



ORIGINAL RESEARCH PAPER

Commerce

CHALLENGES AND OPPORTUNITIES OF E-COMMERCE IN URBAN AND RURAL SECTOR IN INDIA

KEY WORDS: E-Commerce, Rural and Urban India, Digital, Internet Access, Government, Business, Growth

**Prof.
Dipali Kalambe**

Department of commerce, Prerna College of Commerce, Nagpur.

ABSTRACT

E-commerce refers to a wide range of online business activities for products & services. In the modern time E-commerce is giving a tough competition to the traditional trade and business. Due to the advancement of technology the world became a global village. E-commerce has reached most of the consumers in the urban sector but the challenge lies in front of the companies so that it reaches the rural sector also. E-commerce will create job opportunities in rural and urban areas in turn leading to betterment of financial & economic position.

INTRODUCTION

E-COMMERCE or electronic commerce, deals with the purchasing and selling of products and services over an electronic platform, mainly the internet. E-Commerce has various categories such as Business to Business (B2B), Business to Consumer (B2C), Consumer to Business (C2B) and Consumer to Consumer (C2C) (Source: E-commerce in India accelerating growth). E-commerce is an ability to allow business to communicate and to perform transaction anytime and anywhere. The power of e-commerce allows geographical barriers to vanish, making all consumers and businesses on earth potential customers and suppliers. e-Bay and Amazon E-Commerce companies are good examples of e-commerce businesses able to post their items and sell them around the globe or world. The E-Commerce sector growth was based on rapid technology adoption like increasing use of devices like smartphones and access to the internet via broadband, 3G, etc. which led to an increased online consumer base which helps to this growth.

E-commerce is usually referred to combining new technologies with elements of traditional stores and direct mail models. The term E-commerce was originally conceived to describe the process of conducting electronically using technology from Electronic Data Interchange (EDI) and Electronic funds transfer (EFT). These technologies allowed for the exchange of information & the execution of electronic transactions between business typically in the form of electronic purchase orders & invoices. EDI & EFT were the enabling technologies that laid the groundwork for what we know as E-commerce.

Objectives:

- 1) Improving delivery timing of goods in India.
- 2) Effective searching & tracking of customer location.
- 3) Improve the various rural trades like food products, agricultural goods.
- 4) Creating awareness about e-commerce using mobile or PC.
- 5) To study the benefit of e-commerce to consumer, society.

E-commerce Challenges in urban sector

- 1) Internet penetration is low.
- 2) Postal addresses are not standardized.
- 3) Cash on delivery is the preferred payment mode.
- 4) Logistics is a problem in thousands of Indian towns and villages having potential for e-commerce.
- 5) Indian customers return much more of the merchandise they purchase online.
- 6) Refunds take anywhere between 7-21 days.

E-commerce Challenges in rural sector

- 1) **Poor Knowledge and Awareness:** When it comes to ratio of internet consumers, scenario is not so admirable one.

Majority of Indian rural population are unaware of internet and its uses. Surprisingly, most of internet savvies or urban population are also suffering from poor knowledge on online business and its functionalities. Very few are aware of the online corruption and fraud and thus darkness still exists. A reliable survey reveals that 50% of Indian online users are unaware of the solution of online security.

2) Online Transaction: Most of Indian customers do not possess plastic money, credit card, debit card and net banking system, which is one of the prime reasons to curtail the growth of e-commerce. Nevertheless, in recent years, some of the nationalized banks have started to issue debit cards to all its account holders. This is undoubtedly a positive sign for Indian online entrepreneurs.

3) Cash On Delivery: Cash on Delivery (COD) has evolved out of less penetration of credit card in India. Most of Indian E-commerce companies are offering COD as one of the modes of payment for the buyers. 30%-50% of buyers are also taking advantage of this mode of payment while making purchase of any product and service over internet. COD has been introduced to counter the payment security issues of online transaction, but this mode has been proving to be loss and expensive to the companies. It is seen that majority of the customers denied to make the payment at the time of delivery of the product. Hence, companies tend to lose the sale along with product transit fees. In order to curb the problem of COD, online companies should take some judicial steps; otherwise basic logic behind the e-commerce business will be at risk.

4) Online Security: In case of start up and small business, business owners are ignoring the importance of authentic software due to budget constraints. They are even failing to take the initial steps to secure and protect their online business through installation of authentic protection services like antivirus and firewall protection, which is indeed a crucial step for successful online business players. In India, maximum number of business entrepreneurs used unauthorized software in their server, which usually does not come with upgraded online security. Such pirated software leaves room for virus, malwares and Trojan attacks and it is highly risky task to make online transactions in the systems, which may disclose or leak sensitive details of credit cards and online banking of the users. These kinds of loopholes should be banned in Indian e-commerce sectors. Affiliation to SSL certificate should be imposed as a mandatory action for every owner.

5) Logistics and Shipment Services: In India, logistics and courier services required lots of improvement. While, perfect and strong logistics service is one of the key reasons behind the success of any online company, India is lagging far behind in this sector as most of the towns and small villages are still not

covered under serviceable area of many of the courier and logistic companies. Ecommerce is hampered in a big way owing to the limited services offered by the courier service companies.

6) Tax Structure: Tax rate system of Indian market is another factor for lesser growth rate of eCommerce in India in comparison to other developed countries like USA and UK. In those countries, tax rate is uniform for all sectors whereas tax structure of India varies from sector to sector. This factor creates accounting problems for the Indian online business companies.

7) Fear factor: Fear of making online payment is a universal psychological factor of Indian customers. With the spread of knowledge on online transactions and its reliability, some percentages of customers have overlooked this fear and they are fearlessly engaging themselves in online shopping. But still, majority of customers are not aware of online transactions and its security. They often reluctant to disclose their credit card and bank details and preferred to stay away from online world of shopping.

8) Touch and Feel' factors: Indian customers are more comfortable in buying products physically. They tend to choose the product by touching the product directly. Thereby, Indian buyers are more inclined to do ticketing and booking online in Travel sectors, books and electronics. Companies dealing with products like apparel, handicrafts, jewelry have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.

According to a recent The Boston Consulting Group (BCG) report, almost half of all Indian internet users will be from rural areas in 2020. Rural India accounts for two-thirds of the country's population, and their migration to the internet will be a driving force behind the country's e-Commerce growth. BCG expects the Internet to contribute \$200 billion to India's GDP (5 percent of total GDP) by 2020.

Internet and Rural India

Digital Era estimates India's e-Commerce economy is on pace to cross \$120 billion in size by 2020. However, e-Commerce activity in rural areas is still quite small. Only 15% of connected users in rural India use the internet to either research a product, purchase a product, or submit a product review, estimates BCG.

The majority of rural users (around 70%) will be using internet to access social networks. This represents a great opportunity for platforms such as Facebook for its social commerce expansion. It can lead partnerships with local and global retailers to reach the ever increasing number of connected users in rural India.

Since, the fact for businesses is that the Internet in India is not limited to urban audiences; the user base is both expanding and diversifying. DigitalEra expects content to be more vernacular for a personalized touch across all online and offline medium. This massive shift in demography reassures companies to pay attention on a rapidly evolving ecosystem of E-Commerce.

Digital India and E-Commerce

The Digital India campaign hopes to connect villages with broadband internet. A McKinsey report says that the country's GDP will be boosted by \$550 billion, pushing the GDP to \$1 trillion by 2025, if the campaign succeeds. ECommerce firms are striving to bank on India's rural market in cooperation with the government's Digital India initiative. Firms such as Flipkart, Snapdeal, Infibeam and Paytm have signed Memorandum of Understanding (MoU) contacts with the government to reach rural areas and villages.

However, delivering goods to rural India throws a major challenge for the eCommerce marketers. Amazon, Flipkart and other major e-tailers have made big amount of investments to improve the infrastructure in place. They now have a developed in-house digital payment solutions in place to help meet the growing online payments.

Looking further, e-Commerce industry will see more investments on building out logistics to serve rural consumers in the future.

Case Study :Here is a best example of what positive impact digitalization can have upon the society

Akodara, located in Gujarat's Sabarkantha district is proud to be India's first 'digital village'. Situated 90km from Ahmedabad, the village has fully adopted the use of digital payments as neither shops nor citizens here deal in cash. The village of roughly 1,200 people was adopted by ICICI Bank to demonstrate the kind of progress digitization can make on a society. The bank, with help from the local administration, has helped every villager have access to modern banking facilities. Digitalization has paved the path for better education facilities as well in the village.

According to BCG, there are six areas which require attention:

Increasing access through expanding network reach and bringing more-affordable devices and mobile plans to marketFacilitating digital transactions and easing payments. Developing a regulatory framework that facilitates content development and does not hinder the growth of local applications and services and the content sector

Developing an Internet governance and regulation system that does not constrain private-sector innovation and does enable all stakeholders to function effectively

Enabling entrepreneurial ventures through ease of financing, mentorship programs, and the development of a skilled digital workforce

Facilitating the creation of local-language, or vernacular, Internet content to boost usage in nonurban areas

India is a special place in the world because it is a market of millions of newly connected mobile users, who are changing the way e-Commerce is done altogether.

CONCLUSION:

Indian Rural Market is calling E Commerce implementation. Companies like Flipkart, Snapdeal should target this rural market in coming future. Resources available such as Indian Post, BSNL internet connectivity can be promoted.

When all these things become synergistic to each other, it will be great opportunities for E Commerce giants. E Commerce giants can promote internet connectivity by different service providers in the rural India. Also on the other hand logistic resources such as Indian Post service can be used effectively so that automatically use of E-Commerce will boost in the rural India.

The e-commerce business can get millions of customers in India as compared to other developed countries. We need people to service millions of potential e-commerce customers in rural areas. so there is huge job opportunities in deploying e-commerce based solutions.

So we need to develop, design, implement and deploy e-commerce business solutions in rural and urban sector in India, at the same time improving user awareness, options, experience, payment methods and delivery of goods and subsequently creating job opportunities in rural and urban sector in India like logistics, payments, retailers and

warehouses.

REFERENCES

1. Farooq Ahmed (2001); Electronic Commerce : An Indian perspective; International Journal of Law and Information Technology; Vol.9, No.2, 2001
2. Young Jun Choi, Chung Suk Suh(2005); The death of physical distance: An economic analysis of the emergence of electronic marketplaces; pp.597-614.
3. Elizabeth Goldsmith and Sue L.T. McGregor(2000); E-commerce: consumer protection issues and implications for research and education; J Consumer Studies & Home Economics; Vol.24, No.2, June 2000, pp. 124–127.

Website Reference:

4. <http://www.gatewayforindia.com/technology/e-commerce.htm>
5. www.rajindraflorist.com
6. <https://www.amazon.in>
7. www.google.co.in