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An analysis of possible challenges and opportunities in rural markets-understanding rural markets

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Abstract

Four billion people live in poverty around the world, and marketing organisations are still battling to convert them into clients. For the past decade, business visionaries have claimed that the "Base of the Pyramid" represents a vast, unexplored market. Some of the world's most powerful and savvy firms have sought to meet their most basic requirements by selling them anything from clean water to energy, FMCG to consumer durables. It is a great goal to improve the lives of billions of people at the bottom of the economic pyramid. It can also be financially rewarding. The rapid advancement of technology has advanced every sector of social, economic, political, and cultural life, allowing companies to produce more efficiently, lower costs, and expect bigger profits. The emphasis is on reaching out to rural markets. Rural markets have been saturated by urban markets. This article examines the environment, problems, and strategies in India's rural markets. Rural marketing has become the new slogan for most businesses, and even multinational corporations are looking to rural markets to get into India's massive market. Marketers in a country with a multi-cultural, multi-lingual varsity face an open ground difficulty as a result of this. This research examines and explores several modern-day successful rural marketing tactics in an attempt to present some solid solutions to these problems.

Keywords: Rural marketing, rural markets, base of the pyramid, multi-cultural

Introduction

In India, the market structure is dichotomous, with rural and urban markets. However, many people disagree with this viewpoint, arguing that consumers are consumers everywhere, and that their needs, goals, beliefs, and attitudes are all the same. The truth remains, however, that key distinguishing characteristics necessitate the development of various marketing techniques to fit rural and urban market behaviour. In this context, the current state of urban marketplaces can also be examined. First, urban markets have virtually achieved saturation, making it harder to tap them with a high profit margin in the future. Second, in metropolitan marketplaces, competition is increasingly fierce, forcing many businesses to spend a lot of money on advertising. Third, because urban consumers are well-informed, product features must be updated often. Without a doubt, this process will necessitate a significant financial commitment, which will have a detrimental influence on profitability. As a result, save for their accessibility, urban marketplaces have become oases.

Importance of Rural Markets

With 12.2 percent of the world's population living in India's villages, the Indian rural FMCG market is one that should not be overlooked. Increased concentration on the farm sector will enhance rural incomes, giving the FMCG sector better development chances. Their supply chain will be improved by better infrastructure amenities. The fast-moving consumer goods (FMCG) industry is also expected to gain from rising market demand. Because of the low per capita consumption of practically all items in the country, FMCG companies have enormous growth potential; currently, rural India accounts for 53% of all FMCGs and 59% of all consumer durables. HLL, India's largest FMCG Company, gets more than half of its Rs. 12,000 crores in revenue from rural areas. For businesses, the rural market is a mystery. Companies are afraid to venture into this sector due to a lack of deeper insights into the mindset of rural consumers. Local companies, such as Kanpur's Ghadi detergent, have been able to capitalise on the potential given by the rural market. Companies will be able to produce higher growth in the near future if they are able to change the thinking of customers,

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i.e., if they are able to bring consumers to branded items and offer new generation products. In 2010, rural income is predicted to improve, enhancing spending power in the countryside. Urban India currently consumes 66 percent of overall FMCG consumption, while rural India consumes the remaining 34%. Rural India, on the other hand, consumes more than 40% of major FMCG categories like personal care, fabric care, and hot beverages. The home and personal care category, which includes skin care, housekeeping care, and feminine hygiene, will continue to grow at a relatively attractive rate in metropolitan regions. Processed foods, bread, and dairy are predicted to be long-term growth categories in both rural and urban locations within the food segment.

Factors which have been recognized as Responsible for Existence in the Boom of Rural Market

- As the population grows, so does the demand for goods and services.
- A significant increase in rural income due to agrarian prosperity, as well as an increase in the standard of living in rural areas.
- Large amounts of money from the government and other sources are pouring into rural development programmes.
- Increased contact between rural and urban populations as a result of improved transportation and a more extensive communication network.
- Increased literacy and educational levels, as well as a rural population's desire to live more sophisticated lives.
- Inflow of foreign remittances and items manufactured in other countries into rural areas.
- Changes in land tenure systems result in fundamental changes in ownership patterns and, as a result, in buying behaviour.

Objectives of the Study

- To gain a better understanding of the rural market.
- To maximise the possibilities of the rural market.
- To examine the movement in market paradigm from urban to rural.
- Analyze the many characteristics of the rural market's potential.
- To present the results.

Understanding the Potential of Rural Market

- **Large Population:** In India, 742 million people live in 6, 38,365 villages, with 138 million families (Census, 2001). The rural market's size alone speaks to its potential.
- **Growth in Market:** The market has been increasing at a rate of 3-4 percent each year, with over one million new customers added each year. Consumers are devoted to brands and have a greater understanding of symbols. Regardless of how you look at it, few can deny that the rural market is vast. According to Singh, India is home to 12.2 percent of the world's customers. "Rural households account for 72 percent of all households. This brings the total number of subscribers in the rural market to almost 720 million." TSMG's Gupta extrapolates the Census 2001 figures to arrive at

a figure of 790 million. "Total income in rural India (about 43 percent of total national income) is predicted to grow at a CAGR of 12 percent from around US\$220 billion in 2004-2005 to US\$425 billion in 2010-2011," he says.

- **IT Penetration in Rural India:** Today's rural children and youth will grow up with 'information access' to educational opportunities, exam results, career counselling, job opportunities, government schemes and services, health and legal advice and services, worldwide news and information, land records, mandi prices, weather forecasts, bank loans, and livelihood options. In the same way that television changed the language of brand communication in rural India, affordable Web connectivity through various sorts of communication hubs will undoubtedly change the currency of information sharing. The potential of change are increasingly obvious as the electronic ethos and IT culture spread into rural India.
- **Impact of Globalization:** Globalization will have an impact on India's rural as well as urban areas. However, it will be sluggish. It will have an influence on farmers, youth, and women, among other groups. Farmer's today 'stay in contact' with the most up-to-date information in order to maximise both ends of the spectrum. Andhra Pradesh and Karnataka are no longer considered by animal feed producers. They keep their cellphones connected to global markets at all times. Price changes and product availability in the worldwide market place, without a doubt, seem to dictate their local company strategy. It has an impact on youth's knowledge and information, but it still has an impact on women's socioeconomic status. In the next years, marketers who understand the rural consumer and fine-tune their strategy will enjoy the rewards. In fact, save for a few lifestyle-based products that rely primarily on urban India, leadership in any product or service is connected to leadership in rural India.
- **Increasing Income and Purchasing Power:** The government's agricultural development projects have helped the agricultural industry earn more money. As a result, rural markets now have greater purchasing power.
- **Accessibility of Markets:** A market's appeal is determined not only by its potential but also by its accessibility. A systemized product distribution system to villages has been made possible thanks to the road network. A growing number of businesses are directly serving village marketplaces. Increased direct interaction with villages aids in product marketing and availability at village stores.
- **Consumer Behaviour Changes:** In rural markets, increased literacy and awareness produce new needs and discriminating purchasers. This is especially prevalent among the younger generation. In today's villages, this group of purchasers buys a wide range of things, both durable and non-durable. There is a noticeable increase in the consumption and use of a variety of products that may be seen.
- **Competition in Urban Markets:** In urban marketplaces, more competition raises costs and diminishes market share. As a result, rural markets are

becoming increasingly appealing in comparison to urban ones. The automobile industry exemplifies this. Rural markets accept Rajdoot motorcycles, Bajaj scooters, and Ambassador Cars more readily than metropolitan markets, which have a plethora of brands.

- **New Employment Opportunities:** Government schemes like IRDP (Integrated Rural Development Programme), JRY (Jawahar Rozgar Yojana) and TRYSEM (Training Rural Youth for Self Employment) have created new employment opportunities in Rural India. Co-operative banks and Public sector banks are extending loans to rural people, thereby creating job opportunities for them. As a result very few rural people are now flocking to urban centres
- **Green Revolution:** The vision of Dr. Swami Nathan, the father of the green revolution to achieve self-sufficiency in food grain production in 1995, gave a major breakthrough in food grain production by the use of scientific methods in agriculture. At present, Rural India generates 299 million tons annually.
- **Various Government Policies:** The government's stress on self-sufficiency resulted in various schemes like Operation Flood (White Revolution), Blue Revolution, Yellow Revolution, etc. resulted in the production of 15 million tons of milk per annum.
- **Better Credit Facilities through Banks:** With co-operative banks taking the lead in the rural areas, every village has access to short, medium, long-term loans from these banks. The credit facilities extended by public sector banks through Kisan Credit Cards help the farmers to buy seeds, fertilizers and every consumer goods on installments.
- **Green Card/Credit Card for Farmers:** The government initiated credit cards for farmers through public sector banks. Canara bank and Andhra bank were the pioneers in the launch of the Kisan Credit Card. The farmer had a choice to take short or medium term loans through these credit cards to buy seeds, fertilizers, etc. This enabled him to produce more and thereby increase his income.
- **Improved Exports Due to Export Policy:** The new Export Policy 2000 paves the way for open market (OGL- Open General License System) status for agriculture. The World Trade Organization's (WTO) Policy for agro- exports has increased exports of Indian agricultural produce thereby increasing incomes of the rural population.
- **Remittances from Indians Working Abroad:** These remittances are a sizeable contribution to growing rural income & purchasing power.
- **Political & Social Changes Through Favourable Government Policies:** The Indian Government launched a number of schemes like IRDP (Integrated Rural Development Programme) and REP (Rural Electrification Programme) in the 1970's, which gave a boost to the agrarian economy. This resulted in changes in people's habits and social life. REP gave impetus to the development of consumer durable industry.
- **Media:** In rural areas, the media has raised demand for goods and services. To enhance product demand, smart marketers use the correct combination of traditional and non-traditional media. Cable television has played an

important influence in changing people's ideas and influencing their lifestyles in remote areas.

Scope of the Study:

Rural markets dominate the Indian marketing scene, and they require special attention for marketing expansion. Rural India has seen a surge in consumer purchasing power in recent years, accompanied by a desire to improve their level of living. The article seeks to emphasise the influence of a variety of government and private sector projects, including NREGA, ITC's echaupal, HLL's project Shakti, and retail centres like Kisan Sansar (Tata), Haryali Kisan Bazar (DMC), on how they have changed the rules of the marketing game in rural India. The article also examines the characteristics of the diverse and dispersed rural market, as well as the profile of the rural Indian client. Despite the rural market's irregular buying capacity and the taboos and traditions that it is entrenched in, India's rural market is a tremendously valuable one. The report then goes on to look at how certain companies have used efficient marketing methods to have an influence in the rural market. The study examines the changing landscape of India's rural marketplaces and proposes some solutions for addressing the challenges of rural selling. A new rural marketing mix is proposed, with a particular focus on marketing communication. This can also be seen as part of a company's corporate social responsibility to improve the lives and well-being of rural residents. In terms of basic marketing structure and marketing strategy, rural and urban marketing are fairly similar. Rural markets, on the other hand, have unique characteristics and challenges as compared to metropolitan markets. Because of the recent increase in rural incomes and the probability that such earnings would climb quicker due to better output and higher pricing for agricultural commodities, the rural markets present a wonderful opportunity for a concentrated marketing effort.

Literature Review

The majority of the literature on rural marketing in India focuses on agricultural product marketing to urban areas. We also have local rural marketing literature, which focuses on the flip side of rural marketing: selling to rural areas. In his book *Rural Marketing for Non-Urban Consumers*, published by Sage Publications, Salal Kumar Velayudhan provides a complete profile of the rural consumer. He also emphasises the importance of haats and melas, as well as their underuse. He also mentions a number of new ways to gain access to rural markets. Prof Ramkishan Y. explores the product lifecycle of rural products and how they differ from urban products in his book *"New Perspective in Rural and Agricultural Marketing: Case Studies."* He's also talked on India's standardisation and grading systems, as well as their importance in rural marketplaces. Kurian and Tiyyama conducted an in-depth research of the telecom sector, revealing the rural population's transition toward technology and modern consumer methods. Researchers have also offered a number of theoretical frameworks for better understanding why rural projects succeed or fail. While many researchers have studied present marketing techniques and success stories in depth, just a few have discussed and recommended a future course of action. This study aims to

fill in the gaps and issues that exist in rural marketplaces. Because of characteristics such as illiteracy, distances, vast market potential, communication, rail and road transportation, distribution of products and services, understanding consumer behaviour, socio-cultural factors, languages, and a lack of infrastructural facilities, rural markets face numerous challenges. It's challenging to cover and reach the rural market because it's so large, distant, and broad. One segment differs significantly from the others. Every district, region, and state is unique in its own way. India is unique in and of itself, and it is an excellent example of a country with many cultures. India is a fantastic country. Knowing Rural India, its spirit, feelings, warmth, distinctness, shyness, innocence, and beyond is a challenging undertaking. When salesmen throw tantrums or defraud them, they become disgusted and want to separate themselves from them. The second most essential reason is that many marketing executives are still unaware of the true needs of rural consumers. Designing ineffective products, services, and strategies without first learning about rural India and the needs of their own consumers in the villages. It's also tough to find qualified salespeople who are familiar with rural culture. Though marketing executives have received education from top universities in the country and from overseas, they lack a thorough understanding of their customers. There is a disconnect between what they know and what is actually happening with rural consumers. As a result, numerous items have failed in the rural market.

Research Methodology

The current study is a descriptive one. The information used is secondary in nature, having been gathered from a variety of sources and reputable periodicals. The population of rural India is 83.3 crore (Table 1), dispersed among 6, 38,000 villages. Currently, the ratios of rural to urban distribution are 68.84 percent and 31.16 percent, respectively.

Table 1: Share of Rural in Total Population

	2001(In Crore)	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

The above table depicts the rural population of India as a percentage of the overall population. Between 2001 and 2011, the rural population expanded by 9%, to 833 million people, compared to 377 million in the metropolitan region, indicating bigger marketing prospects. What exactly is a rural market? Rural is defined by the Indian Census as habitation with a population density of less than 400 people per square kilometer, at least 75 percent of the male working population engaged in agriculture, and no municipality or board. The Indian Planning Commission defines rural as a town with a population of less than 15,000 people. In India, there is always a distinction between rural and urban consumers. The majority of rural Indian consumers are illiterate and poor. Illiteracy makes it difficult to distinguish between brands and comprehend basic box text. Furthermore, products are offered at a loss, putting branded sealed products in direct competition. Rural consumers are compelled to buy in tiny quantities due to their irregular income. Rural marketers must be able to offer products in

modest quantities as well as a reliable financing system for larger items.

Rural market situation

The market situation in rural areas is constantly changing today. Consumers in population of India as a percentage of the overall population. Between 2001 and 2011, the rural population expanded by 9%, to 833 million people, compared to 377 million in the metropolitan region, indicating bigger marketing prospects. What exactly is a rural market? Rural is defined by the Indian Census as habitation with a population density of less than 400 people per square kilometer, at least 75 percent of the male working population engaged in agriculture, and no municipality or board. The Indian rural areas are increasingly demanding branded products as their disposable money and literacy levels rise. Weddings, pilgrimages, constructions, and consumptions are all things that rural households do not like to cut back on. Rural customers have higher aspirations, and they now buy a wide range of products, both durable and non-durable, and they are willing to pay the correct price for the right product. With the majority of our population based in tier III, tier IV cities and villages, Pradeep Kashyap, CEO of MART, adds, "Rural India has cash in hand and is not restricted by EMIs or loans." It is the ideal opportunity to enter the rural market.

Rural Marketing's Importance

Due to the saturation of the urban market, rural marketing is gaining traction. As a result, marketers are aiming to expand their product categories into a hitherto untapped market, namely the rural market. The rural market for FMCG (Rs. 65,000 crores), durables (Rs. 5,000 crores), and clothes and footwear (Rs. 35,000 crores) was as large as Rs. 1, 05,000 crores in 2008, according to the Nielson study. Certainly, the size has increased significantly. According to Nielson, the rural FMCG market would be worth \$ 100 billion by 2025, up from \$ 12 billion now. As a result, corporations have begun to engage in CSR efforts to assist the poor in acquiring some cash to spend on their product categories. In this case, we can consider HLL initiatives in rural India. Project Shakti is one such product that is not only assisting their company in generating income, but is also assisting the village's disadvantaged women in gaining wealth, which will undoubtedly enhance their purchasing power. For businesses, the rural market is a mystery. Companies are afraid to venture into this sector due to a lack of deeper insights into the mindset of rural consumers. Local companies, such as Kanpur's Ghadi detergent, have been able to capitalize on the potential given by the rural market. Rural India has the potential for long-term sales and profit. The green and white revolutions have enabled the growth of the rural market, resulting in significant wealth generation in rural areas. Rural markets have grown in importance in recent years in countries such as China and India, as the overall growth of the economy has resulted in a significant increase in the purchasing power of rural communities. Rural people's consumption patterns have changed as a result of India's green revolution.

Conclusion

According to an NCAER income dispersal projection based

on a 7% GDP growth (assumption), the number of poor households in rural India will decrease by more than half to 28 million from 61 million today, while middle income households will double and rich households will triple over the decade. This upward trend, which will lift rural people out of poverty and into wealth, will result in increased purchasing power. In vast numbers, today's non-consumers, who make up the rural poor, will enter the market as first-time purchasers. Getting a bigger piece of the increasing rural pie will necessitate a fundamental transformation in management thinking, from gross margin to high profit, from high-value unit sales to a volume game, capital efficiency, and from a one-size-fits-all approach to market innovation. To compete in the dynamic rural market, businesses are adopting special steps.

The majority of the population is concentrated in rural areas. In rural places, the market potential is enormous. This market strength in rural areas should be exploited. Even educational institutions are focusing on rural marketing these days, developing particular management programmes for rural marketing and doing market research in rural areas. In India, rural markets are quickly expanding, yet marketers frequently overlook them. The following statistics are sufficient to demonstrate the importance of rural markets: Consumers in rural and small town areas consume 46 percent of soft drinks, 49 percent of motorcycles, and 59 percent of cigarettes. Aside from that, the rural belts are home to 53% of fast moving consumer goods and 59 percent of consumer durables. In India, there are roughly 42,000 rural haats (markets). In rural India, LIC sells more than half of its policies. 60 percent of the 20 million people who have joined up for Rediff mail are from small communities. These figures clearly illustrate that rural consumers are not only buying to meet their basic needs, but also to meet their higher wants for comfort and socialization. Furthermore, as evidenced by the success of ITC's echaupals and Rediff's rural popularity, they have become highly technologically savvy. The rural sector may be the scene of the next great revolution. When this happens, the marketers should have already researched the terrain and devised winning strategies and approaches. The only way to survive is to follow Darwin's principle of survival of the fittest. Today is the day to start planning for tomorrow.

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