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Review

Comprehending rural market environment

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Rural markets are gold mines paved with thrones. With mammoth size of 833 million populations residing in 640867 villages, rural India offers huge untapped potentiality for any marketer. There is wide disparity in village population range from less than 200 to more than 10000. The main occupation of majority of rural population is agriculture and allied activities that signify main source of income. Rural consumers spend more on food items as against urban counterparts who spend more on non-food items. About 54 percent of rural households possess telephone, 46 percent possess bicycles and 33 percent possess television. Central and State governments invest massive amounts on rural development through several programmes. At this juncture, a modest attempt is made in this paper to comprehend rural market environment through rural population growth, villages by population range, occupation, income and expenditure pattern of rural population, rural households by possession of assets and rural development programmes.

Key words: Expenditure, hinterland, income, mammoth, villages.

INTRODUCTION

India is a country of villages. Rural markets are characterized by small population, distantly scattered, poor infrastructure, communication and transportation, low literacy, stumpy media reach, low standard of living, and especially low and irregular income levels. Many corporates have been trying to get a grip on rural market by facing the challenges like how to make the product affordable, how to penetrate villages with small populations, connectivity, language barriers and spurious brands (Ramkishen, 2005). Despite these challenges, factors such as increasing rural income, expenditure and life styles, declining urban demand and urban market saturation, and government concentration on rural development programmes compel marketers to find potential niches in the hinterland. It is inevitable to any marketer to access rural India as it comprises mammoth size of 833 million population living over 640867 villages. Under these circumstances comprehending rural market milieu is perceived appropriate.

Favourable demographics such as 64 percent of the

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Table 1. Rural Urban Proportion-1901-2011.

Yr	Total population (in million)	Rural population (in million)	Proportion in total (%)	Urban population (in million)	Proportion in total (%)
1901	238.40	212.54	89.15	25.86	10.85
1911	252.09	226.15	89.71	25.94	10.29
1921	251.32	223.23	88.82	28.09	11.18
1931	278.98	245.52	88.01	33.46	11.99
1941	318.66	274.51	86.15	44.15	13.85
1951	361.09	298.65	82.71	62.44	17.29
1961	439.23	360.30	82.03	78.93	17.97
1971	548.16	439.05	80.10	109.11	19.90
1981	683.33	523.87	76.66	159.46	23.34
1991	846.42	628.70	74.28	217.72	25.72
2001	1028.61	742.49	72.18	286.12	27.82
2011	1210.57	833.46	68.85	377.11	31.15

Source: Census of India.

Table 2. Villages by population size class – India.

Population size class	Number of inhabited villages	Proportion in total (%)	Total rural population	Proportion in total (%)
Less than 200	82151	13.75	8179551	0.98
200-499	114732	19.20	39685424	4.76
500-999	141800	23.73	103321330	12.39
1000-1999	139164	23.29	197536058	23.69
2000-4999	96428	16.13	288773884	34.64
5000-9999	18652	3.12	123877458	14.86
10000 and above	4681	0.78	72375147	8.68
Total	597608	100.00	833748852	100.00

Source: Census of India, 2011.

population in the working age category, increasing urbanization, rising number of nuclear families (which means multiple washing machines, air-conditioners and TVs), rising disposable incomes, falling prices, easier access to financing and growth of organized retail attract new players into the Indian rural market space.

Rural Urban Proportion-1901-2011

Since 1901, the growth and proportion of rural population are moving in opposite directions in India. The proportion of rural population in the total population is diminishing gradually in the pace of urbanization. However, the rural India is very big in size than any country's total population in the world except China. It is significant to understand decadal changes in rural and urban proportions in the total population.

Table 1 depicts that the absolute number of rural population has increased to 833 million in 2011 from 213 million in 1901. But the proportion in the total population has decreased to 68.85 percent in 2011 from 89.15 percent in 1901 that resembles the progress of urbanization. In case of urban population, both absolute and proportion are moving in the increasing direction. The percentage of urban population in the total population has reached 31.15 in 2011 from 10.85 in 1901. A three-fold raise in urban population proportion reflects the pace of development in the country (Table 1).

Villages by population – India

The populations in green patches vary in the hinterland. The size of the population is an important determinant to plump a marketer whether to tap it or not. So far, the hinterland is a neglected area by many marketers due to its low village populations and no parity concern but now it is inevitable market on account of several reasons.

The number of inhabited villages shown in Table 2 represents the unmerged portions of villages which are outside the urban areas. There are as many as 597608

Table 3. Occupational pattern of rural population.

Occupation	Proportion of total rural population (%)
Agriculture	50
Agricultural labour	27
Business	10
Non-agricultural labour	9
Salary earners	2
Not gainfully employed	2
Total	100

Source: Census of India, 2001.

Table 4. Income generation in rural areas.

Source of income	Proportion of total rural income (%)
Agriculture	59
Agricultural wages	16
Business and craft	9
Non-agricultural wages	7
Salaries	3
Current transfers	2
Others	4
Total	100

Source: Census of India, 2001.

inhabited villages out of total 640867 villages in India. Among them 82151 villages have a population size less than 200. Very few people (0.98 percent) are living in this category of villages. The highest percentage of villages in this range are located in Arunachal Pradesh (29.40) followed by Himachal Pradesh (13.16) and Meghalaya (12.82). There are 114732 villages in the population range of 200-499 and holds 4.76 percent of the total rural population. The highest number of villages (141800) is reported in the population size 500-999 and claims 12.39 percent of the total rural population. Nearly half of the rural population of India is residing in 115080 villages with population more than 2000 but less than 10000. The highest percentage of rural population (34.64) is noted in the range 2000-4999. But major portion of rural population is residing in village size groups of 1000-1999 and 2000-4999. Villages having more than 10000 and above population represent 8.68 percent of the total population. With 92.21 percent Kerala represents highest population living in villages in this range. As compared to Census 2001 data, there is an increase in the number of villages in the population size groups 1000-1999, 2000-4999, 5000-9999, and 10000 and above while decrease in number of villages in less than 500 and 500-999 ranges.

Occupational pattern

Predominance of agriculture is the prime characteristic of Indian rural economy. Now it is taking a new stride. The National Sample Survey Organisation (NSSO) data show that during 2004-05 to 2009-10, rural construction jobs rose to 88 per cent, while the number of people employed in agriculture fell from 249 to 229 million (BL Bureau, 2012).

Table 3 discloses that the main occupation for majority of rural population is agriculture and allied activities. Half of the rural population own or lease land and cultivate it for their livelihood. Another 27 percent are dependent on these cultivators for jobs as agricultural labourers. Thus, a total of 77 percent of rural population solely depend upon only land for their living and land is the main source of their income. There are others who are engaged in businesses like petty shops or are itinerant merchants besides a small section of salary earners like teachers, health workers and village-level officials.

Income generation

The prosperity of rural areas, to a large extent, depends on the progress of agriculture and related activities. Nearly six lakh villages are busy rejoicing bountiful harvest after good monsoons, rapidly supporting minimum support price (MSP) for crops and steady cash-flow from the government's rural employment guarantee schemes (Rashmi, 2014). A robust increase in rural income is also due to rising non-farm employment opportunities and government's rural focus through employment generation schemes.

Table 4 divulges that 75 percent of rural income is generated from agriculture and agriculture-related activities. On average 9 percent a year increase in MSP since 2007-08, rice-growing farmer's income has increased nearly 50 percent in the last five years. The rural income is not only about farming but there are others supporting the economy – teachers, weavers, artisans and many others. A rationalization and expansion in income tax slabs in Union Budget 2014 puts significant money in the hands of salary earners.

Expenditure Pattern

There has been a notable shift in rural consumption; from necessities to discretionary goods. From buying tractors and bikes to fairness creams to noodles, rural India led consumption party – offering hope to corporates in the doldrums. Recent data from the NSSO show that rural consumption expanded at roughly 8.6 percent a year between 2004 and 2012 (Aarati, 2014). In addition, migrants from villages to urban areas, who benefitted from job opportunities in infrastructure and construction

Table 5. Absolute and Percentage break-up of average $MPCE_{MMRP}$* by Item Group, India.

Item group	Monthly per capita expenditure (Rs.)		Percentage of total MPCE	
	Rural	Urban	Rural	Urban
(1)	(2)	(3)	(4)	(5)
Cereal and cereal substitutes	154	175	10.8	6.7
Pulses and their products**	42	54	2.9	2.0
Milk and milk products	114	184	8.0	7.0
Edible oil	53	70	3.7	2.7
Egg, fish and meat	68	96	4.8	3.7
Vegetables	95	122	6.7	4.6
Fruits	41	90	2.8	3.4
Sugar, salt and spices	76	94	5.3	3.6
Beverages, refreshments, processed food#	113	236	7.9	9.0
Food: Total	756	1121	52.9	42.7
Pan, tobacco and intoxicants	46	42	3.2	1.6
Fuel and light	114	177	8.0	6.7
Clothing and footwear$	100	167	7.0	6.4
Education	50	182	3.5	6.9
Medical	95	146	6.7	5.5
Conveyance	60	171	4.2	6.5
Consumer services excl. conveyance	57	147	4.0	5.6
Misc. goods, entertainment	76	152	5.3	5.8
Rent	7	164	0.5	6.2
Taxes and cesses	4	22	0.2	0.8
Durable goods	65	139	4.5	5.3
Non-food: Total	674	1509	47.1	57.3
All Items	1430	2630	100.0	100.0

*$MPCE_{MMRP}$ = Modified Mixed Reference Period Monthly Per Capita Expenditure. **includes gram; # includes purchased cooked meals;$ excludes tailoring charges. Source: NSSO 68th round: Key Indicators of Household Consumer Expenditure in India, 2011-12, 20 June 2013.

projects, increased remittances to their families in rural India, which boosted consumption (BL Bureau, 2012). The 68th round of NSSO on Household Consumer Expenditure is primary source of data on various indicators of level of living, pattern of consumption and well-being of households. As per the data in Table 5, for an average rural Indian, food items account for 52.9 percent of the value of consumption during 2011-12. This includes 10.8 percent cereals and cereal substitutes, 8 percent milk and milk products, 7.9 percent beverages, refreshments and processed food, and 6.7 percent vegetables. Among non-food item categories, fuel and light for household purposes (excluding transportation) account for 8 percent; clothing and footwear, 7 percent; medical expenses, 6.7 percent; education, 3.5 percent; conveyance, 4.2 percent; other consumer services (excluding conveyance), 4 percent, and consumer durables, 4.5 percent. Rural people spend fewer amounts than urban people on all food and non-food items except pan, tobacco and intoxicants item group.

The Modi government's recent decisions such as a meager 6.7 percent allotment for rural development and a low 3.8 percent increase in MSP in the Union Budget 2014, reforms in urea prices and targeted subsidies, revamp NREGA to prevent misuse, and the looming possibility of drought adversely affecting rural spending power.

Households by possession of assets

About one in every two rural households now has a mobile phone. Even in India's poorest states such as Bihar and Orissa, one in three rural households has a mobile phone.

Table 6 portrays that 54.3 percent of rural households possess telephone followed by 46.2 percent households have bicycles and 33.4 percent households owned television. Similarly, 14.3 percent rural households have a two-wheeler. Communication, transportation and entertainment are priorities for rural people. A notable amount of radios, computers and cars are also owned by rural Indians. Bicycles and unspecified assets are more in rural areas than urban areas.

Table 6. Households by possession of assets – India.

Type of Asset	Percentage of Households		
	Total	Rural	Urban
Total number of households	(246,692,667) 100.0	(167,826,730) 100.0	(78,865,937) 100.0
Radio/Transistor	19.9	17.3	25.3
Television	47.2	33.4	76.7
Computer/Laptop – With Internet	3.1	0.7	8.3
Computer/Laptop – Without Internet	6.3	4.4	10.4
Telephone	63.2	54.3	82.0
Telephone/Mobile Phone – Landline only	4.0	3.1	5.9
Telephone/Mobile Phone – Mobile Phone only	53.2	47.9	64.3
Telephone/Mobile Phone – Both	6.0	3.3	11.7
Bicycle	44.8	46.2	41.9
Scooter/Motorcycle/Moped	21.0	14.3	35.2
Car/Jeep/Van	4.7	2.3	9.7
None of the specified assets	17.8	22.9	7.0

Figures in parentheses ( ) are absolute in number. Source: Census 2011 – Provisional Population Totals – India.

Rural development programmes

The Five Year Plans have witnessed massive investments by the Central and State governments in rural areas in a number of developmental programmes. Some of these programmes which contributed substantially to the incomes of rural people and created considerable impact are:

1. National Rural Employment Guarantee Act (NREGA): With the objective of providing 100 days guaranteed work for rural households, NREGA is launched on February 2, 2006. The ensured employment generated is from works that raise land productivity. The daily wages under the scheme vary from Rs 153 in Meghalaya to Rs 227 in Chandigarh (Rashmi, 2014). Nearly 27 percent of rural households availed themselves the employment under this scheme in 2009-10 (BL Buereau, 2012).
2. Swarnjayanti Gram Swarozgar Yojana (SGSY): Through this scheme rural poor get self-employment. Poor families (swarozgaris) above the poverty line are provided with income generating assets through a mix of bank credit and government subsidy. The scheme involves organization of the poor into Self Help Groups (SHGs) build their capacities.
3. Indira Awaas Yojana (IAY): Being an independent scheme since 1996, IAY provides assistance for construction / upgrading of dwelling units to the Below Poverty Line (BPL) rural households, with special emphasis on SCs, STs and freed bonded labour categories. A maximum assistance of Rs 35,000 per unit for construction in plain areas and Rs 38,500 per unit for hilly/difficult areas is provided. For upgrading a dwelling unit for all areas Rs 15,000 is provided. The funding of IAY is shared between the Centre and State in the ratio of 75:25.
4. National Social Assistance Programme (NSAP): The scheme provides social assistance benefit to poor households in the case of old age, death of primary breadwinner and maternity.
5. Integrated Watershed Management programme (IWMP): The three area development programmes, namely, Integrated Wasteland Development Programme (IWDP), Drought Prone Area Programme (DPAP) and Desert Development Programme (DDP) are integrated and consolidated into a single programme known as IWMP during the Eleventh Plan for optimum utilization of resources and sustainable outcomes.
6. National Land Records Modernization Programme (NLRMP): NLRMP is a major reform initiative that concerned with computerization, updating and maintenance of land records and validation of titles. This facilitates valuable and comprehensive database for planning developmental, regulatory and disaster management activities by providing location-specific information, while providing citizen services based on land records data.
7. Intensive Agricultural District Programme (IADP – popularly known as Package Programme)
8. Intensive Agricultural Area Programme (IAAP)
9. High-Yielding Varieties Programme (HYVP – Green Revolution)
10. Small Farmers Development Agency (SFDA)
11. Marginal Farmers and Agricultural Labourers Development Programme (MFAL)
12. Integrated Tribal Development Programme (ITDP)

13. Hill Area Development Programme (HADP)
14. Operation Flood I, II and III (White Revolution)
15. Sericulture Development
16. Fisheries Development (Blue Revolution)
17. Integrated Rural Development Programme (IRDP)
18. Sampoorna Grameena Rozgar Yojana (SGRY) and several others.

While the above programmes focused mainly on agriculture and allied activities, there have been investments in other programmes devoted to the development of rural people. They include improvement in health, education, sanitation, adult education, recreation, women development, and so on and have made considerable impact on the life styles of the masses by exposing them to modernization, reducing the drudgery of their work, and adding a modicum of dignity to their lives. Infrastructure facilities like road and communications network, rural electrification, public distribution system, cinema, television coverage, and the like have also received considerable attention in rural areas in the post-independent era (Sarangapani, 2008).

From FMCG companies to automobile makers, to those manufacturing small appliances, most consumer sectors have seen rural demand for their products move into higher gear due to rising support prices for crops, giveaways such as the NREGA and a significant expansion in agricultural credit routed through banks (Aarati, 2014).

Initiatives to capture untapped rural potential

Many FMCG and durables companies have initiated programmes to capture the untapped potential in rural India. For instance, FMCG major HUL has undertaken two projects – Bharat I and II – to take its products deeper into the rural areas. This is in spite of the fact that they are pioneers in rural marketing in India. Henkel Spic India has started a project called *Hariyali Safar*, or ‘green journey’, aimed at rural marketing. Maharaja Appliances Ltd. has launched a range of ‘no frills’ home appliances meant especially for the rural and semi-urban markets. Sony has entered the rural market without reducing its prices or even offering lower-end models for potential buyers. Mobile handset companies and mobile service providers have also started wooing rural consumers in a big way. After ‘Project Double’, which increased its rural penetration by 2.5 times over the past two years, Dabur India has launched a new initiative called ‘Project Core’ to expand its distribution footprint in the chemist channel. The FMCG company expects to increase its chemist coverage from 55,000 to 75,000 in the phase I, with an investment of Rs. 15 crore, and then to 125,000 chemists over the next few years. Rural marketing is inevitable for retailers. When retailers in urban areas are struggling to maintain their growth, rural areas offer huge potential for growth of organized retail sector. This is obvious from the fact that when giants like India bulls, Subhiksha and Spencer are forced to wind up their operations in some cities, companies such as Godrej and Kisan Sansar, which have focused on rural areas, are able to perform well. All FMCG and durables players are confident that these strategies may not bring quick results in the short-run period but gain momentum in the long-run.

Conclusion

Factors such as increase in rural income, improved rural infrastructure and urban market saturation drive corporates to the green patches of hinterland. Rural population has increased in absolute number but decreased in proportion since 1901. Rural India lures marketers with mammoth population of 833 million. This massive population is living in villages range from less than 200 to more than 10000 that signifies the size of discrete market. Agriculture and allied activities are the main occupations which act as prominent source of income. Central and State governments have contributed several programmes for the development of rural income. Rural consumer spends more on food items that include cereal and cereal substitutes, milk and milk products, beverages, refreshments, processed food, and vegetables etc. More than half of the rural households possess telephone besides a significant number of bicycles and television sets. By comprehending all these facts and figures, stakeholders of rural marketing are needless to say that they have to take precise decisions to capture substantial untapped potential of the hinterland.

Conflict of Interests

The authors have not declared any conflict of interests.

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