

## CHAPTER-07

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# IMPORTANCE, OPPORTUNITIES AND CHALLENGES OF RURAL MARKETING IN INDIA

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### 13.1 INTRODUCTION

The government's drive to support rural India has led to a sharp rise in rural income, which has raised the purchasing power of the rural populace and, in turn, expanded the rural markets and economy. The scale of the rural markets presents company houses with enormous market potential. When both an opportunity and a potential for danger are present. Therefore, it is imperative that we comprehend the notion of rural marketing, together with its significance, prospects, obstacles, and developing patterns in India. The process of determining the region-specific needs for products and services in rural markets and making those products and services available to rural consumers in a way that will meet their needs, improve their quality of life, and help the organization reach its goals is known as rural marketing. *"Inflow and outflow between Urban and Rural Markets occurs during the two-way process of marketing known as Rural Marketing."* Movement of products and services for consumption within rural areas is also included.

India's development strategy heavily relies on rural marketing, especially in the areas of modernization, self-reliance, and structural diversification. India is a rural country. Over the past 40 years, Indian markets rural markets in particular have advanced significantly and played a significant role in social and economic changes. In the years after independence, rural India and rural marketing initiatives have seen a dramatic transformation. The globalization age has brought about positive changes to the scale, scope and methods of rural marketing. The government at the federal and state levels has actively supported rural markets during the last 20 years in particular. Big business titans and international corporations are swarming rural India to sell their goods and take advantage of the enormous potential. All those involved in the rural marketing chain, however, nevertheless face a significant challenge and opportunity. With the aid of agrisciences, biotechnology, automation, cooperative movement, and the active participation of the federal and state governments, there has not been a commensurate increase in agri-production to fulfill local requirements and surplus for

export too in India as a result of recent advancements. In India, rural marketing involves a complex interplay of business, technological, economic, historical, and cultural elements.

The Indian economy is dominated by the rural sector in this highly industrialized era. Because of this, the majority of Indian marketers seek to connect with rural customers and markets. One of the biggest and most significant markets in the world is rural India, and it is evolving quickly. India's rural market is not an isolated phenomenon; social and behavioural factors prevalent in the nation have a significant impact on it. Demand, product planning, distribution, and the entire marketing process are all included in the rural market, which is the target audience for all marketing initiatives meant to satisfy rural consumers. Because of the tremendous advancements in communication and transportation over the past ten years, marketing in rural areas is also much simpler now than it was for the pioneers. Consumers and the rural market can be contacted by marketers in a variety of methods.

### **13.2 RURAL MARKETING IN INDIA**

The Indian economy's rural marketing philosophy has always had a significant impact on people's lives. With the exception of a few major cities, all of India's districts and manufacturing townships are connected to rural markets. The socioeconomic and behavioral characteristics prevalent in the country severely disfavor the rural market in India, which is not a separate entity in and of itself. Approximately 627 million people live in rural India, making up precisely 74.3% of the country's overall population. Given that the majority of the country's customers live in rural areas, India's rural marketplaces generate more national revenues than any other. The majority of the money in the Indian economy comes from the rural market. In the Indian economy, there are two main categories in which confidential rural marketing falls. These are the marketplaces for (a) consumer goods, which include both high-quality and low-quality products, and (b) farming inputs, which include products like seeds, fertilizer, and pesticides. The Indian rural marketing strategy is often designed to dispel doubts in the minds of those who believe that rural marketing is solely focused on agricultural marketing. However, rural marketing controls the way businesses carry out their operations that bring in the influx of freight from urban areas to the nation's rural areas as well as the marketing of various items impacted by the movement of non-agricultural labor from rural to urban areas.

### **13.3 IMPORTANCE OF RURAL MARKETING**

There is greater opportunity for consumer durables and services in rural markets. The majority of the rural population is employed in agriculture, which generates close to 50% of the country's overall revenue. Enhancing the agriculture sector through rural marketing can strengthen the nation's economy as a whole. The urban market's saturation and competition are making the rural market more significant. Therefore, the goal of the marketers is to expand their product categories into the rural market. The purchasing power of rural households in India has significantly increased in recent years due to the growth of rural markets. The Green Revolution in India has led to a significant increase in the consumption of manufactured goods from both urban and industrial sectors in rural

areas. In this sense, rural marketing, a new marketing tactic, has emerged. Delivering manufactured or processed inputs or services to rural farmers or customers is known as rural marketing. Due to their perceived value for money, small packets are purchased in rural India. When a buyer purchases a brand mostly out of habit rather than genuine choice, this is known as brand stickiness. Brands hardly ever compete for market share all they need to do is be present where it matters. Deep distribution helps even pricey brands like Close-Up, Marie biscuits, and Clinic shampoo succeed. However, many other companies like Ghadi, a well-known detergent brand in Kanpur do well even with little to no promotional support. With a large base of demand, the Indian rural market presents excellent marketing potential. Nearly half of India's national revenue is earned in rural areas, where two thirds of its consumers reside.

### 13.4 FEATURES OF RURAL MARKETING

To target the rural market and create effective strategies for maximizing its market potential, businesses need to be aware of the following characteristics of the rural market. Here is a summary of some essential elements related to rural marketing. Let us acquire them:

- ✚ **Large, Diverse and Scattered Market** : India has a sizable and widely distributed rural market. It's interesting to note that 70% of Indians live in rural areas, where they number 75 crore. In addition, the population of rural areas is growing more quickly than that of metropolitan areas. Furthermore, the rural population has enormous marketing potential because it is dispersed over 6.30 lakh villages.
- ✚ **Major Income of Rural People** : Rural prosperity and agriculture are closely related. Rural residents' primary source of income is agriculture. Rural residents' income is directly impacted by crop failure. But as other industries have started to take center stage, the rural economy's reliance on agriculture has steadily decreased in recent years.
- ✚ **Standard of Living** : The rural populace is employed in small-scale farming and related industries. Moreover, rural consumers are particularly careful while making purchases because of this unpredictability factor in their income. It is as a result of their misgivings about their potential earnings. In addition, low literacy rates, low per capita income, and social backwardness contribute to the bulk of the rural population's poverty. Furthermore, certain obstacles exist that hinder the progress of society. It consists of ingrained superstitions, customs, religious prohibitions, and cultural norms. Sadly, due to their restricted capacity to save for future requirements, rural inhabitants, even those with respectable salaries, spend less to raise their level of living.
- ✚ **Traditional Perspective** : Villages take a while to grow and hold onto their traditional ways of thinking. Most rural dwellers eventually come to terms with change, even though it is an ongoing cycle. Nonetheless, the majority of them typically oppose change. But due to literacy, especially among young people, this is gradually changing. At last, they are starting to change the villagers' viewpoint.

- ✚ **Infrastructure Development** : Inadequate infrastructure is the one factor dividing the urban and rural markets the most. Infrastructure like communication networks, concrete roads, financial services, and warehouses is lacking in rural areas. Furthermore, in rural locations, physical distribution and advertising become very challenging. Basically, it's because there isn't enough infrastructure, which expands the use of rural marketing.
- ✚ **Market Growth** : The rural market has expanded significantly over time. Over time, there has also been a surge in demand for traditional commodities like bicycles, farming equipment, and fast-moving consumer goods (FMCG). This was the result of fresh prospects and employment chances. Programs for rural development also made revenue sources more accessible. Bicycles, agricultural products, and many other items have seen an increase in demand over time. The market is growing as a result of all these factors. Rural areas now have more potential as a result.
- ✚ **Socio-Economic Background** : Rural residents come from a variety of socioeconomic backgrounds. The rural market is impacted by geographical dispersion and uneven land fertility, in general. In addition, the villagers represent a wide range of social, cultural, and religious origins. Sociocultural aspects impact customers' willingness to accept innovations and new products across a range of domains. Variations in consumer behaviour due to factors such as geography, occupation, demography, and behaviour affect lifestyle and create completely distinct requirements in different locations. To effectively and financially service the rural market, this calls for segmenting it.
- ✚ **Literacy Rate** : It is common knowledge that the literacy rate in rural areas is lower than in urban areas. It also makes it more difficult to communicate for marketing objectives. Additionally, print media has lost some of its relevance and effectiveness in rural areas due to low literacy rates and limited access.
- ✚ **Higher Purchasing Capacity** : Although there is a larger reliance on electronic media, such as radio, television, and movies, rural literacy has improved in the past. In addition, a growing number of rural residents are moving to cities in order to pursue higher education. Furthermore, the government has also started a number of rural education initiatives. Increased awareness leads to farmers knowing more about the world around them. In the end, they're pursuing a better standard of living while also learning about new technologies.

### **13.5 CHALLENGES IN RURAL MARKETING**

Rural marketing involves more exhaustive personal selling efforts compared to urban marketing. Firms should abstain from designing goods for the urban markets and subsequently pushing them in the rural areas. To effectively tap the rural market, a brand must associate it with the same things the rural folks do. The factors may be

- ✚ **Backwardness** : The two biggest obstacles to marketers catering to the rural population are low purchasing power and rigidity, or the inability to adapt one's mindset.

- ✚ **Low Literacy Rate** : The low percentage of literacy (36%) in rural areas is linked to issues with communication, ineffective media, and difficulties building consumer trust in rural areas regarding products, requirements education, and product differentiation from competitors' comparable offerings.
- ✚ **Low Per Capita Income**: Per capita income is lower in rural areas compared to those in urban areas.
- ✚ **Seasonal Demand** : Because agriculture is mostly dependent on the monsoon, demand and purchasing power are neither consistent or steady.
- ✚ **Poor Transportation Facilities** : Poor transportation infrastructure and the lack of well-built roads in 70% of the nation's communities make it difficult for farmers to access markets.
- ✚ **Warehousing** : The need for many agricultural commodities is constant, but their production is seasonal. Only in towns are stocks maintained since rural areas lack suitable facilities for storage
- ✚ **Packaging** : The cost of the packing shouldn't be excessive since that will raise the price of the goods overall. Marketers ought to package their products with less expensive materials and in less quantity. The lack of local language on the package label significantly hinders rural consumers' ability to comprehend the features of the product.
- ✚ **Distribution System** : The presence of too many tiers in the distribution system increases the cost of distribution.
- ✚ **Lack of Communication** : Numerous obstacles impede marketing communication in rural areas, including low literacy rates, the traditional mindset of rural residents, cultural differences, and economic regress. There are eighteen recognized languages in India. Many folks do not understand Hindi or English. These issues prevent rural consumers from being exposed to new items, in contrast to their metropolitan counterparts. The marketers should focus on using the local language to promote the rural market.
- ✚ **Traditional Life** : In rural places, norms and traditions still dominate daily life, and individuals find it difficult to adopt new behaviours. For instance, not even the wealthy and well-educated farmers wear jeans or designer shoes.
- ✚ **Buying Decisions** : Rural shoppers buy cautiously and make deliberate, thoughtful decisions. They prefer to give something a trial run before making a purchase if they are personally satisfied.
- ✚ **Availability of Appropriate Media for Promotions** : Print, radio, television, and film media all face numerous challenges in remote communities. In order to communicate with the rural populace, television is essential. But the bulk of people living in rural areas are unable to profit from different media because power and television sets are not readily available to them.

- ✚ **Sales Management** : The rural salesman must be able to guide the rural customers in the choice of the products, should properly motivate rural consumers, be a patient listener and have to spend a lot of time on consumer visits to gain a favorable response from them. The distribution channels in villages are lengthy causing higher consumer prices. In many cases, dealers with required qualities are not available.
- ✚ **Inadequate Banking and Credit Facilities** : For the purpose of facilitating credit transactions generally and obtaining credit assistance from the bank, the rural outlets need banking help. Without sufficient credit facilities, retailers are unable to maintain optimal stock levels. They are unable to grant credit to customers as a result of this issue. Low marketing activity is the result of all these issues in rural areas.
- ✚ **Branding** : Due to rural consumers' limited purchasing power, illiteracy, and ignorance, local brands are becoming increasingly important in rural areas even though national brands are becoming more well-known. Rural consumers have been found to be more dissatisfied with the sale of subpar copy brands, especially when it comes to soaps, creams, clothing, and other items that are priced at half or slightly less than national brands but are otherwise of comparable quality. In rural marketplaces, local brands are growing in popularity despite their inferior quality.
- ✚ **Career in Rural Marketing** : While rural marketing offers a challenging career, a rural sales person should require certain qualifications and specialized talent.
- ✚ **Cultural Factors** : Culture is a system of shared values, beliefs, and perceptions that affects how people behave. A perception among rural residents that practical problem-solving skills are more valuable than formal education and that salespeople should be respected for their expertise. Salespeople must have the necessary training in order to fit in with the demands of the market and take on their roles with ease.

### **13.6 OPPORTUNITIES FOR VARIOUS INDUSTRIES IN INDIA OF RURAL MARKETING**

The Indian rural market has changed dramatically in the last few years. The rural market has gained impetus due to government interventions. Numerous industries in India have significant potential in the rural market; some of these sectors' scenarios have been addressed here

- ✚ **Auto Industry** : One of the biggest auto industries in the world is located in India. The industry contributes 7.1% of the GDP (Gross Domestic Product) of the nation. Because of a young population and a growing middle class, the Two Wheelers category leads the Indian automobile market, holding an 80% market share.

Furthermore, the increasing curiosity of the businesses to investigate the rural markets contributed to the sector's expansion. Businesses have enormous potential in rural areas. Infrastructure improvements have improved connectivity between rural and urban areas. The market for two-wheelers is growing daily, according to the data. Businesses in this sector must concentrate on their marketing.

✚ **Consumer Durables** : The Indian consumer category, which is divided mostly into urban and rural areas, is drawing interest from international marketers. The sector includes a sizable middle class, a sizable affluent class, and a little economically disadvantaged segment. By 2025, spending is expected to have more than doubled. India achieved a ten-year high and was ranked first out of 63 countries in the global consumer confidence index for the quarter ending in December 2016. The country's score was 136 points. International businesses consider India to be one of the important markets from where future expansion is anticipated. Rising disposable incomes and a more favourable population composition will be the main factors driving India's consumer market growth. Expanding internet sales' usability and electrifying more rural locations would both contribute to demand increase.

✚ **Banking Industry** : Because of the government's ongoing efforts to advance banking technology and encourage expansion in underbanked and non-metropolitan areas, access to the banking system has also increased over time. In addition, India's banking industry has sustained stability in the face of worldwide turmoil, winning back the trust of the public over time. The Pradhan Mantri Jan DhanYojana (PMJDY) has seen a surge in deposits as well.

As of November 9, 2016, there has been 255.1 million account openings and 6,971.68 million US dollars deposited. The Reserve Bank of India (RBI) claims that the banking industry in India is adequately capitalized and subject to strict regulations. Total 27 public sector banks, 26 private sector banks, 46 foreign banks, 56 regional rural banks, 1,574 urban cooperative banks, and 93,913 rural cooperative banks make up the financial system in India. The assets of the banking system are dominated by public-sector banks, with the private sector holding a relatively smaller portion.

Additionally, banks are pushing their clients to use mobile devices for financial management. Increased infrastructure spending, expedited project execution and ongoing reforms are anticipated to give growth additional momentum. Given that the country's economy is expanding quickly and will need loans from banks, all of these indicators point to a strong future for the banking industry in India.

✚ **Education Industry** : India is a significant player in the international education sector. There are over 751 universities, 35,539 colleges, and more than 1.5 million schools in the nation, serving over 260 million students. India boasts one of the biggest systems of higher learning worldwide. Still, there is a great deal of room for improvement in the educational system.

✚ **FMCG Industry** : Half of all sales of fast-moving consumer goods (FMCG) in India are made up of household and personal care products, making the FMCG sector the fourth largest in the country's economy. The primary growth factors for the sector have been changing lifestyles, easier access, and more awareness. With a revenue share of over 40%, the urban segment is the greatest contributor to the total income generated by the FMCG industry in India. In 2016–17,

the market size was estimated to be around US\$ 29.4 billion. In contrast to urban India, the FMCG market in rural India has expanded more quickly in recent years.

Fast-growing semi-urban and rural markets now comprise 50% of the market for FMCG items. The Indian government's proposal for the Union Budget 2017–18 aims to double the income of farmers in five years by increasing spending on rural areas. This, along with a reduction in income tax rates primarily for small taxpayers, affordable housing, and infrastructure development will also serve as growth drivers for the consumer market industry. Rising aspiration levels and rising earnings have led to an increase in rural consumption; branded goods are in more demand in rural India. India's rural FMCG market is predicted to expand at a compound annual growth rate (CAGR) of 14.6%, from US\$ 29.4 billion in 2016 to US\$ 220 billion by 2025.

**Healthcare Industry** : When it comes to employment and revenue, the healthcare industry in India has grown to be one of the biggest. Hospitals, medical equipment, clinical trials, outsourcing, telemedicine, medical travel, health insurance, and medical devices are all included in the category of healthcare. The Indian healthcare sector is growing at a quick pace due to its strengthening coverage, services and increased investment by public as well private actors. There are two main components to the Indian healthcare delivery system: the public and private sectors. The government's public healthcare system, or primary healthcare centers (PHCs) in rural regions, provides basic healthcare services. It consists of a small number of secondary and tertiary care institutions in major cities. Most secondary, tertiary, and quaternary care facilities are run by the private sector, mostly in metro areas and tier I and tier II cities.

With over 70% of the population living in rural areas, India is expected to become a major source of demand. Ayurveda, Yoga & Naturopathy, Unani, Siddha, and Homoeopathy (AYUSH) care is provided by a total of 3,598 hospitals and 25,723 dispensaries nationwide, guaranteeing the public's access to alternative medicine and treatment. Grant-in-aid was given by the Indian government in 2017 to States and Union Territories in order to establish AYUSH educational institutes. In conclusion, both urban and rural India provides a wealth of potential for healthcare infrastructure investment.

**IT Industry** : The IT BPM industry is growing at a slower rate than India's global sourcing market. While the global sourcing market grew by 1.7 times to reach US\$ 173–178 billion, the global IT & ITeS market (excluding hardware) reached US\$ 1.2 trillion in 2016–17. With a share of 55%, India continued to be the most popular destination for sourcing globally in 2016–17. More than 1,000 global delivery centers have been established by Indian IT and ITeS enterprises in more than 200 cities worldwide. By 2020, the Indian internet market is expected to have doubled in size to reach US\$ 250 billion, or 7.5% of GDP.

In 2020, 730 million Indians are likely to be online thanks to the country's rapid digital technology adoption, a forecast by the National Association of Software and Services Companies (NASSCOM) states. The Indian market for public cloud services is expected to expand by 35.9% to reach US\$

1.3 billion, as per IT firm Gartner. The primary factors propelling the ongoing expansion of the data center co-location and hosting market in India are the rising internet penetration rate, which includes rural areas, and the swift development of e-commerce.

✚ **Manufacturing Industry** : One of the industries in India that is experiencing rapid expansion is manufacturing. The government initiated the "Made in India" initiative with the goal of establishing India as a worldwide manufacturing hub and promoting the Indian economy. By the end of 2020, India is predicted to rank fifth in the world in terms of manufacturing. India is a desirable location for international manufacturing ventures. Numerous luxury, car, and mobile phone firms, among others, have established or are planning to establish their manufacturing operations in the nation. India's manufacturing industry is predicted to develop to be worth US\$1 trillion by 2025, and by 2020, it is anticipated to be among the world's top three growth economies and manufacturing destinations. With a GDP of US\$ 2 trillion and a population of 1.2 billion, the introduction of the Goods and Services Tax (GST) will turn India into a single market, which will attract significant interest from investors.

## 13.7 CONCLUSION

Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives. The government's objective is to guarantee the comprehensive growth of the country by prioritizing the establishment of industrial corridors and smart cities. The corridors will support advanced manufacturing techniques while also helping to integrate, monitor and create an atmosphere that is favorable to industrial development. Examining the range of options available in the rural market India is working hard to establish the rural market as a center for commerce. India has a sizable rural population. People's socioeconomic circumstances have changed, and they are now more open to new technology and actively seek them out. The rural market has enormous potential in all sectors, including IT, education and healthcare. Unilever and P&G have made significant inroads into the rural market within the FMCG sector. Due to the size of the industry, it is the responsibility of the companies to create fresh marketing plans. Every opportunity must overcome some obstacles, and the Indian rural market is the next market to be explored if these obstacles are resolved. In conclusion, the future of rural marketing in India is a promising journey of growth and innovation. As we move forward in 2023, companies that adapt to the changing dynamics, leverage digital tools, and genuinely connect with rural consumers on a personal level will be the ones to thrive in this exciting landscape.

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