

E-Commerce in India and Rural Entrepreneurship with Focus on the State of Telangana

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Abstract

India has witnessed a phenomenal rise in the E-Commerce market in the past decade. The better part of this growth story in India has been that it has successfully moved towards bridging the gap between India's aspirations and urban India's access to symbols of modernity.

Whereas products made in rural India are still finding it difficult to reach the urban buyers. Arts and crafts made in rural India can be bought at a premium price in fancy outlets in big cities but much of the profit goes into the pockets of middle men who bring these products to fancy outlets in big cities.

The big issue is lack of technological awareness among rural people who find it difficult to operate selling using online transactions. But now with demonetization era and digitalization made essence of the hour rural people are compelled to bring a change to traditional mindset and adopt to the future trend which shall bring overall justice to their products sold and satisfaction and benefits to them on a whole.

This research paper focuses on the newly formed state Telangana, in particular the rural areas across Hyderabad, to analyze the impact of E-commerce on the small scale entrepreneurs.

This is an attempt to find facts and figures along with opinion of rural entrepreneurs in relation to the usage of internet to sell their products. This research avoids being judgmental over whether the online selling has a positive or a negative impact on these sellers.

By the end of this paper we shall analyze the percentage of entrepreneurs operating through internet across a rural area. We shall also find out the various difficulties which are hindrance to these sellers in relation to usage of internet transactions.

Key Words: E-Commerce, Entrepreneurship, salability, Development, Empowerment, Profitability.

Introduction

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. Traditionally referred to as the commercial transactions conducted electronically on the Internet.

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 Ecommerce brands. Past few years, India has seen a revolution in the online shopping market. However in spite of India's massive E-Commerce boom, the country's tremendous growth has not reached rural Indian, where the concept of online shopping is still largely unheard of in some villages.

Yet rural Indians are buying things even if they do not know much about online retail websites. Because the majority of Indians still lives in rural areas, the true potential of India's online shopping will only be unlocked if Indian retailers can find out ways in which to reach out to the often undeserved rural market that is fast growing.

It is not all a lost cause as far as rural Indian E-Commerce penetration is concerned; however, there are certain large Indian E-Retailers that are slowly making some inroads into the Indian rural market.

The big players such as Amazon, Flip Kart and Snap deal are few to be named.

In contemporary India post Demonetization, the liquid cash transactions have been on hold and severe promotion is on in favor of online transactions.

Whereas it was also argued by several critics that in a Country like India where majority of the people lack educational facilities, what is the ease with which people, especially of rural India would adapt online transactions as their daily lives and carry on day to day activities electronically?

This research paper attempts to find out to what extent is the E-Commerce operational among the sellers of the selected area.

Objectives

Through this research paper our aim is:

- To analyze the impact of shift in trend from traditional selling to Electronic Commerce.
- To find out the percentage of Sellers still dependent on traditional selling and their opinion on E-Commerce.
- To figure out the hindrances faced by sellers in usage of online transactions and E-Commerce.
- To analyze the level of satisfaction or dissatisfaction rural sellers have after operating online while transacting with direct customers.
- Any further suggestions based on one on one interaction with the respondents of the selected area about online business transactions and internet usage as a means of operations.

Research Methodology

This research paper aims at finding out first hand information on the impact of E-Commerce on the way Entrepreneurs operate, specially selling of their finished products. Sellers and vendors especially from the rural areas of Telangana State are focus for this purpose. Where in we seek their responses over several questions put up.

Hence this is a Primary Research, providing first hand information of facts and figures along with suggestions and opinions from respondents.

This research is exploratory in nature as we may come across varied responses and reactions of respondents.

Simple random sampling is the source of data collection. Secondary data is also collected from varied sources of books, journals and articles, to study the existing trend of E-Commerce in rural areas across India.

Questionnaire, planned and systematic, comprising various statements is the tool of data collection.

Scope of Study

The area of research emphasize on rural area Chengicherla village, near RangaReddy district of Telangana State. The researcher was 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 Chengicherla and nearby districts of Telangana state.

The focus is analysis of the experience of using E-Commerce on small scale sellers across the selected region.

Sample Size and Structure

The survey was conducted in the Chengicherla village by questionnaire method. A systematic and planned questionnaire was presented to respondents. The sample size of 115 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 the village.

Review of Literature

Commerce and Industry Minister, Mrs. Nirmala Sitharaman had said that the new guidelines for E-commerce will be able to provide a level playing field to both online and offline stores by bringing in greater clarity. It is necessary to ensure that the Indian players and Indian market situation does not get unnecessarily skewed to distort any free trade practices. The clarification issued will result in bringing in level playing field to those in the bricks and mortar bracket of the commerce. E-commerce has to be encouraged but obviously it's not going to restrict the consumer.

Subho Roy, The President of Internet & Mobile Association of India (IAMAI) welcomed the DIPP clarification on the marketplace model and said that the industry has been seeking this clarification and allowing 100 % FDI under automatic route in online marketplace model will usher in considerable investments and will immensely benefit the consumers and the small and medium industries, and will also open up avenues for employment generation.

IAMAI recognize the intermediary role played by such technological platforms. IAMAI hopes that going forward; the Government will also allow 100% FDI in inventory based B2C E-commerce activities.

Morgan Stanley, an American multinational financial services company has said that India received \$6.6 billion in venture capital and private equity investment in 2015, a 50% increase from the previous year, which probably contributed to a steep growth in the gross merchandise value for e-commerce companies.

The GMV (Gross Merchandise Value) of the country's top three e-commerce companies exceeded that of the top 10 offline retailers last year. Since the Indian market has huge potential, the opportunities are making 'the story compelling for global investors'.

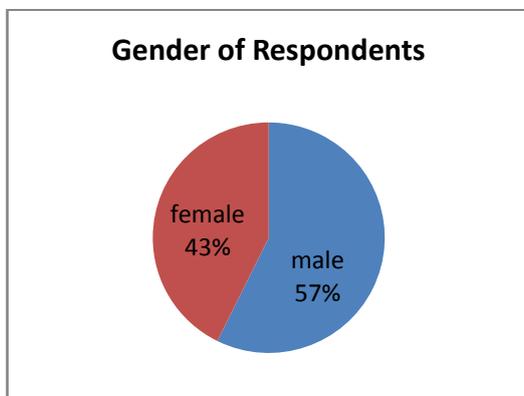
By 2020, India's e-commerce market is expected to grow from \$102 billion to \$119 billion. This takes the total Indian Internet market size from \$137 billion to \$159 billion including online food aggregation business.

A global macroeconomic slowdown could affect the flow of VC/PE money into India, thereby slowing GMV growth and lowering valuations

Demographic Profile

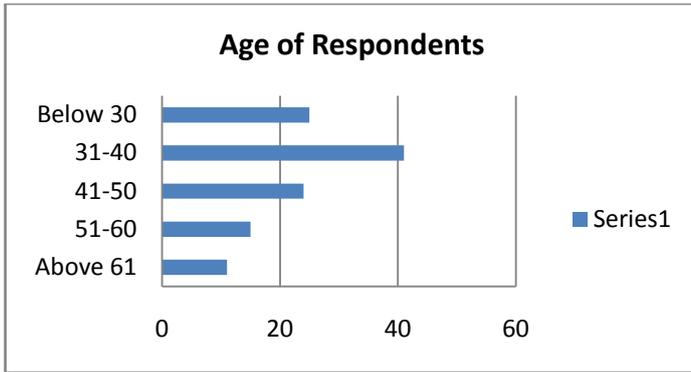
- **Gender**

The survey revealed that out of 115 respondents, 66 respondents were Male and 49 were Female. Majority were male respondents handling retail stores and other small scale vendors, who operate on small amounts which have been operating through cash transactions earlier.



- **Age**

25 respondents were below the age of 30 years, 40 were between 31 to 40 years, 24 were between 41 to 50 years, 15 were between 51 to 60 years and 11 were above the age of 61 years.



• **Education**

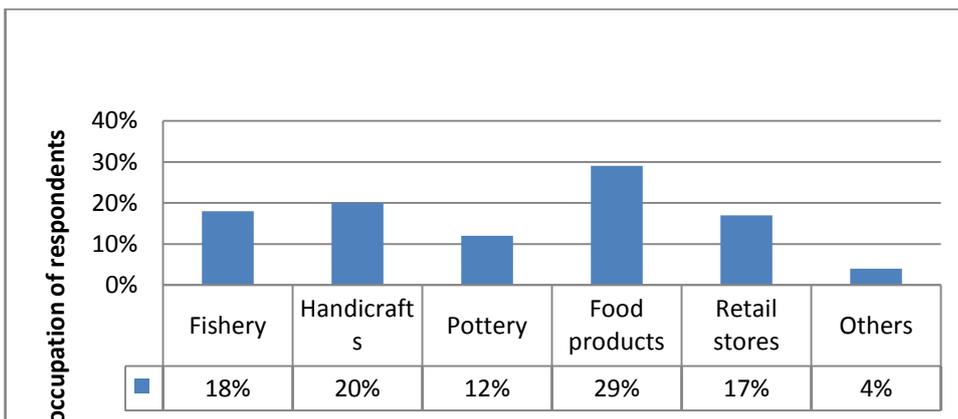
An analysis of their education suggests that 20 were non graduates, 63 have completed graduation, 14 are post graduates and 18 are diploma holders.

Though it was observed that even people possessing good educational qualification were not necessarily aware of online transactions.

• **Occupation**

The data obtained for this is mentioned below

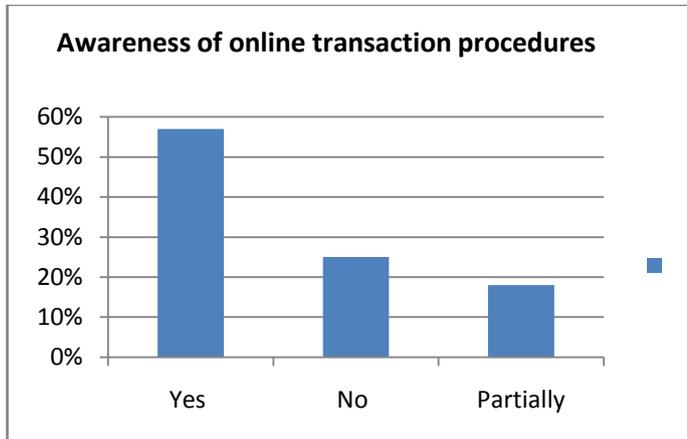
Particulars	Frequency	Percentage
Fishery	20	18 %
Handicrafts	23	20 %
Pottery	14	12 %
Food products	33	29 %
Retail stores	20	17 %
Others	5	4 %



• **Computer literacy**

When enquired whether these sellers had knowledge of computer and online transaction procedures, below responses were obtained.

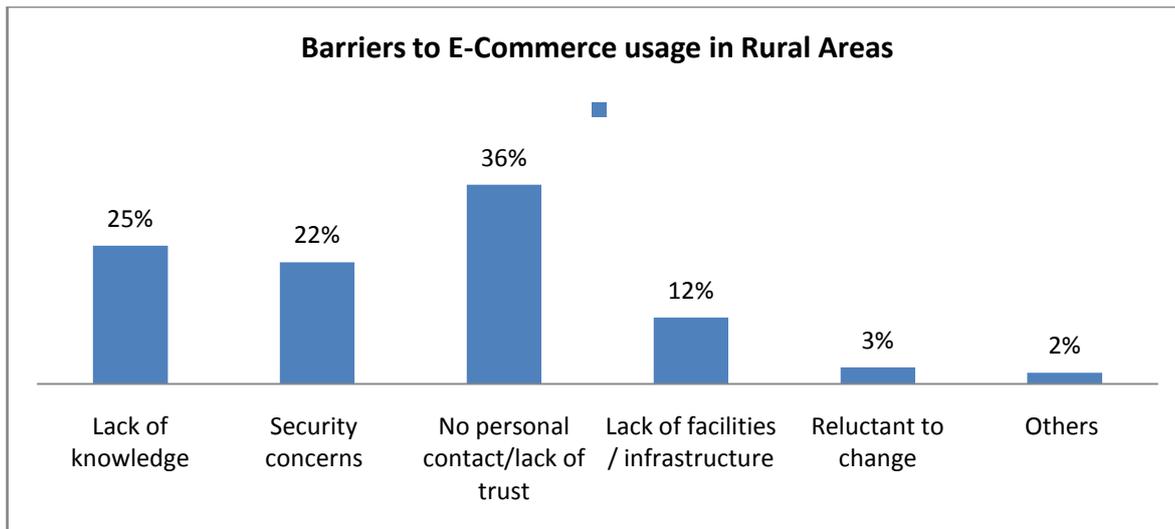
Aware of Online Transition Procedures	Frequency	Percentage
Yes	65	57 %
No	28	25 %
Partially	22	18 %



Hindrances in Usage of E-Commerce

Following are the various barriers which restrict the sellers from opting E-Commerce as means of transaction.

Factor	Frequency	Percentage
Lack of knowledge	28	25 %
Security concerns	25	22 %
No personal contact/lack of trust	41	36 %
Lack of facilities / infrastructure	14	12 %
Reluctant to change	4	3 %
Others	3	2 %



Date Analysis

From the data obtained in the form of responses from sellers the analysis is mentioned below:

- Majority of the respondents are aware how to conduct an online transaction. 57% respondents have full knowledge and 18% have partial knowledge of operating on E-Commerce.
- 68% Respondents feel that E-Commerce is good means for selling and buying products and should be encouraged. The remaining still feel traditional means of transaction better for business related operations. Due to lack of knowledge and no personal contact while operating as the major reasons for not moving towards E-Commerce.
- 69% Respondents feel Satisfied with E-Commerce operations in the village. Whereas the remaining still feels the E-Commerce need to be introduced with a base of thorough knowledge to be provided to all the residents of the area.
- 76% Respondents feel that E-Commerce has reduced the problem of middlemen handling money transactions on their behalf. Generally the middle men were habituated to operate transactions on their behalf and take away a portion of profit for themselves. Now they can directly operate on transactions and are happy to keep the profit with themselves without any middle men interference.
- 36% Respondents feel lack of trust acts as major hindrance in operating on E-Commerce. Followed by lack of knowledge, security concerns, lack of infrastructure and reluctance to change as other factors as barriers to E-Commerce.
- 66% Respondents feel that E-Commerce has made their lives easier and better. Remaining respondents still are in the process to mould themselves towards online operations.

Government has a role to play

In India, we see there is a tie-up between E-Commerce companies and the Indian Government in order to promote E-Commerce services into the rural areas. This is because it might not be desirable and quite profitable for E-Commerce companies to establish by themselves at places with infrastructure not up to the mark and where they are likely to spend excess amounts on marketing, penetration etc.

Hence, these tie ups smoothen and paves the way for the online E-Commerce shopping companies to promote their services in places that they would otherwise ignore. The Indian Government has also made it easier for the foreign E-Commerce companies to come to our regions and set up establishments in the country, particularly in the underdeveloped and rural areas.

The Government has played vital role in promoting cashless economy using internet banking, mobile wallets and apps such as BHIM (Bharat interface for money).

Now is the time when focus has to be higher on how to make rural people aware of these technological changes and make them learn to operate it on day to day convenience.

Required Improvements in the Indian E-Commerce Landscape

A lot of challenges facing E-Commerce growth in rural India are infrastructure-related.

Thus, when addressing the problem of growth in rural India, it is important to bring in the government and infrastructure providers into the discussion.

There is a lot that needs to be done in order to boost rural E-Commerce growth. These include the following:

- Making strategic investments in internet/broadband penetration in rural India. The government can, for example, provide strategic incentives to internet providers in rural India.
- Develop strategies and roadmap for promoting E-Commerce growth in rural India. This should be a multi-stakeholder effort incorporating the Indian government, E-Commerce companies, local state governments and infrastructure providers. Even consumer advocacy groups should be involved in the process.
- Using available resources and data in order to promote policy development and initiatives to boost rural E-Commerce. For example, the use of the India-Post logistical infrastructure.

Conclusion

The research attempted to analyze the extent to which sellers and entrepreneurs in Rural India have adapted to the idea of E-Commerce and online transactions.

Through the responses it was interpreted that in spite of recent digitalization across the country, rural areas still lack operations running fully online.

Many respondents are not fully aware of how to operate transactions online. Many of them are also reluctant to use E-Commerce due to several hindrances, major being lack of trust and security reasons.

Although most of the respondents have agreed to the advantages of E-Commerce and are willing to change, but they need thorough guidance and minimum training to adapt to these technological changes.

Most of the respondents felt that the major decision of demonetization and digitalization was taken without proper preparations to face the ground reality especially in the rural areas.

Here comes the role of Governmental and Non-Governmental organizations to support these sellers belonging to remote areas of India to acquire the benefits of E-Commerce and be a part in the modernization and digitalization of the country.

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