

# The Growth of E-Commerce in Rural India

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## **Abstract**

*The trade of goods and services using the Internet is known as e-commerce. In this article, we describe the factors propelling the growth of India's e-commerce sector. I carried out my study using secondary sources, including papers, journals, articles, blogs, conference proceedings, and reports. E-commerce is one of the sectors with the quickest rate of growth. The potential of the Indian investment market is huge. Investment has risen sharply since last year, and more is expected in the years to follow.*

*The rapid rise in internet and mobile user usage has facilitated e-commerce in both urban and rural locations. India's e-commerce sales are expected to rise at the fastest rate in the world, from \$30 billion in 2016 to \$120 billion in 2020, or a 51% annual growth rate, according to a report released jointly by ASSOCHAM and Forrester.*

**Keywords:** internet, e-commerce, Investment, ASSOCHAM

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## **INTRODUCTION**

The internet is becoming into a diverse global economy that offers chances to anyone, including in underdeveloped countries like India. According to data from Forrester, a leading worldwide research and consulting firm, India's e-commerce market is predicted to develop at the fastest rate among Asia-Pacific regions, with a compound annual growth rate (CAGR) of more than 57% between 2012 and 2016.

Because more people are using smartphones, tablets, and the internet, e-commerce is now readily accessible to people in both urban and rural locations. About 400 million Indians were using the internet in 2016. Foreign enterprises are investing large sums of money in Indian industries. Experienced international players are taking an interest in Indian companies. E-commerce is growing in rural regions, with Tier-2 and Tier-3 cities handling the majority of traffic. In July 2014, Amazon invested \$2 billion in India after discovering that Flipkart had raised \$1 billion in funding. Many major companies, including as snap deal, Flipkart, Amazon, Shop clues, Jabong, and others, are based in the e-commerce sector.

## **WHAT IS E-COMMERCE?**

E-commerce is the buying and selling of goods and services through the exchange of money or data over an electronic network, typically the internet. These interactions may occur between companies, between customers, or between customers and companies. E-commerce makes use of programs like shopping carts, email, and EDI. Online purchase transactions are made possible by digital commerce, which also makes it easier to establish and maintain relationships with customers via a range of channels, such as retail, mobile, direct and indirect sales, etc.

## **INDIAN SCENARIO**

India has a bigger market potential because the e-commerce industry is expanding at a rate that doubles every year. India's e-commerce revenue is expected to grow at the fastest rate in the world, from \$30 billion in 2016 to \$120 billion in 2020, or a 51% annual rate, according to a joint ASSOCHAM-Forrester study. Morgan Stanley predicts that the e-commerce market will grow to \$137 billion.

By 2020, millions. The graph that follows shows how sales in India increased from 2011 to 2016. E-commerce sales have grown dramatically since 2013, as evidenced by the data below, and are expected to make up 1.40 percent of all retail sales in 2018.

According to the latest data from Forrester, a leading worldwide research and consulting firm, India's e-commerce business is predicted to develop at the fastest rate in the Asia-Pacific region, with a compound annual growth rate (CAGR) of more than 57% between 2012 and 2016. However, India's growth pace may be significantly faster

than that of China and other superpowers like Japan. In contrast to India's 51% growth, e-commerce in China is growing at an annual pace of 18%, Japan at 11%, and South Korea at 10%, per a joint report by Forrester.

## **INVESTMENT**

The \$3.9 billion in investments that the commerce sector has received from venture capitalists, private equity firms, and internal funders since last year includes a \$575 million joint investment by Chinese e-commerce company Alibaba Group Holding and its partner Zhyian in One97 Communication Limited, also known as Patym. At the moment, Patym has \$1 billion in gross merchandise values. For the e-commerce of any Indian company, it is a significant sum. Patym allows consumers to shop from 1800 of its networked merchants, buy tickets, and take advantage of sales in addition to facilitating mobile payments. Ratan Tata made an undisclosed donation to Patym after Alibaba invested. In December 2014, the massive Japanese internet company Softbank announced that it would invest \$10 billion in India over the next few years. At the moment, it owns 30% of Snap deal and Housing.com. It invested about \$20 million in Alibaba in 2000; today, the company is valued in the billions. Quicker, Flipkart, Mantra, Just Dial, and Make My Trip are just a few of the companies that have received money from Tiger Global Management, a New York-based company. Start-ups funded by hopeful investors have developed to the point where they can now effectively compete with international companies seeking to build a customer in India.

## **FUTURE OF E-COMMERCE**

E-commerce in India has rapidly spread across the country. The bulk of the growth is in the travel and retail sectors. With the eleventh largest economy in the world, India has emerged as a significant force in the global market. Mobile commerce is becoming more and more popular in the e-commerce sector. It is anticipated that the value of mobile transactions will reach Rs, and they are increasing yearly 36,000 crores, according to Forester's research. More high-profile mergers and acquisitions are expected to occur in the digital commerce sector in the years to come. E-commerce seems to have a bright future because more and more companies will be investing in small business start-ups. E-commerce in India attracted a lot of investment last year, and more is expected in the years to come. Social media has evolved into a marketing tool that allows companies to freely promote and advertise their products. The rise of social media and mobile networks in business will drive e-commerce to new heights and bring about changes to online retail marketplaces in the future.

## **CHALLENGES OF E-COMMERCE**

Despite the global growth in e-commerce, India is still struggling to expand, especially in rural areas. We discuss seven challenges that Indian e-commerce companies need to overcome here.

- A significant portion of purchases made online are returned. When making his first purchase, a customer may act aggressively, buy on impulse, or occasionally buy something he has never seen before. The terrible part is when the customer wants to return items after they are delivered. This is a significant problem in India, where gaining new clients makes up a significant amount of growth, because it is expensive for companies to carry out the It entails reverse logistics and is not profitable for the vendors.
- Scepticism about e-payments; COD is favoured Indian customers are extremely sceptical of utilising electronic payments and are always worried about committing fraud. Moreover, the extensive usage of credit cards in India is not particularly advantageous. Cash on delivery, or COD, is the most widely used payment option in India. Cash collecting by hand is expensive, time-consuming, and risky.
- Few people use smartphones. There are still not many smartphone users in India, despite the country's high mobile user population. Most people still use phones with basic features, which makes it impossible for them to do business online while they're on the go. We can now expect a rise in the user base in the near future due to the arrival of inexpensive smartphones in India.
- The inaccessible towns in India Thousands of towns in India are inaccessible and lack proper transportation. Since a large population lacks easy access, e-commerce companies lose a sizable portion

of their potential customers. Cash on delivery is the main form of payment in India, which only exacerbates the logistical problem.

- Overfunded competitors increase the expense of gaining new clients. India is a start-up nation since there are around three to four new companies established there every day. The government is also attempting to assist this sector. Some investors are willing to pay ridiculously high prices to get market share in the current market, which gives Indian consumers a wide range of possibilities, because e-commerce companies have such bright futures must work hard to create strategies for keeping clients.
- Digital Ignorance and Consumer Psychology Digital illiteracy is a significant problem for Indian e-commerce. India's rural majority does not adhere to the growing digital trend. When he can find what he wants in a nearby store, the Indian customer is unlikely to go far in search of a better option. Because of this, even if the client is informed of the possible issues with connectivity and other issues, they choose not to use the Internet.
- Language limitations for small business owners or consumers, especially those in rural areas, to incorporate e-commerce into their everyday operations, it must be available in their native tongues.

## CONCLUSION

The expansion of the internet and information technology has caused a change in the worldwide market towards e-business and e-marketing.

The main barrier to e-commerce's rapid growth, however, is the low literacy rate in the country; even highly educated individuals struggle to utilise desktop computers, laptops, and iPhones with cyber technology. Many remote areas, including the northeaster Indian states, are still unreached by e-commerce companies. This could be because, except from rapid post, which struggles to reach the inaccessible, there aren't many courier services or transit options. Broadband and 3G connectivity availability continue to be an issue for the expansion of e-commerce in many rural areas of the country. We hope that these barriers to online shopping will rapidly be overtaken by the industry, especially in the present day of advanced technology, a flourishing start-up scene, and intense competition.

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