

Future Prospects of rural Marketing in India

Dr. Mahesh U. Daru

**Associate Professor & HOD, Accountancy, Smt. C.D.J. Rofel Arts &
I.S.R.A.Rofel Commerce College, Vapi (Gujarat) India.**

Abstract

India is agricultural county. Large part of population lives in rural area . But there is a huge gap between the urban and rural markets. This gap consists of differences in terms of education, standard of living, disposable incomes, culture, faith and beliefs, occupation, infrastructure facilities and many other factors. Despite of all these differences, Marketers are taking key interest in marketing their products in rural markets. The Urban markets are maturing and high level of competition ruining the profit margins, customer base. The urban consumers being too much advanced expect new products in small intervals thereby reducing life span of the products. Therefore it becomes difficult for the marketers to survive in such markets and hence they seek for alternative markets. Some of the noted examples of companies enjoying great success due to effective marketing in rural markets are Coca Cola, Colgate, Eveready batteries, Parle, Micromax, etc. This paper is about rural marketing and future scope in the Indian economy

Key Word: Marketing, Urban Marketing, Rural Marketing Rural Marketing strategies

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Introduction

The concept of Rural Marketing in India Economy has played an influential 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. It covers the maximum population and regions and thereby, the maximum number of consumers.

'Go rural' is the slogan of marketing guru's after analyzing the socio-economic changes in villages. The Rural population is nearly three times of the urban, so Rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agri-input products such as seeds, fertilizers, pesticides and farm machinery. (www.indianmba.com)

Some statistical data of rural marketing are

- 742 million people
- Estimated annual size of the rural market
- FMCG Rs 65,000 Crore
- Durables Rs 5,000 Crore
- Agri-inputs (incl. tractors) Rs 45,000 Crore
- 2 / 4 wheelers Rs 8,000 Crore
- LIC sold 55 % of its policies in rural India.
- Of two million BSNL mobile connections, 50% in small towns/villages
- Of the six lakh villages, 5.22 lakh have a Village Public Telephone(VPT)
- 41 million Kisan Credit Cards issued with cumulative credit of Rs 977 billion resulting in tremendous liquidity.
- Of 20 million Rediffmail signups, 60 % are from small towns. 50% transactions from these towns on Rediff online shopping site.
- 42 million rural availing banking services in comparison to 27 million urban HHs.
- Investment in formal savings instruments: 6.6 million in rural and 6.7 million in urban

Definition of Rural

Agencies from IRDA & NCAER define 'Rural' as "a village with a population of less than 5,000 with 75% of the male population engaged in agriculture etc."According to National Commission on

Agriculture “Rural marketing is a process which starts with a decision to produce a salable farm commodity and it involves all the aspects of market system, and includes pre and post harvest operations i.e. assembling, grading, storage, transportation and distribution”.

Features of Rural Market in India

1. **Large and scattered market:** According to 2001 census rural population is 72% of total population and it is scattered over a wide range of geographical area.
2. **Diverse socio-economic background:** This is different in different parts of the country and brings diversity in rural markets.
3. **Changing demand pattern:** Demand pattern of rural customer is fast changing due to increasing in income and credit facilities offered by banks like ‘kisan credit card’.
4. **Major income comes from agriculture:** About 60% of the rural income is from agriculture and hence the demand for consumer goods is high during harvesting season.
5. **Saving habits:** Rural consumer is now having saving habits due to the efforts of co-operative and commercial banks.
6. **Traditional outlook:** Rural customer values old customs and traditions.
7. **Low standard of living:** Rural consumer have low standard of living because of low literacy, low per capita income and social backwardness.
8. **Poor infrastructure facilities:** Facilities like roads, warehouses, communication system, etc. are inadequate in rural areas. Hence physical distribution becomes costly.
9. **Media reach:** The reach of print media is 10% followed by TV 31%, radio 31% and cinema 33%.
10. **Communication:** As per Indian Express report about 6 lakhs villages are without telephone facilities.
11. **Electrification:** About 88% of villages have been electrified and rest will soon get electricity by “Rural Electricity Corporation”.

Potential of Rural Market

With urban market showing signs of saturation, companies are excited about the potential of rural India. Some major companies that have focused in the rural sector are Philips, Parle, Proctor & Gamble, Colgate-Palmolive, Godrej Soap, Bajaj Auto, TVS, Atlas Cycle and HUL. Following points indicate the potential of rural markets:

Attractiveness of Rural Market

1. **Large Population:** According to 2001 census rural population is 72% of total population and it is scattered over a wide range of geographical area

2. **Rising Rural Prosperity:** Average income level has improved due to modern farming practices, contract farming, industrialization, migration to urban areas and remittance of money by family members settled abroad.
3. **Growth in Consumption:** There is a growth in purchasing power of or rural consumers. The average per capita household expenditure is Rs. 382.
4. **Changing Lifestyle:** Lifestyle of rural consumer changed considerably.
5. **Life Cycle Advantage:** The products, which have attained the maturity stage in urban market, is still in growth stage in rural market. E.g. popular soaps, skin cream, talcum powder, etc.
6. **Market Growth Rate Higher than Urban:** As per the survey made by NCAER the growth rate of FMCG market and durables market is higher in rural areas. The rural market share is more than 50% for products like body talcum powder, toilet soaps cooking oil, hair oil etc.
7. **Rural Marketing is not Expensive:** To promote consumer durables inside a state costs Rs one crore while in urban areas it will costs in millions.

Changing Pattern of Rural Demand

The position in the rural market was totally different twenty years ago. At present there is a demand for products like TV, fans, oil engines, readymade garments, medicine, etc. New products like toiletries, baby care products and consumer durables are now getting good demand. Demand pattern of rural markets are changing due to the following reasons:

1. Due to 2000 Exim policy, export of Indian agricultural products increased.
2. Credit facilities extended by public sector banks by kisan credit cards helps farmers to buy agricultural and consumer goods on installments.
3. Co-operative and public sector banks are extending loans to the rural people and creating job opportunities for them.
4. Cable TV has played important role in bringing change in lifestyle and consumption habits of rural people.
5. Liberalization facilitated contract farming thus the farmer has ready market for their produce.
6. Production of food grains has increased. This enhanced the rural purchasing power.

Problems in Rural Marketing

1. **Vastness and Uneven Growth:** India has about 5 lakhs villages, which are scattered over a wide range of geographical area, and also they are not uniform in size.
2. **Transport Problem:** Transportation infrastructure is very poor in rural India. Though India has the fourth largest railway system in the world, many villages remain outside the railway network. Many villages have only kaccha roads while many of rural interiors are totally unconnected by roads. Because of this the physical distribution is difficult in rural areas.

3. **Communication Problems:** Communication infrastructure consisting of posts, telegraphs and telephones is inadequate.
4. **Warehousing Problems:** Central Warehousing Corporation and State Warehousing Corporation do not extend their services to the rural parts. The warehouses at mandi level are managed by co-operative societies who provide services to members only.
5. **Many Languages and Dialects:** The number of language and dialects vary widely from state to state, region to region and even from district to district. Though the recognized languages are only 16 the number of dialects is around 850.
6. **Market Organization & Staff:** Rural marketing needs large marketing organization and staff to have an effective control, which requires huge investment.
7. **Non-Availability of Dealers:** It is not possible to have direct outlets in each rural market; firms have to have service of dealers, which is not easily available.
8. **Hierarchy of Market:** Rural consumers have identified market places for different items of their requirements. Thus depending upon the purchase habit of rural people, the distribution network of different commodities has to be different.

Factors contributing to the change in the rural market

- **Rural communication**

Internet and Mobile have played the most important role for the growth of Rural Markets. The companies like BSNL, Airtel, and Reliance etc have given maximum attention on villages for expansion of network. Broad-band and 3G mobile and internet services are easily available in rural area. These facilities have opened the doors for companies to use latest technologies for brand promotion. Gone are the days when pamphlets distributions, exhibition, door to door selling techniques were used to bring awareness among rural consumers. Now its the time of online marketing. As per survey conducted by Indian Market Research Bureau (IMRB) 77percent of the villages are covered by TV network. Now even villages are going for DTH like Dish TV, TATA Sky and they have already been enjoying exposure to various products through advertisements.

- **Emerging Role of Bio-Tech. in Indian Agriculture Sector**

Bio-technology has vital role to play in so far as enhancement of agriculture yield is concerned. Advance countries have been making an extensive use of bio-technology whereas in developing countries the concept is not yet very popular. .bio-technology in an agriculture sector can generate quality seeds as well bumper crops.

Green Revolution

Adoption of new agronomic practices, selective mechanization, multiple cropping, inclusion of cash crops and development of allied activities like dairy, fisheries and other commercial activities have

helped in increasing disposable income of rural consumers. There is also a shift from rain dependence to irrigation. Farmers are getting high return for their cash and food crops.

Development programmes

Development programmes have generated incomes to rural people and helped them to change their life-styles. Some of these programmes are:

- Intensive Agricultural District Programme (IADP- Package Programme)
- Intensive Agricultural Area Programme (IAAP)
- High Yielding Varieties Programme (HYVP- Green Revolution)
- Drought Prone Areas Programme (DPAP)
- Small Farmers Development Agency (SFDA)
- Hill Area Development Programme
- Operation Flood I, II and III (White Revolution)
- Fisheries Development (Blue Revolution)
- Integrated Rural Development Programme (IRDP)
- Jawahar Rojgar Yojna (JRY).

These programmes are related with agriculture and allied activities but there are certain other policies which are specifically meant to raise the standard of the rural people in the field of health, education, sanitation etc..

Investment in rural area

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

- Tata **Motors**, India's biggest automobile company by revenues, plans to aggressively expand its network with a focus on rural markets. The company is aiming to more than triple its network to 1,500 over the next three years from 460 now, making it the biggest such expansion by a passenger vehicle maker in the country so far.
- 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.
- Hyderabad-based infrastructure company IVRCL Ltd has announced that the firm's irrigation and water divisions have won orders worth Rs 1,255.67 crore (US\$ 203.14 million). The irrigation division has got an order from the Karnataka government for the Tubachi-Babaleshwar life irrigation scheme which aims to provide water from river Krishna to the drought-prone areas of

three talukas in the state. The project is expected to irrigate around 80,000 acres and is worth Rs 1,022.58 crore (US\$ 165.43 million).

- The United Economic Forum (UEF), an organisation that works to improve socio-economic status of the minority community in India, has signed a Memorandum of Understanding (MoU) with Indian Overseas Bank (IOB) for financing entrepreneurs from backward communities to set up businesses in Tamil Nadu. As part of the agreement, entrepreneurs who have been chosen by the UEF, will get term loan / working capital requirements from the bank. The UEF will appoint mentors to guide entrepreneurs for successful implementation of the project, with both IOB & UEF periodically monitoring the progress of the project

Government Initiatives

The government plans to spend Rs 75,600 crore (US\$ 12.23 billion) to supply electricity through separate feeders for rural and agricultural domestic consumption - an initiative aimed at providing round-the-clock power to villages. This outlay is inclusive of expenditure towards an integrated power development initiative which involves strengthening distribution and sub-transmission systems.

The Government of India seeks to promote innovation and technology development in rural and tribal areas of the country. The government plans to form a committee that will study these innovations and submit a report to the department or ministry concerned. The programme, Nav Kalpana Kosh aims to improve rural areas at all levels - governance, agriculture and hygiene, among others.

Banks are working on establishing 'Rural ATMs' which will dispense currency notes of smaller denominations. "We have encouraged banks to find a solution for bringing in rural ATMs... banks will have to find an appropriate technology solution for a different type of ATM to care for the needs of the rural people," as per Mr R Gandhi, Deputy Governor, Reserve Bank of India (RBI).

With the increasing demand for skilled labour, the Indian government plans to train 500 million people by 2022, and is looking out for corporate players and entrepreneurs to help in this venture. Corporate, government, and educational organizations are joining in the effort to train, educate and produce skilled workers.

Conclusion

In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. On account of green revolution, and improved economy the people living in rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has emerged. The Indian rural market has gained significance in

the recent times as the overall economic growth of the country has led to an improvement in the living standards of the rural people. The boon of the Green Revolution combined with government initiatives such as subsidies, loan waivers, and minimum support prices (MSP) and employment schemes (MGREGS) have caused an increase in purchasing power

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