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Growth of E-Commerce and RuralIndia

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Abstract: ***E-commerce is the trading of products and services through the medium of the Internet. In this paper, we present factors that are fuelling growth in the e-commerce sector inIndia. The methodology of my study is fromsecondary sources such as articles, journals, reports, papers, blogs, and conference proceedings. E-commerce is one of the fastest-growing businesses, with India having great investment market potential. There has been a huge surge in investment since last year and more is expected in coming years.***
The rapid growth in the use of mobile and internet users has facilitated e-commerce business in both urban and rural cities. India'se-commerce revenue is expected to jump from $30 billion in 2016 to $ 120 billion in 2020, growing at an annual rate of 51%, the highest in the world, according to a joint ASSOCHAM- Forrester study paper.
Keywords: E-commerce, online.

I. INTRODUCTION

The web is increasingly becoming a diverse global marketplace with global opportunitieseven for developing countries like India. According to research by Forrester, a leading global research and advisory firm, the e- commerce market in India is set to grow the fastest between Asia-Pacific regions at a CAGRof over 57% between the years 2012 -2016.
With the increased use of smartphones, tablets, and the internet, e-commerce has become widely accessible to both urban and rural users. India had an internet user base ofabout 400 million in 2016. Foreign companies are investing huge sums of moneyinto Indian companies. Experienced international players are taking an interest inIndian companies. E-commerce is growing in rural areas with most of the traffic coming from tier-2 and tier-3 cities. In July 2014 Amazon invested $2 billion in India, followingthe news of Flipkart raising $1 billion in funding. There are a lot of bigger companies in the e-commerce market like Snapdeal, Flipkart, Amazon, Shopclues Jabong, etc.

II. WHAT IS E-COMMERCE?

E-commerce is the buying and selling of goods and services or the transmitting of funds or data, over an electronic network, primarily theinternet. These transactions occur either business to business, business to consumer, consumer to business, or consumer to consumer. E-commerce is done using applications EDI, email, and shopping carts, Digital commerce makes it possible to purchase transactions over the web and supports the creation and constant growth of online relationships with customers across multiple channels like retail, mobile, direct and indirect sales, etc.

III. INDIAN SCENARIO

India has a greater prospect of market potential with E-Commerce industry growthdoubling every year. India's e-commerce revenue is expected to jump from $30 billion in 2016 to $ 120 billion in 2020, growing at anannual rate of 51%, the highest in the world, according to a joint ASSOCHAM- Forrester study paper. Morgan Stanley noted that the market of E-Commerce will rise to $137 million by the year 2020. The following figureshows the rising sales in India from 2011- 2016.
In the above figure, we can see that e- commerce sales have leapfrogged since 2013and it is expected to touch 1.40% of total retail sales in the year 2018.
The following figure shows the trend of e-commerce transactions in India.
According to the latest research by Forrester, aleading global research and advisory firm, the e-commerce market in India is set to grow thefastest within the Asia-Pacific Region at a CAGR of over 57% from 2012 to 2016. While in terms of base, India may be lower than China and other giants like Japan, the Indian rate of growth is way ahead of others. AgainstIndia's annual expansion of 51% China's e- commerce is growing at 18%, Japan11%, and South Korea at 10%, according to Forrester's joint study.
The following table shows the e-commercesales volume increased from 2012 to 2016.

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IV. INVESTMENT

Since last year commerce industries have secured over $3.9 billion in investment from venture capitalists private equity firms and internal funders, Chinese E-Commerce Company Alibaba Group Holding and its partner Zhyian mutually invested about $575 million in One97 Communication Limited also known as Patym. At present Patym is doing a billion Gross Merchandise values which is a huge sum for any ecommerce done by any Indian company. Paytm offers mobile payment, plus it allows customers to buy tickets, and deals and shop from its 1800merchants in its network. After Alibaba's investment, Paytm got a grant from Ratan Tatafor an undisclosed amount. In December 2014Japanese internet giant Softbank said that it aimed to invest $10 billion in India in the next few years. It already owns a 30% stake in Snapdeal and Housing.com. Earlier it invested about $20 million in Alibaba in the year 2000 which is now valued at billions of dollars. New York firm Tiger Global Management has funded companies such as Make My Trip, Search portal Just Dial, Flipkart, Myntra, and Quickr. In the present scenario, start-ups that were funded by promising investors have become prosperous enough to give stiff competition to international companies thatwant to make a customer base in India.

V. FUTURE OF E-COMMERCE

E-commerce in India has grown rapidly acrossthe country. The growth is mostly in both travel and retail. India is the world's 11th-largest economy and also emerged as one of the key players in the global market. Mobile commerce is finding increased infiltration in the e-commerce market. Mobile transactions are increasing every year, the value of these transactions is estimated to be Rs. 36,000 crores according to Forester research. In coming years more high-profile mergers and acquisitions are expected to take place in the digital commerce sector. The future of e- commerce looks promising because more andmore companies will be investing in small business startups. The E-Commerce investment list was big in India last year, and more investment is expected in the coming years. Social media has become a marketing place for merchants where they can advertiseand promote their products freely. The expansion of mobile networks and social media in commerce will take e-commerce tonew horizons that will change online retail markets in the future.

VI. CHALLENGES OF E-COMMERCE

E-commerce is flourishing worldwide but it isstill facing obstacles in ramping up in India, especially in rural areas. Here we discuss 7 challenges that e-commerce companies haveto face in the Indian market.

1) Much of the merchandise purchased onlineis returned.

When a customer purchases something for the first time, he could land into impulsive buying, hard sell, or sometimes products he doesn't know much about. The sad part comes when products are delivered and thecustomer wants to return them. In India where much of the growth comes from new buyers, this is a huge problem as it is an expensive task for the companies to carry outthe reverse logistics and is not profitable for the sellers.

2) Skepticism about e-payments, COD ispreferred

Indian customers are quite skeptical of doinge-payments and are in constant fear of committing fraud. Also, the penetration of credit cards is not much of a help in India.

COD or cash on delivery is the preferred payment option in India. Collecting cash manually is risky, expensive, and burdensome.

3) Low smartphone user base

Though the mobile user base in India is highsmartphone users are still low in number.

Most people still have the typical feature phones making them unable to carry out e- commerce transactions on the go. Now withthe advent of budget smartphones in India, we can soon assume a growth in the user base.

4) Inaccessible towns in India

Thousands of towns in India are not accessible and have poor transportation facilities. A large population faces an absence of seamless access thus ecommerce companies lose a big portion of potential customers. Since cash on delivery is the preferred payment mode in India, it just adds to the logistic problem.

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5) Overfunded competitors increase the cost of customer acquisition

India has now truly become a startup nation where almost 3-4 startups emerge every day. Also, the government is making efforts to boost this sector. The prospects for ecommerce companies are so exciting that some investors are willing to spend irrationallyhigh amounts of money to acquire market share today which gives the Indian customer awide variety of choices and the companies have to work hard to formulate strategies to retain the customers.

6) Digital Illiteracy and Consumer Psyche

Digital illiteracy is one of the formidable problems e-commerce is facing in India. Mostof India lies in the rural segment and is not inline with the growing digital trend.

When the Indian consumer can get what hewants in a neighborhood store, he is not willing to go miles to explore a better option.That is why the consumer does not browse the Net knowing the consequent hassles of connectivity and other issues he may face.

7) Language constraint

To make e-commerce reach small enterprises,it needs to be available in the regional languages of the owners of the small enterprises or the customers, especially in therural segment, to enable them to adapt the e-commerce process in their operations.

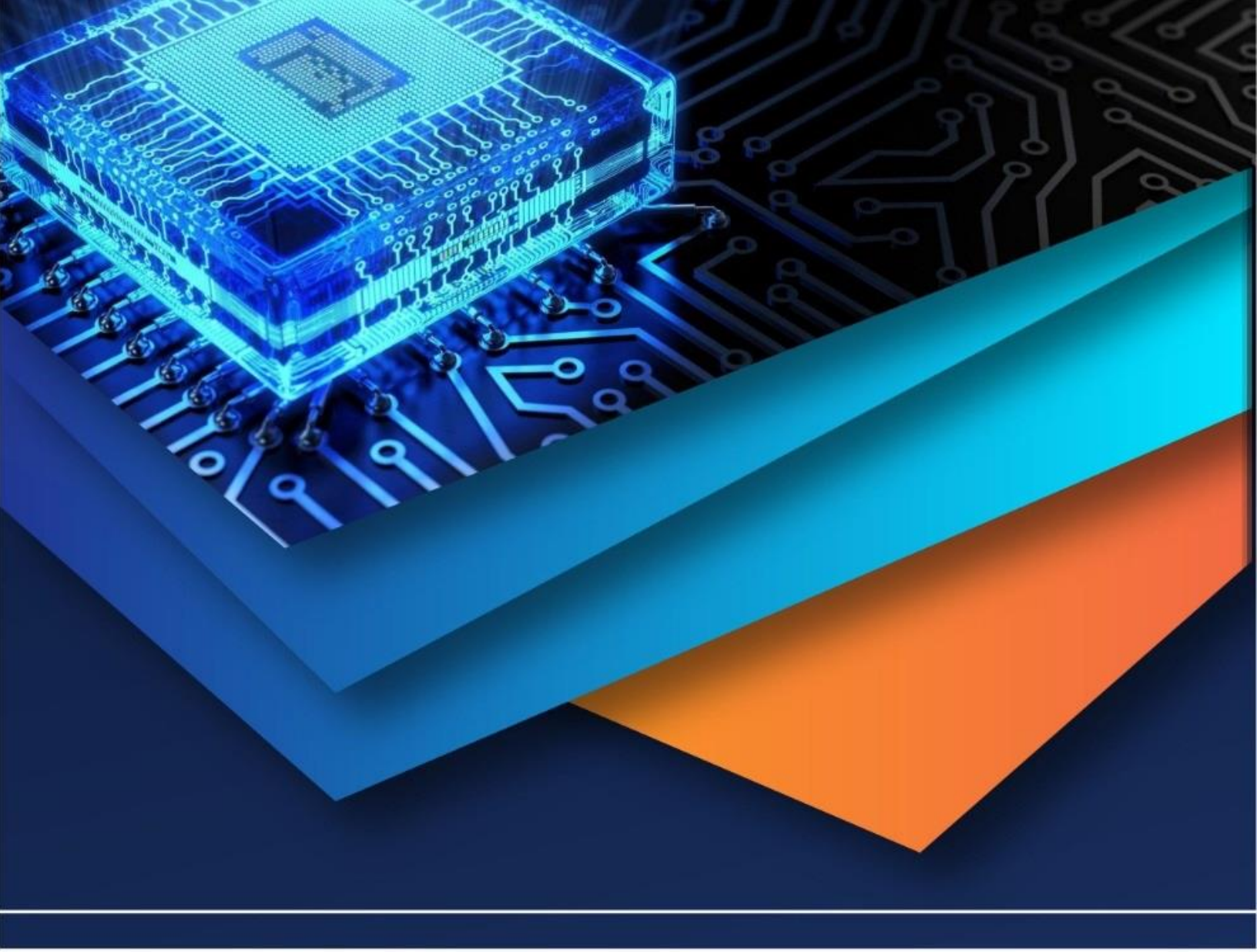
VII. CONCLUSION

Due to the development of information technology and the internet, the world markethas converted toward e-marketing and business. However the low literacy rate in the country is the basic hurdle to the rapid growth of e-commerce; even educated people are notable to handle iPhones, laptops, and desktops with cyber technology. Many players of e- commerce still failed to reach many remote areas including the states of North East India. This may be due to the transportation facility and courier services are rarely available except speed post which is also facing many problems in reaching the unreachable. The availability of 3G service and broadband is stilla question in many rural areas of the country for the development of e-commerce. We hopethe e-commerce industry will soon overcome these challenges, especially in today's era of advanced technology, a growing startup ecosystem, and immense competition.

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