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## Rural vs. Urban Marketing in India: Empirical Study Based on the Socio-Economic Indicators

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### **Abstract:**

*A topic that is often discussed in India across political corridors, corporate boardrooms and households is the rural-urban divide and how the country's two economies — the rural and the urban — are increasingly growing apart. The popular notion is that growth not only has been skewed towards urban India but has also been gained at the expense of the countryside.*

*The India's economy can be thought of as comprising of two main sectors: - namely, Rural Sector and Urban sector. The rural market is dynamic and has stood for centuries on its own. Nobody can ignore rural India, which comprises one tenth of the world population. A revolution is sweeping the Indian countryside which has compelled companies to go rural. The rural consumer is discerning and rural markets are vibrant. Rural areas exhibit several distinctive characteristics that are different from the urban areas. Literacy levels, family structure, occupational patterns, social customs and norms, and several other features are unique to rural India. A complex set of factors influences rural consumer behavior. Social norms, traditions, castes, and social customs have greater influence on the consumer behaviour in rural areas than in urban areas. The seasonality of agricultural production influences the seasonality of rural consumers' demand. Although rural areas offer attractive opportunities to marketers at an aggregate level, about 68 percent of these markets remain untapped mainly due to inaccessibility. It is uneconomical to access a large number of small villages with a very low population density spread over a large geographic area. Up until recently, a large part of the marketing that was done in this country was done, targeting the urban population of the country. Now the marketing potential of the rural part of the country is rapidly growing. Let us get an understanding of the urban and the rural breakup of the country. Around 32% of the population lives in the cities, or in urban India and the remaining 68.84% lives in the villages or in rural India. The population of the country is spread over the villages, but is very concentrated in the cities. India has six of the largest cities in the world. The Indian rural market with its vast size offers a huge opportunity with 128 million households and the rural population is nearly three times the urban. Rural India has a large consuming class with 41 percent of India's middle-class and 58 percent of the total disposable income. To understand this better consider the following favourable shifts that have taken place in the consumer patterns of buying. There is a big difference between urban and rural India buying patterns. This research paper basically aims at bringing out the basic differences between the Indian rural market and urban market.*

*An attempt has been made in the paper to examine the rural-urban disparity in terms of various socioeconomic indicators. This paper empirically presents the impact of socioeconomic factors on the Indian markets. As an exploratory study on rural and urban consumers in emerging market like India, this paper found that consumers are statistically different in terms of their attitude*

**Keywords:** Rural market, urban market, population, agricultural products, FMCG sector

### **1. Introduction**

The Indian rural market with its vast size offers a huge opportunity with 128 million households and the rural population is nearly three times the urban. India today has about 6.4 lakh villages. All except about 15,000, have a population below 5000. Looking at marketer defined classification, most companies in the FMCG sector would define any area with primarily agriculture based occupation and with a population of less than 20,000 as rural. Factors such as limited physical access, low density of shops, limited storage facilities, need for a large number of intermediaries in the distribution channel to reach the end customers, and low capacity of intermediaries to invest in business (investments for keeping stock, storage facilities, vehicles for distribution) make the tasks of reaching rural consumers very complex. It is in this context, we need to understand the importance of alternative means of reaching rural consumers through periodic village markets (or haats), agricultural markets (mandis), and rural fairs (melas). According to National Council for Applied Economic Research (NCAER) survey, the number of middle and high income households in rural India

is expected to grow from 80 million in 2005 to 210 million by 2015. In urban India, the same is expected to grow from 46 million in 2005 to 100 million in 2015. Thus, the absolute size of rural India is expected to be double that of urban India.

The rural market is growing faster than the urban market in several products. These include packaged tea, detergent powder, washing soap and detergent cake. Growth in motorcycles too has been more in rural market than the urban market.

According to a study by Chennai based Francis Kanai Marketing Planning Services Pvt. Ltd. the rural market for FMCG is Rs 65000 crore, for durable Rs 5000 crore, for tractors and agro-inputs Rs 45000 crore and two and four – wheelers Rs 8000 crore. In total a whopping Rs. 123000 crore.

There is no official definition of what constitutes a rural area. However, an urban area is defined as per the census of India as "all places with a municipality, corporation, cantonment or a notified town area" and "all other places satisfying the following criteria constitute as rural areas:-

- a) Minimum population of 5000,
- b) At least 75 percent of the male working population in non-agricultural pursuit, and
- c) Density of population of at least 400 persons per square kilometer.

The Urban to the Rural formalities cover the goods and services of all agricultural inputs like fertilizers, pesticides, seeds, tractors, and consumer durables like radio, bicycle, mopeds, clocks, batteries, electrical and electronic goods, etc., and consumable goods like soaps, detergents, cosmetics, tea, coffee, cigarettes, and food items. In addition, the flow of goods and services within the rural areas such as small agricultural inputs, households earthen items, wooden items, and the services of blacksmith, carpenters, masons, cobblers, also move within the rural areas itself. This definition presents the following diagram:-

## 2. Need of the Study

By 2025, India will triple its income level and will become the fifth largest consumer market, climbing from its current position at 12. A lot of this wealth will be created in the urban areas but even the rural households will benefit. The real annual real income for rural households will move from 2.8 per cent in the past two decades to 3.6 per cent in the next two. This was stated in a report by McKinsey & Company named 'The 'Bird of Gold': The Rise of India's Consumer Market'. India's middle-class is expected to increase by ten times to around 583 million, while the income levels will triple by 2025, as India reaches the fifth largest consumer market in the world level, report stated. The construct called urban is the overlap between rural and urban, with physical features closer to urban areas and proximity to large urban centers. Rural areas exhibit several distinctive characteristics that are different from the urban areas. Literacy levels, family structure, occupational patterns, social customs and norms, and several other features are unique to rural India. Analyzing some aspects of the Rural-Urban Divide: 68.84% of India's population lives in Villages, but the rural occupation of agriculture contributes to only 16% of India's economy! That is what the phenomenon of unbalanced area development in India is called among economists and financial analysts. Since our nation's independence, the government has been streamlining its developmental measures towards our metro cities, largely ignoring the rural area and creating a yawning gap between the urban and the rural masses.

Be it the setting up of multinational companies, of retail showrooms or even, something as primary as the telecom sector, everything first set up shop among the urbanites. The Leech Factor: When the resources in the cities dried up, entrepreneurs moved on to extraction of raw materials from the hugely unexploited rural India. However, the Leech factor, or the process of sucking up the resources from a particular area and using it in another, is being considered as a major deterrent to India's instable, scattered growth. But now, the time has come for the urbanites, to make way for the upcoming small town or villagers. A large pool of traders, entrepreneurs, industrialists, marketing and warehousing agencies, market intermediaries, professionals, educational institutions, plantations etc are recognizing the potential for profit in India's lesser known villages. Recent studies indicate that the actual level of non-performing assets (NPAs) in the rural sector is less than elsewhere, and this coupled with the low cost of operations, less expensive labour, infrastructure, cost of living, and so on make Rural India an attractive market.

Now a day the TV is there in most of the houses in the villages too. This has exposed them to a lot of advertising, lifestyles and products. The villages have become a huge market that will be of great consequence in the near future. In the future, companies with a strong product distribution system reaching all the villages will have a very strong advantage over the rest. The country is growing, and is a place where business will thrive in the near future. To understand this better consider the following favourable shifts that have taken place in the consumer patterns of buying. There is a big difference between urban and rural India. One of the major differences that can be seen between rural India and urban India is their standards of living. People living in urban India have better living conditions than those living in the rural parts of India. There is a wide economic gap between rural and urban India. Rural India is very poor when compared to Urban India.

Another difference that can be seen between urban and rural India, is their education. In rural India, the parents seldom educate their children, and instead, make their children work in the fields. Poverty, and lack of sufficient infrastructure, can be attributed to the lack of education in rural India.

When considering houses, about three-quarters of the households in urban India lives in pucca homes. On the other hand, only a quarter of the people in rural India live in pucca homes. While groundwater is the main source of drinking water in rural India, the urban people rely more on tap-water. Urban India is almost electrified when compared to rural India. One can even come across villages where electric power is not yet available. When comparing the sanitary facilities, it is limited in rural India. About 90 per cent of the households in rural India do not have latrines, but this is not the case in urban India.

Most of the developments have not yet reached the rural parts of India. With regards to health care as well, rural India lacks good hospitals when compared to urban India. Some of the rural areas, even lack a dispensary. The major highlights of divide between rural and urban India are as follows:-

1. People living in urban India have better living conditions than those living in the rural parts of India.
2. Rural India is very poor when compared to urban India.
3. In rural India, the parents seldom educate their children, and instead, make their children work in the fields.
4. About three-quarters of the households in urban India live in pucca homes. On the other hand, only a quarter of the people in rural India live in pucca homes.
5. Most of the developments have not yet reached the rural parts of India.
6. With regards to health care, rural India lacks good hospitals when compared to urban India.

### 3. Objectives of the Study

The paper critically examines the understanding, approach and indicators that have been used to measure the degree of disparity. It is fact that disparity exists everywhere. However, this paper highlights on disparities existing between rural and urban areas. The objectives of this study include observing the dynamics of Indian Rural Markets over a period of time, reviewing the literature of rural markets and rural marketing, outlining the potentiality of rural markets. The study also concentrates on the problems faced by rural markets and finally offering suggestions to overcome the problems and tapping the potentiality of the rural markets at maximum level

1. To explain the nature of rural-urban disparity;
2. To analyze rural-urban disparity on the basis of select socio-economic indicators
3. To find out the differences in marketing practices adopted by the marketer
4. To draw the inferences from the data collection and to provide the suggestions to make the rural marketing a success.

Causes of Rural and Urban Divide Up:-

The Rural urban divide in India has existed since recorded history but has aggravated in modern times. The reasons for the disparities are however more clearly recorded in the modern times. In broader terms, disparities can be attributed to three different types of factors:

- a. natural differences
- b. socio-cultural conditions and
- c. policy decisions

### 4. Research Methodology

1. A number of tables to be presented to bring out the main characteristics of the collected data.
2. Inferences to be drawn from the collected data

#### 4.1. Collection of data:

Both the primary and secondary data have been used for meeting the above objectives. Primary data have been collected with the help of a self-structured questionnaire and for secondary data, journals, magazines, periodicals, research thesis, Government of India Reports, Newspaper, Reserve Bank of India Bulletin, Populations Survey, etc, have also been taken into account for proper analysis , interpretation and generalization of findings of the present study.

#### 4.2. Sample Profile

The study is descriptive in nature. The sources of data are broadly classified into primary and secondary sources. The information's are collected directly from the consumers, dealers, distributors, retailers and firm; it is termed as primary data. Exploratory research gives valuable insight, generates ideas and valuable aspect in more explorative manner. Primary data gives first hand information for specific purposes in hand, whereas secondary data consist of information important to describe and highlight valuable insights in the research. Secondary data have been obtained from the published reports, libraries, journals /magazines, and reports of certain government agencies:-

- Census of India
- National council of applied economic research
- National sample survey
- District statistical reports
- Panchayat office
- Central statistical organization
- The research work mainly collected the information on the basis of the following in regard to the respondents:
- Sample Profile
- Occupational Profile
- Educational Profile
- Income profile

#### 4.3. Hypothesis

The following hypotheses have been framed in order to make the study more scientific and behavioural:-

- Ho: There is significant difference between the Indian Rural Marketing and Urban Marketing
- H1: There is no significant difference between the Indian Rural Marketing and Urban Marketing.

#### 4.4. Statistical Tools

To test the given Hypothesis and survey findings scientifically, data have been analyzed by using appropriate statistical tools and methods like Average, Weighted Average Method, and Judgmental methods.

#### 4.5. Review of Literature

A systematic review is a literature review focused on a research question, trying to identify, appraise, select and synthesize all high quality research evidence and arguments relevant to that question. A Meta analysis is typically a systematic review using statistical methods to effectively combine the data used on all selected studies to produce a more reliable result.

Till that date, large part of the marketing was done in the country targeting the urban population. Now the marketing potential of the rural areas is rapidly growing and its essential to understand the rural and urban breakup of the country. The country is growing, and is a place where the business will thrive in the near future. To understand this better, the favourable shift between the rural and urban need to be analyzed.

The Marketing Mastermind (2003), Hindustan Lever Rural Marketing Initiatives,, by A. Mukund, in which he has given the perspectives in which HLL has approached towards rural marketing.

Awadesh Singh, Kumar and Pandey and Satyaprakash, Rural Marketing-Indian Perspectives, (2005), pointed out the new dimensions in the Indian rural market which are important for the conducive for marketing environment in India.

Ramanathan V, Sudhamathi S, Brand Building Exercises adopted by Life Insurance Companies in Indian Rural Market; ICFAI, university of Journal of Rural Management:” The very nature of economy activity of rural marketing extending the provisions of quality access to financial solutions is vital for the development of the rural areas.

Ariff Peer Mohamed, Babu Dhinesh,, Emerging Trends in Rural Marketing: indianmba.com/faculty members/articles, explained the various dimensions and facts substantiate their future growth.

Kaur Manpreet (2013) attempted to find out the various initiatives taken by HUL to reach the rural consumer. Hindustan Unilever is the pioneer and largest player in India’s FMCG market. HUL was the first company to step into the Indian rural marketing. HUL started its first effort towards going rural 1960’s onwards, through indirect coverage of accessible rural market through its urban network stockiest and distributor

Kotni VV Devi Prasad (2012) proposed to undertake this study to find out various ways to tap the potential rural markets. The main aim of this study was to observe the potentiality of Indian Rural Markets and finding out various problems are being faced by rural markets. This paper attempted to provide a brief literature on rural marketing and finally offers policy recommendations for better performance of rural markets by adopting SWOT analysis matrix to rural markets

Priya Lakshmi and Vandana Bajpai stated that the objectives of rural management is to organize, develop and utilize the available at optimal level to proper utilization and productivity of resources, in such a manner that the entire rural population may be benefited by it and increase the production and consumption to increase Indian economy. Rural management also helps to enhance living standard rural people. Since independence, the Government has initiated certain plans for the betterment of rural people. Upgrading rural market is one way to improve access to marketing opportunities. Early to pre -independent, Indian rural people played very important role in Indian independent movement and make India free.

According to Crisil Report in August 2012, clearly, the untapped rural potential remains huge – over 60 per cent of India’s population in 2026 will continue to reside in rural areas. A large portion of this population will have opportunities to move up the consumption ladder as rural areas of relatively poor states such as Bihar and Uttar Pradesh catch up with today’s income and consumption pattern in relatively affluent states. The pace and depth of rural renaissance, however, will depend on policy initiatives to overcome the challenges faced by rural India. www.crisil.com/privacy.

With the technological growth, development and growing multi-cultural, as a result of the opening up of the economy, the rural sector is showing a sign of dynamism and change. The changing profile of the rural consumer presents lucrative opportunities as well as poses challenges to the marketers.

There are a large number of reasons for growing interest in rural markets. Due to various developmental programmes, today, rural markets offer vast untapped potential to marketers. In order to facilitate full exploitation of the rural market potential, the marketers have to understand those factors involved in the rural marketing environment.

### 5. Analysis and Interpretation

Today 30-40 per cent of India’s urban population lives in slums. The study found that about 62 per cent of this population does not have access to proper toilets and 25 per cent has no access to water. The Asian Development Bank estimates that India’s housing shortage is about 40 million units, suggesting that more than 200 million people are living in chronically poor housing conditions. The urban poor women in these areas are especially vulnerable, both as slum dwellers and as workers. The very economic development is leading to urban migration and this naturally would drive away more land-owning classes towards the cities and nearby towns.

The elitist perceptions ensure that urban poor workers are often deprived of their livelihoods. They need a change in the mindset to recognize the poor and the urban informal sector as assets, not burdens, as they contribute at least 45 per cent of a city's GDP. The accent has to be on increasing their productivity and their earnings to help them get out of poverty. This is urbanization and its positive gains. Thanks to urbanization, rural India is gaining, there is less pressure on the unproductive land and there are more new opportunities for the rural youth, to migrate to towns for education and employment. Another hobby horse with the so-called progressive media and left intellectuals is the tenancy reforms. In fact, what we need for rural India is more economic reforms. What are tenancy reforms anyway? It is to make the tiller the owner of the land he cultivates. It is grossly unfair and grossly a misjudgment of issues. Yes, there are great many issues of socio-cultural types that need to be addressed if we are all serious about serving rural India's cause.

### 5.1. Demographic Environment

The population is crucial in analyzing the market structure. Multinational and National corporations in today's environment taking the Indian rural market very seriously. In the late eighties the population growth rate and total population has been seen as an obstacle to the growth of Economy but now same population has been seen as the positive or in terms of consumers. Following table will give clear picture about the population and its growth rate and its impact on Indian rural market.

Year	Total Population	Urban Population	Rural Population	Rural (%) Population	Urban (%) Population
1951	295	62	357	82.60	17.40
1961	360	79	439	82	18.00
1971	439	109	548	80.10	19.90
1981	508	160	668	76.00	24.00
1991	621	215	836	74.30	25.70
2001	742	285	1027	72.20	27.80
2011	1210	377	833	68.84	31.16

Table 1: Population in India

Rural India consists of 638596 villages that house 742,490,639 people. This figure represents around 70% of the total population of India and 12% of the globe's population. In fact, as per McKinsey, despite rising urbanization, 63% of India's population will continue to live in the rural areas even in 2025. Further, the number of consumers earning over \$5 a day is projected to catapult from 50 million today to 150 million by 2020.

The total population in India in accordance to the census of 2011 is 1210.2 million, and out of the total population size, the rural population constituted 833.1 million (or 68.84% of the total population). The urban population constituted 377 million (or 31.16% of the total population in India). During 2001-2011, the population of the country increased by 181.4 million and increase in the rural areas by 90.4 million and in urban areas by 91.0 million

	2001	2011	Difference
India	102.9	121.0	18.1
Rural	74.3	83.3	9.0
Urban	28.6	37.7	9.1

Table 2: Population (In Millions)

Census of India: 2011

India, with 1,220,200,000 (1.22 billion) people is the second most populous country in the world, while China is on the top with over 1,350,044,605 (1.35 billion) people. The figures show that India represents almost 17.31% of the world's population, which means one out of six people on this planet live in India. Although, the crown of the world's most populous country is on China's head for decades, India is all set to take the numero uno position by 2030. With the population growth rate at 1.58%, India is predicted to have more than 1.53 billion people by the end of 2030.

More than 50% of India's current population is below the age of 25 and over 65% below the age of 35. About 72.2% of the population live in some 638,000 villages and the rest 27.8% in about 5,480 towns and urban agglomerations. The birth rate (child births per 1,000 people per year) is 22.22 births/1,000 population (2009 est.) while the death rate (deaths per 1000 individuals per year) is 6.4 deaths/1,000 population. The fertility rate is 2.72 children born/woman (NFHS-3, 2008) and Infant mortality rate is 30.15 deaths/1,000 live births (2009 estimated). India has the largest illiterate population in the world. The literacy rate of India as per 2001 Population Census is 65.38%, with male literacy rate at 75.96% and female at 54.28%. Kerala has the highest literacy rate at 90.86%, Mizoram (88.80%) is on the second position and Lakshadweep (86.66%) is on the third.

Every year, India adds more people than any other nation in the world, and in fact the individual population of some of its states is equal to the total population of many countries. For example, Population of Uttar Pradesh (state in India) almost equals to the population of Brazil. Yet, as per 2001 Population Census of India, has 190 million people and the growth rate is 16.16%. The population of the second most populous state Maharashtra, which has a growth rate of 9.42%, is equal to that of Mexico's population. Bihar, with 8.07%, is the third most populous state in India and its population is more than Germany's. West Bengal with a 7.79% growth rate, Andhra Pradesh (7.41%) and Tamil Nadu (6.07%) are in fourth, fifth and sixth positions respectively. The sex ratio of India stands at 933. Kerala with 1058 females per 1000 males is the state with the highest female sex ratio. Pondicherry (1001) is second, while Chhattisgarh (990) and Tamil Nadu (986) are at third and fourth places respectively. Haryana with 861 has the lowest female sex ratio. Some of the reasons for India's rapidly growing population are poverty, illiteracy, high fertility rate, rapid decline in death rates or mortality rates and immigration from Bangladesh and Nepal. Alarmed by its swelling population, India started taking measures to stem the growth rate quite early. In fact India by launching the National Family Planning programme in 1952 became the first country in the world to have a population policy. The family planning programme yielded some noticeable results, bringing down significantly the country's fertility rate. In 1965-2009, the contraceptive usage more than tripled and the fertility rate more than halved. The efforts did produce positive results, however, failed to achieve the ultimate goal and the population of India since getting independence from Britain in 1947 increased almost three times. Whereas India has missed almost all its targets to bring the rate of population growth under control, China's 'One Child Policy' in 1978, has brought tremendous results for the latter. The policy claims to have prevented between 250 and 300 million births from 1978 to 2000 and 400 million births from 1979 to 2010.

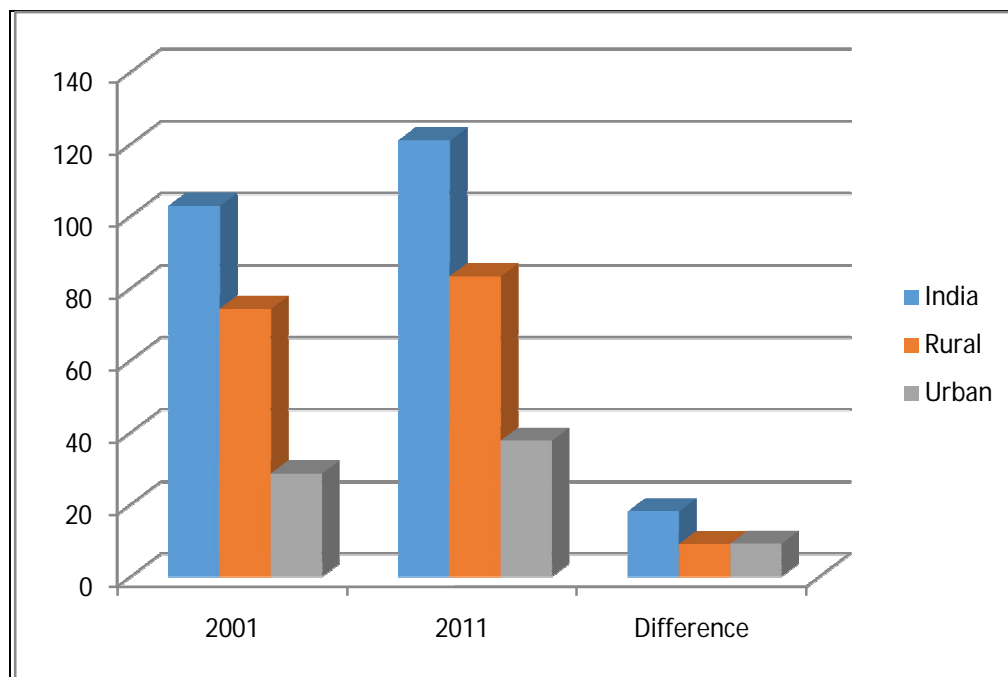


Figure 1: Population (In Millions)

For the first time in India since independence, the absolute increase in population is more in urban areas than that in rural areas. The rural and urban distribution is 68.84% and 31.16%. The levels of urbanization have increased from 27.81% in 2001 to 31.16% in 2011 in accordance with the census of 2001/2011. The population of rural population declined from 72.19% to 68.84%. The decline in the rural population is due to many reasons and there is a major shift from rural to urban, either search for job opportunities available in urban India.

It was seen in the past that the population is shifting from rural to urban due to various reasons. Growth rate of population in Maharashtra during 1991-2001 was 15.25 percent in rural and 34.57 percent in urban and collectively 22.73 percent of growth rate was found for the State as a whole. The same pattern is seen in provisional totals in 2011 where the growth rate during 2001-2011 is 10.34 percent for rural and 23.67 percent for urban and collectively 15.99 percent overall. The growth rate of population for India in the last decade was 17.64%. The growth rate of population in rural and urban areas was 12.18% and 31.80% respectively. Bihar (23.90%) exhibited the highest decadal growth rate in rural population. India's population in 1901 was about 238.4 million, which has increased by more than four times in 110 years to reach a population of 1,210 million in 2011.

Current Population of India in 2012	1,220,200,000 (1.22 billion)
Total Male Population in India	628,800,000 (628.8 million)
Total Female Population in India	591,400,000 (591.4 million)
Sex Ratio	940 females per 1,000 males
Age structure	
0 to 25 years	50% of India's current population
Currently, there are about 51 births in India in a minute.	
India's Population in 2011	1.21 billion
India's Population in 2001	1.02 billion
Population of India in 1947	350 million

Table 3: Population (Million)

	1991-2001	2001-2011	Difference
India	21.5	17.6	-3.9
Rural	18.1	12.2	-5.9
Urban	31.5	31.8	+0.3

Table 4: Growth rate of Population (%)  
Census of India: 2011

The table indicates that the overall there is a reduction in the population growth of the country on a decadal basis as well as the rural population has been reduced since last decade. As the rural population share is reducing it gives a clear indication of the increase in the urbanization of the Indian towns or tier three cities to a greater extent. The increasing share of the urban population is the good sign for the marketers as they can capture more population with the same efforts. The age group data of Indian population show the result very bright. The share of Indian young and earning population is highest in the country. Thus the purchasing power is in the hand of rural youth and marketers which compels the makers to design specific offerings for the rural consumers. Not only is this but the second largest section of the society kids under the age group of 5 to 14 which is to be treated as a separate new segment for marketers. Another observation from the table is there is transfer of population from rural area to urban area as there is a reduction in the rural proportion and an increase in the urban proportion of the population of the country. Urbanization is the biggest challenge to India in coming years.

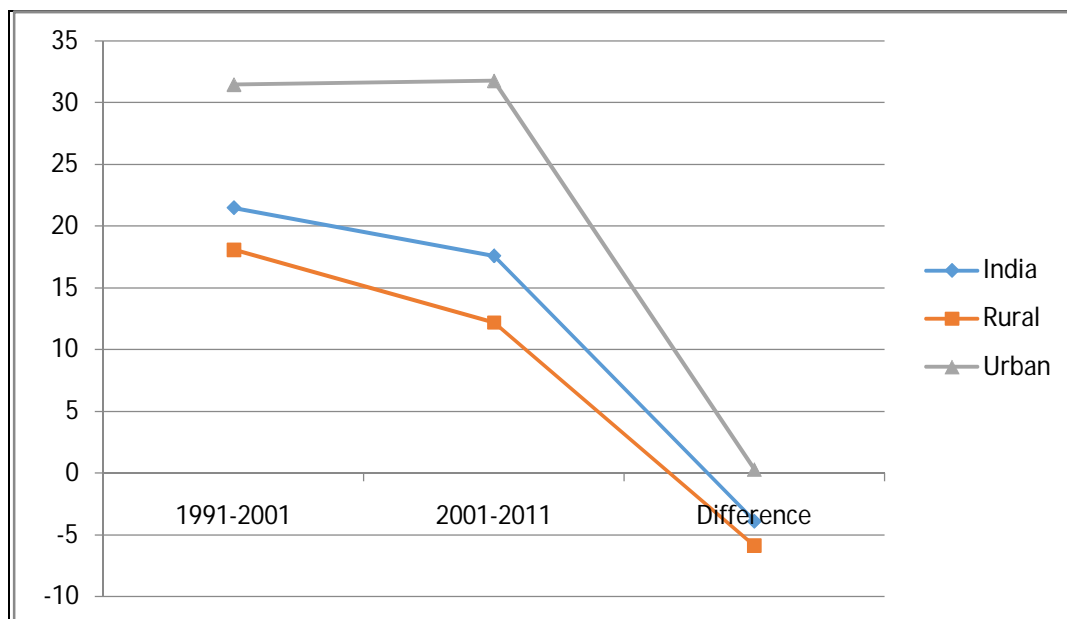


Figure 2: Growth rate of Population (%)

The slowing down of the overall growth rate of the population is due to the sharp decline in the growth rate in the rural areas, while the growth rate in the urban areas remain almost the same. During 2001-11, the growth of the rural population has been 12.18%. The growth in rural population in India is steadily declining since 1991. Meghalaya (27%) and Bihar (24%) witnessed largest growth amongst the states in 2001-2011. Four states recorded decline in rural population during 2001-2011, these are Kerala (by 26%), Goa (19%), Nagaland (15%), and Sikkim (5%). Whereas there has been a spurt in growth of population in urban areas in the country,

which could be due to migration, natural increases and inclusion of new areas under urban category. More than 30% growth in urban population in state viz., (153%), Kerala (93%), Tripura (76%) is significant to note down in this respect for marketing point of view

Demographic classification	No of households (m)		
	Urban	Rural	Total
Rich ( income greater than Rs 1m per annum)	4.8	1.3	6.1
Well off (income greater than Rs 0.5m per annum)	29.5	27.4	56
Total	34.3	28.7	63.0
% of Total	54.4%	45.6%	

Table 5: Classification of Income

Source: Ministry of Communications & Information Technology, India

Cutthroat competition in urban areas has compelled many companies to look for new, unexploited markets. Rural India has emerged as an answer, owing to lack of a strong presence by brands in most sectors as well as a high growth potential. Further, improvement in infrastructure prompted by government initiatives seems to have lowered entry barriers for many companies. Also, rural India is insulated against global economic downturns, which adds to its attractiveness. For companies looking to tap this market, the 4P's of the Marketing mix have given way to the 4 A's of Rural Market Mix: Affordability, Awareness, Availability and Acceptability.

Rural-Urban Differentials in Sex Ratio: 1901-2011

The sex ratio is an important demographic indicator reflecting the socioeconomic structure of any society. The decreasing child sex ratio (0-6 years) has been a concern in India's demography in recent times as this ratio has decreased markedly from 927 in 2001 to 914 in 2011 for the country as a whole. This decline is more in rural areas since 934 in 2001 to 919 in 2011, and in urban areas, it is 906 in 2001 and 902 in 2011.

Overall	2001	2011	Difference
India	933	940	+7
Rural	946	947	+1
Urban	900	926	+26

Table 6: Rural-Urban Sex Ratio  
Census of India: 2011

The sex ratio is the proportion of females to males in a given population, usually expressed as the number of females per 1000 males. In India the sex ratio as per 2011 Census is 940 female per 1000 males. In rural area this number is 947 females per 1000 males, but in urban areas this ratio is lower than all India average. This obviously shows that the urbanization process in India does not bring desired social changes and did not bring any positive attitudinal change towards women. Advanced technologies influenced the urban masses to terminate the girl child in the fetus itself. High mortality of women during pregnancy is also one of the reasons for low sex ratio. We can substantiate this argument by looking at the overall maternal mortality rate in India. This, coupled with gender bias at health care and less social attention to girl child results in missing women. The sex ratio in India is shown in

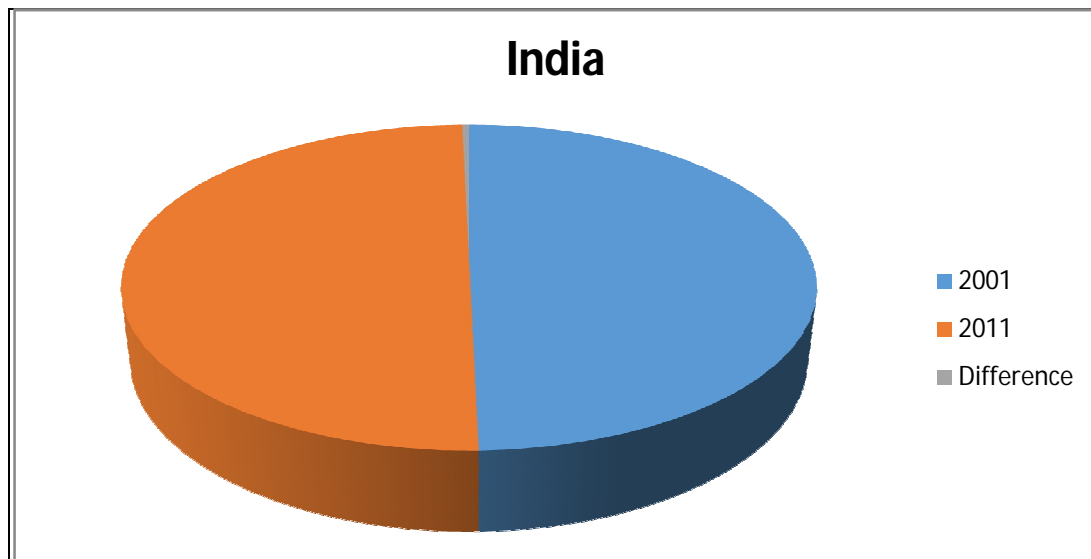


Figure 3: Rural-Urban Sex Ratio



The improvement in the overall sex ratio is largely in urban areas. Though the urban child sex ratio is far worse than in the rural areas, the fall in child sex ratio in rural area is around four times that in the urban area. In fact the decline is more gradual in urban areas. There is a decline of 8.9 million children in rural areas, while in urban areas has shown, increase of 3.9 million.

The child population in India declined by 5.0 million (or -3.%) between 2001-2011. This is due to sharp decline of 8.9 million (or -7.0%) in child population in rural areas. In urban areas, the child population increased by 3.9 million or (+10.3%). There is a decline in the population of children in rural areas in duration of 2001-2011.

The sex ratio in the country has risen from 933 in 2001 to 940 in 2011. For rural area there has been an increase by only one point from 946 in 2001 to 947 in 2011. In urban areas there has been an appreciate gain of 26 points from 900 in 2001 to 926 in 2011.

The sex ratio in India is decent and improving year by year. In the last 10 years, it has improved a lot in many states and rural areas. However a long way to go for the states likes Haryana and Punjab where is quite low. The sex ratio of India in the year 2011 is 940 females/1000 males.

### 5.2. Literacy Level

The most important aspects of rural market structure are Education level or literacy level across the country. Due to the various initiatives at state levels as well as at central level for enhancing education programmes, the overall literacy level of the population is increased and came to 74% in 2011. The literacy level enhancement can give direct positive impact on the brand awareness and rational behaviour towards marketing initiatives of the marketers. Not only is this but there direct relationship between the educational level and life style and of course the income generating capacity. Literacy level is to be treated as the most important and key factor for rural consumer profile and marketers considers it before determining integrated marketing communication. During the 2001 more than half of the rural population is literate, which positive and good sign. Education plays a pivotal role in laying a proper foundation for the overall social and economic development of any region. No single nation in the world with illiterate and uneducated people is developed or advanced. Education is an investment that contributes to individual and social development. Many developing countries have achieved universal primary education enrollment as a result of their efforts over the past decades. In particular, last 50 years, many developing countries invested more resources in education. The rate of growth of the educational system exceeded the rate of economic growth. As per the Millennium Development Goals the following targets are proposed to be achieved by the year 2015.1. Eliminate Gender disparity in primary and secondary education by 2005 and in all education by 2015.

Overall	2001	2011	Difference
India	64.8	74.	+9.2
Rural	58.7	68.9	+10.2
Urban	79.9	85.0	+5.2

Table 7: Rural and Urban Literacy Rate

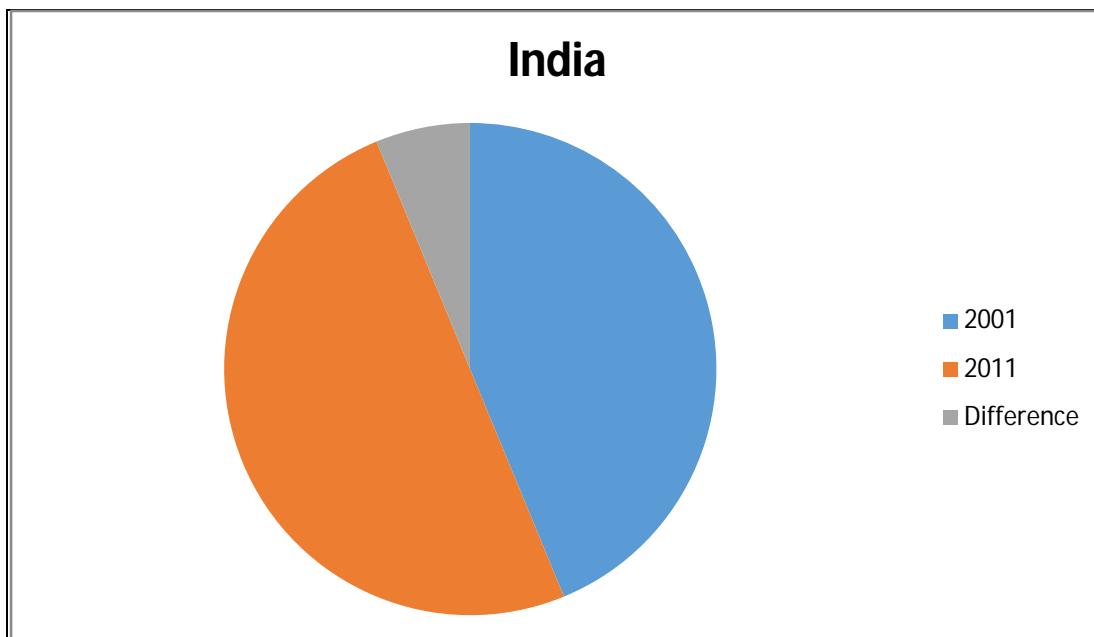


Figure 4: Rural and Urban Literacy Rate

The improvement in the literacy rates in rural areas is the tow times that in the urban areas. The rural-urban literacy gap which was 21.2% points in 2001 has come down to 16.1% in 2011.

	2001	2011	Difference
Male			
India	75.3	82.1	+6.8
Rural	70.7	78.6	+7.9
Urban	86.3	89.7	+3.4
Female			
India	53.7	65.5	+11.8
Rural	46.1	58.8	+12.7
Urban	72.9	79.9	+ 7.0

Table 8: Literacy Rate (Male/Female) (In %)

The literacy level had been increased upto 23% in last 20 years from 1981 to 2001 which makes tremendous changes in terms of lifestyle and adoption of the various producers in rural India. Literacy level is the one of the key factors for the development of society. Due to higher literacy level consumer awareness towards any product or brand will be higher as well as the decision for purchase of any product will be more rational one. Higher education level brings social changes as well as it brings social changes which results into economic changes. Indian government is spending less than 15% of total budget expenses for health and education which results in poor health and education system. But in last ten years' situation is absolutely different and now country is enjoying fruits of the efforts in terms of higher literacy rate. As per population census, 2011 country's literacy rate is 74%. Improvements in female literacy rate are more than the male in both rural and urban areas. The gender gap in literacy has come down from 24.6% in 2001 to 19.8% in 2011 in rural areas, whereas in urban areas 13.4% in 2001 to 9.8% in 2011.

The total number of literates in India is 778.5 million, out of which, the total literates in rural areas is 493.0 million and in urban areas is 285.4 million. There has been an increase of 217.8 million literates since the last census of 2001. Out of this, 131.1 million were in the rural areas and 86.6 million in urban areas.

The pace of increase in the female literacy rate is perceptibly higher in rural areas. It has been increased from 46.13% in 2001 to 58.75% in 2011. The gender gaps in literacy rate have narrowed down considerably over the census, but continue to be higher (19.81%). There has been consistent increase in both male and female literacy rate in urban areas. The steady increase in female literacy rate has reduced the gender gap significantly.

The Literacy Rate in India is showing major signs of improvement in the last 20 years. According to Census of India 2011, India Literacy rate stands at 74.04. Kerala is top state of India with over 90 percent of its population are literates.

#### Housing Pattern and Family Structure

Housing pattern and Family structure is playing very important role in the consumer buying behaviour specifically for consumer durables. Rural households have grown by 26 million during last decade. Interestingly, during the same period, the average size of the rural family has been decreased due to movement of more families from joint to nuclear one. As the number of nuclear families increases in the rural and urban areas demand of various allied services along with housing will increase as well as consumption of the durables and other daily items will increase at higher rate. The population density of the rural area is lower as to average Indian population density the problem of housing may be less faced by the rural consumers. Villages comprise homestead land (abadi) and cultivated land. The settlement pattern of household is either in a cluster in the abadi or in individualized land holding. The rural consumer or population live in kucha house as the affordability is low. It is quite common in a village to find houses according to the kinships, caste or religious groups. Sometimes entire villages are classified on the basis of predominant characteristics. Traditional households in the rural areas are Joint families but due increase of pressure of educational level, separate source of income, migration etc. joint families are converted into "nuclear family. Still in India average dwelling for citizen is very difficult. In spite of the government efforts for constructing affordable houses many people are not availing basic facilities which can be depicted from following table.

According to 2001 Census there are in all 194 million households with 1028 million people. About 138 million households live in the rural areas against 56 million in the urban areas. Of the total households, 193 million households are Normal Households (excluding Houseless and Institutional Households). These are further distributed into 132 million households (70.8 per cent) in the rural areas and 55 million households (29.2 per cent) in the urban areas.

The census has also thrown up some interesting data regarding the size of households. Though the average family size is normally taken to be four to five, it has been found that one was more likely to come across a household with six to eight members than those with four members or those with five members.

As many as 24.9 per cent of all households in the country had a size of six to eight members as against 22.7 per cent with four members and 18.8 per cent with five members.

In contrast, there were only 13.7 per cent households with three members, 9.7 per cent with two members and 3.7 per cent with a single member.

Census 2001	6, 38,585	
Census 2011	6, 40,867	Increase 2,279

Table 9: Number of Rural Units (villages) in India

<b>*Towns:</b>		
Census 2001	5,161	
Census 2011	7,935	Increased by 2,774
<b>*Statutory Towns:</b>		
Census 2001	3,799	
Census 2011	4,041	Increased by 242
<b>*Census Towns</b>		
Census 2001	1,362	
Census 2011	3,894	Increased by 2,532

Table 10: Number of Urban Units (towns/cities) in India  
Census of India 2011

There are 6, 40,867 villages in India as per census of 2011, and in between 2001 to 2011, the number of villages increased by 2,279. The urban units increased 2,774 in between 2001-2011, the urbanization mainly was due to migration from rural areas to urban areas for seeking jobs/employment and expansion of urban family in between 2001-2011.

<b>Size of Households</b>	<b>Rural</b>	<b>Urban</b>
1-2 Members	11.1	10.7
3-4 Members	30.4	38.8
5-6 Members	34	32.2
7 and Above	24.5	17.7

Table 11: Households Size (%)  
Source: Indian Readership Survey

<b>Assets</b>	<b>No of Households</b>	<b>Percentage of Households</b>
Electricity	1,372	64.09
LPG	544	25.4
TV	882	41.2
Telephone	332	15.51
Two Wheeler	387	18.08
Four Wheeler	78	3.62

Table 12  
Source: Market Skyline of India.

The above table shows the penetration, various important items of household equipments. More than two third Indian houses are with electricity, which, if good sign and comfort in the daily routine life of people thorough use of various household equipments. The most important and poor situation is about availability or penetration of LPG in the rural areas. Just one fourth of total households have access LPG out of total households. The positive sign is the penetration of Television set which is used by more than 41% households. This is to be treated as most influential and effective media of advertisement in the rural areas. But still much more can be done in the area of household appliances for use in kitchen as well as in case of two wheelers. Telephone penetration is very poor. Not only is this but the penetration of two wheeler higher than the Telephone which means there are more requirements of the transportation need rather than communication need. Housing patterns determine the lifestyle of the rural consumers of the country which is presented below. Majority of the rural houses are in the pucca houses, but nearly one third are still living in the semipucca houses which indicates the potentiality of the small durables penetration. Distribution is the most challenging task in the country like India as well as population is very wide spread. The Villages of less than 500 populations generally do not have any shop, but the number of such villages has decreased by 5% over the last ten years. 25000 villages in "less than 500" population category has been upgraded to the 500+ population category. Villages in the 2000+ population strata are the most prosperous. Marketers are much more interested in those strata and in case consumer durable markets such strata are to be treated as an influence or initiator for others in the villages. Following table shows that there is 15% village where population is less than 200 and 21.4% villages who has population between 201 to 500. Looking to the combine effect nearly 36% (more than one third of total villages have population below 500. Not only this, but nearly one fourth of the total villages having population more than 500 and less than 1000. If we take into account all first three categories to gather then more than 60% villages having an average population of less than 1000. This is very difficult for the any FMCG Company and Consumer durable company to distribute their goods to distribute goods in the hinterland or hinterland. Not only this, but from the traders view point in such villages profitability very low.

Due to very less population in majority of villages deep distribution function increases cost to the marketers as well as other issues of controlling and making product available is a very difficult task. Generally speaking, in case of Consumer durables the companies are following dealer and distributor network for capturing market. However, it creates poor control over retailers and very poor after sales

service. Rural consumers generally facing problem in the after sales service which compels him to bring such goods to nearby town or city or select high priced zero defect product

5.3. Occupational Structure

Occupational structure represents the unequal geographical distribution of more desirable jobs among communities. Occupational structure is the distribution of occupations in society, classified according to skill level, economic function, or social status. The occupational structure is shaped by factors such as the structure of the economy, technology, bureaucracy, the labour-market segmentation, the primary labor market and the secondary labour market, and by status and prestige. Demand Mobility takes place over time and is not caused by individuals ascending or descending in social class or status, but rather by changes in the occupational structure of the economy

The occupation is also to be treated as one of the most important and significant basis of the segmentation for tapping rural consumers. The study shows that out of total consumers in rural areas, nearly 40% obtains income from agriculture followed by Wage earners with 35%. Hence, nearly three fourth population of rural India having instable income or income based on monsoon. In relation to such urban population contains 40% are earning income from salary, which is stable and consistent. Thus the most important decision making point is the designing offering for the rural consumer whose income is unstable.

Particulars	Urban	Rural	All
Housewife	0.84	1.01	0.96
Cultivator	3.45	40.86	29.99
Wage Earner	20.93	35.28	31.22
Salary Earner	40.72	11.28	19.84
Professional	3.59	0.73	1.56
Artisan	6.90	3.41	4.42
Petty Shoppers'	16.05	4.97	8.19
Businessmen	3.68	0.46	1.40
Others	3.85	1.98	2.52
Total	100	100	100

Table 13: Occupation of Head of Household (In %) Source: Sample/Survey Based

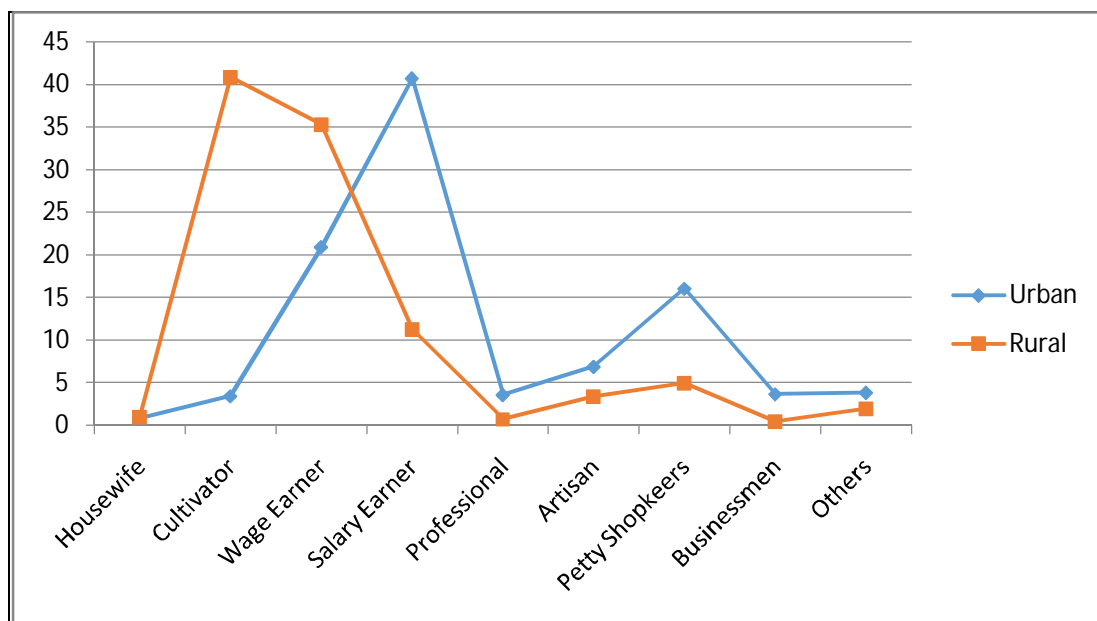


Figure 5: Occupation of Head of Household (In %)

The main occupation in rural areas as shown in the study is cultivator or agriculturist, and the major source of income comes from this occupation, and the next are wage earner and salary earner. The salary earner either are engaged in the government jobs or engaged as a factory worker. In urban areas, the main occupation of the head of family are salary or wage earner, the head of the family either having job in the government or in private jobs. They work in organized as well as unorganized sector. The study found that the in rural areas the majority of rural people are working in unorganized sector in comparison to urban sector. There are a number of distinctive features of the rural market, which make it quite different from that of urban market in India. It is evident from the above table, the rural people different from their urban counterparts on a large number of important attributes, so their buyer behaviour is

also bound to differ and that has got important implications for the markets. With the increasing prosperity and discretionary income in rural India, there has been increasing thrust about how to develop a marketing framework for exploiting marketing opportunities in widely scattered rural markets of the country. The dominance of the agro activities in providing employment has been reduced marginally amongst rural people. At the same time there has been reduction of no of household depending upon labour work and odd jobs. But still the income of the rural people is not stable as well as not permanent as the economy is based on agriculture and para-agriculture activities.

#### 5.4. Consumer Expenditure Pattern

India is now seeing a dramatic shift towards prosperity in rural households. To drive home the potential of rural India just consider some of these impressive facts about the rural sector. As per the National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas.

According to projections, by 2016 – 17, the lowest income class (i.e. Rs.2500 and below) will shrink by more than 50%. The higher income classes are likely to double by 2016 – 17. This apparently is the result of development work, which happened under the five years plans and other special programmes such as land reforms, rural electrification rural communication, and rural credit facilities, etc. The absolute size of the rural market is thus expected to double that of urban India. But despite the high rural share in these categories, the rural penetration rates are low, thus offering tremendous potential for growth. Personal Products Division, Hindustan Lever Limited, the money available to spend on FMCG (Fast Moving Consumer Goods) products by urban India is Rs. 49,500 crores as against is Rs. 63,500 crores in rural India.

Particulars	Urban	Rural
Food	51.5	63.7
Consumer goods	19.6	13.1
Fuel, Clothing/Footwear	13.9	14.8
Medical	5.5	5.5
Education	5.5	2.5
Rent and Rates	4.5	0.4

Table 14: Distribution of Monthly per capita Expenditure  
Survey based

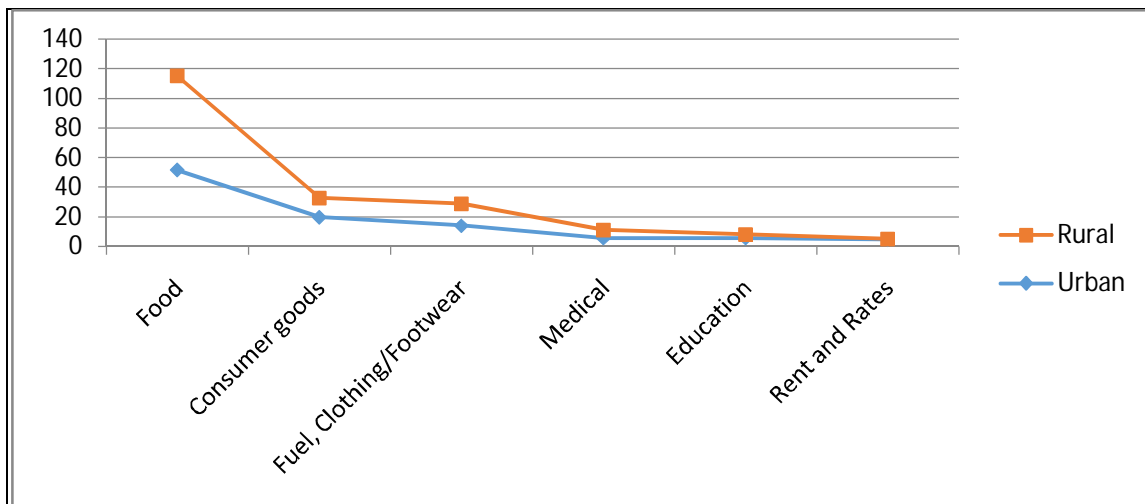


Figure 6: Distribution of Monthly per capita Expenditure

Both, the rural as well as urban are spending their major source of income on food-items, and then on consumer items. The distribution of monthly per capita expenditure generally are the same in the firstly three types of items shown in the above table, but rural people concentrate less on education and neither met any expenditure on rates and rents.

It has been observed from the above table that the monthly income per capita expenditure distribution is same to some extent and different to another extent in rural and urban areas. The rural distribute their 64% monthly per capita only on food items, and it's a big turn in this century or 21<sup>st</sup> century, that slowly they start to spend their income mainly on food items. The marketers has to lure/attract towards this by preparing the strategy on rural market, it's just comparatively 12.2% higher than urban counterpart. Recently, the nowadays corporation started earlier making strategy to enter into the rural market. However, the rural areas consumer are moving towards spending on consumer goods and fuel, clothing and footwear, and this also attract the multinationals to enter their brands into the rural market.

Category	Rural	Urban
Cereal	18	10
Milk Products	8	8
Vegetables	6	4
Other foods/Beverages	22	20
Fuel/Lighting	10	9
Clothing/Footwear	8	7
Non-Food Items	28	42

Table 15: Monthly Household Expenditure Pattern (In %) Survey Based

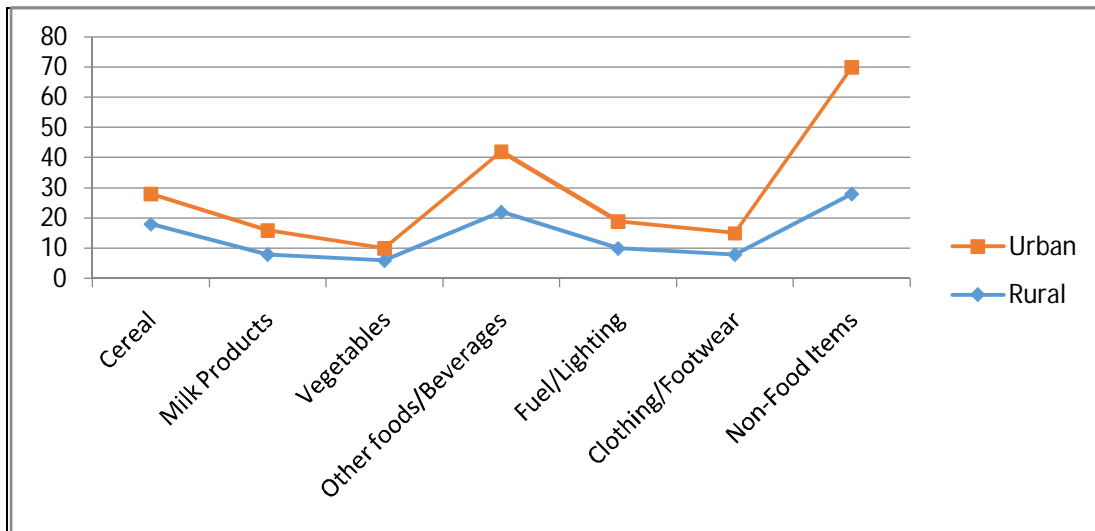


Figure 7: Monthly Household Expenditure Pattern (In %)

The above mentioned table gives an exact outlook of monthly household expenditure pattern on rural and urban areas. Majorly, the rural as well as urban consumer/people are spending on other/non-food items as 28% in rural areas and 42% in urban areas. While on food/beverages, the rural consumers are spending monthly income 22% and 20% in urban areas. For these reasons, the annual consumer durable markets are zooming 25% annually and it's merely growing 8% annually in urban areas. FMCG markets annually grossing up about 80,000 crore, which is 53% share in the total revenue. Due to these reasons HLL, Godrej, Toyota, Kinetic Motors, Colgate –Palmolive and others go on increasing the share of revenue from the rural markets.

In case of HLL, Colgate, Toyota, the 50% revenue comes from the rural market and 50% from the urban market. Hero Honda's 40% revenue coming from rural market and rest from urban market., likely Kinetic motors and Godrej 30% revenue coming from rural market and rest from urban market. The changing pattern of needs and status of rural market arise new opportunities for the entrepreneur and corporations to enter into the rural market with new vision and explore with new challenges' to be face with the forming of new strategy to access the rural market.

India is now seeing a dramatic shift towards prosperity in rural households. To drive home the potential of rural India just consider some of these impressive facts about the rural sector. As per the National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas.

Per capita consumption expenses have been raised four times in last twenty years as well as the non-food items expenditures have been increased from 34% to 41% , which indicates that the rural consumer have changed their priority from food to services and other items. The data given below show a trend of reduction in the food and beverages expenses and increasing trend in case of Medical and Health segment, Transportation and Communication area. Thus, there is slowly and gradually change in the development of lifestyle of consumers of rural area. Not only this but several services are more important for the consumers. The expenditure in the entertainment and recreation has been increased by 1% in time span of five years. Surprisingly rural consumer is spending 40% for the consumer durables as well for the FMCG or other personal care products.

The ownership of consumer durables in the Rural and Urban area is most important from the view point of the marketers of consumer durables. The study show the penetration level of each such item. Percentage of urban-rural and total household's population possessing various goods. The study shows the potentiality of the market in the rural as well as 85 urban area. Marketers can concentrate in such market and may raise the profitability. Penetration level of various Household Items in Urban and Rural area (in % of households)

An overwhelming 51 per cent of urban households live on the income of a single earner, while double-income families are a distant 26 per cent. In rural areas, the situation is quite different. While 34 per cent of families have a single worker, double-worker families are

slightly more at 35 per cent. In fact, the double-income-no-kids (DINK) lifestyle celebrated as a cosmopolitan aspiration is prevalent in nearly 42 per cent of two-member rural families compared to just 22 per cent of similar urban families.

If you combine the rural and urban figures, here is what emerges for the India picture: 39 per cent of households sustain themselves on the income of a single working member while 33 per cent depend on two workers. This is not too different from a decade ago, when Census 2001 had revealed that 38 per cent of households had a single breadwinner while 32 per cent had two working members.

Perhaps this is because rural families are bigger and so more members are able to work? Not true. In urban areas, nearly three quarters of families have 3-6 members. In rural areas, 66 percent are in this range. Clearly, this size is the most predominant one in both rural and urban areas. About 17 per cent of families in rural areas have 7-10 members compared to nearly 13 per cent in urban areas.

**Economic aspects Savings and Consumptions:**

Over the last ten years there has been a shift in the distribution of households from lower income to higher income groups. The higher income class in rural areas grows six times. The lowest income group segment has been reduces in the last decade and lower income households have been shifted to the lower middle incomes contains me. The most important is the top of the pyramid which consist of 7% household as to just 1.7% in 1989-90. Thus the lower income households share is constantly reducing and upper and middle income group has been expanding.

Average Income	Annual Income < 75,000	Annual Income between 75,000-1,50,000	Annual Income between 1,50,000-3,00,000	Annual Income>3,00,000	All Households
Rural	41,031	102917	210498	624544	116284
Urban	48,307	106572	222,137	590759	254753
Total	41774	103860	216342	601494	158113

Table 16: Household and Income Comparison between Rural and Urban

Source: The Indicus consumer Handbook

From above table we conclude that rural India is just equal to Urban India in terms of income. The rural India a counter part of urban one is not significantly different to in terms of income spread amongst different class except for the lower income group. The lower income group having income less than Rs.75000 p.a. is to be treated as bottom of the pyramid customers but such are less than second last category. Marketers of consumer durables are not targeting such lower income group or provide offerings at very low rate as well as with easy small and affordable installments. The population across income cuts and sector (Table Below) shows the in the category of "higher income bracket" contribution of Urban Consumer is higher as to Rural one but surprisingly in the second category of income cuts contribution of Rural population is higher significantly. It indirectly informs that the rural India have more aspirants as to urban one. Marketers should eye on this great Indian middle class of the rural areas as well as "premium" segment of the urban area having highest purchasing power. In other way round we can say the income for Urban population and Rural population having no significant difference. The difference appeared is diluted due to high cost of living in the urban area as to rural area. But the income disparity is less effective but the other aspects like drinking water, roads, communication facilities and opportunities or earning is still very low in rural areas.

Income	Total	Rural	%age	Income	Total	%age
High	1.48	0.41	27.7	2.96	0.7	23
Middle	69.18	4.83	64.8	90.25	59.85	66.3
Low	32.29	29.52	91.42	20.41	95.8	95.7
Total	102.96	74.76	72.6	114.52	80.96	70.1

Table 17: Distribution of people income-wise (NCAER)

On the issue of rural-urban inequality, indicates that the urban-rural income gap (or the ratio of mean urban to rural incomes) has decreased since the early 1990s. "Though this [change] is not very dramatic, it is happening in a very different way from what we see in other economies. In China, for instance, rural and urban inequality has increased as a result of growth." According to study, the lowest income class (i.e.Rs.2500 and below) will shrink by more than 60%. The higher income classes are likely to double by 20014 – 15. This apparently is the result of development work, which happened under the five years plans and other special programmes such as land reforms, rural electrification rural communication, and rural credit facilities, etc. The absolute size of the rural market is thus expected to double that of urban India. But despite the high rural share in these categories, the rural penetration rates are low, thus offering tremendous potential for growth.

The purchasing power in rural India is on steady rise and it has resulted in the growth of the rural market. The market has been growing at 3-4% per annum adding more than one million new consumers every year and now accounts for close to 50% of volume consumption of FMCG. The growth rates of lot of FMCG are higher in rural markets than urban markets. In product categories like toilet soaps, talcum powder, cooking oil, vanaspati ghee, tea, cigarettes and hair oil, the share of rural market is more.

	<b>Households</b>	<b>Population</b>	<b>Income</b>
Rural	73.6	74.6	55.6
Urban	27.4	25.4	44.4
All India	100	100	100

*Table 18: Percentage Distribution of Household, Population and Income*

The study analysed that rural India contributes almost 56% to the National Income as against 44% contributed by Urban India. Although, it contributes by 75% of the total population, which has its own challenges' like how to sell small quantities' to large base of consumers. The rural households about 74% generated 56% of national income, whereas 26% urban population generates 46% of national income. Still, the contribution of rural households and population is more in every sphere of development of Indian economy. It is concluded that rural India is just equal to Urban India in terms of income. The rural India a counter part of urban one is not significantly different to in terms of income spread amongst different class except for the lower income group. The lower income group having income less than Rs.75000 p.a. is to be treated as bottom of the pyramid customers but such are less than second last category. Marketers of consumer durables are not targeting such lower income group or provide offerings at very low rate as well as with easy small and affordable installments. The population across income cuts and sector (Table Below) shows the in the category of "higher income bracket" contribution of Urban Consumer is higher as to Rural one but surprisingly in the second category of income cuts contribution of Rural population is higher significantly. It indirectly informs that the rural India have more aspirants as to urban one. Marketers should eye on this great Indian middle class of the rural areas as well as "premium" segment of the urban area having highest purchasing power. In other way round we can say the income for Urban population and Rural population having no significant difference. The difference appeared is diluted due to high cost of living in the urban area as to rural area. But the income disparity is less effective but the other aspects like drinking water, roads, communication facilities and opportunities or earning is still very low in rural areas.

<b>States</b>	<b>Rural</b>	<b>Urban</b>
All-India	36.35	28.76
Andhra Pradesh	25.48	32.28
Assam	61.78	12.48
Bihar	58.85	45.10
Gujarat	26.22	21.70
Haryana	14.86	13.79
Karnataka	38.50	24.55
Kerala	26.50	31.89
Madhya Pradesh	39.35	46.29
Maharashtra	50.00	32.16
Orissa	62.67	34.27
Punjab	14.24	6.74
Rajasthan	15.01	24.36
Tamilnadu	39.37	29.82
Uttar Pradesh	28.87	36.39
West Bengal	55.16	36.74

*Table 19: Percentage of Population below Poverty line by Rural-Urban location state-wise*

The study also look into the another aspect of percentage of population below poverty line, in which rural population is 37% below poverty line and urban population is 28%.. The most affected poverty states in rural terms are Bihar, Assam, Orissa, Maharashtra, and West Bengal. The urban populations below the poverty line are Madhya Pradesh, Bihar, Orissa, Maharashtra and Uttar Pradesh. By looking the composition on the above mentioned fact, it is concluded that the BPL states configuration almost same in rural and urban terms.

<b>Goods</b>	<b>Up to 350</b>	<b>351-750</b>	<b>751-1500</b>	<b>1501+</b>
Washing Bars	60	78	86	91
Toilet Soaps	57	72	89	93
Toothpaste/powder	22	36	65	85
Talcum Powder	20	25	41	63
Tea Packaged	22	30	48	64

*Table 20: Income vs. Usage of Packaged consumer goods*



The study shows that consumption is increasing with the increasing of income level in rural areas. The rural consumer are looking the dynamics of the urban life styles and when their incomes increase, their consumption pattern finding a lot of changes and are in accordance with the consuming pattern of urban life.

## 6. Conclusions

By 2025, India will triple its income level and will become the fifth largest consumer market, climbing from its current position at 12. A lot of this wealth will be created in the urban areas, but even the rural households will benefit. The real annual real income for rural households will move from 2.8 per cent in the past two decades to 3.6 per cent in the next two. This was stated in a report by McKinsey & Company named 'The 'Bird of Gold': The Rise of India's Consumer Market'.

India's middle-class is expected to increase by ten times to around 583 million, while the income levels will triple by 2025, as India reaches the fifth largest consumer market in the world level, report stated.

The Indian rural market is expected to touch US\$ 100 billion, more than tenfold, in the next 15 years, according to market research firm, The Nielsen Company. The rural market is currently estimated to be worth approximately US\$ 9 billion in consumer spending in the fast moving consumer goods (FMCG) space per annum.

The study also highlighted that rural India now accounts for more than half of sales in some of the largest FMCG categories.

Indian FMCG and retail sector companies are providing innovative mobile technology and tablet personal computers for field representatives to reach out to rural India.

The rural retail market is currently estimated at US\$ 112 billion, or around 40 per cent of the US\$ 280 billion Indian retail market, according to a study paper, 'The Rise of Rural India', by an industry body.

Rural India consumers hold a major share in many categories. Rural India buys 46 per cent of all soft drinks, 49 per cent of motorcycles and 59 per cent of cigarettes and almost 11 per cent of the rural women use lipstick. This was found by MART, a New Delhi-based research organisation that offers rural solutions to the corporate world.

Big retailers are focusing on the rural market. 'Aadhar', the Future Group and Godrej Agrovet's joint venture (JV) in rural retailing will be revamped, while Rajkot based Champion Agro Ltd is planning to open 400 agri-retail outlets across Gujarat. ACIL Cotton Industries, a company based in Vadodara, has launched 40 ACIL Krishi Stores across Gujarat.

The rural consumer durables markets' annual growth rate is 30 per cent, according to a study by an industry body. The market will grow up to 45 per cent in rural and semi-urban India by 2011, due to improved income and better living standards among rural people.

The total size of the consumer durables market stands at US\$ 6.72 billion and will reach US\$ 11.2 billion by 2015. Mobile phones, LED televisions and music systems, which include fancy items such as the iPod, are some major growth drivers.

Lighting solutions company BPL Techno Vision has launched its rechargeable light emitting diode (LED) lantern 'BPL Chirag' for the domestic rural market. The product has been launched in Uttar Pradesh (UP) in the first phase due to its large geography and rural household base.

Maruti Suzuki's share of rural sales has increased from 3.5 per cent to 17 per cent in the last three years.

Mahindra & Mahindra (M&M) are now selling more Scorpios in rural and semi-urban markets. Scorpio sales have increased from 35 per cent to 50 per cent in the last two years.

Toyota Kirloskar Motor (TKM), in which Japan's Toyota Motor Corp holds an 89 per cent controlling stake, is planning to sell 40 per cent of its cars in rural markets in India. According to Hiroshi Nakagawa, Managing Director, TKM, "We are aggressively expanding our dealership footprint in India and quite a significant portion of this will be in the country's heartland.

Yamaha plans to double the number of its sales outlets in India in the next five years to tap the growing demand in the villages as economic growth boosts incomes. India Yamaha Motor Pvt. may increase showrooms to 2,000, mostly in small towns and rural hubs, according to Koji Arai, director and chief sales officer. The company is refurbishing some of the existing outlets in small towns and rural hubs and adding new ones called Yamaha Bike Corners, organizing free motorcycle service camps and test rides.

Tata Motors is also making efforts to sell its pickup truck Ace in rural markets. It has already opened 600 small outlets for the Ace in rural and semi-urban markets. It has also tied up with 117 public sectors, gramin (rural) and co-operative banks to help small entrepreneurs buy the vehicle.

The total number of active internet users in rural area will rise by 98 per cent to touch 24 million by the end of this year from 12.1 million in December 2010, according to a survey conducted by IMRB for the Internet and Mobile Association of India (IAMAI).

Reliance Communications and handygo Technologies Pvt Ltd have joined hands to provide 'Behtar Zindagi' - a value added services (VAS) solution in rural areas, in which the subscribers would get live information on weather, livestock, mandi prices, fishery advisory, finance and health schemes.

Hindustan Unilever Ltd (HUL) is experimenting with tablet personal computers (PCs) to increase its rural reach. The firm has been able to reach to 500,000 outlets in a year's time. The firm already uses Shakti Amma channel to reach out to rural markets.

HUL has initiated discussions with top telecom firms and banks and financial services companies to create a joint distribution model, which will span across 638 thousand villages, comprising some 775 million people reside.

Over 100 farmers across Maharashtra, Karnataka and Gujarat are showing interest in sophisticated applications. In Maharashtra, farmers are planning their harvest, production and managing inventory using an enterprise resource planning (ERP) product called FarmERP, reflecting a growing shift in the way sophisticated software applications can be used by the masses. The idea to develop the software came from the project called Parivartan Network, involved setting up 2,000 Internet kiosks with agricultural content for farmers in 60 centres across Maharashtra.

Edutor Technologies plans to raise US\$ 3 million to expand its rural customer base for the launch of new content through its handheld learning device. The company has decided to tie up with Government schools to tap the rural market, besides exploring the potential of offering content in local language.

The Commonwealth Secretariat, London, has partnered with public sector banks Corporation Bank and Central Bank of India to provide credit to rural masses for enterprise development activities and to make them self-sustainable.

Government-run general insurance firm, United India Insurance Company, is targeting a business of US\$ 1.78 billion in 2011-12 focusing on micro, small and medium enterprises (MSME) segment and rural market.

Marico is using mobile technology innovatively to arm its field representatives in their procurement process. The firm procures large quantities of safflower (kardi) seeds for its flagship product sunflower oil and covers almost 80,000 acre of farmland spread across seven states.

### 6.1. Future Prospectus of the Study

The Government may allow post offices to set up automated teller machines (ATMs) in rural areas in an attempt to further strengthen the role of India Post in financial inclusion. The services would be provided to select areas to give people access to online banking services

The National Small Industries Corporation Limited (NSIC) will give marketing support to the Rajkot-based micro, small and medium enterprises (MSME) by educating them besides organising exhibitions.

Government initiatives facilitated by Department of Information Technology (DIT) includes National e-Governance Plan (NeGP), State Wide Area Network (SWAN) and CSC are increasingly maturing, said the survey. About 90,000 CSCs are operational in various parts of India, as per latest reports provided by the DIT. With India having about 600,000 villages, each CSC on an average serves about six villages approximately.

Various projects taken up by the private sector such as ITC's e-Choupal, HUL's Project Shakti, Microsoft's Project Shiksha and Google's Internet bus among various others, are assisting in generating not only awareness and usage but also its importance

The rural markets differ from the urban market on a number of variables. The variance arises mainly because of the differences in consumer tastes and preferences, also on account of difference in perception and difference in the rural income and its distribution. The differences in consumer tastes and preferences in the rural areas are concluded on the basis of the following basis:-

1. Difference in Culture and Tradition: - Culture and tradition play a significant role in determining the preference for different products in the rural areas, but this is not in case of urban areas. In rural areas people living in the same part of the country are likely to have similar tastes and preferences across income categories. The urban areas people living in two different parts are likely to have similar tastes, if they belong to the same or nearly same economic strata. This marked convergence in aggregate urban behaviour that has occurred over a period of several years on account of vast improvement in infrastructural facilities and due to the high level of sophistication of information, technology available in the urban areas.

2. Heterogeneity within rural areas:- The dominance of traditional values system and the differential development of infrastructural facilities has contributed tremendous heterogeneity in the rural markets. This heterogeneity is accentuated due to the agro-based economy of the rural areas. The type of soil and climate influence productivity and determine selection of crop mix. The crop mixes in turn, influence, the quantum of disposable income. The standards of living in different states depend up on the income status of rural people, which is different amongst states. The differences are present not only between the farmers in the same states, but also farmers living in different states. The urban areas in the country are, however not anywhere nearly as heterogeneous as the rural areas. The higher literacy levels and similar levels of income have ensured that the people living in the urban areas of different states with different economic conditions still can have similar likes and dislikes.

3. Level of Disposable Income between rural and urban people: - The rural people are likely to have greater disposable income at their command due to a variety of reasons: - a) The villagers and people living in very small towns generally have their own houses who need not to pay any rent, this leads to their greater savings from the same income as their urban counterparts who give away a significant proportion of their income as rent. b) The urban lifestyle is different from that prevailing in the rural areas. This means that a person in the urban area may be spending much more on clothes and other such things that are not considered very important by the villagers.

4. Seasonality of Income: - The incomes of the rural people are mainly dependent upon the agriculture and allied activities and that's why the income in the rural areas is seasonal in nature. The seasonality in income means that the bulk of the products purchased by the people living in the rural areas is likely to be in the days following the harvest and the sale of the crops. The marketing at the time of harvesting is important. This is not the case for the people living in urban areas where the cash inflow is more regular and hence the frequency of buying is greater and more stable.

5. Value perceptions of products: - The difference in the importance of the same products to an urbanite and to a villagers means that the two are likely to attach different values to the same product. An urbanite who has very little use of a torch may likely to have plastic torch that is light and easy to handle whereas a rural person may want to have a torch made of steel which is quite a bit heavier than the one made of plastic because he feels that the steel torch is much more durable.

6. Participation in Buying Decision-Making:- The buying decision in the rural areas is taken by the older people and the male members in the families, even for the products and necessities for child and female, the decision almost is taken by the older members of the family. The reason behind the prevalence of such rules can be traced back to the fact that most of the purchasing in the rural setting is performed by the male members of the family who visit the markets more frequently than the others. The women are such freer in

urban areas than in the rural areas. This means that while the urban women can go out to get the things that they like, the rural women have to depend on their men folk to fetch them the goods that they need. The urban women is, therefore, more likely to be aware of developments in the market place when compared to the rural woman.

7. Buying Behaviour:- The rural folk are less likely to be innovators, they are more likely to be adopters because they are not very aware of the uses of all kinds of new products that are available in the markets now. They, therefore, feel that if they go out to buy a new product, something that nobody in the neighborhood has bought till then, they could end up purchasing something that is if not use to them. And they could then become the butt of the jokes of the others. They would rather wait for some other people to first buy any new product before they go ahead and do so themselves. The rural markets have had to access to very few brands in each product category in the past, so that If brand was of good quality and performed reasonably well, it acquired cult status and the people kept using the same brands over the years.

8. Media Habits: - Media Habits of the rural consumers are significantly different from that of the urban consumer. As literacy is low in rural areas, print media cannot be used to reach a large number of people. As far as usual areas are concerned the radio plays a more significant role than the print media. Moreover the media habits of the rural consumers residing in different parts of the country differ quite significantly.

The urban markets are a large contagious settlement of towns or urban agglomerations' whereas the rural markets are small contagious settlement units of villages for from cities. The rural consumers are far less homogeneous than there in the urban counterparts' and differ and that has go important implications for the marketers. The rural selling is fundamentally different form the urban. The contrast between the rural and urban consumers are made clearer by the factors such as sociological, economic, psychological, and exposure factors. These factors are contributing in their own way to the awareness for rural people by putting them to greater exposure, and providing them with information about the happenings in the world outside. The rural consumer unlike his counterpart is frugal and does not consider the daily chores of life a physical exertion. Things of utility are more likely to attract his attention. A rural consumer, as a rule wants to be very sure of the quality of the product and expects the product to spell-out its use at the outset. He will buy only that product which would give him satisfaction of having got his money worth. Upon buying his product he should feel that he has been wise choice and that he has not been taken for a ride by a fast talking city business. The urban and rural consumers differ with regard to the brand loyalty too. The urban consumer, being discriminating, generally has to try at any new product or the same product with a novel feature or plus attraction. In that sense, we could call an urban buyer flexible and dynamic. Not so the rural consumer. Once the rural buyer is induced to buy and use a particular product and once he is satisfied with it, he becomes a staunch supporter and loyal user of that brand and may even make efforts to get the whole village to use it.

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