

# E-commerce and the Rural Sector

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**Abstract --** In the modern times E-commerce is giving a tough competition to the traditional trade and business. Due to the advancement of technology the world has become 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. The rural population of India has to go at distant places or nearby cities to purchase luxury products. Here E-commerce can come to their help by widening its area of operations.

A profound understanding of people, their behavior and their community is critical within the digital marketplace. If you can't connect to your customers' wants and needs, you're going nowhere fast – and so is your investment. That's why every great piece of digital starts with a deep understanding of who you're trying to reach [1].

E-bay Census reveals E-commerce trends across all 28 States & 7 Union Territories. Consumers & Entrepreneurs from Rural India are increasingly plugged into E-commerce. This is supported by the fact that over 1,267 Rural Hubs are transacting online with 1 out of every 10 purchases from Rural India as well as 1 out of every 20 sales from Rural India. Metros (India) have a dominant share of purchases, with Tier 2

& 3 cities (Bharat) catching up fast: Metros (India) contributes 51% of all ecommerce Transactions while Tier 2&3 Cities (Bharat) contribute about 40% of transactions & Rural India contributing to 9% of transactions [2].

To get a deep insight into the problem the researchers conducted a survey in the rural sector by the opinion poll method and found out that yet much has to be done by the dot-com companies to take advantage of these untapped opportunities by reaching the villages of India.

## I. INTRODUCTION

### 1.1 History

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 business transactions electronically using technology from Electronic Data Interchange (EDI) and Electronic Funds transfer (EFT). These technologies, which first appeared in the late 1970's, allowed for the exchange of information and the execution of electronic transactions between business,

typically in the form of electronic purchase orders and invoices. EDI and EFT were the enabling technologies that laid the groundwork for what we now know as E-commerce.

The definition of E-commerce began to change in 2000 though, the year of the dot-com collapse when thousands of internet business folded. Despite the epic collapse, many of the world's most established traditional brick-and-mortar business were emboldened with the promise of E-commerce and the prospect of serving a global customer base electronically. The very next year, business to business transactions online became one of the largest forms of E-commerce with over \$700 billion dollars in sales.

Many of the dot-com collapse “first-mover” failures served their offline competitors very well, providing evidence of what not to do in building a viable on line business. For example, Web van, which was one of the more infamous national supermarket chains, who each have developed their own successful online grocery delivery business.

### **1.2 Pioneers of E- commerce**

The birth of companies such as eBay and Amazon (launched in 1994) really began to lead the way in E-commerce. Both e-bay and Amazon were among the first to establish prominent E-commerce brands.

### **1.3 The Global Retail Scenario Vs the Indian Scenario**

Wal-Mart and Nordstrom in the U.S. and Sainsbury's and Marks & Spencer in the U.K have grown by rapid geographic expansion in their own countries. Specialists like Benetton of Italy and IKEA of Sweden and The Body Shop of the UK are international Building Successful

Indian Brands by Sundar Bhartidasan Institute of Management, Tricky and the fast-food chains like McDonald's and Pizza Hut are everywhere. The same products are increasingly available from the same names on every continent.

As against this, India is the country having most unorganized retail market. Traditionally it is a family livelihood, with their shop in front and house at the back, while they run the retail business. 99% retailers function in less than 500 square feet of shopping space. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs 50,000 crore in the year 2015-16. [3]

## **II. Scope of Study**

The area of research emphasize on rural sector of Gandevi Taluka, near Navsari district. It includes Villages like Salej, Gadat, Amalsad, Sonwadi, Icchapor, Khakhwada, Ancheli, Pathri, Ajarai, Dhanori, and Andhel. The researchers were keen to know whether E-commerce has reached the rural sector. This study also focuses on the experience of using E-commerce and the problems faced in the rural area such as Gandevi.

### **2.1. Sample Size and structure**

The survey was conducted in the Gandevi Taluka by questionnaire method. The sample size of 150 respondents has been selected as it represents the population in an appropriate manner. Primary data has been used and information is gathered by a detailed questionnaire to know about the preferences of people residing in villages.

#### **2.1.1. DEMOGRAPHIC PROFILE**

##### *2.1.1.1. GENDER*

The survey revealed that out of 150 respondents, 86 respondents were Male and 64 were Female.

### 2.1.1.2. AGE

35 respondents were below the age of 30 years, 69 were between 31 to 40 years, 24 were between 41 to 50 years, 13 were between 51 to 60 years and 9 were above the age of 61 years.

### 2.1.1.3. EDUCATION

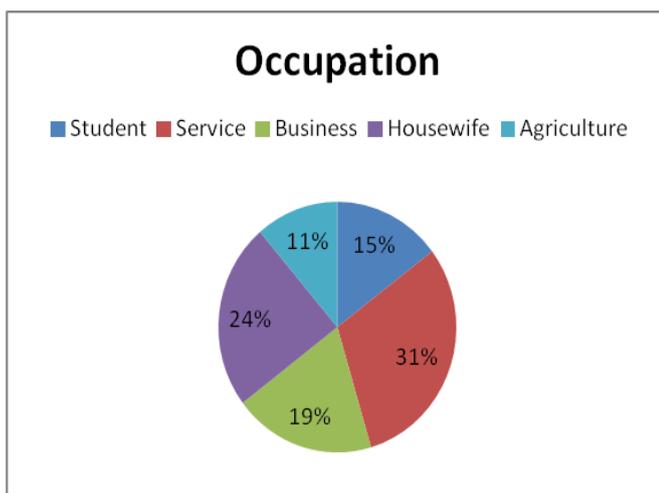
An analysis of their education suggests that 30 were non graduates, 88 have completed graduation, 13 are post graduates and 19 are diploma holders.

### 2.1.1.4. OCCUPATION

The data collected has been represented in the following table and chart.

**Table 1 - Occupation**

Particulars	Frequency	Percentage
Student	22	15
Service	46	31
Business	29	19
Housewife	36	24
Agriculture	17	11
Total	150	100



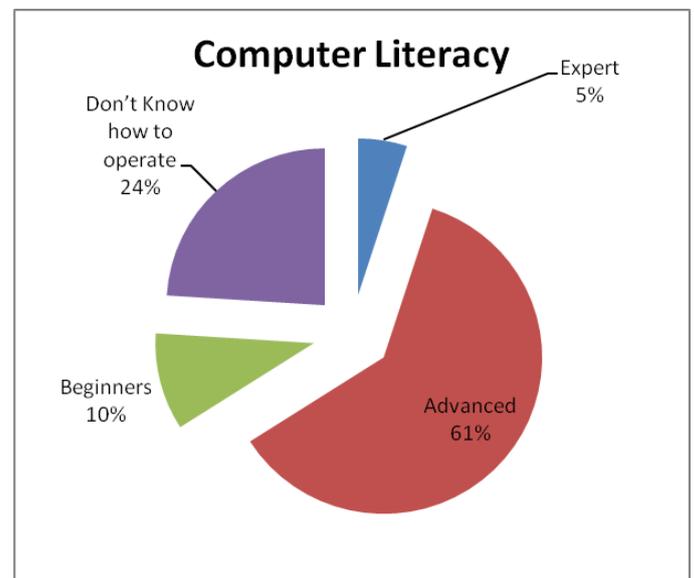
*Fig 1 – Occupation*

### 2.1.1.5. COMPUTER LITERACY

Most of the respondents were computer literate and welcome the use of technology. This can be seen from Table 2 and Fig 2 represented below.

**Table 2 - Computer Literacy**

Particulars	Frequency	Percentage
Expert	7	5
Advanced	91	61
Beginners	15	10
Don't know how to operate	37	24
Total	150	100



*Fig 2- Computer literacy*

## III. Data Analysis

From the data collected it is seen that even the villagers are not reluctant to use the E-commerce facility most of them are aware of the E-commerce and a few have been using it. This could be seen from the following figure.

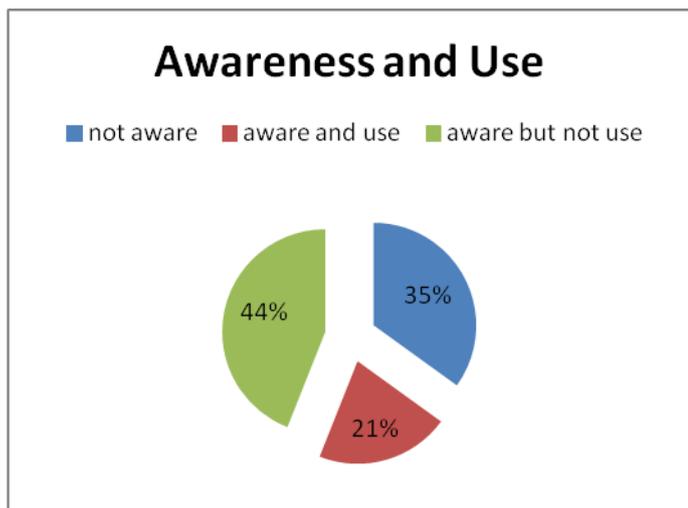


Fig 3 –Awareness and Use

As can be seen from the above figure 65% of the sample size is aware about the E-commerce but approximately 68% of the aware respondents do not use the E-commerce facility for shopping. The main area of concern is that though 44% of the rural population is aware of E-commerce, they are hesitant to use it.

The media has played a vital role to make the information reach to this class of people as most of the respondent are aware from either the television or the print media (news paper, magazine). Friends and relatives also play a crucial role. The television enjoyed the maximum share with 62% responses in its favour.

The advantages of E-commerce are not hidden from the rural public. The responses they gave were healthy enough to make the researchers draw a conclusion that they purchase electrical appliances, garments, books and magazines in large number. They also avail the services of ticket booking (travels and entertainment) in abundance.

The Indian E-commerce industry, excluding the online travel market, is estimated at Rs 6,340

crore and is expected to grow to Rs 8,630 crore this year [4].

The reason of preferring E-commerce over traditional system was asked for and the top four answers (in the order of rank) are as follows.

1. Variety of Choices
2. Convenience
3. Cost efficient
4. Speed

The customer satisfaction as per their responses by rating their experience is shown in following chart.



Fig 4 - Customer Satisfaction

India's most leading E-commerce website homeshop18 does not provide delivery services in rural areas.

The latest I-Cube Report on Internet in Rural India by IAMA and IMRB also suggests that the claimed internet usage in rural India will reach 45

by December 2012, while the active internet usage will be 38 million [5].

Net connectivity and courier services were the major problems faced by the respondents. The following chart would make the position clear.

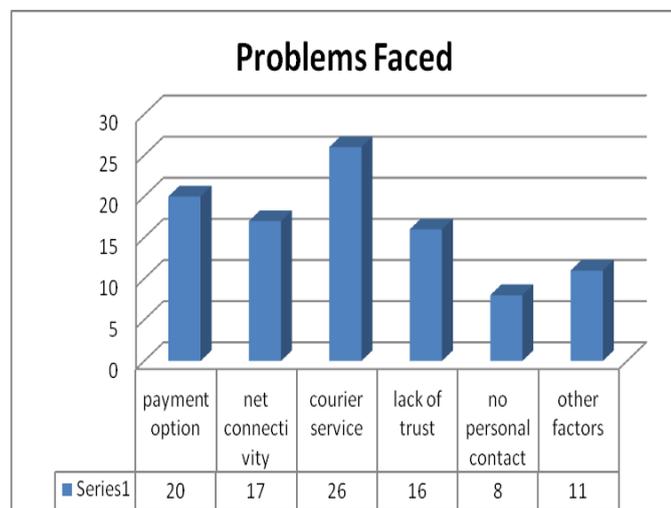


Fig 5 - Problems Encountered

#### IV. FINDINGS AND CONCLUSIONS

Out of the 150 respondents, 98 were aware of the concept of E-commerce. And of these 98, only 26 take the benefit of this. It was shocking to know that though the public at large is aware of the concept of E-commerce and also about its advantages, they are reluctant to use this facility.

The reasons were tried to be found out and it has come to the knowledge of the researchers that the main reason for not going for E-commerce are as follows

- *The lack of “touch and feel” factor.*  
The psychological needs of the traditional consumer is not fulfilled as he only gets to “see” the soft copy of product on the screen of the computer but he cannot touch nor feel it.

- *The fear of carrying the financial transactions over internet.*

Most of the respondents were very cautious about the security factors. They were afraid of the various phishing scams, and other related cyber crimes.

- *The lack of trust and the fear of being fooled:*  
The branded goods of the same company (with similar characteristics) are available at different rates over different sites. This creates a doubt in the minds of the consumer which stops him from going ahead

- *Lack of proper courier services in villages:*  
Responses revealed that E-commerce has not yet reached the rural areas because of lack of proper courier services. The people in the villages are far away from the facility of shopping malls available in the big cities. Therefore they prefer to purchase the goods online as they get a variety of products, which are branded at their doorstep. But due to the lack of courier services this purpose is again not served. Most of the websites do not cover the rural areas and they are not ready to deliver the goods over there.

- *The lack of support of credit card facility*  
One more difficulty faced by the people residing in the rural areas is the non availability of credit cards. Most of the banks do not offer the credit card facility to the clients coming from the villages. Hence certain people avoid using E-commerce facility

## V. SUGGESTIONS

On the basis of the research work carried out by the researchers, the following suggestions would help to improve the services of the E-commerce.

- *Knowledge to the consumer*  
Most of the people intend to do the transactions over the internet, but they refrain themselves from doing so because of the fear of insecurity of the financial transactions. If they are made aware of the security steps taken by various commercial websites then they would feel secure about their money and would be encouraged to carry out the transactions online.
- *Transparency of the pricing policy*  
When the companies give rebates and discounts on the products, they should clarify their position about the lower prices in relation to their competitor's price. This will create goodwill in the minds of the buyers.
- *Widen the scope and the area of operations*  
Various websites in E-commerce do not give the option of certain areas in their drop down menu, as a result of which a person aspirant of buying the product is denied the opportunity. Hence they lose a prospective consumer. The companies should have a tie up with some more local courier agencies to overcome this difficulty.
- *Clarify about the various payment options*  
Most of the consumers in the rural sector have a misconception that they can purchase the product online only if they

have a credit card of a bank. The websites in E-trade should educate the prospective consumers on the various options like cash on delivery, net banking etc.

It is a difficult task for the online companies to totally replace the traditional market which has been the main player in the Indian trade and commerce since decades. However, it has started giving the stores in the big cities of India a run for its money. The challenge lies to capture the rural sector as well. Now it remains to see how these "intangible giants" would convert this challenge into its opportunities.

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