

## Indian Economy and Rural Marketing



### Management

**KEYWORDS:** Indian Economy, Rural Marketing

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### ABSTRACT

*The concept of Rural Marketing in Indian Economy has always played an influential role in the lives of people. The rural market in Indian economy generates almost more than half of the country's income. To make an effective market linkage, industries have to play as an engine of market, which can generate a brand image of the rural products. The involvement of the private /industry sector at the rural product and market development can also provide opportunities for the development of new services and values to the customers*  
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### Introduction

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.

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 Markets. Rural Markets constitute an important segment of overall economy, for example, in the USA, out of about 3000 counties, 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

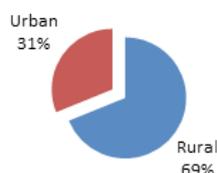
The rural market in India brings in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are:

- The market for consumer goods that comprise of both durable and non-durable goods
- The market for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

### Nature of Rural Market:

In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. On account of the green revolution in India, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has taken shape. Sometimes, rural marketing is confused with agricultural marketing – the later denotes marketing of produce of the rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers. Also, when we consider the scenario of India and China, there is a picture that comes out, huge market for the developed products as well as the labor support. This has led to the change in the mindset of the marketers to move to these parts of the world.

### Market Divide



### Graph no 1.1 Market Divide

Also rural market is getting an importance because of the saturation of the urban market. Due to the competition in the urban market, the market is more or so saturated as most of the capacity of the purchasers have been targeted by the marketers. So the marketers are looking for extending their product categories to an unexplored market i.e. the rural market. This has also led to the CSR activities being done by the corporate to help the poor people attain some wealth to spend on their product categories. Here we can think of HLL (now, HUL) initiatives in the rural India. One of such project is the Project Shakti, which is not only helping their company generating some revenue but also helping the poor women of the village to get some money which is surely going to increase their purchasing power. Also this will increase their brand loyalty as well as recognition in that area. Similarly we can think of the ITC E-Chaupal, which is helping the poor farmers get all the information about the weather as well as the market price of food grains they are producing. In other view these activities are also helping the companies increase their brand value. So as it is mentioned above the significance of the rural market has increased due to saturation of the urban market. Also in such conditions the company which will lead the way will be benefited as shown by the success of HUL and ITC initiatives.

Dynamics of rural markets differ from other market types and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. This, along with several other related issues, have been the subject matter of intense discussions and debate in countries like India and China and focus of even international symposia organized in these countries.

Rural markets and rural marketing involve a number of strategies, which include:

- Client and location specific promotion
- Joint or cooperative promotion..
- Bundling of inputs
- Management of demand
- Developmental marketing
- Unique selling proposition (USP)
- Extension services
- Business ethics
- Partnership or sustainability

Rural products of India are unique, innovative and have good utility and value. Large number of these rural products (like handicraft items, food products, embroidery, clothes & other products) sustains a significant segment of the population in the rural areas. Several attributes of rural products can be identified, for which, it has a demand in the market. 'Ethnic origin' and 'indigenous design & appearance' are two traits of rural products, attracting a premium in the market. But, on the contrary, the non-uniformity of rural products (from one another) and lack of its quality control measures have been creating a negative demand. Besides, the small sized and dispersed production units of these rural products hinder realization of the economies of scale in marketing and result in high transaction costs per unit of output. Niche-based products have no local

market. Products in local use are also not marketed horizontally; they often first travel down to market through a long chain of intermediaries and then up to more difficult locations in the rural areas. In the process, the people in rural areas suffer from both low prices as producers and high prices as consumers. In this conflict, rural products lose its equilibrium and the supply side becomes exponentially high. Because of this hazard, rural entrepreneurs face acute economic loss and rural markets become stagnant. Therefore, there is an emergent need for building sustainable market linkages for rural products, so that, it can be connected to larger markets and farmers can get a sustainable livelihood

#### **Market linkages for rural products & Role of Industry:**

Rural producers can connect themselves to market. They can do it on their own through cooperatives. Or, the state can do it for them through its procurement engines.

Across India, previous attempts to create such linkages have floundered. Take Assam and other eastern states itself. Around the Eighties, the state government here decided that cooperatives were a great way to consolidate its political base. Loans went to the undeserving. Debts were written off.

To make an effective market linkage, industries have to play as an engine of market, which can generate a brand image of the rural products. This initiative of industries will also strengthen the backward and forward linkages of the rural market, besides, accelerating the innovations of the rural products. Definitely, this strategy will also give a remarkable dividend to the industries & profit making companies. At micro level, it has been observed that to create a sustainable market linkage for rural products, industries can develop an ecosystem of Self Help Groups (SHGs) by involving the local communities through village level empowerment. It is nothing less than the next phase in the democratization of commerce. Under this paradigm, industries can create a network with viable marketing channels covering all the linkages from villages to the global level. This architecture provides the right value of procurement through the village procurement centers and rural entrepreneurs can sell their products faster with better price realization. This model is also capable of generating a consumer business and an output business in a win-win scenario, where rural producers can get a wide marketing horizon and the industries shall get a new, lower cost 'sales force'. Another role of industries in building market linkages for agro-based rural products can be the 'dynamic contract farming'. If a conventional industry can kick off a contract farming business, and export niche horticulture crops like cucumbers, the small and marginal farmers who could grow these small cucumbers would make Rs 30,000 in profits in a year. KRBL, one of India's largest basmati exporters, has contract farming agreements with 24,000 farmers; Global Green buys from about 12,000 farmers. Moreover, in the current era of information technology, industry and private companies can also creatively use ICT for building sustainable marketing linkages. This approach creatively leverages information technology (IT) to set up a meta-market in favor of small and poor producers/rural entrepreneurs, who would otherwise continue to operate and transact in 'involved' markets where the rent-seeking vested interests exploit their disadvantaged position. ITC eChoupal is the best example in this context. Through creative use of Information Technology, ITC eChoupal has been creating sustainable stakeholder value by reorganizing the agric-commodity supply chains simultaneously improving the competitiveness of small farmer agriculture and enhancing rural prosperity. eChoupal also sidesteps the value-sapping problems caused by fragmentation, dispersion, heterogeneity and weak infrastructure. ITC takes on the role of a Network Orchestrator in this meta-market by stitching together an end-to-end solution. It eliminated the traditional 'mandi' system which involved lot of middlemen as a result of which farmers failed to get the right value for their produce. The solution simultaneously addresses the viability concerns of the participating companies by virtually aggregating the demand from thousands of small farmers, and the value-for-money concerns of the farmers by creating competition among the companies in each leg of the value chain.

#### **Scope & opportunities:**

The basic scope of this novel initiative will be the mutual benefits of the rural entrepreneurs and industries. The entrepreneur's primary beneficiaries, SHGs – bridge with the community, participating companies/industries and rural consumers and have been benefited through a robust commercial relationship. These models of marketing linkages demonstrate that a large corporation can play a major role in reorganizing markets and increasing the efficiency of a rural product generation system. While doing so it will benefit farmers and rural communities as well as shareholders. Moreover, the key role of information technology provided and maintained by the industry/company for building linkages, and used by local farmers brings about transparency, increased access to information, and rural transformation. Besides, this strategy of market linkage, addresses the challenges faced by rural entrepreneurs due to institution voids, numerous intermediaries and infrastructure bottlenecks. Moreover, the prime scope of this model is the creation of opportunities for the rural entrepreneurs for product differentiation and innovation by offering them choices. Because of this sustainable market linkages, rural producers can participate in the benefits of globalization and will also develop their capacity to maintain global quality standard. Nonetheless, it creates new stakeholders for the industry sector. And subsequently, they become part of the firms' core businesses. The involvement of the private / industry sector at the rural product and market development can also provide opportunities for the development of new services and values to the customers, which will find application in the developed markets. It will be worth mentioning that building a sustainable market linkage through industry's intervention will also empower the rural mass (producers, farmers & entrepreneurs) to cope with socio-economic problems in the rural society and will ensure economic self-reliance.

#### **Challenges:**

There are significant challenges to the entire process the most important being the capacity building of the rural entrepreneurs. The entrepreneurs associated with very conventional/traditional knowledge of business for decades look at these initiatives with skepticism. Only consistent performance can convince the skeptics. Therefore, the industries must play a catalytic role to cope with this challenge and should also train the entrepreneurs to develop their managerial and IT skills. On the other hand, the products of the existing and popular brand also stand as threat to the rural products. These global giants (brand) may try to suppress the rural products in the markets with its communication hype. Therefore, developing alternative and additional market linkages for these products is an absolute necessity. Moreover, the low volumes of rural products, high operating costs, high attrition, and absence of local know how and relationships may also create problem in the process. Henceforth, it is essential to make a way out to cope with these odds.

#### **Conclusion:**

These issues gain added complexity under globalization, where markets are characterized by extreme competition and volatility. While rural products have been perceived traditionally as catering to the local market, or at best, to a wider national market through limited formal channels, the reality of globalization since the 1990s introduced a new dimension to the market for such products. The issue of rural product generation through industrialization, therefore, needs to be viewed from a new angle and on far more scientific lines. The core of a scientific approach is to understand the market opportunities for rural products along with the country's development priorities and to chalk out a strategy where rural industries have an important role to play. While rural products are forced to increasingly become part of global supply chains, these products need to adapt themselves, not only according to the changing tastes of the national market, but also according to changes in tastes in the international market. Therefore, a process is essential to explore the market linkages and capacity building for SHGs through a bottom up approach and continuous dialogue with stakeholders of rural enterprise. This process should ensure the participation of rural people as consumers and producers in the globalization mechanism, with better livelihoods and global access to markets. The real challenge of building a sustainable market linkage starts here.

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