

Definitional Issues of Rural and Rural Market Environment

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The structure of the paper consists of three parts.

- (a) The need for definition.
- (b) The environmental changes.
- (c) The major issues and suggestions to resolve them.

1.1 (a) The Need for Definition:

The Annual Report (2005-06) of the Indian Council of Agricultural Research (ICAR), New Delhi¹ envisages a perfect agricultural scenario in India in 2030. The target of research of ICAR is :

- Adequate food grains production
- Assumed good quality seeds
- Optimized water management
- Remunerative horticultural and plantation crops
- Thriving fisheries sector
- Appropriate food processing infrastructure
- Sensitive extension system and
- Effective marketing facilities
- Flourishing livestock and poultry farming to supplement farmers' income

It is expected that all these efforts will bring a qualitative change in rural India. Agriculture is the livelihood security of the rural masses. When they flourish their purchasing power will increase and they will need many types of goods and services which are presently available in urban sectors. A potential market is being created. ICAR inform us about 2030; what is happening at present?

1.2 The leading business magazine Business World has published 'The Marketing White Book 2007-2008' (December 2007).² There is a special chapter on 'The Rural Consumer' on the basis of 'MGI India Consumer Demand Model' they have quoted the aggregate rural consumption as given in table I. The table is self-explanatory. Prof. C .K .Pralhad (2006) is also convinced about the emerging purchasing power in the rural areas.³

Table 1: Aggregate Rural Consumption (In Rs. `000 Crores)

1985	1995	2005 (Estimates)	2015 (Projected)	2025 (Projected)
449	609	968	1670	2648
Compound Annual Growth Rate 3.9%			Compound Annual Growth Rate 5.1%	

Source: The Marketing White Book (2007-08) Businessworld Dec 2007

1.3 Before examining the rural scenario, it is imperative to discuss the following points;

- (i) Is it necessary to define 'Rural'?

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(ii) If yes, why?

(iii) What parameters should be considered while framing the definition?

It is necessary to define 'Rural'. This is needed because of the following reasons.

- The consumer behaviour is different because of the environmental situations-social, economic and cultural.
- The consumption centers are away from the production centers. The physical distribution of the products has distinct features which are different from urban distribution.
- Rural Sales Management will have many different dimensions as compared to urban sales management.
- There are many products (especially agricultural inputs like seeds, fertilizers, pesticides, tractors, farm equipments and irrigation products) which have a predominant rural market because of product characteristics.
- Products like khadi cloth, handicrafts and honey are produced in rural areas and sold in urban centers.
- Milk and milk products are such products which are produced and also consumed to an extent in rural areas.

1.4 Prof. Velayudhan has done pioneering work in this area. As early as 1993, at XLRI he had launched the first Management Development Programme on 'Rural Marketing'. In his book on Rural Marketing (2002) Prof. Velayudhan has raised many issues which are of utmost importance.⁴

The first author of this paper has worked as distributor for agricultural inputs in the rural areas of the state of Madhya Pradesh for about twenty years. He has also worked as a researcher in this area of rural marketing in the State of Maharashtra for another twenty years. His experience also suggests the need for defining 'Rural Markets' because of similar reasons stated in (1.3) above.

1.5 The current acceptable definitions are those given in the census of India 2001. It defines 'Rural' as any habitation with a population density of less than four hundred per sq.km. where at least seventy five percent of the male working population is engaged in agriculture and where there is no Municipality or Board.

Most companies in the fast moving consumer goods sector define 'Rural' as a place where population is upto twenty thousand persons. Most durable and agri-input companies would consider any town with a population below fifty thousand as 'Rural' (Pradeep Kashyap & Siddharth Raut – The Rural Marketing Book : 2006)⁵

With the census definition as above, the 2001 census informs us of Rural Population of 743 million in the total population of India of 1029 million (2001). Thus 72.2% of the Indian population is in the rural areas.

1.6 Prof. Sanal Kumar Velayudhan (2002)⁴ has quoted M.Jha(1999)⁶ about the possible flows in rural and urban locations. Prof. L.K. Vaswani, Rajesh Ajthal, Debasis Pradhan & G. Sridhar (2005)⁷ have further explained this model for Rural Marketing in Development paradigm. They have analysed the marketing and development linkages after going through a plethora of literature available on the subject. They have attempted to redefine the domain of marketing. This gives rise to a much broader range of exchange relationships between rural and urban as well as within the rural markets. They have given the Rural Buyer-Seller (Producer) Matrix as given in figure I.

Rural B U Y E R Urban	I RS-RB Intra-Rural (All Products)	II US-RB Consumer Goods / Services Agro Inputs
	III RS-UB Farm & Non-Farm Products	IV US-UB Intra-Urban (All Products)

Fig. 1. Rural Buyer-Seller (Producer) Matrix

This highlights the need to understand all the exchange relationships described in I, II and III as in fig. I . This will also move the definition beyond the popular belief that ‘Rural Marketing’ is only marketing to the rural areas.

In fig. I seller is in the rural area and consumer may be in the rural area (I) as well as in the urban areas (III)

Prof. Prahalad’s (2006)³ philosophy is based on increasing the purchasing power in the rural areas. In the preface of his book ‘The Fortune at the bottom of the Pyramid’ he says, ‘The poor must become active, informed and involved consumers. Poverty reduction can result from co-creating a market around the needs of the poor.

1.7 When we start examining the parameters for the definition, we primarily focus on three aspects. (i) Population (ii) population density (iii) purchasing power. From the distribution point of view these are the important aspects. Thereafter the other demographic aspects like age, gender and size of the land holdings should be considered.

Table 2 gives the population related break-up of the rural areas as given in the 2001 census. This provides very useful information to the marketer. More than sixty percent of the villages are having a population of less than one thousand. How many of them have retail outlets? Which are the haats (the rural weekly markets) that are nearer to them? Where do the people purchase their requirements of various products that they need? These are some of the questions that will have to be answered by the marketers who want to concentrate on ‘Rural Markets’.

Table 2: Village Classification by Population Size

Sr. No.	Population	Numbers of Villages	Percent
1.	Less than 200	92,541	15.6
2.	201-500	1,27,054	21.4
3.	501-1000	1,44,817	24.4
4.	1001-2000	1,29,662	21.9
5.	2001-5000	80,313	13.5
6.	5000 and above	18,758	3.2
	Total	5,93,145	100.0

Source: Census of India 2001

1.8 The purchasing power existing in these rural markets is the next important aspect. The latest available estimates (2005)are given in table 3. Dr. Dogra and Ghuman (2008) have also discussed the concept in detail⁸.

1.9 Towards the end of this part I – The need for definition – final statement will be

- (i) Definition is definitely needed.
- (ii) It will serve the purpose of (a) clarity for the marketer about the target consumers (b) for the administrators and policy makers for the decisions regarding the help and subsidies being offered to the rural sector and under privileged people of the society and (c) when we discuss the rural producers and urban buyers, it will be easier to identify the product requirements of the buyers.
- (iii) Parameters will consist of population, density of population, Income levels, gender and age groupings, size of the landholdings (Specially for agri-input marketers) the number of households and literacy levels.

Information about the infrastructural facilities like electricity, transportation, communication banking facilities, warehousing and storage available, availability of skilled and unskilled workforce and the available technologies in those specific geographical areas, will be required.

The issues related to the rural market environment are discussed in the next part.

Table 3: Rural Population (790 millions) by Income Class

Income Level of Rural Households	% Share of Population
Less than 90,000	65
90,000 to 2 lakhs	32
2 lakhs to 5 lakhs and 5 to 10 lakhs and above	03

Estimates for 2005. (As given by McKinsey Global Institute (MGI) India and quoted in 'The Marketing White Book (2007-08)

(b) The Environmental Changes

2.1 These are discussed with the following dimensions.

i) Demographic ii) Physical (iii) Historical (iv) Economic (v) Social, Cultural and Political (vi) Technological

2.2 (i) Demographic environment is discussed in part (a) above to some extent. From the point of view of marketing the age and gender group given in 2001 census for the rural area is shown in table 4.

Table 4: Age-wise Distribution of Population in Rural Areas in 2001

In Millions (% in brackets)

Age	Males	Females
Children (0-14)	144 (37.6)	132 (36.7)
Youth (15-29)	97 (25.5)	92 (25.5)
Thirty Plus (30-44)	71 (18.6)	68 (18.9)
Middle Aged (45-59)	40 (10.6)	38 (10.6)
Senior Citizen (60-74)	23 (6.0)	24 (6.5)
Aged 75 Plus	6 (1.7)	6 (1.7)
Total	381	360

Source: Statistical Out Line of India (2006-07) Tata Services Ltd. (2007)

The analysis of such information helps the marketers not only for the current planning but for future perspective also for example population between the age group (15 to 44) is about 44%. This is the spending class. In the rural area, it is a fact that we find child labour. Thus, even taking into account the rural unemployment, almost more than forty percent purchasing power for the present and the future will come from this group. The purchasing power of the there people is discussed in the economic environment.

The literacy level in rural areas in 2001 was 59%. In 1991 it was 45%. Along with literacy levels, levels of education have also increased. The thinking perspective changes with the level of education. The social status also goes to a higher elevation. Literacy and education will have its impact on the promotional mix of the marketers. The types of products related to learning like books, exercise books, pens etc will be in greater demand. The demand for newspapers has increased. The readership has increased.

The number of rural households in 2001 was 138 millions. In 1991 the number was 112. The rate of increase continues in a similar manner (Census of India).

With increasing incomes the types of houses are also changing (from 'kuchcha' to pucca' houses) The construction industry materials-steel, cement & paints marketers are getting a larger number of consumers in the rural segment now than it was about five years back. The changes in occupational patterns are also bringing changes in the rural consumer profile.

2.3 The Physical Environment is characterized by the dwellings and clusters. The number of villages below five hundred population have decreased by about five percent (during 1991-2001). As per census 2001, villages in 2000 plus category account for about fifty percent of the rural population and sixty percent of rural incomes. The marketers would like to target these consumers in the first stage.

2.4 The Historical Environment is the traditional environment. Traditionally, in the Indian rural environment the spending patterns are mostly to spend on essential necessities. Even the rural rich will think twice before spending on the items which they consider as not necessary. This environment is now changing as the farmers are coming in closer contacts with urban areas. It has started in the states of Punjab & Haryana and slowly moving to other states.

2.5 The Economic Environment : This is partially discussed in Part (a)

Mr. Laveesh Bhandari (2007) has given some interesting analysis of NSSO data (released recently) in the Indian Express newspaper of 4th May 2007⁹. According to this analysis the percentage growth in per capita monthly expenditures has been higher in rural areas than in the urban areas. (2004-2005) Another point which needs to be considered is that food items used to account for about three-fourths and two-thirds of the household expenditure budget in rural and urban areas respectively in 1972-73. That has fallen dramatically by 18 and 12 percentage points to 55 percent 53 percent respectively. This extra amount is now going to feed the other desires of the households-manufactured items as well as services. This is an indicator to the marketers. In the recent information tabled in the Parliament (2007)¹⁰, It was stated that the people below the poverty line are now reduced from thirty percent to twenty eight percent (2006-07). This indicates the economic conditions and consequently the purchasing power of a larger number of populations is increasing and the disposable income is also increasing.

2.6 Social, Cultural and Political Environment :

The urban societies in India are now mostly homogeneous. When we travel in the country, it is noticed that in the urban markets, many commonalities exist. Same brands and similar services are available. In the rural segments there are still variations from state to state. The caste system still prevails in many parts. In market mapping, socio-cultural regions need to be mapped. Consumer behaviour in similar socio-cultural regions is likely to be similar. The political leadership prevalent in the rural areas, especially the Grampanchayats and the 'Panch' and 'Sarpanch' are most likely to be the opinion leaders. For many types of purchases with special reference to agricultural inputs – the 'Mukhiya's' opinion may be the final word.

If there are members of Parliament and State legislators who are dominant in the ruling party or who are holding the positions at the ministry level, they bring many government schemes to the village in their areas. The economy of those rural areas gets a boost. In a democracy, this is perhaps, inevitable. Marketers also will have to take a note of this.

2.7 Technological Environment :

Technological thrust was given in the field of agriculture during the sixties and seventies. Green revolution was its effect. New high yielding varieties (HYV's) of several crops were accepted by the cultivators. These varieties of agricultural inputs like seeds, fertilizers, pesticides, irrigation and farm equipments are now demanded by the farmers. Farm productivity increased and there was a change in the quality of life in villages.

After the green revolution arrived the white revolution. The National Dairy Development Board has accomplished this under the stewardship Dr.Kurien. Milk gave an additional supplementary income to the rural population. Poultry industry is also having a good progress in some parts of the country giving added income to these farmers. As an independent enterprise also it has proved to be a profitable business. The technology of rearing of birds and more and better production gives increased incomes to the farmers.

Thus these technological changes have improved the financial conditions of the farmers. Presently the telecommunication revolution has penetrated the rural areas. Initially the Subscriber Trunk Dialling (STD) telephone booths and now availability of satellite communication through mobile phones has revolutionized the communication sector. The cultivators are getting the market information at the touch of the button. ITC has developed a new model for the procurement and sale of products from and to the villagers. Reliance fresh has another type of market. Foodworld has its own model.

Thus the technological environment is changing. Govt. of India is installing computer Kiosks in one lakh villages. Out of these ten thousand are already in place in Bihar, Rajasthan and Uttar Pradesh. This information is from the Business Head of IL & FS the agency which is undertaking the training part of the scheme.

'Reuters' are providing different services to the rural people regarding the market rates in different Mandis.

Biotechnological innovations are becoming part of agricultural development. All these technological innovations in different sectors are helping the marketers.

We now come to the most important part of the paper. The major issues in Rural market definitions and Rural Market Environment.

3. (C) The major issues related to definitions and ways to resolve them.

(i) Consumer Behaviour (ii) Disparities in various states (iii) Suitability of the product (iv) Marketing of Agricultural Inputs (v) Marketing of Agricultural Outputs (vi) Role of NGOs and SHGs

3.1 (i) Consumer Behaviour : is a major issue in marketing and more so in rural marketing. In a vast country like India, there are so many diversities. They are a part of the historical, geographical and social situations. Marketers will have to think on the basis of regions. Targeting, segmenting and positioning needs to be region specific. Whatever is the nature of the product, the

consumer behaviour in the rural markets will have to be understood in each of the areas like product, price, promotion and physical distribution. Prof. Velayudhan (2002)⁴ has given the examples of behavioural patterns for buyers of watches and LML scooters in the northern and southern parts of the country.

Similarly there are many products where variations are observed. For resolving this issue the marketing plan should be able to cater to the needs of the consumers of specific regions. Then only capturing the rural markets will have an element of success.

3.2 (ii) Disparities in various states of the Union : There are wide differences in literacy, income levels and infrastructural facilities which facilitate marketing.

The literacy levels vary from nearly one hundred percent in Kerala to about fifty percent in Bihar. Availability of the published print media also differs.

Roads per one hundred sq.km. are different state wise. Per Capita Income in each state varies considerably. Hence the marketing plan cannot be based on aggregates of the country. It will have to be flexible in view of the differences that exist.

The linguistic, social and cultural diversities also will have its impact on various dimensions of marketing.

3.3 (iii) Suitability of the Product :

With reference to the discussions in (i) and (ii) above, manufacturers of products will have to bring out products suitable for the rural markets. Example can be given for the textile industry. For sarees and dress material the colours needed for the rural markets are different from the fashions for the urban markets.

The automobiles industry – both the two wheeler and the four wheeler manufacturers – have brought out different models for the rural markets.

The packing needed for rural distribution has to be more sturdy in view of the multi modes of transports that are used.

We have examples of ‘LG Sampoorna TV’, ‘Philips Battery-Free Radio’, ‘Electrolux Battery’ operated refrigerator, where the manufactures heeded to the specific needs of the rural consumers. They were successful.

This issue of product suitability is important and can be resolved by knowing more about the specific rural markets.

3.4 (iv) Marketing of Agricultural Inputs :

This is another issue which has its own importance. Prof. Sukhpal Singh (2004)¹¹ stresses that agricultural inputs are at the heart of rural marketing and rural development. They support farm production which is the source of income for a very large part of rural population and create market for other consumable and durable products in rural areas.

Each input will require different marketing strategy in various geographical regions. Availability of good quality of inputs is also an issue. National Commission on farmers under the Chairmanship of Dr. M. S. Swaminathan (2007)¹² has given the well deserved thought to this issue. It has mentioned about the development of ‘Gene Banks’ for good quality seeds.

Private sector has entered the seeds business which was formerly handled by the state run National Seeds Corporation.

Quality Control is the major issue in marketing of Agricultural inputs. Specially the seeds. Rigorous control under the provisions of the Seeds Act by the seed certification agencies is the answer to this problem.

For other inputs like fertilizers, pesticides, farm equipments including tractors, irrigation equipments and other input like micro-nutrients, special marketing efforts will be required to convert the small farmers to the use of these useful inputs.

The problem of farmers suicides is to same extent connected with the supply of non-genuine inputs like the example of cotton seeds.

3.5 (v) Marketing of Agricultural Outputs :

This issue is discussed in part (a) above partially. More elaboration is required. Prof. Bhave (1997) has discussed this in details in his book ‘Agri Business Management in India’¹³ Outputs marketing will be of three types.

- (a) Output in the raw form like grains for the consumers.
- (b) For the food processing industries
- (c) For other industries like maize for starch for textile industry.

This has reference to the farm products mentioned in Figure 1 in para 1.6 above. The major issue is how this part of marketing can be effectively achieved. The dilemma is the producer will like to get the best maximum price and the consumer will want to purchase at least price. Often it is observed that the producer does not get the best price he deserves. Many corporate houses have come in the field who are presently offering good prices to the producer and also to the consumer. The food processing industries are going in for contract farming which is a separate issue for discussions.

Other industries which are dependent on the agricultural sector for their raw materials are getting the materials from the middlemen or directly from the farmers.

For farmers to get the reasonable price for their produce, cooperative marketing is one of the solution which has proved successful in milk marketing.

3.6 (vi) Role of NGOs and SHGs

How effective can be the role of Non Government Organisations and the Self Help Groups which are formed all over the country is one of the issues in Rural Marketing Environment.

The example of ‘Hiware Bazaar’ in Ahmednagar district of Maharashtra is often quoted in this regard. The NGO was formed and they have done very useful work for the inhabitants of that area. The question is can such models be replicated? The answer, according to us, is that it is not difficult. In many states such NGOs are working successfully. Even if there is one such NGO in one of the five thousand plus talukas in the country, it will have demonstration effect.

We are of the view that these NGOs and SHGs can play a vital role for both types of marketing. One is for the products to be marketed in rural areas and the other is for the rural products to be marketed in other areas. In addition they can work in social upliftment of the villages. This will ultimately increase the standard of living of the rural masses.

Thus, the major issues and the suggestion for resolving them have been discussed. More thinking and opinions are necessary in these areas.

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