

Indian Rural Market Opportunity And Challenges In The Global Context

Santosh Kumar Pandey and Swati Jaiswar

Aryavart Institute of Technology & Management, lucknow.

Abstract

Globalization is not at all a new term for us as we are experiencing the tremendous change in our environment which is purely a result of it. The change is clear and shown a considerable effect on rural markets. Through this article, an attempt is made to put on paper the important changes brought by globalization in rural markets. . Due to green revolution, the rural areas are consuming a large quantity of industrial and manufactured products. In this way rural market offers opportunities in the form of large untapped market, increase in disposable income, increase in literacy level and large scope for penetration. To take the advantage of these opportunities, a special marketing strategy 'Rural Marketing' has emerged. This paper tries to understand the rural market, importance of rural marketing and status of rural market.

Keywords: *Rural Market, Rural Consumers, Globalization, Urbanization, Census, Rural Area, Market.*

INTRODUCTION

Since the 1980's the mass rural market was used to attract the marketers in Indian consumer market. The fact that 70% of country's population was unaddressed, which was the major attraction for marketers. In recent

Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)

time this attraction has increased with the additional money that comes into hands of rural consumers due to green revolution, rise in Agri-produce prices and MNREGA spending. Budget 2013 further strengthens the rural story with MNREGA because there has been a substantial increase in their spending. These initiatives shift the rural consumers towards Brands. Rural market constitutes an important segment of overall economy. Government agencies like IRDA (Insurance Regulatory and Development Authority) and NCAER (National Council for Applied Economics Research) define rural as a village with a population less. Rural marketing is promotion of a company's product in the rural market by using strategies which differ from the urban market. The rural market is more prices sensitive but it has preference to quality. Rural marketing is confused with agriculture marketing. The later denotes marketing of produce of rural areas to the urban consumers or industrial consumers while rural marketing involves delivering manufactured or processed input or services to rural consumers.

What is a rural area? According to Population Census of India 'all areas which are not categorized as urban area are considered as rural area'. What is an urban area? According to Population Census of India the following are considered as urban areas

- a) All places with a municipality, corporation, cantonment board or any other notified town area committees is known as statutory town.
- b) All other places which satisfy following criteria are called as census town
 - A minimum population of 5000.

Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)

- At least 75% of male workers engaged in non agricultural pursuits
- A density of population of at least 400 per sq.km.

What are rural markets? In traditional sense market represent a place

Globalization is not at all a new term for us as we are experiencing the tremendous change in our environment which is purely a result of it. The change is clear and shown a considerable effect on rural markets. Through this article, an attempt is made to put on paper the important changes brought by globalization in rural markets.

What are rural markets? In traditional sense market represent a place where buyers and sellers meet together but according to demand concept of market means potential buyers. So, rural market means potential buyers in rural markets. The marketers try to identify consumer needs and satisfy them.

Objective: To study the impact of globalization in rural customers.

Scope of Study: The study primarily focuses on Indian rural markets and also sheds light on marketing practices from traditional to modern times. It takes in to account the issues and challenges of Indian rural as a consequence of globalization.

RURAL MARKETING IN INDIA

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.

Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)

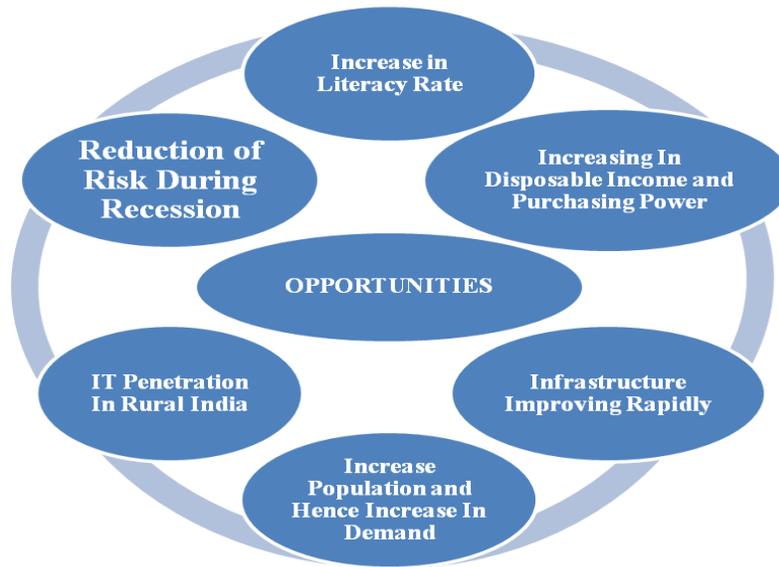
The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population. The rural markets in India 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.

OPPORTUNITIES OF RURAL MARKETS

The rural market has been growing gradually over the past few years and is now even bigger than the urban market. The saving to income percentage in rural area is 30% higher than urban area. At present 53% of all FMCGs and 59% of consumers durables are being sold in rural area. Major opportunities available in rural market are as follow:

Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)



Increase in Literacy Rate

Literacy rate is increasing in rural areas. According to census there are more graduates in rural than in urban India. This brings social and cultural changes in buying behavior of the rural customers and more aware about national and international brand. Due to increase in literacy rate they get jobs in nearby towns. They earn urban salaries but continue to live in self owned homes in the villages, they have high purchasing power and prefer to buy branded product

Increasing In Disposable Income and Purchasing Power

Projects from private companies and the rural employment initiatives by the Government like MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) schemes have given the rural population an opportunity to meet their daily needs. Government decided to expand the agriculture loan at lower rate of interest and distribute million of Kisan Credit Cards, has given a boost to the income level to the rural sector. Companies have the opportunity to enter in this new market and take the advantage of increased disposable income.

Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)

Infrastructure Improving Rapidly

In 50 years only, 40% villages have been connected by roads, in next 10 years another 30% would be connected. Rural telephone density has gone up by 300% in the last 10 years. Government of India is planning its most ambitious national program in Jan.2013 to facilitate electricity through decentralized renewable energy sources. The government aims to provide LED lights to around 400million homes that do not have an electricity connection by 2017. Rapid development of rural infrastructure is also major attraction for marketers.

Increase Population and Hence Increase In Demand

The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers. More than eighty percent of rural markets in India still do not have access to any sort of organized marketing and distribution.

IT Penetration In Rural India

Today's rural children and youth will grow up in an environment where they have „information access“ to education opportunities, job opportunities, government schemes, world wide news and mandi prices. Rural areas offer a great potential for growth in internet usage with the number of claimed internet users in these spaces to be reached at 45million by Dec. 2012, according to the recent IMRB survey, conducted jointly with internet and Mobile Association of India (IMAI). The number of claimed internet users has witnessed a compounded annual growth rate of 73% since Dec. 2010. As the electronic ethos and

Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)

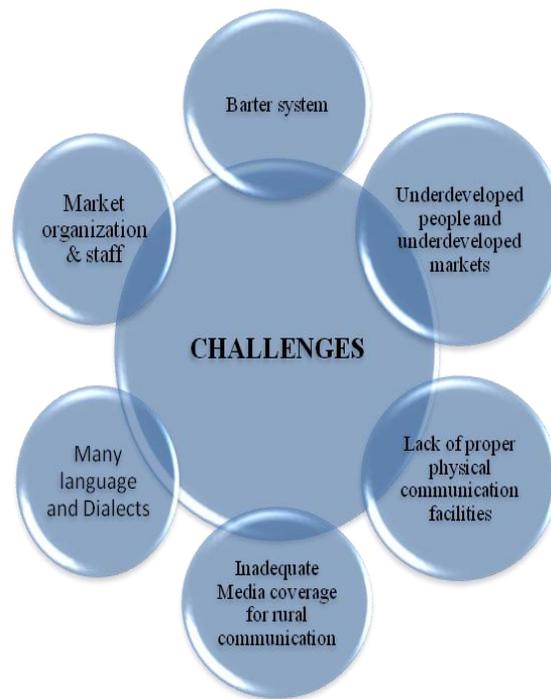
IT culture moves into rural India, the possibility of change are becoming visible.

Reduction of Risk During Recession

It has been observed that companies which cater both urban and rural markets tackle the recession in the better way. The demands for goods in the urban market often follow a cyclic whereas in the rural market it is steady. So companies can safeguard themselves from the harmful effects of recession after entering in the rural market.

PROBLEMS & CHALLENGES OF RURAL MARKETS:

The peculiarities of rural markets and rural consumers pose challenges to marketers in reaching them effectively. There are a large number of small villages which are not easily accessible because of all weather roads. The main challenges of rural marketing are discussed below:



Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)

Barter system

This system is practiced In the developing country like India, even today the barter system i.e., exchange of goods for goods exists. This is a major obstacle in the way of development of rural marketing.

Underdeveloped people and underdeveloped markets

The agricultural technology has tried to develop the people and market in rural areas. Unfortunately, the impact of the technology is not experienced uniformly throughout the nation. There are large areas and groups of people who have remained beyond the technological breakthrough.

Lack of proper physical communication facilities

Nearly 50 percent of the villages in the country do not have all weather roads. Physical communication to these villages is highly expensive. Even today, most villages in eastern part of the country are inaccessible during monsoon season.

Inadequate Media coverage for rural communication

A large number of rural families in own radios and television sets there were also community radio and T.V sets. These have been used to diffuse agricultural technology to rural areas. However the coverage relating to marketing is inadequate

Many language and Dialects

The number of languages and dialects vary from state to state region to region. This type of distribution of population warrants appropriate strategies to decide the extent of coverage of rural market.

Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)

Market organization & staff

The size of the market organization and staff is very important, to manage market system effective control. However the existing organizational setup particularly at district and block level needs to be strengthened in order make the services on various aspects available to the farmers timely and also easily accessible to them.

Other influencing factors in Rural Marketing

Natural calamities and Market conditions. Pests and diseases, Drought or too much rains, Primitive methods of cultivation, lack of proper storage facilities which exposes grain to rain and rats, Grading, Transport, Market Intelligence Long chain of middlemen wholesalers and retailers, Fundamental practices.

CHALLENGES FACED BY MARKETERS IN RURAL MARKET

- * Low literacy rate.
- * Traditional outlook of rural consumers due to which they are resistant to change. Their buying decision is low and delayed.
- * Demand in rural market depends on the agricultural situation as it is the main source of income. Again agriculture depends on monsoon. So buying capacity of rural consumers varies and it becomes difficult to predict demand.

Conclusion

With the above discussion it is clearly found that globalization has shown many consequences on Indian rural markets. Now we need to know whether these consequences are good or bad. The effect of

Indian Rural Market: Opportunity and Challenges in the Global Context (ISBN: 978-93-87662-22-3)

globalization on rural markets is good or bad? Is always a hypothetical question. But we can definitely say that the negative consequences seem to be dominating over positive consequences. Despite of good that is globalization has done to the Indian rural markets, it has brought enormous changes to the culture, lifestyle, hardworking nature and attitudes of rural customers. As rural areas are treated to be the dominating markets in India, globalization by effecting rural markets has shown considerable effect on Indian economy. At the same time we cannot ignore the positive consequences of globalization to rural markets as they educated rural markets in many ways.

References

1. C.S.G. Krishnamacharyulu & Lalitha Ramakrishnan, "Rural Marketing", 2nd edition, 200 Pearson educations.
2. Manab Adhikary, "Global Business Management", First edition, 2001, Macmillan Business Books.
3. Marketing Management by V.S. Ramaswamy and S. Namakumari
4. The Hindu- Business line
5. Official website of Rural marketing Association in India
6. Rural Marketing in India-Strategies and Challenges by Ruchika Ramakrishna
7. Business world Marketing White book 2005