Indian Rural Market: Opportunity & Challenges in Global Context

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Abstract

Rural market is getting importance because of the saturation of urban market. So the marketers are looking for extending their product categories to an unexplored market i.e. the rural market. According to the Nielson’s survey the rural market for FMCG (Rs. 65,000 crores), durables (Rs. 5,000 crores) and clothing and footwear (Rs. 35,000 crores) was as large as Rs. 1,05,000 crores in 2008. Certainly the size is much bigger now. According to Nielson by 2025, the rural FMCG sale is estimated to be $ 100 billion from the current $12 billion. This has also led to the CSR activities being done by the corporate to help the poor people attain some wealth to spend on their product categories. Here, we can think of HLL initiatives in the rural India. One of such product is project Shakti, which is not only helping their company attain some revenue but also helping the poor women of the village to attain some wealth which is surely going to increase their purchasing power.

Rural market is mystery for the companies. Due to lack of dipper insights into the psyche of the rural consumers, companies are hesitant to explore this territory. But local brand like “Ghadi” detergent in
Kanpur have been able successfully tap the opportunities presented by rural market. Rural India offers sustainable sales and profit for growth. Growth of rural market is possible due to green revolution and white revolution, which results into substantial wealth generation in rural area. In recent years, rural markets have acquired significance in the country like China and India as the overall growth of the economy has resulted into substantial increase purchasing power of rural communities. Due to green revolution in India, consumption pattern of rural people are changed.

INTRODUCTION

The rural market of India started showing its potential in the 1960s. The 70s and 80s witnessed its steady development. And, there are clear indications that the 21st century is going to see its full blossoming. In our country, where research on consumer behaviour has been nominal, not much systematized information is available about the rural consumers. Only a few enlightened companies, known for their marketing orientation, viz., Hindustan Lever, Philips India, Asian Paints, Singer and Larsen and Toubro have made concrete efforts in this direction. But, by and large, we have still to understand the rural buyer, his habits, attitudes and behaviour, particularly from the marketing point of view. 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.
2. Objectives of the Study

1. To understand the rural marketing in India.
2. To study the importance of rural marketing.
3. To study the development of rural marketing and
4. To study the initiatives taken by the government to improve rural markets.

3. Methodology of the Study

The study is a descriptive method. The Secondary data were collected from different sources, such as, text books, magazines, articles and websites.

4. RURAL MARKETING IN INDIA:

“Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas.”

The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption. The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioural 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.

**Rural Market Status:**

The market scenario in the rural areas today is changing very rapidly. Rural consumers demand branded products mainly because of increase in disposable income and literacy level. Rural families do not like to cut their expenditure on weddings, pilgrimages, constructions and consumptions.

Rural consumers have more aspirations, today this segment of buyers consumes large variety of products, both durable and non-durables and willing to pay right price for right products. Pardeep Kashyap, CEO, MART, says “The rural India has cash in hand and is not bound by EMIs or loans, with the majority of our population based in tier III, tier IV cities and villages. It is right time to penetrate into rural market.”

**5. IMPORTANCE OF RURAL MARKETING**

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the Nielson’s survey the rural market for FMCG (Rs. 65,000 crores), durables (Rs. 5,000 crores) and clothing and footwear (Rs. 35,000 crores) was as large as Rs. 1,05,000 crores in 2008. Certainly the size is much bigger now. According to Nielson by 2025, the rural FMCG sale is estimated to be $100 billion from the current $12 billion. This has also led to the CSR activities being done by the corporate to help the poor people attain some wealth to spend on their product categories. Here, we can think of HLL initiatives in the rural India. One of such product is project Shakti, which is not only helping their company attain some revenue but also helping the poor women of the village to attain some wealth which is surely going to increase their purchasing power. Rural market is mystery for the companies. Due to lack of dipper insights into the psyche of the rural consumers, companies are hesitant to explore this territory. But local brand like “Ghadi” detergent in Kanpur have been able successfully tap the opportunities presented by rural market. Rural India offers sustainable sales and profit for growth. Growth of rural market is possible due to green revolution and white revolution, which results into substantial wealth generation in rural area. In recent years, rural markets have acquired significance in the country like China and India as the overall growth of the economy has resulted into substantial increase purchasing power of rural communities. Due to green revolution in India, consumption pattern of rural people are changed.

What Makes Rural Market Attractive?

Rural market has following attributes and facts:

- About 833 million people reside in rural area as compared to 377 million people in urban area.
• 53% of all FMCGs and 59% of all consumer durables are sold in the rural market.

• Estimated annual size of rural market:
  
  ▪ FMCG Rs. 65,000 crores
  ▪ Durables Rs. 5,000 crores
  ▪ Agri-inputs and Tractors Rs. 45,000 crores
  ▪ 2/4 wheelers Rs. 8,000 crores

• 42 million rural households availing banking services in comparison to urban households.

• Indian rural market is almost twice as compared to the entire market of USA and Russia.

• 46% of soft drinks sales come from rural areas.

• 49% of motorcycles sales come from rural areas.

• Rural India accounts for 59% of cigarettes sales.

• In 20 years, rural Indian market will be larger than the total consumer markets in countries such as South Korea and Canada and almost 4 times of the size of today’s urban market.

• Close to 10% of Maruti Suzuki’s sale come from rural market.

• 50% of BSNL mobile connections in small towns/ villages.
OPPORTUNITIES

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.

Increase in Literacy Rate

Literacy rate is increasing in rural areas. According to census 2011 it stood at 68.9% (2001 census 58.7%). There are more graduates in rural than in urban India. This brings social and cultural changes in buying behaviour 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. According to advanced estimates of national income released by centre statistic organization “The Per Capita income at current prices during 2011-12 is estimated to be Rs. 60,972 compared to Rs. 53,332 during 2010-11 showing a rise of 14.3%. Companies have the opportunity to enter in this new market and take the advantage of increased disposable income.
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Infrastructure improving rapidly In 50 years only, 40% villages has 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.

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.
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, and worldwide 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 45 million 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 IT culture moves into rural India, the possibility of change are becoming visible.

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CHALLENGES

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:

Transportation problems

Transportation is essential for movement of products from urban production centers to remote villages. In rural India transportation facilities are quite poor. Nearly 80 percentages of villages in the country
are not connected by well constructed roads. Many parts of India have kuccha roads. Due to poor transportation facilities it is not possible for a marketer to access the rural market.

**Warehousing problems**

A storage function is necessary because there is a time gap between production and consumption of commodities. Agricultural commodities are produced seasonally but they are demanded over the year so there is need to store them. But in rural areas, there is lack of public as well as private warehousing. Marketers face problems of storage of their goods.

**Underdeveloped people and underdeveloped markets**

Rural society in India is underdeveloped. Modern technology has tried to develop the people and markets in rural areas. But the technology has made very less impact in rural areas.

**Inadequate media coverage**

Media have lots of problem in rural areas. Television is a good source to communicate the message to rural people. But due to non availability of power as well as television sets, majority of rural population cannot get the benefits of various media.

**Many languages**

India is a country of many languages. Language becomes barrier in effective communication in the market efforts. The number of languages vary from state to state, region to region and district to district, etc.

**Low level of literacy**
The literacy rate is low in rural areas as compared to urban areas. Marketers face communication problem due to the lack of literacy rate. Print medium is not much effective and it is irrelevant since its reach is poor. So, low level of literacy becomes challenge for marketers in rural areas.

**Seasonal demand**

Seasonal demand is main problem of rural market. Agriculture situation plays a significant role in the demand of commodities in the rural market because it is the main source of income. Again agriculture depends on monsoon so buying capacity of rural consumers varies. Despite this, many rural areas are not connected by rail transport. Kuccha roads become unserviceable during monsoon.

**CONCLUSION**

The study concluded that rural India offers huge opportunities which companies can tap for their growth and development. However, Companies face many challenges in tackling the rural markets. 833 million people reside in India as compared to 377 millions in urban India so vast untapped opportunities are available in rural India, but marketer unable to tap these opportunities because of lack of infrastructure facilities. Literacy rate is low in rural area so people are unable to identify brand difference.

Now trend has gone to change literacy rate in rural area is increasing. Number of middle and higher income household in rural India is expected to grow from 80 million to 111 million. There is rapid development in infrastructure all these opportunities attract companies to target rural market.
REFERENCES