

RURAL MARKETING & ECONOMIC DEVELOPMENT IN INDIA: AN OVERVIEW

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ABSTRACT

In ancient times, goods and services were exchanged for day to day needs of people. With economic growth industrialization the word marketing emerges and today gained significant importance in any business. Marketing is working as bridge between customer and seller and occupies a very significant role in all business organizations. India is recognized as an agrarian country since ancient times and most of population resides in rural areas and depends on agriculture for their livelihood. Since ancient times the word rural marketing was no more existence and rural marketing was integral or partial part of marketing. But, with growth of economy and size of market, rural marketing is subject of interest today. Due to large size, rural market in India acquired significance and brings attention of big companies and market strategy managers in recent years. Today rural marketing is significant part of marketing policy and companies are giving more attention on rural markets through advertisements, publicity and other marketing means keeping rural India in mind.

KEYWORDS: Rural Marketing, Marketing Strategy, Rural Consumers, Green Revolution.

Introduction

After independence, Indian economy was not in developed state but in recent few decades Indian economy gained momentum and today Indian economy is some of few largest economies in the world. With growth of Indian economy, the lifestyle and living standard of both urban and rural peoples has changed rapidly and as income of people increased their needs also increased accordingly in rural India also. Rural marketing is often confused with agriculture marketing, but rural marketing actually means marketing of all types of products but in rural market only. In rural marketing goods and services flow s from urban to rural areas. In India, a large population is still residing in rural areas and according to demographic reports there are about 640867 villages in India and about 70% of India's population is residing in rural areas.

The throat cutting competition in selling goods specially in urban areas and size of rural market are the main reasons for emergence of rural marketing. Almost all companies are now looking for new markets and rural markets are yet unexploited markets. Lack of branding in rural areas and high growth potential insists business organizations to expand their business in rural areas. Companies trying to capture rural market, are implementing 4 A's of Rural Market Mix i.e. Affordability, Awareness, Availability and Acceptability rather than the 4P's of the Marketing mix i.e. Product, Price, Place and Promotion. Rural market in India is very complex and business organizations are facing may problems in rural marketing. The literacy rate and purchasing power in rural areas are comparatively low. India is geographically a big country and its vastness is also main problem for companies that how to reach rural people. Lack of branding is another problem in rural market, companies who have good brand name in urban areas but in rural peoples are still not aware of these brand names.

The rural markets in India are still unexplored and there is enough opportunity for companies to expand their business in rural areas. In recent years due to the boon of the Green Revolution and many

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social welfare initiatives like subsidies, loan waivers, minimum support prices (MSP) and employment schemes (MGREGS) raised the income and purchasing power of rural peoples grew up. This leads to increased demand in rural areas. The rural market in India was traditional market where brand name has no great values and generally local products or some daily used branded items are marketed in these areas. Now a day's many companies with established brand name entered in rural market. Expansion of Television network in rural areas also facilitates companies to enter rural markets. Rural marketing in Indian can be divided into two broad categories viz., consumable goods which includes products used in our day to day life and another one is agriculture products which includes seeds, fertilizers, pesticides, irrigation tools etc.

Objectives of the Study

- The study aims to explore role of rural marketing in rural development.
- The study identifies the gaps in implementing the policies for rural market.
- The study suggests the improvement of rural marketing strategies.

Research Methodology and Data Collection

The research is conceptual and descriptive in nature. This research is based on secondary data obtained from various reports and publications of national and international agencies or organizations, journals, articles, textbooks and other relevant reports.

'Rural' Defined

As per census reports published by Government of India, the word 'rural' is characterized by following points:

- First of the population density should be less than 400 per sq.km.
- At least 75% of the male working population is engaged in agriculture.
- Minimum population ≥ 5000
- No municipality or board should be present there.

Potential of Rural Market

Below are the few points why organizations are looking at rural marketing with a positive attitude.

- **Population**

According to 2011 Census, the out of total population in India 72% population is rural population which is scattered over a vast geographic area.

- **Raised Prosperity**

By adopting modern farming practices, contract farming, dairy and availability of certified seeds, fertilizers and quality pesticides leads to increase in overall income in rural areas. Increased income leads to increased economic activities which in turn increases the purchasing power of rural people. Due to all these reasons companies are now rushing to rural markets.

- **Change in Consumption Pattern**

In recent years there is change in consumption pattern is marked in rural areas. The life style of rural consumer is changing rapidly.. As per NSSO reports the expenditure of rural people is shifting from food to non-food items. This leads to increased demand of various non-food items in rural areas. There increased demand of durables and non-durables like table fans, radios, mopeds, soaps, etc. by rural consumers.

- **Higher Market Growth**

Due to its large size and higher number consumers, the growth rate of fast moving consumer goods [FMCG] market in rural area is higher than urban areas. Thus, there is opportunity of higher growth rate in rural areas compared to urban areas.

- **Life Cycle Advantage**

Market of some durable and non-durable products reached a saturation stage in urban areas, but on the other hand these products are still in growth stage in rural market.

- **Rural Youth**

Today the rural youth are playing a far more significant role in influencing the purchase decisions. They travel frequently out in the village and are the drivers of purchase decisions regarding radios, television (black and white as well as color), automobiles and other goods. They may not be the send customers but often are the people who influence the purchase of high value products and they decide on which brands to choose. Penetration levels of consumer durables in the rural sector have risen dramatically in the last decade or so.

Marketing

Growth of marketing has completely change nature and dynamics of business today. Marketing or selling of products is difficult task rather than production, thus marketing today is giving more priority and emphasis than production. This is true that 'Customer is god', only he can make a company successful or failure. Television, internet and mobile are source of information and youth of India is now gained all knowledge about any product like its feature, price and uses etc. The information about product is presented to customer by creative means like advertisement, films etc. There is throat cut competition in companies producing daily use products. In urban areas consumer have many choices and he pick up the best, so in recent years though there is considerable increase in consumers also, there is decline in growth of companies in urban markets due to the fact that a number of companies entered in the market and thus market share of company declined. For renowned companies the urban market is shrinking rapidly and thus they are now looking for rural markets for their growth. The rural market is much larger in size than urban markets so companies are now entered in rural markets and in this way rural markets are now gaining more and more importance.

Rural Marketing

To satisfy demand of rural peoples, there are some rural specific products and services which are exchanged between rural and urban markets. In rural marketing there is two-way exchange of goods and services between rural and urban markets namely :

- **Urban to Rural:** Urban to rural marketing involves the selling of products and services by urban marketers in rural areas. These includes agro-products, consumer and FMCG products etc.
- **Rural to Urban:** India is an agrarian country and satisfies all food needs of country. Agricultural produce, vegetables, milk etc. are produced by rural India and sold in urban market.
- **Rural to Rural:** The agriculture products and other food items produced in rural areas are marketed in rural areas itself. Other than food items, cattle, agricultural tools, carts and so many others are also marketed in nearby villages..

The rural marketing in India involves identification of products, their pricing and the distribution system keeping the vast size of rural market in India and also keeping in mind the rural specific products and their demand. There is enough difference in income, lifestyle, purchasing power, consumption pattern, use of durable and non-durable goods in rural and urban peoples. So, there is also difference in their priority, price limit and preference to purchase a product. The managers of rural marketing are thus focusing on rural specific products. Based on economic status of consumers, the rural consumers can be classified into the following groups:

- **The Affluent Group:** In this category rich farmers having sound economic condition are included. They are very few in number and have though they have good purchasing power and affordability but as they are few in number, companies not considered them as their core customer. .
- **The Middle Class:** In this category peoples with average income are included. This groups is larger than affluent group and so companies are giving more attention to consumers of this group..
- **The Poor:** In rural areas this group is largest but with less purchasing power. Today governments running various welfare schemes for this group and they receives financial aids from government in form of subsidy and also their income and purchasing power in recent years grows up. So, companies are now attracting towards this larger group.

Estimated Annual Size of Rural Markets

Table 1: Estimated Annual Size of Rural Markets

FMCG	INR 650000 million
Agri-inputs (including tractors)	INR 450000 million
Two / Four Wheelers	INR 80000 million
Durables	INR 50000 million
TOTAL	INR 1230000 million

Source: (Francis Kanoi, 2002)

The above table shows that the FMCG market size in rural area is about INR 650000 million followed by agri-input amounting INR 450000 million, two/four wheeler INR 80000 million and durables INR 50000 million. Looking into large size of FMCG and agri-input rural market, many renowned companies are rushing to the rural market to establish their brands.

Population

According to Census 2011, rural area is considered as: "All areas which are not categorized as Urban area are considered as Rural Area"

According to census of 2001, there were 6,38,588 number of villages in India which increased to 6,40,867 in 2011, an increase in 2,279 villages over a decade. The percent of rural population to total population in India since 1901 is given following table:

Table 2: Rural Population

Year	Rural Population
1901	89 Percent
1951	83 Percent
1971	80 Percent
1981	76 Percent
1991	74 Percent
2001	73 Percent
2011	72 Percent

Source: Indian population census,

The above table shows that according to 1901 census, about 89 percent of total population of India was residing in rural areas which decreased to 72 percent according to 2011 census. The above table also shows that there is steady decrease in percent of rural population to total population since 1901 to 2011. Urbanization, industrialization and migration are some factors leads to decline in rural population. The Rural-Urban population of India is shown in following table:

Table 3: Indian Population (in Crores)

Year	2001	2011	Difference
Rural	74.3	83.3	18.1
Urban	28.6	37.7	9.0
Total population	102.9	121.0	9.1

Source: Indian Population Census, 2011

The above table shows that the rural population of India in 2001 was recorded 74.3 crore which increased to 83.3 crore in 2011 an increase of 18.1 crore. Similarly, in 2001 the urban population was 28.6 crore which increased to 37.7 crore, an increase of 9.0 crore. The total population of India in 2001 was 102.9 crore increased to 121.0 crore in 2011, an increase of 9.1 crore. The above table also shows that rural population increased double than urban population.

Table 4

Demographic classification	No. of households (m)		
	Urban	Rural	Total
Rich (income greater than Rs 1 m per annum)	4.8	1.3	6.1
Well off (income greater than Rs 0.5 m per annum)	29.5	27.4	56
Total	34.3	28.7	63.0
% of Total	54.4%	45.6%	

Source: Ministry of Communications & Information Technology, India

Market Size

Since year 2000 due to industrialization and economic development per capita GDP in rural areas has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent in India. 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.

Attractiveness of Rural Marketing

Rural market has following attributes and facts:

- Out of total 121 million peoples in India 833 million are residing in rural area as compared to 377 million in urban areas.
- In India 53% of all FMCGs and 59% of all consumer residing in rural areas.
- Indian rural market is almost twice as compared to the entire market of USA and Russia.

- About 46% of soft drinks sales come from rural areas.
- About 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.

Government Initiatives

The main problem faced by business organization to do business in rural area is poor infrastructure. Due to bad condition of road and connectivity, business in rural area becomes a difficult task. To improve the basic infrastructure in rural areas today Government of India has taken various initiatives. Improved infrastructures facilitate free and increasing movements of goods and services in rural area.

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:

- In union budget 2017-18, Rs 187,223 crore (US\$ 28.08 billion) has been allocated for improvement in rural, agriculture and allied sectors.
- For Pradhan Mantri Awas Yojana-Gramin budget allocation increased from Rs 15,000 crore (US\$ 2.25 billion) to Rs 23,000 crore (US\$ 3.45 billion) in 2017-18 budget with a target to complete 10 million houses for the houseless by the year 2019.
- For Pradhan Mantri Gram Sadak Yojana (PMGSY), construction of road 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.
- Under ambitious project called Digital Village, to increase internet connectivity in rural areas, Government of India is going to install Wi-Fi hotspots at more than 1,000 gram panchayats across India.
- In the Union Budget 2017-18, target are fixed 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.

Conclusion

Today online business is on boom in urban areas. To promote online business in rural areas telecommunication and internet services are required. So efforts should be made to improve internet and Wi-Fi connectivity in rural areas. On the other hand, current Information and communications technologies should be updated and upgraded to improve the rural business operations for economic development of India. The development of rural market largely depends upon socio-economic conditions of rural people, so special attention should be given in proper implementation of social welfare schemes in rural area. The increased income of poor people leads to change in their lifestyle and consumption pattern, so serious efforts are to be made to increase the income of rural poor people. Increased income of rural people is the key of success of rural markets in India. In recent years special attention is given to improve infrastructure in rural areas by both Government of India and state governments. The budget allocation should be increased more and more for infrastructure development which is very essential for development of rural markets.

Suggestions

- The minimum support prices (MSP) for various commodities should be reviewed time to time and increased accordingly.
- The government should take initiative for establishment of modern infrastructure facilities.
- Government should regulate infrastructure of markets and warehouses.
- Rural roads should be connecting to railways, nearest waterways (ports), and airports if possible.
- Communication and internet facilities in rural areas should be improved.

- Rural market need more number of godowns/warehouse and ancillary platforms for packaging and market office cum information cell, bank and post office also required.
- Rural communication must be in regional language and dialects.
- FDI as a key to make necessary development in rural areas.

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