DEVELOPMENT OF RETAIL SECTOR IN RURAL INDIA: PERSPECTIVES AND CHALLENGES OF INDIAN RURAL MARKET

DR. SUMAN NAYYAR,
Head Deptt of Commerce, Khalsa College for Women, Amritsar

MR. SUDESH KUMAR
Research Scholar, Punjab Technical University, Jalandhar

ABSTRACT
The retail sector of India has emerged as one of the most dynamic and second fastest growing industrial economy with several other players entering the market. But all of them have not yet tasted success because they involve heavy initial investment that requires break even with other companies and compete with them. In the recent years, rural markets in India have changed with the emergence of retail concept and as the urban markets have hit saturation, relative growth has slowed down. Marketers have realized that rural India has great potential and the policy makers are more conscious for investing money to pump the rural economy with the aim to increase the interest of businesses towards rural India. Similarly this paper focuses on the role of retailing in the Indian rural market, role of rural market in the Indian economy and also determines the various challenges and opportunities faced by the Indian rural market in the current competitive world.

Key words: Consumer Durables, Warehousing, Packaging, Rural Marketing, FMCG, Marketers

INTRODUCTION
India’s growth move is based on the development of rural people. Other industrial players such as retail, fast moving consumer goods (FMCG), consumer durables, automobiles, are looking towards the untapped potential hinterlands possess. The household consumer expenditure survey for 2009-10, released by the National Sample Survey Office (NSSO), stated that rural Indian households have maximum expenditure on consumer goods like durables, beverages and services as compared to their expenses on such things five years back. The Indian rural market is an area of darkness to Indian corporate. Rural area is large in size but unstructured in detail and yet, the rural market represents the largest potential market in the country. As the 70% of India’s population residing in rural areas, the rural market has become the most lucrative options for all sectors. In the light of economic crisis, whether the urban markets remain passive due to cash crunch, the rural economy has remained largely unaffected. A good harvest has further added to their respite, which results that marketers are now focusing on small towns and villages with dedicated workforce. At present, rural consumers spend about USD 9 billion per annum on FMCG items and product categories like instant noodles, deodorant and fabric, with the pace of consumption growing much faster than urban areas. The McKinsey report (2007) on the growth of consumer market in India predicts that in the next twenty years the rural Indian market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today’s urban Indian market and estimated the size of the rural market at $577 Billion. Similarly this paper attempts to measure the growth of retail in the rural market and the development of rural market in India. The objectives of this paper are as follows:

- To study the importance of Retail in Indian Rural Market
- To analyze the role of Rural Market in Indian Economy
- To determine the various opportunities and challenges faced by Rural Market in India.

REVIEW OF LITERATURE
According to NCAER, a rural market is a market that exists in the rural area with a population less than 10,000, where the real density of population at any population nucleation is low without any
significant infrastructure. (NCAER.). According to Census of India 2001, out of total population of 102.7 crores, the 74.2 crore are in rural areas (Census of India 2001). That makes it 72.2 percent of the country’s population. (Ramakrishnan 2006) stated that the rural population is increasing at a higher rate than urban population. The significance of these increasing figures is that even a small percentage increase in overall income would lead to addition of a large number of customers bringing in much needed volumes. (Sharma and Katewa (2005) discussed in his study that the rural market in India is made up of two broad compartments. One, which deals in consumer products produced by industries and the second which deals in farm produce. Srinivas (2007) stated that the Indian Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country’s GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market.

RESEARCH AND METHODOLOGY
As per the objectives of this paper is to analyse the role of retailing in Indian rural market and future prospects of rural market, this study is based on the secondary information about the growth and development of rural market in India. Similarly, this study is exploratory and carried out through the analytical approach and states the various challenges and opportunities of Indian rural Market.

RETAIL IN INDIAN RURAL MARKET
The Indian rural population is highly supporting the consumer base (about 70 per cent of the country’s population), which generate maximum revenues for many major conglomerates operating in diverse markets in India. For many years, generally the rural India was not acknowledged by the retailers. But as the ‘bottom of the pyramid’ is getting growth with higher purchasing power and awareness, education, companies are looking for opportunities in hinterlands like DCM Shriram Consolidated Limited (DSCL), which operates 270 stores of Hariyali Kisaan Bazaar (one of the largest national rural retail chains of India), plans to open 20 more outlets by the end of 2011, similarly ‘Aadhar’, the Future Group and Godrej Agrovet's joint venture (JV) in agri-service-cum-rural retailing is undergoing a revamp, wherein the model will follow hub-n-spoke concept to drive higher profits for the company.

The 66th round of the National Sample Survey showed that monthly per capita expenditure (MPCE) in rural India was Rs 953.05 (US$ 20.69) in 2009-10, an increase of 64.6 per cent from 2004-05, it states that the rural Indian households are spending more on consumer goods like durables, beverages and services as compared to their expenses on such things five years back. The growth of some of the retail market component is as follow

FMCG
As per the analysis carried out by a leading industry body, the rural FMCG market size is estimated to increase from current Rs 87,900 crore (US$ 19.08 billion) to the size of over Rs 1,06300 crore (US$ 23.08 billion) by 2012 due to the increasing levels of income in the hands of rural households and the massive advertisements by market players. This entails a compounded annual growth rate (CAGR) of 10 per cent in totality for rural and semi-urban areas.

Consumer Durables
Due to the modernized industry approach, India’s consumer durables market is anticipated to be expanded by 40 per cent in 2011-12 like Tata and MTS are fighting for rural market share with Chinese brands like Lawow and G'Five. Players like Videocon and Micromax have also rolled out models that are meant for sizeable price-sensitive customer segment. Mobile handset companies are betting on low-end models to target a significant segment in the society that wants basic vanilla communication tool to stay connected to the world.

Automobiles
In a bid to connect with rural households, automobile companies are continuously on their toes to develop appropriate products, schemes and services. The world's largest motorcycle maker, Japan's Honda Motor, is pushing its small capacity 100-cc economy bike model to get closer to rural Indian consumer. India’s second biggest automaker, Hyundai Motors, may establish a network of as many as 1,000 rural outlets and introduce a cheaper small car to fight competition in rural and semi-urban areas.

**ROLE OF RURAL MARKET IN INDIAN ECONOMY**

In Indian economy the concept of Rural Marketing has always played an effective role in the lives of people. In India, except few metropolitan cities, all the districts and industrial townships are linked with rural markets. The Rural market in India is highly influenced by the sociological and behavioral factors operating in the country. The Rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population. Some of the important contributions of Rural Marketing in Indian Economy are being listed below:

- Due to the various rural development programmes there is an increase in employment opportunities for the rural poor. The biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.
- The rural market in India is very large and unstructured offers the large number of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers.
- The social status of the rural regions including the wide range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.
- The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the income level of the rural masses.

**CHALLENGES FACED BY RURAL MARKET IN INDIA**

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. But with regard to the various opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth. Due to these problems marketing efforts are constrained in several ways like weather roads. Rural consumers are far less homogeneous than urban consumers. Similarly the rural market is facing various challenges in India, that are as follow:

**Low Income Level**: The distribution of rural income is highly skewed, since the land holding pattern, which is basic asset, itself is skewed. Therefore the per capita income is lower in rural areas compared to those in urban areas.

**Seasonal Marketing**: Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behavior but the income of the rural consumer is seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time at which the rural people have substantial high cash flow.

**Packaging**: Mostly the retailer in the rural market are not much caring about the proper packaging of the product, because, due the packaging cost increase the total cost of products. It is suggested that the marketers can use cheaper materials in packaging for the rural markets. like small polypack of refined oil is can be used than a container for the same product due to its lowest cost. One more important factor is the size package.

**Literary level**: In rural area the literacy rate is low as compared to urban areas. This again leads to the problem of communication for promotion purpose. Therefore, the print media becomes ineffective and to an extent irrelevant in rural areas since its reach is poor.
Transport problems: Transportation is quite a major problem in rural India. Nearly 80 percentages of villages in the country are not connected by well constructed roads. It effects the distribution system of the companies. Similarly, due to poor transportation facilities, farmers and marketers find it difficult to reach markets.

Storage: In the rural areas, the storage of bulk stock of products is a major problem. Due to the absence of public as well as private warehousing, marketer bears the maximum loss every year.

Advertisement hinderance: Television is a good medium to communicate message to the rural people. But due to non-availability of television sets, as well as power, the rural population cannot get the benefits of various media.

Similarly, to get the survival in the competitive market, the marketers have to cope up the various challenges before them like setting up the effective distribution system, educating the rural consumers about the requirements and uses of the products. The marketers should also make the rural consumers understand about the quality of the product and how their product is different from its competitors. This will encourage the better involvement on part of buyer and fosters long lasting relationship between consumer and company.

OPPORTUNITIES FOR RURAL MARKET

There are many opportunities waiting to be exploited in the area of rural marketing.

- There is an increasing similarities between urban and rural consumers especially the young consumers, who have almost same aspirations as the young urban consumers have. Thus, it is convenient for the marketers to capture the certain section of rural consumers in the same manner as they are targeting the urban ones.

- The purchasing capacity of the rural families has increased rapidly. Rural Marketing Association of India (RMAI) confirms that rural income levels are on a rise. Therefore the income from non-farm sector is estimated to touch 66% of net rural income by 2020 and the average rural spending is expected to grow 6 times from current levels. Moreover, the percentage of Below Poverty Line (BPL) families declined from 46% to 27%.

- The infrastructure development by the government and various large private corporate house has increase the various opportunities for the business development, like work is in progress for the better connectivity by roads; more than 90% of villages are electrified. Rural telephone density has gone up by 300% in last 10 years. Rural literacy rate has also improved from 36% to 59%.

- It is a fact, India's rural population accounts for 12.5% of the world's total population, 600,000 villages with 700 million people of the country, which is in itself a huge consumer base and providing the huge opportunity for rural marketers in India.

- During the current scenario, the affordability of some specific segment of rural consumers is almost equal to that of the urban middleclass as the per capita income of top 20%-30% of rural segment is not much different. It means that marketers can tap this segment as well with the product he is targeting the urban middle class.

CONCLUSION

The rural market is where the markets of the future are likely to be. An urban market has become competitive for many products. In some cases they are even saturated. On the other hand, rural markets offer growth opportunities as it is the market of new millennium. Marketers will have to understand the rural customers before they enter into the rural markets. Thus, looking at the challenges and the opportunities, which rural markets offer to the marketers, it can be said that the future is very prospective for those who has understood the dynamics of rural markets and exploited them to their best advantage. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is called for, so they can successfully impression the 230 million rural consumers spread over approximately six lakh villages in rural India.
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