

Challenges and Opportunities of Indian Rural Market

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Abstract

Recently, the growth of the Indian economy after starting of liberalization and globalisation policy in 1991 has been substantial increase the purchasing power of the rural habitants. Since Green revolution in India, the rural areas are started to use a large quantity of consumable and non-consumable products. In this way, rural marketing has been used as a strategy to combat against the competition by the marketers. The rural marketing and agricultural marketing prior to globalisation of Indian economy convey the same meaning, but after wards both understand by the markets in different context—the later denotes agricultural and rural production for the urban consumer or industrial consumer, whereas rural marketing involves marketing of manufactured or processed inputs to rural consumers. These have changed the entire spectrum of marketing for the Indian rural market and force the marketers to move towards rural areas. Rural marketing in India is still at infancy stages, and faces the various types of problems in respect of marketing, product designing and positioning, pricing, distribution and promotion. Today's corporation must understand the rural market on different context to widen their business horizon, to expand their market and to exploiting the opportunities available in the rural areas. The Indian rural market is bigger and vast in size with its lager consumer base, its offers the great opportunities for the marketer and stay in tune with the rural marketing offerings. Rural marketing consists of around 833 million potential consumers, and majority of the Indian middle-class, and about half the country's disposable income. The marketer must understand the growing complexities of the rural market and making strategy for the proper mixing of marketing mix. It involves high risk and attractive for those who are searching challenge and having a courage to face those challenges. The key to face the challenges is to understand the market, the consumer need and behaviour.

Hence, it is proposed to undertake in this study to assess the various dimension of Indian rural markets. The main aim of this study is to observe the potentiality of Indian Rural Markets and finding out various problems are being faced by rural markets. This paper attempts to look into the challenges and opportunities of Indian rural marketing by adopting SWOT analysis matrix on rural markets.

Keywords: Indian rural market, marketing mix, urban market, SWOT analysis matrix, marketing challenges, marketing opportunities

1. Introduction

In a diverse market like India, Out of the total of 1210.2 million populations in India, the size of rural populations is 833.1 million which constituted 68.84% of total populations as census survey of 2011, the urban-rural divide is quite significant. During 2001-2011 the rural population increased by 90.4 million, and the number of villages increased by 2,279 in between 2001-2011. The majority of world's rural population lives in rural India. According to the 2011 census, 68.84 per cent of the population are scattered in 6, 41, 00 villages in India.

The demand and living pattern of Indian rural habitants are different and varies considerably. The cultural dimensions are also varies. These factors certainly make an impact on the need and behaviour of rural consumers. With its vast size and widespread array of consumers, marketers have been finding it difficult to understand and penetrate into rural areas, and finding difficulties to understand the norms of enter into the rural market. Rural Markets distinct from the other types of markets like stock market, commodity markets or Labour economic sand urban market. The rural market has been defined from various perspectives.

According to Census of India 2011, "Revenue villages with clear surveyed boundaries;, where the density of

population is not more than 400 people per sq. metre, with at least 75% of the male population engaged in agricultural and allied 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 5,000, with 75% of male population engaged in agricultural activities”

FMCG sector identified “Rural” as place with a population less than or equal to 20,000 peoples. FMCG refers to consumer non-durable goods required for daily or frequent use. They move fastly at the sales counter. Normally consumer spends less time and efforts 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.

Rural marketing denotes those business activities that bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of non-agriculture products from rural to urban areas. The important characteristics of Rural Marketing in Indian Economy are being listed below:

*The rural market has been undergoing a considerable change over the last five decades. This is the result of generation of new employment opportunities and new source of income made available through various rural development programmes. The rural markets are by and large less explored, less exploited and largely agriculture orientation. Rural consumers are far less homogenous than that of others and differ from region to region.

*India rural market is vast in size, encompassing 834 million consumers and it is scattered and wide-spread over 6.40 lakh villages, and these villages are not uniform in size.

*The rural consumers purchasing power and per capita being low, clubbed with high sense of savings, low literacy rate, resulting in low standard of living. In addition to this, the traditions, religious pressure, cultural values and deep-rooted superstitious 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 skewed. Thus rural population presents a highly heterogeneous market.

*The purchasing powers of the people in the rural areas mainly depend upon marketable agricultural surplus and rural-urban trade. Increase in marketable surplus of food 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 various schemes /planning on irrigation, flood control, infrastructure development anti-poverty schemes, and fertiliser’s 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. Literature Review

There are many studies carried out in India in connection with rural marketing, which have revealed a major setback of temperamental attitude of underrating a potential source like rural marketing. These studies have thrown light on the rural marketing pros and cons, and its dimensions in various manners.

There are many studies carried out in India in connection with rural marketing, which have Narayan Krishnamurthy (2000)(2009) researched out that by using the regional language, it becomes much easier to increase the penetration in rural areas. Rakesh Singh and Kapil Bhagat (2004-05) explained that the corporate and rural India have entered into collaborative partnership through vertical coordination. Vivek Parikh (2001) pointed out that most of the rural marketers underestimates the verbal power magic of words to enter into the rural market, and again (2008) he added some another dimensions necessary for marketers. Pradeep Kashayap and Siddhartha (2006) elaborated that various aspects of rural marketing like the rural customers, rural marketing research, rural products, pricing, distribution strategies, and the role of media and government initiation contributed in uplifting the rural demand and market. Tarun Narayan (2005), Hansa Yonga (2004, N. Janardhan Rao (2004, and Y. Krishan Mohan Reddy (2006); focussed on challenges faced by the marketers and opportunities available to them. These studies on related problems are useful or indicate the type of difficulties and possible analytical shortcomings and suggest new line of approach to present and study the problem in new context.

3. Need for the Study

Most of us having being learnt paradigms to urban markets with reasonable success, and urban markets are

becoming competitive, perhaps saturated. Thus, Indian rural market has caught the attention of many corporations and marketers. The tempo of development is accelerating in rural India coupled 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. Earlier, the general impression was that the rural markets have potential for agricultural inputs. There is a growing market for consumer goods.

Thus lots of marketers are enthusiastic to enter into rural market. Marketers are looking for opportunities and exploiting them to their best advantage. For this, marketers need to understand the dynamics of rural market. However, rural consumer differs from their urban counterpart on a large number of important attributes, so their buying behaviour is different and that has got important implications for the markets. There has been increasing thrust about how to develop a marketing framework for exploiting marketing opportunities in widely scattered Indian rural market. The marketers must understand the rural culture and treat it on priority, if they want to tap the potential in the upcoming market of India. Rural markets present distinct challenges for marketers who are interested to tap this goldmine, the path to which is paved with thorns. The marketers need to be aware of the challenges that lie in the way and should be adequately equipped with strategies and tactics in order to combat with them. But now, the marketers are considering serious all-out efforts to tap the rural markets, they likely to face some challenges in their rural endeavours. 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 insufficient 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 obtained by interviewing the respondent through structured and unstructured questionnaire, 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 favourable for the same.

Exploratory research gives valuable insight, generates ideas and valuable aspect in more explorative manner. Primary data gives first hand information for specific purposes in hand, whereas secondary data consist of information important to describe and highlight valuable insights in the research. Secondary data have been obtained from the published reports, internet, libraries, journals /magazines, and reports of certain government agencies:

Census of India

National council of applied economic research

National sample survey

District statistical reports

Panchayat office

Central statistical organization

Rural Marketing books/Journals/Magazines

Reserve Bank of India Report

Planning commission Annual/ Five- Year Plan Reports

The respondents have been chosen randomly and requested to grant interviews. The questions have then been asked in a pre-determined sequence. The secondary data have been collected from various books, journals, reports. In order to study the various challenges and opportunities of rural markets, to find out the facts, to analyse the findings and to offer suggestions – a tool, namely, SWOT Analysis Matrix has been adopted. The inputs for this matrix have been collected from past studies of rural marketing, reports published by various institutions etc. With the help of thorough analysis of these data and their interpretation and examination, fruitful conclusion and findings have been formulated at the end of the study.

4.1 Objectives of the Study

Today, the marketers have realized the burgeoning purchasing power, vast size demand base of the once neglected Indian hinterland. It would be totally naïve to think that any firm can easily enter the market and walk away with a sizeable share of it. On the contrary, 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 understanding 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 environment, 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 tapping the potentiality of the rural markets at maximum level. The present study mainly attempts to examine the following issues:

- To examine the current rural marketing scenario,
- To identify rural marketing opportunities,
- To examine the challenges facing the marketers, and
- To suggest effective strategies for marketing in rural areas

5. Presentations and Discussions of Findings

5.1 Analysis of Rural Marketing Scenario

Indian Rural markets are now dominating the urban market in terms of demand and potential. The rural population is nearly three times of the urban market. The rural society 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 consumption trend in rural areas has shown a paradigm 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 68.84% or 833 million people are living in rural areas, consisting over 40% of the Indian middle class, and about half the country's disposable 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 growing rural economy presents a wide range of opportunities to consumer and industrial markets. While rural markets offer big attractions to the marketers, it is not easy to enter into the rural market and take a sizeable share of the market within a short period. This is due to low literacy, low income, seasonable demand and problems with regard to the transportation, communication and distribution. Further, there are different groups based on religion, caste, education, income and age and there is a need to understand the rural markets in terms of buying behaviour, attitudes, beliefs, and aspirations of people. The marketers have to understand these characteristics, and developing an appropriate marketing mix to meet these challenges. Furthermore, corporations with long-term plans and high level of commitment to rural markets will only be successful in the rural market exploration. Marketers require an understanding of the current scenario in which corporations have to operate to deliver products and services, which is given below in the following tables.

Table 1. Growth rate of population (in %)

	1991-2001	2001-2011	Difference
Overall	21.5	17.6	-3.9
Rural	18.1	12.1	-5.9

Source: Census of India 2011.

The overall decline in the growth rate at national level is -3.9%, whereas at rural levels, it's -5.9%, which is more than the national level. The showing down of the overall growth rate of population is due to the sharp decline in the growth rate in rural. The growth rate of population in rural areas of EAG states is nearly three times that in the rural areas in non-EAG states. It is for the first time that significant fall of growth rate is seen in the rural areas of EAG states. The difference between EAG state and Non-EAG and growth rate of population in between these states need to be understand by the marketers for making rural marketing strategies.

Table 2. Numbers of rural villages/units

Census 2001	6,38,588
Census 2011	6,40,867

Source: Census of India 2011.

Out of the total of 1210.2 million populations in India, the size of rural populations is 833.1 million which constituted 68.84% of total populations as census survey of 2011. During 2001-2011 the rural population increased by 90.4 million, and the number of villages increased by 2,279 in between 2001-2011. And in accordance with the population survey 2001, the country had a total population of 1027million. Out of which, the rural population were constituted about 72% of the population. The proportion of the rural population went down from onwards 1951, in 1951 the rural population constituted 82.60% and then in 1961, about 82.00%. Afterwards in 1971 the rural populations constituted 80.10% and in 1981 constituted 76%, whereas in 1991 the rural population constituted about 74.30 % of the total population. The size of rural population decade wise went down from 1951 to 2011 and the proportion of the urban population went on increasing decade wise. The vast size rural population is showing the increasing demand of consumable and non-consumable goods, and this trend encourage the marketers to enter into the rural market.

Table 3. Population in India

Year	Total Population (In Millions)	Urban	Rural	Rural (%)
1991	836	215	621	74.3
2001	1027	285	742	72.2
2011	1210	377	833	68.84

Source: Census of India 2011/2001 (Total Population: In Millions, Urban /Rural Population: In Millions).

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 68.84% of the total population as per census of India 2011, it means 833 million populations resides in rural areas and 377 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 expected to grow from 59 million to 65 million. Size of rural market is estimated to be 52 million households and rural market has been growing at five times the pace of the urban market. The rural population is nearly three times of urban population. The following table gives a glimpse over the increasing needs of the rural customers and demands of rural customers in a variety of manner.

Table 4. Rural literacy rate 2011

Residence	2001	2011	Change
Persons	58.74	68.91	+10.17
Male	70.70	78.31	+7.87
Female	46.13	58.75	+12.63

Source: Census of India 2011.

The pace of literacy rate in female is perceptibly higher in rural areas; it has increased 46.1% in 2001 to 58.75% in 2011. An improvement in female literacy rate is more than male in rural areas according to census of 2011. The gender gap in literacy has come down from 24.6 % in 2001 to 19.8 % in 2011 in rural areas. The rural literacy rate rose from 24% in 1971 to 59% in 2001. Of course, the Indian government initiated the various programs in five year plan, but still there are variations in the literacy rates in India amongst different states. And literacy rates also rose to 68.91% in 2011 from 58% in 2001. The government enacted the 86th constitutional amendment and added a new article 21A in which Right to Education stated as a fundamental right. The government in duration started the various types of programs and providing financial assistance to the various states government for upgradation of education. However, the rural population's awareness also becomes a powerful tool in this regard.

There is a need to provide facilities and make the females education compulsory in all the states, so that they can play greater roles in the development of the family and the society. Regarding education levels, about 29% of the rural population has studied up to primary school, 31% up to middle school, 21% up to matriculation, 16% are matriculates and only 3% of the people have graduate and postgraduate qualifications. If looking up the education promotion at different levels, the situations seems to be meagre, and the scenario seems to change a bit little more since 2001 onwards. Due to the low literacy rate, the demand of the goods is generally low in the rural

areas. However, change is taking place in villages nearby towns and semi-urban areas due to increase in education facilities. Increasing literacy rate is one of the important factors in creating awareness about consumer and non-consumer goods and also contributes in changing the life styles of rural people, which is a major aspect for marketing awareness.

Table 5. Estimates of income

Details	Rural	Urban	All India
No. of Earner	1.34	1.43	1.40
Income	51,922	95,827	65,041
Per capita Income	1,0227	19,935	13,018
Poverty Ratio	21.7	18.7	20.8

Table 6. Income distribution across population (population in millions)

Annual Income Size	Urban	Rural
>1,000K	11	4
500 to 1,000 K	18	10
300K to 500 K	51	22
150 K to 300K	119	111
75K to 150 K	84	239
>75 K	49	428

Source: Marketing White Book 2010.

Income levels are varying across rural and urban areas and across occupational groups. As Table 5 provides the information that the number of earning members in urban households is higher than in the rural areas. The average households annual Income in India on recent terms having Rs. 65,041 and on rural counterpart having Rs.51,922 which is comparatively lower than the urban counterpart. The per capita income of rural households is about half of the urban households. The poverty ratio is much higher in rural areas as compared to urban areas. Table 6 shows a pyramid of different income levels. As the lowest income bracket shows less than 75,000 per annum consisting of 428 million people in the rural areas and 49 million people in the urban areas. Mainly two observations emerged out of these data; firstly, rural population are also spread across different income categories like their urban counterpart, and secondly, excepting the lowest two categories, the size of the rural population is less than the urban areas. The majority of the households in rural areas belongs to the low income range, the percentages of low-income group is more in rural areas.

This makes a big difference for the marketers to adopt different approaches of marketing in rural areas and urban areas. It is predicted that the lowest income class might shrink by more than 60 percentages and the higher income group almost double by 2015-16. The income of the lower middle class goes on increasing and thus it offers the great opportunities for the marketers to penetrate into the rural market by keeping in mind the income factor. There is a huge disparity in rural areas, as the top household income is seven times that of the bottom profile. The 14% belonging to the top income rural households have the highest (40%) contribution to the total rural income, whereas the contribution is least (8%) for one-fourth households in the bottom income rural households. The top income household translates to 217 million rural consumers, contributor more than 60% of the rural income.

Table 7. Occupational pattern of rural

Sources	Rural Population (%)
Agriculture	60.29
Agriculture wager	17.11
Business and craft	7.20
Non-Agriculture Wager	6.40
Salaries	3.00
Current Transfer	2.50
Others	4.50

Source: NSSO.

Its primary activities – agriculture, animal husbandry, fisheries, forestry and artisan etc—account for half of the national income. Table 7 shows that the self-employed in agriculture, followed by the labourers, comprises the largest group in rural areas, accounting for 78% of the population. In other words, they are the average rural households. . It means about 60% of the rural population own or lease land to cultivate it for their livelihood. Another 18% are dependent on these cultivators for jobs as agricultural labours. The remaining 22 percent of the population are non-agricultural labourers engaged in poultry, forestry, fishing, hunting and plantation, services and others. This implication of this type of occupational pattern is that the income generation in rural areas entirely depends upon how the land is used, what crops are cultivated, how much is marketed, how much is consumed, and the marketing arrangements for the production. As observed from the table, that 77% of the income generation in rural areas is from agriculture and agriculture -related activities. And the rural income is mostly depended on the monsoon/rains, if the rainfall is adequate and weather conditions are favourable, rural people will prosper and it found out a great impact on the crops production in most of the states in India.

Nearly forty percentages of the rural households do not possess any land while thirty percentages own 0.1 to 2 acres of land. The average size of households as well as the per capita income is positively related to land holdings. The average size of households and per capita income of the landless is 4.68 per person and Rs. 8409. In case of large –size holders, the figures are 6.42 and Rs. 19,666 respectively.

Evidently, rural prosperity and the discretionary income with the rural consumer are directly tied up with the agricultural prosperity, which directly results in increased income for the rural people and a consequent increase in their capacity to spend. The dominancy of agriculture in the income pattern has one more dimensions; rural income and therefore rural demand are relatively more seasonal. India is now moving towards a dramatic shift on prosperity in rural households. This dimension is also important for the marketers to study from challenge perspective as well as from opportunity perspective.

It can be observed that 70 % of the holdings account for about 25% of the total land cultivated, while the balance 30% of the holdings accounts for 75% of land. Since the land distribution is uneven, the income distribution is also uneven. Which means the rural areas consist mainly of a large number of small consumers or families in lower income groups compared to the number of families with higher income? From the marketing point of view, it is important for marketing of seeds, fertilisers, and pesticides and others good and products, as the demand is there irrespective of the size of holding.

Table 8. Land utilisation pattern 2001-2010

Particulars	Area	Percent
1.Total Geographical Area	329	---
2. Total Reporting Area	305	100
3.Barren Land	41	13
4.Area Under Forests	68	2
5.Permament Pastures and Grazing	12	4
6, Cultivable waste Land	19	6
7. Fallow Lands	23	8
8. Net Sown Area	142	46
9. Area sown more than once	43	14
10. Total Cropped Area	185	60

Source: Indian Agriculture. Ministry of Agriculture (Area in terms of Hectares)

Out of the total land area of 305 million hectares, Net area sown is only 142 million hectares i.e., 46 percent of the total land area, net sown includes the total area sown with crops and orchard, counting area sown more than once in the same year, only once. Area has sown more than once represents the areas on which crops are cultivated more than once during agricultural year. Nearly 70 percent of the area under cultivation is for food crops, and only 30 percent is for non-food crops. The gross cultivated area is 185 million hectares. It is estimated that nearly half of the food crops production is retained for home consumption, whereas in the case non-food crops, the entire produce is marketed. This has an implication on generation of disposable income for rural household. These data in the table present a scenario for marketers for making a strategy in this respect.

Table 9. Electrification of villages

Total Inhabited Villages as per Census 2011	Villages that Received Electricity as on 31/03/2011	Villages without Electricity as on 3/03/2011
6,40,268	5,39,163	1,01,105

Source: Department of Power Annual Report. Government of India.

Rural electrification has gone on in a big way. The main aim is to provide electricity for agricultural operations and for rural and cottage industries, in addition to lighting. The central government created an organization called 'Rural Electrification Corporation' with the sole objective of financing the rural electrification projects. Due to these efforts, which accounts for a coverage of nearly 85 per cent of the villages? Probably by the end of 12th five year plan almost all the villages would have got electricity. While the new electricity act 2003 and the Prime Ministers Rural electricity Supply Technology mission, the whole face of rural area can change in the coming years. This apart, the electricity tariff charged in rural areas is very low, Compared to urban areas. In some states like Tamil Nadu, Andhra Pradesh, Punjab and Karnataka the supply of electricity is almost free for agricultural purposes. In certain other states, a fixed charge is levied, which is irrespective of the quantum of consumption. These factors have increased the demand for electric motors and pump sets and also for other electrically operated agricultural machinery like threshers and winnowers. Rural India has achieved almost universal electrification (over 95% electrified villages by 2010): however the proportion of electrified households in rural areas is still 60% (IRS, 2008). The quality of power supply has remained poor in villages as power outages and erratic supply are common. The proportion of rural households with access to electricity increased from 48% in 1999-2000 to 70% in 2010 (IRS, 2010).

Table 10. Rural tele-density/subscriber base

Parameter	2002	2011
Rural Tele-density	1.2	26.4
Rural Subscriber Base in Millions	-	219
Rural Development	344	1903

Source: Economy Survey 2010-2011 TRAI Report.

Rural telephony has been a dramatic transformation with the opening of the telecom sector, which has witnessed a 26-fold growth in teledensity in the last eight years, as shown in the Table 10. There are 219 million rural users in 2011. Today, India is the fastest growing telecommunication industry in the world with more than 671 million subscribers and 57% overall teledensity. Between 2006 and 2010, rural India outpaced urban India in mobile growth as the rural subscription base grew seven times as against the urban growth, which grew three times. The focus is now on achieving the target set by the government; 40% rural teledensity by 2014 and expanding broadband coverage in rural areas.

5.2 Rural Market Opportunities

The Indian growth story is now spreading itself to India's hinterland, not just witnessing an increase in its income but also in consumption and production. The economy is vibrant, income is rising, and the habits, tastes, preferences, and attitudes are changing rapidly. Nowhere these changes are evident in the rural areas. The rural market has grip of strong country's shops, which affect the sale of various products and services in the rural market. The companies are trying to trigger growth in rural areas. The low rate finance availability has also increased the affordability of purchasing the costly products by the rural people. Although with the substantial upgradation in purchasing power, increased brand consciousness pattern and rapid spread of communication network, rural India offers a plethora of opportunities, all waiting to be harnessed, the marketers lack of in-depth knowledge of the villages psyche, strong distribution channels and awareness that are indeed the fundamentals for making a dent into the rural markets. India's rural market offers a huge potential for the marketers and seems to be the replacement of urban market. The rural market is extremely attractive with its vast demand base and offers the following opportunities

Table 11. Estimated annual size of the rural market

FMCG	Rs. 75,000 Cr.
Durables	Rs. 65,000 Cr.
Agro-Inputs	Rs. 55,000 Cr.
Two-Four Wheelers	Rs. 10,000 Cr.

The rural market is now acknowledge viable market that has captured the attention of marketers, it already accounts for 56% of India's total income, 64% of expenditure and 33% of savings. Infrastructure is also developing fast, leading to the better connectivity by road (67% villages are connected by all-weather roads), by phone (30% tele-density in rural areas), and access to mass media through television. Increased electrification of households (60%) has opened up the rural market for durables. All these factors have increased the purchasing power and the demand base for and access to new goods and brands, as seen over the past decade.

The future of the rural India looks brighter. Future predictions of income are very positive, suggesting that the present income will change as the proportion of the poor earning less than USD 1 per day drastically shrinks over the next decade to almost half. The majority of the rural population will be earning between USD1 to 5 per day, and the proportion with the incomes of over USD 5 per day will increase three-fold. Rural India is fastly moving from poverty to prosperity. The rural population earning more than USD 5 per day per capita income holds great promise for the marketers. Rural income constitutes around 56% shares of the total income in India. The per capita in rural India has increased from INR 4860 in 1994-95 to INR 15,173 in 2010. The middle class grew six fold in this decade and expected to grow from 32 million in 2005 to 208 million in 2025. Income growth per households is expected to accelerate from the current 2.8 percent to 3.6 percent by 2025.

Good monsoons and two-fold increase in the support price of food grains in the last decade have contributed to improving agriculture prosperity as well as to a INR 720 billion loan waiver, which benefitted 40 to 45 millions farmers. A major shift to cash crops will increase the income from agriculture. The continuing increase in prosperity leads to increase in the demand of consumer and non-consumer goods in rural areas. An increasing labour force participation in non-farming activities has led to more income earning opportunities, and this trend is likely to grow in future, which further promote the marketers to enter into the rural market.

An increasing number of people have given up farming (declined from 63% to 50% during 2000-2010) on account of land fragmentation, declining profitability, and increasing nuclearization of families. India is no longer an agrarian economy. There is an increasing incidence of supplementary occupation-an occupation pursued either in addition of primary occupation, or on seasonal basis to augment income. Thirty percent of rural households have a supplementary occupation. Out of these, 56% have been stated as self-employment in agriculture as their supplementary occupation.

Over the next decade, it is expected that the rural infrastructure will improve drastically, with approximately 100% road connectivity, electrified villages, literacy, television households, 80% pucca households and 50% mobile penetration. The government has spent INR 480 billion in the year 2010-2011 Bharat Nirman Programmes, leading to rapid infrastructure development, and 53 percent increase from 2009-2010.

The government has the target to create 10 million hectares of additional potential, to provide all-weather connectivity to all habitants with over a 1,000 population, to provide electricity to 1,25,000 villages and to construct six million houses in rural areas, and to connect telephonically all habitants. The infrastructure development attracts the marketers in rural areas.

The rural enterprises, especially non-farming has doubled 25 million between 1990-2025, absorbing an 20 million workforce largely in services like trading and transportation, and social services, which have emerged as rapidly grow in sectors in rural areas. Out of the total of 41.8 million enterprises in the country, 25.5 million (61%) are located in the rural areas. These are the driving force of demand base for the rural people.

Rural markets are also very viable targets for marketers as a young population; rising income and low penetration of many consumer durables imply that they are a strong source of demand. Moreover, the consumption pattern in rural areas is witnessing a shift from necessities to discretionary products. The survey has revealed that about one in every two rural households now has a mobile phone and around 42 per cent of rural households owned a television in 2009-10, up from 26 per cent in 2004-05.

Internet and mobile revolution has given rural India a complete makeover. Rural areas offer a great potential for growth in internet usage with the number of claimed internet users in these spaces to be reached at 45 million by December 2012, according to the recent IMRB survey, conducted jointly with the Internet and Mobile

Association of India (IMAI)... Economy models and lower prices of mobile phones have facilitated the penetration of mobile devices in rural India. The penetration of the computer literates among the rural population is 8.4 per cent while the penetration of claimed internet users has grown from 2.68 per cent in 2010 to 4.6 per cent in 2012. The penetration of active internet users has enhanced from 2.13 per cent in 2010 to 3.7 per cent in 2012.

Rural market offers significant growth potential. Growing adaptability to innovative products is increasing in the minds of rural customers. The following points important to notice in this respect:

- The major Indian consumer base present in rural areas, the FMCG sales have grown at 6-7 percent over the last couple of years, and rural markets contribute about 40-50 percent of revenue, which is very impressive. The demand for the personal care products grew faster in rural areas than urban areas. Most of the FMCG corporations have increased their hiring in rural India in order to establish a rural contact and increase visibility. The rural market will be a key growth driver for FMCG majors planning to expand their domestic business. It is estimated that more than two-thirds of the next generation youth will come from rural India.
- The rural retail market is currently estimated at US \$ 112 billion, or around 40% of the US\$ 280 billion Indian retail market. There has been a greater shift from purchasing nearby towns towards purchasing locally. This phenomenon has important implications for the rural marketers. The marketers can reach the rural customers by effectively utilizing the rural retail system.
- The rural market volume is an indication of the market attractiveness and this is influenced by the market size and also the market profile. The large base of population and increasing income make the rural market an attractive proposition for marketers. The market volume is captured by the consumption expenditure.

5.3 Challenges of Rural Market in India

The rural market offers a vast untapped potential, it should be recognised that it is not easy to operate in the market, because of several attendant challenges. Rural market remains untapped because of mainly three challenges:-distance, diversity, and dispersion. As much as Rural India presents a great opportunity, there are still many challenges that have to be overcome. Dispersed 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 dealing with physical distribution, logistics, proper and effective deployment of sales force and effective marketing communication when they enter into the rural segments.

- 1) The large population base and number of households indicates a widely spread out market and it is a challenge for the marketer to service this dispersed 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 1000 to 5000 persons. These types of distribution of population warrants appropriate 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 apart, the distribution of income is highly skewed, since the landholding pattern, which is basic asset, is itself skewed. 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 facilities in rural areas. Nearly half of the villages in the country do not have all-weather roads. Therefore reaching these villages is very physically taxing. Hence, distribution efforts put up by the marketers prove to be expensive 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, fatalistic, 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 breakthroughs.
- 5) There are vast variations in the levels of literacy amongst rural people. Around two-fifth of the rural population is illiterate and only one-fifth holds a matriculate or higher degree. Also, literacy levels vary hugely among different states. These variations pose a challenge to easy and clear comprehension of the message by all sets of rural audience. 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 development.

6) The distribution of products continues to pose an immense challenge to marketers because reaching of 7.8 million retail outlets spread across 6,40,000 villages and feeding a retail network of villages shops is a distribution nightmare. The challenges for the suppliers is the small size of each villages with low throughput per outlet, coupled with the high cost of distribution since these villages are some distance away from distributors. These factors make high quality distribution unviable. The distribution of any product in the rural areas; agricultural inputs, consumables or durables, should necessarily follow a seasonable pattern. The demand pattern in the rural areas is seasonable. The distributions in the rural areas are frequent and not uniform throughout the year.

The rural market in India is undergoing a massive change. These changes have resulted in shifting the marketable battlefields from urban to rural. Most of the companies treat rural market as a dumping ground for the lower end products designed for urban audience. But, this scenario is slowly changing and importance is given to the need of the rural customer. Considering the emerging issues and challenges, government support is necessary for the development of marketing. The government may adjust suitable budget allocations to rural infrastructure plans, and proper supervision for effective plan implementations. Marketers should understand these challenges and then making strategies in the light of these challenges to face them and to tap the rural Indian market and importance is given to the need of the rural customer. Considering the emerging issues and challenges, government support is necessary for the development of marketing. The government may adjust suitable budget allocations to rural infrastructure plans, and proper supervision for effective plan implementations. Marketers should understand these challenges and then making strategies in the light of these challenges to face them and to tap the rural Indian market.

6. SWOT Analysis Matrix of Indian Rural Markets

A SWOT analysis matrix has been developed to interpret the challenges and opportunities of rural markets. SWOT analysis matrix contains Strengths, Weaknesses, Opportunities and Threats of Rural Markets. After defining SWOTs of rural markets, Opportunities are compared against Strengths and then Weaknesses to draw SO and WO Strategies. Threats are also compared against Strengths and then Weaknesses to draw ST and WT Strategies. These strategies help out the marketers to tap the rural market, and to combat the threats, and grabbing the opportunities available in rural India. The marketers has to develop a culture like that which calculate these forces comes in the way of rural marketing , and suggest the ways to overcome by forming appropriate strategies on timely manner. The SWOT Matrix has been prepared in this respect for analysing the rural market depicts in Table 12.

Table 12. SWOT analysis matrix of Indian rural market

Internal Factors	Strengths' (S)	Weaknesses(W)
	S1: Large Indian Rural Population S2: Good Government Support S3: Availability of Products, Raw Material	W1: Lack of good Infrastructure W2: Lack of physical distribution network W3: Low consumption level W4: Less Research and Development activities
External Factors	Opportunities	SO Strategies
	O1: Growing Income Levels of Rural Consumers O2: Growing Literacy Levels O3: Growing quality Consciousness O4: Changing Socio-Economic Scenario	1. Customization of Products according to rural consumer demographics.(S1,S3.,O1,O4) 2. Strengthening of supply chain system with government support and infrastructure.(S2,O5) 3. Launching of Branded Products in rural markets due to increasing literacy rate and brand awareness.(S3,O2,O3)
	Threats(T)	ST Strategies
	T1:Increasing Grey Market T2:Growing Competition T3: Less Knowledge levels on Product Identification	1. Educate rural consumers on Product quality and usage(S1,S3,T2,T3) 2. Implementation and Amendment of laws /rules/regulations to control the Grey Market(S2,T1) 3. Product Awareness using rural media(T2)

Source: Based on survey/respondents feedback

7. Development of Strategies

The firms operating in rural markets have to perceive and weigh the opportunities as well threats that exist in this highly heterogeneous and unpredictable market. The large number of geographically dispersed villages presents a major challenge to the marketer in reaching to rural consumer and this requires exploring innovative ways to reach products and services. Occupation and the income stream have major implications for segmentation and targeting rural marketing effort. In addition to offering appropriate price and package size, the channels to deliver the price and products are influenced by both occupation and income. The majority of consumers with limited income suggest a large market for essential product and a value for money propositions. The marketers need to examine the potential of rural market for a separate market offerings and developing the strategies for marketing mix in rural markets on the basis of three important mix:- Product, Pricing, distribution, and promotional strategies:

- 1) For evolving product strategies, the marketers should think in terms of low unit price and low volume packing's which convey a perception of sturdiness and utility in the minds of rural consumers. Whenever necessary, redesigning of the product can also be thought of depending on the customs, traditions, taboos and habits, of rural customers. In addition, a brand name or logo or symbol, which conveys the purpose, utility and quality of the product, is essential for the rural customer to identify the product with. Marketers should understand the psyche and needs of the rural customers and then produce accordingly.
- 2) Pricing strategies are closely linked to the product strategies. The product packaging and presentation also offer scope for keeping the price low to suit the rural purchasing power. The marketers aim to reduce the value of the product to an affordable level, so that a larger segment of the population can purchase it, thus expanding the market. This is the most common strategies widely adopted by the marketers to enter into the rural market.
- 3) For formulation of distribution strategies in rural areas, it is necessary to keep in mind; the characteristics of the product, consumable and non-consumable, and life cycle and other factors relating to distribution. Marketers should examine carefully the market potential of different villages and target the villages that can be served in a financially viable manner through an organized distribution effort. The marketers may distribute the products through Co-operatives societies and by utilising the services of Public distribution system, utilizing of multi-purpose distribution centres by Petroleum /Oil companies, distribution up to the feeder markets/mandi towns, haats/melas, and agriculture input dealers.
- 4) The promotional measure or strategies chosen should be cost effective, while consumable products may warrant the use of mass media since the target consumers are sizable, durable products will require personal selling efforts because of smaller size of target. The fewer rural population has access to a vernacular newspaper and size of rural population is illiterate and put up the limitation on print media. The audio visuals must be planned by the marketers for promotional purposes. The traditional forms of promotional measure should be used in promotional strategies.

8. Conclusions

Indian Rural Market play a pivotal role as it provides great opportunities to the corporations to stretch their reach to nearly seventy percent of population. Rural market also benefits the rural economy by providing infrastructure facilities, uplifting the standard, and quality of life of the people resides in rural area. Though the rural market has become a favourite destination for every marketers but it's important to realize that it has lot of challenges and risk, therefore corporations should assess the obstructions as vigilantly as possible. A thorough understanding of rural markets and systematic move towards are necessary to penetrate rural market. In order to develop marketing strategies and action plans, the corporations need to taken into account the complex factors that influence the rural consumers buying behaviour. The rural market is developed by rising purchasing power, changing consumption pattern, increased access to information and communication technology, improving infrastructure and increased government initiatives to boost the rural economy. The marketers tune to their strategies in accordance to the rural consumer in the coming years. In spite of all complexities involved in the rural marketing, the rural scene of rural environment is changing steadily in India. The biggest challenge today is to develop a scalable model of influencing the rural customer mind over a large period of time and keep it going. Traditional urban marketing strategies will have to be localized as per the demands of the rural markets. It has to reach out to rural consumers and relate to them at an appropriate level, so that it can bring about the desired behavioural change. Government support is necessary for the development of rural market in India to face the emerging issues and challenges in the core areas like; transportation, communication, roads, and credit institutions, crop insurance for better utilization of land and water management. The future no doubt lies in the rural market. In conclusion, the rural markets are enticing and marketing to rural consumers is exciting. However, a clear understanding or the rural consumers and their current and future expectations are the major part of strategies to tap the rural market nowadays.

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