Rural Marketing in India: Prospects and Challenges

Dr. Ragini Sharma*

Abstract

India a country rich in its heritage has the maximum potential to develop as an epicentre of commerce and trade. Indian economy is a blend of rural and urban economy, wherein 68.84% of population residing in 638000 villages clasp the maximum attention of all the marketers. This paper deals with the opportunities and challenges associated with this lucrative sector of Indian economy.

Keywords: Rural economy, commerce, trade.

Objectives of Study

- To study the rural market of India.
- To identify the opportunities available.
- To evaluate the major challenges.

Introduction

The rural market of India started showing its potential growth in 1960's, the 70's and 80's witnessed its steady development and current picture reveals that rural economy of India is flourishing. Marketing in the rural areas has become the key strategy of marketers, which in turn is collectively known as rural marketing. In India it has its existence from so long, rural marketing has been sailing into the river of many phases and now is an ocean to be explored.

Before (1960) rural marketing was considered similar to agricultural marketing managed by baniyas and mahajans. During 1960 -1990

*Assistant Professor, Department of EAFM, Kanoria P.G Mahavidyalaya, Jaipur
prosperity of rural market attain attention of manufacturers. After (1990) Indian economy opened up and allowed foreign companies to enter rural market which accelerated the flow of consumables goods in rural sector, since then Indian rural economy had gained its strength and maturity.

Rural marketing is a function which manages all the activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services and moving them to the people in rural areas to create satisfaction and a standard of living for them and thereby achieving the goals of the organization simultaneously.

**Attributes of Rural Market**

- About 833 million people reside in rural area as compared to 377 million people in urban area.
- 53% of all FMCG, s and 59% of all consumer durables are sold in rural market.
- Estimated annual size of rural market:
  - FMCG's: Rs 65000 crores.
  - Durables: Rs 5000 crores.
  - Agricultural inputs and tractors: Rs 45000 crores.
  - Two or four wheeler: Rs 8000 crores.
- 42 million rural households availing banking services in comparison to urban households.
- 46% of soft drinks sales come from rural market.
- 49% of motorcycle sales come from rural areas.
- Rural India accounts for 59% of cigarettes.
Table 1: Top 10 Categories Where Rural Sales have Contributed the Most to Growth

<table>
<thead>
<tr>
<th>Category</th>
<th>Rural Contribution to Category Sales FY 2010-11</th>
<th>Value Sales Growth % vs Year Ago, FY 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UR Growth</td>
<td>Urban</td>
</tr>
<tr>
<td>Biscuits</td>
<td>41%</td>
<td>23.9%</td>
</tr>
<tr>
<td>Refined Edible Oils</td>
<td>18%</td>
<td>27.6%</td>
</tr>
<tr>
<td>Salty Snacks</td>
<td>23%</td>
<td>42.0%</td>
</tr>
<tr>
<td>Non-refined Oils</td>
<td>30%</td>
<td>27.1%</td>
</tr>
<tr>
<td>Toilet Soaps</td>
<td>43%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Washing Powders</td>
<td>46%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Packaged Tea</td>
<td>44%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Iodised Salt</td>
<td>59%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Hair Oils</td>
<td>37%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Shampoo</td>
<td>35%</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

*Source: Nielsen*
Table 2: Internet Use in Rural India

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Use (2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email</td>
<td>85 %</td>
</tr>
<tr>
<td>Music and Video</td>
<td>67 %</td>
</tr>
<tr>
<td>Educational information search</td>
<td>48 %</td>
</tr>
<tr>
<td>General information search</td>
<td>42 %</td>
</tr>
<tr>
<td>Text chat</td>
<td>40 %</td>
</tr>
<tr>
<td>On line news</td>
<td>16 %</td>
</tr>
<tr>
<td>Booking Railway tickets</td>
<td>16 %</td>
</tr>
<tr>
<td>Financial information search</td>
<td>15 %</td>
</tr>
<tr>
<td>Internet telephone and video</td>
<td>15 %</td>
</tr>
<tr>
<td>Latest farming techniques</td>
<td>14 %</td>
</tr>
<tr>
<td>On line land records</td>
<td>13 %</td>
</tr>
<tr>
<td>Information of fertilizers &amp; pesticides</td>
<td>8 %</td>
</tr>
<tr>
<td>Other</td>
<td>7 %</td>
</tr>
</tbody>
</table>

Major challenges

The major barriers in capturing the rural markets can be summarized as:

Financial Problem

Lack of availability of finance to rural entrepreneurs is one of the biggest problems which they are bearing. Major difficulties faced by entrepreneurs includes low level of purchasing power of rural consumer, lack of finance to start business, reduced profits due to competition, pricing of goods and services, maintenance of financial statements, stringent tax laws, lack of guarantees, dependence on small money lenders for loans for which they charge discriminating interest rates and huge rent and property cost.
Lack of Knowledge of Information Technology

Information technology is not very common in rural areas. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas. The intensity of family and personal relationships in rural communities can sometime be helpful but they can also create obstacles to effective business relationships. Business deals may receive objectivity and intercommunity rivalries may reduce the scope for regional cooperation. Decision making process and lines of authority are mostly blurred and over powered by local politics in rural areas.

Legal Formalities

Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance.

Procurement of Raw Materials

Procurement of raw materials is really a tough task for rural entrepreneur. They may end up with poor quality raw materials, may also face the problem of storage and warehousing.

Lack of Technical Knowledge

Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extension services crate a hurdle for the development of rural entrepreneurship.

Poor Quality of Products

Inferior quality of products produced, due to lack of availability of standard tools and equipment and poor quality of raw materials.

Other Issues

There are number of other issues which should be considered:

- High distribution costs.
- High initial market development expenditure.
• Inability of the small retailer to carry stock without adequate credit facility.

• Generating effective demand for manufactured foods.

• Wholesale and dealer network problems.

• Mass communication and promotion problems.

• Banking and credit problems.

• Management and sales managing problems.

• Market research problems.

• Inadequate infrastructure facilities (lack of physical distribution, roads warehouses and Media availability).

• Highly dispersed and thinly populated markets.

• Low per capita and poor standards of living, social, economic and cultural backwardness of the rural masses.

• Low level of exposure to different product categories and product brands.

• Cultural gap between urban-based marketers and rural consumers.

• Lack of awareness.
Government initiatives

The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption. Various E-commerce players like Flipkart, Snapdeal, Infibeam and mobile wallet major Paytm have signed Memorandum of Understanding (MoUs) with the government to reach and serve rural areas by connecting with the government’s common service Centre’s (CSCs) being setup in villages as part of the ‘Digital India’ initiative.

With the increasing demand for skilled labour, the Indian government plans to train 500 million people by 2022, and is looking out for the half of corporate players and entrepreneurs in this venture. Corporate, government, and educational organizations are joining in the effort to train, educate and produce skilled workers.
The Union Cabinet has cleared the Pradhan Mantri Krishi Sinchaee Yojana (PMKSY), with a proposed outlay of Rs 50,000 crore (US$ 7.5 billion) spread over a period of five years starting from 2015-16. The scheme aims to provide irrigation to every village in India by converging various ongoing irrigation schemes into a single focused irrigation programme. The Government of India aims to spend Rs 75,600 crore (US$ 11.34 billion) to supply electricity through separate feeders for agricultural and domestic consumption in rural areas. This initiative is aimed at improving the efficiency of electricity distribution and thereby providing uninterrupted power supply to rural regions of India.

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 Centre’s and incubation Centre’s would be set up to accelerate entrepreneurship and to promote start-ups for innovation and entrepreneurship in agro-industry.

**Conclusion**

The above discussion reveals that by reducing the problems and a proper implementation of various government initiatives customized product for rural market can be manufactured and supplied. This step would increase the standard of living of rural community which will support the balanced growth of the economy.

**References**


