



RURAL MARKET IN INDIA: FUTURE AHEAD

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Abstract

The retail sector of India has come-forth as one of the most dynamic and second fastest growing industrial economy with several players entering the market. But all of them have not yet tasted success because of the heavy initial investment that are required to break even with other companies and compete with them. In the recent years, rural markets in India have undergone considerable changes as the urban markets have hit saturation and relative growth has slowed down. Marketers have realized that rural India has tremendous potential and with increasing focus of the policy makers on injecting money to pump the rural economy have all contributed towards an increased interest of businesses towards rural India. Similarly this paper focus role of rural market in the Indian economy and also determine the various challenges and opportunities faced by the Indian rural market in the current competitive world.

Keywords- *Consumer Durables, Warehousing, Packaging, Rural Marketing, FMCG, Marketers*



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INTRODUCTION

India's growth move is highly driven by the development of the rural people. Players in various industries such as retail, fast moving consumer goods (FMCG), consumer durables, automobiles, are looking towards the untapped potential hinterlands possess. The household consumer expenditure survey for 2009-10, released by the National Sample Survey Office (NSSO), reveals that rural Indian households are spending more on consumer goods like durables, beverages and services as compared to their expenses on such things five years back. The Indian rural market is an area of darkness to Indian corporate. Rural area is vast in size but amorphous in detail. And yet, the rural market represents the largest potential market in the country. With over 70% of India's population residing in rural areas, capturing these markets is becoming one of the most lucrative options for all sectors. In the wake of economic crisis, while the urban markets remain subdued due to cash crunch, rural economy has remained largely unaffected. A good harvest has further added to their respite. As a result, marketers are focused on small towns and villages with dedicated workforce. At present, rural consumers spend about USD 9 billion per annum on FMCG items and product categories such as instant noodles, deodorant and fabric, with the pace of consumption

growing much faster than urban areas. 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's urban Indian market and estimated the size of the rural market at \$577 Billion. It is no wonder that even MNCs have cottoned on to the idea of a resurgent rural India waiting to happen. Similarly this paper attempts to analyze the growth of rural market in the competitive world and determine the various challenges and opportunities on the way of its development.

REVIEW OF LITRATURE

According to NCAER, a rural Market is any market that exists in the rural area with a population less than 10,000, where the real density of population at any population nucleation is low without any significant infrastructure. (NCAER.). According to Census of India 2001, out of total population of 102.7 crores, 74.2 crore are in rural areas (Census of India 2001). That makes it 72.2 percent of the country's population. Also, in absolute terms, the rural population is increasing at a higher rate than urban population. The significance of these figures is that even a small percentage increase in overall income would lead to addition of a large number of customers bringing in much needed volumes (Ramakrishnan 2006). (Sharma and Katewa (2005) discussed in his study that the rural market in India is made up of two broad compartments. One, which deals in consumer products produced by industries and the second which deals in farm produce. Srinivas (2007) stated that the India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

RESEARCH METHODOLOGY

Research is a process of systematically obtaining accurate answers to significant and pertinent questions by the use of scientific method of gathering and interpreting information. This study is an exploratory in nature; it states the role of rural market in Indian economy. Similarly, This paper include the determination of various challenges faced by the rural market and various future opportunities on the way of its growth and development.

The objectives of this paper are as follow:

1. To study the role of Rural Market in Indian Economy
2. To determine the challenges faced by Rural Market in India.
3. To analyze the future opportunities on the way of development of Rural Market.

ROLE OF RURAL MARKET IN INDIAN ECONOMY

Majority of the villages are well connected to the urban areas. With the advent of various technologies, the communication is fast and rural consumers get to know about the various products and brands in the way well understood by them. Everything from FMCG, consumer durables, insurance, telecom etc all industries have an easy reach to the rural markets. Even the companies are well targeting the rural markets as the increasing competition in the urban markets is making these markets stagnant. The rural markets are giving the companies a good share in the market. Even the rural consumers are well adapting to the modern way of living. The increasing level of education among the rural people makes it easy for the marketers to pass on their message across the rural markets. The Indian consumer base is highly supported by the rural population (about 70 per cent of the country's population), which drives revenues for many major conglomerates operating in diverse markets in India. For many years, rural India was not much acknowledged by the retailers. But as the 'bottom of the pyramid' is getting empowered with education, higher purchasing power and awareness, companies are looking for opportunities in hinterlands. DCM Shriram Consolidated Limited (DSCL), which operates 270 stores of Hariyali Kisaan Bazaar (one of the largest national rural retail chains of India), plans to open 20 more outlets by the end of 2011.

The household consumer expenditure survey for 2009-10, released by the National Sample Survey Office (NSSO), reveals that rural Indian households are spending more on consumer goods like durables, beverages and services as compared to their expenses on such things five years back. The 66th round of the National Sample Survey showed that monthly per capita expenditure (MPCE) in rural India was Rs 953.05 (US\$ 20.69) in 2009-10, an increase of 64.6 per cent from 2004-05. Similarly 'Aadhar', the Future Group and Godrej Agrovet's joint venture (JV) in agri-service-cum- rural retailing is undergoing a revamp, wherein the model will follow hub-n-spoke concept to drive higher profits for the company.

The concept of Rural Marketing in Indian Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. 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. The Rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population. Some of the important features or characteristics of Rural Marketing in Indian Economy are being listed below:

1. With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.
2. The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers.
3. The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.
4. The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the condition of the rural masses.

CHALLENGES FACED BY RURAL MARKET IN INDIA

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth. Due to these problems marketing efforts are constrained in several ways. There are a large number of small villages which are not easily accessible because of all weather roads. Rural consumers are far less homogeneous than urban consumers. Similarly the rural market is facing various challenges in India, that are as follow:

Low Per Capita Income : Per capita income is lower in rural areas compared to those in urban areas. Again, the distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, itself is skewed. Thus the rural population presents a highly heterogeneous spread in the villages.

Seasonal Marketing: The main problem of rural marketing is seasonal demand in rural areas, because 75 percent of rural income is also seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time

at which the rural people have substantial high cash flow. Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behavior.

Packaging: It is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketers should use cheaper materials in packaging for the rural markets. For example, small polypack of refined oil is more popular than in containers of the same product due to its lowest cost. One more important factor is the size package e.g. the size of the package should be small.

Low Level of Electricity: The literacy rate is low in rural areas compared to urban areas. This again leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor.

Transportation problems: Transportation infrastructure is quite poor in rural India. Nearly 80 percentages of villages in the country are not connected by well constructed roads. Marketing activities require transportation facilities. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets.

Warehousing: In the rural areas, there are no facilities for public as well as private warehousing. Marketers face problem of storage of their goods.

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

Similarly, to get the survival in the competitive in market, the marketers have to cope up the various challenges before them like educating the rural consumers about the requirements and uses of the products. The marketers should also make the rural consumers understand how their product is different from similar products offered by competitors. This leads to better involvement on part of buyer and fosters long lasting relationship between consumer and company.

FUTURE OF INDIAN RURAL MARKET

There are many opportunities waiting to be exploited in the area of rural marketing.

1. There is an increasing convergence between urban and rural consumers especially the young consumers, who have almost same aspirations as that of a young urban consumer. Thus, the marketers can target a certain section of rural consumers in the same manner as they are targeting the urban ones.
2. The purchasing power of rural families has grown rapidly. Rural Marketing Association of India (RMAI) confirms that rural income levels are on a rise. Income

from non-farm sector is likely to touch 66% of net rural income by 2020. Market size would thus, nearly double. Average rural spending would grow 6 times from current levels in 20 years. Moreover, the percentage of Below Poverty Line (BPL) families declined from 46% to 27%.

3. The various infrastructural problems have been tackled to a great extent. Work is in progress for the better connectivity by roads; more than 90% of villages are electrified. Rural telephone density has gone up by 300% in last 10 years. Rural literacy rate has also improved from 36% to 59%.
4. As its fact, India's rural population accounts for 12.5% of the world's total population, 600,000 villages with 700 million people; the country side thus, offers a huge consumer base and huge opportunity for rural marketers in India.
5. Lastly, the per capita income of top 20%-30% of rural segment is not much different from urban middle class. This means that the affordability of the segment of rural consumers will be almost equal to that of the urban middleclass. Thus, marketers can tap this segment as well with the product he is targeting the urban middle class.

CONCLUSION

The rural market is where the markets of the future are likely to be. Urban markets are becoming increasingly competitive for many products. In some cases they are even saturated. On the other hand, rural markets offer growth opportunities. Rural market is the market of the new millennium. Marketers will have to understand the rural customers before they can make inroads into the rural markets. Thus, looking at the challenges and the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impression the 230 million rural consumers spread over approximately six hundred thousand villages in rural India.

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