

Challenges & opportunity for Indian rural markets: An analytical study

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Abstract

The Rural Marketing in India Economy has played an important role in the lives of people. The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. Rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. The rural market in India is vast, scattered and offers a plenty of opportunities in comparison to the urban sector. This paper tries to understand the rural market, Features of Rural Marketing and status of rural market. The main aim of the study to observe the major challenges faced by marketer in rural market and Opportunity in rural market.

Keywords: Rural Marketing, Marketing, Business, Challenges & Opportunity in rural market

Introduction

Rural marketing is the process of developing, pricing, promoting, distributing rural specific goods and services, leading to exchange between urban and rural markets, which satisfies consumer demand and also achieves organizational objectives".-- Ramkishen. Y

'Rural marketing' is similar to simply 'marketing.' Rural marketing differs only in terms of buyers. Here, target market consists of customers living in rural areas. Thus, rural marketing is an application of marketing fundamentals (concepts, principles, processes, theories, etc.) to rural markets. The concept of rural marketing in Indian economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population.

The rural markets in India bring in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are (a) the markets for consumer goods that comprise of both durable and non-durable goods, and (b) the markets for agricultural inputs that include fertilizers, pesticides, seeds, and so on. The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.

Characteristics of rural market

- The rural markets are of diverse nature. There are people from diverse cultural, linguistic and religious background. No two markets are alike and it is dispersed across India.
- Shift towards rural markets are mainly because of saturation and competitiveness of urban market. Marketers do not want to neglect this huge untapped market. The incomes of rural customers are also increasing. As seen earlier disposable income of rural consumers have increased and they spend on FMCG and consumer durables.
- Rising literacy has generated a demand of life style products. Lot of youth move out of the village and visit surrounding cities. They come back and influence decision making.
- Cable television has also contributed to an increase in life style. The reach has increased and marketers are in a position to promote their products much more easily.

Objectives

- To study the present scenario of rural market in India.
- To identify the Features of Rural Marketing.
- To study the major Challenges faced by marketer in rural market.
- To study observe the Opportunity in rural market.

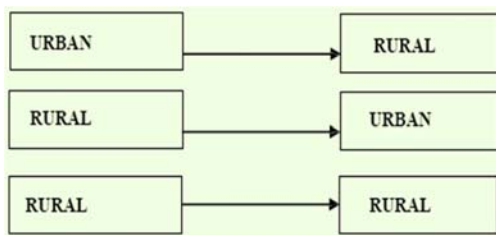
Methodology of the Study

The researchers have adopted descriptive methodology for this study Research has been placed on secondary data sources such as books, journals, newspapers and online database.

Rural Marketing in Modern India

Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which

satisfies consumer demand and also achieves organizational objectives.



“Rural Marketing is defined as a function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumers into an effective demand for specific products & services and moving these products & services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals” (I year, 2010). The process should be able to straddle the attitudinal and socio-economic disparity between the urban and rural customers.

- **Urban to Rural:** It involves the selling of products and services by urban marketers in rural areas. These include: Pesticides, FMCG Products, Consumer durables, etc.
- **Rural to Urban:** Here, a rural producer (involved in agriculture) sells his produce in urban market. This may not be direct. There generally are middlemen, agencies, government co-operatives, etc. who sell fruits, vegetables, grains, pulses and others.
- **Rural to rural:** These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

Features of Rural Marketing

The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential that can be identified as follows:

- **Large and scattered population:** About 860 million Indians forming 70 per cent of India’s population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.
- **Higher purchasing capacity:** Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.
- **Market growth:** The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines have also grown over the years.
- **Development of infrastructure:** There is development of infrastructure facilities such as construction of roads

and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

- **Low standard of living:** The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.
- **Traditional outlook:** The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.
- **Marketing mix:** The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

The 4Ps of Rural Marketing

Most of the companies treat rural market as a dumping ground for the lower end products designed for an urban audience. But, this scenario is slowly changing and importance is given to the need of the rural consumer. Hence it is important to understand the 4Ps of rural marketing with respect to a rural consumer.

- **Product:** A product is the heart of rural marketing. It is a need satisfying entity to a rural Consumer .the following have to be kept in mind while the marketer makes a decision on the product.
 - ✓ The product for the rural markets has to be simple, easy to use and provide after sales service or maintenance.
 - ✓ The product has to be packed for low price and convenient usage.
 - ✓ The pack has to be easily understood by the rural consumer. The information on the pack is preferred in local language communicating the functional benefit of the product.
- **Pricing:** A rural customer is price sensitive and shops for value. This is mainly because of his lower income levels than his urban counterparts. Hence the marketer has to find ways of making the product affordable to the rural consumer.
- **Placement or Distribution:** Distribution of products is one of the biggest challenges of rural marketing. There are CWC (Central Warehousing Corporation) and SWCS (State Warehousing Corporations) set up in rural areas to store and distribute products.
- **Promotion:** Communication to rural consumer is through organized media. More number of rural consumer (~70%) listen to radio and many go to cinema. Rural communication can be through Conventional media or through a nonconventional media. The most common conventional media include: Print, Cinema, Television and Print. The Non-conventional media include: Theatre, Posters, Haats and Melas.

Rural India has a population of 83.3 crore (Table: 1) spread across 6, 38,000 villages. The rural urban distribution ratio currently is 68.84% and 31.16% respectively.

Table 1: Share of rural in total population

Area	2001 (in crore)	2011 (in crore)	Difference (crore)
India	102.9	121.0	18.1
Rural	74.3	83.3	9.0
Urban	28.6	37.7	9.1

Source: Census of India 2011

The above table shows that the share of rural in the total population of India. Rural population has been increased by 9% from 2001 to 2011 and comprises of 833 million people as compare to 377 million people in urban area which shows greater opportunities for marketers.

Table 2: Rural literacy rate 2011

Residence	2001	2011	Difference
Persons	58.74	68.91	+10.17
Male	70.70	78.31	+7.87
Female	46.13	58.75	+12.63

Source: Census of India 2011

The pace of literacy rate in female is perceptibly higher in rural areas; it has increased 46.1% in 2001 to 58.75% in 2011. An improvement in female literacy rate is more than male in rural areas according to census of 2011. The gender gap in literacy has come down from 24.6% in 2001 to 19.8% in 2011 in rural areas. The rural literacy rate rose from 24% in 1971 to 59% in 2001. Of course, the Indian government initiated the various programs in five year plan, but still there are variations in the literacy rates in India amongst different states. And literacy rates also rose to 68.91% in 2011 from 58% in 2001. The government enacted the 86th constitutional amendment and added a new article 21A in which Right to Education stated as a fundamental right. The government in duration started the various types of programs and providing financial assistance to the various states government for up gradation of education. However, the rural population's awareness also becomes a powerful tool in this regard.

Table 3: Estimates of income

Details	Rural	Urban	All India
No. of Earner	1.34	1.43	1.40
Income	51,922	95,827	65,041
Per capita Income	1,0227	19,935	13,018
Poverty Ratio	21.7	18.7	20.8

Source: Marketing White Book 2010

Table 3 provides the information that the number of earning members in urban households is higher than in the rural areas. The average households annual Income in India on recent terms having Rs. 65,041 and on rural counterpart having Rs.51, 922 which is comparatively lowers than the urban counterpart. The per capita income of rural households is about half of the urban households. The poverty ratio is much higher in rural areas as compared to urban areas.

Table 4 shows that the self-employed in agriculture, followed by the labourers, comprises the largest group in rural areas, accounting for 78% of the population. In other words, they are the average rural households. It means about 60% of the rural population own or lease land to cultivate it for their livelihood. Another 18% are dependent on these cultivators for jobs as agricultural labours. The remaining 22 percent of

the population are non-agricultural labourers engaged in poultry, forestry, fishing, hunting and plantation, services and others. This implication of this type of occupational pattern is that the income generation in rural areas entirely depends upon how the land is used, what crops are cultivated, how much is marketed, how much is consumed, and the marketing arrangements for the production. As observed from the table, that 77% of the income generation in rural areas is from agriculture and agriculture -related activities. And the rural income is mostly depended on the monsoon/rains, if the rainfall is adequate and weather conditions are favorable, rural people will prosper and it found out a great impact on the crops production in most of the states in India.

Table 4: Occupational pattern of rural

S. No.	Sources	Rural Population (%)
1.	Agriculture	60.29
2.	Agriculture wager	17.11
3.	Business and craft	7.20
4.	Non-Agriculture Wage	6.40
5.	Salaries	3.00
6.	Current Transfer	2.50
7.	Others	4.50

Source: NSSO.

The major challenges faced by marketer in rural market

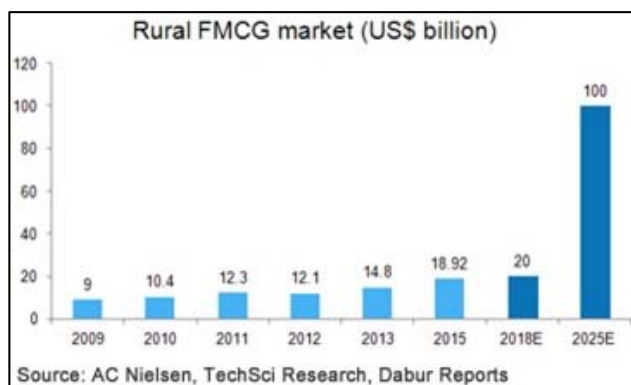
Despite the fact that rural markets are a huge attraction to marketers, it is not easy to enter the market and take a sizeable share of the market, in the short time due to the following reasons:-

- **Transportation:** Many rural areas are not connected by rail transport. Kacha roads become unserviceable during the monsoon and interior villages get isolated.
- **Media for Promotions:** Television has made a great impact and large audience has been exposed to this medium. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households. Therefore, the market has to undertake specific sales promotion activities in rural areas like participating in meals of fairs.
- **Seasonal Demand:** Demand for goods in rural markets depends upon agricultural situation, as agriculture is the main source of income. Agriculture to a large extent depends upon monsoon and, therefore, the demand or buying capacity is not stable or regular.
- **Distribution:** An effective distribution system requires village level shopkeeper, Mandal/Taluka-level wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level. The presence of too many tiers in the distribution system increases the cost of distribution.
- **Career in Rural Market:** While rural marketing offers a challenging career, a rural sales person should require certain qualifications and specialized talent.
- **Buying Decisions:** Rural consumers are cautious in buying and decisions are slow and delayed. They like to give a trial and only after satisfying personally, they buy the product.
- **Communication Problems:** Facilities such as telephone, fax and telegram are rather poor in rural areas.

- **Traditional Life:** Life in rural areas is still governed by customs and traditions and people do not easily adapt new practices. For example, even rich and educated class of farmers does not wear jeans or branded shoes.

Opportunity in rural market

With a contribution of 50% to India's GDP and a population of 70%, the importance of rural market is not lost on anyone trying to sell their product/service. Moreover, per capita GDP for rural areas has grown at a rate of 6.7% CAGR as compared to 4.7% CAGR for urban areas. This signifies that rural incomes are growing and people are buying more goods than ever.



Statistic reveals that rural spending on lifestyle products was \$69 billion between 2001 and 2009, significantly higher than urban spending of \$55 billion. The FMCG sector in rural and semi-urban markets is estimated to cross US\$ 20 billion by 2018 and US\$ 100 billion by 2025. The rural FMCG market has grown at a CAGR of 13.2% during the year 2009-15. The following graph gives just a glimpse of the potential rural market up for grabs. These figures reveal the immense potential rural market of India possesses. "The future lies with those companies who see profit in rural markets" says C.K. Prahalad in his book "The fortune at the bottom of the pyramid".

Conclusion

India's vast rural market offers a huge potential for a marketer facing stiff competition in the urban markets. The rural market environment is very different from the familiar surroundings of the urban market. Rural consumers have customs and behaviors that the marketer may find difficult to contend with. The rural market of India is a huge market. It has much opportunity for any company to tap. 70% of the total Indian population is living in rural areas. So, rural markets are important for us. With a contribution of 50% to India's GDP and a population of 70%, the importance of rural market. It is a market meant for the truly creative marketer. An acrimonious change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impress on the 230 million rural consumers spread over approximately six hundred thousand villages in rural India.

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