



RURAL MARKET: THE CORE OF INDIAN MARKET

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Abstract

“The future of India lies in its Villages”

A majority of the total Indian population live in the villages. And this rural population comprises the core of Indian society and as well as it represent the real India. INDIA is a country with 1.12 billion people of which 70% live in rural areas which means more than 700 million people spread around 6,27,000 villages. India's rural population comprises of 12% of the world's population presenting a huge, untapped market. As per National Council OF Applied Economic Research, rural market accounts for 55 per cent of LIC policies of the 2 billion BSNL Mobile connections 50 per cent are in villages and small towns. So the marketer has look forward to penetrate the growth on income and consumption in rural areas. FMCG sector in rural areas is expected to grow by 42 percent as against 25 percent in urban areas in coming quarters. As rural penetration increases, the rural markets would command more and more share of the overall consumer market space This paper is to present the current status of Indian rural marketing in present economic scenario and the opportunities, rural marketing strategies, problems along with challenges exists in rural marketing.

Keywords: Rural market, Rural Market Potential, Reason for growth of rural market.

Introduction

India is an agro-based economy and the growth of most of the other sectors of economy is driven by rural demand. In comparison to just 5,161 towns in India there are 6, 38,365 villages in India. This in itself is an indicator where the real India resides. Companies are realizing slowly but surely that the key to gain true market leadership lies in tapping the rural potential. 742 million Indians constituting 138 million households reside in 6, 38,365 villages (Census, 2001). The size of rural market itself speaks of its potential. Now the manufacturers are looking forward to capture the opportunities in this new era of market in India, as they are witnessing a decline in their growth rates in urban markets due to market saturation and they do have a huge, untouched and untapped rural Indian market. The driving forces for this are; rural youth who are educated, 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.

Rural Market

The traditional definition of rural means that area which is not developed yet. But now the scenario has been changed and this rural market has a lot of opportunity for companies as recent researches shows increase in income and consumption in rural. According to NCAER (National Council Of Applied Economic Research) reports, rural India is home to 720 million consumers across 6,38,365 villages. 17% of these village account for 50% of rural population as well as 60% of rural wealth. Thus production and marketing are the two facets of a coin. Rural marketing constitutes the nerve centre of rural development activities.

Opportunity

- India's rural population comprises of 12% of the world's population presenting a huge, untapped market.
- The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for 55 per cent of LIC policies, 70 per cent of toilet soaps, 50 per cent of TV, Fans, Bicycles, Tea, Wrist Watches, Washing soap, Blades, Salt, Tooth Powder and 38 per cent of all Two-Wheelers purchased.
- Of the two million plus BSNL connections, 50% is from small towns/villages
- Out of 20 million Rediffmail signups, 60% are from small towns

The figures tell us that the rural market is growing much faster than the urban counterpart. A recent forecast revealed that the Indian Cellular Services revenue will grow at a rate of 18.4 per cent with most of the growth coming from rural markets. In 2008, the rural market has grown at an impressive rate of 25 per cent compared to the 7–10 per cent growth rate of the urban consumer retail market.

Understanding the Potential of Rural Market

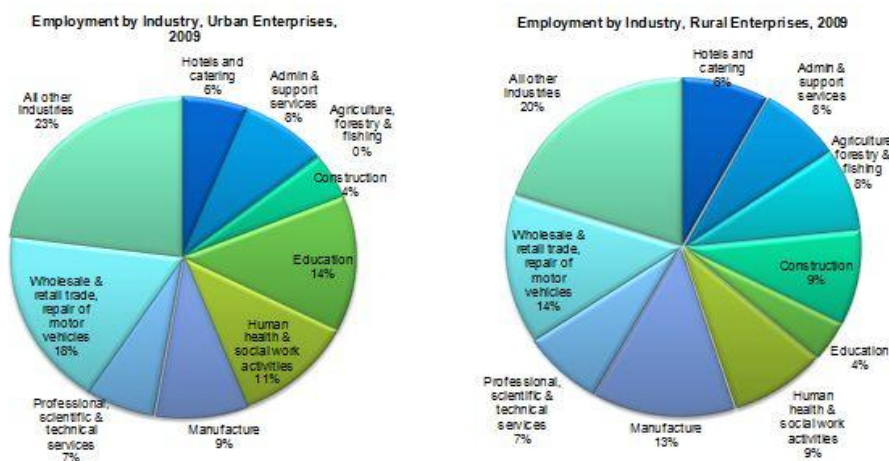
1. Large Population: 742 million Indians constituting 138 million households reside in 6,38,365 villages (Census, 2001). The size of rural market itself speaks of its potential.

2. Growth in Market: The market has been growing at 3-4% per annum adding more than one million new consumers every year. The recent reports have shown a tremendous growth in the sale of many consumer brands in rural market in compare to urban market whether it be cosmetics, toiletries, eatables, automobiles, communication in millions.

DURABLES	URBAN	RURAL	Total % of rural households
FMCG	66.3	35.2	44.2
Refrigerator	33.5	3.5	12
Colour T.V	30.4	4.8	12.1

The recent economy reports has shown increase in purchasing power of rural consumer due to increase in total income in rural India (about 43% of total national income) is expected to increase from around US\$220 billion in 2004-2005 to US\$425 billion by 2010-2011

3. New Employment Opportunities: Government schemes like IRDP (Integrated Rural Development Programme), JRY (JawaharRozgarYojana) and TRYSEM (Training Rural Youth for Self Employment) have created new employment opportunities in Rural area. Co-operative banks and Public sector banks are extending loans to rural people, thereby creating job opportunities for them. As a result very few rural people are now flocking to urban centres.



4. Increasing Income and Purchasing Power: The agricultural development programs of the government have helped to increase income in the agricultural sector. These in turn have created greater purchasing power in rural markets.

5. Attracting Attributes of Rural Market:

Estimated annual size: rural market

FMCG INR	65000 crore
Durables INR	5000 crore
Agri Inputs (including tractors) INR	45000 crore
Two / Four Wheelers INR	8000 crore
TOTAL INR	123000 crore

6. Consumer Behaviour Changes: Increased literacy and greater awareness in rural markets create new demands and discriminating buyers. This is observed more in the younger generation. In villages today, this segment of buyers consumes a large variety of products, both durables and non-durables. There is a visible increase in the consumption and use of a variety of products, which is easily observed.

7. 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, exam results, career counselling, job opportunities, government schemes and services, health and legal advice and services, worldwide news and information, land records, mandi prices, weather forecasts, bank loans, livelihood options. If television could change the language of brand communication in rural India, affordable Web connectivity through various types of communication hubs will surely impact the currency of information exchange. As the electronic ethos and IT culture moves into rural India, the possibilities of change are becoming visible.

8. Impact of Globalization: The impact of globalization will be felt in rural India as much as in urban. But it will be slow. It will have its impact on target groups like farmers, youth and women. Farmers, today 'keep in touch' with the latest information and maximize both ends. Animal feed producers no longer look at Andhra Pradesh or Karnataka. They keep their cell phones constantly connected to global markets. Surely, price movements and products'

availability in the international market place seem to drive their local business strategies. On youth its impact is on knowledge and information and while on women it still depends on the socio-economic aspect. The marketers who understand the rural consumer and fine tune their strategy are sure to reap benefits in the coming years. In fact, the leadership in any product or service is linked to leadership in the rural India except for few lifestyle-based products, which depend on urban India mainly.

9. Media: Mass Media has created increased demand for goods and services in rural areas. Smart marketers are employing the right mix of conventional and non-conventional media to create increased demand for products. The role cable television has been noteworthy in bringing about the change in rural people's mind-set and influencing their lifestyles.

10. Accessibility of Markets: The attraction of a market depends not only on its potential but also on its accessibility. The road network has facilitated a systemized product distribution system to villages. An increasing number of companies are supplying village markets directly. Increasing direct contacts to villages helps product promotion and availability of the product in the village shop.

11. Competition in Urban Markets: Intensified competition in urban markets increases costs and reduces market share. The rural markets are therefore increasingly attractive in relation to urban markets. The automobile market brings this out clearly. Rajdoot motorcycles, Bajaj scooters or Ambassador Cars find ready acceptance in rural markets as compared to urban markets where there is a proliferation of brands.

12. Better Credit Facilities through Banks: With co-operative banks taking the lead in the rural areas, every village has access to short, medium, long-term loans from these banks. The credit facilities extended by public sector banks through Kisan Credit Cards help the farmers to buy seeds, fertilizers and every consumer goods on instalments.

13. Green Card / Credit Card for Farmers: The government initiated credit cards for farmers through public sector banks. Canara bank and Andhra bank were the pioneers in the launch of the Kisan Credit Card. The farmer had a choice to take short or medium term loans through these credit cards to buy seeds, fertilizers, etc. This enabled him to produce more and thereby increase his income.

14. Improved Exports Due to Export Policy: The new Export Policy 2000 paves the way for open market (OGL-Open General License System) status for agriculture. The World Trade Organization's (WTO) Policy for agro-exports has increased exports of Indian agricultural produce thereby increasing incomes of the rural population.

15. Remittances from Indians Working Abroad: These remittances are a sizeable contribution to growing rural income & purchasing power.

16. Political & Social Changes Through Favourable Government Policies: The Indian Government launched a number of schemes like IRDP (Integrated Rural Development Programme) and REP (Rural Electrification Programme) in the 1970's, which gave a boost to the agrarian economy. This resulted in changes in people's habits and social life. REP gave impetus to the development of consumer durable industry.

Conclusion

Rural marketing in India has still a long way to go, rural marketers have to understand the fact that rural marketing in India has a tremendous potential in our country. The marketer has to match 4P's with 4A's.

Product with Availability
 Price with Affordability
 Place with Accessibility
 Promotion with Acceptability

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