

How does e-commerce impact the economy of rural India?

Dr. Poli Boruah,

Assistant Professor, Department of Economics, L.T.K. College, Azad, North Lakhimpur, Assam

Email ID: poliboruah11@gmail.com

ORID ID: <https://orcid.org/0000-0002-6802-9200>

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ABSTRACT

Nowadays, enhancing any business process significantly involves the use of e-commerce through electronic data transmission, which is accelerating changes in the business landscape in India. This industry, which has truly begun to mature only in the last three years, has given a significant boost to the internet economy in both urban and rural areas of the country. In rural India, e-commerce signifies rapid growth, with its success relying on understanding the market, the number of consumers, and offering various features. As the emerging market evolves, e-commerce is expected to increase dramatically in the coming years. However, rural India faces challenges such as limited internet or broadband availability compared to urban areas. The government's Digital India initiative aims to bridge this gap and expand the e-commerce consumer base by promoting businesses through social commerce (e.g. Facebook Commerce and Twitter Commerce), mobile commerce, etc. The plan includes developing digital infrastructure and improving digital literacy. Therefore, the combination of e-commerce and Digital India projects provides instant global connectivity. This article aims to study the impact of e-commerce on the Indian rural economy using secondary data and suggest ways to

overcome the challenges of e-commerce penetration in rural areas.

Introduction:

By combining new technologies with elements of traditional retail and direct mail, e-commerce has transformed the business landscape. Companies like eBay and Amazon, which launched in 1994, were pioneers in establishing significant e-commerce brands. Over the past few decades, e-commerce has become a dominant force in India, with thousands of businesses moving online to leverage the internet's potential for reaching a broader audience. E-commerce has become essential rather than just a trend, presenting vast opportunities for businesses. Even established brick-and-mortar brands are exploring online opportunities in both rural and urban India. E-commerce offers consumers a wide array of brands, fashion, and comfort at competitive prices, while merchants benefit from higher profits and reduced overhead by selling goods directly from production centres without needing a warehouse. This eliminates the need for significant investments in rentals, manpower, and labor costs. E-commerce connects merchants with more customers compared to physical stores. In India, where most of the population lives in rural areas, the economy is heavily influenced by rural communities. E-commerce has made significant strides in balancing the needs of both rural and urban populations. Despite various challenges, e-commerce sellers and brands are keen to explore opportunities in rural India. Recently, e-commerce has effectively reached this segment, challenging the notion that it cannot penetrate rural regions. The purpose of this paper is to study the impact of e-commerce on the economy of rural India.

Objectives of the study:

The main objectives of this article are:

1. To examine existing literature to gain insights into the concept of e-commerce and its effects.
2. To analyze how e-commerce influences the economy of rural India.

Literature Review:

Various studies have been conducted on e-commerce and its impact on India. Some of them are briefly described below. As a result of utilizing bank e-commerce from the customer's perspective as in

[1] The overall satisfaction level of the male customer base was almost the same, and considering accounts, it was found to be high in both categories. Regardless of gender bias, the level of dissatisfaction in terms of location and distance was found to be very significant. The level of dissatisfaction with the other determinants is not important. A study [2] found that the overall impact of e-commerce is increasing along with the economic and social growth of the Indian economy as e-commerce is an excellent platform for infrastructure development as well as improving employment levels in India. The growth of e-commerce is a result of the spread of smart phones and the Internet, and since e-commerce is a result of the spread of smart phones and the Internet, e-commerce is a useful resource for the growth of small and medium-sized businesses. It looks at all aspects of life in rural communities, as shown in the study [3]. Her research [4] showed that e-commerce not only increases trade and efficient warehousing, but also opens up a huge market for buying and selling products as most products are consumed and sold by villagers in local markets. According to a study [5], India's e-commerce market has grown by 34% over the past seven years, reaching approximately \$600 million in 2011-12 and is expected to reach \$9 billion by 2016. It will reach \$70 billion by 2020. Key factors driving this growth are increased Internet usage (up 20%), 3G penetration, and the rise of smartphone users who can access the Internet on their mobile phones. Based on primary data from Gandevi Taluka through a survey of 150 respondents [6], it was found that 98 out of 150 respondents were aware of the concept of e-commerce, and only 26 out of 98 used it. this. Despite being aware of the concept and benefits of e-commerce, the general public is reluctant to utilize this opportunity due to lack of tactile elements, lack of credit limit support, and fear of financial transactions. internet etc. In India, with more than 69% of the population living in rural areas due to the availability of internet, there is a lot of potential to tap into rural markets. As shown in the study [7], she also suggested that to increase the use of e-commerce, people need to be trained in computers and technology, and to achieve this, there should be a strict legal framework for e-commerce.

Research methodology:

This study, based on secondary data, adopts a descriptive approach. Data collection involves sourcing information from a variety of secondary sources, including websites, research articles, books, and statistical reports.

Results and Discussions:

Because a significant portion of India's population lives in rural areas, and city dwellers tend to be more educated, more tech-savvy, and have greater purchasing power, e-commerce (and all industries) must balance the needs of both sectors. E-commerce faces several challenges in expanding its reach in rural India:

- (a) The hyper-local nature of rural markets means that a seller's product portfolio is critical to success.
- (b) Customers may feel anxious due to lack of physical presence in the area.
- (c) Rural residents may avoid online shopping due to concerns about online payment security.
- (d) Language barriers exist, as most e-commerce websites are in English. Companies must consider developing e-commerce platforms in local languages to effectively communicate with rural customers.
- (e) Many rural residents lack access to desktops and laptops, and those who do are often more comfortable with mobile shopping. Thus, mobile accessibility is crucial.
- (f) Poor access and transport infrastructure hinder e-commerce's ability to impact supply chain efficiencies significantly.

Despite these obstacles, e-commerce companies are eager to explore opportunities in rural India. Advances in technology have recently allowed e-commerce to effectively reach rural areas, challenging the notion that it cannot penetrate these regions. According to various literature reviews, Internet penetration in rural India increased from 18% to 20.26% by December 2017, and the number of Internet users is expected to reach 500 million by June 2018 (Pahwa A., Rural E-Commerce: Unexplored Potential, Ernst & Young, 2018). Companies like Myntra, Jabong, Voonik, Amazon, Shop Clues and Flipkart are generating significant revenue from rural areas as rural people enjoy the benefits of online delivery systems. With the increasing use of the internet and smart phones, many rural residents are using mobile apps and computers to order goods. Studies have shown that products such as electronics, kitchen appliances, grinders, baby products and blenders are in high demand in rural areas.

The success of e-commerce in rural India largely depends on postal services. The Indian Postal Service, with its extensive network, has evolved to support e-commerce by collaborating with over 400 websites, including Amazon and Flipkart. With more than 155,000 post offices in remote areas, e-commerce

companies can deliver goods to customers in even the most far-flung locations. The rapidly growing online travel market for vacation planning, hotel reservations and ticket purchasing also demonstrates the importance of electronic services in India's e-commerce market. Young consumers in India, who have limited time for traditional shopping, contribute to the enormous potential for online shopping.

The study reveals both positive and negative impacts of e-commerce on rural India's economy.

Positive impacts include:

- (a) E-commerce encourages business development in rural areas, which were previously considered too costly or unprofitable.
- (b) It aids in the development of microfinance institutions providing financial services to rural areas.
- (c) E-commerce supports e-learning and m-learning, enhancing access to education in remote areas.
- (d) E-governance initiatives improve access to information and reduce corruption.
- (e) It reduces transaction costs in the banking sector, increasing access to financial services via the growing mobile market.
- (f) E-commerce helps MSMEs market their products globally.
- (g) offers the potential to transform the balance of opportunity, wealth, social and political inclusion, although it may also influence cultural and social norms;
- (h) The growth of digital industries such as e-commerce, mobile commerce, and digital advertising in rural areas is a result of increased use of the Internet.
- (i) Supplying personal computers, laptops, tablets, and internet access improves lifestyles and educational opportunities in rural areas.

Negative impacts for rural consumers include:

Product cannot be inspected directly.

- (b) Privacy and security issues in online shopping.
- (c) Risk of credit card fraud.

- (d) Delays in receiving products.
- (e) Difficulty in identifying fraud.
- (f) Lack of knowledge about product guarantees, quality, and hidden costs.

Other disadvantages of e-commerce in rural India include:

security issues.

(b) Despite increasing internet literacy, driven largely by mobile phones, basic phones offering internet access may not be secure.

(c) Potential entry by cybercriminals, with rural residents often unaware of such risks.

Suggestions:

From the above discussion, it is clear that e-commerce has become an integral part of life in India, impacting both urban and rural areas. To address the shortcomings of e-commerce in rural areas, this article offers the following suggestions:

- (a) Implementing an omni-channel strategy in rural areas can help alleviate challenges such as low digital literacy and distrust of digital platforms.
- (b) Utilizing existing infrastructure for marketing, selling, and delivering e-commerce products and services can build trust among rural customers who are already familiar with these setups.
- (c) Maintaining a balance between high-cost and low-cost products can optimize sales, as rural customers often have low disposable incomes, making price a significant factor in purchasing decisions.
- (d) Employing Red Carpet loans to finance online transactions via mobile credit applications can address credit scoring gaps in the Indian market. This method does not require a bank account, and repayment can be made in easy instalments.
- (e) The introduction of Zest Money, which provides a line of credit at the time of purchase without using a credit card, may facilitate transactions. Zest Money has partnerships with platforms such as Amazon, Jabong, Myntra, Flipkart and Mi.

(f) Raising awareness of online shopping and providing rural shoppers with access to e-commerce platforms is essential to enable them to conduct online transactions.

Conclusion:

With e-commerce expected to contribute 4% to India's GDP by 2020, the sector is rapidly transforming related industries through shifting consumer trends and lifestyle changes, and it is poised to become a significant source of employment. The rising demand for digital skills will necessitate government investment in skill development and digital infrastructure, which will significantly boost the sector. To ensure the sustained growth and development of the e-commerce ecosystem, the government must implement appropriate regulations.

With over 69% of India's population living in rural areas, there is significant potential to tap into this market. To promote the use of e-commerce, it is important to strengthen rural consumers' trust in the system by educating people about computers and technology and establishing a strong legal framework to ensure the security and privacy of e-commerce. However, to achieve nationwide e-commerce success, key challenges must be addressed, such as low internet coverage in rural areas and poor connectivity in urban areas, which can lead to high failure rates in payment processes. Overcoming these barriers is crucial for the anticipated growth of e-commerce.

Future Scope:

This paper suggests the following areas for future research:

- (a) Investigating the relationship between innovativeness among rural consumers and their acceptance of online shopping. Given that rural consumers are generally risk-averse and less innovative, their acceptance of internet shopping is likely to be lower.
- (b) Conducting studies to provide empirical evidence on whether rural consumers prioritize ease of use over the utility of online shopping more than urban consumers. Rural shoppers are expected to have a higher need for a touch-and-feel experience to make purchasing decisions compared to urban consumers.
- (c) Exploring the relationship between brand knowledge and online shopping preferences in rural markets. Since rural consumers often need to experience products before purchasing, which is not always possible with online shopping, they may rely on brand names to mitigate risk. Further research is needed to understand this dynamic.

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