
Problems of Rural Market in India – An Overview

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Abstract: *This paper is attempted to study the problems of rural market. Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labor economics. The so-called urban markets are crowded and saturated and the share of agriculture in GDP (Gross Domestic Product) is going down but India still lives in her villages. Such a potential market was being ignored by corporate sector and small and medium industries. Hence it is proposed to study the potentiality and problems of rural market with a special reference to Indian Rural Market. The market scenario in the rural areas today is changing very rapidly. Rural consumers demand branded products mainly because of increase in disposable income and literacy level. Rural families do not like to cut their expenditure on weddings, pilgrimages, constructions and consumptions. Rural consumers have more aspirations, today this segment of buyers consumes large variety of products, both durable and non-durables and willing to pay right price for right products.*

Keywords: *Rural, Market, Products, Problems, Prospects.*

1. INTRODUCTION

Marketing may aptly be described as the process of defining, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them. In fact, satisfaction of customer's needs and wants provides the rationale for the firm's existence. Knowledge of consumer behavior, therefore, is vital for a firm to achieve its marketing goals. The consumer's behavior comprises the acts, processes and social relationships exhibited by individuals, groups and organizations in searching, obtainment, use of, and consequent experience with products and services. An understanding and knowledge of the motives underlying consumer behavior helps a firm in seeking better and more effective ways to satisfy its customers. It helps to select appropriate sales and advertising strategies, and to plan marketing programme in a more efficient manner.

The rural market of India started showing its potential in the 1960s. The 70s and 80s witnessed its steady development. And, there are clear indications that the 21st century is going to see its full blossoming. In our country, where research on consumer behavior has been nominal, not much systematized information is available about the rural consumers. Only a few enlightened companies, known for their marketing orientation, viz., Hindustan Lever, Philips India, Asian Paints, Singer and Larsen and Toubro have made concrete efforts in this direction. But, by and large, we have still to understand the rural buyer, his habits, attitudes and behavior, particularly from the marketing point of view.

Many assumptions prevail about rural marketing. For instance, one assumption is that the rural buyer is not very discriminating. Once he is persuaded to buy a particular product, he develops a strong affinity for it, and if satisfied, becomes brand loyal. As a result, Indian manufacturers are generally known to prefer selling fewer items at higher prices than selling more items at lower prices. A contrary view is that the rural buyer, being suspicious of the marketer's hard sell techniques, is quite discriminating, and is not easily persuaded. Yet another assumption is that the rural buyer is not particularly keen about quality and packaging. Some other assumptions can be quoted. But, all these need deep probing for arriving at valid and reliable conclusions. Consumer research, thus, is indispensable for entering the rural segment of the market.

The concept of Rural Marketing in India 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. Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labor economics. Rural Markets constitute an important segment of overall economy, for example, in the USA, out of about 3000 countries, around 2000 counties are rural, that is, non-urbanized, with population of 55 million. Typically, a rural market will represent a community in a rural area with a population of 2500 to 30000. The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. To be precise, Rural Marketing in India Economy covers two broad sections, namely - Selling of agricultural items in the urban areas and Selling of manufactured products in the rural regions. The Registrars of Companies in different states chiefly manage, the rural market in India brings in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are: The market for consumer goods that comprise of both durable and non-durable goods and the market for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

2. OBJECTIVES OF THE STUDY

The following are the important objectives of the present study

- ❖ To study the nature and characteristics of rural market in India.
- ❖ To analyze the present status of rural market in India.
- ❖ To analyze the problems of rural market in India.

3. NATURE AND CHARACTERISTICS OF RURAL MARKET

There goes a saying that the proof of the pudding lies in the eating. So also the proof of all production lies in consumption/marketing. With the rapid pace of technological improvement and increase in peoples buying capacity, more and better goods and services now are in continuous demand. The liberalization and globalization of the Indian economy have given an added advantage to sophisticated production, proliferation and mass distribution of goods and services. Taking these into consideration, the question may arise whether marketers should concentrate their activities in urban India consisting of metros, district headquarters and large industrial townships only, or extend their activities to rural India. Rural India is the real India. The bulk of India's population lives in villages. In terms of the number of people, the Indian rural market is almost twice as large as the entire market of the USA or that of the USSR.

- ✓ Agriculture is main source of income.
- ✓ The income is seasonal in nature. It is fluctuating also as it depends on crop production.
- ✓ Though large, the rural market is geographically scattered.
- ✓ It shows linguistic, religious and cultural diversities and economic disparities.
- ✓ The market is undeveloped, as the people who constitute it still lack adequate purchasing power.
- ✓ It is largely agricultural oriented, with poor standard of living, low-per capital income, and socio-cultural backwardness.
- ✓ It exhibits sharper and varied regional preferences with distinct predilections, habit patterns and behavioral characteristics.
- ✓ Rural marketing process is both a catalyst as well as an outcome of the general rural development process. Initiation and management of social and economic change in the rural sector is the core of the rural marketing process. It becomes in this process both benefactor and beneficiary.

Rural India has a population of 83.3 core spread across 6,38,000 villages. The rural urban distribution ratio currently is 68.84 percent and 31.16 percent respectively.

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Table1. Share of rural in total population

	2001 (in ceore)	2011(in crore)	Difference(crore)
India	102.9	121.0	18.1
Rural	74.3	83.3	9.0
Urban	28.6	37.7	9.1

Source: Census of India 2011

It is clear from the Table 1 that, the share of rural in the total population of India. Rural population has been increased by 9 percent from 2001 to 2011 and comprises of 83.3 crore people as compare to 37.7 crore people in urban area which shows greater opportunities for marketers.

4. STATUS OF RURAL MARKET

The market scenario in the rural areas today is changing very rapidly. Rural consumers demand branded products mainly because of increase in disposable income and literacy level. Rural families do not like to cut their expenditure on weddings, pilgrimages, constructions and consumptions. Rural consumers have more aspirations, today this segment of buyers consumes large variety of products, both durable and non-durables and willing to pay right price for right products.

Table 2. Rural share in stock of consumer goods Stock

	1995-96 (in'000)	Share in percent	2001-02 (in'000)	Share in percent	2009-10 (in'000)	Share in percent
Cars/Jeeps	197	7.4	389	6.9	1876	9.3
Motorcycle	2210	45.8	6710	50.4	34724	55.4
Scooters	2496	25.2	4416	29.8	6125	32.0
Mopeds	2096	37.3	3930	42.2	7333	46.6
Automotive	6999	30.5	15445	35.9	50058	42.5
Television	21411	40.7	40605	47.6	63295	44.9
All Fans	37990	42.4	74673	49.3	157237	49.0
Other White goods	3337	13.5	7766	16.7	16730	16.7
Low cost items	226952	57.9	313892	58.7	521999	58.5

Source: The Great India Market, National Council of Applied Economics Research

It is clear from Table 2 that, the rural share in stock of consumer goods like car/jeeps, motorcycle, scooters, moped, automotive, television, fans, other white goods and low cost items. The rural share in automotive has increased from 30.5 percent in 1995-96 to 35.9 percent in 2001-02 and 42.5 percent in 2009-10, cars/ jeeps from 7.4percent in 1995-96 to 9.3 in 2009-10, motorcycle from 45.8 percent (1995-96) to 50.4 (2001-02) and 55.4 (2009-10), scooters from 25.2 percent (1995-96) to 29.8 percent (2001-02) and 32.0 (2009-10), moped from 37.3 percent (1995-96) to 46.6 (2009-10). Similarly, in television it has registered an increase from 40.7 percent (1995-96) to 44.9 percent (2009-10). Thus it is clear from the table that the percentage of rural share in the stock of consumer goods has been raising since 1995-96 to 2009-10.

Rural market is getting an importance because of the saturation of the urban market. As due to the competition in the urban market, the market is more or so saturated as most of the capacity of the purchasers has been targeted by the marketers. So the marketers are looking for extending their product categories to an unexplored market i.e. the rural market.

Table 3. Rural share in stock of consumer demands Demand

	1995-96 (in '000)	Share in percent	2001-02 (in '000)	Share in percent	2009-10 (in '000)	Share in percent
Cars/Jeeps	6	2.1	63	8.0	376	10.9
Motorcycle	359	47.3	1036	39.8	4045	48.3
Scooters	368	33.1	355	39.4	311	39.9
Mopeds	286	52.7	235	58.2	141	57.7
Automotive	1016	37.9	1689	36.0	4873	37.9
Television	4852	54.0	6400	54.5	7712	44.2
All Fans	7050	50.0	14627	56.9	32561	56.7
Other White goods	819	23.8	1439	23.9	3120	23.7
Low cost items	29228	58.1	45139	60.1	88607	61.3

Source: The Great India Market, National Council of Applied Economics Research

It is clear from Table 3 that, the rural share in stock of consumer demands. The rural share in demand for car/jeeps has increased from 2.1 percent in 1995-96 to 8.0 percent in 2001-02 and 10.9 percent in 2009-10 and for motorcycle it has increased from 47.3 percent in 1995-96 to 48.3 percent in 2009-10. Similarly, the demand of fans, scooter, moped and low cost items has also increased. Share of automotive remained same at 37.9 percent.

5. RURAL URBAN DEMAND

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.

Table 4. *Difference in the rural urban demand (consumable)*

Items		2001-02 (figures in'000)	2009-10 (figures in'000)	Percentage Increase (percent)
Shampoos	Urban	13.6	31.4	130.8
	Rural	6.7	16.3	143.2
Edible Oil	Urban	2328.0	3986.5	71.24
	Rural	4681.6	666.2	42.3
Health Beverages	Urban	96.5	223.4	131.5
	Rural	37.0	88.9	140.2
Packaged Biscuits	Urban	550.4	1091.0	98.2
	Rural	294.4	521.6	77.1
Washing Cakes	Urban	510.7	616.5	20.7
	Rural	1351.7	2104.5	55.6
Toilet Soap	Urban	335.9	464.2	38.1
	Rural	469.4	657.7	40.1
Washing Powder	Urban	847.1	1485.4	75.3
	Rural	1005.2	1847.8	83.8

Source: The Great Indian Market, National Council of Applied Economic Research.

It is clear from Table 4 that, percentage increase in demand shampoos, health beverages, toilet shop, washing cakes and washing powder is more in rural areas as compare to urban area. While in edible oil and packed biscuits increase in demand is more in urban area as compare to rural area. Thus we can say that the consumption of many items areas is increasing at a high speed and higher than the growing demand in urban area.

6. PROBLEMS IN RURAL MARKETING

There are many problems to be tackled in rural marketing, despite rapid strides in the development of the rural sector. Some of the common problems are discussed below:

6.1 Transportation

Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. The transportation infrastructure is extremely poor in rural India. Due to this reason, most of the villages are not accessible to the marketing man. In our country, there are six lakhs villages. Nearly 50 per cent of them are not connected by road at all. Many parts in rural India have only kachcha roads. During the monsoons, even these roads become unserviceable. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.

6.2 Communication

Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural context. Apart from low levels of literacy, the tradition-bound nature of rural people, their cultural barriers and their overall economic backwardness add to the difficulties of the communication task. Post, telegraph, and telephones are the main components of the communication infrastructure. These facilities are extremely inadequate in the rural parts of our country. In rural areas, the literacy

percentage is still low, compared to urban areas. In India, there are 18 recognized languages. All these languages and many dialects are spoken in rural areas. English and Hindi are not understood by many people. Due to these problems, rural consumers, unlike urban consumers do not have exposure to new products.

6.3 Availability of Appropriate Media

It has been estimated that all organized media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses. But, it is not available in all interior parts of the country. It is estimated that TV covers 20 per cent of the rural population. But, the actual viewership is meager. The cinema, however, is a good medium for rural communication. But, these opportunities are very low in rural areas.

6.4 Warehousing

A storage function is necessary because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing. In warehousing too, there are special problems in the rural context. The central warehousing corporation and state warehousing, which constitute the top tier in public warehousing in our country, have not extended their network of warehouses to the rural parts. It is almost impossible to distribute effectively in the interior outlets in the absence of adequate storage facilities. Due to lack of adequate and scientific storage facilities in rural areas, stocks are being maintained in towns only.

6.5 Village Structure in India

In our country, the village structure itself causes many problems. Most of the villages are small and scattered. It is estimated that 60 per cent of the villages are in the population group of below 1,000. The scattered nature of the villages increases distribution costs, and their small size affects economic viability of establishing distribution points.

6.6 Rural Markets and Sales Management

Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not

properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. He may have to spend a lot of time on consumer visits to gain a favorable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.

6.7 Inadequate Banking and Credit Facilities

In rural markets, distribution is also handicapped due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. Because of this problem, they are not able to offer credit to the consumers. All these problems lead to low marketing activities in rural areas. It is estimated that there is one bank for every 50 villages, showing the poor banking facilities in rural areas.

6.8 Market Segmentation in Rural Markets

Market segmentation is the process of dividing the total market into a number of sub-markets. The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to assume that the rural market can be served with the same product, price and promotion combination.

6.9 Branding

The brand is the surest means of conveying quality to rural consumers. Day by day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. It has been observed that there is greater dissatisfaction among the rural consumers with regard to selling of low quality duplicate brands, particularly soaps, creams, clothes, etc. whose prices are often half of those of national brands, but sold at prices on par or slightly less than the prices of national brands. Local brands are becoming popular in rural markets in spite of their lower quality.

6.10 Packaging

As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labeling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

7. FINDINGS AND SUGGESTIONS OF THE STUDY

The following are the important findings and suggestions of the present study.

Increase in purchasing power and disposable income. Improvement in the road systems linking the villages has led to a systematic product distribution system. Earlier, there was a “trickle down “of the stocks observed to the buyers in the interior villages. These days, companies use delivery cum promotion vans that travel 8-10 hats/markets daily as a part of direct contact with villagers. The urban markets have got extremely saturated with the presence of all big players. This is very much evident in the automobile market. Motorcycles and scooters often find more acceptances in rural market as compared to urban market, since there is more proliferation of brands in the latter markets. It has been observed that the companies which cater to both urban and rural markets tackle the recession in a better way. The demand for goods in the urban market often follows a cyclic whereas in the rural market it is steady. The companies are bound to tailor the strategies depending on various factors to appeal to the rural market. Availability deals with making the product reach the consumers. For this purpose a highly integrated extensive distribution network is necessary and in rural context, the company incurs higher cost towards the logistics as compared to urban areas. Affordability involves pricing the product in such a manner that the people are attracted and at the same time it covers all the cost incurred. Acceptability encompasses issues how the product or service could be made more acceptable to the rural consumers by incorporating attractive features. Awareness is linked to the issues of promotion of product in rural areas. The promotion needs to be adapted to the village environment, the local language and means of communication used. The best places to promote could be the frequently visited local hats and meals, the local festivals. Agricultural cycles require a major consideration too. As rural households form 72 percent of total households and increasing levels of income coupled with more and more penetration to the rural markets is expected to take rural FMCG from the current Rs. 87,900crore to a market size of Rs. 1,06,300 crore in 2012, which is a CAGR of 10percent. There is a huge growth potential for all the FMCG companies as the per capita consumption of almost all products in the country is amongst the lowest in the world.

8. CONCLUSION

The Indian rural market with its vast size and heterogeneous demand base offers great lucrative opportunities to marketers. After all, two thirds of countries consumers live in rural areas and almost half of the national income is generated in the rural hinterland. India is classified into around 450 districts, and approximately 6,30,000 villages, which can be segmented in different parameters such as literacy levels, accessibility, distribution networks, income levels, market penetration, distances from nearest towns, etc. Rural consumers are fundamentally different from their urban counterparts. The lower literacy levels and limited exposure to product and services are well-known, but there are differences in occupation options, with a direct impact on income levels and income flows, and a high level of inter-dependency affecting the dynamics of rural community behavior. All contribute to make rural consumer behavior starkly distinct from the urban.

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