Indian Rural Marketing

Dr. K. N. Mishra
Associate Professor and Head, Commerce Department, Armapore PG Collage, Kanpur.

Abstract

The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies.

INTRODUCTION

According to the third annual edition of Accenture Research, “Masters of Rural Markets: From Touch points to Trust points - Winning over India's Aspiring Rural Consumers,” rural consumers are particularly aspiring or striving to purchase branded, high quality products. Consequently, businesses in India are optimistic about growth of the country's rural consumer markets, which is expected to be faster than urban consumer markets. The report highlights the better networking among rural consumers and their tendency to proactively seek information via multitude sources to be better informed while making purchase decisions. Importantly, the wider reach of media and telecommunication services has provided information to India’s rural
consumers and is influencing their purchase decisions. In line with general trend, rural consumers are evolving towards a broader notion of value provided by products and services which involves aspects of price combined with utility, aesthetics and features, and not just low prices.

The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies.

**Market size**

India’s per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US$ 20 billion mark by 2018 and reach US$ 100 billion by 2025.

**Recent Developments**

Following are some of the major investments and developments in the Indian rural sector.

- India's unemployment rate has declined to 4.8 per cent in February 2017 compared to 9.5 per cent in August 2016, as a result of the Government's increased focus towards rural jobs and the Mahatma
Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme.

- The Ministry of Rural Development is expecting to achieve its annual targeted length of 48,812 kilometers of rural roads by March 31, 2017 under the Pradhan Mantri Gram Sadak Yojana (PMGSY), which has reached a completion stage of 67.53 per cent (32,963 kms) as on January 27, 2017.

- The National Bank for Agriculture and Rural Development (NABARD) plans to provide around 200,000 point-of-sale (PoS) machines in 100,000 villages and distribute RuPay cards to over 34 million farmers across India, to enable farmers to undertake cashless transactions.

- Magma Fincorp, a Kolkata-based non-banking finance company (NBFC) plans to expand its operations in South India, with specific focus on rural and semi-urban markets to help the company grow rapidly.

- Bharti Airtel is applying for a payments bank licence and has involved Kotak Mahindra Bank as a potential investor in the venture, in a bid to tap significant revenue opportunities from the Reserve Bank of India's financial inclusion initiative. Payments banks are meant to fan out into the rural, remote areas of the country, offering limited but critical services such as money transfers, loans and deposit collection. While banks have the knowhow, telecom companies have the network, making it an ideal match.

**Government Initiatives**
The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier
effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption.

- The Government of India has approved the proposal to construct 10 million houses for the rural population, which will require an investment outlay of Rs 81,975 crore (US$ 12.7 billion) for the period from 2016-17 to 2018-19.

- The Government of India aims to provide tap water regularly to every household by 2030 in line with United Nations Sustainable Development Goals, requiring a funding of Rs 23,000 crore (US$ 3.57 billion) each year until the target is met.

- The Government has introduced various reforms in the Union Budget 2017-18 to uplift the rural markets. Some of the key highlights of the Budget are:
  - Rs 187,223 crore (US$ 28.08 billion) has been allocated towards rural, agriculture and allied sectors.
  - The Allocation for Pradhan Mantri Aawas Yojana-Gramin has been increased from Rs 15,000 crore (US$ 2.25 billion) to Rs 23,000 crore (US$ 3.45 billion) in the year 2017-18 with a target to complete 10 million houses for the houseless by the year 2019.
  - The pace of roads construction under Pradhan Mantri Gram Sadak Yojana (PMGSY) has been accelerated to 133 kms per day as against an average of 73 kms per day during the years 2011-14.
  - The allocation to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has been Rs 48,000 crore (US$ 7.2 billion) in the year 2017-18, which is the highest ever allocated amount.
The Government of India is looking to install Wi-Fi hotspots at more than 1,000 gram panchayats across India, under its ambitious project called Digital Village, in order to provide internet connectivity for mass use, as well as to enable delivery of services like health and education in far-flung areas.

In the Union Budget 2017-18, the Government of India mentioned that it is on course to achieve 100 per cent village electrification by May 1, 2018.

The Government of India has sought Parliament’s approval for an additional expenditure of Rs 59,978.29 crore (US$ 8.9 billion), which will be used to support the government’s rural jobs scheme, building rural infrastructure, urban development and farm insurance.

Road Ahead
As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally. The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and smart phones. Taking advantage of these developments, online portals are being viewed as key channels for companies trying to enter and establish themselves in the rural market. The Internet has become a cost-effective means for a company looking to overcome geographical barriers and broaden its reach.

Market research firm Nielsen expects India’s rural FMCG market to reach a size of US$ 100 billion by 2025. Another report by McKinsey Global Institute forecasts the annual real income per household in rural India to rise to 3.6 per cent 2025, from 2.8 per cent in the last 20 years.

References: Media Reports, Press Releases, Press Information Bureau (PIB), Accenture Report, Nielsen Report, Budget 2016-17