



DEVELOPMENT OF RURAL MARKETING IN INDIA: A STUDY

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ABSTRACT

The concept of Rural Marketing has always played an influential role in the Indian Economy. Despite the phenomenal growth of the urban Indian middle class, over 620 million of the population still lives in more than half a million Indian villages, thus validating Mahatma Gandhi's statement that "India lives in her villages". The rural market is not a separate entity in itself and is highly influenced by the sociological and behavioral factors operating in the country. With the rural residents accounting for around 627 million it makes up exactly 74.3 percent of the total population.

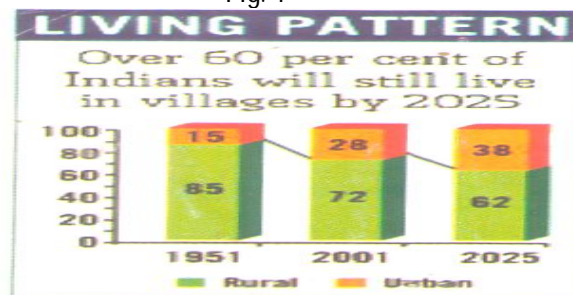


KEY WORDS -: Economic growth, Employment Generation, Rural Marketing, Urban Population.

INTRODUCTION

This sizeable segment, commonly referred to as the 'bottom of the pyramid', naturally presents a huge opportunity for companies. It is, therefore, interesting to assess the current situation in rural India, and analyse macro-level patterns and trends while appreciating the fact that differences do exist at the micro level.

Fig. 1



Source: MART

Going by the latest estimates, About 285 million live in urban India whereas 627 million reside in rural areas, constituting 74% of India's population they make up the population of 6,27,000 villages. Estimated sizes of the rural markets vary, for example, a recent survey by the National Council of Applied Economic Research reveals there are 33 million households in rural India, and upper estimates

on the other hand quote a figure of 42 million households, or about 720 million consumers. These are significant numbers by any yardstick.

According to the NCAER study, there are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas.- This gap is only expected to narrow in the coming decade. Rural Consumptions in India

Rural Consumption patterns are suggesting a shift from sustenance driven consumption through a near parity between amount of expenditure on food and non-food items. Moreover, rural consumption expenditure is growing at nearly double the rate of urban consumption expenditure growth. The 61st round of the National Sample Survey (NSs) report 2004-05 on consumer expenditure in rural and urban areas reveals that the average monthly per capita consumption expenditure (average MPCE) in rural areas to be Rs 559, a bit more than half of urban India. The emerging pattern of rural consumption is now showing a near balance between the amount spent of food items and non-food items. While " food items account for 55 per cent of the total consumption expenditure, non-food items like fuel and lighting, clothing and footwear, education, medical, miscellaneous consumer goods, conveyance, other consumer services and durable goods accounted for 10,5,3,7,6,4,4 and 3 percent respectively. Until 2000, food consumption expenditure allocated 62 percent of total consumption expenditure. It is worth nothing that there has not been a fall in the real expenditure on food, indeed per capita real spending on food has grown by over 3 percent. At the same time, non – food items registered an increase of 17 percent over a period of five years since 2000.

Table 1: Distribution of Population in villages in India

Population (Number)	No. of villages	Proportion of total villagers (%)
Less than 500 people	2,36,004	37.00
Between 500 and 999	1,58,124	25.00
Between 1000 and 4999	2,21,040	35.00
Between 5000 and 9999	15,058	2.00
More than 10,000	3,976	1.00
Total	6,34,202	100.00

Source: Census of India, 2011

Perhaps the most striking factor is here that a big majority (about 62 percent) of villages have a population below 1,000 and only 3 percent of the villages above 5000. Most villages with less than 500 people do not have any shops. These characteristics point toward the complexities of distribution and logistics management. Industries all over the world and particularly in India are quickly coming around to view the rural poor less as victims or a burden and more as value-conscious consumers. "The future lies with those companies who see the poor as their customers" says economist C.K. Prahalad in his book *The fortune at the Bottom of the Pyramid*.

He clearly pinpoints on the raw fact that there is vast potential for profits in the rural market. He says, globally the bottom of the (economic) pyramid consists of 4 billion people living on less than \$2 per day. If we stop thinking of the poor as victims or as a burden and start recognizing them as value – conscious consumers, a whole new world of opportunity will open up. Prahalad suggests that four billion poor can be the engine of the next round of global trade and prosperity, and can be a source of innovations. As urban markets become saturated, more businesses are retooling their marketing strategies, and in many a case their product targeting rural consumers with tiny incomes but rising aspirations, giving birth to a new era of rural marketing.

To expand the market by tapping the countryside, more and more MNC's are fraying into Indian's rural markets. Among those that have made some headway are Hindustan UiLever, ITC, Coca-

Cola, LG Electronics, Britannia, LIC, HDFC Standard Life, ICICI, Philips, Colgate Palmolive and most of the Telecom companies.

The Importance of the rural market for some FMCG and durable marketers is underlined by the fact that rural market accounts for 55 percent of LIC policies, 70 percent of toilet soaps, 50 percent of TV, Fans, Bicycles, Tea, Wrist watches, washing soap, blades, salt, tooth powder and 38 percent of all two-wheelers purchased of the two million plus BSNL Connections, 50% is from small towns/villages and out of 20 million Rediffmail signups, 60% are from small towns. The gigantic market size of rural markets (in Indian Rupees) is self evident:

FMCG - 6500 Billion

Agri - Inputs - 4500 Billion

Consumer Durable's - 500 Billion

Automobiles (2 and 4 wheelers) - 800 Billion.

The figure tell us that the rural market is growing much faster than the urban counterpart. A recent forecast revealed that the Indian cellular services revenue will grow at a rate of 18.4 percent with most of the growth coming from rural markets.

The rural market already contributes more than half of FMCG and durable sales, 100% of agri-products sales, and nearly 40% of automobile sales. In the last few years, the biggest push to Indian's mobile telephone story has come from the hinterland where 175 million connections have been sold- and this is expected to rise to more than 440 millions by 2014. These figures will only become bigger as the Indian growth story spreads further into Indian's hinterlands. The rural market of India is

- a geographically scattered market
- marked by low purchasing power/low per capita income
- continue to be traditional-bound community, with religion, culture and tradition strongly influencing their consumption habits
- cultural diversity and heterogeneous market
- characterised by variable development
- having low literacy level
- by and large, the rural consumers are marked by a conservative and tradition-bound Lifestyle.

Manufacturing companies, telecom companies, FMCG MNCs, Service providers, multitude of entrepreneurs in the unorganized sector and even the government constitute the dominant players in the rural market in India. The rural consumer remains dynamic and acquisition of wealth has made him open to new avenues of consumption.

Spurt in purchasing power of rural population in recent past has fuelled lot of interest in rural India. Traditionally considered a market only for low end products, corporations are today seeing rural market as the new growth avenue. Corporations can only ignore the rural Indian market at their own peril. A case in point is a survey conducted by McKinsey in 2008 that postulates a rural India with a population of 630 million (approximately) become bigger than total consumer market in countries such as South Korea or Canada in another 20 years. At that point of time it would have grown at least four times for its existing size.

At the same time, Indian rural markets are often misunderstood. A clear distinction has to be made with regard to the reality versus the image of rural India. The rural market is not homogeneous. The individual sections of this market are not too big, although the overall size is large. There are geographical, demographical, statistical, and logistical differences. Positioning and realities regarding the potential of each of these market segments differ and lie at the very core of forming the strategy for the rural markets. Different target segments require different marketing approach and rural market is no exception to it. Experience suggests that mere extension of urban marketing strategies in rural India will fail unless they are customized to the needs, ethos of rural India. The classic rules of each and coverage of the media are shattered as the market is undergoing a dynamic change every passing year where more traditional mediums like television is bypassed and replaces by mobile communication nets.

Rural marketing is an evolving concept, and as a part of any economy has untapped potential. Improvement in infrastructure and reach promise a bright future for those intending to go rural. Any macro-level strategy for these markets should focus on

- availability
- accessibility and
- affordability.

Constant scanning and sieving of ideas and plans is essential at all times. There is no doubt that great divide exist between Urban India and Rural Bharat. However, a silent transformation has already begin, a seamless integration of rural and urban market in underway. Rural market offers tremendous potential of growth for corporations by making their products and services available to these areas.

Rural marketing implies applying marketing theory and directing marketing efforts to create and satisfy needs and wants of rural market (customers). Importance of marketing indicates the contribution of rural as well urban marketing.

Rural market is growing faster than urban, rural marketing results into overall balanced economical and social development. Rural marketing turns beneficial to business units, people residing in rural areas, people residing in urban areas, and to the entire nation. Let's see how growth and development of rural marketing contribute to overall prosperity and welfare.

Importance of Rural Market in India

1. Reduced Burden on Urban Population:

Rural marketing can contribute to rural infrastructure and prosperity. People can also live comfortably in villages due to availability of all goods and services in villages, even comparatively at low price. People, due to growth of marketing activities, can earn their livelihood in rural places. Population pressure on urban can be reduced.

2. Rapid Economic Growth:

Naturally, marketing acts as catalyst agent for economic growth. There exists more attractive business opportunities in rural than urban. Rural market is more potential for consumer durables and services. Rural population largely depends on agriculture and it can contribute nearly 50% to total national income. Agriculture enjoys significant portion in export business, too. Rural marketing improves agricultural sector and improved agricultural sector can boost whole economy of the country.

3. Employment Generation:

At present, nearly 70% of total Indian population feeds on agricultural activities in rural areas. Rural marketing can generate more attractive employment opportunities to rural and urban people. Growth of rural marketing leads to increased business operations, professional activities, and services that can generate a lot of employment opportunities.

4. Improved Living Standard:

Due to rural marketing system, rural buyers can easily access needed standard goods and services at fair prices. In the same way, rural marketing improves rural infrastructure. Additionally, rural marketing can also improve their income. These all aspects can directly improve living standard.

5. Development of Agro-based Industries:

Rural marketing leads to set up agro-based processing industries. Fruits, vegetables, cereals, pulses, etc., are used as raw-materials. Such industries can improve farmers' profit margin and employment opportunities.

6. Optimum Utilization of Rural Untapped Resources:

There are unlimited businesses opportunities exist in rural areas. Untapped and underutilized resources can be utilized at optimum level and that can further accelerate overall economic growth.

7. Easy Marketability of Agricultural Produces:

Growth of rural marketing improves whole marketing system. Multiple options are available to farmers and local producers to market their products. Big domestic corporate houses and multinational companies prefer to buy agricultural products directly from villages by their own or through agents and small firms. Rural producers can sell their produces easily at satisfactory prices. Their improved income level can improve their purchasing power that can further fuel to industrial demand.

8. Improved Rural Infrastructures:

Rural marketing and basic infrastructures go hand to hand. Growth of rural marketing leads to improved transportation, insurance, banking, communication, entertainment, and other facilities. Due to availability of basic infrastructural facilities, business units can easily reach the target rural buyers.

9. Price Stability:

Marketing results into better transportation, warehouses, and communication facilities. Agricultural products can be systematically marketed throughout the year. Huge gap between demand and supply can be avoided and, as a result, prices of most of commodities remain more or less stable.

10. Quality of Life and Reduced Crime:

Marketing can refine entire living style and system. Better quality products at reasonable price, improved income level, availability of facilities, etc., have direct positive impacts on quality of life. Quality of life improves and level crime reduces.

11. Balanced Industrial Growth:

The gap between rural and urban development can be reduced gradually. Rural development improves rural life and reduces pressure on urban life.

Challenges in Rural Marketing

1. Understanding the rural consumer
2. Low per capita income
3. Low literacy levels
4. Seasonal Demand
5. Lack of infrastructure and physical facilities
6. Underdeveloped people and underdeveloped markets
7. Traditional outlook
8. Many languages and Dialects

Government Initiatives in the development of Rural Marketing

- Pradhan Mantri Gram Sadak Yojana (PMGSY)
- Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)
- Pradhan Mantri Fasal Beema Yojana (PMFBY)
- Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)
- Sampoorna Grameen Rozgar Yojana (SGRY)
- Organic farming
- Soil Health Card
- Use of Neem Coated Urea Fertiliser
- Cold Storage and Food Processing
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
- Samagra Siksha Abhiyan (SSA)

CONCLUSION

Introduction of rural policies of government among rural areas to raise innovation level. There are various incentives monetary and subsidies that should be given to rural entrepreneurs. Good MSP to the farmers for their crops. Development of cold storage and warehouse for farmers to sell their product at the time when the price is attractive. Road and transport connectivity to improve the logistics and supply chain for the FMCG and agricultural products. The government of India has taken many initiatives to improve the functioning of the Rural Market.

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