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# Rural Market-A Gold Mine For The Entrepreneurs

*A new face of high sale and profit maximisation*

## ABSTRACT

Since 1991 the liberalization of Indian economy took place, new entrepreneurs have chanced establishing themselves. As Market has become very competitive and every segment of every product category is full lot of varieties of several brands. Regime of monopolist has been end. New entrepreneurs are in the market with innovative strategies and practices, all are fighting to survive and grow by trying to provide value to their consumers.

Market of cities is saturated for many products especially for FMCG products hence search of new markets is necessary and best option for entrepreneurs is to grow rural market of India. India has second largest populated country of the world and approximately 67 per cent of the population is living in the villages. It means rural India represents a big market for marketers; it is almost double as large as the entire market of USA or USSR. Rural market has been growing steadily in recent years and is now larger than urban market. (53 per cent of all FMCG's and 59 per cent of all consumer durables are sold in rural India) companies and to harvest the rural market it is necessary to understand the peculiar features in different segments. The business community should try to reap this market keeping in view the effect of IT revolution for getting the benefits of communication and advertisements and also consider the rapid changes of economic progress overall due to government incentives to rural India. We can see that MNCs like Hindustan lever, Pepsi and Cocacola, L G and ITC are trying to tapping this market by making separate strategy for their business interests

## 1. INTRODUCTION

We are looking a new face of market now days. Consumers have lot of choices in a particular product segments. Companies are alluring consumers by offering several promotion schemes. Due to advancement in technological field, huge production applying latest technology, quality of product and effective cost management may become possible. They have no problem of getting finance as seed capital or working capital because of the wave of economic liberalization and globalization. Business units are producing huge quantities enjoying

large scale economies and consequently earning large profits. But, there always has been a search of new market for pushing products and services for the companies. In most of areas, especially FMCG, lot of companies are fighting for more market share. It is very difficult to them to maintain their present market share and gain extended share due to increasing competition.

The only solution is diversion towards the rural market. We know that India is second largest populated country of the world. In India total number of house holds are 19,19,63,935 out of which 13,82,71,559 i.e., 72 per cent live in

rural areas and only 5,36,92,376 house holds live in urban area. This way, the rural market in India is highly hopeful place for those companies who are eager to expand their business by creating new sale-areas. So, Indian Companies as well as MNCs have started to move towards rural India for ploughing virgin market of future.

## 2. FEATURES OF RURAL INDIAN MARKET

Unlike other rural markets of near by countries, Indian rural mordent is characterized as distinguished. The reason being it has some peculiar features –

- **Scattered Market**

Indian rural market is a geographically scattered market. The rural population is scattered across 5, 70,000 villages. Of them, only 6,300 villages *i.e.*, less than 1.1 per cent have a population of more than 5,000 each. More than 3 lakh villages or more than 55 per cent of the total number of villages; in the category of 500 people or less and more than 1.5 lakh villages or 25 per cent are in the category of 200 people or less.

- **Poor Facility Of Transportation And Distribution**

Majority of Indian villages is not connected to nearby main roads or highways. The transportation is dependent on *kachi sadak* or *pagdanadi*. In rainy season, the situation of these roads become very terrible and villages become almost disconnected from their nearby town or city. Another problem is less width of rural roads. This way, these problems generate many hurdles in the effective delivery of goods and services at times

and the full coverage of market difficult, time consuming and costly affair along with a challenging task for the companies.

- **Low Literacy Level**

Average Indian literacy level is 61 per cent in year 2001 whereas in villages it is less than 58 per cent and it is very poor in case of females *i.e.*, only 45 per cent. This factor is very important for the business community because they have to modify their communication modes.

- **Poor Standard Of Living**

Due low level of literacy and low per capita income the standard of living of average Indian villager is poor in comparison to urban people. Their needs are limited and their knowledge about products and their utility is very poor.

- **Rare Facility Of Warehouses**

There are no scientific or adequate warehousing facilities. This results in the deterioration of considerable amount of agro produce, especially fast perishable goods.

- **Diverse Religion & Culture**

As India is a second largest populated country it has different geographical areas with diversity of climate, population of India faith in different religions, languages and follow diverse culture and traditions. Indian heritage is very rich and Indian society is one of the oldest of the world. There is very popular proverb regarding the languages of India is as – “*Kos kos par pani badle dus kos par bani.*” In rural India behavior of consumers is influenced with their religion, caste, culture and customs.

*Rural market in India is highly hopeful place for those companies who are eager to expand their business by creating new sale areas.*

Government initiative, Demographic factors, Raising prosperity, Growth in consumption and Environmental change are those basic factors which have made the Indian rural market attractive.

- **Seasonal Demand**

Rural public get the funds by selling their yield and they get the yield on the basis of season. Hence rural demand is known as seasonal demand. They get the money in particular months and they spend accordingly.

- **Electrification**

Several villages are not electrified still. And the villages, which are connected with electric supply, they are not getting quality and quantity of electric supply. In several villages supply of electricity is once in a week in this situation communication of products and maintenance of refrigerating equipments is very difficult task.

- **Source Of Income**

Every business community is interested to know about the purchasing power of its present and potential consumers. From this point of view it's vital to know how the consumers are getting the income or to know the sources of income. The main feature regarding income of rural public is that normally they have-not any regular or monthly basis of income they get money at the time of yield, hence their income may be treated as seasonal income. Their per capita income is Rs. 6559/-. The main sources of income of rural people are by sale of agricultural produce, by sale of animal produce, by service, by interest, by labour and other modes of income.

### 3. FACTORS WHICH MAKE RURAL MARKET ATTRACTIVE

Over the past few years, faced with stagnating urban sales, the FMCG behemoth has constantly been looking

at ways to increase rural penetration of a vast range of its products. And, the demanding possibilities in Rural Market have give away to increasing unrest of the companies in terms of stagnating sale. But, there are some attracting factors which make the rural market a hope are numbered as given below: -

- **Government Initiative**

Beginning from the first 5 year plan onwards, the Indian Government has ever adopted several methods to generate new employment, new sources of income, and the extended level of living to rural people. Special plans are being run to educate the rural illiterate. Data are evident that the literacy rate is increasing significantly every year, about 8 million people in rural India become literate, which means that they are more literate people in rural India with 16.5 crores than in urban India with 16 crores. Various programs like Integrated Rural Development Program (IRDP), Jawhar Rojgar Yojana, NABARD, Rural Employment Guarantee Scheme, are working successfully towards bringing the rural sector in to the ambit of the national economy.

The Green Revolution, White Revolution, Blue Revolution have made a significant mark in improving the income of rural people. There is also an increasing thrust towards non-agricultural activities of income like small-scale industries, textiles and handicraft etc.

- **Demographic Factors**

Approximately 74.6 crores people live in Rural India in comparison to 25.4 crore people living in urban India. Another considerable point is

Table

Company	Value (Rs. Cr.)	Contribution To FMCG (%)	Growth (%)
P & G	984	1.9	23.3
Reckitt Benckiser	716	1.4	18.4
Adani Wilmer	652	1.3	9.4
Eveready Industries	753	1.5	15.6
Godrej	605	1.2	12.0
Johnson & Johnson	525	1.0	13.3
Dabur	1086	2.1	11.5
Kanpur Detergents (Ghari Detergent)	626	1.2	6.3
Parle Products	1389	2.7	9.8
<b>Total</b>	<b>7336</b>		

Source: Economics Times 27/03/05

continuous and significant increase in rural population every year. Most of FMCG companies define rural India as a huge place for their products. The Table shows the market share of different companies in Rural Market.

● **Raising Prosperity**

As per the National Council for Applied Economic Research (NCAER) there are 3000 house holds in rural area that earn over Rs. 50 Lakh annually. The main difficulty is figuring out how to reach them. NCAER had forecasted that the lowest income class (Rs. 25,000And below) will shrink from more than 60 per cent in 1994-95 by 2006-07.

● **Growth In Consumption**

Impact of changing environment especially due to information technology revolution also changed consumption pattern of rural consumers. Lot of items, which were assumed as luxury, is now being treated as necessity e.g. T V. Many new products have entered in the basket of rural consumers. Now Rural

India accounts for a sizeable share of the total consumption for variety of Fast Moving Consumable Goods, such as packaged tea, detergents, toiletries, bath soaps, toothpastes, tooth powder, safety razor blades, talcum powder, hair oils etc. And it is very interesting to know that in many products rural consumptions are larger than the urban e.g. washing soaps, the share of rural consumers is 60% and the share in batteries it is more than 50 per cent.

● **Environmental Change**

Wave of liberalization will not be able to move ahead without a base in villages. The prospects that development activities offer are big in rural markets.

**4. CONCLUSION**

The market of Rural India is fascinating and challenging at the same time. It offers large scope on account of its sheer size. And, it is growing steadily. Even a modest growth pushes up the sale of a product substantially, in view of the huge base. It is attractive from yet another point that the urban market is highly competitive; the rural market is relatively quiet. It is a virgin market for several products. Companies can certainly reap rich rewards from this market. Simultaneously, the market also poses several problems and hurdles. The companies have to face the squarely and put in a great deal of effort, if they have to get a good sizeable share to the market. It is often said that that the markets are made not found. It is 100% true of the rural market of India. This is a market for new entrepreneurs and for creative marketers. It is market of future for the companies and for the Indian economy too.

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