

Bucolic dynamism: An exploratory analysis of Indian rural market

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Abstract

India is not represented by its few metropolis, but by 70% land surface which is categorised as rural. Rural India is emerging and fast moving in the direction of a developed nation. During its six decades of planned development, there has been significant progress in different sectors of the economy. Rural Market has always been a difficult place for the Indian marketers. With its diversity as its strength and pride, it has become an arduous task for the marketer to come up with an idea that would afflict positively to the rural market. With its, 649,481 villages and 833.1 Million people it holds the key for successful business ventures. Within its simplicity of lifestyle lies the complexity of persuading people and creating a new niche for demand within. In this backdrop the paper examines the recent micro and macro level changes that have shaped Indian rural market to what it is presently and it attempts to study the opportunities and challenges faced by Indian marketers and ultimately deriving a new term of 'Bucolic Dynamism'.

Keywords: rural demographics, micro and macrolevel changes, rural inhibitions, government support

Introduction

The evolution of rural market has been very significant from the glorious past era (1940-1990) to Present era of media exploiting and satellite invasion which has resulted in drastic changes in habits of rural consumer. With liberalization in 1991, came a drastic change in marketing front too with MNC arriving, India became a promising market of 742 million consumers. Fuelled with good growth registered in the 1990s as a result of thirteen consecutive good monsoon, a 600% increase in the five year plan outlay for rural development programmes, 230% increase in flow of institutional credit for agriculture and 41 million Kisan Credit Cards has helped to shape the rural economy to its present form. Rural markets are becoming extremely important centres for companies as more than half of their earning coming from rural areas. India's per

capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. 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.

Objectives

1. To analyse the potentials of Indian Rural market
2. To understand and examine the Micro and Macro level Changes in Rural market scenario.

Research methodology

The study is exploratory in nature and the researcher has relied on secondary sources of data collection. The researcher has referred websites, journal, articles, books etc.

I. Understanding Rural Demographics

Table 1: Definition of Rural market

Census	The Census of India 2001 defines urban India but rural India is left for guesswork. Urban India is defined as: All statutory places with municipality, corporation, cantonment board or notified town area committee A place which satisfies the three criteria: 1. Minimum population of 5,000 2. Density of population of at least 400 per sq. km. (1,000 per sq. mile) 3. At least 75% of male working population engaged in non-agricultural activities
Planning Commission	A town with a maximum population of 15,000 is considered rural in nature.
National Sample Survey organisation	An area with a population density of up to 400 per square kilometre, ▪ Villages with clear surveyed boundaries but no municipal board, ▪ A minimum of 75% of male working population involved in agriculture and allied activities

Table 2: Population (In Crores)

	2001	2011	Increase
Rural	74.3	83.3	9.0
Urban	28.6	37.7	9.1
India (Total)	102.9	121.0	18.1

Source: Census of India Report.

- Top Five states with highest rural population are Uttar Pradesh, Bihar, West Bengal, Maharashtra and Andhra Pradesh. They together constitute 35% of total Rural Population of India.
- For the first time since Independence, the absolute increase in population is more in urban areas than in rural areas

- Rural – Urban distribution: 68.84% & 31.16%. Level of urbanization increased from 27.81% in 2001 Census to 31.16% in 2011 Census
- The proportion of rural population declined from 72.19% to 68.84%.

Table 3: Sex ratio comparison

	2001	2011	Increase
Rural	946	947	+1
Urban	900	926	+26
India	933	940	+7

Source: Census of India Report

Table 4: Literacy pattern (In Percentage)

	2001	2011	Increase
Rural	58.7	68.9	+10.2
Urban	79.9	85.5	+5.1
India	64.8	74.0	+9.2

Source: Census of India Report

Table 5: Occupation pattern

Sources	Rural Population (%)
Agriculture	60.29
Agriculture wager	17.11
Business and Craft	7.20
Non Agriculture wager	6.40
Salaries	3.00
Current Transfers	2.50
Others	4.50

Source: NSSO

II. Understanding Rural Market

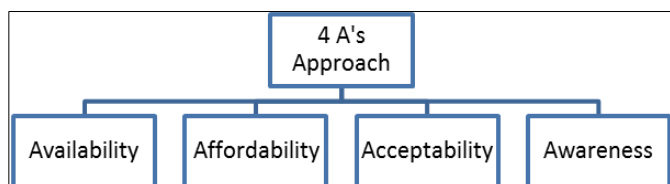
Classification of Rural Market:

Urban to Rural (Pesticides, fertilizers, Seeds, FMCG Products)

Rural to Urban (fruits, vegetables, Milk and related products, Forest produce etc.)

Rural to Rural (Agricultural tools, Handicrafts, Bullock Carts)

Rural Marketing Strategy:



Hierarchy of market for rural consumers



Changing Rural Market

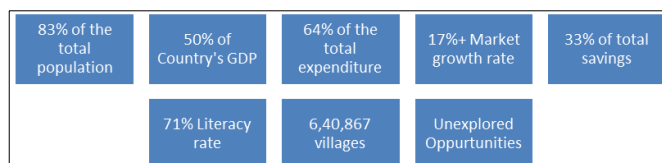
1. Agricultural promotion and support system

The agricultural marketing system in India depends upon forces of demand and supply, whereby Government intervention is limited to protecting the interest of producers

and consumers. The central government provides assistance in establishing rural warehouses. Various central Government organisations promote agriculture marketing, like various boards to promote generic category of products.

Ministry of Agriculture and Farmers welfare through its three major departments viz Department of Agriculture, Cooperation & Farmers Welfare (DACFW), Department of Animal Husbandry, Dairying & Fisheries (DADF), Department of Agriculture Research & Education (DARE) strives to support the farmers and provide all needed assistance to the stakeholders.

2. Rural Market is Real market



3. Growth in service sector

The rural section of the Indian economy is growing at a rate of 8-10% per annum and expected to add new consumption of US\$ 90–100 billion over the period 2012-2017 to the current base of US\$ 240-250 billion.

- Automobile- Rural India accounts 35% of automobile industry sales, demand for two wheeler, entry level cars and tractors boost the momentum.
- As per RMAI study, FMCG (Fast Moving Consumer Goods)- Rural consumers spend around 13 per cent of their income, the second highest after food (35%), on fast moving consumer goods (FMCG).
- Telecommunication- A joint Confederation of Indian Industries and Ernst & Young report reveals that of the next 250 million Indian wireless users, approximately 100 million (40 %) of it belongs to rural areas, and rural users will account for over 60 % of the total telecom benefactor base in India
- Internet & e-Commerce- In a step to increase Internet introduction in rural India, the Government of India (GOI) will create more than 250,000 nodes for broadband that will serve more than 6 lakh villages.
- Consumer Durable-Rural and semi-urban markets are contributing majorly to consumer durables sales. In rural markets, durables like refrigerators and all other consumer electronic goods are likely to reach growing demand in the coming years as the government planning to invest significantly in rural electrification.
- Agriculture input-This is most prevalent sector among the mentioned, 54% population of rural people rely on farm income so most of Retail Company has to set the target for development of organized retail sector in India.
- Food and grocery- Food and grocery industry has expected to grow at the rate of 30% in next couple of years from US\$ 70 billion in 2011 to US\$ 225 billion by 2020.

4. Social Media

Social media penetration in rural India has doubled in the past year, compared with urban areas, which witnessed around 35 per cent growth year-on-year, says a report published by IMRB International and Internet and industry body Mobile Association of India (IMAI).

Since June 2014, rural India saw a 33 per cent increase in the number of internet users compared to the previous year. For urban India, the growth was 28 per cent, reveals the study. The primary reason for the increase in internet penetration in the country was due to a rise in social media usage.

Of the 143 million social media users in the country (as of April 2015), 118 million are from urban areas while 25 million are from hinterlands.

5. E-choupal

ITC's Agri Business Division, one of India's largest exporters of agricultural commodities, has conceived e-Choupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis. The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterised by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, among others.

'e-Choupal' makes use of the physical transmission capabilities of current intermediaries - aggregation, logistics, counter-party risk and bridge financing -while disinter mediating them from the chain of information flow and market signals.

6. Emergence of organised retailing

The major key players of rural retailing are Hariyali Kisan Bazaars (DCM), Aadhars (Pantaloons-Godrej JV), Choupal Sagar (ITC), Kisan Sansar (Tata), Reliance Fresh, Project Shakti (HUL) and Naya Yug Bazaar are developed rural retail outlets for providing qualitative products.

Challenges in Indian Rural Market

1. Low Rural per capita income

Increase in opportunities in rural markets has paved growth and transformation of rural economy altogether. The per capita income of rural India is 40,772 (2011-12) while in urban India it is 1,01,313 (2011-12). Its indeed a big gap which should be of great concern to the policy makers and government. While taking marketing decisions these economic variables need to be taken into consideration. The distribution of income is highly skewed since the land holding pattern which is the basic asset, is itself skewed.

2. Geographical unevenness

India lives in its villages. Due to diverse geographical terrain the size of the villages in small, in plain areas the villages tend to be bigger. Out of a total of 5.94* (2001 Census) lakh inhabited villages in the country, the largest number of villages (1.45 lakh) are in the population size group of 500-999 persons, followed by the groups 100-1999 (1.30 lakh) and 200-499 (1.28 lakh). There are 3,961 villages, which have a population of 10,000 persons or more.

3. Complex rural structure

Indian Rural market is characterised by its complex social system of caste and religious division. Reaching out to people by breaking this age old barrier is difficult and would require a greater sensitivity on the part of the marketer. Products and services are having a nature to develop reput e in accordance to the people who are actually using it, hence it's desirable to be alert and conscious while developing any strategy especially advertising, making sure it does not hurt the social sentiments of people and whereby is able to get in the roots of the culture of rural masses.

4. Brand Loyalty

Consumers in rural India do not generally display much brand loyalty. With changes taking place drastically at rural front and greater connection to the world through Mobile phones, has facilitated more choice to the rural consumer. Hence rural marketing efforts needs special mind-set. Rural market is growing at a similar rate as urban, and with plenty of choice available loyalty is always a concern.

5. Spurious brand

One of the major challenges for Indian rural marketers is Spurious and look alike brands which is available in plenty. Rural consumers may end up buying the cheap substitute creating a loss of market share of original products. The problem is more acute in rural areas especially the deep pockets which are less accessible and people have very little knowledge about the original brands.

The following table compares the different categories of fakes on several parameters:

Table 6

Features	Duplicates	Spell alike	Lookalikes
Brand Name	Original	Misspelt	Different
Pack appearance	Replica	Identical	Similar
Price	MRP	40% Low	10-15 % Low
Margin	200-300%	100-150%	60-70%
Quality	Very Poor	Poor	Reasonable
Consumer	Unaware	Unaware	Want cheaper products
Offer	None	Discounts	Schemes

5. Distribution (Physical Communication) issues

Marketer encounters many problems in distribution in rural market. Rural Market is characterised by number of small markets and dispersed population and trade. Moreover poor road connectivity and inadequate transport facilities ads on to the issue. Low density of shops per village and poor storage system makes distribution more difficult.

The Pradhan Mantri Gram Sadak Yojna promises to connect these villages. This would considerably ease the distribution logistics for marketers. From 2004 to 2014, the average speed

of road construction under the PMGSY was 98.5 kilometres per day, while it fell to 86 kilometres per day from 2011 to 2014. From 2014 to 2016, the average speed of construction rose to 110 km per day. In the first 5 months of 2016, an average of 139 km of roads was constructed per day.

6. Inadequate media reach

Over 75% of India's urban households now own a TV set, compared with just one third of rural homes. Only 9% of rural India has access to mobile internet. Lower literacy rates also

give rise to challenges for effective use of newspaper as a media to communicate to the rural masses. Increase in mobile users is a positive sign for the advertisers and marketers targeting rural India. Combination of two or more forms of media vehicles can prove successful in hinterlands. Higher penetration of mobile and love for songs through radio can be taken advantage of as in the case of 'KanKhajura Tesion' by HUL.

7. Seasonal Demand

Agriculture being the main occupation, and uneven nature of monsoon in India, the income of the people in rural areas directly or indirectly depends upon the good agricultural productivity. Agriculture is a seasonal activity and the demand pattern is also seasonal and depends upon many other factors. This limits companies from having a single year round strategy for the rural market.

Recent Developments

- a) Massive spending through rural welfare schemes will see substantial demand emerging from tier II and III towns, as the government focuses on enhancing agriculture income, personal hygiene and sanitation.
- b) With the target of 2500 crore digital transactions for the year 2017-18, Government of India will deployed 1 million Point of Sale terminals by 2017. Aadhar pay will be introduced enabling around 2 million merchants to adopt digital payments.
- c) Launch of BHIM (Bharat Interface for Money) app will allow transfer of funds directly to the bank account. With mobile users increasing considerably in the rural areas, this app is here to stay.
- d) Massive spending by the government on various rural development and rural employment projects would drive demand for the products in rural areas.
- e) National Rurban Mission launched with the aim of enabling cluster based development and creating smart villages which will complement the smart cities initiative.
- f) Government of India has launched the scheme "Deendayal Upadhyaya Gram Jyoti Yojana" for rural electrification. Under DDUGJY-RE, Ministry of Power has sanctioned 921 projects to electrify 1,21,225 un-electrified villages, intensive electrification of 5,92,979 partially electrified villages and provide free electricity connections to 397.45 lakh BPL rural households.
- g) To promote agriculture-based businesses, the Government of India has started 'A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE). Under this scheme, a network of technology centres and incubation centres would be set up to accelerate entrepreneurship and to promote start-ups for innovation and entrepreneurship in agro-industry.
- h) Programme Called as 'Nav Kalpana Kosh' is being planned by the Government which aims to improve rural areas in regards to agriculture and hygiene.
- i) The Government of India plans to integrate villages with country's economic mainstream by purchasing around 80,000 mini-buses, which will connect over 125,000 villages to markets and thereby provide access to better job and education prospects.

Conclusion

The dynamism of rural market is something which cannot be ignored. Marketers have to keep in mind the various factor before deriving a strategy and coming up with a plan that would suit the rural requirement. Rural market has been growing at a considerable rate and its importance and potential cannot be shrugged off. The growth of rural market is evident as Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is estimated to cross US\$ 100 billion by 2025. The rural FMCG market is anticipated to expand at a CAGR of 17.41 per cent to US\$ 100 billion during 2009–25. Rural FMCG market accounts for 40 per cent of the overall FMCG market in India,. Amongst the leading retailers, Dabur generates over 40-45 per cent of its domestic revenue from rural sales. HUL rural revenue accounts for 45 per cent of its overall sales while other companies earn 30- 35 per cent of their revenues from rural areas.

Through the above analysis it is very much clear to understand the basic nature of Indian rural Market. This phenomenon of rural market of constantly changing and adopting to new and better things facilitating the marketer with better opportunities to emerge due to its simplicity and vastness and on the same hand adding on to the greater risk of business in rural areas due to its certain limitations and traditional outlook can be termed as 'Bucolic Dynamism'. This *Bucolic Dynamism* is the strength as well as the risk factor attributed to the rural market. Careful execution of planning conducive to the rural outset is required. With new programmes implemented by the government, rural India is moving ahead and is competing with the urban counterpart in terms of market development. The phase may be slow but surely the transformation of 'Bharat to India' would be extraordinary.

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