (Mannisto, 1999).

## **Localization and other strategies to maximize the benefits of e-commerce**

While the fear of increased unequal access to information and technology may indeed be real, Shearman pointed out that it is not technology per se that is crucial for socio-economic development. What is then important is transformative development, or how a local community, city or region understands, then adopts, modifies and transforms technology to suit its needs, capabilities, values and culture (Shearman, 1997).

Aside from transformative development, or what may also be termed as localization of technology, this study also identified other research-based strategies that maximize the benefits of e-commerce. These strategies then include: (1) the maximum use of e-commerce's interactive features, which encourages strong relationships with customers and brand loyalty; (2) the endorsement of existing physical institutions of existing online businesses to establish credibility and trust among the customers; and (3) the inclusion/focus on the local community as the target market, as an alternative for SMEs which are not yet prepared to access distant markets.

## **The effect of electronic commerce on small Australian enterprises**

S. Mustaffa and N. Beaumont conducted a research on the effect of e-commerce on small enterprises in Australia.<sup>29</sup> Although electronic commerce (e-commerce) has generated a plethora of media articles there has been comparatively little research into its effects on organizations. E-commerce comprises several different technologies (especially those associated with the internet); this paper investigates the frequency of use by and usefulness of these technologies in small Australian businesses. The technologies are differently associated with intermediate variables such as the attraction of new customers and the ability to participate in overseas markets (Mustaffa & Beaumont, 2004).

Accordingly, by combining two (2) independent research streams, it was examined the determinant factors of strategic value and adoption of electronic commerce as perceived by top managers in small and medium sized enterprises (SME) in the mid-west region of the US (Grandon & Pearson, 2004). The study is a research model that suggested three factors that have been found to be influential in previous research in the perception of strategic value of other information technologies: operational support, managerial productivity, and strategic decision aids.

#### 4. Methodology

The respondents of this study composed of either the owner, the executive officer, or the manager of selected enterprises in the province of Northern Samar. The province is located on the eastern part of the Philippine Islands. It is bounded by San Bernardino Strait on the north, Samar Sea on the west, Pacific Ocean on the east, and the provinces of Samar and Eastern Samar on the south. It is the gateway to Visayas and Mindanao from Luzon.

#### 5. Results and Discussion

##### Profile of the Local Enterprises

The Primary Business of the Enterprises

A total of 75 enterprises were identified through purposive sampling, 15 from Allen, 15 from Laoang, and 45 from Catarman. The descriptive-evaluative research design was used in this study. Being a researcher-made questionnaire, it went through validation in the City of Calbayog, Samar.

The data were gathered with the use of researcher-made questionnaire. The statistical tools that were used in the analysis of data were frequency counts, percentages, and mean.

**Table 1.a: Primary Business of the Local Enterprises**

Enterprises' Primary Business	Frequency	Percentage
Financial Services	10	13.51
Hotel	6	8.10
Industrial products	5	6.76
Appliance	5	6.76
Pharmaceutical	5	6.76
Resort	5	6.76
Pension House	5	6.76
Gasoline Retailer	5	6.76
Computer Services	4	5.41
Educational Services	4	5.41
Cable Services	4	5.41
Communications	3	4.05
Consumer products	3	4.05
Food & agriculture	3	4.05
Computers & electronics servicing	2	2.70
Wharf age	2	2.70
Consulting	1	1.35
Radio Broadcasting	1	1.35
Airline	1	1.35
Total	74	100

Of the 74 enterprises, 43 or 58.11 per cent were engaged in different businesses such as pharmaceutical, hotel, cable provider, and others. Ten or 13.51 per cent were in financial services, five (5) or 6.76 per cent in industrial products manufacturing, four (4) or 5.41 per cent in computer services, three (3) or 4.05 per cent in communications, consumer products manufacturing and food and agriculture, two or 2.70 per cent in computers and electronics, and one (1) or 1.35 per cent in consulting. The result implies that there are businesses that can engage to e-commerce and that e-commerce may take a very important role in the enterprises. This finding is confirmed by Stephen Drew that SME's are placing e-commerce at the centre of their technology and corporate strategies as a means for achieving transformational change.

Number of Personal Computers

**Table 1.b: Number of Personal Computers**

Number of Personal Computers	Frequency	Percentage
1 to 4	45	60.81
5 to 9	5	6.76
10 to 19	1	1.35
20 to 49	1	1.35
More than 50	4	5.41
Total	74	100

Highest number of personal computers in an enterprise is more than 50 with four (4) respondents or 5.41 per cent. Moreover, majority of the enterprises have one(1) to four (4) personal computers with 45 respondents or 60.81 per cent. Eighteen or 24.32 per cent have no personal computer; five (5) or 6.76 per cent have five (5) to nine (9) personal computers; and one (1) or 1.35 per cent for both ten to nine (9) and 20 to 49 personal computers. This implies that every enterprise has its own set of personal computer that is used in their daily business transaction. Computer is also the initial requirement in the e-commerce implementation.

Number of Telephone Lines/Cellular Phones

**Table 1.c: Number of Telephone Lines/Cellular Phones**

Number of Personal Computers	Frequency	Percentage
1	52	70.27
2-4	18	24.32
More than 5	4	5.41
Total	74	100

In Table 1c, majority of the enterprises had one telephone line/cellular phone with 52 or 70.27 per cent. Eighteen or 24.32 per cent with two (2) to four (4) telephone/cellular phones and four (4) or 5.41 per cent with more than five (5) telephone lines/cellular phones. Telephone/cellular phone plays an important part in business transactions. The communication with the customers or business partner is done through the use of a phone line thus all the enterprises has telephone line/cellular phone.

**Expectations of the Small-Scale Enterprises on E-Commerce Capabilities**

**Table 2: Expectations of the Small-Scale Enterprises on E-Commerce Capabilities**

Company's E-Commerce Capabilities	Expectation Period				Mean	Interpretation
	Have It Now	Within 1 Year	Within 3 years	More than 3 years		
Company access to the Internet on a broadband line	35	28	7	4	3.27	Have it now
A company strategy for developing e-commerce capabilities.	33	24	11	6	3.14	Within 1 year
A computerized inventory of company's products or services.	27	34	7	6	3.11	Within 1 year
Customer services provided on the Internet	31	22	13	8	3.03	Within 1 year
A company electronic mail	24	32	12	6	3.00	Within 1 year
A website demonstrating your company's products or services	29	24	13	8	3.00	Within 1 year
<b>General Weighted Mean</b>					<b>3.09</b>	<b>Within 1 year</b>

As indicated in Table 2, majority of the enterprises in Northern Samar with thirty-five and the mean of 3.27 have access to the internet on a broadband line. Such capability is already present in their enterprises. The e-commerce capabilities stated, the enterprise strategy for developing e-commerce capabilities which had a mean of 3.14 implying that within one (1) year the enterprise will be developing the e-commerce capabilities; a computerized inventory of enterprise's products or services with a mean of 3.11 will also be implemented within one (1) year; a company electronic mail with 3.00 mean will be created within one (1) year; a website demonstrating the company's products or services with a mean of 3.00 will be formed within one (1) year; and the customer services provided on the internet will be employed within a year or a mean of 3.03. With a general weighted mean of 3.09, the small enterprises in Northern Samar expect on e-commerce possibilities within a year. The result implies that the enterprises are ready to adapt e-commerce. Business transactions will be done over the internet thus e-commerce can be achieved. This finding is confirmed by S. Mustaffa and N. Beaumont that the technologies are differently associated with immediate variables such as the attraction of new customers and the ability to participate in overseas markets.

**Potential Benefits of E-Commerce Use to the Enterprise****Table 3: Potential Benefits of E-Commerce Use to the Enterprise**

Company's E-Commerce Capabilities	Level of Importance				Mean	Interpretation
	Very Important	Somewhat Important	Not Very Important	Not at all Important		
Enhance the company's image	65	8	0	1	3.85	Very important
Increase service to the customer	63	10	1	0	3.84	Very important
Improve information exchange with customers	61	10	3	0	3.78	Very important
Increase customer loyalty and retention	58	10	4	2	3.68	Very important
Improve the competitive position to your company	51	17	4	2	3.58	Very important
Increase revenue through e-commerce	50	16	8	0	3.57	Very important
<b>General Weighted Mean</b>					<b>3.72</b>	<b>Very important</b>

As can be gleaned from Table 3, all the benefits of e-commerce to the enterprise are very important. The respondents attested that one of the most important benefits of e-commerce is to enhance the enterprise's image with a mean of 3.85; another is increase service to the customers with a 3.84 mean; improve information exchange with customers has a mean of 3.78; increase customer loyalty and retention with 3.68 mean; improve the competitive position to the enterprise received a mean of 3.58; and increase revenue through e-commerce has a mean of 3.57.

With a total grand mean of 3.72, benefits of e-commerce to the enterprise are very important as in the context of Northern Samar. The respondents believed that e-commerce can enhance the image of their enterprise since the enterprise adapted new technology that will increase and improve the business to the customers. This finding is confirmed by Pascual that the drive to be competitive in the industry to keep up with existing trend, its necessity to business operation and the attainment of customer satisfaction.

## 6. Conclusions

On the basis of the findings of the study, it can be concluded that the primary business is not interference in the adaptability of e-commerce. However, the more number of telephone lines the better is the adaptability of e-commerce. Likewise, the more number of personal computers the higher the adaptability of e-commerce.

Majority of the enterprises have an access to the internet on a broadband line. And that, e-commerce capabilities will be implemented within one year.

The potential benefits of e-commerce use to the company are very significant. The respondents considered that through e-commerce the enterprise will improve its information exchange with customers, increase the loyalty and retention of the customers, and increase the service to the customer as well as the revenue. Moreover, e-commerce is very important in the improvement of the competitive position to the company and also the enhancement of the image of company.

## 7. Recommendations

On the basis of the conclusions of the study, the hereunder recommendations are set forth.

1. Assignment of an official E-commerce Center for Small and Mediums Enterprises. A government institution should be tasked to promote awareness about e-commerce among businesses, provide web page facilities from small and medium sized enterprises develop or enhance training programs for e-commerce, and provide broad leadership in promoting e-commerce use.
2. Advocate e-commerce to the consumers. This study suggests that in order to create a market for e-commerce, e-commerce should be advocated to the consumers. This suggested advocacy initiative should also include information drives on the resources and developments of e-commerce in Northern Samar so that a mass of consumers would be encouraged to engage in e-commerce.
3. Develop the telecommunications infrastructure to improve business and access to internet and e-commerce.

4. Related studies with wider scope and different methodologies are highly recommended.

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