E-Commerce Revolution in Rural India

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ABSTRACT

E-Commerce is ruling over the business in these days. A number of businesses are moving towards e-commerce through online by providing a wide range of services. At present e-commerce is not limited to metro cities but it has been reached to remotes areas also. Technological advancement, Government initiatives and financial enablement provides an opportunity for the rural areas to expand the E-Commerce in a proper way. Today, more than 1, 55,000 post offices in remote areas are connected to distribute the goods to the customers located in rural areas. After so many initiatives taken by Government, E-Commerce is still facing the challenges to progress in rural areas. This paper will provide an overview of e-commerce in rural areas and introduce certain proposal to address this problem. The study is of descriptive in nature. Data are collected from various websites, research papers and statistical reports.

KEYWORDS: E-Commerce, Digital India, Government Project.

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INTRODUCTION

India is one of the largest prospective consumer markets in the World. Various international companies are interested to invest their money in India but due to low bandwidth, Interrupted internet connectivity, low income and poor Internet Accessibility are creating problems to develop E-Commerce in Indian rural Market. To overcome this, Indian Government is trying to facilitate rural Indians through some grand campaigns like e-governance, digilocker, e-basta etc. Government of India has initiated a Digital India Project which ensures the government services are available to citizens electronically by reducing paperwork. Government is also started the Digital infrastructure project for providing secure and high speed Internet in rural area of India. The untapped market of rural e-commerce can be covered with digital adoption, the next generation of internet users will be from rural areas—the current 18% penetration in rural areas and it is expected that by 2021 internet penetration will be 45%.^4

MEANING OF E-COMMERCE

E-Commerce deals with the buying and selling of goods and services over an electronic platform i.e., through the internet. Various E-Commerce models have been emerged such as Business to Business (B2B), Business to Consumer (B2C), Consumer to Business (C2B) and Consumer to Consumer (C2C). E-commerce is an ability to allow business to communicate and to perform transaction anytime and from anywhere. The power of e-commerce allows tovanish geographical and physical barriers and creates potential customers and suppliers. The growth of E-Commerce sector depends on rapid technology adoption like increasing use of devices like smart phones and access to the internet, which lead to an increased online consume base. EBay and Amazon E-Commerce companies are good example of e-commerce businesses are able to post their items and sell them around the Globe or world.

OBJECTIVES OF THE STUDY

The study has following objectives:

- To study the growth of E-Commerce in Rural sector of India
- To study the opportunities of E-Commerce in Rural sector of India.
- To identify the challenges faced by E-Commerce in Rural Sector.

RESEARCH METHODOLOGY

The data used in this study is of descriptive in nature. Data are collected from secondary sources i.e., collected from various websites, research articles, books and statistical reports.
Drivers of E-Commerce in rural India

*Increasing internet penetration in rural India*

Rural internet penetration has grown from 18% to 20.26% in December 2017. The number of internet users in India is expected to reach 500 million by June 2018.4

*Increasing use of regional languages*

Language is critical factor in India. There is going to be an explosive growth in the number of internet users using local Indian languages. It indicates the acceptance of internet in rural parts of India. The Hindi user base is expected to outgrow the user base of English by 2021, followed by Marathi and Bengali.4

*Increasing internet speed*

Rural population has faced many types of challenges like slow internet speed, high tariff rates, inconsistent network and poor customer service but now with the arrival of 4G, internet speed in India is rising.

*Financial enablement for rural customers*

Government has opened the 285 million new accounts under Jan Dhan Yojna.3 Payment solutions using credit cards, debit cards, automated teller machines. Using Aadhaar-enabled payment system (AEPS) like micro ATMs, which are handheld devices that use thumb impression to enable payments and cash withdrawals can help address the high cost of payment solutions.

*Digital skilling initiatives by government and private sector*

Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) has set the target to educate 60 million rural households till March 2019. The vision is to empower at least one person per household with digital literacy by 2020. Private sectors are also participated in digital skilling of India.3

*Digitization of addresses*

The Indian Department of Post in association with Map my India has launched a pilot project, e-Locations, digitally map and the physical property address. Thus, when a person, business or an official search for a place by entering its e Loc, one can see the particular map location of that place and get turn-by-turn directions to the exact entrance of that place.
Postal Services

The postal service is one system that has the power to connect the whole of the country. It has reached to almost all the villages, even those in the remote locations. The past two years have witnessed dramatic growth for the Indian postal service. The reason is that the department which had been in losses since many years has now collaborated with more than 400 E-Commerce websites that also includes big ones like Amazon, Flipkart for goods delivery. There are around 1, 55,000 post offices in India and they are now connected to deliver the goods to customers in remote areas also.1 There are many E-Commerce companies which have reached the villages of the country. They have supported the country in becoming digital through their strong logistics channel. In some locations, these companies use their own delivery services, however, at most of the places third party delivery is used which includes postal service as well. We analysed the services of various E-Commerce companies to know whether they have access to the Indian villages or not. We arbitrarily checked 100 villages pin codes for a specific product from the biggest players of the E-Commerce in the country which are Flipkart, Snapdeal and Amazon.1

Challenges in addressing E-commerce in India

The various challenges faced by E-Commerce are as follows:

• Resistance to change

Despite the growing needs of the rural customers, they still face challenges while buying their desired products and services. They don’t want to change the attitude and perception towards purchasing.

• Rural customers behave differently than urban community

The value scheme for rural customers are different from urban customers owing to a variety of reasons such as disposable income levels, aspirations, needs, education, social set-up, geography and so on. The rural customers are also price conscious, with low disposable income. Therefore, it becomes essential to have the right balance mix of branded products and unstructured products.

• Distrust on online purchase

Despite the growing needs of the rural customers, they still face challenges while buying their desire products and services. Rural customers do not trust on E-commerce transaction. They have not proper knowledge of using the mobile app is also the issue of applying-Commerce in rural areas.
Infrastructure

The infrastructure is poorly developed in rural areas. Moreover, the creation of connectivity between urban and rural areas is so expensive. It creates a problem to facilitate E-Commerce in rural areas. Weak electronic payment infrastructure and network also create a problem in this regard.

Logistics

To supply the goods in remote areas are high delivery costs that delivery of goods is not feasible.

Proposals for addressing E-Commerce in Rural India

We proposed different proposals to address the problem. The following areas:

- **Omni-channel strategy**

  Some existing businesses are already reaching the rural markets but it is not possible for every company to open retail stores in every place due to high capital requirements and dispersed populated geographies. An Omni-channel strategy could be required depending upon the business model. It will enable to fulfilling the order through Karana store assisted commerce could work for a business-to-business (B2B) company. It would help lighten some of the challenges faced by the rural customers like low digital literacy and lack of trust on the digital platform. Many projects are considering solve the issues faced by rural customers like Connect India and I Pay India. Connect India partners with rural partners to deliver the goods and services at last mile.

- **Leveraging existing set-ups**

  Leveraging existing set-ups to market, selling and delivery of e-commerce products and services is a great progress. The usage of these channels is likely to help in gaining the trust of the rural customers since they are already involved with them.

- **Product combination**

  Since the rural customers have a low disposable income, price point plays a major role in decision-making while buying a product. So by keeping the right mix between products of high cost with low cost products, the optimum combinations can be achieved.

- **Micro credit consumer lending – enabling the rural consumer**

  Informal micro credit lending given by Karana stores is in existence from ages. In order to empower rural consumers to buy throughout the year it is important that consumers have an access to responsible and easy lending. Digital point-of-sale lending has emerged as a new category of lending to help consumers finance new spending and to help merchants reduce basket abandonment. The process of credit applications from banks is paper-intensive and time consuming. This gap for small credits is fulfilled by fin-tech start-ups such as Red Carpet and Zest Money, which are catering to users across
rural and urban areas.

- **Red Carpet**: Red Carpet lends to customers in India to finance their online transactions through a line of credit applied completely by mobile. It uses multiple data sources, such as mobile usage, to fill gaps in credit scoring for Indian market. No bank account is required and pay back can be done in easy installments.4

- **Zest Money**: Zest Money provides a line of credit at the time of purchase without the need of a credit card. It has partnered with Amazon, Jabong, Myntra, Flipkart and Mi and so on.4

**Marketing**

In order to reach the rural customers, two main issues need to be considered: one is spreading awareness about online shopping and second is providing them an access to these online shopping platforms where customer can carry out online transaction. Social gatherings, where rural population bring together, can be used for spreading awareness about online shopping, such as: village fairs, exhibitions. The companies can make use of the gathering to promote their products by distributing small-sized trial pack for any product. Such events can be used for spreading awareness about the advantages of online shopping. Another way of marketing is Pesticide dealers’ network where the traders who provide agricultural support products like manures, fertilizers and pesticides have a network that reaches the grassroots of any village. It helps in spreading awareness about their products and converts them to online customers.

**CONCLUSION**

In India more than 69% population is residing in rural areas and there is lot of potentiality in tapping the rural market due to the internet accessibility. Our government are taking initiative to encourage people in rural areas to transact through E-Commerce. To boost the usage of E-Commerce there is a need of to educate the people regarding computer and technology. There must be the strict legal framework regarding E-Commerce security and privacy to raise the confidence of rural consumer in this system.

**REFERENCES:**
