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EXECUTIVE SUMMARY

In India, Internet awareness and usage has been increasing with urban cities at the center of this growth. The metros and urban cities have experienced a high growth of Internet use since the year 2000. On an average there has been more than 30% year-on-year increase in the Internet adoption among urban population. Lately, high growth has been witnessed in non-metros - an indication that the medium is getting increasingly pervasive among urban populace. In a stark contrast, rural parts of the country are slowly rousing to this interactive medium. In supporting this slow awakening, initiatives by public agencies and private firms are being introduced. However, the achievements by far are limited.

As per our latest round of primary research, Claimed Internet users, who have ever used Internet, in rural villages, have grown from 5.5 Mn in 2008 to 6.46 Mn in 2009 - a 17% increase in a year. The number of Active Internet users, who have used Internet in the last one month, has also risen from 3.3 Mn in 2008 to 4.18 Mn in 2009, exhibiting nearly a 27% increase. Although the increase over the last year is apparent, the numbers are not high considering the large population base in rural villages of the country. To fillip this growth concerted efforts in facilitating adoption are needed.

Availability of Internet access points is crucial for Internet use to rise in rural India. There is a less likelihood of rural citizens owning personal computers; as a result they rely on facilities provided by either public or private entities. To support this behavior, public and private initiatives similar to the ones witnessed currently could be an effective solution. However, in addition to the accessibility, targeted and niche services and content need to be provisioned, too.

The rural Internet report showcases significant developments in the Indian rural Internet space within the last year. It also discusses initiatives that could positively affect rural Internet growth. This report also discusses various access points that need added investment to expedite further Internet adoption.


INTRODUCTION

Rural India accounts for about 70% of the total Indian population at 568 Mn as per National Readership Survey 2006\(^1\). However till recently, rural India had not received the sort of attention and investment necessary for increased Internet penetration. The benefits of spreading Internet in Indian rural villages could be multifold. By enabling rural populace towards improved information access and direct interaction with government units, it will lead to self-reliance and empowerment.

For increasing Internet penetration, both public as well as private initiatives have been under way. Public sector initiatives under NeGP such as SWAN (State Wide Area Network) and CSC (Common Service Centers) have been set up as core infrastructure necessary to support Internet access. Apart from government enabling the access, there have also been private players like Comat Technologies who have been instrumental in implementing programs for public access for Internet in rural villages. The company claims to have reached 10 Mn rural lives through a network of over 2000 business centers.

Private organizations as ITC, Microsoft, HUL, Google among others have also been involved in numerous initiatives to increase PC literacy and Internet awareness. Initiatives like ‘e-Choupal’ (ITC), ‘Project Shakti’ (HUL) and ‘Project Shiksha’ (Microsoft) have been ongoing in India for about a decade now. Within the last two years, newer initiatives as Google’s ‘Internet Bus’ project have also helped in increasing Internet awareness.

ITC’s e-Choupal initiative has been able to reach out to over 4 million farmers through 6500 kiosks and in the process reach over 40,000 villages. It further provides useful information.

HUL’s Project Shakti caters to 135,000 villages across 15 states and now has 45,000 women entrepreneurs.

\(^1\) National Readership Survey considers individuals more than 12 years of age.
been notable initiatives by the private sector that have inspired other enterprises to invest their energies in rural India.

The initiatives, described above, are the initial flashes of attempts towards enabling rural citizens for improved information access. Considering the large and diverse population that the country houses, no amount of Internet adoption seem to impress a dent in the penetration figures - a fact more pronounced in rural regions. With such a large population, the spread of the Internet adoption has to be expansive enough to establish a fact that the medium is being adopted.

The report reflects on the findings from the primary research conducted as a part of the I-Cube 2009. This report details on the penetration of the Internet use as well as usage characteristics among the rural citizens of the country. Below are the details of the survey sample as well as the weighted base for the study.

<table>
<thead>
<tr>
<th>Survey Type</th>
<th>Sample</th>
<th>Weighted Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face-to-Face Survey</td>
<td>14,987</td>
<td>294 Mn</td>
</tr>
<tr>
<td>Conducted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Andhra Pradesh</td>
<td>1,562</td>
<td>43.6 Mn</td>
</tr>
<tr>
<td>- Assam</td>
<td>1,839</td>
<td>17.8 Mn</td>
</tr>
<tr>
<td>- Maharashtra</td>
<td>2,096</td>
<td>45.6 Mn</td>
</tr>
<tr>
<td>- Orissa</td>
<td>2,337</td>
<td>25 Mn</td>
</tr>
<tr>
<td>- Tamil Nadu</td>
<td>1,862</td>
<td>29 Mn</td>
</tr>
<tr>
<td>- Rajasthan</td>
<td>2,382</td>
<td>33 Mn</td>
</tr>
<tr>
<td>- Uttar Pradesh</td>
<td>2,909</td>
<td>100 Mn</td>
</tr>
<tr>
<td>Non-Internet Users</td>
<td>14,392</td>
<td>290.2 Mn</td>
</tr>
<tr>
<td>Claimed Internet Users</td>
<td>595</td>
<td>3.8 Mn</td>
</tr>
<tr>
<td>- Active Internet Users</td>
<td>357</td>
<td>2.6 Mn</td>
</tr>
</tbody>
</table>
**Penetration of Internet Use**

In rural India, newer artifacts, products or technologies have always been introduced after the urban parts of the country have enjoyed their benefits. Similar has been the case with the Internet dissemination; while the Internet medium has assumed firm roots in the urban cities and metros, citizens in rural villages are still in the process of being aware of the medium. To ensure that the Internet is spread across the rural regions of the country, multi-faceted cohesive efforts need to be introduced. Such efforts are only possible if all the factors that support digital interaction such as devices, connectivity and content are provided to suit their specific requirements.

Since last year when one of the first researches was undertaken to fathom the Internet adoption among rural villages, there has been an evidence of uptick in the overall numbers. In I-Cube 2008, it was estimated that there were 5.5 Mn claimed Internet users, in rural villages, who had accessed it at least once in the past or are using presently. At that point it formed a little more 10% of the nation’s Internet users (as of 2008, there were 55 Mn claimed Internet users). Of the 36 Mn were active Internet users in the country, less than 10% (3.3 Mn) were from rural villages.
In I-Cube 2009, the survey was conducted in 7 states (Andhra Pradesh, Assam, Maharashtra, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh) among 15,000 individuals residing in villages. As per the primary research, there are 3.8 Mn claimed Internet users in the rural villages in these states. In these 7 states, there are 2.6 Mn active Internet users. For All India, the number of Claimed Internet users is 6.46 Mn and there are 4.18 Mn Active Internet users. The Internet penetration for Rural India has increased from 0.97% in 2008 to 1.13% in 2009. Rajasthan and Tamil Nadu were additional states surveyed in 2009. Of the people surveyed in Tamil Nadu and Rajasthan, there were 1.10 Mn and 282,000 Claimed Internet users respectively. Interestingly, Tamil Nadu had a significantly high proportion of Active Internet users of 89% around 1 Mn such users.

**Figure 1:** Internet penetration among rural villages in 2008

Based on our 2009 findings, there are about 6.5 Mn claimed Internet users across India, which represents a 17.27% increase in claimed rural Internet users in one year. Similarly, as compared to 2008, there was a 26.67% rise in the number of active rural Internet users in 2009 - from 3.3 Mn in 2008 to 4.18 Mn in 2009. Further, the overall proportion of Active Internet users to Claimed Internet users has risen from 60% in 2008 to 65% in 2009. In other words, people in rural India have been using the Internet more regularly than they earlier did.

**Figure 2:** Internet penetration among rural villages in 2009

A **CLAIMED INTERNET USER** is one who has used Internet at least once in their lifetime. An **ACTIVE INTERNET USER** is one who has accessed the Internet at least once in last one month.
In the year 2009, there has been 17% growth in Claimed Internet users and 27% in Active Internet users. It is expected that this rate of growth will continue. By the year 2010, the total number of Internet users in rural villages is will grow to 7.7 Mn of which 5.4 Mn will be Active Internet users resulting in 30% growth from the year 2009. Further, the overall proportion of Active Internet users to Claimed Internet users has risen from 60% in 2008 to 65% in 2009 and is expected to increase to 70% in 2010.

Figure 3: Internet penetration estimates from 2008 - 2010
POINTS OF ACCESSING INTERNET

Considering the general lack of personal ownership of digital gadgets and the initiation of common service centers, CSC and cyber café are the primary mode of accessing Internet in rural areas. As illustrated in the figure below, more than 70% of rural users access Internet through CSCs/cyber cafés. People, however, access cyber cafes that are located at distances greater than 10 km away, many more times than those possibly within 10 km of their village. However, with the CSC scheme reaching various parts of the country through the Government of India’s SWAN (State Wide Area Network scheme) initiative, Internet access promises to be easier in the immediate future. Friend homes and computer institutes also enable rural people to access the Internet.

**Figure 4:** Main points of accessing Internet in 2009
PURPOSE OF ACCESSING INTERNET

As in the early stages in urban Internet use, rural users also access Internet for communication. Email is the dominant purpose of Internet access in rural India. It is interesting to note that after communication, 67% of the rural users access music and video over the Internet. About 48% of the people claim to have used the Internet for educational research and 42% claim they used it for general information search.

With the proliferation of initiatives as e-Choupal, Shakti and so on, rural people have started using the Internet appreciably for agriculture-related aspects. About 13% of the people use the Internet for knowing more about latest farming techniques and 8% of the people use the Internet to find more about fertilizers and pesticides. This is an important point to note considering the importance of farming in rural India. If there are Internet related initiatives with farming as a focus, these could certainly trigger Internet literacy to rise faster.
**IT Durable Ownership**

Among IT products, landline telephone connections dominate ownership of IT durables. Among the respondents surveyed, 3.5% own landline telephones (approx. 10.39 Mn connections), 1% own PC or laptop (a little more than 2 Mn). Expectedly the broadband ownership is really low at 0.1%


*Figure 6: IT Durable Ownership pattern among rural users in 2009*
**EXAMINING BARRIERS**

Non-awareness of Internet typically has been one of the main reasons why Internet has not penetrated among the rural people. In the seven states surveyed, about 84% of the respondents who had not used Internet in the past indicate that they are not aware of it. Further, 38% do not feel the need for it. A fairly high percentage of respondents either need guidance in using Internet (25%) or a PC (28%). Further, a proportion of respondents indicate the need for infrastructural setup such as lack of electricity, Internet connection or appropriate access points.

**Figure 7**: Reasons for Non-Usage of Internet among rural users in 2009
TOWARDS CONTINUAL GROWTH

The potential for rural Internet growth is tremendous. However, it is imperative that the government machinery ensures seamless execution of various projects within the set time. With core infrastructure in place, private operators will be keen to exploit this untapped market and eventually expedite Internet reach and growth. Related to this, specific targeted content for village dwellers need to be offered so that the continued usage and importance of accessing Internet is realized.

For rural Internet penetration to rise, setting up core infrastructure is extremely important. Unlike mobile telephony infrastructure, where companies are able to recover capital expenditure costs relatively quickly, broadband service providers are unable to do so. The Government of India has realized the same and invested in schemes as the CSC and SWAN. Investments in core infrastructure such as setting up optic fiber connectivity through the SWAN scheme are noteworthy. CSCs act as end points for the SWAN. Finding the right people to manage CSCs will be important for the success of this scheme. CSCs will have to provide content that villagers can easily understand and use effectively. Finding relevant types of content, their providers and training are few of the immediate challenges ahead for the success of the Internet adoption.

People need to be educated on how the Internet can serve as an excellent information resource about a variety of topics. With a majority of people in rural India dependent on the farming industry for their livelihood, the Internet can provide useful information about farming products that are on offer in the market. Availability of such products, prices that they can be procured for would be easily available through the Internet. People could procure these products at competitive prices and maximize their potential benefits.

Weather information, which is crucial for farmers, could easily be accessed through the Internet. Information about impending weather conditions could be known before hand and farmers/people related to the farming could prepare better. Rural citizens should also be made aware on how the Internet could provide local news conveniently. Moreover, information about
upcoming community initiatives could also be known to the people through
the Internet. An effective method of disseminating these sets of
understanding private or public initiatives showcasing these capabilities of the
digital medium may go a long way.

Literacy could also be an important factor in furthering Internet awareness.
With the Government of India making primary education a fundamental right,
literacy in rural areas will rise at a faster rate. With increased literacy, there will
be greater number of people who are aware of computers and be PC
literate.
ANNEXURE

The research team at eTechnology Group with IMRB International adopted a combination of research techniques for this report.

Quantitative Research

Primary research has been conducted in line with 'I-Cube' reports, an annual syndication of eTechnology Group, IMRB International.

The syndicated research is based upon a primary research survey that interviewed about 15000 people from various age groups, across SECs and genders from the states of Assam, Maharashtra, Orissa, Tamil Nadu, Andhra Pradesh, Rajasthan and Uttar Pradesh.

Selection of States

Population Levels - States were divided in terms of their population levels. For appropriate representation, we selected states having high and medium populations.

Literacy - Literacy rates were examined for all the states and compared against the population. The states were divided and selected as having high, medium or low literacy levels.

Per Capita Income - States were segregated as having high, medium and low per capita income with respect to the population of these states.

Disadvantaged Groups - States were then compared on the basis of population of disadvantaged groups and urban population.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Uttar Pradesh</th>
<th>Maharashtra</th>
<th>Andhra Pradesh</th>
<th>Orissa</th>
<th>Assam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Literacy Level</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Disadvantaged Groups</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Urban Population</td>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Geographical Region</td>
<td>North</td>
<td>West</td>
<td>South</td>
<td>East</td>
<td>North - East</td>
</tr>
</tbody>
</table>

Tamil Nadu & Maharashtra have the highest literacy level among the higher population states. Similarly, Andhra Pradesh & UP have the lowest level of
literacy in the high population states. Orissa has the highest no. of people among the medium population states which belong to disadvantaged groups. Per capita income of Maharashtra is the highest among the highly populated states. Similarly, UP has the lowest per capita income level in the high population states. Assam & Orissa also have low per capita income levels among the medium populated states. Assam & Orissa have the lowest urban population among the medium populated states.

Summarizing, the rationale for selecting the given sample can be given below:

Sample Selection
As part of selecting the sample, we took three steps.

**Step 1 - District Selection**
Out of the all districts in a state, a sample of 6 districts was covered ensuring a geographical spread across the state. It was ensured that the chosen districts would adequately represent the population of a particular state.

**Step 2 - Selection of Villages within the District**
6 villages were selected within a district. Out of these villages, 2 each were of low population (< 1500), medium population (1500- 2500) and high
population (>2500). A village is divided into a group of hamlets (cluster of houses). The map of every village was drawn with the help of the Mukhiya/Sarpanch of that village. The hamlets were numbered in a clockwise manner and one hamlet from each village was chosen randomly.

**Step 3 - Selection of Respondents**

Rural respondents from 6 villages across every selected district were interviewed. There was also a split on the basis of the strata of the respondents depending on their SEC classification.

**Secondary Research**

Secondary research was done using information from various published and private sources and other research bodies to triangulate our findings.
About IMRB International and IAMAI

e-Technology Group | IMRB (a specialist unit of IMRB International) is a research based consultancy offering insights into IT, Internet, Telecom & emerging technology space.

Our continuous link with industry and a constant eye on the pulse of the consumer ensures that we can decode the movements of technology markets & consumers. To our clients we offer an understanding of the present market environment and a roadmap for the future.

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About Internet and Mobile Association of India (IAMAI)

The Internet & Mobile Association of India (IAMAI) is a not-for-profit industry body registered under the Societies Act, 1896. Its mandate is to expand and enhance the online and mobile value added services sectors. It is dedicated to presenting a unified voice of the businesses it represents to the government, investors, consumers and other stakeholders. The association addresses the issues, concerns and challenges of the Internet and Mobile economy and takes a leading role in its development. The association’s activities include promoting the inherent strengths of the digital economy, evaluating and recommending standards and practices to the industry, conducting research, creating platforms for its members, communicating on behalf of the industry and creating a favorable business environment for the industry. Founded in January 2004 by leading portals in India, IAMAI in the only specialized industry body in India representing the interests of online and mobile value added services industry.

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