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**EXPLORING THE OPPORTUNITIES AND CHALLENGES IN INDIAN RURAL MARKET WITH SPECIAL REFERENCE TO E-COMMERCE**

**Dr. Vishal B. Javiya**

Assistant Professor, Department of Commerce and Business Management  
Faculty of Commerce, The M. S. University of Baroda  
Vadodara

**ABSTRACT**

Although over the past few years e-commerce has grown unprecedentedly in India, it has not penetrated rural lives much. Industry Experts believe that the real e-commerce boom in India will come with increased participation of rural consumers. E-commerce firms such as Amazon and Snapdeal are framing up strategies to leverage the opportunities offered by the present government's efforts to connect 250,000 villages in India by 2019, which includes initiatives such as forays in regional languages and assisted shopping on e-commerce platforms through rural kiosks. The paper attempts to explore the opportunities and highlight the challenges for the e-commerce players.

**KEY WORDS:** Rural India, Rural Market, e-Commerce, Opportunities, Challenges

**1. INTRODUCTION**

India is at the peak of a digital revolution. Declining broadband subscription prices, aided by 3G services, have been driving this trend. This has led to an ever-increasing number of "netizens." Furthermore, the 4G service is expected to significantly augment the country's internet user base. Internet has become an integral part of this growing population segment for remaining connected with friends, accessing emails, buying movie tickets and ordering food. The changing lifestyles of the country's population have also led many people relying on the internet for their shopping needs. The convenience of shopping from the comfort of one's home and having a wide product assortment to choose from has brought about increased reliance on the online medium.

The trend of online shopping is set to see greater heights in coming years, not just because of India's rising internet population, but also due to changes in the supporting ecosystem. Players have made intensive efforts to upgrade areas such as logistics and the payment infrastructure. Furthermore, the Indian consumer's perception of online shopping has undergone a drastic change, and only for the good. Given these developments, venture capital investors, who were restricting themselves to the sidelines, are now taking a keen interest in the country's e-Commerce market.

E-commerce firms such as Amazon and Snapdeal are firming up a strategy to leverage the opportunities offered by the present government's efforts to connect 250,000 villages in India by 2019. This includes initiatives such as forays in regional languages and assisted shopping on e-commerce platforms through rural kiosks.

At the heart of this is the Rs.20,000 crore National Optical Fibre Network (NOFN), which aims to utilize the existing fibres of state-run units such as BSNL, Railtel and Power Grid to connect Gram Panchayats and blocks.

This also comes in the backdrop of the government's plan to set up Rs.5,142 crore "rurban" project that entails the creation of 300 "smart village clusters" in the next three years. These will be built as economic hubs offering employment opportunities, bridging the urban-rural divide and reducing distress migration. Wider connectivity will strengthen the system both on the demand and supply side. Currently, majority of sales volumes come from Tier II and III towns and the hinterland. The average Indian consumer in non-metro regions is very aspirational, but has limited access. Online shopping allows the consumers to order products from a wide range of brands /sellers available at different price points, without needing to travel to a bigger town.

On the seller side, the NOFN will lead to unprecedented market access for traditional artisans and small businesses. For the first time they will be able to connect to the buyers directly, bringing much deserved focus to handloom and handicrafts industry.

NOFN coupled with the government's financial inclusion initiatives will lead to rapid adoption of digital wallets in rural areas, providing a convenient and secure payment mechanism to people to transact online.

With rising Internet penetration and the ongoing smartphone revolution, customers in smaller towns and villages now have great access to quality products at low prices. Currently, about 50% of the orders on Amazon.in come from outside the top eight cities.

Further, the government's flagship programme Digital India, which aims to put all government services online, is expected to act as a catalyst for the Indian information technology industry's growth.

## RESEARCH OBJECTIVES

- To know the current status of Indian Rural Market
- To highlight the opportunities and challenges for e-commerce business organizations

## 2. LITERATURE REVIEW

Khan and Mahapatra (2009) remarked that technology plays a vital role in improving the quality of services provided by the business units. One of the technologies which really brought information revolution in the society is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution. The cutting edge for business today is e-Commerce. The effects of e-commerce are already appearing in all areas of business, from customer service to new product design. It facilitates new types of information based business processes for reaching and interacting with customers like online advertising and marketing, online order taking and online customer service etc. It can also reduce cost in managing orders and interacting with a wide range of suppliers and trading partners, areas that typically add significant overheads to the cost of products and services [Rajiv Rastogi]. Businesses are increasingly using the Internet for commercial activities. The ubiquitous nature of

the Internet and its wide global access has made it an extremely effective mode of communication between businesses and customers [Rowley (2001)].

Devendra et. al., (2012) defined that electronic commerce, commonly known as e-commerce or eCommerce, consists of the buying and selling of products or services over electronic system such as internet and other computer network.

### SERVICES PROVIDED UNDER THE VARIOUS MODES OF E-COMMERCE

E-Commerce transactions can be segmented into three broad categories or modes, based on participants involved in the transaction.

**Business-to-Consumer (B2C):** The B2C market in India generates the bulk of revenues across the consumer-facing modes of e-Commerce. Furthermore, though online travel has typically held a major share of the B2C market, online retail is also growing rapidly and is expected to significantly increase its share.

**Consumer-to-Consumer (C2C):** India's C2C market, though currently small, is set to grow with the entry of several players. These entrants are attracting VC investment. Their online portals are also garnering significant traffic. We expect the C2C segment to show rapid growth in coming years.

**Business-to-Business (B2B):** The most common users of B2B online classifieds are micro, small and medium enterprises (MSMEs). These small businesses lack the requisite financial resources and, therefore, find it difficult to market their products and services to potential clients through traditional media such as newspapers, banners and television. Trade through online B2B portals increases the visibility of MSMEs in the marketplace and helps them overcome barriers of time, communication and geography.

### 3. RURAL MARKET DEVELOPMENTS

According to the third annual edition of Accenture Research, "Masters of Rural Markets: From Touchpoints to Trustpoints - Winning over India's Aspiring Rural Consumers," rural consumers are particularly aspiring or striving to purchase branded, high quality products. Consequently, businesses in India are optimistic about growth of the country's rural consumer markets, which is expected to be faster than urban consumer markets. The report highlights the better networking among rural consumers and their tendency to proactively seek information via multitude sources to be better informed while making purchase decisions. Importantly, the wider reach of media and telecommunication services has provided information to India's rural consumers and is influencing their purchase decisions. In line with general trend, rural consumers are evolving towards a broader notion of value provided by products and services which involves aspects of price combined with utility, aesthetics and features, and not just low prices.

The hinterlands in India consist of about 650000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favorable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies.

India's per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US\$ 20 billion mark by 2018 and reach US\$ 100 billion by 2025.

Snapdeal was the first e-commerce company to foray into regional languages by making its website available in Hindi and Telugu, aiming to cross the language barrier to tap rural audiences. Snapdeal is working with various partners to provide assisted e-commerce service through rural kiosks, where the partner agent assists customers to make purchases of their choice from the Snapdeal platform. These kiosks also serve as collection centres in areas where buyers do not have identifiable addresses.

To unleash the real potential of this market, the companies need to go down to the level of educating rural consumers, getting them on the platform and setting up the supply chain to reach these areas. So in the short run, these companies may need to come up with the innovative hybrid models - somewhere between brick and mortar and online such as assisted shopping for consumers - to tap the rural market. The size of the prize in India's rural hinterlands is growing bigger than many businesses initially thought. More companies are expanding their base in India's rural markets than at any other time in history - and for good reason. For one thing, the business environment is improving, thanks to better infrastructure and the growing number of consumers who are earning more and snapping up products and services that support their aspirations. The confluence of these forces is changing the rules of the game.

#### OPPORTUNITIES IN INDIAN RURAL MARKET

**Untapped Potential:** It offers a great chance for different goods as well as services for large number of customers. It is estimated by HLL that out of over 6 lacs villages in India, only one lacs have been tapped so far, which goes on to indicate the market potentials of the rural market.

**Increase in Literacy Rate:** Literacy rate is increasing in rural areas. According to census 2011 it stood at 68.9% (2001 census 58.7%).

**Increasing Income:** Different programs undertaken have helped to improve the economic situation of the rural areas. The increase in income is seen in both absolute values as well as in the increase in average number of days of occupation in a year.

**Competition in Urban Areas:** The urban market is getting saturated and thus is unable to provide the much needed market to many companies and in search of greener pastures many of these companies are now targeting the rural market.

**IT Penetration in Rural India:** Today's rural children and youth will grow up in an environment where they have 'information accesses to education opportunities, job opportunities, government schemes, and worldwide news and mandi prices. The number of claimed internet users has witnessed a compounded annual growth rate of 73% since Dec. 2010. As the electronic ethos and IT culture moves into rural India, the possibility of change are becoming visible.

**Infrastructure improving rapidly:** The 40% villages have been connected by roads, in next 10 years another 30% would be connected. Rural telephone density has gone up by 300% in the last 10 years. Government has also taken initiatives in direction of facilitating electricity through decentralized renewable energy sources. The government aims to provide LED lights to around 400million homes that do not have an electricity connection by 2017.

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## CHALLENGES IN INDIAN RURAL MARKET

Although rural markets offer immense potential, marketers need to recognize the fact that there are considerable differences in many respects, including the nature, characteristics buying patterns, and behavior of rural consumers, when compared with their urban counterparts.

Pattern of income levels in rural markets is yet another differentiating factor that affects the buying power and consumption behavior of rural consumers.

In addition, the dispersed nature of the population, the inadequacy of physical infrastructure like roads, the weak banking system, limited availability of credit facilities, and problems of storage infrastructure are additional challenges for marketers. These challenges need innovative solutions.

E-commerce companies need to address many issues:

- Strengthening logistics infrastructure and service levels in ecommerce market as warehousing requirement will increase in coming years with increase in e-commerce activity in coming years.
- Security, privacy breaches and fictitious transaction issues need to be focused as e-commerce is moving to mobile platform.
- Rules and regulations for taxation and pricing of product for international and local companies need to be considered. Special attention required regarding complexities of tax evasion, FDI, and loopholes in commerce between government and various competent e-commerce companies.
- Customers are concerned about security when it comes to use of credit and debit cards so they are hesitant in doing online transactions. Thus cash on delivery is preferred mode of payment which is risky.
- Companies need to adopt to change in technology shift from computers to mobile phones. They should provide multi-channel sales coupled with fast browsing experience along with after sales support and service. Online reviews, videos, product comparison should also be provided to enhance shopping experience.
- India is a country of many languages. Language becomes barrier in effective communication in the market efforts. Therefore, contents have to be prepared in Regional Languages.
- Seasonal demand is main problem of rural market. Agriculture situation plays a significant role in the demand of commodities in the rural market because it is the main source of income. Again agriculture depends on monsoon so buying capacity of rural consumers varies.

## 4. CONCLUSION

As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally. The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and smartphones. Taking advantage of these developments, online portals are being viewed as key channels for companies trying to enter and establish themselves in the rural market. The Internet has become a cost-effective means for a company looking to overcome geographical barriers and broaden its reach.

Companies that want to expand their business need to spend resources in advertisement, branding, logistics, reverse logistics, supply chain management and customer services. There is need of in-depth understanding of security requirements such as confidentiality, privacy of data. To maintain

loyal customers companies need to provide superior website experience coupled with customer service. Companies who want to reach more consumers and want to cater need of local population should develop website content in local languages.

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