

Digital Marketplaces Beyond Urban Borders: Exploring E-commerce in Rural India

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Abstract

India's economy is now significantly impacted by e-commerce. The purpose of this paper is to evaluate the state of the internet today, with a focus on rural India. Additionally, it underscores the existing scenario, trends, growth patterns and challenges facing e-commerce in rural areas. For this study, secondary sources such books, journals, newspapers, and articles have been used to obtain data. This paper reveals a rising interest in rural e-commerce with notable investments from online companies and government initiatives; however, numerous obstacles hinder its expansion. Despite the increasing number of internet and mobile users, the effective transformation of this digital progress into productive economic activities remains uncertain. The paper makes suggestions for resolving the problems, difficulties, and impediments preventing e-commerce in rural and distant areas from expanding and advancing.

Key Words: E-commerce, Rural areas, Internet penetration, Online Shopping, Consumer.

Introduction

In the modern era, e-commerce has become a key driver of economic growth, especially for businesses engaged in online retail. E-commerce is the fastest-growing retail industry because it allows businesses to reach a larger customer base than traditional physical storefronts. Many customers even prefer to purchase online.

India, one of the biggest consumer markets in the world, is distinguished by notable differences in educational attainment, socioeconomic status, and urban versus rural locations. Despite recent technological advancements that have boosted e-commerce, the unequal distribution and limited reach of internet and broadband services in rural areas have slowed its progress. Many obstacles must be overcome in rural areas, such as poor literacy rates, restricted access to resources, problems with transportation, security concerns, doubts about the quality of the products, payment issues, and a lack of experience with digital tools and gadgets.

India has over 600,000 villages, and providing high-speed internet to these communities could drive a transformative change, as highlighted by Anooja (2015). Involving rural populations in e-commerce is essential since a larger portion of Indians live in rural areas. Retailers and small enterprises in sectors like handicrafts and agro-based items now have more ways to expand their online presence and grow their businesses thanks to e-commerce platforms.

However, rural residents are largely unaware of the benefits of online shopping, such as better deals, time and cost savings, home delivery, and the convenience of accessing services without waiting in line. This digital divide poses a significant challenge to the sustainability of rural e-commerce initiatives.

The Indian government has undertaken significant efforts to ensure high-speed internet connectivity across villages and towns, leveraging the extensive network of over 155,000 post offices and collaborating with around 400 e-commerce companies already operating in rural areas. To capitalize on this expanding market, major e-commerce companies like Amazon and Flipkart have extended into rural and marginalized areas, such as villages in Mumbai, Rajasthan, and Haryana. (Padaki, 2022). Startups like Inthree, E-dabba, and i-pay are also targeting rural regions to raise awareness and promote e-commerce adoption.

E-commerce not only offers business opportunities and market access but also acts as a catalyst for digital technological advancements in rural areas. China leads the world in e-commerce with a \$672 billion market cap, while India is expected

to reach \$200 billion by 2026, according to the Indian E-commerce Industry Report (April 2021) (Bureau, 2023). Bridging the significant gap between China and India's e-commerce markets through rural market penetration holds great potential for the future of e-commerce.

Review of Literature

Anooja (2015) explored how the Digital India program would affect e-commerce in rural India going forward, stressing the potential benefits for suppliers, buyers, and the sector overall. The report underlined the importance of comprehending the present situation of internet users in India and the ways in which programs such as Digital India may close the digital divide and link rural communities to the world market.

Epuri et al. (2019) analyzed customer attitudes towards adopting e-commerce in rural India, focusing on factors such as public reviews, transportation facilities, and internet accessibility. The research aimed to provide insights into the factors influencing e-commerce adoption in rural areas, exploring customer behavior and the strategies companies use to enhance their business in these markets.

Kumar (2019) talked about the Indian rural e-commerce market's potential for expansion, projecting significant growth due to increasing internet penetration, rising household incomes, and government initiatives. The study highlighted the importance of leveraging local languages and assisted commerce to tap into the rural online market and drive sector growth.

Sood (2022) highlighted the necessity for e-commerce businesses to take advantage of this potential given the increasing use of the internet in rural areas. The paper focused on the role of these companies in raising awareness and addressing the challenges faced by rural consumers to unlock the vast potential of the rural market.

Fernandes and Shailashree (2023) examined the motivating elements influencing the internet shopping habits and e-commerce familiarity of rural adolescents. The study provided insights into the preferences and motivators driving online shopping decisions among rural youth, enhancing the understanding of rural consumer behavior.

Jha (2023) examined the possible benefits and drawbacks of e-commerce during the epidemic in rural India, emphasizing how it can boost GDP. The paper discussed the opportunities and obstacles faced by the rural e-commerce sector, offering insights into its potential future developments.

Head and Parvez (2023) examined the increasing investment in rural e-commerce and the efforts by online companies and the government to promote its expansion. The study outlined challenges impeding the expansion of e-commerce in rural areas and offered suggestions for resolving them in order to promote the growth of e-commerce in these isolated and rural locations.

Objectives of the study

- To ascertain the existing state of e-commerce adoption and usage in rural India and to comprehend the trajectory of its growth.
- To identify the key drivers and barriers influencing the adoption of digital marketplaces in rural Indian communities.

Research methodology

The study utilizes data from secondary sources such as book chapters, research journals, government publications, newspapers, articles, and reports. Given the broad scope of the research topic and the scattered nature of data sources, relying on secondary sources is essential. Analyzing current data will help answer the research questions and contribute to a comprehensive understanding of "Digital Marketplaces Beyond Urban Borders: Exploring E-commerce in Rural India."

Discussion

Internet Penetration in Rural Areas in India

There are now more internet users in rural India than in metropolitan areas for the first time. Rural regions boast 227 million internet subscribers, a 10% increase compared to the 205 million subscribers in urban areas (Standard, 2024). As of November 2019, India had a total of 503 million internet subscribers, with rural areas accounting for 227 million and urban areas for 205 million, representing 40% of the total population, according to IAMAI and Nielsen (Mishra & Chanchani, 2020). Despite this growth, many rural residents struggle with mobile services due to illiteracy and language barriers, which impede the positive impact of e-commerce. To address this, service providers should enhance mobile internet services by assisting rural users and creating user-friendly systems to improve connectivity.

Growth Story

The rural e-commerce industry has seen a recent surge. Increased internet access is a major factor, but other elements contribute significantly as well. One key factor is the diversification of income sources for rural residents. As rural populations shift from traditional agricultural activities to non-agricultural income sources, the retail industry has seen increased revenue. Additionally, the rise in nuclear families has boosted spending power. Reports indicate that the rural population contributed \$359 billion, representing about 57% of the entire retail market (Standard, 2024).

The Indian government published the Draft National E-Commerce Policy in February 2019, encouraging foreign direct investment (FDI) in the e-commerce marketplace model. The policy requires e-commerce sites and applications to be registered firms in India in an effort to level the playing field.

Rural India to Propel E-commerce Market to \$325 Billion by 2030

Numerous projections project that by 2030, India's e-commerce business would reach \$325 billion, propelled by 500 million consumers and widely available, reasonably priced internet connection. With a current valuation of \$70 billion, 7% of India's retail business is made up of online sales, suggesting substantial growth potential. This industry is anticipated to grow as a result of factors like widespread internet use, reasonably priced internet services, and a significant rise in rural smartphone adoption. India currently has the second-largest internet user base in the world (881 million users), and its rapidly growing digital economy is expected to propel it to become the third-largest online retail market by 2030 (Standard, 2024).

Affordable Internet Driving Online Shopping

India is at the forefront of a revolution in internet buying; by 2030, 500 million people are expected to be shopping online. Due to the availability of reasonably priced mobile internet services, 87% of homes are predicted to have internet connection by 2025, which is driving this increase. Because data is so inexpensive—roughly \$0.17 per gigabyte—many people are motivated to use the internet, which will cause mobile data traffic to rise dramatically between 2018 and 2023. More than 80% of Indians, or over 1.18 billion people, are anticipated to own smartphones by 2026, which will further boost the country's digital economy (Standard, 2024).

Rising Number of Smartphone Users

The rise in smartphone users, the prevalence of UPI in online transactions, and the expansion of locally available content are the main drivers of the e-commerce boom. Indian languages are preferred by about 73% of internet users in India, creating a 540 million strong regional language user base and a \$53 billion market (Standard, 2024).

Rural India Driving E-commerce Growth

Studies emphasize the increasing significance of e-commerce with a rural focus, projecting significant demand by 2026 from tier 2-4 towns and rural areas. The expansion of fast commerce and government measures both encourage this tendency. The Government e-Marketplace (GeM) reached a Gross Merchandise Value of \$2011 billion in the fiscal year 2022–2023 (Standard, 2024). India is predicted to see a large increase in the number of online consumers between 2019 and 2026, with a compound annual growth rate (CAGR) of 15% in urban areas, reaching 263 million, and 22% in rural

regions, reaching 88 million (Standard, 2024). The National Logistics Policy is one example of a government initiative that aims to expedite delivery to remote locations while cutting costs and increasing efficiency.

Zomato and Swiggy to Gain Market Share

Rapid growth is anticipated in India's hyperlocal mobility sector, with the fast commerce market forecast to reach \$5.5 billion by 2025 (Standard, 2024). This growth is being driven by up-and-coming startups like Zepto as well as established businesses like Swiggy and Zomato. Significant consolidation in the e-commerce space is also occurring as a result of mergers and acquisitions, with businesses like Zomato and PhonePe putting themselves in a position to thrive in the future. The research emphasizes how important government programs like the BharatNet Project, the Jan Dhan Yojana, and the introduction of the Goods and Services Tax (GST) have been in forming India's digital economy.

Challenges Encountered by E-Commerce Enterprises in Rural India

Internet Service Inefficiency: E-commerce businesses in rural India face hindrances due to unreliable internet services, with less number of rural populace having access to the internet. This poses a significant obstacle to the smooth operation and survival of e-commerce ventures in these areas.

Trust Deficit: Many rural residents lack trust in online products due to concerns about damage, theft, and difficulty in returns. Establishing trust is crucial for e-commerce companies venturing into rural markets.

Transportation and Connectivity: Poor transport infrastructure in rural areas leads to delayed deliveries, with products taking much longer to reach rural customers compared to urban ones.

Currency Complexity: E-commerce businesses in villages struggle with currency challenges, including issues with credit card limits and currency exchange rates, which can disrupt the smooth flow of transactions.

Payment Methods: Limited availability of cash on delivery options in rural areas necessitates raising awareness about online payment methods to build trust among customers.

Lack of Awareness: Many rural residents are unfamiliar with the process of online shopping, highlighting the need for awareness campaigns to promote online purchasing.

Personalization Difficulty: E-commerce enterprises face difficulty in replicating the personalized experience offered by retail stores, as some customers still prefer physical verification of products before purchase. This poses a challenge amidst the competitive landscape of e-commerce versus traditional retail in India.

Role of Government

The government plays a crucial role in promoting rural e-commerce through various initiatives such as educational programs, policy-making, infrastructure development, and training programs in rural areas. Several significant government interventions include:

- Compiling a list of 200 products for sale on an ecommerce platform by the Ministry of Rural Development.
- Collaborating with Tata Trust to establish a non-profit organization offering professional assistance to rural artisans.
- Mandating e-commerce businesses to provide comprehensive information on return, refund, exchange, warranty, guarantee, delivery, and shipping through the E-commerce Policy 2020.
- Launching campaigns like E-Choupal, E-sewa, Gyandoot, Drashti, and E-Governance to promote rural e-commerce.
- Implementing the DIGITAL INDIA PROGRAM to bolster rural e-commerce.
- The 'Pradhan Mantri Gramin Digital Saksharta Abhiyan', part of the Digital India initiative, aims to educate 6 crore rural Indians online.
- Establishing the 'Kisan Suvidha' app, with over 100 million subscribers, enabling farmers to access vital information such as current and predicted weather, market pricing, suppliers, agro advisories, and crop protection.

Conclusion and Recommendations

The study sheds light on the state of e-commerce today and the major variables influencing its expansion, especially in isolated and rural areas. Despite the proliferation of the internet, several barriers such as low literacy rates, slow internet speeds, transportation issues, payment methods, and security concerns hinder the rapid expansion of e-commerce, limiting

its reach to remote and rural areas. However, data suggest that a sizable segment of the rural populace still participates in local market exchanges.

To enhance rural e-commerce, several implications and recommendations are proposed. These include the necessity for clear guidance in rural areas, transparent information regarding products and delivery schedules, and user-friendly payment methods. Cash on delivery is favored in rural regions due to reluctance in using mobile or internet banking. Moreover, e-commerce companies can leverage village promoters to deliver products to centralized locations, facilitating easier access for rural consumers. Collaborating with rural retailers can streamline order management and delivery processes. Additionally, developing apps in local languages can further boost e-commerce in rural areas. Implementing these recommendations can lead to the provision of improved services in rural areas and catalyze growth in rural e-commerce. Despite challenges, India is poised to become one of the fastest-growing e-commerce countries globally. Overcoming these obstacles will enable India to excel on the global stage by connecting rural populations and supporting initiatives like the "Digital India Program," ultimately benefiting the true essence of India - its rural communities.

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