

Indian Rural Retail Market: An Overview of Recent Scenario

Prof. Dipak Umbarkar¹, Prof. Rahul Shinde²

¹Indira College of Commerce & Science, Pune

²MES Senior College, Pune

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Abstract

When we think about traditional rural India, pictures comes in our minds like houses with thatched roof, surface floor covered with cow dung, people with conservative mind set, who hesitate to accept the social, environmental & technological changes as per today's era. As a development takes place in a telecommunication sector rural peoples are aware about trends going in market. As per Indian Census near about 70 % of Indian population staying in rural parts of India. Rural population who contribute more than 50% share in GDP. India's rural markets are growing at double the rate as compared to urban markets. The retail revolution is going to act as an impetus sector in Indian market. So, the new concept that is hitting the market today is the "Rural Retailing". In spite of various issues and problems in rural market, many companies by taking the help of recent trends and new IT based technologies capturing the larger market. Looking in to this theme, this paper is based on Opportunities and challenges as well as recent happening and trends in rural market related to retailing.

Keywords: Retailing, Rural India, Rural Retail, Rural Consumer, Rural Marketing .

1. INTRODUCTION

India has a population of about 1.21 billion people and is the second most populous country after China. The rural parts of India consist of about 650,000 villages. These villages are having 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). The other 30 % of Indians live in one of the 5,170 cities, which are classified from Tier I to Tier IV according to their number of inhabitants.

In our soil more than 15 million retailers, most of them running small outlets, we also have modern retail outlets everywhere in India. Along with the comprehensive growth of all business activities, on account of astonishing revolution in Science &

Technology, it has been noticed that even the retail trade sector has undergone a complete revolution in his form & business style during last 2 decades. The rural revolution is driven by increased income level of people, changes in consumption pattern, improved infrastructure facility & government initiatives for the growth of rural economy. Indian consumers are positively accepting changes in retail formats like hypermarkets, supermarkets, specialty stores, malls concepts in retail sector.

The Indian retail industry consists with 22% of GDP and employed 249.94 million people (57% of the workforce) in 2016. The industry provides second largest employment to Indian people after agriculture sector. India has one of the fastest-growing retail markets in a world, and is projected

to reach \$1.3 trillion by 2020. Due to a favorable changing in consumption trend as well as the potential size of the market, rural India provides scope in large scale and attractive investment opportunity for private players.

2. OBJECTIVES:

To understand recent scenario in Indian rural retail sector.

To study the challenges and problems of rural retail market in India.

3. RESEARCH METHODOLOGY

This paper is based on secondary data as theoretical study on retailing in India with special reference rural retailing in India. To complete this, various books, journals and periodicals have been consulted; reports of various organizations like A.T. Kearney Report, Ernst & Young, and Indian Council for Research on International Economic Relations (ICRIER), KSA Technopak have been considered. Internet searching has also been done for the purpose.

4. RECENT SCENARIO

Rural customers are now becoming a preferred target for Indian retailers. They are considering options for expanding into the 6.3 lakh odd villages. Starting modern retail formats in the rural areas are likely to revolutionize the shopping habits of rural customers. It is also likely to generate considerable employment opportunities.

India's per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semiurban India is crossed US\$ 20 billion mark in 2018 and will reach US\$ 100 billion by 2025

The Ministry of Rural Development is annual targeted length of 48,812 kilometers of rural roads under the Pradhan Mantri Gram Sadak Yojana

(PMGSY), which has reached a completion stage of 80.00 per cent as end of year 2019.

The National Bank for Agriculture and Rural Development (NABARD) plans to provide around 200,000 point-of-sale (PoS) machines in 100,000 villages and distribute RuPay cards to over 34 million farmers across India, to enable farmers to undertake cashless transactions.

Magma Fincorp, a Kolkata-based non-banking finance company (NBFC) plans to expand its operations in South India, with specific focus on rural and semi-urban markets to help the company grow rapidly

In India market has a very large network of local stores spread all across rural parts of India. These stores are unorganized. These stores are individually or family owned & has no union or connection with the other. These stores are small in size, very personal and have built good personal relationship with the local population. These store have combination of local as well as branded consumer product companies like Unilever, Procter & Gamble, Colgate Palmolive, Cadbury, Coca-Cola, Pepsi and ITC. They offer credit facilities to the local consumers in the times of crisis of the consumers

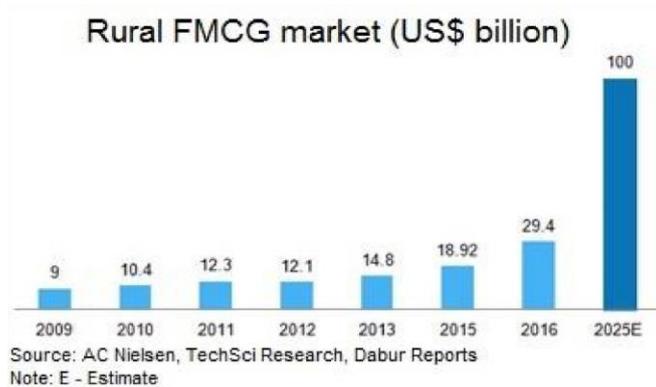
Demographic profile of rural Indian market

- No. of Villages 638,596
- Rural Population 892 Million
- There are total 4,597,527 retail outlets in rural India
- Near about 7500 Villages with railway station
- 1,39,0067 villages with post office''

Major Retailers In Rural India

Now we analyze the existing rural retail penetrations in India. There are many players which are Directly or indirectly involved in rural

markets. Some big ones are ITC, HUL, DSCL and Gillette. Almost all telecom companies have penetration and retailing in rural markets.

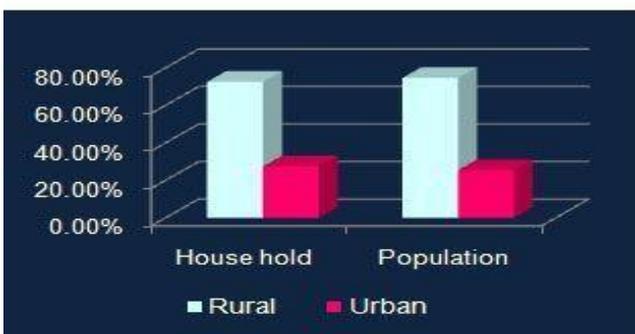


5. OPPORTUNITY:

Rural Population in India:

By 2020 urban population in India is predicted by analysts to grow from the current 30.4% to 33.7%. This means that in 2020, 66.3% of the total Indian population will live in rural areas. By the next decade, villages in India will receive lot of development expenses, enriching the rural people

Distribution of household & income in India



Indian rural market is growing at rate of 3-4% per annum, every year near about 1 million new rural consumers added in rural market. Increasing in income level and use of the electronic media helps in create awareness among the rural customer, making him to seek better life quality. Rural consumer now aware of various brands, and prefers shopping according to their own brand preferences.

Rural Purchasing Power:

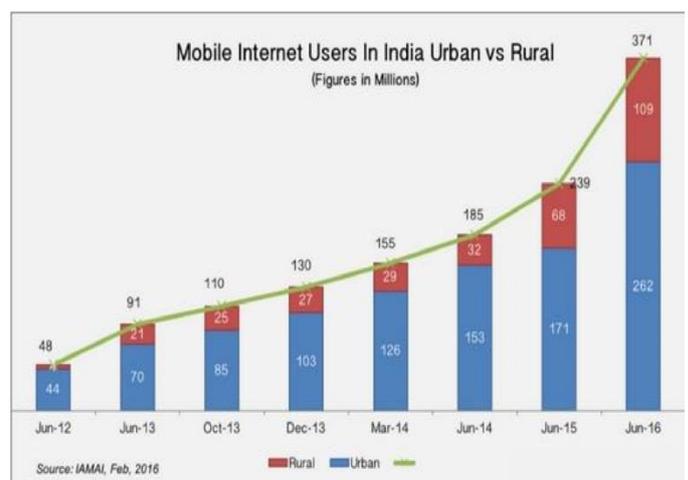
As increases in the income level of rural consumers sees an increasing trend, and their lifestyles are changing. They are now willing to spend more on goods that are designed to improve their lifestyle. As per the Neilson report states that by 2025, rural markets would contribute approximately \$100 billion of retail sales. The tremendous growth potential of the rural areas is now attracting number of retailer for rural market. Due to heavy and cut-throat competition in the urban sectors, retailers are implementing bold strategies for the rural consumers to attract them.

Increasing Literacy Rate:

Looking in to the trends of increasing literacy rate that we can say that, that is good sign for the entire marketer to capture this market and launch the product. If we see the literacy rate in 1981 is 36 and in 2011 is 74 and right now in 2019 definitely increased.

Literature Rate	1981	1991	2001	2011
% of Literate	36	45	59	74

Source: Census of India 2011.



We can see the transition of e commerce statistics in comparison with the urban peoples. Numbers of mobile user are increasing in the rural area that

leads to the increase in online shopping of various products.

6. CHALLENGE/PROBLEM:

Although the rural market offers a vast untapped potential, but it should be recognized that it is not easy to operate in the market, because of several challenges. Rural market remains untapped because of mainly three challenges:-distance, diversity, and dispersion. As much as Rural India presents a great opportunity, there are still many challenges that have to be overcome. This all are the challenges for rural retailing industries, lack of literacy and awareness, Low per capita income, Wide geographic spread, Gaps in road and Telecommunications connectivity, Lack of reliable electricity and water supply, Limited Distribution network for example cold storage, Competition from local players.

The rural per capita income is low as compared to urban area, Low per capita income leads to low purchasing power. This apart, the distribution of income is highly irregular, since the landholding pattern, which is basic asset, is itself uneven. Thus, rural market presents a highly heterogeneous scene. Therefore few challenges arise in this respect, like; off-taking of any product by rural consumer, maintaining of inventory levels, distribution system options, and frequency of distribution. This aspect should be carefully considered by the marketers.

7. CONCLUSION:

Rural marketing in India is still in its infancy stage. It is an area of darkness to Indian entrepreneurs, although, with its immense size and demand base, it offers plethora of opportunities to marketers. More than 70 percent of the country's consumers are in the rural market and more than half of the national income is generated here. There are number of challenges as well as opportunities for rural retail market. Numbers of schemes are launched by the

government as well as, now a day's rural market is developing in the sense of online shopping. Right now many industries are moving towards the rural market as looking in the increasing literacy rate, perception of people, increase in number of internet user in rural area, increase trends of online shopping from rural market, increase in awareness among the people, increase transport and communication in rural area.

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