Challenges and Opportunities of Indian Rural Market

N. Ramudu
ramuduaims@gmail.com
Allagadda Institute of Management Science

Rural marketing is a developing concept, and the marketers have realized the opportunity of growth in the market recently. Any macro level strategy for these markets should focus on availability, accessibility and affordability. Focused attention needs to be paid to market research, key decision areas, problems and rural marketing environment, to reduce the uncertainly in dealing with these markets. This paper discusses the rural marketing and its strategies and also focuses on issues and challenges, problems, key decision areas and rural marketing environment. Indian Rural markets are potential and upcoming market for most of the products and services because of its vast size and demand base. Rural population constitutes 128 million households, 41% of Indian Middle class and 58% of total disposable income. Rural markets have acquired significance, as the overall growth of the economy has resulted into substance revolution; the rural areas are consuming a large quantity of industrial and urban manufactured products. There are various economic layer found in the rural market like small farmers, big landlords, marginal farmers. Demographic Variation at state level is also visible. The McKinsey report (2007) on the rise on consumer markets in India predicts that in twenty years the rural 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 market and estimated size the of the rural market at $577 billion in 2020.

Keywords: Rural Market, Marketing, Issues and Challenges, Key Decision Areas, Problems and Rural Marketing Environment

1. Introduction

In a various market like India, Out of the total of 1210.2 million populations in India, the size of rural populations is 128 million which constituted 78.84% of total populations as census survey of 2016, the urban-rural divide is quite significant. During 2007-2016 the rural
population increased by 94.6 million, and the number of villages increased by 2,281 in between 2007-2016. The popular of world’s rural population lives in rural India. According to the 2016 census, 88.84 per cent of the people are scattered in 8, 51, 00 villages in India. The demand and living model of Indian rural habitants are different and varies considerably. The cultural scope are also varies. These factors positively make an impact on the need and behavior of rural consumers. With its huge size and common selection of consumers, marketers have been finding it hard to understand and enter into rural areas, and finding difficulties to understand the norms of enter into the rural market. Rural Markets separate from the other types of markets like stock market, commodity markets or Labour economic semiurban market. The rural market has been defined from different perspectives. According to survey of India 2016, “Revenue villages with clear surveyed margins;, where the concentration of population is not more than 420 people per sq. meter, with at least 85% of the male population occupied in agricultural and related activities and which does not have a municipal corporation and board.” According to Insurance Regulatory Development Authority (IRDA) has explained on different note, “A villages with a population of less than 54,000, with 85% of male population engaged in agricultural actions” FMCG sector recognized “Rural” as place with a population less than or equal to 20,000 peoples. FMCG refers to consumer non-durable goods compulsory for daily or regular use. They move fastly at the sales answer. Normally consumer spends less time and hard work in buying these goods. They are relatively high volume and low value products. The FMCG sector consists mainly of sub-segment viz., personal care, oral care, and households products.

- India rural market is gigantic in size, about 934 million consumers and it is spread and common over6.40 lakh villages, and these villages are not homogeneous in size.
- The rural consumers purchasing power and per capita being low, club with high sense of savings, low literacy rate, follow-on in low standard of living. In addition to this, the traditions, holy force, cultural values and deep-rooted rational are the hindering factors for an upwards social mobility. This apart, the distribution of income is highly skewed, since the landholding pattern, which is the basic asset, itself is out of true. Thus rural population presents a highly various market.
- The purchasing powers of the people in the rural areas mainly depend upon profitable agricultural surplus and rural-urban trade. Increase in marketable surplus of foodstuff grains leads to the consumption of manufactured consumer goods. To a larger extent
Indian agriculture depend on rainfall and therefore, rainfall indirectly influences the rural demand for consumer goods.

- The government spending with different schemes /planning on irrigation, flood control, infrastructure development anti-poverty schemes, and fertilizers’ subsidy directly generate income and lead to the consumption of manufactured items and improved the condition of the rural masses. The buying behaviour of rural consumer is different from urban consumer. The rural consumer is more of an adopter than an innovator.

2. Review of Literature

There are many studies accepted out in India in connection with rural marketing, which have revealed a major delay of highly strung attitude of underrating a possible source like rural marketing. These studies have thrown light on the rural marketing pros and cons, and its scope in various manners. There are many studies carried out in India in relation with rural marketing, which have N Krishnamurthy (2007) (2016) research out that by using the regional language, it becomes much easier to increase the access in rural areas. R Singh and Kapil Bhagat (2004-05) explained that the corporate and rural India have entered into joint partnership through vertical coordination. Vivek Parikh (2001) pointed out that most of the rural marketers underestimate the verbal power magic of words to enter into the rural market, and again (2008) he added some another dimensions necessary for marketers.

3. Need for the Study

Most of us having being learnt paradigms to urban markets with reasonable success, and urban markets are fetching competitive, maybe saturated. Thus, Indian rural market has fixed the attention of many corporations and marketers. The pace of development is accelerating in rural India joined with increase in purchasing power, increasing literacy level, social mobility, and improved means of communication. These factors contribute to change the pattern of rural demands. Past, the general impression was that the rural markets have possible for agricultural inputs. There is a rising market for consumer goods. Challenges that lie in the way and should be passably ready with strategy and plans in order to combat with them. But now, the marketers are allowing for serious all-out efforts to tap the rural markets, they likely to face some challenges in their rural actions. Hence it is proposed to study the challenges and Opportunities of rural market with a special reference to Indian Rural Market.
4. Methodology of the Study

The literature review indicated that there is lacking theory and understanding of Indian Rural Marketing within the context of particular phenomena. A general research strategy needs to be explored by finding out opportunities and challenges faced by the marketers to enter into the rural market. The information for this purpose of the present study has been obtain by interviewing the respondent through structured and survey, keeping in view the time and availability of the respondents, group interview and interviews at the individual level have also been conducted. The observation methods have also been used wherever conditions are favorable for the same .the reports of certain government agencies:

1. Survey of India
2. National council of functional economic research
3. National example survey
4. District statistical information
5. Central numerical organization
6. Rural Marketing books/Journals/Magazines
7. Reserve Bank of India Report
8. Planning charge Annual/ Five- Year Plan Reports
9. The respondents have been chosen randomly and requested to grant interviews.

5. Objectives of the Study

Today, the marketers enclose realized the budding purchasing power, huge size demand base of the once ignored Indian neighborhood. It would be totally naïve to think that any firm can easily enter the market and stroll way with a large share of it. On the opposing, any corporation that seeks a sizeable share of market has to work hard for it, and the market bristles with a variety of challenges. Efforts are on to accentuate the attitude of the rural customer and to walk their walk and talk their talk. The study aims at bringing a holistic accepting of the rural markets. The objectives of this study include examining the current market scenario of Indian rural

Market and providing in-depth-analysis of the challenges faced by the marketers while operating in the rural setting, and identify rural marketing opportunities. The study also
concentrates on the problems faced by rural markets and finally offering suggestions to overcome the problems and drumming the potentiality of the rural markets at maximum level. The present study mainly attempts to examine the following issues:

1. To examine the current rural marketing situation,
2. To recognize rural marketing opportunities,
3. To examine the challenges face the marketers, and
4. To suggest effective strategies for marketing in rural areas

6. Discussions of Findings

Analysis of Rural Marketing Scenario

Indian Rural markets are now dominating the urban market in conditions of demand and likely. The rural population is nearly three times of the urban market. The rural civilization is also urbanizing gradually with the increase in literacy rates and exposure to global trends. It’s showing interest in branded products and services. The use fashion in rural areas has shown a model shift from price-driven to quality-driven products. The winds of liberalization removed barriers and presently, many nationals and internationals manufacturers have made a foray into different markets. The rural market is becoming day-to-day attractive because of its size and growth of population and households despite the exodus by migration to urban areas. About 74.84% or 983 million people are living in rural areas, consisting over 50% of the Indian middle class, and about half the country’s throwaway income. Further, there has been a shift from an agricultural economy to manufacturing and service economy and this development has been resulted into increasing job opportunities, income and demand for goods and services in rural markets. The rising rural economy presents a wide range of opportunities to consumer and industrial markets. Even as rural markets offer big attractions to the marketers,

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Growth rate of population (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-2007</td>
</tr>
<tr>
<td>overall</td>
<td>25.4</td>
</tr>
<tr>
<td>rural</td>
<td>19.8</td>
</tr>
</tbody>
</table>

Table 2 Population in India

ISBN 978-1-943295-10-4 132
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population (In Millions)</th>
<th>Urban</th>
<th>Rural</th>
<th>Rural (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>863</td>
<td>240</td>
<td>623</td>
<td>76.5</td>
</tr>
<tr>
<td>2006</td>
<td>1250</td>
<td>320</td>
<td>930</td>
<td>73.4</td>
</tr>
<tr>
<td>2016</td>
<td>1680</td>
<td>400</td>
<td>1280</td>
<td>69.9</td>
</tr>
</tbody>
</table>


The data determines the rural market potential. The marketer has to cover the vast and scattered market in terms of areas covered and the location of the rural population. It encompasses over 88.84% of the total population as per census of India 2016, it means 933 million populations resides in rural areas and 677 million people live in urban areas and scattered around 640,000 villages. The number of middle income and high income households in

Rural Indian is probable to grow from 59 million to 85 million. Size of rural market is likely to be 62 million households and rural market has been rising at five times the pace of the urban market. The rural population is nearly three times of urban population. The following table gives a sight over the increasing needs of the rural customers and demands of rural customers in a variety of way.
### Occupational Pattern of Rural

<table>
<thead>
<tr>
<th>Sources</th>
<th>Rural Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>68.4</td>
</tr>
<tr>
<td>Agriculture wager</td>
<td>25.4</td>
</tr>
<tr>
<td>Business and craft</td>
<td>19.8</td>
</tr>
<tr>
<td>Non-Agriculture Wager</td>
<td>14.5</td>
</tr>
<tr>
<td>Salaries</td>
<td>13.8</td>
</tr>
<tr>
<td>Current Transfer</td>
<td>10.6</td>
</tr>
<tr>
<td>Others</td>
<td>8.2</td>
</tr>
</tbody>
</table>

#### 7. Challenges of Rural Market in India

The rural market offers a huge available potential, it should be known that it is not easy to operate in the market, because of several attendant challenges. Rural market remains available because of mainly three challenges:- distance, range, and dispersal. As much as Rural India presents a great opportunity, there are still lots of challenges that have to be overcome. Single population and trade, large number of intermediaries in the value chains leading to the higher costs, scarce bank and credit facilities for rural customers and retailers, highly credit driven market and low investment capacity of retailers are the other roadblocks. Thus, there are several

Roadblocks that make it difficult to progress in the rural market. Marketers encounter a number of problems like industry with physical distribution, logistics, proper and effective use of sales force and effective marketing communication when they enter into the rural segments.

1. The huge population base and number of households indicates a broadly spread out market and it is a challenge for the marketer to service this single market. The number of the villages is more than five lakhs and is not uniform in size. Nearly half of the population lives in middle sized villages which have a population Ranging from 1100 to 6000 persons. These types of distribution of population warrants right distribution and promotion strategies to decide the extent of coverage of rural market.

2. The rural per capita income is low as compared to urban area. Low per capita income leads to low purchasing power. This not together, the distribution of income is highly twisted, since the landholding pattern, which is basic asset, is itself twisted. Thus, rural market presents a highly heterogeneous scene. Therefore few challenges arise in this
respect, like; off-taking of any product by rural consumer, maintaining of inventory levels, distribution system options, and frequency of distribution. This aspect should be carefully considered by the marketers.

3. There are lacks of proper physical communication services in rural areas. Almost half of the villages in the country do not have all-weather roads. Therefore reaching these villages is very actually taxing. Hence, distribution efforts put up by the marketers prove to be classy and ineffective.

4. The rural market, by and large, are characterized by underdeveloped people and consequently Underdeveloped market. A vast majority of rural people is not financially stable and is tradition-bound, accepting, mired in age-old customs, traditions, habits, taboos, and practices. Unfortunately, the impact of agricultural technology has not been felt uniformly throughout the country. The large segments of rural population have remained untouched by technological breakthrough.

5. There are vast variations in the levels of literacy amongst rural people. About two-fifth of the rural population is illiterate and only one-fifth holds a matriculate or higher degree. Also, literacy levels vary vastly among different states. These variations pose a challenge to easy and clear knowledge of the message by all sets of rural viewers. The limited reach of mass media in rural areas and its regional and state variations pose limitations on a universal approach to communication for rural consumers. Also different perceptions, traditions, and values across states and in some case within a state; are other obstacles in communication n development.

8. Suggestions to Cope Up With The Challenges

- Product redesign from the start can be done. Marginal changes to open product will not work effectively.
- To check the sale of fake and false products, the only practical way is to improve the distribution and make the products available in as many places as possible including haats as mostly the sale of fake products is prevalent due to non availability of original product at large number of rural outlets.
- Products can be price to put up up volume in the rural market, especially for smaller pack size.
• The challenge of ‘lack of right competence’ and ‘difference in languages and dialects’ can be cope up with recruiting front staff from rural parts of India instead from the urban part. Even the frontline managers can be recruited from the rural management institute and agricultural universities.

• Products should be made available in small packs as the rural consumers are not able to buy high priced products due to lack of much finance.

9. Conclusions
Indian Rural Market play a key role as it provides great opportunities to the corporation to make longer their reach to near seventy percent of population. Rural market also profits the rural economy by providing infrastructure services, uplifting the set and quality of life of the people reside in rural area. Though the rural market has become a choice destination for every marketers but it’s important to realize that it has lot of challenges and risk, so corporations should tax the obstruction as carefully as possible. A thorough understanding of rural markets and systematic move towards are necessary to enter rural market. In order to develop marketing power the rural consumers buying behaviour.

Rural market is the market of the new millennium. The rural market is where the markets of the future are likely to be. Urban markets are becoming more and more feasible for many products. In some cases they are even soaked. Opportunities and challenges go hand in hand. Rural market provides various opportunities like- huge market, increase in literacy rate, improvement in infrastructure, etc. down with opportunities, it poses some challenges like-scattered market, serial demand, lack of right skill, etc. which need to be cope up. Marketers will include expressive the rural customers before they can make inroads into the rural markets.

10. References

5. www.miteshk.webs.com


7. The Rural Marketing Book (2006), by Pradeep


9. Kumar, K. Phanindra and Swamy, S.; Indian Rural

10. 10. Market- Opportunities and Challenges; TRANS

11. Asian Journal of Marketing & Management


14. Ement/the-changing-profile-of-rural-consumers-

15. 115030100678_1.html


gid-814-catid-2.8.