

THE RURAL MARKETING IN INDIA-EMERGING GOVERNMENT INITIATIVES

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Abstract

In the recent years rural market have acquired significance and attract the attention of marketers as 68.84% population of India reside in 38,000 villages and overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities. 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 available 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 marketing, characteristics of the Indian rural market, Opportunities in Indian Rural market. To identify the Government initiatives and innovations to overcome challenges of rural marketing in India.

Introduction

India is an agro based economy, 742 million Indians constituting 138 million households reside in 6, 38,365 villages. The size of rural market lets about the possibility. The current marketing atmosphere and economic scenario have brought the trading under modern roofs India, which is challenging the current target to reach the customers. Realistically, India as a nation has come a long way from the place where only urban population which constitutes 20 per cent of customer base for companies are responsible for 80 per cent of their profits. The companies are looking for new opportunities and avenues, as they are witnessing a decline in their growth rates in urban markets, due to market diffusion and they do have a huge, safe and sound and unused rural market. The driving force for this is rural youth who are educated, have access to technology and have openness to change. Also rural markets have acquired significance, as the overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities. A survey by India's premier economic research entity, National Council for Applied Economic Research (NCAER) indicates that rise in rural incomes is keeping pace with the rise in urban incomes. The rural middle class is growing at 12 per cent, close to the urban middle class which is growing at 13 per Cent. Punjab, Kerala, Haryana, Rajasthan, Gujarat, Andhra Pradesh and Maharashtra are considered highly prosperous states.

Objectives

1. To understand the rural market.
2. To study characteristics of the Indian rural market.
3. Opportunities in Indian Rural market.
4. To identify the government initiatives to overcome challenges of rural marketing in India.

Methodology

1. Researcher has extensively relied on Secondary Sources of Data.
2. Research is limited to India.

What Is Rural Marketing?

The term rural marketing used to be an umbrella term for the people who deal with rural people in one way or other. It got a separate meaning and importance after the economic revolution in India after 1990.

Rural marketing is defined as managing all the activities involved in assessing, stimulating and converting the purchasing power of the rural consumers into effective demand for specific Products and services and moving them to the people in rural areas to create satisfaction and a better standard of living and thus achieving organizational

objectives. It is more developmental than transactional as its nature's is more socio-cultural and economic as compared to the latter's commercial nature. The word rural is so much associated with agriculture and farmers that rural marketing is often confused with agricultural marketing but it should not be so as the latter is only a part of rural marketing.

Salient Features of Rural India

General characters that exist with most of the rural markets in India are as follows.

Low population numbers, low median income, poor infrastructure [roads, electricity, Communications], and agrarian rather than industrial activity. Such rural areas are within the sphere of influence of neighboring cities and metros

A. Population: 83.3 per cent of the villages have a population of less than 2000 (Census of India 2001). The Indian rural market is large and varied. When compare to the total population number of shops available to market the products is less.

B. Levels of Education: Although the percentage of literates has increased from 36 in 1981 to 59 in 2001, there is still approximately 60 per cent of the rural population who lies below the middle education group. (Kashyap & Raut, 2010).

C. Occupational Pattern: Almost 76 per cent of the rural population depends on cultivation or wages for their living (NCAER, 2002). Agriculture is the major source of Income.

D. Characteristics: in terms of occupation, consumption and buying behavior change prominently from urban to rural in locations with population more than 10000. Traditional in their thinking, superstitious, low literacy rate, low per capita income, and below the poverty line and they are also socially backward.

Rural Marketing in Modern India

"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" (Iyer, 2010). The process should be able to straddle the attitudinal and socio-economic disparity between the urban and rural customers.

Urban to Rural: A major part of rural marketing falls into this category. It includes the transactions of urban marketers who sell their goods and services in rural areas, like pesticides, fertilizers, seeds, FMCG products, tractors, bicycles, consumer durables, etc.

Rural to Urban : Transactions in this category basically fall under agricultural marketing where a rural producer seeks to sell his produce in an urban market, like seeds, fruits and vegetables, milk and related products, forest produce, spices, etc.

Rural to Rural : This includes the activities that take place between two villages in close proximity to each other, like agricultural tools, handicrafts and bullock carts, dress materials, etc. The McKinsey report (2007) on the rise on consumer market in India predicts that in twenty years the rural Indian market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today urban Indian market and estimated the size of the rural market at \$577 Billion.

Rural and Urban Market of India

India's rural market is consists of more than 740 million consumers. According to the 2001 census of India 73% of India's total population is rural. Of the 121 core Indians, 83.3 core live in rural areas while 37.7 core stay in urban areas. According to National Sample Survey Organization (NSSO) increase in incomes, rising non-farm

employment opportunities, higher aspirations and the Government's focus on rural sustainability schemes are major significantly higher at Rs. 3, 75,000 cores (US\$ 67.57 billion) than urban consumption at Rs 2, 99,400 cores (US\$ 53.95 billion) between 2009-10 and 2011-12.

According to the Census of India, villages with clear surveyed boundaries not having a municipality, corporation or board, with density of population not more than 400 Sq. Km. and with at least 75 percent of the male working population engaged in agriculture and allied activities would qualify as rural. According to this definition, there are 5, 85,764 villages in the country. Of these, only 0.5 percent has a population above 10,000, and 2 per cent have a population between 200 and 1000, and another 18 per cent has a population less than 200.

According to the data from the Census of 2011, cities and towns can be broadly classified as:

- * Class I: 100,000 and above
- * Class II: 50,000 to 100,000 people
- * Class III: 20,000 to 49,999
- * Class IV: 10,000 to 19,999
- * Class V: 5,000 to 9,999
- * Class VI: Less than 5,000 persons
- * >5,000,000- Megacity
- * 1,000,000-4,999,999 - Metropolis
- * 500,000-999,999 - Sub-Metropolis

According to the 2001 census, there are 4,378 towns and cities in India. Of these 35 are metropolitan cities (population of 1 million plus) that are included in the total of 393 Class I cities with population exceeding 1, 00,000. Together they account for 108 million of the urban population of 285 million. The rest live in towns with population of less than 100,000 going down to just 5,000. While urban India as a whole faces huge problems, particularly of infrastructure, to support a burgeoning population, the worse-off are these 4,738 urban centers that have to contend with the absence of basic services, inadequate new investment and entrenched poverty.

Opportunities in Indian Rural Market

- ❖ More than 750 million people.
- ❖ Estimated annual size of the rural market FMCG Rs. 70,000 Core Durables Rs. 5,500 Core. Agricultural-Inputs (including tractors) Rs. 48,000 Core 2 / 4 Wheelers Rs. 8,400 Core.
- ❖ In financial year 2011-12, LIC sold more than 50% of its policies in rural market.
- ❖ 42 million rural households (HHs) are availing banking services in comparison to 27 million urban HHs.
- ❖ Investment in formal savings instruments is 6.6 million HHs in rural and 6.7 Million HHs in urban.
- ❖ In last 50 years, 45% villages have been connected by road.
- ❖ More than 90% villages are electrified, though only 44% rural homes have electric connections.
- ❖ Government is providing subsidiaries to the villagers to use other source of energy like Solar System and is now being used in large amount.
- ❖ Number of "pucca" houses increasing day by day.
- ❖ Rural literacy level improved from 36% to 59%.
- ❖ Percentage of BPL families declined from 46% to 25%.
- ❖ Out of two million BSNL mobile connections, 50% are in small towns / villages.
- ❖ 41 million Kisan Credit Cards have been issued (against 22 million credit-plus-de cards in India).

Government Innovations in Rural Market of India

1. e-Chou pals, which offers the farmers all the information, products and urban), with cumulative credit of Rs. 977 billion resulting in tremendous liquidity. Services they need to enhance farm productivity improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific

farming practices as well as market prices at the village itself through this web portal - all in Hindi. It also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

2. Shakti-Vani program Started in 2001, It seeks to empower underprivileged women of villages with populations of 2000 or less by providing income-generating opportunities, health and hygiene education and creating access to relevant information through the i-Shakti community portal is a the private sector in creating livelihoods for rural women. Started in 2001, Shakti has already been extended to about 50,000 villages in 12 states – Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh, Tamil Nadu, Chhattisgarh, Uttar Pradesh, Orissa, Punjab, Rajasthan, Maharashtra and West Bengal (respective state governments and several NGOs are also actively involved in the initiative). "Enlightened self-interest"—creating opportunities to increase the rural family income; putting more money in their (rural people) hands to purchase the range of daily consumption products—from soaps to toothpastes. (Klamath, 2003).

3. Maruti has been organizing road shows with film screenings. It is like a travelling cinema that rural India is already quite familiar and fascinated. The only difference being that the film is not set up in a tent, but inside a TATA truck fitted a Samsung LCD TV, an air conditioner and reclining seats. The film strikes a chord with the villagers because it tells a simple story of an average villager who buys a Wagon R.

4. In the year 2006 in Uttar Pradesh by Tata Tea with NGO started A "Gaon Chalo" project and has created employment opportunities to the youth of villages and small towns. It has brought steady income to those who are distributors of Tata Tea. Tata Tea's consolidated market shares from rural areas rose from 18% to 26.6%.

5. Low-Cost Handsets (Nokia's) as most rural consumers are price-sensitive, Nokia has launched seven handsets in the price range of Rs. 1500 to Rs.5500 targeting rural customers. Further, Nokia is promoting a subscription-based service called "Life Tools" which provides information about agriculture and education that is helpful to rural people. It also provides entertainment services. The "life Tools" service is priced between Rs.30 to Rs. 60 per month, based on the package an individual can use.

6. Dabur- Indian Oil Partnership. In order to tap India's rural market, Dabur India Ltd. Has tied up with Indian Oil Corporation (IOC). According to the agreement between the two companies, IOC's retail outlets all over the country will stock and sell Dabur's products consisting of healthcare, oral care, personal wash, skin care and home care products. The Kisan Seva Kendra is a one-stop rural retail outlet of IOC, which offers fuel and non-fuel products like fertilizers, grocery, tools used for cultivation, seeds, personal care products, auto spares, etc. There are 1600 such IOC outlets across India.

7. Airtel's Telecom Revolution in Rural India. Airtel's rural start up package offers its customers a Motorola handset for just Rs. 1599. Its recharge cards come in a minimum denomination of Rs.10, so that even daily wage earners can afford to use the service, Airtel is spreading awareness in villages by its roadside advertisements highlighting its red and white logo. It is also increasing its business network through commission-based retailers, who can be anyone who is selling cigarette, pan, textiles, etc. The company already has 55000 retailers in Bihar and Jharkhand, and is planning to expand the network by approaching 5000 more cigarette and pan sellers.

8. Mahindra-Leading Brand in Rural India. After launching its Super Turbo 595 DI Tractor, Mahindra wanted to create awareness about its new technology and high efficiency to farmers and thereby sell the tractor. It identified farmers and organized interactive discussions between the company (Mahindra) and farmers. It gave free test rides and thereby sold the tractor initially to farmers. This marketing activity was carried out in Maharashtra, Haryana and Punjab. After using the tractor for a reasonable time period, the initial buyers were glad to have the product and expressed their positively about the tractor to their friends, relatives and neighbors. This initiative has helped the company to a great extent.

Limitations and Future Scope of the Study

The present study is based on secondary data and has limitations of secondary data. Study is explorative in nature and there is scope for detailed study corporate wise with its success, challenges and failure rate.

Conclusion

The dispute that companies face in the rural market is to be identified and offer appropriate products without sting the company's profit or margins. Companies should recognize that rural consumers are quite sensitive about their choices in order products and services accordingly. Product awareness and advertising communications also need to be designed and executed. The products should not only be made available at the right time and at the right place but should also be affordable and acceptable to the rural people. Rural markets consisting of 70% of the total Indian population with thin density and inadequate infrastructure with low per household income poses unique challenges to marketers and calls for innovative marketing solutions.

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