



E-commerce and Rural India's Growth

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ABSTRACT

E-commerce refers to the exchange of goods and services via the Internet. We outline the elements driving the expansion of India's e-commerce industry in this article. Using secondary sources such as articles, journals, reports, papers, blogs, and conference proceedings, research was done. One of the industries that is expanding the fastest is e-commerce. India's investment market has enormous potential. Since last year, investment has increased significantly, and more is anticipated in the years to come. In both urban and rural areas, e-commerce has been made easier by the sharp increase in internet and mobile user usage. A report published jointly by ASSOCHAM and Forrester predicts that India's e-commerce sales will increase at the greatest rate in the world, from \$30 billion in 2016 to \$120 billion in 2020, or a 51% annual growth rate.

KEY WORDS

Internet, E-commerce, India, Growth.

INTRODUCTION

Even for developing nations like India, the internet is becoming into a diversified global economy with opportunities for everyone. India's e-commerce market is expected to expand at the highest rate among Asia-Pacific regions, with a compound annual growth rate (CAGR) of more than 57% between 2012 and 2016, according to data from Forrester, a top global research and consultancy business.

E-commerce is now widely available to people in both urban and rural areas due to the rise in the usage of smartphones, tablets, and the internet. In 2016, there were approximately 400 million internet users in India. Large quantities of money are being invested in Indian businesses by foreign corporations.

Indian businesses are attracting the attention of seasoned foreign players. In rural areas, e-commerce is expanding with Tier-2 and Tier-3 cities account for the majority of the traffic. After learning that Flipkart had raised \$1 billion in finance, Amazon made a \$2 billion investment in India in July 2014. The e-commerce industry is home to numerous larger businesses, including Snapdeal, Flipkart, Amazon, Shopclues, Jabong, and others.

What is E-commerce?

E-commerce is the exchange of money or data using an electronic network, usually the internet, for the purchase and sale of goods and services. These exchanges might take place between businesses, between consumers, or between consumers and businesses. Applications like EDI, email, and shopping carts are used in e-commerce. Digital commerce enables purchase transactions online and facilitates the development and ongoing expansion of online connections with clients through a variety of channels, including retail, mobile, direct and indirect sales, etc.

Indian Scenario

Given that the e-commerce sector is growing at a rate of double annually, India has a larger market potential. According to a joint ASSOCHAM-Forrester study, India's e-commerce revenue is predicted to increase at the greatest rate in the world, from \$30 billion in 2016 to \$120 billion in 2020, or a 51% annual rate. According to Morgan Stanley, the e-commerce market will reach \$137 billion.

Millions by 2020. The following graph illustrates India's increasing sales between 2011 and 2016. As seen in the following data, e-commerce sales have increased significantly since 2013 and are predicted to account for 1.40 percent of all retail sales in 2018.

India's e-commerce market is expected to expand at the fastest rate in the Asia-Pacific region, with a compound annual growth rate (CAGR) of more than 57% between 2012 and 2016, according to the most recent data from Forrester, a top global research and consultancy organisation. On the other hand, India might be the rate of growth of India is far higher than that of China and other heavyweights like Japan. According to a collaborative analysis by Forrester, China's e-commerce is expanding at a rate of 18%, Japan at 11%, and South Korea at 10% annually, in contrast to India's 51% growth. The e-commerce sales volume grew between 2012 and 2016, as the following table illustrates.

Investment

The Chinese e-commerce company Alibaba Group Holding and its partner Zhyian jointly invested roughly \$575 million in One97 Communication Limited, also known as Patym, as part of the \$3.9 billion in investments that the commerce industry has received from venture capitalists, private equity firms, and internal funders since last year. Currently, Patym's gross merchandise values are one billion dollars. It is a substantial amount for any Indian company's e-commerce. In addition to enabling mobile payments, Paytm lets users purchase tickets, take advantage of sales, and shop from 1800 of its networked merchants. Following Alibaba's investment, Ratan Tata gave Paytm an undisclosed donation. The Japanese internet behemoth Softbank stated in December 2014 that it planned to invest \$10 billion in India over the following several years. It currently holds a 30% share in Housing.com and Snapdeal. In 2000, it made an investment of roughly \$20 million in Alibaba, which is currently worth billions of dollars. Tiger Global Management, a New York-based company, has provided funding to businesses like Quickr, Flipkart, Myntra, Just Dial, and Make My Trip. In the current environment, start-ups financed by optimistic investors have grown to a point where they can fiercely compete with foreign businesses looking to establish a clientele in India.

Future of E-commerce

In India, e-commerce has expanded quickly throughout the nation. Travel and retail account for the majority of the growth. India has become a major player in the global market and has the eleventh largest

economy in the world. The e-commerce industry is seeing a rise in the use of mobile commerce. The value of mobile transactions is projected to reach Rs, and they are growing annually.

36,000 crores, based on information by Forester. It is anticipated that the digital commerce industry will see more high-profile mergers and acquisitions in the upcoming years, because more and more businesses will be investing in small business startups, e-commerce appears to have a bright future. In India, e-commerce saw significant investment last year, and more is anticipated in the years to come. Social media has developed into a marketing platform where businesses may openly advertise and promote their goods. Future changes to online retail marketplaces will result from the growth of social media and mobile networks in commerce, which will push e-commerce to new heights.

Challenges of E-commerce

Although e-commerce is booming globally, India is still having trouble growing, particularly in rural areas. Here, we go over seven obstacles that Indian e-commerce businesses must overcome.

- **A Large Percentage of Online Purchases are Returned:** A customer may engage in impulsive buying, aggressive selling, or occasionally purchasing things he is unfamiliar with when making his first purchase. When things are delivered and the consumer wants to return them, that's the sad part. This is a major issue in India, where new customers account for a large portion of growth, as it is costly for businesses to execute the It is not profitable for the sellers and involves reverse logistics.
- **E-payment Scepticism; COD is Preferred:** Indian consumers are constantly afraid about committing fraud and are very sceptics about using electronic payments. Furthermore, the widespread use of credit cards in India is not very beneficial. In India, cash on delivery, or COD, is the most popular method of payment. Manual cash collection is costly, time-consuming, and dangerous.
- **Low Number of Smartphone users:** Despite India's large mobile user base, there are still relatively few smartphone users. The majority of individuals still use phones with standard features, which prevents them from conducting online business while on the go. With the introduction of low-cost smartphones in India, we can now anticipate an increase in the user base in the near future.
- **India's Inaccessible Towns:** In India, thousands of towns lack adequate transport and are inaccessible. A significant percentage of potential clients are lost by e-commerce businesses since a huge population lacks seamless access. The primary payment method in India is cash on delivery, which just makes the logistical issue worse.
- **The Cost of Acquiring new Customers is Raised by Overfunded Competitors:** Almost three to four new businesses are founded in India every day, making it a startup nation. Additionally, the Government is working to support this industry. Since e-commerce businesses have such promising futures, some investors are willing to pay absurdly enormous sums of money to get market share in the current market, which offers Indian consumers a multitude of options and the businesses have must put in a lot of effort to develop client retention methods.
- **Digital Ignorance and the Psychology of Consumers:** One of the major issues facing Indian e-commerce is digital illiteracy. The majority of India is rural and does not follow the expanding digital trend. The Indian customer is unwilling to travel far to look for a better option when he can find what he needs in a nearby store. That is the reason the customer avoids using the Internet while being aware of the potential connectivity problems and other problems.
- **Language Restriction:** E-commerce must be accessible in the regional languages of small business owners or consumers, particularly in rural areas, in order for them to integrate the e-commerce process into their daily operations.

CONCLUSION

The global market has shifted towards e-business and e-marketing as a result of the growth of the internet and information technology. However, the nation's poor literacy rate is the primary obstacle to e-commerce's explosive expansion; even those with advanced degrees find it difficult to use desktop computers, laptops, and iPhones with cyber technology. Many e-commerce businesses have yet to reach many distant regions, such as the north-eastern Indian states. This might be because there aren't many courier services or transportation options, except from fast post, which has a lot of trouble getting to the inaccessible. In many rural parts of the nation, the availability of broadband and 3G connectivity remains a concern for the growth of e-commerce. We hope that online shopping these obstacles will soon be overcome by the industry, particularly in the current era of cutting-edge technology, a thriving start-up ecosystem, and fierce rivalry.

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