

RURAL MARKETING ENVIRONMENT: A CONCEPTUAL FRAMEWORK

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Introduction

An environment is that which surrounds an organization. It is sum total of external factors and made up of tangible and intangible factors both controllable and uncontrollable. Rural marketing is basically a focused marketing activity of an organization. The environment outlines threats and opportunities of the market. The rural marketing environment is complex and is changing continuously.

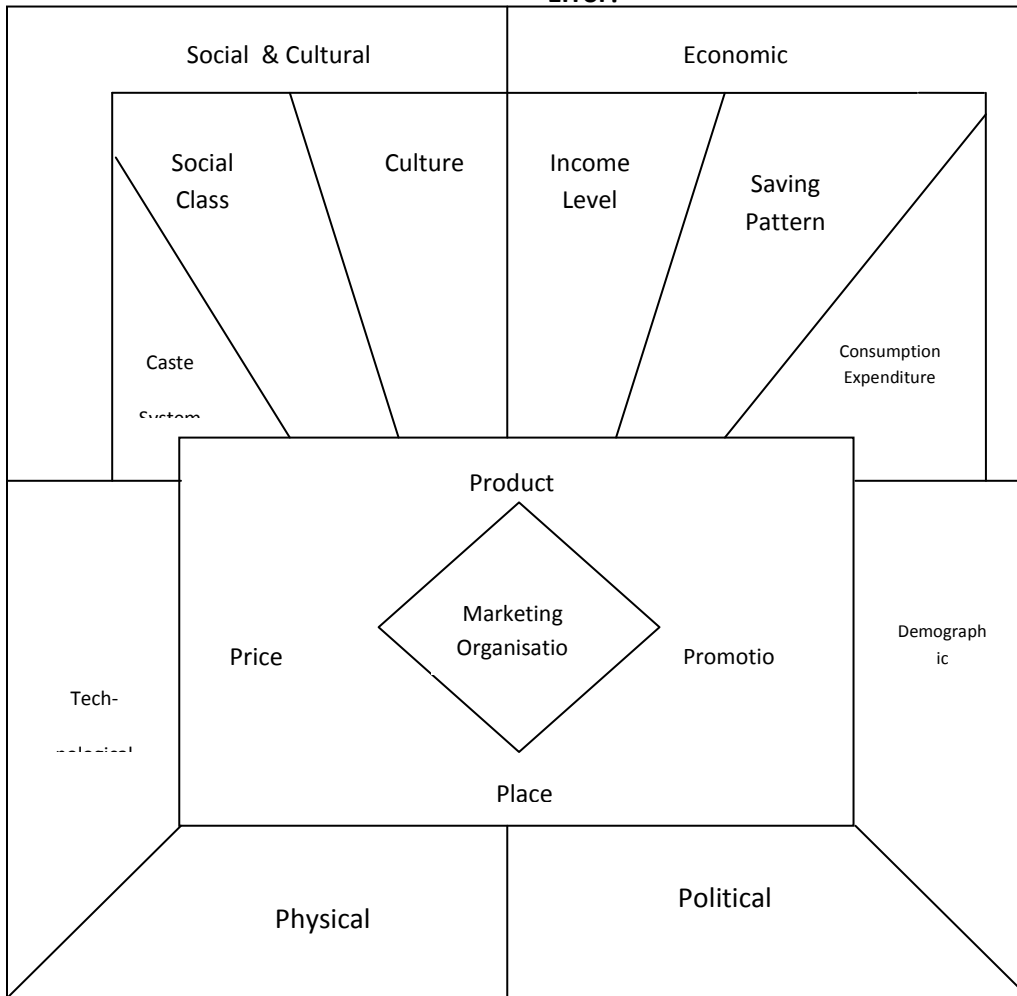
When marketing activities are done in the rural areas or marketing enter into rural people, It is necessary to know the conditions of the markets. Marketing is conditioned by the environment which is ever changing. An overview of environment in India shows wide expanse of the market, under develop logistic, enormity of the growth of population and density of living, low literary multiplicity of languages, unemployment and underemployment, slow growth, low purchasing power and standard of living, In political planks, prevalence of marketing malpractices, the advent of the green revolution, and technological revolution exodus from rural to urban areas, and synthetic mix of heterogeneous social, industrial and ethical forces affect the attitudinal & behavioural pattern of rural people.¹

India's vast rural market offers a huge potential for a marketer facing stiff competition in the urban markets. The Rural market environment is very different from the familiar surroundings of the urban market.²

The rural market environment changed in the late 1990s. The issues in 1993 were simpler, but today with the novelty value of products gone rural markets stubbornly refuse to take just any product and service created for urban market. Rapidly growing farm production, population size of the current rural markets and their potential have offered a challenge to marketing organization in rural areas.³ Rising incomes, improving infrastructure, favourable govt. policies and wide area offers huge potential for rural marketer which he cannot afford to ignore.

Therefore, it is essential to understand the rural marketing environment elements in details to meet out the challenges and explore the opportunities provided by the rural markets.

Figure 1.1b
Structure of Rural Marketing Environment



Structure of Rural Marketing Environment

Demographic Environment

Large Population : The rural population is large and its growth rate is also high.

Table 2.1
Rural Population During Various Census Period

	1971	1981	1991	2001
Total Population (million)	548.2	683.3	848.3	1026.9
Rural population (million)	439.0	524.0	628.8	741.6
Rural proportion to total population (%)	80.1	76.7	74.3	72.2
Decadal Variation	-	19.8	16.8	15.2

Source : Census of India 2001

Though the rural proportion in population has come down moderately over the years, there has been a considerable increase in absolute numbers of people living in rural areas.

Table 2.2
Distribution of Population by Age

Age wise distribution of Population (%)	1992	1997	2007
0-4	12.8	11.7	10.0
5-14	22.9	22.1	19.5
15-59	57.7	59.1	62.2
60 to Above	6.6	7.1	8.3

Source : Statistical outline of India, 2001-2002

For marketers, the largest age group shapes the marketing environment. In the case of rural, it is school-going children and young adults who define the consumption patterns of consumables and lifestyle products.

Table 2.3
Showing the Level of Education

Rural literacy in Haryana	1981	1991	2001
% of literates	37.26	49.85	63.82

Source : Census of India 2001

Table 2.4
Literacy Level in Rural Areas – By Gender

Literacy Level %	Male	Female
Illiterate	21.2	42.7
Literate < primary school complete	19.6	17.4
Primary School Complete	17.8	16.5
Middle School	13.1	8.4
High School Complete	16.0	7.8
Higher Secondary	12.3	7.2

Source : National Family Health Survey (NFHS-3), India.

Literacy rate and education levels of population not only influence the consumption pattern and manner of living, but also influence the promotional strategies of marketers. Level of education is lower in rural sector (63.82%) when compared with their counterpart in urban sector (79.89%) But change is taking place because the literacy rate in the rural sector has risen 26.56% over the last twenty years. This has contributed to a significant improvement in the socio economic status of the people. With this growth rate, the demand for educational products, consumables and durables has increased.

Occupational Pattern

Table 2.5
Distribution of Households by Occupation of the Head

Head Occupation	Distribution of Households (%)		
	Urban	Rural	All
Housewife	0.84	1.01	0.96
Cultivator	3.45	40.86	29.99
Wage earner	20.93	35.28	31.12
Salary earner	40.72	11.28	19.84
Professional	3.59	0.73	1.56
Artisan	6.90	3.41	4.42
Petty shopkeeper	16.05	4.97	8.19
Businessman	3.68	0.46	1.40
Others	3.85	1.98	2.52

Source : NCAER 2002

The occupation pattern shown in table 2.5 revealed that nearly 75% of the rural household income is from agriculture whereas three fourth of urban households heads are salary earners, petty shopkeepers and wage earners. Evidently, rural prosperity and the discretionary income with the rural consumer are directly tied up with agricultural prosperity. So the cultivator's disposable income is highly seasonal, with more disposable income available immediately after the harvesting season. The purchases at such times are quite significant, as 75% of the rural population are farmers.

Rural Housing Pattern : The types of the houses in rural area are a very strong indicator of economic growth

Table 2.6
Rural Housing Pattern

House Type	1981	1991	2001
Pucca	22	31	41
Semi Aicca	37	36	36
Kuccha	41	33	23
Total	100	100	100

Source : Census of India , 2001

Today, 40% of rural houses i.e 50 million are pucca, which is growing at a rate of almost 5% annually. Most low income people live in Kuccha house, However, as income increases the number of Kuccha houses is coming down, the low income group are gradually moving towards semi pucca house and then finally pucca houses.

Physical Environment :

Rural and Urban Life : Distinguishing features settlements (Scattered and Clustered)

Table 2.7
Population Density (Urban +Rural) Per Sq. km. (Haryana)

	1981	1991	2001
Population Density	292	372	477

Table 2.8
Distribution of Towns and Villages

	1981	1991	2001
No. of towns	81	94	106
No. of Villages	6745	6988	6955

Source : Census of India , 2001

Table 3.1
Inhabited Villages Classified by Various Population Size

Population Range	No. of Villages	Population
Less than 200	270	25,668
200-499	582	2,11,673
500-999	1205	9,16,344
1000-1999	2091	30,41,342
2000-4999	2015	62,41,342
5000-9999	504	33,43,738
10000 and above	97	12, 49, 279

Source : Director of census operations, Haryana (Statically Abstract Haryana 2006-07)

Physical distribution of the population gives an idea of how the market is spread. This type of information is highly useful for planning the distribution strategies.

Table 3.2
In habited Villages Classified by Population Size, 1991 and 2001

Population	Villages in size Group(1991)		Villages in Size Group 2001	
	Number	percent	Number	Percent
less than 200	358	5.29	270	3.99
200-499	725	10.72	582	8.60
500-999	1544	22.84	1205	17.81
1000-1999	2021	29.90	2091	30.91
2000-4999	1708	25.27	2015	29.79
5000-9999	359	5.31	504	7.45
Total	44	0.65	97	1.43

Source : Census 1991 and 2001

The table of inhabited villages provides very rich insight to a marketer :

- Villages of less than 500 population generally do not have any shop, but the number of such villages has decreased by 4 percent over the last ten years. 250 villages in less than 500 population category have upgraded to the 500+ population category.
- Villages in the 2000+population strata are the most prosperous. The number of such villages is increasing very rapidly. Over the last ten years, almost 450 villages have been upgraded to the 2000 + population category. These villages have around 16 shops.
- As per 2001, categories account for 50 percent of the 5000 +population and 60 percent of rural wealth. A marketer going rural should target this category first.

Land Holding Pattern in Rural Area :

Table 3.3
Land Distribution (Average Size of land Holdings)

Size category in (Hectares)	No. of Holding (Million)	Area in Mn Hectares	Average size in hectares
Marginal (Below 2 hectare)	62(58)	25(15)	0.39
Small (2-4 hectare)	34(33)	67(41)	1.98
Medium (4-10 Hectare)	8(7)	45(27)	5.88
Large (10 Hectare & Above)	2(1)	29(17)	17.16

Source : Department of Agriculture, GoI, Annual Report 2001-02

It is important to note the land holding Patterns in rural areas because it helps the markets to understand the difference in the levels of income in the rural market. It is a well noted fact that most of the income for rural consumers is from agriculture. From marketing point of view, rural market can be classified into clearly differentiable market segments depending upon the disposable income of the class. At the top end are the feudal landlords and the ubiquitous money lender class. This class buys mostly branded products. The second category of high disposable income rural consumers is the rich farmers having large land holdings and a significantly high level of cash savings, besides real assets and gold holdings. They are more likely to switch to newer products and also have a strong preference for branded products. Apart from these, there are the lower middle class rural consumer who also consume some branded products, albeit less regularly and on a much smaller scale.⁴

Table 3.3 revealed that only 8 percent of households have 4 or more hectares of land. Similarly, 58 percent of the households own less than 2 hectares of land while, the top 1 percent of the households own more than 10 hectares. Thus, noting and analyzing the land holding pattern gives a fair basis and presents a near accurate picture of the magnitude of rural markets

Economic Environment :

Table 3.4
Distribution of Rural Households by Income

Annual Income (Rs.) at 1998-99 prices	Income Class	1985-86	1989-90	1992-93	1995-96	1998-99
<= 35000	Low	65.2	58.8	65.4	57.2	47.9
35001 – 70000	Low middle	21.4	23.9	22.6	29.0	34.8
70001-105000	Middle	4.0	7.1	8.2	8.6	10.4
105001-140000	Upper Middle	0.7	1.2	2.3	3.1	3.9
> 140000	High	1.1	1.4	1.4	2.0	3.0

Source : NCAER, India Market Demographic Report, 1998 and 2002.

The table 3.4 revealed that during 1989-90 and 1998-99, the proportion of rural households in the top two income categories has grown almost 2.6 times. The middle and upper middle class constitute, 14.3 percent in 1998-99 against 4.7 percent in 1985-86. A transition that marketing companies in white goods and durables will find extremely interesting as a sign of growth potential.

Rural per capita income is increasing which is evident from the fact that the distribution of households in different income classes is getting thinner at the lower income classes and thicker at the higher income classes. Increasing Incomes are also changing expenditure patterns.

Table 3.5
Income Variation in Urban and Rural India 1999-2000.

State/ UT	Per Capita Income		Ratio of Urban PCI to Rural	Rank
	Urban	Rural		
Delhi	29364	24852	1.18	1
Haryana	18134	14855	1.22	2
Chandigarh	34509	27256	1.27	3
Punjab	21413	16540	1.29	4
Pondicherry	18938	13215	1.43	5
Rajasthan	15850	10693	1.48	6
Assam	17231	11109	1.55	7
Gujrat	22742	14574	1.56	8
Gua	17440	11017	1.58	9
Karnataka	18394	11300	1.63	10
Kerala	17372	10342	1.68	11
Andhra Pardesh	19143	11033	1.74	12
Bihar	12404	6976	1.78	13
Uttar Pradesh	12257	6738	1.82	14
Himachal Pradesh	19881	10816	1.84	15
Tamil Nadu	24246	12888	1.88	16
Maharashtra	23747	11769	2.02	17
All India	19407	9481	2.05	
Madhya Pradesh	14719	7079	2.08	18
Meghalaya	20714	9284	2.23	19
West Bengal	23892	8792	2.72	20
Orissa	15993	5704	2.80	21

Source : Draft Report of NSS 58 round (July 1999-2000) NSSO April 2001

Table 3.6
Per Capita Consumption Expenditure

(Rs. Per Month)

Year	Rural	Urban
1983	112	166
1991	281	458
2001	486	855

Source : NSSO [60th Round (Jan-July 2004)]

Table 3.7
Composition of Rural Per Capita Consumption Expenditure (in Haryana)

Year	Food	Non-food
1983	66	34
1991	63	37
2001	59	41

Source : NSSO

Per capita consumption expenditure in rural has increased four times over the last twenty years from 1983 to 2001. Rural expenditure on non food items is increasing. Out of total per capital expenditure of Rs. 486, approximately 40% is spent on non food items. This shows an encouraging trend for consumables and durables.

Table 3.8
Households Availing Banking Facilities (figures In million)

	Total	% of HHs	Rural HHs	% of Total HHs	Urban	% of HHs
Households	192		138	72	54	26
No. of Households availing banking services	68	35.5	42	30.1	27	49.5

Source : RBI Bulletin, 2003

In absolute numbers, the 42 million rural Households availing banking services far exceeds the 27 million in urban households.

Social and Cultural Environment : Socio Cultural environment is another important component of environment : Culture, traditions beliefs, values and lifestyle of the people in a given society constitute the socio cultural environment. These elements decide, to a large extent, what the people will consume and how they will buy.

Culture : Culture is the combined result of factors like religion, language, education and upbringing. Meaningful information on the consumption habits, lifestyle and buying behaviour of the people can be obtained through a survey of the socio-cultural environment. Cultural shifts carry with them marketing opportunity as well as threats. Along with cultural dynamics, the needs and talent, feelings of rural people also need to be understood.

Social Class : Social class is one important concept in socio cultural environment. Any society is composed of different social classes. A social class is determined by income, occupation, location of residence etc. of its members. Each class has its own standards with respect to lifestyle, behaviour etc. They are known as the class values. These values have a strong bearing on the consumption pattern and paying behaviour of the member of the class.

Changing Position of Women : The position of women in rural India, especially in the growing middle class is changing fast. From the role of a simple housewife, she is now being transformed into an educated employed member, sharing the responsibilities of the home with the man. She is an active partner in the purchase decision of consumer durable and non durable goods.

Social and Cultural Environment : The society and polity across the country varies between regions and sub-regions and also between different religions, castes and linguistic groups. Though there are no strict boundaries for identifying cultural differentials, common socio-cultural behavior has been mapped as distinct socio cultural regions, which may be spread across political/ administrative boundaries.⁵

The influence of social practices reveals itself in consumer preference for product features, product size, shape and colour. The information source is also influenced by social practices.

Along with cultural dynamics, the needs and latent feelings of rural people also need to be understood. Marketers would do well to first understand this and then design and launch products accordingly. For example, Cadbury's has launched chocobix, a chocolate- flavoured biscuit, on the basis of the understanding that rural mothers opt for biscuits rather than chocolates for their children.⁶

Caste System : Indian Society had a definite scheme of social gradation, with the Brahmins at the head of the hierarchy, followed by Kshatriyas, Vaishyas and the Shudras at the bottom. The castes in themselves have sub-castes and cults, each claiming social supremacy over the other. Marketers have to be sensitive to the caste systems and products in rural areas. While developing advertisements, brand communication and promotion plans, marketers should be sensitive in order to ensure relevance of characters and message.

Socio- Cultural Environment of Rural India : Rural India is a land of many religions. Almost all the major religions of the world are present here. As many as seven different religious groups : Hindus, Muslims, Sikhs, Christians, Zoroastrians, Buddhists, and Jains live in India in sizeable numbers. The people of India speak different languages with 17 major languages. The language scenario is infact, even more diverse than the religious one. India is also a land of many cultures. Many languages, religions and cultures actually co-exist and prosper in this large country. In recent times, some changes are taking place in the culture arena, owing to increased exposure to different lifestyle, impact of media, increasing industrialisation and consequent mobility of population, and the process of globalisation.⁸

Technological Environment : The changes in the rural technological environment were triggered off by three major revolutions a) The green revolution in the agricultural sector (b) the white revolution in the dairy sector and (c) the introduction of non-government agencies in the development sector.

The fast changing science and technology give a cutting edge to the marketing of products. The change of processes reduce manufacturing, Packaging and handling cost of products. The changes warrant changes in marketing, inputs and strategies. Faster and efficient communication and transport systems have speeded up markets. The capital is made to work faster and harder. So is the case with the marketer. He has to use these new marketing tools and facilities in designing and implementing his marketing strategies which are adaptive to the changing environment and ensure success.⁷

Political Environment : Historically, the Panchayat and village Pradhan/ Sarpanch had been representing rural India. Dominated largely by the upper casts, they lorded it over the political scene until the panchayats became part of the administrative machinery of the government of India. Under the Panchayati Raj System, all government departments such as education, health, agriculture, rural- development, social justice livelihoods etc. form an integrated approach for the development of rural areas. The structure of the Panchayat ensures the participation of the villagers in electing their representatives to the Panchayat and also its functioning, thereby making them politically aware and active. Village with 5000 population or a

cluster of smaller villages with 5000 population form a panchayat. The villages are segmented to form wards, from where ward members are elected to the panchayat. The ward members select their leader, who becomes the sarpanch. The sarpanch represents the village at the tehsil/taluka/block level.⁹

The government policies towards trade and commerce, internal taxation, external levies and preferential treatment have profound influence on the marketing strategies. The marketing environment has to meet the political framework in which a govt. is made to work.

Conclusion : We can say that rural marketing environment is complex and is changing continuously. Therefore, it is essential to understand the rural marketing environment elements in details to meet out the challenges and explore the opportunities provided by the rural markets.

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