

# Marketing And Economy Interlinkages: View Of Rural India

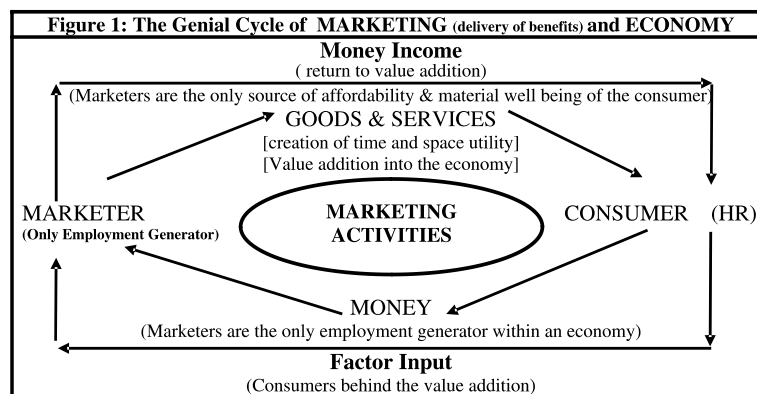
\* *Indrani Majumder*

*“Marketing is creation and delivery of standard of living.”----- (Mc Nair, 1968)<sup>1</sup>*

## INTRODUCTION

Not merely the inflated production rather superfluous marketing activities are the urgency of today's business world. Marketing consists of all the activities including processing and distribution to cater to reach the products from the producers' nest to the basket of final user. The physical element of marketing enables the transformation of goods and services into a form desirable to the consumer; desirable space wise as well as time wise, and thus helps to give a boost to the human well being. In view of that, up-to-the-mark marketing activities are the prerequisite for a high level of economic performance.

For an individual producer or marketer, the motivation that plays behind all the marketing activities may be to get the most out of his own economic benefits by utilizing the available physical and human resources, but from the societal viewpoint, the objective as a whole lies in encouraging the efficient allocation of available resources which is highly essential for economic development. Marketing improves distribution of income between sectors of the economy indirectly. Only through properly planned marketing activities stability of supply and demand for marketed goods and services can be maintained and thus an economy can be pushed into a stable pathway. Within the economy, value addition is possible only through this exchange process. This exchange process is the only way of quantification of the flow of physical elements within an economy and thus it is promoting the economic growth and creating wealth within the economical territory as shown in figure 1. If the flow of goods and services can be take care of, then it can make the other flows heavier and much speedier automatically.



The emergence of market and the marketing activities, very specifically, the transferring process of goods and services can take the lead of comparative advantage, which in turn can make possible the development of an economy in isolation and overall world development in integration. It's the market that makes mass production possible that usually gives positive return to the economy in both ways-revenue as well as cost. The benefits of economies of scale can be enjoyed only if the market is present. And this, in the reverse direction, creates a space for marketing activities and opportunity to the marketer or organization. It has the power to convert today's luxuries into tomorrow's necessities. Without marketing, either in local, national or in international context, self-sufficiency and diversification for an individual, local community, areas or for a nation to produce their own needs is essential which obviously lacks the reimbursement of comparative advantage. Specialization results in efficiency in the utilization of the resources which is the only way to economic growth and economic development and this can be gained exclusively through marketing activities. It can also be said that employment opportunities to a large extent are dependent on that very exchange process, i.e. the marketing activities. In a

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<sup>1</sup>Malcolm P. Mc.Nair, 1968: "Marketing and The Social Change of Our Times" in Keith Cox and Ben M. Evis (Eds.) A New Measure of Responsibility for Marketing, AMA, 1968.

country like USA, almost one-third to one-fourth of the total employed population is engaged in the field of marketing (Gupta and Nair, 2002).

For market development to occur in its true sense, rural areas must be effectively linked specifically in an economy like India where more than 70 percent of its total population lives in its rural counterparts. The claim of a country to be a developed one can never sustain without the development of its rural people. The rural development can be ensured only if the marketer can work efficiently to satisfy the rural needs. If the entrepreneurs can take the responsibility to make the rural people remarkable, then rural places can be the significant source of money flow in near future. Rural markets can generate inter-cyclical flow of return and an advanced rural economy may take care of the rural marketer which in turn can get a comparatively uplifted standard of living that stands to be the main requirement for the development of an economy, provided it is associated with the equality concern.

### LITERATURE REVIEW

Progressive nations have shown a highly positive, as high as 0.7<sup>2</sup> correlation between levels of economic development and the levels of entrepreneurial activities. Active and dynamic entrepreneurial activities resulted in stronger economic performance where rural economy cannot remain as an exception. This indicates a need for setting activities by the organizations for the rural region. Tactics required to meet the demands for the rural consumers must be aligned with the implicit developmental strategies. The rural market place put forward enough opportunity to involve the rural folk, addresses the issues like unemployment, sustainable generation and mobilization of resources. This brings all round economic development (Srivastava, 2006).

The contribution made by rural India for the expansion and nourishment of the Indian economy is enormous (Das, 2006). Rural sector accounts for nearly 20 per cent of India's economy (Firodia, 2007). Social scientists of the yester years drew the picture of the Indian villages as virtually self-sufficient with very few ties to the outside world. But a new affluence is budding across rural India. The deep hole in between India's blooming cities and gloomy rural hinterland is gradually narrowing. Where in 1990, a single village person earned \$100; his urban counterpart could earn \$ 82 extra and now the difference has come down to \$56. No longer do the city dwellers picture the country's rural counterpart as primitive, impoverished and irrelevant. Urban prosperity is trickling down to the countryside (Giridharadas, 2005) though currently, some parts are in the center of a crisis as a result of the failure of minimum support pricing system and tendency of making profit out of poverty, out of livelihood security system (Chatterjee, 2007).

In the history of commerce, the **“bottom of the pyramid”**- the sheer size is considered to be the biggest potential market opportunity. The very poor represent value-conscious consumers. Chinese, Indian, Brazilian, Mexican, Russian, Indonesian, Turkey, South African and Thai consumers- all together in one set have more purchasing power in comparison with the set that consists of Japanese, German, Italian, French and British consumers (Prahalad, 2004). If the “Bottom of the Pyramid” is looked at in a combined set, not each and every element in isolation, then considerable amount of purchasing power can be found. What is required is the proper innovation. Innovative ideas in all respect, ranging from creation of utility to the delivery of all those utilities can materialize the renovation of goods and services into money. The entry may ensure a cyclical flow of benefits. It can offer a quality life and thus a regional economic development on one hand, which tactfully, the marketer can bag on the other hand (Prahalad and Stuart, 2002). Mass-scale and extensive entrepreneurship is at the heart of the solution to poverty. A partnering approach, in association with governmental and civil society organizations' support can create a large and fast growing market (Prahalad, 2004).

The global phenomenon is that the lower and middle income groups only made the FMCG sector successful where India cannot remain as an exception. Over 50 % of the FMCG sales are made to the rural India. The specialist rural marketing and rural development consultancy, MART, has studied that about 53 per cent of FMCG sales and 59 per cent of consumer durable sales were positioned in the rural areas. Apart from some lifestyle-based goods and services, leadership in rural India is the prime ingredient to gain leadership in the product or brand (Raj, Selvaraj, 2007). Hindustan Lever Limited, doyen of rural marketing, has been among the most effective consumer brand companies in reaching the poorest of the poor in India by its Operation Bharat, Operation Shakti, Operation Streamline, and other developing countries (Prahalad, 2004). Leading private sector entities such as Reliance, Shriram, Bharti, Mahindra, Nestle and Amul, Tata, ITC, and more others source agro-products and in this way are nourishing the rural lives and gradually empowering the rural people which in turn help all these organizations by placing the produce of these companies into their consideration set (Das, 2006). ITC is engaged in conveying a

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<sup>2</sup> Srivastava, 2006

ground-breaking dimension to its rural partnership. The '**e-choupal**' initiative of ITC is leveraging information technology to lift the Indian farmer to a new order of empowerment and transforming the rural economies. Company's agro-based businesses constitute a sustainable platform to the Indian rural sector (Debeshwar, 2002). Tata group is well known for their initiatives such as building schools, women empowerment etc (Srivastava, 2006).

The rural market emerged as a commercial proposition to Indian marketers in early 70s. As a result of Green Revolution in mid 60s in some parts of rural India, the increased purchasing power changed the consumption aspiration of the people in these areas. The large amount of credit to rural areas, development of infrastructural facilities, remittances from outside played a vital role to transform the rural India into cash economy. Urban consumption values have been percolated to rural India. And quite naturally, the marketers became aggressive to bag that cash by playing the game with strategies that suit the changed values (Anitha, 1995). 700 million people have the power to tip India's role in the sphere of global economy from seller to buyer. These can make the transformation of India happen from a vendor of outsourced skills to a source of consumers for the world's merchandise. India's villagers now account for the majority of consumer spending in the country. The figure is more than \$ 100 billion per year. Liberalization policy of 1991 has started to harvest its result in rural India and rural people have started moving gradually toward delightness from the economics of necessity. Multinational corporations, from Coca-Cola to Nokia, arrived on the scene and are increasingly eager to understand Indian villagers (Giridhardas, 2005).

A good successful business is a part of the society. It exists to meet society's needs. It is the purpose of business at the highest level (Browne, 2006). And every business enterprise has two basic functions viz. marketing and innovation. Moreover, it's the marketing activities that make the business enterprises unique and help to distinguish the enterprise from the pull of other like entrepreneurs (Drucker, 2006). So marketing of goods and services determines the society's development (Browne, 2006).

In a nutshell, the studies reveal the importance of the bottom of the pyramid to the marketer. The increased economic strength of rural hinterland and their empowerment scenario has also been reflected in the literature. Some have mentioned the consequential infiltration of urban consumption values. An urge of private-govt. partnership for upliftment of standard of living project for this segment has been echoed. Some have pinpointed the participation of the organizations into the societal activities in rural hinterland. The general view is that a powerful economy can create a strong market. But nobody has mentioned the unique role of marketing activities, very specifically, its transfer of ownership wings into the economic up-gradation of the rural people. No study has mentioned that the marketing activities are at the core that wheels other functioning of the organization and which in combination, wheels the economy whether it is of urban or of the rural hinterland. The current study has made an attempt to find out the interrelationship between marketing activities; very specifically, the physical exchange faction of the activity, with the economy of a particular geographical territory-in this study, rural India.

### **OBJECTIVE OF THE STUDY**

As per the connoisseurs' views in the field of economics, like any other economy, rural Indian economy is also a comprehensive theme that virtually encompasses workforce development, land use, agriculture, education, infrastructure and demographics. The Indian Census reports portray the village communities of India as comparatively less dense, agriculture dependant, less educated with comparatively higher dependency ratio. And the fact is that small and backward communities are generally deficient in taking effective action alone. Such communities need to have adequate authority who can tackle the various concerns for the all-round-development of the entities of those communities. If the business organizations can take this responsibility, then only they may make a platform for those organizations which they can use for acting in the forthcoming days.

A powerful economy creates a strong market, but the cause and effect relationship in the reverse way cannot be denied. The investment made to make the rural people aware about the produced goods and services can generate demand within the market which can be fulfilled only by ensuring sufficient and uninterrupted supply of those products. The opportunity to put the human resources in economic activities may get daylight. This implies a generation of income which is considered to be the main determinant of the standard of living for an individual and the position of an economy in a plural sense. This may further create a market that may yield significant benefits to the organizations.

As an economy is all about people, likewise, the market consists of people only and an interdependence of these two cannot be overlooked. It's the market whose existence makes the people of an economy adept to get their necessities and maintain their standard of living. It's the marketing that generates income. And it's the income that

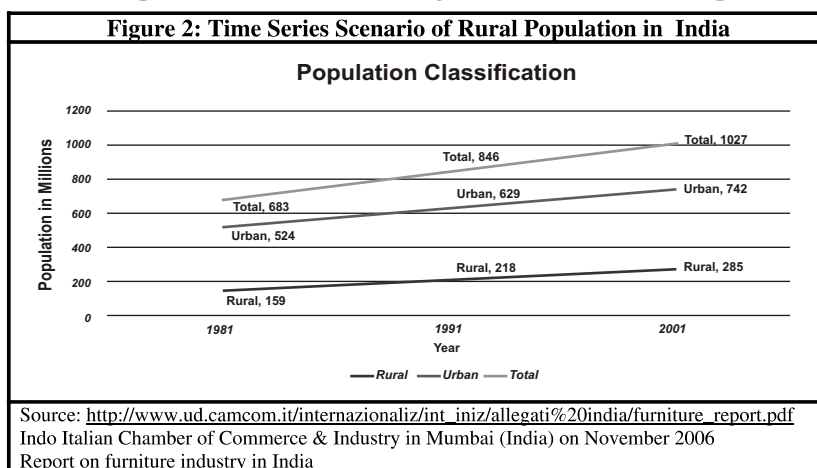
guides the taste and preferences of the households and individuals; the affordability along with some other factors. In this light, based on the whiz kid's portrayal in the literature review section, the objectives of the present study are the following:

- To **revise** the trends of India's rural economy after independence.
- To explore the consumption scenario of rural India.
- To examine the relationship between rural Indian economy and rural marketing.

## RURAL INDIAN ECONOMY

The Indian village traditionally has the image of “our common bread giver”. Around 700 million people in rural India, (Figure 2) who direct the economic development of the country present an enormous challenge and consequently, present an equally great opportunity as their urban counterpart, for making a difference in the lives of hundreds of its habitats. So the economic aspect of such a close knit community has been the concern of many researchers. Rural India has always been viewed from the perspective of a social unit which has existed cohesively for centuries together.

Regardless of all political and social gospels, this 70 percent of the Indian economy, namely rural economy, is predominantly in the red vigilant and really needs a serious put right. Though decentralized infrastructural investment along with decentralized delivery enterprises is the key to the revival of any economy, very little change has taken place in the past decades in the villages of India in these aspects. Though the movement



away from dependency to empowerment is evident in many Indian villages, but very little change has taken place in the past decades in the villages of India as a whole. Still the villagers of India, for their sustenance, are more or less dependent on agriculture (Table 1), though the figure is not 100 percent. Unlike in the past, where the ratio between those who were involved in agriculture and in other businesses was 75-25, today the estimated ratio is closer to 60:40<sup>3</sup> (Table 2, Figure 3). The majority own some land, usually in scattered parcels (Table 3), but a substantial number rent all or part of the land they farm, either for cash or for an agreed-upon share of the harvest.

Self Employed in:	Household			Population		
	1993-94	1999-00	2004-05	1993-94	1999-00	2004-05
Agriculture	378	327	359	424	371	398
Non-agriculture	127	134	158	131	139	167
Self Employed	505	461	517	554	509	565
Agricultural Labour	303	322	258	275	301	241
Other labour	80	80	109	75	76	106
Rural Labour	383	402	367	350	376	346
Others	112	137	116	95	114	88
All	1000	1000	1000	1000	1000	1000

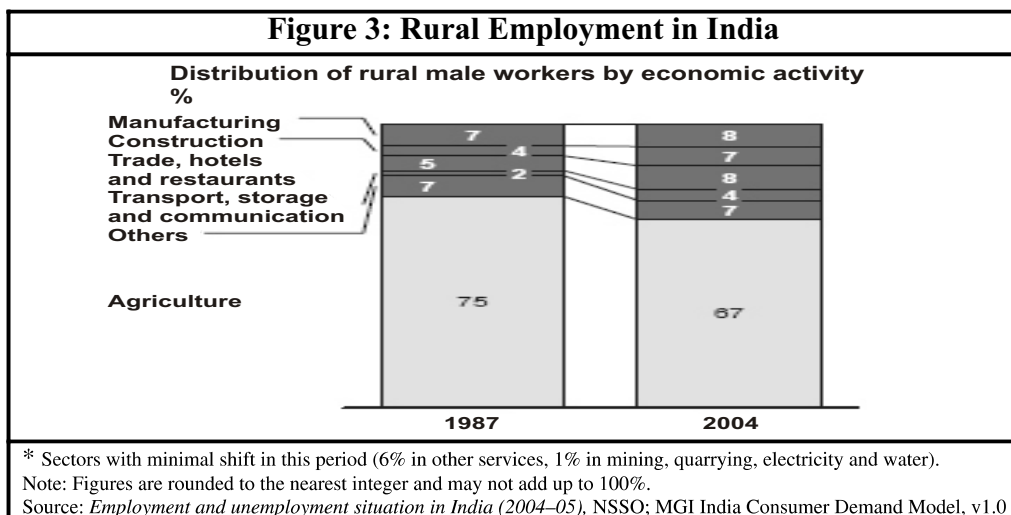
Source: NSS Report no. 515: Employment and Unemployment situation in India.

<sup>3</sup>Rajan, 2005

Shares typically range from one-third to one half of the harvests. Many families, especially scheduled castes, have no land at all, and both adults and children are bound to sell their labor to the larger farmers. With drought, a common occurrence across all the areas of India, the villagers sustain their life only with Rs 12-18,000 (USD 240-360, USD1 = INR50) per annum, as compared to the national average of Rs 25,000<sup>4</sup>. In different media, the phrase 'Rural India' is synonymous with extreme poverty. It is a vast tract of woefully poor people, who labour under the scorching sun with crude ploughs and emaciated bullocks. But some part of the rural region has undergone significant social and economic restructuring in last few years. Though the natural or physical attributes, the technological infrastructures that penetrates and/or manipulates rural spaces and the social relationships among persons embedded in local and extra-local networks still reflects the rural distances, the time series data reflects the fact that it has conceived economic modernization, as a process of gradual change from a simple, "village economy" to a diversified economy of urban centres. With an ascending overall Indian economic trajectory, rising

Year	Rural			Rural + Urban		
	Male	Female	Person	Male	Female	Person
1961	20.34	13.05	17.85	32.57	16.91	27.64
1971	18.82	12.84	17.53	32.51	19.18	29.88
1981	20.92	11.89	18.32	36.37	18.06	31.65
1991	22.49	10.88	18.74	39.15	17.57	32.99
2001	30.32	20.14	26.67	47.84	28.06	41.60

Source: Journal of Rural Development: A Quarterly of National Institute of Rural Development, Vol 24 Oct-Dec, No. 4, 2005



foreign exchange reserves, reducing inflation rates, global recognition of technological competence and the interest shown by developed countries to invest here, rural territories do not remain just the sites of production, rather, rural spaces have become deeply complex and are subject to plural and overlapping political and economic claims.

Size Class of land cultivated (hectares)	1992-93	1998-99	2003-04
Up to 0.40	575	632	621
0.41-1.00	171	168	171
1.01-2.00	135	112	113
0.412.01-4.00	76	59	65
0.414.01 & above	43	30	30
All Classes	1000	1000	1000

Note: The HH with size class of land cultivated up to 0.40 hectares comprise HH cultivated land less than 0.40 hectares as well as HH reported no information on land cultivated  
 Source: NSS Report no. 515: Employment and Unemployment situation in India.

<sup>4</sup>Jain, 2003

The rural spaces are being “mapped and re-mapped” along with the lines of both local and societal struggles over political rights and economic access. In some parts, non-agricultural, traditionally urban functions such as housing, manufacturing, services, recreation etc. are evident. In some parts, 'rural population turn around'<sup>5</sup> is the scenario. Literacy rate gradually increases in rural India (Table 4). Rural employment has gradually increased (Table 5). A lot of people, around 50-60 %, belonging to the second generation are getting white-collar jobs in nearby towns. There is growing middle class with regular income and the rural rich are becoming richer (Table 6). Between 1993-94 and 2000- 2001, per capita rural income grew at the same pace as urban income (Goswami and Bijapurkar, 2005) and it is expected to grow further (Figure 4). The trends in development, the decrease in the below-poverty-line percentage (Table 7, Figure 5) and its pace in India's rural spaces can be said to have occurred by the process of urban-rural integration and counter urbanization. While the rural totality comprises of three facets, viz. (1) rural localities reflected through distinctive practices, linked to production and/or consumption, (2) formal representations of the rural such as those expressed by capitalist interests, cultural arbiters, planners or politicians and (3) everyday lives of the rural, these three are gradually changing positively.

<b>Table 4: Literacy Rate (per 1000 persons) by sex and for rural India during 1983 to 2004-05</b>				
Rural Male				
NSS Round (Year)	Not literate	Literate & up to primary	Middle	Secondary & Above
61 <sup>st</sup> (2004-05)	364 (320)	361(277)	140(191)	134(211)
55 <sup>th</sup> (1999-00)	412 (372)	342(262)	126(178)	117(189)
50 <sup>th</sup> (1993-94)	455 (411)	337(276)	109(154)	98(157)
Rural Female				
61 <sup>st</sup> (2004-05)	550(585)	293(199)	89(113)	67(102)
55 <sup>th</sup> (1999-00)	615(652)	260(174)	75(96)	50(77)
50 <sup>th</sup> (1993-94)	679(788)	230(166)	56(73)	34(53)

Note: For 38<sup>th</sup>, 43<sup>rd</sup> and 50<sup>th</sup> Rounds, no separate category of social group ‘OBC’ was there and the category others included OBC category also.  
Source: NSS Report, 61<sup>st</sup> Round (July 2004- June 2005)

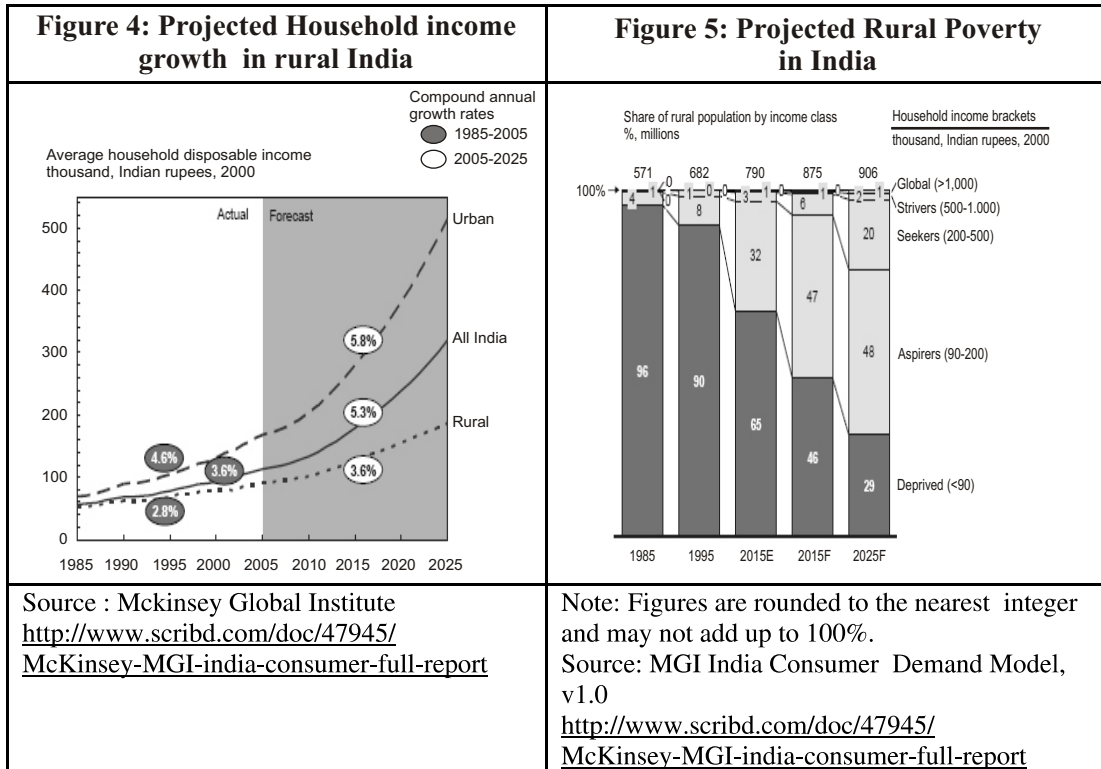
<b>Table 5 : Number of persons employed per 1000 persons (WPR) according to the usual status (PS+SS) for different social groups during 1983 to 2004-05</b>					
NSS Round (Year)	ST	SC	OBC	Others	All (incl. n.r.)
Rural Male					
61 <sup>st</sup> (2004-05)	562	545	537	557	546
55 <sup>th</sup> (1999-00)	558	531	532	520	531
50 <sup>th</sup> (1993-94)	591	554	-	547	553
43 <sup>rd</sup> (1987-88)	567	538	-	5356	539
38 <sup>th</sup> (1983)	588	551	-	540	547
Rural Female					
61 <sup>st</sup> (2004-05)	4646	333	330	262	327
55 <sup>th</sup> (1999-00)	438	325	302	223	299
50 <sup>th</sup> (1993-94)	482	355	-	297	328
43 <sup>rd</sup> (1987-88)	454	358	-	294	323
38 <sup>th</sup> (1983)	478	381	-	310	340

Note: For 38<sup>th</sup>, 43<sup>rd</sup> and 50<sup>th</sup> Rounds no separate category of social group ‘OBC’ was there and the category others included OBC category also.  
Source: NSS Report, 61<sup>st</sup> Round (July 2004- June 2005)

<b>Table 6: Rising Rural Prosperity</b>			
Income Group	1994-95	2001-02	2006-07
Above Rs 1,00,000	1.6	3.8	5.6
Rs 77,001-1,00,000	2.7	4.7	5.8
Rs 50,001-77,000	8.3	13.0	22.4
Rs 25,001-50,000	26.0	41.1	-
Rs 25,000-below	61.4	37.4	20.2

Note: Projections based on 7.2% GDP growth  
Source: Kumar, 2004

<sup>5</sup>Meijering, Hoven & Huigen, 2007.

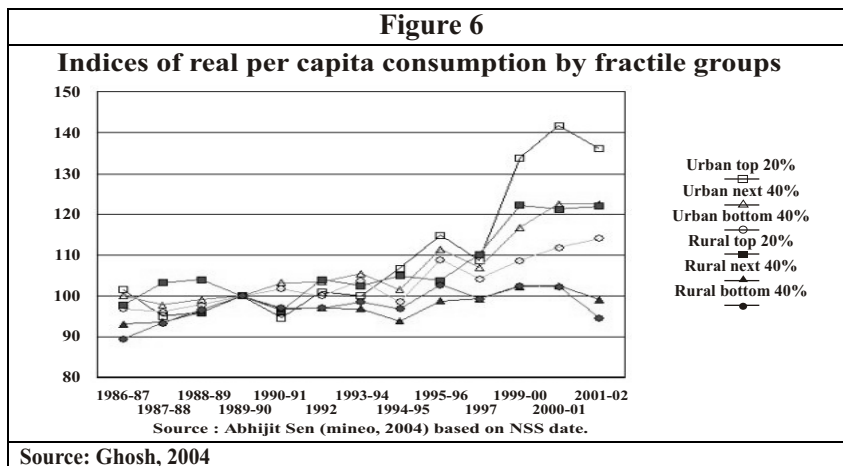


India (official)	1951-1952	1961-1962	1973-1974	1977-1978	1983	1987-1988	1993-1994	1999-2000	2004-2005
<b>Rural India</b>	47.4	47.2	55.7	53.1	45.7	39.1	37.3	27.1	.....
<b>Urban India</b>	35.5	43.6	48.0	45.2	46.8	38.2	32.4	23.6	.....
<b>Combined</b>	45.3	46.5	54.1	51.3	44.5	38.9	36.0	26.1	22.0

Source: <http://www.imf.org/external/np/tr/2006/pdf/india.pdf>

In India we have the developed rural India and undeveloped rural India. Punjab, Haryana, Tamil Nadu, Andhra Pradesh, Kerala and parts of Maharashtra come under the developed rural India but the rest are undeveloped where power, infrastructure, etc. are a big problem. Rural India is like a pyramid. The top of the pyramid is occupied by the rich farmers and businessmen. They constitute 5 percent of the population. The next level belongs to those with a regular income and the base of the pyramid is occupied by the vast majority of the people who are daily wage labourers.

Rural India was caught in the so called development trap. Low incomes of the rural households were due to the lack of economic opportunities. Most of the people in rural India were unable to pay for goods and services. As a



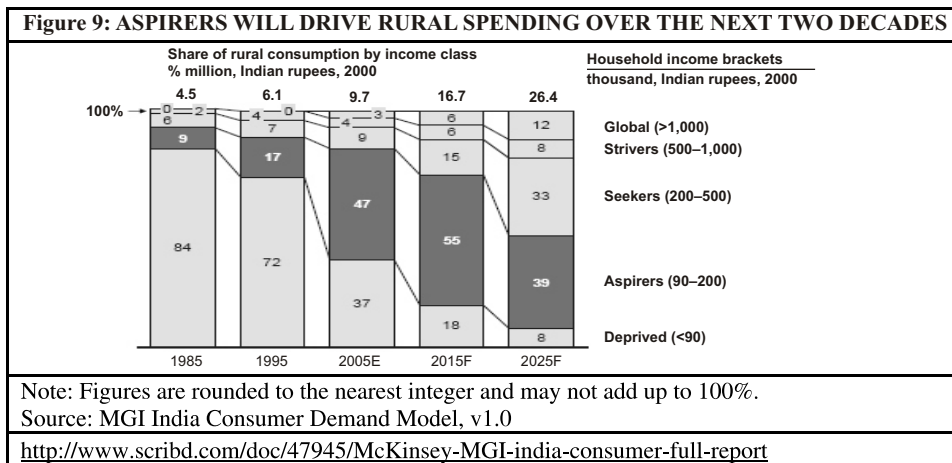
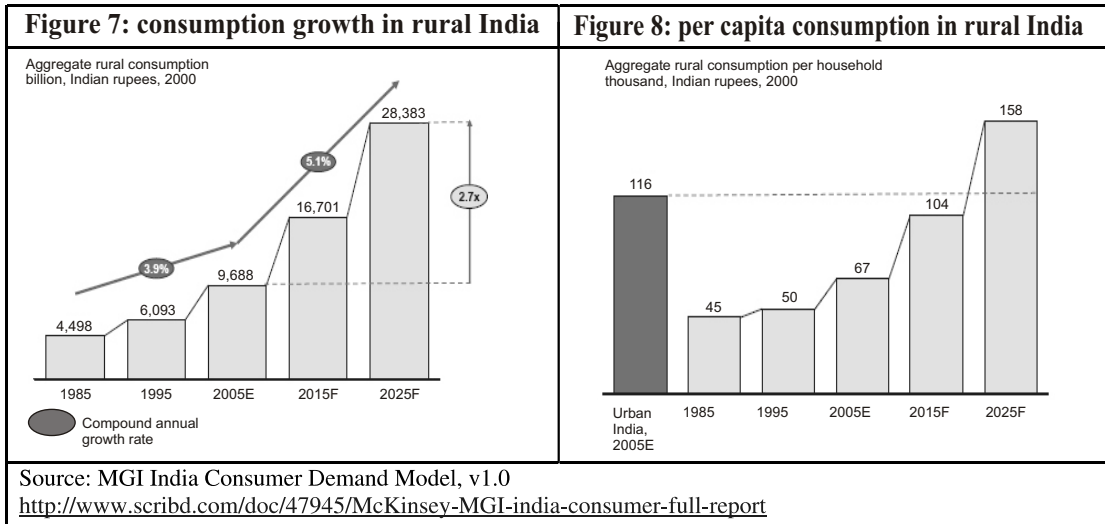
result, organizations felt it costly to do business in rural areas which leads to inadequate provision of infrastructure and that in turn leads to lack of economic opportunities and so on. Though there have been a number of schemes and programmes which have been attempted by the state and central governments and a few foreign agencies to address the question of rural poverty, many of them have only marginal effects. Maximum percentage of the people in the poorly connected villages live on a low productivity agriculture, cattle rearing and related casual work. Due to inability of value addition, most of the villages are always at subsistence levels. Poor village people always do distress sale. But the future may hold hope as per the rising consumption trends of rural Indian (Figure 6).

### RURAL INDIAN MARKET

Rural Indian market is morphing at an unthinkable rapid rate. In last few years, India's rural markets have seen a lot of activity. In several categories, rural India already accounts for the lion's share. Within 1993-94 and 2000-2001, per capita income of rural India grew at the same pace as urban income. With this reality, the rural consumption is also growing at a faster pace and as per McKinsey MGI, India's study. In the next 10 years it may increase at a rate of more than 5% (Table 8, Figure 7 & 8). The rural people, belonging to the top quartile of rural India, have been higher spenders than the average. Their expenditure patterns are quite similar to urban India (Goswami and Bijapurkar, 2005). Another hope is that the rural aspirers will drive the spending in the next decade,

1985	1995	2005 (Estimates)	2015 (projected)	2025 (projected)
449	609	968	1670	2648
Compound annual growth rate 3.9%				
		Compound annual growth rate 5.1%		

Source: Marketing white book 2007-08 Business World Dec 2007





Category	All India (%)	Urban (%)	Rural (%)
Deodorants	2.1	5.5	0.6
Toothpaste	48.6	74.9	37.6
Skin cream	22.0	31.5	17.8
Shampoo	38.0	52.1	31.9
Utensil Cleaner	28.0	59.9	14.6
Instant Coffee	6.6	15.5	2.8
Washing Powder	86.1	90.7	
Detergent Bar	88.6	91.4	87.4
Toilet soap	91.5	97.4	88.9

Source: MRUC, Hansa Research – Guide to Indian Markets 2006, HLL investor presentation, June 2006

FMCG	Rs. 50,000 crores
Durables	Rs. 50,000 crores
Agri-inputs (incl. tractors)	Rs. 45,000 crores
2&4 wheelers	Rs. 8,000 crores
Total	Rs. 1,08,000 crores

Source: NCAER, IMDR 2002, Francis Kanoi, 2002

Category	Market Size (US \$ million)	Urban penetration (%)	Rural Penetration (%)	Total Penetration (%)
Fabric Wash	1210	89.6	82.9	84.9
Personal Wash	938	97.9	90.7	92.8
Packet Tea	635	91.2	82.2	84.9
Tooth Paste	409	69.8	32.3	43.5
Skin	312	36.6	19.8	24.7
Hair Wash	230	40.1	16.3	23.3
Talcum Powder	148	66	36.8	45.1
Branded Atta	107	44	30.2	34.3
Dish Wash	102	54.6	11.5	24.4
Instant Coffee	55	-	-	-
R & G Coffee	30	-	-	-
Ketchups	25	12.5	0.7	4.2
Deodorants	19	-	-	-
Jam	13	-	-	-

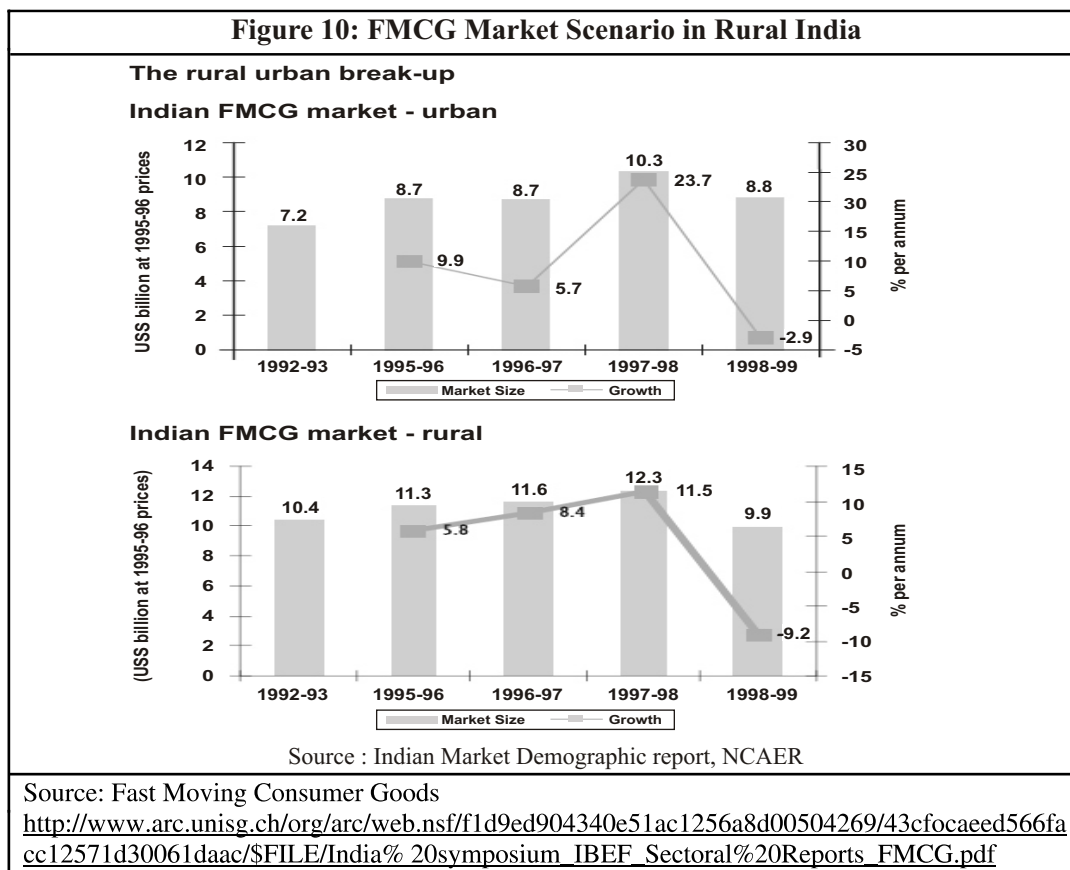
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[http://www.arc.unisg.ch/org/arc/web.nsf/f1d9ed904340e51ac1256a8d00504269/43cfocaeed566facc12571d30061daac/\\$FILE/India%20symposium\\_IBEF\\_Sectoral%20Reports\\_FMCG.pdf](http://www.arc.unisg.ch/org/arc/web.nsf/f1d9ed904340e51ac1256a8d00504269/43cfocaeed566facc12571d30061daac/$FILE/India%20symposium_IBEF_Sectoral%20Reports_FMCG.pdf)

as per the trend, considering circumstances remain average (Figure 9). Penetration levels are pretty high in most product categories in the urban areas. But the rural scenario is not at all negligible. With the time, it is gradually increasing (Table 9, 1, 11) and the future growth can come only from deeper rural penetration and higher consumption. In association, as the road development projects and the distribution networks improve and rural income increases, the penetration levels are also set to increase.

With the presence of 12.2% of the world population in the villages of India, the Indian rural FMCG market provides a vast opportunity (equitymaster.com, 2007). As per ASSOCHAM<sup>6</sup> estimation, rural market scenario for the current year 2007 is revealing the fact of 52% of total FMCG market in India and expectation is that it will grow by 10% by the year 2010. The domestic FMCG total size in terms of volume (2007 data) was US\$ 15 billion of which US\$ 7.9 billion was rural contribution as against US\$ 4.2 billion of urban and metros and US\$ 2.85 billion is the semi-urban FMCG market. In some cases, such as for personal care, fabric care, hot beverages, rural India's share is more than 40% (Economic Times, March 10, 2006). And the expectation that the total number of rural households will rise from 135 million in 2001-02 to 153 million in 2009-10 is depicting the increase in Indian

<sup>6</sup> <http://www.assochem.org/prels/shownews.php?id=1156>

rural market potentiality. The annual size of the rural FMCG market has been estimated at US\$ 10.5 billion in the year 2001-02 after a certain decline in the past 3 years (Figure 10). And with the rising tendency of income of the rural people, one can expect a further expansion of rural market in India ([http://www.arc.unisg.ch/org/arc/web.nsf/f1d9ed904340e51ac1256a8d00504269/43cf0caeed566faac12571d30061daac/\\$FILE/India%20Symposium\\_IBEF\\_Sectoral%20Reports\\_FMCG.pdf](http://www.arc.unisg.ch/org/arc/web.nsf/f1d9ed904340e51ac1256a8d00504269/43cf0caeed566faac12571d30061daac/$FILE/India%20Symposium_IBEF_Sectoral%20Reports_FMCG.pdf)).



In Mumbai and New Delhi corner offices, executives have long recognized that to build real sales volumes, they will have to reach outside the big cities. According to MART, a New Delhi-based research organization that offers rural solutions to the corporate world, rural India buys 46% of all soft drinks sold, 49% of motorcycles and 59% of cigarettes. This trend is not limited just to utilitarian products. 11% women in rural India use lipstick and perhaps the figure is quite significant<sup>7</sup>. One study by NCAER in 2001-02 revealed the fact that rural Indian market accounted for 55% of LIC's total policy sales. And as per NCAER report, the story is more or less same for wristwatches, dry cells, cassette recorders and for such others. For food and beverages also the picture is not so ignorable (Table 12). According to New Delhi based BS Corporate Bureau, by doubling the number of outlets in rural areas from 80,000

**Table 12: Food And Beverages (Rural India and Zonal Penetration)**

	Packaged Edible oil (%)		Packaged Biscuits (%)		Soft Drinks (%)		Chocolates (%)	
	2000	2005	2000	2005	2000	2005	2000	2005
Rural India	8.7	13.7	39.1	54.2	9.8	12.2	2	2.7
North	5.4	10	53	66.6	7.5	12.6	1.6	1.9
South	7.2	22.9	25.5	44.3	18.9	22.6	3.6	4.7
East	6.4	9.1	36.6	55.9	4.2	6.6	1.1	1.9
West	17	13.9	42.2	47.9	10.2	8.4	2.2	2.6

Source: Guide to Indian markets 2006: An indispensable guide with distilled insights on Indian consumers and markets: Presented by Hansa Research and Media Research Users Council  
[http://www.hansaresearch.com/IM\\_2006\\_Booklet.pdf](http://www.hansaresearch.com/IM_2006_Booklet.pdf)

in 2001 to 1, 60,000 in 2003, Coca-Cola India was able to achieve a higher penetration rate from 13 to 25 percent. The Rs. 5 pack enabled the company to reap rich dividends in terms of sales. From multinational high-tech consumer durable companies to Chinese mobile-phone makers; from global information technology giants such as Microsoft to back-office service providers; global telecom and biotechnology companies, and even India's IT-sector lobbyist, the National Association of Software Services Companies (NASSCOM), are stepping out of the cities and moving into the Indian villages (Basu, 2007). The penetration scenario of durables in rural Indian market is quite pretty (Table 13, 14). As per a research report by Hansa Research - Guide to Indian Markets 2006 - Color TV sales are up by 200%, motorcycle sales are up by 77% and refrigerator sales are up by 31%. The recreation sector is also gradually entering into the rural hinterland (Figure 11). The rural people are gradually becoming health conscious and making the health sector interested to take entry there (Figure 12). The telecom sector is also penetrating the rural market at a higher pace (Table 14).

**Table 13: Durables And Transportation (Rural India and Zonal Penetration)**

	Refrigerator %		Motor Cycles %		Tractor %		Bicycle %	
	2000	2005	2000	2005	2000	2005	2000	2005
Rural								
India	3.2	4.2	3	5.3	1.8	2.3	43.7	51.1
North	5.7	7.6	3.5	6	3.2	4.9	53.8	60.6
South	3.7	4.6	2.6	4.6	1.9	1	35	36.4
East	0.7	1	1.6	3.4	0.5	0.8	47.8	60
West	2.5	4	4.7	7.7	1.6	2.8	37.8	44.1

Source: Guide to Indian markets 2006: An indispensable guide with distilled insights on Indian consumers and markets: Presented by Hansa Research and Media Research Users Council  
[http://www.hansaresearch.com/IM\\_2006\\_Booklet.pdf](http://www.hansaresearch.com/IM_2006_Booklet.pdf)

**Table 14: Penetration Rate of Refrigerators in villages of India , 2006**

	All India	Refrigerator ownership	Refrigerator type		Refrigerator Size			Year since acquired	
			Only Frost free %	Only Defrost %	165 & less %	166-279 Lts %	280 lts & more %	Up to 2 years %	10 yrs & more %
HHs (000s)	207206	24385	5221	19093	20436	3028	829	5338	5333
Pop Strata									
5,000+ villages	31778	2288	19.5	80.5	87.2	10.5	2.2	23.3	17.6
1000-5000 villages	85514	3093	14.2	85.8	91.7	7.3	1.0	27.4	15.2
Below 1000 villages	28457	770	13.4	86.6	94.2	5.7	-	34.2	8.7

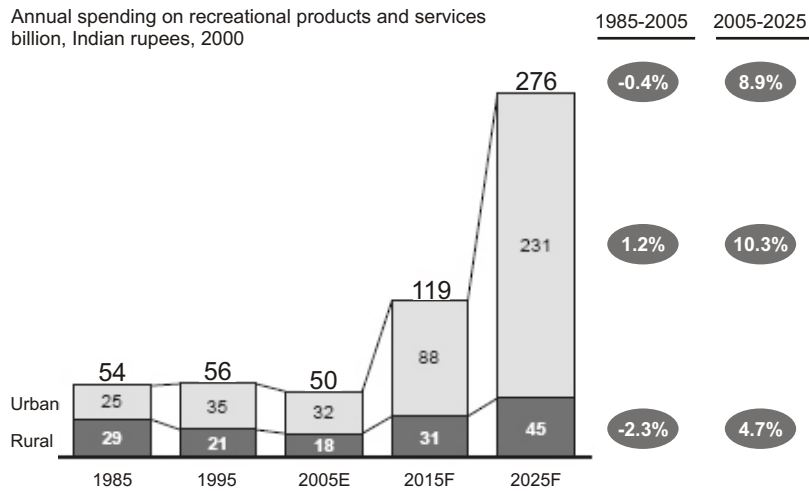
**Penetration rate of Top 5 Brands of Refrigerator**

	All India			North		South		East		West	
	All	U	R	U	R	U	R	U	R	U	R
HHs	207206	61457	145749	15719	37740	17932	34954	9781	42109	18025	30946
Brands											
Godrej	7460	5588	1871	2038	993	1085	463	559	77	1906	339
Kelvinator	4711	3540	1172	1638	571	510	252	481	105	911	244
Whirlpool	3533	2557	976	1010	486	494	257	319	81	735	152
LG	1850	1427	423	577	177	250	79	146	37	455	130
Videocon	1801	1317	485	400	163	269	150	111	24	356	147

Source: Guide to Indian markets 2006: An indispensable guide with distilled insights on Indian consumers and markets: Presented by Hansa Research and Media Research Users Council  
[http://www.hansaresearch.com/IM\\_2006\\_Booklet.pdf](http://www.hansaresearch.com/IM_2006_Booklet.pdf)

7 (<http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4172&CFID=30525630&CFTOKEN=63357108&jsessionid=9a30911e161440693b10>).

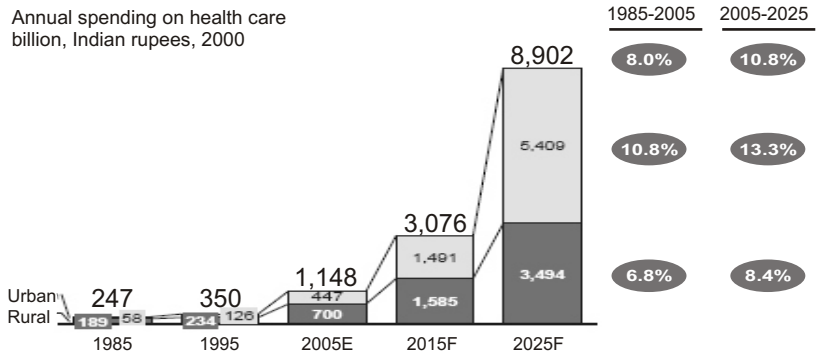
**Figure 11: Rural Recreation Spending**



Source: MGI India Consumer Demand Model, v1.0  
<http://www.scribd.com/doc/47945/McKinsey-MGI-india-consumer-full-report>

**Figure 12:**

**HEALTH CARE CONSUMPTION GROWTH WILL BE MOST RAPID IN URBAN INDIA, BUT ALSO STRONG IN RURAL AREAS**



Source: MGI India Consumer Demand Model, v1.0  
<http://www.scribd.com/doc/47945/McKinsey-MGI-india-consumer-full-report>

**Table 15: Rural Teledensity, 2001**

Telecom circle	Urban	Rural	Total
Andaman & Nicobar	14.36	5.15	7.63
Andhra Pradesh	9.77	1.54	4.06
Assam	9.09	0.25	1.33
Bihar	4.85	0.24	0.94
Gujarat	11.73	1.54	5.37
Haryana	11.63	1.44	4.25
Himachal Pradesh	25.00	3.34	5.31
J & K	6.58	0.13	1.72
Karnataka	10.28	1.80	4.70
Kerala	12.33	5.32	7.51
Madhya Pradesh	5.74	0.36	1.81

Maharashtra	13.61	1.39	6.60
Orissa	6.51	0.51	1.52
Punjab	15.29	2.67	6.95
Rajasthan	7.57	0.86	2.57
Tamil Nadu	15.05	0.43	5.91
Uttar Pradesh	6.11	0.34	1.66
West Bengal	8.10	0.51	2.67
Delhi	20.67	0.00	17.66
India	10.16	0.93	3.58
Source: AcrossWorld Communications (September 2001) Nov. 2001 by Sanjima DeZoysa			

## ECONOMY AND MARKETING EQUIVALENCE OF RURAL INDIA

The above section has portrayed the escalating scenario of the Indian rural market. The Indian economic portrayal of the study revealed the fact that more than 50% of our national income is originating from rural India. At present, a silent revolution is taking place all over the rural India - a revolution that empowers rural people to a great extent and helps to make their lives better. The basic nature of rural economy has undergone fundamental transformation. With the movement of the rural employment towards the manufacturing sector and especially in the service sector, the scenario that can be noticed is the mobility of rural economy towards higher income groups. Facts and figures of rural India are telling us that the rural income is gradually increasing, though at a lower pace. Below the poverty line figure is gradually decreasing in rural India. The present study also revealed the fact that within the time period of 1985-2005, the rural household income increased at the rate of 2.8% and considering the scenario of every sphere of rural economy, various researches have projected that within the next 20 years it will increase at the rate of 3.6%. Abiding by the "Circular Flow of Income" theory it can then be said that utility-money exchange process is the one and only source of people's income within an economy, which defines the 'marketing process' (the exchange relationship) as the only means through which growth of national income can be experienced. All human beings in this world are getting their income by rendering their physical or mental efforts to the organizations that makes the flow of benefits ready-for-use, either by any kind of end-user (individual or organization) or by another intermediary organization. This earning enables them to afford the produced goods and services. So one can easily make an inference about the interdependence of marketing activities and state of an economy. The flow of benefits from marketers' nest to consumers' nest makes the next income flow (from marketer to the consumers) possible. So an inference can be made here from that it's the superfluous and efficient flow of marketing activities which are accountable for the progressive state of rural Indian economy.

The rural market portrayal of this study explored that within the time period 1985-2005, the rural consumption growth was 3.9% and it has been projected that it may be 5.1% for the next 20 years. One thing to be noted here is that the consumption growth of last 20 years was higher than the income growth in the rural sector of India. The essential question that may arise quite naturally is that how it was possible and how it would be possible. Obviously, it is the financial assistance from some non-governmental agencies and from government that made it possible and perhaps will make it possible in the near future also. And it is giving an indication towards penetration of financial services in rural areas.

With the gradual increase of the percentage of rural aspires, and the decrease of number of the rural population in the deprived section, the rural consumption of household products, consumption of durables, food and beverages all increased at a significant rate and it has been projected that this trend will be maintained. The FMCG sector penetration rate in rural India is nowadays even higher than the urban. Consumption presumed the production or value addition activities first of all and marketing activities as ultimate, within the economy. It means that it's the economy that places demand to the marketer and it's the marketing that generates income and help the nationals to fulfill the demand, i.e. a quite closer equivalence of these two, economy and marketing. In this facet, HUL's rural initiative, Project Shakti is worth mentioning. Shakti, HUL's rural initiative seeks to empower underprivileged women of villages with populations of 2000 or less by providing income-generating opportunities. For HUL, it is "enlightened self-interest" -- creating opportunities to increase rural family incomes; putting more money in their hands to purchase the range of daily consumption products - from soaps to toothpastes - that HUL makes. Typically, a woman from a SHG selected as a Shakti entrepreneur ( direct-to-home distributors of Hindustan Lever products) in rural markets receive stocks at their doorstep from the HUL rural distributor and sell directly to consumers as well as to retailers in the village. Each Shakti entrepreneur services 6-10 villages in the population strata of 1,000-2,000 people. A Shakti entrepreneur sets off with 4-5 chief brands from the HLL portfolio -

Lifebuoy, Wheel, Pepsodent, Annapurna salt and Clinic Plus. The company layers it with whatever else is in demand, like talcum powder or Vaseline during winters. These brands apart, other brands which find favor with the rural audience are: Lux, Ponds, Nihar and 3 Roses tea. Typically, unit packs are small. To get started, the Shakti woman borrows from her SHG and the company itself chooses only one person. With training and hand-holding by the company for the first three months, she begins her door-to-door journey selling her wares. So marketing generates income. It is also the truth for the other marketing strategies such as promotion, packaging, product quality maintenance that essentially requires the human expertise. This proves the cycle -- 'The Genial Cycle of MARKETING (delivery of benefits) and ECONOMY.

## CONCLUSION

The study so far conducted is revealing the fact that the customer is the only foundation of any business unit and keeps its existence. It is the customer that alone possesses the right to create employment. So considering the society's norms, the organizations have to take the responsibility to make the people capable so that they can supply wealth-producing resources to the organizations and at the same, can give the return to those units. As urban Indian market is gradually becoming saturated, very little scope has been left to product differentiation, efficient distribution, skillful pricing tactics, innovative promotions etc. that generally possess the income generating capability, to generate the flow of monetary return from this customer segment. Hence, the potentiality of the rural counterpart of the country for the country's overall economic well being cannot be ignored. If the injections in the marketer to consumer flow can be done, i.e. if the offering of benefits to the rural mass can be done efficiently, then rural Indian bazaar can boom and consequentially, can take care of the economy of this market segment in return.

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to any organization. The present study indicates the fact that remuneration package and grievances' handling are the areas which need the attention of the management. This fact is also supported by the evidence of analysis with help of statistical tools that all the parameters have significantly contributed to remuneration. Moreover, the employer can concentrate his/her attention on the selected factors as revealed by the factor analysis to improve the level of engagement of the workers in any manufacturing industry.

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